



Annual Report 2008

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Financial highlights for the year

TDC's revenue decreased by DKK 0.5bn or 1.3% to DKK 38.8bn in 2008. Revenue was negatively affected mainly by a reduction in the domestic landline voice business as a result of migration toward mobile telephony and VoIP. The divestment of International Voice Business, lower CPE sales, divestment and outsourcing of terminal sales and CPE sale to business customers and lower international mobile roaming prices also had a negative effect on revenue. This was partly offset by more TV customers, higher revenue from the, on average, larger broadband customer base and higher ARPU, as well as more domestic mobile retail customers and more mobile customers in Sunrise. HTCC's acquisitions of Invitel and Memorex also affected revenue positively, but were partly offset by the divestment of Bité and SBC. Adjusted for acquired and divested enterprises, TDC's revenue decreased by 2.4%.

TDC's income before depreciation, amortization and special items (EBITDA) rose by DKK 0.7bn or 5.4% to DKK 13.2bn. This was caused primarily by lower wages due to fewer full-time employee equivalents. In addition, gains from the divestments of small business areas¹, and growth in the broadband and cable-TV business impacted positively. This was partly offset by a decrease in Sunrise's EBITDA, related to reduced mobile termination charges, lower prices for postpaid customers and higher customer acquisition and retention costs. Adjusted for acquired and divested enterprises, EBITDA increased by 3.5%.

¹ Minor gains and losses from the divestment of business areas are included in Other income and expenses, whereas large gains and losses are included in Special items.

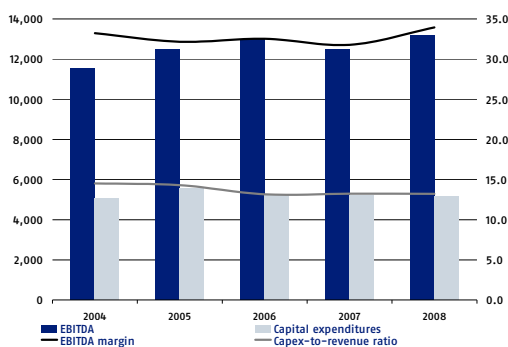
Net income, including special items and fair value adjustments, decreased by DKK 5.4bn to DKK 2.8bn in 2008. The decrease reflected mainly the development in Special items. Special items had a negative impact in 2008 due chiefly to impairment losses related to goodwill from Sunrise, TDC Sweden and TDC Finland as well as restructuring costs. This was only partly counteracted by a gain from the divestment of shares in Polkomtel in 2008. Special items had a positive impact in 2007 due largely to gains from the divestment of Talkline, Bité and One as well as the sale and leaseback of properties. This was partly counteracted by an impairment loss related to goodwill from Sunrise.

Net income from continuing operations, excluding special items and fair value adjustments, increased by DKK 2.0bn to DKK 4.7bn in 2008. This increase reflected mainly higher EBITDA and lower Net financial expenses.

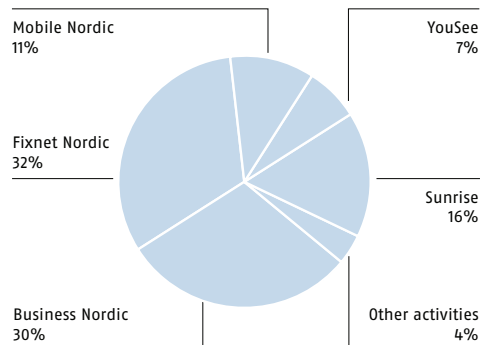
Net interest-bearing debt was reduced by DKK 6.3bn to DKK 35.1bn, driven principally by the divestment of Polkomtel.

TDC's revenue in 2008 was lower than the Outlook in Annual Report 2007, which stated a slight increase. This was due mainly to declining revenue in the domestic landline business and Sunrise more than offsetting the full-year impact from the acquisition of Invitel as well as the impact from the acquisition of Memorex and growth in YouSee. The growth in Net income from continuing operations, excluding special items and fair value

EBITDA
Capital expenditures (DKKm) EBITDA margin
Capex-to-revenue ratio (%)



TDC Group
EBITDA per business line



adjustments, was higher than the expected 10%–20% due primarily to more efficient operations, increasing currency adjustments and decreasing interest expenses.

In accordance with the latest Outlook in the third-quarter report 2008, TDC's revenue decreased slightly compared with 2007. Revenue was impacted by declining revenue in the domestic landline business and Sunrise. The growth compared with 2007 in Net income from continuing operations, excluding special items and fair value adjustments, came to 73%, which was higher than the 30%–40% expected in the latest Outlook. This stemmed mainly from higher currency adjustments.

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

Major events in 2008

Changes in TDC A/S' Board of Directors

As announced previously, Henning Dyremose resigned as Chairman of the Board of Directors at TDC A/S' Annual General Meeting 2008, held on March 13. The remaining Board members were re-elected. At a subsequent Board meeting, the Board of Directors elected Vagn Sørensen as Chairman and Kurt Björklund as Vice Chairman.

At an Extraordinary General Meeting in TDC A/S on May 16, 2008, Pierre Danon, Chief Executive Officer of Numericable and Completel and Senior Advisor at JP Morgan, was elected as a new member of TDC A/S' Board of Directors. The Board of Directors remained otherwise unchanged.

At a subsequent Board meeting, the Board of Directors elected Vagn Sørensen as Chairman and Pierre Danon as Vice Chairman of the Board of Directors.

Further, Pierre Danon has joined the Compensation Committee, set up by the Board of Directors alongside Vagn Sørensen (Chairman), Kurt Björklund and Gustavo Schwed.

On October 14, 2008, Richard Wilson resigned from his position as a member of TDC A/S' Board of Directors – a position he had held since February 2006. Andrew Sillitoe, alternate to Richard Wilson since his election by TDC A/S' Annual General Meeting in April 2006, became an ordinary member of the Board of Directors as of the same date. Andrew Sillitoe is a Partner of Apax Partners LLP.

Andrew Sillitoe has joined the Audit Committee, set up by the Board of Directors alongside Lawrence Guffey (Chairman) and Vagn Sørensen.

The composition of TDC A/S' Board of Directors after these changes is described in the Management section.

Sunrise Communications AG outsourced business areas involving 520 employees

In June, TDC A/S' wholly-owned Swiss subsidiary Sunrise Communications AG entered into agreements with Alcatel-Lucent Schweiz AG (Alcatel-Lucent) and Aurelius Information Technology Holding GmbH (Aurelius), respectively, which entailed outsourcing and the joint

transfer of 520 of the Swiss Group's total of 2,100 employees.

The agreement with Alcatel-Lucent includes the operation and maintenance of the entire Sunrise network, although key tasks such as network planning and customer care remain with Sunrise. The agreement, which took effect as from July 1, 2008, was set to be fully implemented by the end of January 2009 – after the migration period. A total of 290 employees have been transferred to Alcatel-Lucent under the agreement.

The agreement with Aurelius covered all the shares in Sunrise Communication AG's wholly-owned subsidiary SBC (Sunrise Business Communications AG), which deals with planning, installation and integration of internal equipment and data networks for business customers. Altogether, 230 employees were included in the transaction, which had effect from July 1, 2008.

The divestment is part of the ongoing streamlining of Sunrise's activities.

Changes in TDC A/S' Executive Committee

In August, Mads Middelboe retired from his position as CEO of Mobile Nordic.

The Board of Directors appointed Jesper Theill Eriksen, at that time Chief of Staff & HR at TDC A/S, as new CEO of Mobile Nordic.

In November, Henrik Poulsen became President and CEO of TDC A/S after Jens Alder. During his career, Henrik Poulsen has been e.g. Executive Vice President of the LEGO Group and Operating Executive with KKR Capstone, which is associated with Kohlberg Kravis Roberts & Co.

In December, the Board of Directors appointed Niels Breining, CEO of YouSee A/S, TDC A/S' wholly-owned subsidiary, as a member of TDC A/S' Executive Committee. Niels Breining will also continue as CEO of YouSee A/S.

The composition of TDC A/S' Executive Committee after these changes is described in the Management section.

TDC acquired Tele2 in Switzerland

In November, pursuant to a Share Purchase Agreement entered into in September, Sunrise Communications AG completed its acquisition of 100% of the common shares in Tele2 Telecommunications Services AG (Tele2 AG) in Switzerland. The purchase price for the shares amounted to CHF 43m.

Tele2 AG is the third-largest landline telecommunications provider in Switzerland. In addition to landline telephony, Tele2 AG offers internet access and mobile telephony services and focuses on offering simple services at low prices.

Completion of the sale of TDC's shares in Polkomtel

In December, TDC completed the sale of 24% of its shares in the Polish mobile operator Polkomtel to Vodafone and 76% of its shares in Polkomtel to the Polish shareholders in Polkomtel (KGHM Polska Miedz, PKN Orlen, Polskie Sieci Elektroenergetyczne and Weglokoks).

The purchase price for the shares amounted to EUR 214.04 per share reduced by dividend payments per share received by TDC from March 10, 2006, until December 18, 2008, with an added interest-based price adjustment. On completion of the sales agreements with Vodafone and the Polish shareholders, TDC received a cash payment of EUR 726m (DKK 5,406m) for all its shares in Polkomtel.

The sale of all TDC's shares in Polkomtel resulted in an after-tax gain of DKK 3,998m that was included in the Statements of Income in 2008 as special items related to Income from joint ventures and associates.

Selected financial and operational data

TDC Group	2008	2007	2006	2005	2004	2008 ²	2008 ³
Statements of Income	DKK m					USD m	EUR m
Revenue	38,819	39,321	39,941	38,848	34,689	7,345	5,210
Income before depreciation, amortization and special items (EBITDA)	13,175	12,498	12,991	12,492	11,529	2,493	1,768
Depreciation, amortization and impairment losses	(5,819)	(6,227)	(6,491)	(6,696)	(6,534)	(1,101)	(781)
Operating income (EBIT), excluding special items	7,356	6,271	6,500	5,796	4,995	1,392	987
Special items	(5,815)	1,809	(312)	(973)	357	(1,100)	(780)
Operating income (EBIT)	1,541	8,080	6,188	4,823	5,352	292	207
Income from joint ventures and associates	4,564	1,401	449	334	5,632	864	613
Net financials	(2,412)	(3,396)	(2,723)	(1,068)	(714)	(457)	(324)
Income before income taxes	3,693	6,085	3,914	4,089	10,270	699	496
Income taxes	(1,001)	(1,431)	(858)	(850)	(1,105)	(190)	(135)
Net income from continuing operations	2,692	4,654	3,056	3,239	9,165	509	361
Net income from discontinued operations	59	3,513	387	4,211	745	12	8
Net income	2,751	8,167	3,443	7,450	9,910	521	369
Attributable to:							
– Shareholders of the Parent Company	2,905	8,409	3,446	7,474	9,912	550	390
– Minority interests	(154)	(242)	(3)	(24)	(2)	(29)	(21)
Net income, excluding special items and fair value adjustments:¹							
Operating income (EBIT)	7,356	6,271	6,500	5,796	4,995	1,392	987
Income from joint ventures and associates	572	542	439	334	566	108	77
Net financials	(1,796)	(3,274)	(2,900)	(887)	(892)	(340)	(241)
Income before income taxes	6,132	3,539	4,039	5,243	4,669	1,160	823
Income taxes	(1,411)	(806)	(1,077)	(1,050)	(1,233)	(267)	(189)
Net income from continuing operations	4,721	2,733	2,962	4,193	3,436	893	634
Net income from discontinued operations	0	255	400	506	507	0	0
Net income	4,721	2,988	3,362	4,699	3,943	893	634
Balance Sheets	DKK bn					USD bn	EUR bn
Total assets	74.9	79.5	80.8	93.5	90.3	14.2	10.1
Net interest-bearing debt	35.1	41.4	55.2	16.5	20.1	6.6	4.7
Total equity	11.7	10.4	3.6	43.8	38.9	2.2	1.6
Average number of shares outstanding (million)	198.1	198.1	198.0	195.2	204.6	198.1	198.1
Statements of Cash Flow	DKK m					USD m	EUR m
Operating activities	7,178	9,938	10,141	8,691	11,084	1,358	963
Investing activities	600	7,886	(989)	(1,226)	2,889	114	81
Financing activities	(9,633)	(13,028)	(15,760)	(4,229)	(12,573)	(1,823)	(1,293)
Total cash flow	(1,855)	4,796	(6,608)	3,236	1,400	(351)	(249)
Capital expenditures	DKK bn					USD bn	EUR bn
Capital expenditures excluding share acquisitions	5.1	5.2	5.3	5.6	5.0	1.0	0.7

¹ Net income excluding special items and fair value adjustments excludes Special items from Income from joint ventures and associates as well as Special items from Income from discontinued operations.

² Translated solely for the convenience of the reader at a rate of DKK 5.2849 to \$1.00, the exchange rate of Danmarks Nationalbank on December 30, 2008.

³ Translated solely for the convenience of the reader at a rate of DKK 7.4506 to €1.00, the exchange rate of Danmarks Nationalbank on December 30, 2008.

TDC Group		2008	2007	2006	2005	2004
Key financial ratios						
Earnings Per Share (EPS)	DKK	14.7	42.4	17.4	38.3	48.4
EPS, excl. special items, fair value adjustments and discontinued operations	DKK	24.6	15.0	15.0	21.6	16.8
Dividend payments per share	DKK	3.6	3.5	223.9	12.5	12.0
EBITDA margin (EBITDA divided by revenue)	%	33.9	31.8	32.5	32.2	33.2
Capex excl. share acquisitions-to-revenue ratio	%	13.2	13.2	13.2	14.3	14.5
Cash Earnings Per Share (CEPS), excl. special items, fair value adjustments and discontinued operations ⁴	DKK	50.0	42.8	45.2	54.1	46.2
Return on capital employed (ROCE) ⁵	%	18.9	14.9	13.0	12.0	11.5
Customer base (end-of-year)⁶ (1,000)						
Landline		3,842	3,670	3,311	3,471	3,483
Mobile		4,952	4,475	6,195	5,588	4,536
Internet		1,971	1,920	1,767	1,769	1,813
TV		1,140	1,105	1,062	1,030	982
Total customers		11,905	11,170	12,335	11,858	10,814
Number of employees⁷		14,745	17,390	18,164	19,373	18,565

⁴ CEPS is defined as (Net income excluding special items and fair value adjustments attributable to shareholders of the Parent Company - Net income from discontinued operations + Depreciation, amortization and impairment losses + share-based compensation - Income from joint ventures and associates - minority interests' share of depreciation, amortization and impairment losses together with share-based compensation) / (number of average shares outstanding).

⁵ ROCE is defined as (EBIT excluding special items + interest and other financial income excluding fair value adjustments + Income from joint ventures and associates) / (average equity attributable to Company shareholders + interest-bearing debt).

⁶ The number denotes end-of-year customers and includes customers with subscriptions and customers without subscriptions according to the following general principles:

- Landline customers who have generated traffic in the previous month.
- Mobile customers active within the last 3 months.
- Internet customers active within the last 3 months.

⁷ 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 exclusive of FTEs in discontinued operations.

The TDC Group

TDC is the leading provider of telecommunications solutions in Denmark, the second-largest full-range telecommunications provider in the Swiss market and is represented in the pan-Nordic market and Hungary.

TDC was partly privatized in 1994 and fully privatized in 1998. TDC A/S' majority shareholder, Nordic Telephone Company ApS, is – through a number of holding companies – ultimately controlled by investment funds, each of which is advised or managed, directly or indirectly, by Apax Partners Worldwide LLP, The Blackstone Group International Limited, Kohlberg Kravis Roberts & Co. L.P., Permira Advisers KB or Providence Equity Partners Limited.

By year-end 2008, the TDC Group had 7.8m domestic customers. In addition, the TDC Group had 2.9m customers in Switzerland, 1.1m customers in Hungary and 0.1m customers in TDC Nordic.

TDC's total customer base amounted to 11.9m customers in 2008, up 6.6% on 2007, which was attributable mainly to the acquisition of Memorex Telex Communications AG (Memorex) by HTCC and the acquisition of Tele2 in Switzerland by Sunrise.

The domestic customer base totaled 7.8m, down 0.3%. This development resulted primarily from fewer landline voice customers, which was partly offset by growth in the mobile retail customer base as well as more TV customers.

At year-end 2008, TDC had 14,745 full-time employee equivalents compared with 17,390 in 2007. At year-end 2008, the domestic operations accounted for 10,293 full-time employee equivalents compared with 12,414 in 2007.

The reduction in full-time employee equivalents was effected primarily by redundancy programs initiated in 2007 and 2008, and outsourcing. The outsourcing in Denmark was related mainly to outsourcing of IT services

Customer base (end-of-year)

1,000

TDC Group	2008	2007	Growth in % 2008 vs. 2007
Domestic, retail and wholesale	7,808	7,833	(0.3)
Landline customers	2,118	2,372	(10.7)
– Retail	1,821	2,003	(9.1)
– Wholesale	297	369	(19.5)
Mobile voice customers	3,042	2,864	6.2
– Retail	2,815	2,632	7.0
– Wholesale	227	232	(2.2)
Mobile data card customers	118	73	61.6
Landline internet customers	1,390	1,419	(2.0)
– Broadband, retail	1,171	1,156	1.3
– Broadband, wholesale	124	134	(7.5)
– Non-broadband	95	129	(26.4)
TV customers	1,140	1,105	3.2
International	4,097	3,337	22.8
Landline customers	1,724	1,298	32.8
Mobile customers	1,792	1,538	16.5
Landline internet customers	581	501	16.0
TDC Group	11,905	11,170	6.6

and the operation of the mobile network. The reduction in full-time employee equivalents was also a consequence of the net effect of divestments and acquisitions and the net effect of recruitment and natural attrition.

The reduction in international full-time employee equivalents was principally a consequence of outsourcing in Sunrise and the divestment of SBC², which was partly counteracted by HTCC's acquisition of Memorex³.

Business activities

TDC

TDC's main business lines and their contribution to revenue and EBITDA for the year ended December 31, 2008:

- Business Nordic (31% of revenue, 30% of EBITDA) provides telecommunications solutions for TDC's business customers in Denmark and the other Nordic countries. The activities include mainly data communications and internet services, comprising broadband solutions, landline telephony, convergence products (combined landline and mobile telephony), mobile services, terminal equipment and leased lines, including fiber access. In addition to offering telephony and data communications services through TDC's network, Business Nordic operates a pan-Nordic network. Business Nordic also provides IP and LAN infrastructure through NetDesign and hosting solutions through TDC Hosting.
- Fixnet Nordic (22% of revenue, 32% of EBITDA) provides landline services for residential customers, including SoHo, and wholesale customers in Denmark. Fixnet Nordic's activities include mainly landline telephony, convergence products (combined landline and mobile telephony), internet and data services, including broadband solutions, TV and leased lines (on a wholesale basis).
- Mobile Nordic (14% of revenue, 11% of EBITDA) provides mobile services for residential, SoHo and wholesale customers in Denmark. Mobile Nordic's focus areas cover primarily mobile voice and data services, sale of handsets, and, from 2008, mobile broadband. Mobile Nordic also includes Telmore, which is a service provider offering primarily mobile voice and data services as web-based self-services through Mobile Nordic's network, and, from 2008, ADSL provided on Fixnet Nordic's network, and mobile broadband.
- YouSee (8% of revenue, 7% of EBITDA) is a Danish provider offering its customers TV, broadband and telephony as a triple-play solution, and digital as well as analog TV through a fully digitalized hybrid fiber coaxial-cable network.
- Sunrise (22% of revenue, 16% of EBITDA) is the second-largest full-range telecommunications provider in Switzerland. Its activities include mobile and landline telephony and internet services. Sunrise has its own national backbone landline and ISP network, as well as its own mobile network based on GSM/EDGE and UMTS/HSDPA technology. The latter is still being expanded.
- Other activities include HTCC, TDC IT and Headquarters⁴. HTCC is a 64.6% owned subsidiary. As of April 27, 2007, HTCC acquired another Hungarian telecommunications provider, Invitel, and as of March 3, 2008, HTCC acquired

² The reduction related primarily to outsourcing (271 FTEs) and divestment of SBC (210 FTEs) in Sunrise.

³ Memorex had 127 FTEs at the time of the acquisition in March 2008

⁴ Bité was divested at the beginning of February 2007.

Full-time employee equivalents

	Year-end 2007	Recruitment	Redundancy programs	Outsourcing	Divestments and acquisitions	Natural attrition	Year-end 2008	Net change Actual	%
Domestic	12,414	936	(809)	(468)	(297)	(1,483)	10,293	(2,121)	(17.1)
International	4,976	829	-	(271)	12	(1,094)	4,452	(524)	(10.5)
Total	17,390	1,765	(809)	(739)	(285)	(2,577)	14,745	(2,645)	(15.2)

the Austrian-based Memorex. HTCC provides landline and data communications services in Hungary for retail and wholesale customers. TDC IT and Headquarters provide internal services for the TDC Group's domestic business lines.

Business Nordic

At year-end 2008, Business Nordic had 1.8m customers, with 1.7m in the domestic market and 0.1m international customers. In 2008, Business Nordic's revenue was DKK 12,042m. At year-end 2008, Business Nordic had 3,239 full-time employee equivalents.

Business areas

Internet and network services

Business Nordic's internet and network services consist largely of broadband subscription packages, private IP-based networks, data communications services, leased lines and hosting services. In 2008, revenue from internet and network services was DKK 4,061m, corresponding to 34% of Business Nordic's revenue. At year-end 2008, Business Nordic's landline broadband customer base (excluding dial-up) totaled 332,000.

In addition to broadband products, Business Nordic offers 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 bundled with the line product.

As domestic and international leased-line services cover the transmission of both telephony and data traffic to business customers, Business Nordic has a clear focus on fiber access sales and experienced substantial growth in 2008.

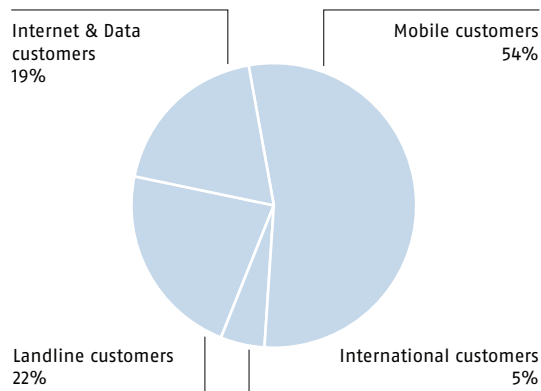
Landline telephony

Business Nordic's landline telephony business consists of traditional landline telephony, convergence products and VoIP. In 2008, revenue from landline telephony was DKK 2,779m, corresponding to 23% of Business Nordic's revenue.

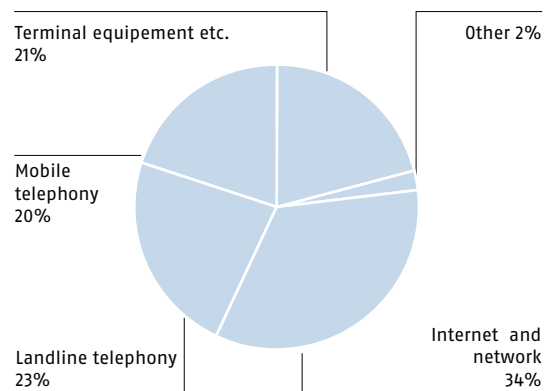
The basic PSTN product for business customers is similar to that offered to Fixnet Nordic's residential customers. ISDN products offered to business customers include products with multiple telephone lines. Convergence products are combined landline and mobile telephony products offered in one package. Together they comprise a virtual private network that enables business customers' employees to use the same internal telephone numbers for both landline and mobile phones. Scale, an IP-telephony product, is another solution for small business customers.

In 2008, the market for landline voice revenues for both access and traffic continued to decline, and this trend is expected to accelerate. VoIP has significant growth rates, but the total volume is still modest compared with the traditional landline products.

Business Nordic
Customers 2008 (end-of-year)



Business Nordic
Revenue per business area 2008



Mobile services

Business Nordic's mobile business consists of postpaid mobile voice and data customers. In 2008, mobile revenue was DKK 2,388m, corresponding to 20% of Business Nordic's revenue. In 2008, the mobile voice market grew, both in terms of revenue and volume, due to the migration from landline to mobile. However, in the second half of 2008, the mobile voice market stagnated, causing negative revenue growth.

In the business segment of the mobile market, customers wish to enhance efficiency by ensuring that their employees are available and able to work online everywhere. These customers also need mobile mail and calendar access on handheld devices as well as mobile internet/intranet access (for which both bandwidth and coverage are important criteria). Turbo 3G, based on HSDPA technology, is therefore a clear focus product in this market. Business Nordic has bundled its mobile broadband access (TDC Flex Data) with the TDC wireless hotspots in airports, trains, hotels, conference centers, cafés and petrol stations and rest areas along the main roads across Denmark (a broadband add-on module for Flex Data).

In April 2008, TDC launched PLAY, a service that enables unlimited download of more than 2 million music tracks at no additional charge. This service, initially introduced for residential mobile and broadband customers, was later also made available to business customers.

Terminal equipment etc.

Business Nordic's 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. In 2008, revenue was DKK 2,540m, corresponding to 21% of Business Nordic's revenue.

Customer premises equipment (CPE) is the hardware required to handle telephony and data traffic. Products handling telephony traffic range from large PABXs, which are in-house telephone switching systems for the largest business corporations, to single telephone apparatuses sold to small business customers. Products handling data traffic consist mainly of routers, switches, DSL modems

and other bridging equipment used to create LAN and WAN solutions.

Although most CPE is sold to customers, a modest amount is leased. Business Nordic offers service agreements in conjunction with equipment sales, with agreements covering certain equipment repairs made within specified time limits.

Business Nordic in other Nordic countries (TDC Sweden, TDC Norway and TDC Finland)

In the Nordic region, TDC offers IP-VPN and internet access as main services on its pan-Nordic network. TDC also offers CPE as well as a wide range of services in data communications, landline telephony and mobile telephony in the Nordic region.

TDC aims to be a significant challenger in the Nordic market by focusing on creating an integrated network that targets the business and the wholesale markets in Sweden, Norway and Finland.

TDC's main competitive advantage is the ability to offer simple yet efficient and technically advanced telecommunications solutions in combination with high-quality customer service. Business customers are connected to TDC's fiber network in the Nordic countries at competitive prices.

Competition

Internet and network services

Business Nordic has a 67% share of the Danish business broadband market⁵. As many small and medium-sized companies are buying broadband connections, the total number of business broadband connections grew by 4% in 2008.

Business Nordic has a 53% share of the Danish market for employee broadband. Employee broadband is an employee-paid tax-subsidized broadband connection that is offered by a company to its employees. The total number of employee broadband connections grew by 9% in 2008.

⁵ The market share in 2008 was based on Business Nordic's target market, which excludes very small companies that are targeted by Fixnet Nordic. The market share in the 2007 Annual Report included the full business market.

The market for fiber-based business broadband access is maturing. Small geographically limited companies are also offering low-priced, high-speed broadband, while utility companies continue their roll-out of fiber throughout Denmark, despite low penetration in areas covered to date. The introduction of Turbo 3G has further expanded the total broadband market.

Landline telephony

In Denmark, Business Nordic has an 83% share of the business landline market. In recent years, landline traffic volumes have steadily declined due largely to the increasing popularity of mobile telephony and VoIP substitution. Competitively priced private-network solutions have enabled business customers with several branches to establish their own networks based on IP-VPN or leased lines that can route traffic between branches within the companies' own networks instead of through the public telephone network. This resulted in a decline in total billed minutes and landline subscriptions for business customers.

The Danish PSTN market has little differentiation between products, although the various combinations of features come in different packages.

The market for PSTN/ISDN substitutes for the business market, i.e. VoIP products, grew in 2008. The market is characterized by several small IP telephony companies that provide single-line products and/or multi-line hosted products designed especially for small and medium-sized businesses.

Mobile telephony

In Denmark, Business Nordic has a relatively stable market share of 57% of mobile business subscriptions. Network quality and reliability, price and security are important criteria for customer preferences. The price pressure has intensified during the year although few new competitors have entered the market. Free internal traffic between employees within the same corporation is becoming increasingly common.

The market for mobile business subscriptions expanded in 2008, but is beginning to stagnate due to the high penetration. The increase in mobile traffic demonstrates

the increasing use of mobile telephony as an alternative to landline telephony.

Mobile broadband (with the launch of Turbo 3G) became more popular in 2008. Customers have also shown increasing interest in convergence solutions that link corporate mobile and landline telephony.

Fixnet Nordic

Fixnet Nordic offers landline services for residential and wholesale customers in Denmark, including landline telephony services, internet and data services, which include broadband solutions, TVoIP, security services and leased lines (only on a wholesale basis), convergence products, sale of terminals and installation. Both stand-alone and bundled products are available – also as triple- and quadruple-play solutions. Traditional landline telephony continues to be the largest business area, but this customer base is decreasing as many customers switch mainly to mobile but also to VoIP.

At year-end 2008, Fixnet Nordic had 2.8m customers. Fixnet Nordic's largest customer segments are landline and broadband. In 2008, Fixnet Nordic's revenue was DKK 8,436m. Combined, residential landline telephony and internet and network accounted for 68.4% of Fixnet Nordic's revenue in 2008. At year-end 2008, Fixnet Nordic had 4,805 full-time employee equivalents.

Business areas

Landline telephony

Fixnet Nordic's landline telephony business consists largely of traditional landline telephony and VoIP for the residential market. With revenue of DKK 4,573m in 2008, traditional landline telephony represented the largest share of Fixnet Nordic's revenue, corresponding to 53%. Fixnet Nordic's landline customer base declined by 250,000 to 1,682,000 at year-end 2008.

The product offerings for residential customers include traditional PSTN/ISDN telephony products, Duét convergence products and VoIP.

To counter migration toward mobile and VoIP, and to meet the market's increased focus on non-consumption-based products, Fixnet Nordic has launched several flat-rate products. In 2007, the flat-rate product portfolio was

extended to include packages for sole-proprietor customers. The number of flat-rate customers totaled 364,000 at year-end 2008. Furthermore, Fixnet Nordic offers TDC Telefoni, a PSTN subscription with value-added-services that enables call-forwarding and free subscription with up to five mobile subscriptions.

Duét is a convergence product that bundles landline with a mobile subscription and is offered in several feature packages. Duét has an advanced forwarding function between the customers' landline and mobile phone at attractive prices. In 2008, the Duét customer base increased to 371,000 subscribers.

TDC Samtale Family was introduced in April 2008 as an extension of TDC Telefoni. However, instead of a free subscription with up to five mobile subscriptions, TDC Samtale Family enables members of the group to make internal calls of less than one hour in duration at no extra charge per minute.

Data and internet services

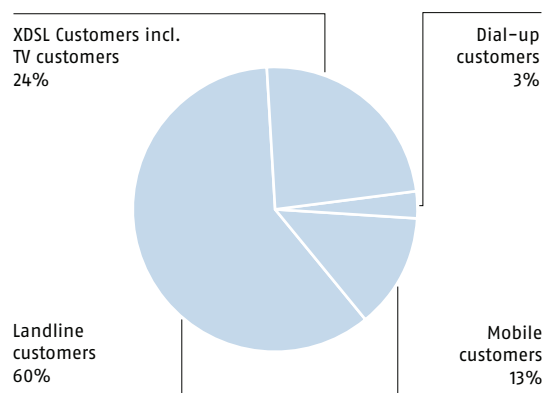
Fixnet Nordic's business activities covering internet and data services consist mainly of broadband subscription packages and leased lines on a wholesale basis. In 2008, revenue from internet and data services was DKK 2,503m, corresponding to 30% of Fixnet Nordic's revenue. Fixnet Nordic's residential broadband customer base was 510,000 at year-end 2008, which is unchanged compared with year-end 2007.

Fixnet Nordic's broadband subscription packages are usually offered as a flat-rate service with unlimited up- and download. The DSL product range spans from a connection with 160 kbps of downstream bandwidth and 128 kbps of upstream bandwidth to a connection with 50 Mbps of downstream bandwidth and 2048 kbps of upstream bandwidth. In addition to the flat-rate products, Fixnet Nordic also offers a consumption-based broadband service targeting low-volume users such as existing internet dial-up customers. In 2007, TDC Netway, a low-priced pay-for-service, combined broadband and VoIP product, for young people and students, was changed to Broadband City to better match the existing product portfolio. The number of customers has grown since its introduction in 2006, and totaled 22,000 at year-end 2008.

The leased-line business offers domestic and international leased-line services on a wholesale basis and offers analog as well as digital circuits. Leased lines can be used to transport both telephony and data traffic. Fixnet Nordic 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. Revenue from national leased lines & fiber was DKK 217m in 2008, corresponding to 2.6% of Fixnet Nordic's revenue.

In 2008, TDC launched PLAY, a service that provides broadband and mobile customers with unlimited music download at no additional charge. TDC is the only telecommunications company to offer its customers this service. Broadband and mobile customers have the choice of more than 2 million different music tracks. More than 59m downloads⁶ have been made since TDC PLAY was introduced in April 2008, and at year-end 2008, it was being used by 104,756 of TDC's customers⁷. In 2008, TDC PLAY won Best Broadband service award⁸.

Fixnet Nordic
Customers 2008 (end-of-year)



⁶ Include both downloads and license renewals. The number of downloads on an album is equal to the number of tracks on the album, while downloading a single track is recorded as one download.

⁷ Defined as customers in TDC and YouSee who have downloaded or renewed their TDC PLAY/YouSee PLAY licenses within the last 30 days.

⁸ The Broadband Award was announced at the Broadband Day 2008 conference based on the votes of the almost 1,000 participants from the broadband industry.

In response to customer demand, Fixnet Nordic launched mobile broadband in July 2008 as a value-added service for regular broadband customers, who can then take their broadband with them on the go, while remaining connected at home. Mobile Broadband consists of two products namely Bredbånd-2-Go Basic and Bredbånd-2-Go Day, with a speed of 1 Mbps. Mobile Broadband also offers benefits such as PLAY. In 2008, Mobile Broadband had revenue of DKK 1.9m and 4,000 customers.

Operator services

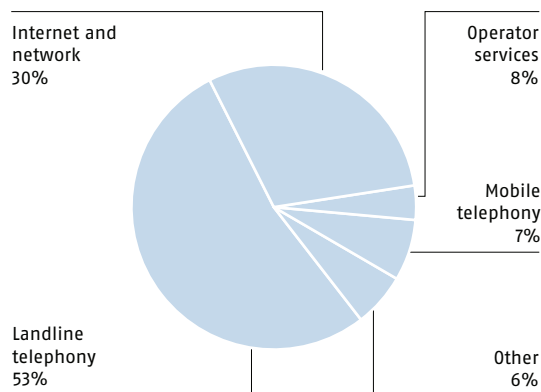
The operator-services business consists of directory enquiries services. In 2008, revenue from operator services amounted to a total of DKK 307m, corresponding to 3.6% of total revenue.

Other

Fixnet Nordic launched TDC TV in 2005, which is a digital TV solution through TDC broadband. TDC TV's customer base had increased to 27,000 subscribers at year-end 2008.

On January 26, 2009, Fixnet Nordic introduced its broadband-based multi-play products TDC HomeTrio and TDC HomeDuo. TDC HomeTrio consists of digital IP TV with 27 TV channels, internet access at speeds of up to 10 Mbps and landline telephony. TDC HomeDuo consists of internet access at speeds of up to 10 Mbps, and landline telephony.

Fixnet Nordic
Revenue per business area 2008



Competition

Landline telephony

In the Danish landline business, Fixnet Nordic has an 84% market share of the residential PSTN telephony market.

In the market for domestic and international telephony services, competition is driven by regulations requiring TDC to permit other telecommunications companies to interconnect with TDC's network at low LRAIC-based prices controlled by the Danish telecom regulator (NITA). These rates have been reduced numerous times in recent years. In addition, landline traffic volumes have declined steadily in recent years. This trend can be explained largely by mobile, but also by VoIP substitution. The Danish PSTN market has little differentiation between products with the exception of the packaging of different combinations of features.

The technology that enables VoIP has further intensified competition. Competitors are able to compete with triple- and quadruple-play solutions.

Data and internet services

Fixnet Nordic has a 25% share of the Danish residential broadband market.

Competition in the broadband market intensified. In urban areas, the market is already concentrated, as in 2007 several operators launched new low-priced products with less service and increasing download speeds (20 Mbps). Competition has also intensified as a consequence of LRAIC regulation of bitstream access (BSA) prices from 2007. The new price regulation resulted in both general price decreases and also the removal of geographically differentiated prices from 2008 and thus increased TDC's competitors' competitiveness especially in rural areas.

Utility companies continued their roll-out of fiber to residential homes, adding to the strong competitive pressure on copper-based access. Despite low penetration in areas covered to date, the utility companies are expected to continue their deployment of fiber.

Mobile Nordic

Mobile Nordic is the leading provider of mobile telecommunications services in Denmark and includes TDC Shop and Telmore. In terms of customers, the focus is on

voice, mobile broadband access, content and handsets for the residential market, and in the SoHo segment, the focus is also on business applications. Telmore sells prepaid mobile products and services, and, from 2008, mobile broadband and ADSL, online via a self-service website. Telmore is the market leader in Denmark in the online mobile self-service segment.

In 2008, Mobile Nordic had revenue of DKK 5,314m, and at year-end, had 1.8m customers and 902 full-time employee equivalents.

Business areas

In 2008, Mobile Nordic introduced Simply, which is sold without handset subsidies, and Max Free (flat-rate voice, SMS and MMS). In 2008, Mobile Nordic also launched the Bredbånd-2-Go mobile broadband product family with download speeds from 1 Mbps to 3 Mbps. Bredbånd-2-Go is sold with monthly or daily subscriptions.

The Telmore concept is an online channel-based product with the position "simple and low priced", no subscription fees and an easy-to-use web-based customer interface. The concept has a lean cost structure and generates very high customer satisfaction. In addition to attractive prices for calls between Telmore customers, Telmore offers a wide range of additional options, which are all selected online, such as unlimited SMS for a fixed fee, mobile handsets with subsidies, budget-control and detailed call specification. At year-end 2008, Telmore had 664,000 voice customers. In 2008, Telmore began selling mobile broadband and ADSL.

At year-end 2008, 80% of the population had UMTS access. All TDC customers with 3G handsets or mobile broadband cards have automatic access to the UMTS network and any speed upgrades on the network. Customers with laptops or 3G mobile phones are able to surf the internet via Mobile Nordic's UMTS network at speeds that are considerably faster than those of the GSM mobile network. Turbo 3G, which is based on HSDPA technology and provides customers with high-bandwidth broadband access via the mobile network, was launched in January 2008. At the end of 2008, HSDPA covered 80% of the Danish population.

Music is offered via TDC Online's music store as a dual-download service for both mobile handsets and PCs. In 2008, TDC PLAY was introduced, giving its residential mobile and broadband customers unlimited downloading of more than 2 million music tracks at no additional charge. In December 2008, this service was also offered to SoHo customers. In 2008, 27% of all single-track downloads were via mobile handsets.

Mobile Nordic also offers its network services on a wholesale basis to service providers, and national roaming to other network operators. Wholesale products consist of voice, SMS, data-transmission access and mobile broadband, while the service providers carry out the sales, distribution, billing and customer care for end customers.

Competition

Mobile Nordic has 40% of the Danish mobile market for residential and SoHo customers (including service providers)⁹.

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

In 2007, the domestic mobile market was further consolidated by Telia's acquisition of debitel. The mobile market now consists of one main operator (TDC) and three other operators with their own mobile networks (Sonofon/Telenor, Telia and 3). This market also has a characteristically high number of small service providers. In 2008, although several service providers such as Happii, M1 and BiBoB attempted to fuel a price war, the market changed, and in the second half of 2008, the agenda for mobile operators focused on mobile broadband.

⁹ The market share includes Fixnet Nordic's Duét product.

YouSee

YouSee is the largest TV distributor in Denmark and provides TV signals for 44% of all Danish households. YouSee offers Cable TV, with Digital TV as an add-on, broadband services and telephony.

At year-end 2008, YouSee had 1.1m cable-TV customers, of whom 937,000 were pay-TV customers (medium or full-package), and 105,000 were customers who had bought extra digital services. YouSee also had 323,000 broadband customers, and 47,000 telephony customers at year-end 2008. YouSee had revenue of DKK 3,201m and 1,174 full-time employee equivalents at year-end 2008.

As of August 1, 2008, YouSee acquired Guldborgsund Municipality's cable-TV activities – a television provider for approximately 13,000 households. Furthermore, YouSee acquired the network in Køge Municipality with approximately 15,000 customers. On November 1, 2008, YouSee divested the network activity in Connect Partner.

Business areas

TV

YouSee, with its core business of TV, offers cable TV and digital TV services. Cable TV is offered in three standard packages (basic, medium and full) for individual household customers and organized customers, representing 35% and 65% of YouSee's TV business, respectively. Organized customers include antenna and housing associations.

Digital TV services are offered as an add-on to cable-TV packages and require a set-top box. The digital TV services include a large variety of small packages and give TV viewers optional HDTV and VoD.

The channels in the cable-TV packages are selected with consideration for customer preferences. YouSee's basic package, with 176,000 customers, contains primarily free channels from the national broadcasting services. The medium package, with 108,000 customers, contains some of the most popular pay channels as well as the channels from the basic package. The majority of YouSee's customers prefer the full package, which includes over 20 more domestic and foreign channels than the medium package, and has 646,000 customers. Some organized customers, i.e. large antenna associations representing an

additional 183,000 households and housing associations, are agency customers who buy individually customized content packages from YouSee.

During 2008, YouSee introduced two new set-top boxes, one HD box and one HD box with PVR function.

YouSee has a market-leading 69% share of the coax-TV household market in Denmark. Its main competitors are other owners of cable-TV networks and program providers distributing directly through satellite receivers. Competition is expected to increase as utility companies extend their fiber-cabling activities, broadband suppliers expand their capacity and the national DTT roll-out continues. The DTT network will be expanded with several additional channels during 2009. The increased range of channels in the generally accessible terrestrial network will significantly increase competition.

In 2008, YouSee introduced YouSee PLAY, a music download service similar to TDC PLAY giving its broadband customers unlimited downloading of more than 2 million music tracks at no additional charge.

On February 1, 2009, the national distributor of digital TV, Boxer, will start offering a program package containing nine TV channels to customers in Jutland. In addition to "must-carry" channels it includes mainly payment channels from SBS and TV2, except TV2 Sport. Viasat has announced that it has not reached an agreement with Boxer concerning DTT delivering TV3 and 3+.

Broadband

At year-end 2008, YouSee had 323,000 broadband customers, or 29% of the accessible customers, who are customers with a YouSee cable-TV subscription. YouSee's broadband products are based on a flat-rate concept, whereby the customer is billed for a fixed monthly subscription with unlimited up- and downloads. During 2008, the minimum bandwidth offered to YouSee's customers was increased from 2 Mbps to 4 Mbps, corresponding to an increase in the average bandwidth by a multiple of eight since the summer of 2007.

Telephony

At year-end 2008, YouSee had 47,000 telephony customers including both VoIP and traditional landline

telephony. Since VoIP was introduced in 2005, YouSee has offered its customers triple-play solutions, including TV, broadband and telephony. At year-end 2008, YouSee had almost 38,000, mainly triple-play, VoIP customers. YouSee offers VoIP with Quality of Service that ensures a voice flow of the same quality as PSTN. Until recently, VoIP has been offered solely as a prepaid, flat-rate product, with management and payment online, but from January 2009, YouSee also began offering its customers a consumption-based product.

Sunrise

Sunrise offers mobile telephony, landline telephony and internet services. Sunrise generated revenue of DKK 8,705m in 2008 and had 1,474 full-time employee equivalents at year-end 2008.

Sunrise has strengthened its position as the second-largest full-range telecommunications provider in the Swiss market, which is characterized by decreasing mobile and landline prices. Sunrise has no landline access network of its own. In March 2006, the Swiss parliament decided in favor of liberalizing the landline access network. Since mid-2007, Swisscom has been required to provide competitors with access to its local loop based on cost-oriented prices. In the fourth quarter of 2007, Sunrise consequently began investing in broadband infrastructure to be able to deliver broadband based on Swisscom's ULL. By the end of 2008, Sunrise had rolled out broadband covering approximately 30% of Swiss households. At year-end 2008, Sunrise had 2.44m customers excluding Tele2.

Sunrise's total customer base is still growing, with declining traditional landline voice and dial-up services more than offset by growth in mobile users and broadband.

Sunrise divested its subsidiary SBC as of July 1, 2008, in order to concentrate on standard and individual solutions for mobile and landline telephony, data services and local networks for the business and key account segments.

Sunrise acquired the Swiss subsidiary of Tele2 in November 2008. With this takeover, Sunrise has expanded its customer base by 0.42m customers. The total customer base in Sunrise was therefore 2.86m at year-end 2008.

Business areas

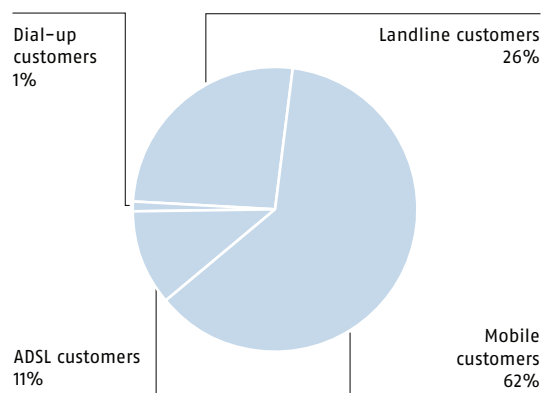
Mobile telephony

Sunrise's mobile telephony revenue was DKK 5,317m in 2008, which was 61% of its total revenue. Sunrise had 1.7m mobile customers at year-end 2008 excluding Tele2 (65,000 customers).

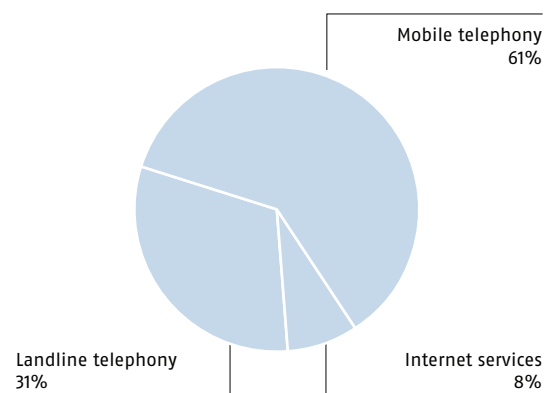
Sunrise's mobile business includes retail and wholesale. The retail business offers postpaid and prepaid services, PC cards and mobile handsets.

The Sunrise mobile network has almost 100% population coverage and offers GSM/EDGE and UMTS/HSDPA services in Switzerland. Sunrise was first in Switzerland to launch a prepaid mobile data product (USB modem) offering customers mobile internet functionality payable by the

Sunrise Customers 2008 (end-of-year)



Sunrise Revenue per business area 2008



hour. The Sunrise USB portfolio was copied by its competitors. In 2008, Sunrise also launched the first mobile flat rate for business customers in Switzerland.

In the mobile retail and wholesale areas, Sunrise currently has agreements with companies such as Cablecom, Lebara and Aldi.

Landline telephony

Revenue from landline telephony in Sunrise was DKK 2,677m in 2008. Landline telephony contributed 31% of Sunrise's revenue in 2008. At the end of 2008, Sunrise had 0.455m landline customers excluding Tele2 (0.275m customers).

Sunrise's landline telephony business covers the retail and wholesale markets. Retail voice includes pre-fix and pre-select PSTN plans. The main offers are called Sunrise click&call and combine landline and internet services. Business customers also benefit from data solutions such as IP-VPN and leased lines and network-integration solutions that combine voice and data in one network (including LAN, PABX and IP communications services). Landline wholesale activities consisted of primarily transit traffic and, to a smaller extent, data and internet services.

Internet services

In 2008, internet services contributed revenue of DKK 711m, or 8% of Sunrise's revenue. Sunrise had 251,000 broadband customers and 30,000 dial-up customers at year-end 2008, both excluding Tele2 (74,000 and 5,000 customers, respectively).

Sunrise's internet services cover dial-up and different DSL products based on access rebilling or ULL with downstream speeds of up to 15 Mbps. All offers are based on bundled products including voice, landline access and broadband services.

The growing broadband market in Switzerland is the driver for the continuous DSL customer growth in Sunrise. Following the introduction of ULL-based products, Sunrise has launched several bundled products comprising landline access, landline voice and broadband services. The migration to ULL is expected to result in growing margins in future years.

The dial-up internet business is declining and is expected to be substituted by broadband services within the next few years.

Competition

Mobile

Sunrise was able to grow its market position to a 22% network market share in 2008, compared with 20% in 2007.

In 2008, service providers continued to penetrate the Swiss market. Sunrise expects the intense price competition to continue as a result of the presence of these players in the Swiss mobile market. Sunrise is well positioned to compete in this market and can swiftly react to changes.

Landline

With the unbundling of the local loop, Sunrise customers profit from attractive product bundles for landline and internet. In ULL areas, Sunrise is making two bundled offers: Sunrise click&call 5000+ and Sunrise click&call 15000+. Both combine landline and internet at competitive rates. Customers surf at bandwidths of up to 15,000 kbps and can make free calls either in the evening or during weekends or 24 hours a day to the Swiss landline network. If customers combine the click&call offers with a Sunrise mobile phone subscription, they surf for free. They also save on Swisscom connection charges with both click&call offers.

Broadband

Including Tele2, Sunrise's share of the broadband market was 13% in 2008. Sunrise is continuing to migrate its dial-up customer base to DSL. Starting with the cities of Zurich, Lucerne, Berne and Basel, Sunrise had equipped 153 telephone exchanges with its own infrastructure by year-end 2008. By the end of 2009, Sunrise will have moved into 500 telephone exchanges and reached 80% of the population with its own services.

Other activities

Other activities include HTCC, TDC IT and Headquarters.

HTCC (Hungary)

TDC holds 64.6% of the shares in the Hungarian company, HTCC, which had 1,499 full-time employee equivalents at year-end 2008.

HTCC acquired Memorex in March 2008, an Austrian-based company and the leading alternative telecommunications provider in the Central and Eastern European region providing leading global telecommunications providers and internet companies with wholesale data and capacity services. HTCC already had two wholly-owned subsidiaries – Hungarotel and PanTel – and acquired Invitel and Tele2 in Hungary during 2007. After acquiring Invitel, HTCC rebranded its name in Hungary to Invitel, and holds a 21% share of the Hungarian landline market.

HTCC provides its retail customers with landline telephony, data communications and internet services, including broadband solutions and other value-added services, such as VoIP services. HTCC also 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. Including Invitel and Tele2, HTCC has 1.1m customers, of whom 1.0m are landline customers.

HTCC is also a wholesale provider of network capacity and transport services to wireline and wireless telecommunications providers and internet service providers. With its international network, HTCC transfers voice, data and internet traffic to and from Hungary.

TDC IT and Headquarters

TDC IT and Headquarters supply a number of internal services for the TDC Group's domestic business lines, which gain economies of scale and cost-effective solutions.

TDC IT is TDC's joint IT unit, which serves TDC's domestic business lines. In recent years, most operations, system development and maintenance have been outsourced. In 2008, TDC IT entered into a contract with CSC Denmark merging responsibility for existing application development and maintenance contracts (ADM) combined

with outsourcing the remaining in-house ADM services. TDC IT is responsible for developing and maintaining IT systems, systems operation, desktop support, and product development.

Headquarters' services comprise billing, procurement, logistics, facility management, risk management and security. Headquarters also undertakes Group staff functions including finance, legal affairs, human resources, marketing and communications.

TDC's network

TDC operates an extensive telecommunications network in Denmark. The backbone network has high-capacity transmission capabilities and is fully digitalized. The landline access network reaches almost 100% of Denmark's population. The mobile access network includes GSM and UMTS. In Switzerland, TDC has its own landline and GSM/EDGE and UMTS/HSDPA networks. TDC also operates its own landline network in the Nordic region and in Hungary (HTCC).

The landline network

Fixnet Nordic's domestic landline network includes a fully invested PSTN/ISDN network, an MPLS/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 to 96.5% of the Danish population. TDC can also deliver up to 8 Mbps and 20 Mbps to 93% and 68% of these households, respectively.

Backbone network

In Denmark, the fiber-based backbone is a key element of Fixnet Nordic's landline network. The backbone network carries voice, data services (IP, Ethernet and ATM) and TV signals. In Denmark it consists of:

- 19,850 kilometers of fiber cable, which connects all of TDC's exchanges and nodes
- wavelength-division multiplex systems to increase capacity per fiber
- SDH platform delivering fixed-capacity connection speeds with bandwidths of up to 2.5 Gbps in Denmark

Landline access network

The 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
- 9,850 kilometers of optical fiber cable

The PSTN customer base is continually declining in Denmark, which has been creating free capacity on the PSTN/ISDN network. TDC has high port utilization in its DSLAM equipment for DSL and IP, as just-in-time port build-out is employed.

The data networks

The data networks in Denmark and the Nordic region include TDC's ATM, Ethernet and IP networks. The ATM network (Denmark only) 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 being 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. In order to prevent interruptions in the flow of traffic on the network, all PoPs are connected to the IP core network by at least two redundant connections, and with the exception of a few minor PoPs, each PoP is supported by redundant routers.

TDC's IP network extends to 150 PoPs in Denmark, and provides a range of IP-access services, including dial-up, fixed-capacity leased-line access and ATM-based access. The IP aggregation networks include DSL networks providing DSL- and SHDSL-based services and IP/Ethernet networks providing up to 10 Gbps Ethernet-access services for the IP network.

The current DSL roll-out in TDC focuses on Ethernet DSLAMs offering high bandwidths as well as TVoIP. Currently, TDC has approximately 1,500 PoPs with Ethernet DSLAMs in the network. In 2008, the main initiative for enhancing DSL-

coverage was to roll out remote DSLAMs. This process will be continued in the years ahead.

Pan-Nordic networks

TDC Nordic's networks comprise a fiber-based backbone network, a PSTN/ISDN network and an IP/Ethernet network. The PSTN/ISDN network is used to serve primarily business and wholesale customers. The backbone network consists of fiber cable and a pan-Nordic Synchronous Digital Hierarchy network delivering fixed point-to-point capacity. The landline access network (MAN) consists of optical-fiber cable that provides customers with direct connections. Apart from direct fiber-network connections, TDC Nordic relies on DSL over unbundled local loop (ULL) to provide local access. The coverage of the Nordic network includes primarily large and medium-sized towns in the Nordic region.

Central and Eastern Europe (HTCC)

HTCC has its own backbone network and approximately 8,500 kilometers of optical fiber throughout Hungary. The acquisition of Memorex has enhanced HTCC's position as a leading provider of telecommunications services in Central and Eastern Europe, currently with approximately 19,000 kilometers of optical fiber. HTCC's international network connects access points located in 40 cities across 19 countries.

The mobile network

Mobile Nordic has rolled out GSM 1800 and 900 networks in Denmark. The GSM networks currently consist of 2,297 sites.

In Denmark, 99% of the population and geography is covered by GSM (outdoor) whereas 86% of the population also has GSM indoor coverage.

Mobile Nordic is rolling out a UMTS network. The roll-out presently consists of approximately 1,660 sites and provides coverage for cities with more than 5,000 inhabitants, and 333 out of 381 cities with 1,000 to 5,000 inhabitants. The UMTS network fulfils the requirements of Mobile Nordic's Danish UMTS license (SL/1) to achieve 80% population coverage at a speed of 12.2 kbps. While coverage is being increased, capacity and offered data speed will be continuously upgraded to match customer expectations.

Mobile Nordic's network includes platforms for voicemail, SMS, WAP, MMS, a platform for content delivery, the mobile portal FLY¹⁰ and an Intelligent Network platform for a large number of services, including prepaid services. High-speed data solutions, HSDPA (1.8 Mbps, 3.6 Mbps, 7.2 Mbps), HSUPA in city areas and EDGE nationwide have been implemented in the network in 2008. In cooperation with DSB (Danish State Railways), Mobile Nordic offers internet access (WLAN) in a selection of trains between Copenhagen and Aarhus based on 3G/HSDPA backbone.

In 2008, the planning, roll-out and operation of Mobile Nordic's network was outsourced to Ericsson, and as a result, 276 TDC employees were transferred to Ericsson. TDC now supervises that the contract is fulfilled and evaluates alternatives regarding network expansion and improvements, whereas Ericsson's role is to monitor, expand and operate the network and implement proposed network improvements for TDC.

The cable network

YouSee has a fully digitalized network operated from one central head-end station in Copenhagen that provides play-out for the entire network. This head-end station also serves as a base for TDC's offerings of TVoIP, VoD and Mobile TV and also provides cable-modem provisioning and network management control servers for IP products. TV is transmitted digitally through Fixnet Nordic's domestic backbone network to 41 remote hubs where the digital video streams are distributed via the hybrid fiber coaxial (HFC) network to end customers. Set-top boxes or TV sets with integrated digital cable receivers are needed to receive the digital services. Often, the last few hundred meters of the HFC network are owned by landlords or organized customers. In total, YouSee's network covers almost 52% of Danish households.

High Speed Broadband services are terminated and delivered to TDC's IP core network from the same 41 hubs. The HFC networks owned by YouSee are completely return-path upgraded. Approximately two-thirds of the customer-owned network has been upgraded by YouSee. HFC networks can accommodate up to 5 Gbps of digital capacity, of which 2 Gbps are for digital TV and video and

0.5 Gbps is for DOCSIS. All modems operate in DOCSIS 1.1 mode but most are ready for DOCSIS 2.0. YouSee has rolled out the additional downstream capacity required for DOCSIS 3.0 modems. YouSee will offer end users high-speed data services of up to 100 Mbps.

The Swiss network

Sunrise has built its own mobile, backbone landline and ISP networks. As a result, Sunrise offers integrated services and can meet the high market demand for quality, reliability and easy access to telecommunications services. The build-out of the Sunrise ULL network has reached 30% coverage of Swiss households.

In 2008, Sunrise outsourced its entire network operation and maintenance to Alcatel-Lucent. Key tasks, such as network planning and ownership of the full telecommunications infrastructure remains exclusively with Sunrise. Sunrise is therefore utilizing the model already used by many European providers.

Mobile network

Despite difficult topographical circumstances and stringent environmental obligations that limit radiation from mobile antennas, Sunrise has achieved competitive coverage and quality with the GSM/EDGE network. In addition, Sunrise is further developing and expanding its mobile network based on UMTS/HSDPA technology. Sunrise's main objective for its UMTS network coverage is to achieve HSDPA indoor services in major cities including Zurich, Basel, Berne, Lausanne, Geneva, Luzerne and then expand to less densely populated areas.

Landline network

The Sunrise landline network consists of a SDH/DWDM backbone (own fiber-optic network measuring more than 9,000 kilometers), and over 1,900 connected sites including customers with direct connections, interconnections with all interconnect points at Swisscom as well as several international carriers. Sunrise has built an IP/MPLS network with six core nodes that delivers data services to residential and business customers.

ISP network

The Sunrise ISP network is designed with full redundancy on two independent sites, providing a range of internet services.

¹⁰ Through the FLY mobile portal, customers can surf on the internet, buy and download music, games, news, ring tones etc., and watch TV on their mobile phones. Customers are not charged for Mbps usage.

Network operation

Routine maintenance, inspections and tests are conducted daily, 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, which normally involve escalation procedures on system faults. The procedures could be initiated as part of day-to-day fault handling or 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 to carry out repairs and handle spare parts.

Billing and procurement

Billing

Domestic

Through Shared Process Management, Headquarters is responsible for all domestic billing activities, as well as reminder procedures, billing complaints and debt collection. Billing is the most frequent and closest encounter TDC has with its customers. High satisfaction and customer loyalty is ensured by developing billing processes and ensuring that bills are delivered with the correct amounts, frequency, layout and language.

Shared Process Management produced and distributed approximately 21m invoices and call specifications in 2008. Most customers receive quarterly invoices. Electronic billing is a particular focus area, as it can simultaneously improve customer satisfaction and reduce administrative costs. Headquarters has initiated actions to increase the number of bills distributed electronically and has introduced various electronic billing solutions. In the fourth quarter of 2008, 7.5% of all bills were distributed electronically, which was an increase of 3.5 percentage points compared with the fourth quarter of 2007. The 3.5 percentage point increase was impacted by additional types of electronic posting included in the 2008 figure.

International

Sunrise

Sunrise produces and distributes approximately 740,000 invoices monthly. All services can be included on one invoice. The payment methods are over-the-counter payments at post offices (approximately 45%) and electronic payments (approximately 55%). Sunrise has launched electronic billing and payment for its residential customers.

Procurement

Through its Supply Nordic division, Headquarters is responsible for attending to most of TDC's procurement needs in coordination with representatives from the TDC business lines. Supply Nordic 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. Supply Nordic is also responsible for a wide range of products and services, e.g. from office materials to complex technical solutions such as UMTS and other infrastructure elements.

Research and development

TDC's research and development activities currently focus on developing broadband applications and services, as well as IP-based and UMTS network platforms and wireless LAN capabilities. High-speed data solutions, e.g. HSDPA, have been implemented in the network since early 2008. TDC also participates in international programs, including standardization efforts, and cooperates with independent research organizations.

Intellectual property

Apart from TDC's leading brands, TDC believes it is independent of any other intellectual property rights, including any individual brands.

Property, plant and equipment

Headquarters manages the majority of TDC's office premises and floor space in Denmark. However, some 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, most of which are located in Denmark. TDC also has numerous computer installations, which are located principally in Copenhagen and Aarhus.

In 2008, TDC continued focusing on space management. In August 2008, Headquarters relocated to Teglholmen, Copenhagen.

TDC's total portfolio of domestic properties consisted of 852,000 gross square meters at December 31, 2008, of which 8.5% was owned by TDC and 91.5% was leased. At December 31, 2008, telecommunications installations (exchanges and base stations) accounted for 48.7% of TDC's total square meters of floorage.

Employees

Overview

TDC focuses on employee training, and employee satisfaction is monitored in an annual employee survey. The employee satisfaction survey engages TDC's employees in dialogue 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 (see note 6 to the Consolidated Financial Statements).

TDC has implemented a number of general domestic redundancy programs in recent years. As a consequence of those programs, in 2008, TDC reduced its workforce by approximately 800 employees based on procedures and terms agreed upon with the unions.

Unions

Almost all employees except for employees on senior management contracts are covered by collective labor agreements.

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 (Akademikernes Centralorganisation) and a few other unions. TDC's

agreement with the Association of Managers and Employees in Special Positions of Trust in TDC prohibits striking and other industrial action.

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). TDC has therefore agreed to follow certain procedural guidelines when implementing workforce reductions, including providing redundant employees with training that would make them suitable for reassignment within TDC under certain circumstances. Pursuant to the Truce Agreement with the Danish Metal Workers Union, the parties have agreed to enter into dialog within 24 hours of an imminent conflict in order to prevent industrial action. The Truce Agreements will expire at the end of 2009, however they may be terminated by TDC or the unions subject to three months' notice in the event that 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 in 1994, 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 (tied-over allowance) 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 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 (tied-over allowance) or three months' full salary and four years' and nine months in the amount of two-thirds of a month's salary (stand-off pay).

The table shows the number of employees (head count) participating in each of TDC's pension plans as at December 31, 2008¹¹.

¹¹ The figures cover TDC A/S and YouSee A/S and represent headcounts and not full-time employee equivalents. The following employees are included: Permanent employees and temporary employees except employees on leave, expatriates, employees included in a redundancy plan and employees seconded to external parties in connection with outsourcing of tasks or divestment of operations.

Contract types / collective agreements	Ordinary pension plans	TDC pension funds members	Former government civil servants	Total
AC	1,105	5	2	1,112
Dansk Metal	3,704	1,988	326	6,018
LTD	840	400	83	1,323
Other or no collective agreement	299	9	2	310
Total	5,948	2,402	413	8,763

Outlook

The Outlook for 2009 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 in the Safe Harbor Statement.

TDC expects revenue to be level with 2008.

TDC expects net income from continuing operations excluding special items to be level with 2008.

Management's Discussion and Analysis of Financial Statements

Key financial data

TDC Group	DKKm	2008	2007	Growth in % 2008 vs. 2007
Revenue		38,819	39,321	(1.3)
Transmission costs and cost of goods sold		(11,623)	(12,326)	5.7
Other external expenses		(7,977)	(7,640)	(4.4)
Wages, salaries and pension costs		(6,505)	(7,141)	8.9
Total operating expenses before depreciation etc.		(26,105)	(27,107)	3.7
Other income and expenses		461	284	62.3
Income before depreciation, amortization and special items (EBITDA)		13,175	12,498	5.4
Depreciation, amortization and impairment losses		(5,819)	(6,227)	6.6
Operating income (EBIT), excluding special items		7,356	6,271	17.3
Special items		(5,815)	1,809	-
Income from joint ventures and associates		4,564	1,401	-
- of which special items		3,992	859	-
Net financials		(2,412)	(3,396)	29.0
Income before income taxes		3,693	6,085	(39.3)
Income taxes		(1,001)	(1,431)	30.0
Net income from continuing operations		2,692	4,654	(42.2)
Net income from discontinued operations		59	3,513	(98.3)
- of which special items related to discontinued operations		59	3,258	(98.2)
Net income		2,751	8,167	(66.3)
Net income from continuing operations excluding special items		4,270	2,552	67.3
Net income from continuing operations excl. special items and fair value adjustments		4,721	2,733	72.7
Net interest-bearing debt		(35,139)	(41,400)	15.1
Statements of Cash Flow				
Operating activities		7,178	9,938	(27.8)
Investing activities		600	7,886	(92.4)
Financing activities		(9,633)	(13,028)	26.1
Total Cash Flow		(1,855)	4,796	(138.7)
Key financial ratios				
Earnings Per Share (EPS)	DKK	14.7	42.4	-
EPS, excl. special items, fair value adjustments and discontinued operations	DKK	24.6	15.0	-
Dividend payments per share	DKK	3.6	3.5	-
EBITDA margin	%	33.9	31.8	-
Capital expenditures excl. share acquisitions	DKKm	5,134	5,207	1.4
Capex excl. share acquisitions-to-revenue ratio %	%	13.2	13.2	-
Cash Earnings Per Share (CEPS) excl. special items and fair value adjustments ¹	DKK	50.0	42.8	-
Return on capital employed (ROCE) ²	%	18.9	14.9	-

¹ CEPS is defined as (Net income excluding special items and fair value adjustments attributable to shareholders of the Parent Company - Net income from discontinued operations + Depreciation, amortization and impairment losses + share-based compensation - Income from joint ventures and associates - minority interests' share of Depreciation, amortization and impairment losses together with share-based compensation) / (number of average shares outstanding).

² ROCE is defined as (EBIT excluding special items + interest and other financial income excluding fair value adjustments + Income from joint ventures and associates) / (average equity attributable to Company shareholders + interest-bearing debt).

The TDC Group

Revenue

In 2008, TDC's revenue amounted to DKK 38,819m, down by DKK 502m or 1.3% compared with 2007. Revenue was negatively affected mainly by significantly declining domestic revenue from traditional landline telephony as a consequence of the migration toward mobile telephony and VoIP, divestment of International Voice Business, lower CPE sales and divestment and outsourcing of terminal sales and CPE sales to business customers, as well as lower service provider revenue and lower international mobile roaming prices. This was partly offset by more TV customers, higher revenue from the, on average, larger broadband customer bases and higher ARPU, as well as more domestic retail mobile customers and more mobile customers in Sunrise. Further, a positive impact was achieved from HTCC's acquisitions of Invitel and Memorex that were partly offset by the divestment of Bité and SBC. Adjusted for acquired and divested enterprises¹², TDC's revenue decreased by 2.4%.

¹² Developments from 2007 to 2008 were impacted by the following changes in ownership shares: Divestment of Bité (February 2007), HTCC's acquisition of Invitel (April 2007), and Memorex (March 2008), and Sunrise's divestment of SBC (July 2008) and acquisition of Tele2's Swiss subsidiary (November 2008). In the remainder of the Annual Report, 'adjusted for acquired and divested enterprises' refers to reported figures for the TDC Group adjusted for these acquisitions and divestments.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to DKK 11,623m in 2008, down by DKK 703m or 5.7% compared with 2007. Transmission costs and cost of goods sold were positively impacted primarily by lower domestic landline traffic, the divestment of International Voice Business, reduction in mobile termination fees in Denmark and Switzerland and reduced sales of mobile and data products. This was partly offset by higher costs in YouSee due mainly to higher program costs resulting from the larger customer base and wider range of programs in the packages. Rising domestic mobile traffic also caused increasing transmission costs. Adjusted for acquired and divested enterprises, transmission costs and cost of goods sold decreased by 5.5%.

Other external expenses

Other external expenses amounted to DKK 7,977m in 2008, up by DKK 337m or 4.4% on 2007. This was due to increases in HTCC and Sunrise, reflecting acquisitions in HTCC and higher customer acquisition and retention costs and outsourcing of the operation of Sunrise networks. Adjusted for acquired and divested enterprises, other external expenses increased by 2.0%. In TDC's Nordic Business, other external expenses decreased by DKK 272m from 2007 to 2008, as a result of lower consultancy costs and the divestment of certain non-core business activities in Business Nordic, and less contractor costs due to fewer incidents of cable damage. This was only partly offset by higher lease payments due to the sale and leaseback of

Revenue	DKKm		
TDC Group	2008	2007	Growth in % 2008 vs. 2007
Business Nordic	12,042	12,429	(3.1)
Fixnet Nordic	8,436	9,324	(9.5)
Mobile Nordic	5,314	5,494	(3.3)
YouSee	3,201	2,852	12.2
Sunrise	8,705	8,842	(1.5)
Other activities ¹	1,121	380	195.0
TDC Group	38,819	39,321	(1.3)

¹ Includes HTCC, TDC IT, Headquarters and eliminations.

Danish properties in August 2007 as well outsourcing of the mobile network in Denmark, and more installation work in YouSee.

Wages, salaries and pension costs

Wages, salaries and pension costs amounted to DKK 6,505m in 2008, down by DKK 636m or 8.9% on 2007. The decrease reflected primarily lower wages and salaries due to fewer average full-time employee equivalents in 2008 compared with 2007. The number of full-time employee equivalents totaled 14,745 at year-end 2008, which was 2,645 or 15.2% lower than at year-end 2007. The domestic workforce fell from 12,414 full-time employee equivalents at year-end 2007 to 10,293 at year-end 2008, down by 17.1%. In 2008, the domestic redundancy programs¹³ resulted in a reduction of 809 full-time employee equivalents. The divestment of business activities and outsourcing of IT services also contributed to the reduction in the number of full-time employee equivalents. Adjusted for acquired and divested enterprises, wages, salaries and pension costs decreased by 9.3%.

Income before depreciation, amortization and special items (EBITDA)

TDC's EBITDA amounted to DKK 13,175m in 2008, up by DKK 677m or 5.4% on 2007. This was caused by growth of DKK 335m or 8.8% in Fixnet Nordic's EBITDA, as a result of

¹³ Redundancy programs implemented in 2008 related primarily to two domestic redundancy programs announced in April and September 2008. Only retired employees are included and not employees transferred to other positions and terminated positions.

reductions in other external expenses and lower wages due to fewer full-time employee equivalents. Moreover, EBITDA in Business Nordic increased by DKK 136m or 3.5%, primarily as a result of reduced other external expenses. In addition, gains from the divestments of small business activities¹⁴ impacted positively. YouSee also contributed positively with growth of DKK 148m or 18.2% related to higher activity. Also, positive growth related to reduced maintenance costs in TDC IT. This was partly offset by a decrease of DKK 221m or 9.3% in Sunrise's EBITDA related to reduced mobile termination charges as well as lower prices for postpaid customers and higher customer acquisition and retention costs. Adjusted for acquired and divested enterprises, EBITDA increased by 3.5%.

Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses decreased by DKK 408m or 6.6% to DKK 5,819m in 2008. The reduction reflected mainly lower depreciation due to reduced domestic network investments and reduced investments in Sunrise. This was partly counteracted by increased depreciation related to HTCC's acquisitions.

¹⁴ Minor gains and losses from the divestment of business activities are included in Other income and expenses, whereas large gains and losses are included in Special items.

EBITDA	DKKm		
TDC Group	2008	2007	Growth in % 2008 vs. 2007
Business Nordic	3,981	3,845	3.5
Fixnet Nordic	4,136	3,801	8.8
Mobile Nordic	1,439	1,399	2.9
YouSee	962	814	18.2
Sunrise	2,152	2,373	(9.3)
Other activities ¹	505	266	89.8
TDC Group	13,175	12,498	5.4

¹ Includes HTCC, TDC IT, Headquarters and eliminations.

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 divestments of subsidiaries.

Items of a similar nature for non-consolidated enterprises and discontinued operations are recognized under Income from joint ventures and associates and Net income from discontinued operations, respectively.

In 2008, Special items before and after tax amounted to expenses of DKK 5,815m and DKK 5,570m, respectively. Special items before tax comprised primarily impairment losses of DKK 4,624m related mainly to goodwill from Sunrise, TDC Sweden and TDC Finland. Special items were further impacted negatively by restructuring costs of DKK 1,228m, related largely to IT activities including write-down of software as well as domestic redundancy programs including costs related to surplus office capacity.

In 2007, Special items before and after tax amounted to DKK 1,809m and DKK 1,243m, respectively. Special items before tax comprised primarily a gain from divestments of enterprises and properties amounting to DKK 4,611m consisting of divestment of properties amounting to DKK

3,426m and a DKK 1,185m gain from divestment of Bité. This was partly counterbalanced by an impairment loss of DKK 2,507m related to goodwill from Sunrise. Special items were further negatively impacted by restructuring costs of DKK 461m, related largely to redundancy programs in the Nordic Business and costs regarding discontinued use of sea cables. This was partly counterbalanced by income from rulings relating to VAT repayments of DKK 166m related to previous years.

Income from joint ventures and associates

Income after income taxes from joint ventures and associates totaled DKK 4,564m in 2008 compared with DKK 1,401m in 2007, up DKK 3,163m. The increase related mainly to special items due to the divestment of TDC's shares in Polkomtel in 2008.

Income after income taxes from joint ventures and associates excluding special items amounted to DKK 572m in 2008 compared with DKK 542m in 2007, up DKK 30m, due chiefly to increased postpaid customer intake in Polkomtel.

Net financials

Net financials, including fair value adjustments, totaled an expense of DKK 2,412m in 2008, down by DKK 984m compared with 2007. Net financials, excluding fair value adjustments, amounted to an expense of DKK 1,796m in 2008, down by DKK 1,478m compared with 2007.

Special items	DKKm	
TDC Group	2008	2007
Profit on divestment of enterprises and property	8	4,611
Income from rulings	29	166
Impairment losses and adjustment of goodwill	(4,624)	(2,507)
Restructuring costs etc.	(1,228)	(461)
Special items before income taxes¹	(5,815)	1,809
Income taxes related to special items	245	(566)
Special items after income taxes¹	(5,570)	1,243

¹ In excess of the Special items above, Income from joint ventures and associates in 2008 included a gain of DKK 3,998m from the divestment of shares in Polkomtel. Furthermore, Income from joint ventures and associates in 2008 included an adjustment of DKK (6) related to the gain from the divestment of shares in One in 2007. Income from discontinued operations in 2008 included adjustments related to the divestments of Talkline in 2007 and TDC Directories in 2006 totaling DKK 59m. In 2007, Net income from discontinued operations included gains of DKK 3,251m after tax from the divestment of Talkline. Furthermore, a DKK 7m adjustment regarding the divestment of TDC Directories was included in Net income from discontinued operations in 2007. A DKK 859m gain after tax from divestment of shares in One was included in Income from joint ventures and associates in 2007.

This development reflects lower interest expenses due primarily to long-term debt redemptions and lower interest rates on long-term debt as well as currency adjustments of debt denominated in NOK and SEK. This was partly offset by higher interest expenses related to HTCC's acquisitions.

Fair value adjustments totaled an expense of DKK 616m compared with an expense of DKK 122m in 2007, reflecting value adjustment of derivative financial instruments in both years.

Income taxes

Income taxes amounted to DKK 1,001m in 2008, a decrease of DKK 430m compared with 2007.

Income taxes related to net income, excluding special items and fair value adjustments, totaled DKK 1,411m in 2008, an increase of DKK 605m compared with 2007.

The effective tax rate, excluding special items and fair value adjustments, was 23.0% in 2008 compared with 22.8% in 2007. On an ongoing basis, the changed Danish tax legislation in 2007 will have a negative impact on the effective tax rate due to the limited tax deductibility on interest expenses. However, in 2008, this limitation had only a minor negative impact as it was almost eliminated due to tax gains on long-term debt following the favorable development of the fair value of this debt. In 2007, the limitation was more than counterbalanced by a non-recurrent positive impact on deferred taxes resulted from the reduction of the corporate tax rate to 25%.

Income taxes relating to special items amounted to a tax income of DKK 245m in 2008 compared with a tax expense of DKK 566m in 2007. Income taxes relating to fair value adjustments amounted to a tax income of DKK 165m in 2008 compared with a tax expense of DKK 59m in 2007.

Net income from discontinued operations

In 2008, net income from discontinued operations amounted to DKK 59m due to adjustments related to the divestment of Talkline in 2007 and TDC Directories in 2006.

In 2007, net income from discontinued operations amounted to DKK 3,513m due largely to a gain of DKK 3,251m from the divestment of Talkline.

Net income

Net income, including special items and fair value adjustments, decreased to DKK 2,751m from DKK 8,167m in 2007. The decrease reflected mainly the development in special items. Special items had a negative impact in 2008 due primarily to impairment losses related to goodwill from Sunrise, TDC Sweden and TDC Finland as well as restructuring costs. This was only partly counteracted by a gain from the divestment of shares in Polkomtel in 2008. Special items had a positive impact in 2007 due largely to gains from the divestment of Talkline, Bité and One as well as sale and leaseback of properties. This was partly counteracted by an impairment loss related to goodwill from Sunrise.

Net income from continuing operations, excluding special items and fair value adjustments, amounted to DKK 4,721m in 2008, up DKK 1,988m or 72.7% compared with DKK 2,733m in 2007. The increase reflected mainly higher EBITDA and lower net financial expenses.

Balance Sheets

Total assets amounted to DKK 74,893m at year-end 2008, down DKK 4,643m compared with DKK 79,536m at year-end 2007. The decrease in 2008 was due chiefly to lower goodwill owing to write-down of goodwill from Sunrise, TDC Sweden and TDC Finland, lower investments in joint ventures and associates due to the divestment of shares in Polkomtel as well as lower cash and cash equivalents.

Equity aggregated DKK 11,651m at year-end 2008, up DKK 1,224m compared with year-end 2007 DKK 10,427m. The increase in equity during 2008 was due largely to net income of DKK 2,751m in 2008. This was counterbalanced by dividend payments of DKK 713m and currency translation adjustments of foreign enterprises, net of hedging and tax of DKK 814m.

Total liabilities declined by DKK 5,867m to DKK 63,242m compared with DKK 69,109m at year-end 2007. The decrease in liabilities during 2008 was due primarily to lower loans, partly counteracted by increased debt related to derivative financial instruments.

Net interest-bearing debt

Net interest-bearing debt totaled DKK 35,139m at year-end 2008, down DKK 6,261m compared with 2007. The

decrease in net interest-bearing debt resulted primarily from the divestment of Polkomtel.

The Senior Facilities Agreement (SFA) is the main debt-financing instrument in TDC, representing 68.2% of total loans (in terms of net carrying value). Apart from a revolving credit facility, the SFA comprises three term loans, one being repayable in installments until 2011 (Facility A) and the other two being repayable as bullets in 2014 and 2015, respectively (Facilities B and C).

During 2008, the drawings (nominal value) under the SFA loans were reduced by DKK 6,682m (EUR 896m).

The buy-backs of Senior Facilities made during the third and fourth quarters of 2007, which totaled DKK 2,207m (EUR 296m) was settled during 2008. Further, TDC bought back and settled Senior Facilities of DKK 2,700m (EUR 362m) during 2008. All buy-backs of Senior Facilities made during 2007 and 2008, which amounted to DKK 6,335m (EUR 849m) have been settled.

On May 2, 2008, TDC made a voluntary prepayment of DKK 898m (EUR 120m) on Facility A, covering all mandatory installments up to and including December 2009. Further, a mandatory prepayment of DKK 875m (EUR 117m) was

made on October 2, 2008. The mandatory prepayment represented 50% of various disposal proceeds and was made through pro-rata prepayment of Facility A, B and C Loans.

As a result of the buy-backs and the prepayments of Senior Facilities, the following amounts (nominal value) were outstanding at December 31, 2008: Facility A: DKK 5,984m (EUR 803m), Facility B: DKK 10,446m (EUR 1,401m) and Facility C: DKK 12,454m (EUR 1,670m). In total: DKK 28,884m (EUR 3,874m).

In addition to the buy-back and prepayments of Senior Facilities, TDC bought back EMTN notes due in February 2009 in the second and third quarters of 2008. The buy-backs amounted to DKK 386m (EUR 52m) in the second quarter and DKK 312m (EUR 42m) in the third quarter. All buy-backs of EMTN notes have been settled.

On January 2, 2009, TDC made a mandatory prepayment of DKK 2,281m (EUR 306m) on Facility A with pro-rata prepayments of the mandatory installments in 2010 and 2011 having received the proceeds from the sale of its shares in Polkomtel. As a result of this prepayment, the outstanding amount of Facility A is DKK 3,703m (EUR 497m) maturing in 2010 and 2011 with DKK 1,404m (EUR 188m)

Net interest-bearing debt ¹	DKKm	
TDC Group	2008	2007
Senior Facilities	28,415	34,922
Euro Medium Term Notes (EMTN)	7,259	9,537
Other loans	6,020	5,258
Loans	41,694	49,717
Interest-bearing payables	-	3
Gross interest-bearing debt	41,694	49,720
Interest-bearing receivables	(159)	(69)
Cash	(6,396)	(8,251)
Net interest-bearing debt	35,139	41,400

¹ Net carrying value measured at amortized cost, ensures the difference between the proceeds received and the nominal value is recognized in the Statements of Income over the term of the loan.

and DKK 2,299m (EUR 309m), respectively. TDC may occasionally continue to make buy-backs and to prepay its debt, including the Senior Facilities and EMTNs.

Capital expenditures

Capital expenditures, excluding share acquisitions, were DKK 5,134m in 2008, down by DKK 73m compared with 2007. Capital expenditures in the Nordic Business amounted to DKK 3,975m in 2008, down by DKK 7m compared with 2007. The reduction in Fixnet Nordic amounted to DKK 107m, which related mainly to fewer customer installations in fiber and xDSL at a lower unit price, which was partly counteracted by a capacity expansion and future-proofing of the access and backbone network. From 2007 to 2008, capital expenditure was reduced by DKK 56m in Mobile Nordic, primarily related to outsourcing of GSM and UMTS network operation, as the roll-out of 3G and HSDPA has, in fact, been expanded compared with 2007. The reduction was partly counteracted by an increase in TDC IT and YouSee with a rise in capital expenditures of DKK 102m and DKK 79m respectively.

The capex-to-revenue ratio was 13.2% in both 2007 and 2008.

Statements of Cash Flow

Cash flow from operating activities amounted to DKK 7,178m in 2008, down by DKK 2,760m compared with DKK 9,938m in 2007. This development was due mainly to currency translation adjustments from hedging activities and higher corporate income tax paid.

Cash flow from investing activities totaled DKK 600m in 2008 compared with DKK 7,886m in 2007. The development was driven by the lower proceeds from divestment of enterprises in 2008 than in 2007.

Cash flow from financing activities totaled DKK (9,633)m in 2008 compared with DKK (13,028)m in 2007. The development related mainly to lower repayment of long-term debt in 2008 than in 2007.

TDC's cash and cash equivalents decreased from DKK 8,251m at year-end 2007 to DKK 6,396m at year-end 2008.

Business Nordic

In 2008, Business Nordic's revenue and EBITDA were DKK 12,042m and DKK 3,981m respectively, compared with DKK 12,429m and DKK 3,845m in 2007. The EBITDA margin was 33.1% in 2008 compared with 30.9% in 2007.

At year-end 2008, Business Nordic had 3,239 full-time employee equivalents compared with 3,808 in 2007 and

1.8m customers at year-end 2008, up 7% compared with year-end 2007.

Revenue

Business Nordic's revenue decreased by DKK 387m or 3.1% to DKK 12,042m in 2008. Outsourcing of mobile terminal sales to large customers and divestment of CPE business activities, etc., i.e. LG¹⁵, Business Phone¹⁶ and Digital Signatur contributed negatively. Exclusive of this, revenue

¹⁵ LG refers to import, sales, installation and service of telecommunications installations from LG-Nortel.

¹⁶ Telecommunications solutions for small and medium-sized business customers.

Selected financial and operational data	Excluding special items		
Business Nordic	2008	2007	Growth in % 2008 vs. 2007
DKKm			
Revenue	12,042	12,429	(3.1)
Internet and network	4,061	4,072	(0.3)
Landline telephony	2,779	3,036	(8.5)
Mobile telephony	2,388	2,357	1.3
Terminal equipment etc.	2,540	2,697	(5.8)
Other	274	267	2.6
Transmission costs and cost of goods sold	(5,088)	(5,216)	2.5
Other external expenses	(1,164)	(1,435)	18.9
Wages, salaries and pension costs	(1,939)	(2,016)	3.8
Operating expenses before depreciation etc.	(8,191)	(8,667)	5.5
Other income and expenses	130	83	56.6
Income before depreciation, amortization and special items (EBITDA)	3,981	3,845	3.5
Key financial ratios			
EBITDA margin ¹	%	33.1	30.9
			-
Customer base (end-of-year)	(1,000)		
Landline customers	389	405	(4.0)
Internet customers	334	342	(2.3)
Mobile customers	947	818	15.8
International customers	97	94	3.2
Customer base, total	1,767	1,659	6.5
Number of employees ²	3,239	3,808	(14.9)

¹ Income before depreciation, amortization and special items / revenue.

² The number denotes end-of-year full-time employee equivalents including permanent employees, trainees and temporary employees.

declined by 1.7%. The revenue decrease was also driven by lower revenue from traditional landline telephony which decreased by DKK 257m or 8.5% and related primarily to a 5.9% decrease in the customer base and lower Minutes of Use (MoU) due to migration to the mobile networks, and VoIP. This was only partly offset by increasing revenue of DKK 31m or 1.3% to DKK 2,388m from mobile voice, driven by a larger domestic customer base that was only partly offset by lower mobile termination fees and lower international roaming prices caused by EU regulation. A decrease in revenue in TDC Sweden was driven by lower voice and integrator revenue.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to DKK 5,088m in 2008, down by DKK 128m or 2.5% compared with 2007. The decrease stemmed mainly from the lower domestic landline traffic and lower mobile termination costs per minute, which was partly counteracted by higher mobile activity.

Other external expenses

Other external expenses fell DKK 271m or 18.9% to DKK 1,164m in 2008 stemming principally from ongoing streamlining of the business to focus on higher-margin products.

Wages, salaries and pension costs

In 2008, wages, salaries and pension costs dropped by DKK 77m or 3.8% to DKK 1,939m, driven by a decrease in the number of full-time employee equivalents due partly to redundancy programs.

Income before depreciation, amortization and special items (EBITDA)

In 2008, EBITDA increased by DKK 136m or 3.5% to DKK 3,981m, reflecting largely lower operating expenses, which more than offset the lower revenue from traditional landline telephony. Gains from the divestment of minor business areas also contributed to the increase.

Fixnet Nordic

In 2008, revenue and EBITDA were DKK 8,436m and DKK 4,136m, respectively, compared with DKK 9,324m and DKK 3,801m in 2007. The EBITDA margin was 49.0% in 2008 compared with 40.8% in 2007.

At year-end 2008, Fixnet Nordic had 2.8m customers, compared with 3.1m in 2007. The number of full-time

employee equivalents totaled 4,805 by year-end 2008 compared with 5,768 in 2007.

Revenue

In 2008, Fixnet Nordic's revenue totaled DKK 8,436m, down DKK 888m or 9.5% compared with 2007. The decrease was due mainly to a DKK 768m fall in landline telephony. This decrease was partly a result of the

Selected financial and operational data	Excluding special items		
Fixnet Nordic	2008	2007	Growth in % 2008 vs. 2007
DKKm			
Revenue	8,436	9,324	(9.5)
Landline telephony	4,573	5,341	(14.4)
Internet and network	2,503	2,469	1.4
Mobile telephony	567	600	(5.5)
Operator services	307	326	(5.8)
Other	486	588	(17.3)
Transmission costs and cost of goods sold	(1,589)	(2,113)	24.8
Other external expenses	(2,093)	(2,294)	8.8
Wages, salaries and pension costs	(1,632)	(1,999)	18.4
	(5,314)	(6,406)	17.0
Operating expenses allocated to other business lines	841	778	8.1
Total operating expenses before depreciation etc.	(4,473)	(5,628)	20.5
Other income and expenses	173	105	64.8
Income before depreciation, amortization and special items (EBITDA)	4,136	3,801	8.8
Key financial ratios			
EBITDA margin ¹	%	49.0	40.8
			-
Customer base (end-of-year)	(1,000)		
Landline customers	1,682	1,932	(12.9)
Internet customers	727	768	(5.3)
Mobile customers	375	345	8.7
TV customers	27	13	107.7
Customer base, total	2,811	3,058	(8.1)
Number of employees ²	4,805	5,768	(16.7)

¹ Income before depreciation, amortization and special items / revenue.

² The number denotes end-of-year full-time employee equivalents including permanent employees, trainees and temporary employees.

divestment of International Voice Business. Exclusive of this, the revenue fell by a total of 5.0%. A smaller retail customer base also contributed to the fall in landline telephony revenue. At year-end 2008, the residential landline customer base was 1.3m compared with 1.5m at year-end 2007, as a consequence of customer migration to mobile and VoIP. Furthermore, revenue from mobile voice decreased by DKK 33m, which was caused by lower ARPU, but was partly counterbalanced by increasing revenue from internet and network services that rose from DKK 2,469m in 2007 to DKK 2,503m in 2008.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to DKK 1,589m in 2008, down by DKK 524m or 24.8% compared with 2007, reflecting primarily the divestment of International Voice Business and a decrease in landline telephony traffic.

Other external expenses

Other external expenses decreased by DKK 201m or 8.8% to DKK 2,093m in 2008, and were due primarily to lower costs relating to contractors owing to fewer incidents of cable damage in 2008 compared with 2007, lower consultancy costs and lower costs related to temporary employees. This was partly counteracted by higher rent due to the sale and lease back of properties in 2007.

Wages, salaries and pension costs

Wages, salaries and pension costs decreased by DKK 367m or 18.4% to DKK 1,632m in 2008, driven by a reduction of full-time employee equivalents as a consequence of redundancy programs, outsourcing and the divestment of International Voice Business.

Income before depreciation, amortization and special items (EBITDA)

In 2008, EBITDA amounted to DKK 4,136m, up by DKK 335m or 8.8%. This performance reflects largely cost savings generated by efficiency improvements that affected wages, salaries and pension costs as well as other external expenses positively. This was only partly counteracted by declining EBITDA in landline telephony.

Mobile Nordic

Mobile Nordic's revenue and EBITDA in 2008 were DKK 5,314m and DKK 1,439m, respectively, compared with DKK 5,494m and DKK 1,399m in 2007. The EBITDA margin was 27.1% in 2008 compared with 25.5% in 2007.

At year-end 2008, Mobile Nordic had 902 full-time employee equivalents compared with 1,262 in 2007 and 1.8m customers, as in 2007.

Revenue

Mobile Nordic's revenue decreased by DKK 180m or 3.3% to DKK 5,314m in 2008. Of the total percentage revenue decrease, lower revenue from service providers accounted for 2.8 percentage points, primarily as a result of lower average service-provider customer base, while lower EU roaming prices caused by EU regulation contributed

negatively by 2.4 percentage points. Reduced sales of PCs and other CPE sales in TDC Shop, and a 54,000 decrease in prepaid voice customers also contributed negatively to the revenue development. This was partly counteracted by a growth in the retail voice postpaid segment¹⁷ of 38,000 customers to 578,000, and the number of Telmore voice customers that grew by 54,000 to 664,000 customers.

The current landline-to-mobile migration was reflected in strong voice traffic growth in 2008 with retail MoU per subscriber up by 12.0% to 107 minutes a month. Also, mobile data and volumes of traditional SMS texting rose, and 3G mobile services such as mobile broadband access became more widespread. Overall, retail ARPU per month was DKK 198, which was 2.5% more than in 2007.

¹⁷ Including SoHo customers.

Selected financial and operational data	Excluding special items		
Mobile Nordic	2008	2007	Growth in % 2008 vs. 2007
DKKm			
Revenue	5,314	5,494	(3.3)
Transmission costs and cost of goods sold	(2,023)	(2,209)	8.4
Other external expenses	(1,686)	(1,623)	(3.9)
Wages, salaries and pension costs	(439)	(518)	15.3
	(4,148)	(4,350)	4.6
Operating expenses allocated to other business lines	277	250	10.8
Total operating expenses before depreciation etc.	(3,871)	(4,100)	5.6
Other income and expenses	(4)	5	(180.0)
Income before depreciation, amortization and special items (EBITDA)	1,439	1,399	2.9
Key financial ratios			
EBITDA margin ¹	%	27.1	25.5
			-
Customer base (end-of-year)	(1,000)		
Customer base, total	1,844	1,774	3.9
Number of employees ²	902	1,262	(28.5)

¹ Income before depreciation, amortization and special items / revenue.

² The number denotes end-of-year full-time employee equivalents including permanent employees, trainees and temporary employees.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold decreased by 8.4% or DKK 186m to DKK 2,023m in 2008. This can be attributed mainly to reduced sales of PCs and CPE sales by TDC Shop, the lower service-provider customer base and reduced EU roaming cost prices. This was partly offset by increased transmission costs generated by more traffic.

Other external expenses

Other external expenses amounted to DKK 1,686m in 2008, up by DKK 63m or 3.9%, stemming primarily from higher costs in connection with outsourcing the operation of the mobile network and from higher subscriber acquisition and marketing costs, and increased provision for allowances for uncollectibles. This was counteracted mainly by lower costs related to temporary employees.

Wages, salaries and pension costs

In 2008, wages, salaries and pension costs fell by DKK 79m or 15.3% to DKK 439m as a result of a reduction in average full-time employee equivalents. This was achieved mainly by outsourcing the mobile network operation.

Income before depreciation, amortization, and special items (EBITDA)

In 2008, Mobile Nordic's EBITDA rose by DKK 40m or 2.9% to DKK 1,439m reflecting a larger retail postpaid customer base, increase in Telmore customers and reduction in employees that was partly counteracted by lower EBITDA on roaming due to EU-regulation and a lower service-provider customer base.

YouSee

In 2008, YouSee's revenue and EBITDA totaled DKK 3,201m and DKK 962m, respectively, compared with DKK 2,852m and DKK 814m in 2007. The EBITDA margin was 30.1% in 2008 compared with 28.5% in 2007.

At year-end 2008, YouSee's cable-TV customers totaled 1.1m, up 1.9% compared with 2007.

At year-end 2008, YouSee had 1,174 full-time employee equivalents compared with 1,110 in 2007.

Revenue

YouSee's revenue rose by DKK 349m or 12.2% to DKK 3,201m in 2008. The increase was driven largely by higher cable-TV revenue of 15.7%, due to a larger customer base

and higher ARPU as a result of a wider range of TV channels.

YouSee's broadband business contributed to revenue growth of 8.2% due mainly to a larger customer base. Revenue from telephony also increased. The telephony customer base rose by 34.3% to 47,000 customers at year-end 2008, of whom 38,000 were VoIP customers.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold totaled DKK 1,357m in 2008, up DKK 180m or 15.3% compared with 2007, stemming mainly from increased program expenses resulting from more customers and the wider range of channels in the packages.

Selected financial and operational data	Excluding special items		
YouSee	2008	2007	Growth in % 2008 vs. 2007
	DKKm		
Revenue	3,201	2,852	12.2
Transmission costs and cost of goods sold	(1,357)	(1,177)	(15.3)
Other external expenses	(430)	(425)	(1.2)
Wages, salaries and pension costs	(467)	(437)	(6.9)
Total operating expenses before depreciation etc.	(2,254)	(2,039)	(10.5)
Other income and expenses	15	1	-
Income before depreciation, amortization and special items (EBITDA)	962	814	18.2
Key financial ratios			
EBITDA margin ¹	%	30.1	28.5
			-
Customer base (end-of-year)	(1,000)		
Cable TV customers	1,113	1,092	1.9
Internet customers	323	309	4.5
Telephony customers	47	35	34.3
Customer base, total	1,483	1,436	3.3
Number of employees ²	1,174	1,110	5.8

¹ Income before depreciation, amortization and special items / revenue.

² The number denotes end-of-year full-time employee equivalents including permanent employees, trainees and temporary employees.

Other external expenses

Other external expenses amounted to DKK 430m in 2008, up DKK 5m or 1.2%, and related primarily to more installation work linked to changing customers' TV packages and fixing cable faults and increased rent. This was partly counteracted by reductions in IT spending and consultancy costs.

Wages, salaries and pension costs

Wages, salaries and pension costs rose by DKK 30m or 6.9% to DKK 467m, due largely to an increase in full-time employee equivalents.

Income before depreciation, amortization and special items (EBITDA)

YouSee's EBITDA totaled DKK 962m in 2008, up DKK 148m or 18.2%. This related mainly to a larger customer base and higher ARPU from TV and broadband.

Sunrise

In 2008, revenue and EBITDA in Sunrise were DKK 8,705m and DKK 2,152m, respectively, compared with DKK 8,842m and DKK 2,373m in 2007. The EBITDA margin was 24.7%, compared with 26.8% in 2007.

At year-end 2008, Sunrise had 2.9m customers compared with 2.3m at year-end 2007, impacted by the acquisition of Tele2 in Switzerland. Excluding Tele2-customers, Sunrise had 2.4m customers comprising 1.7m mobile customers, 0.5m landline customers and 0.3m internet customers.

At year-end 2008, Sunrise had 1,474 full-time employee equivalents, compared with 2,036 in 2007.

Revenue

In 2008, Sunrise's revenue totaled DKK 8,705m, down by DKK 137m. In local currency, revenue decreased by 4.8%.

Revenue from mobile telephony amounted to DKK 5,317m in 2008, down by DKK 56m or 1.0%. In local currency, revenue from mobile telephony decreased by 4.3% mainly as a consequence of lower revenue from the postpaid

Selected financial and operational data	Excluding special items		
Sunrise	2008	2007	Growth in % 2008 vs. 2007
DKKm			
Revenue	8,705	8,842	(1.5)
Mobile telephony	5,317	5,373	(1.0)
Landline telephony	2,677	2,745	(2.5)
Internet services	711	724	(1.8)
Transmission costs and cost of goods sold	(3,210)	(3,280)	2.1
Other external expenses	(2,373)	(2,026)	(17.1)
Wages, salaries and pension costs	(976)	(1,163)	16.1
Total operating expenses before depreciation etc.	(6,559)	(6,469)	(1.4)
Other income and expenses	6	-	-
Income before depreciation, amortization and special items (EBITDA)	2,152	2,373	(9.3)
Key financial ratios			
EBITDA margin ¹	%	24.7	26.8
			-
Customer base (end-of-year)	(1,000)		
Landline customers	730	457	59.7
Mobile customers	1,768	1,524	16.0
xDSL customers	325	232	40.1
Dial-up customers	35	60	(41.7)
Customer base, total	2,858	2,273	25.7
Number of employees ²	1,474	2,036	(27.6)

¹ Income before depreciation, amortization and special items / revenue.

² The number denotes end-of-year full-time employee equivalents including permanent employees, trainees and temporary employees.

segment due to retail price reductions, lower handset sales and reduced mobile termination fees. The latter contributed 1.3 percentage points of the total percentage revenue decrease. This was partly counterbalanced by increased revenue from a larger prepaid and postpaid customer base. Revenue from landline telephony decreased by DKK 68m or 2.5% to DKK 2,677m in 2008. In local currency, revenue from landline telephony decreased by 5.7%. The decline stemmed mainly from lower revenue from SBC due to lower activity in the first half of 2008 and the subsequent divestment. Exclusive of SBC, the total revenue in Sunrise decreased by 1.6% in local currency from 2007 to 2008. Lower retail voice revenue also contributed to the decrease in landline telephony revenue, driven by a reduced customer base and lower ARPU, which was partly offset by higher revenue from wholesale activities. In 2008, revenue from internet services decreased by DKK 13m or 1.8% to DKK 711m. In local currency, revenue decreased by 5.0%. The decrease related primarily to a price decrease on ADSL as well as lower dial-up revenue, which was partly offset by a higher ADSL customer base.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to DKK 3,210m in 2008, down by DKK 70m or 2.1% compared with 2007. In local currency, transmission costs and cost of goods sold decreased by 5.4%. This can be attributed mainly to lower activity in SBC in first half of 2008 followed by the divestment, an adjustment of prices for termination of landline calls for 2006 and 2007, lower wholesale prices for resale of ADSL products, reduction of mobile termination prices, and lower sales of handsets. This was partly counteracted by increased landline wholesale traffic, and increased mobile traffic, driven by an increased customer base.

Other external expenses

Other external expenses amounted to DKK 2,373m in 2008, up by DKK 347m or 17.1% compared with 2007. In local currency, other external expenses increased by 13.2%. This was due to more mobile customers and consequently higher acquisition costs, higher retention costs and call center costs, partly offset by lower network operation and maintenance costs due to the outsourcing of network operations.

Wages, salaries and pension costs

Wages, salaries and pension costs fell by DKK 187m or 16.1% to DKK 976m in 2008. In local currency, wages, salaries and pension costs decreased by 18.5%, caused mainly by fewer full-time employee equivalents, which related to the divestment of SBC and outsourcing of network operations.

Income before depreciation, amortization and special items (EBITDA)

EBITDA decreased by DKK 221m or 9.3% to DKK 2,152m in 2008. In local currency, EBITDA decreased by 12.3%, reflecting primarily the net effect from reduced mobile termination, lower gross profit from postpaid customers due to price decreases, and increased customer retention costs as well as higher customer acquisition costs driven by the customer intake. This was partly counterbalanced by an adjustment relating to reduced termination prices for landline calls for 2006 and 2007, and a decrease in wages resulting mainly from a reduction in full-time employee equivalents due to the divestment of SBC and outsourcing of network operations.

Other activities

Other activities cover HTCC, TDC IT and Headquarters. Bité was divested at the beginning of February 2007, and was included in the financial figures until that point.

HTCC contributed positively to revenue and EBITDA growth, due mainly to HTCC's acquisition of Invitel on April 27, 2007 and Memorex on March 3, 2008, as both acquisitions have had a positive impact on revenue and EBITDA since they have been included in the financial figures. Invitel has been included in the financial figures since May 2007, while Memorex has been included since March 2008.

TDC IT contributed positively to EBITDA growth primarily through reduced maintenance costs. This was partly counteracted by Headquarters, which contributed negatively to the development in EBITDA, due mainly to higher rent following the sale and leaseback of properties in 2007. Also, the development in pensions related to domestic defined benefit plans had a negative effect on the EBITDA development.

Risk management

Operational risk management

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

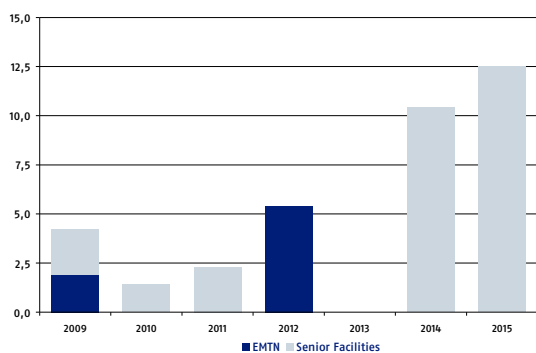
The aim of the central Security and Risk Management functions is systematically to identify and reduce risks relating to TDC's assets, activities, and employees. It is TDC's policy to continuously reduce risks in general, and to transfer catastrophe risks to insurance companies.

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

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

Maturity profile of gross debt, nominal value, year-end 2008

DKKbn



Note: Figure shows the maturity profile of TDC's gross debt according to the loan agreements. Senior Facilities maturing in 2009 reflect the mandatory prepayment of EUR 306m following the disposal of Polkomtel, which was paid January 2, 2009. Debt in HTCC of DKK 5.2bn is not included.

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 TDC's 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 daily (credit risks) or twice weekly (interest and exchange-rate risks). All risk measures are reported to the Group CFO on a weekly basis.

Group Treasury is responsible for the treasury management system and methodologies used to calculate and estimate risk positions. Further, TDC's auditors review Group Treasury's procedures and methodologies on a regular basis to 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 revised on an annual basis, if necessary. The financial strategy is approved by TDC's Board of Directors.

As a consequence of TDC's capital structure and financing, TDC faces interest and exchange-rate risks. Furthermore, the relevant financing includes several financial covenants and undertakings to which TDC must adhere. Additionally, though TDC is under no legal obligation, TDC aims to be able to pay out sufficient dividends on a continuous basis, in order for NTCH to meet its debt service requirements on its high-yield bond debt. TDC's financial strategy was revised in December 2008 and defines maxima for interest and exchange rate value at risk (VaR) as well as maxima/minima for a range of other risk variables.

Refinancing and liquidity risks

To reduce refinancing risk, the maturity profile of the debt portfolio is spread over several years. Further, voluntary prepayments and buy-backs of debt have reduced debt redemption hurdles to manageable levels. Therefore, TDC has no significant debt positions to be refinanced in the coming years. A revolving credit facility of DKK 5.2bn with commitment from a broad base of banks and cash generated by the business activities are deemed sufficient to handle upcoming redemption of debt.

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

Interest-rate risks

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

Throughout 2008, TDC monitored and managed its interest-rate risks using several variables in accordance with TDC's financial strategy. These variables primarily protect TDC's retained earnings, financial covenants and undertakings, which TDC must adhere to according to the SFA. The following variables are monitored (for TDC and NTCH ApS in combination):

- 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 (for TDC)
- 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
- The maximum share of fixed interest-rate gross debt to be reset within one year shall not exceed 25%

The table below shows the interest-rate risk variables monitored by TDC.

Exchange-rate risks

TDC is primarily exposed to exchange-rate risks from EUR, CHF, SEK and HUF. The exchange rate exposure from TDC's business activities relates principally 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, to date it has not been hedged. 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.

	Monitored interest-rate risk variables (end-of-period)							DKKm	
	Maximal minima	4Q 07	1Q 08	2Q 08	3Q 08	4Q 08	Average 2008	Interval 2008	
Interest-rate VaR on gross debt	Max. 2,500	1,270	1,134	1,046	973	749	1,067	749 – 1,581	
Interest-rate VaR on the derivatives portfolio and marketable securities	Max. 1,400	510	479	376	357	358	417	355 – 515	
Share of floating interest-rate debt	Max. 60%	31%	37%	43%	40%	39%	38%	31% – 44%	
Duration of gross debt (years)	Min. 1.5	2.38	2.29	2.13	2.13	1.90	2.24	1.90 – 2.67	
Duration of cash accounts, marketable securities and deposits (years)	Max. 0.5	0.01	0.00	0.00	0.03	0.02	0.01	0.00 – 0.05	
The maximum share of fixed interest-rate gross debt to be reset within one year	Max. 25%	18%	18%	16%	17%	21%	18%	16% – 24%	

Due to TDC's capital structure, the exposure from financial activities in EUR is significant, as 96% of the nominal gross debt (including derivatives and excluding HTCC) is denominated in EUR. However, because of the fixed EUR/DKK exchange rate policy of Danmarks Nationalbank (the Danish central bank), TDC does not consider positions in EUR to constitute a significant risk. A significant part of HTCC's debt financing is denominated in EUR. Since HTCC's business activities are mainly HUF-based and the HUF is not pegged to EUR, this creates an exchange-risk which is not hedged by HTCC.

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

Throughout 2008, TDC monitored and managed exchange-rate risk using several variables in accordance with TDC's financial strategy. These variables primarily protect retained earnings, financial covenants and undertakings to which TDC must adhere according to the SFA. The following variables are monitored (for TDC):

- Exchange-rate VaR on equity investments and intra-group loans (both including related hedging instruments) shall not exceed DKK 700m
- Exchange-rate VaR on gross debt, hedging instruments (other than those used for equity investments and intra-group loans), loans to associates, cash accounts, marketable securities and accounts payable and receivable shall not exceed DKK 500m

The table below shows the exchange-rate variables monitored by TDC.

In addition to the above variables, the financial strategy includes a range of exchange-rate hedging policies, which, e.g. 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. Further, exchange-rate VaR on EBITDA or Consolidated Cash Flow (as defined in the SFA) shall not exceed 2% of EBITDA or Consolidated Cash Flow.

Credit risks

TDC is exposed to credit risks principally 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 that defines a maximum exposure regarding each counterparty. The maxima, which are approved by the Board of Directors, are based primarily on the lowest credit ratings of the counterparties from either Standard & Poor's (S&P) or Moody's Investor Services (Moody's). This policy acts to diversify counterparty exposure and reduce exposure to single counterparties. However, should one of TDC's counterparties default, TDC might incur a loss. Credit risk is monitored on a daily basis.

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

DKK m

	Maxima	4Q 07	1Q 08	2Q 08	3Q 08	4Q 08	Average 2008	Interval 2008
Exchange-rate VaR on equity investments and intra-group loans	700	554	574	582	564	527	577	525 – 633
Exchange-rate VaR in EUR1	500	125	118	106	105	87	111	86 – 126
Exchange-rate VaR in other currencies than EUR1		14	26	14	8	27	23	8 – 92

¹ Gross debt, other hedging instruments, loans to associates, cash accounts, marketable securities and accounts payable and receivable.

Credit rating

TDC is rated by S&P, Moody's and Fitch.

TDC's Company Ratings at December 31, 2008

Rating	Short-term	Long-term	Outlook
S&P	B	BB-	Stable
Moody's	-	Ba3 ¹	Positive
Fitch	B	BB-	Stable ²

¹ On January 30, 2009 Moody's upgraded TDC's company long-term rating from Ba3 to Ba2.

² On January 20, 2009 Fitch upgraded TDC's outlook from stable to positive.

None of the rating agencies have changed their outlooks or ratings of TDC during 2008. However, on January 20, 2009, Fitch upgraded TDC's outlook from stable to positive. Furthermore, on January 30, 2009, Moody's upgraded TDC's company rating to Ba2 from Ba3. At the same time, the credit rating of TDC's Senior Facilities was upgraded to Ba1 from Ba2 and the credit rating of TDC's Euro Medium Term Notes (EMTN) was upgraded to Ba3 from B1. The upgrades follow from Moody's upgrade of the company credit rating of Nordic Telephone Company Holding ApS (NTCH), which owns 87.9% of TDC, to Ba2 (stable outlook) from Ba3 (positive outlook). The credit rating of NTCH's High Yield Bonds was upgraded to B1 from B2.

Shares

TDC had issued 198,375,177 shares of which 283,821 were held as treasury shares at year-end 2008.

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 cover any shortfall in the pension funds' ability to comply with the capital adequacy 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 2008, cash, marketable securities and interest-bearing receivables amounted to DKK 6,555m compared with DKK 8,320m at year-end 2007, while short-term interest-bearing debt amounted to DKK 4,714m at year-end 2008, leaving net liquid assets at DKK 1,841m. The corresponding short-term interest-bearing debt and net liquid assets for year-end 2007 were DKK 4,149m and DKK 4,171m respectively.

Long-term interest-bearing debt totaled DKK 36,980m at year-end 2008, compared with DKK 45,571m at year-end 2007. Net interest-bearing debt was DKK 35,139m at year-end 2008, compared with DKK 41,400m at year-end 2007.

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

DKK m

	TDC Group	
	2008	2007
Cash, marketable securities and interest-bearing receivables	6,555	8,320
Short-term interest-bearing debt	(4,714)	(4,149)
Net liquid assets	1,841	4,171
Long-term debt	(36,980)	(45,571)
Net interest-bearing debt	(35,139)	(41,400)
Cash, marketable securities and interest-bearing receivables	6,555	8,320
Undrawn committed short- and long-term credit lines	4,716	4,789
Total cash, marketable securities, net interest-bearing receivables and undrawn credit lines	11,271	13,109

TDC's total cash, marketable securities, interest-bearing receivables and undrawn credit lines totaled DKK 11,271m at year-end 2008, a decrease of DKK 1,838m compared with year-end 2007.

In TDC's opinion, the available cash, marketable securities, interest-bearing receivables and undrawn credit lines are sufficient to maintain current operations, to complete projects underway, to finance stated objectives and plans, and to meet short- and long-term cash requirements. In addition, although TDC is not legally obliged to do so, TDC considers the available cash, marketable securities, interest-bearing receivables and undrawn credit lines sufficient to pay out dividends in order for NTCH to meet debt-service requirements on its high-yield bond debt.

Risk factors related to TDC's business

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.

Summary

TDC's business is exposed to various risks including intensified competition, changes in the economic environment, operational and technological developments, environmental challenges, changes in relation to suppliers and distributors, inability to control costs, loss of key personnel, regulatory changes, financial and taxation risks and legal risks. Any such risks could harm TDC and adversely affect TDC's business, financial position, results of operations or cash flow.

Domestic business activities

Market risks

The Danish telecommunications sector is highly competitive, and a number of the main markets in which TDC is present are either approaching saturation, e.g. broadband and mobile telephony, or even declining, such as landline telephony.

In all markets in which TDC operates, TDC's future success will depend on TDC's ability to stimulate and increase usage, e.g. by offering add-on services to continuously attract new customers, and especially retain existing customers, thereby maintaining a sufficiently large customer base to achieve profitable operations. TDC is therefore clearly focusing on market initiatives that increase customer loyalty, e.g. TDC Play and YouSee Play, which offer unlimited downloads of music to retail broadband and mobile postpaid customers at no additional charge, and bundled products. At the same time, price regulation is limiting prices in a number of markets and even implying price decreases, which are resulting in revenue decline in areas such as mobile termination and international roaming. If TDC fails to increase sales to existing customers or expand its subscriber base and increase total revenue in spite of the market saturation, TDC's business, financial position and results of operations could be materially adversely affected.

TDC expects the future landline market to be dominated by providers offering bundles such as broadband, telephony, and TV in one package, and TDC has also recently launched TDC HomeDuo and TDC HomeTrio, both bundled product combinations. However, such types of bundled products complicate matters due to 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 attractive packages of bundled products, TDC's market shares and profit margins in the landline business may be adversely affected.

Competitors

TDC faces significant competition from both established competitors, such as Telenor and TeliaSonera, and newer competitors such as the utility companies, Fullrate, HI3G, mobile service providers and the DTT provider Boxer. TDC must match its competitors' product offerings, services, acquisition costs, and prices, or it may lose market shares. If TDC is forced to lower its prices to match its competitors and if cost savings initiatives are not implemented with the required speed and effect, TDC may experience decreasing profit margins and EBITDA.

Telephony

The customer base for traditional landline telephony is decreasing still faster owing to strong landline-to-mobile migration and migration to VoIP as mobile prices decrease and as broadband providers are offering VoIP at reduced prices compared with traditional PSTN telephony. 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 the utility companies using their infrastructure to provide telephony and broadband. In all, TDC may risk losing its PSTN customers even faster than expected. As TDC has smaller shares of both the mobile telephony market and the VoIP market, migration may negatively affect TDC's earnings. Even if TDC could manage to capture all of the customer migration from traditional landline telephony to the substitution products, TDC's total telephony business may still experience decreasing profit, as margins for these substitution products are generally lower than the margins for traditional telephony, e.g. TDC's own price level for VoIP is also lower than that for PSTN.

Similarly, low-cost VoIP may threaten TDC's mobile telephony business in the long term, as will the continuing decreases in market prices of mobile telephony. Failure to lead or adapt to changes in the mobile market, to keep pace with new mobile technologies or to compete with or adopt new business models may have a materially adverse effect on TDC's mobile business.

Broadband and data

The growth in the landline broadband market diminished in 2008 and the market is approaching saturation. At the same time, competition has intensified among existing and new competitors, resulting in increased bandwidth at unchanged prices or even reduced prices as well as more competition for broadband add-on services. In turn, the market for mobile broadband is growing strongly and mobile broadband appears for some customers to be a viable alternative to landline broadband, as prices have decreased while bandwidth and coverage have increased.

TDC, including YouSee, as the dominant player in the landline broadband market, has to lead or adapt to product and technological developments, including market demand for even higher DSL speeds, add-on service offerings and bundling of mobile and landline broadband, telephony and TV, in order to maintain its customer base. In the mobile broadband market, TDC's market share is still moderate, but on the increase. TDC's success will depend on its ability to significantly increase its market share in the mobile broadband market as the overall market grows. This will require that TDC adapts to market demands for higher bandwidths, increased coverage and attractive pricing. If TDC does not succeed in increasing its mobile broadband market share, a possible migration from landline broadband to mobile broadband will negatively affect TDC's business, financial position, results of operations and cash flow.

Continuing competition for leased lines is likely from substitution products, including IP-based transmission and fiber solutions. Such products are often priced lower than leased lines, and product quality may be considered sufficiently high by some customer segments to constitute a viable alternative to traditional leased line solutions. This may result in either increased pressure on TDC's leased line prices or a reduced subscriber base.

TV

YouSee's cable-TV business and the IP-based TDC TV are expected to face increasing competition from sources such as the utility companies and DTT. Competition is driven by price, convenience and the range of channels offered. At the end of March 2008, the Swedish operator Boxer was selected as the commercial gatekeeper for DTT in Denmark. Boxer has announced that it will offer 29 channels in multiple packages from November 1, 2009, but from as early as February 2009, Boxer plans to launch one TV package with nine channels in the western part of Denmark. The increased range of channels in the generally accessible terrestrial network, as well as the supply of TV through the utility companies' roll-out of FTTH, will significantly increase competition, and TDC and YouSee's profit margins on TV may be adversely affected. In the long term, increased competition in the Danish cable-TV market may also arise from internet-based content providers, e.g. media and communications companies. Failure by YouSee and TDC to meet these challenges may have a materially adverse effect on TDC's market share of the Danish TV-distribution market.

Online

Online represents an increasing sales channel for telecommunications products and services. The online portal is a potential means of reducing selling expenses and stimulating sales per customer. TDC is challenged by competitors that may more quickly develop successful online portals. Thus, if TDC is unable to further develop the online channel to explore the potential market and develop an effective online procedure, this may negatively impact TDC's revenue and costs.

Content

Technological developments are increasingly enabling customers to receive content whenever and wherever they wish, and are contributing to increasing demand for content. Future growth in content services is expected to be driven by increased quantitative and qualitative capabilities of content providers. TDC's cable-TV business, YouSee, has given TDC significant experience of, and access to, the content market and content delivery products. TDC's future success with content services will depend on its ability to offer attractive TV channels and popular music and games, and to adapt and lead technological developments in content delivery. Failure to

provide content services and adapt to technological developments may negatively impact sales of TDC's products and services with a content component, such as cable TV, broadband and mobile.

Economic recession

The anticipated recession in the Danish economy and the ongoing crisis in the global financial markets could affect both the residential and business telecoms markets in which TDC operates. In the business markets, potential customers may be exposed to reduced investment levels, lower profit, restructuring and consolidation, leading to a review of telecom spending or increased level of foreclosures that could e.g. result in reduced revenue in TDC's integrator service business, and possibly increased churn in all business areas. Residential markets could be hit by higher unemployment, lower disposable income and a significant decrease in consumer spending, which may result in an increased focus on the basic telecoms services and low-cost services. One consequence could be fewer mobile broadband customers than expected, and lower ARPU than expected for both mobile broadband and landline broadband, and possibly also increased churn rates in the residential telecoms markets. These factors may negatively affect TDC's business, financial position and results of operations in its Danish, Nordic and international businesses.

Operational risks

IT, technology and networks

In 2008, TDC completed the design of the end-state IT architecture that is expected to enable TDC to lower costs and at the same time improve customer satisfaction through reduced delivery times and improved customer insight. During the ongoing upgrade process, TDC may discover issues not included in the plan, which may entail additional investments that TDC cannot be sure to have sufficient liquidity to fund in the future, and this may have adverse effects on its business and results of operations.

TDC has modern networks, is rolling out technologies such as 3G, FTTH and Ethernet, and offers new products such as VoIP, mobile broadband and IPTV. The technological innovation and product development, however, are rapidly continuing and TDC must react to these changes,

and develop or apply new, enhanced products and services rapidly enough to maintain its position. If the technologies develop faster than TDC anticipates, greater capital investments may be required more quickly than expected for which TDC may not have the resources available. This would adversely affect TDC's business, as market shares and customers may be lost, and substitution technologies introduced by competitors may result in lower profit margins. New technologies may become dominant, rendering TDC's current systems obsolete. There is also a risk that TDC may fail commercially, and not reach as many customers as expected despite the development of an attractive product portfolio.

Equipment and network systems are vulnerable in many respects. TDC's equipment and networks have been affected by floods and storms in the past, and steps have been taken to improve the situation through preventive maintenance. If, however, the damage to network and installations anyhow increases, TDC's costs will increase, and, moreover, the image of a reliable telecommunications provider could potentially suffer. TDC's networks and services may be damaged or disrupted by numerous other events, including fire, other natural disasters, power outages and equipment or system failures (major disruptive events). TDC's equipment and networks may further be subject to terrorist attacks, and other events that may disrupt TDC's services.

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 to provide its subscribers with interconnection and roaming services. 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, or TDC's monitoring activities may not mitigate the impact of or prevent such disruptive 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 at relatively few 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 adversely affected.

Based on risk analyses, it is TDC's policy not to insure a substantial part of the network (underground, air and sea cables). Losses in this part of the network 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.

As the telecommunications sector has become increasingly digitalized, automated and online, TDC is also exposed to increasing risks of hacking, piracy and general IT system failures. Unanticipated IT problems, system failures, computer viruses or hacker attacks could affect the quality of TDC's services and cause service interruptions, which may reduce revenue and harm TDC's reputation.

Risk of discontinuance of supplier relations

In the past years TDC has outsourced substantial parts of its IT operation and development to CSC (Computer Sciences Corporation), and operation and development of the mobile network to Ericsson. This has exposed TDC to additional operational dependency and risks, as TDC relies on these and other suppliers to maintain and upgrade its hardware, software and network. Any discontinuance of these supply agreements, or failure by TDC's suppliers to comply with their obligations under these agreements, 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 delay of upgrades and new products and features from suppliers. These risks could be amplified if suppliers off-shore part of their businesses. Such actions could impact TDC's product development programs, supply of existing products, deteriorate quality of support services, which could affect operational and customer services and increase in-stock levels affected by customer-returned equipment. Failure by suppliers, which may delay or

prevent TDC from providing its customers with products and services, may adversely impact TDC's revenue, and if this occurs, TDC may be unable to recover payments made to such suppliers for their products and services or obtain contractual damages. TDC's internal processes also depend on IT systems, and lack of development may weaken TDC's competitiveness, resulting in loss of market shares.

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, which could harm TDC's financial position and results of operations. 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. Furthermore, any price rises introduced by suppliers may cause a margin squeeze, which could also adversely impact TDC's business, financial position and results of operations.

Risks regarding distributors

TDC depends on a small number of distributors, retailers and sales agencies to distribute or sell its mobile and broadband products and other services to end users. There is a risk that TDC's distributors may stop distributing TDC's products to end users and may enter into further distribution agreements with TDC's competitors. New distributors that can provide the same level of sales, may be difficult to find. In addition, TDC's distributors have already distribution agreements with TDC's competitors that may negatively affect gross activations and thus TDC's market share. TDC's distributors may more actively promote competitors' products and services. If TDC fails to maintain these key distribution relationships, or its distribution partners fail to procure sufficient customers for TDC, this could have a materially adverse effect on TDC's financial position and results of operations.

Risk of inability to recoup UMTS investment

TDC's UMTS-based 3G service in Denmark has required substantial investments in UMTS services, networks, and licenses. A profitable market for mobile data services may, however, not develop, limiting TDC's ability to recoup its investments in UMTS services, licenses and networks, which could adversely affect its results of operations. The

UMTS network will in addition require further investments, for which TDC may not have resources available.

Risk of inability to control other costs

As TDC's profitability is under general pressure owing to declining market prices and market saturation it is continuously required to reduce costs and improve efficiency to maintain and improve profitability.

As part of its cost reduction initiatives, TDC will continue to streamline its workforce in the years ahead. Many of TDC's employees in Denmark, however, have civil servant pension rights and some are entitled to special severance benefits. Therefore any workforce reduction entails significant redundancy costs, which would affect TDC's earnings. 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, reductions may lead to strikes, work stoppages or other industrial action. TDC has entered into truces with 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 (Akademikernes Centralorganisation – AC). In these truces, TDC has agreed to follow certain procedural guidelines when reducing its workforce. The truces will expire at the end of 2009, but may be terminated by TDC or the unions with three months' notice if the assumptions behind the truces lapse or change.

In addition, costs associated with the operating licenses for TDC's existing networks and technologies, including UMTS and those that TDC may develop 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.

Risk of loss of key personnel

TDC's success relies heavily on the skills, experience and efforts of its management. In addition, as TDC's business

develops in a highly competitive market, TDC believes that its future success will depend on its continued ability to attract and retain highly skilled and qualified personnel. This may be difficult, especially as Denmark's labor market is still characterized by low unemployment and bottlenecks for highly skilled personnel.

Risks regarding third parties

TDC's cooperation agreements and contracts with suppliers are subject to change of control provisions which, if exercised by third parties, may adversely affect TDC's competitiveness and profitability.

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, over which TDC has no direct control. 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 and facilities to reach a significant number of end users. These components 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 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.

Regulatory risks

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 and other regulatory requirements. The price regulation has in general resulted in favorable conditions for TDC's competitors in Denmark and thus negatively affected TDC's competitiveness.

EU regulatory framework

Several EU directives implemented in Danish law specify a number of submarkets within landline telephony, mobile telephony, leased lines, unbundled access, broadband and TV and radio transmission on which the National IT and Telecom Agency (NITA) must perform market analyses. Based on the results of the market analyses, NITA may designate a dominant telecommunications provider as having Significant Market Power (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. Initially, 18 submarkets were recommended by the EU Commission. NITA has so far issued final decisions on 17 of the 18 submarkets. Final decisions for all submarkets are expected in 2009. A new round of market analyses has been initiated by NITA in 2008 based on a new EU Commission recommendation that has reduced the number of submarkets to seven. As yet, NITA has issued no decisions on any of the new submarkets and the current regulation will be maintained until new decisions are made.

The EU regulatory framework is currently being reviewed, which may result in new regulatory measures to be implemented into Danish law.

SMP designation

TDC has been designated as having SMP by NITA in 12 of the initially 18 specified submarkets in Denmark. As a result, TDC is subject to the regulatory burdens summarized below. NITA may impose additional regulatory requirements on TDC as a result of its current SMP status or give TDC SMP status in additional markets as a result of the analyses performed on the new 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. TDC has also been designated as having SMP status on four retail submarkets for landline subscriptions and telephony without being subjected to any regulatory requirements.

Wholesale markets

The majority of TDC's prices are regulated in the wholesale markets where TDC has SMP status. Since January 1, 2003, NITA has used a landline LRAIC (Long Run Average Incremental Cost) model to set TDC's prices for switched interconnection traffic, interconnection capacity, shared access and raw copper and related co-location. From 2007, the pricing of bitstream access and sub-loops of ULL has been included in the LRAIC model. NITA calculates these prices once a year in accordance with the LRAIC model. The LRAIC model for 2009 has resulted in price decreases for bitstream access. The next comprehensive adjustment of the LRAIC model for the landline network has been initiated. The revised model will be based on a hypothetical "all-IP network", which may lead to significant reductions of the LRAIC regulated prices from January 1, 2010.

In the market for termination of mobile calls, NITA has decided that TDC, Telia, Sonofon, Barablu and Hi3G have SMP and are subject to price regulation. The mobile termination prices of TDC, Telia, Sonofon, and Hi3G will be set using an LRAIC mobile model from January 1, 2009, although this will not affect prices until May 1, 2009, whereas the mobile termination prices of Barablu are set according to a best practice analysis. The regulation has resulted in further price decreases compared with already regulated prices and will adversely impact TDC's business and results of operations.

The EU Commission is currently drafting a recommendation for a fundamental change of the LRIC pricing regulation method regarding both landline and mobile to the avoidable cost method, which could lead to significant reduction of wholesale prices and thus also adversely impact TDC's earnings and increase the competitive power of TDC's competitors.

NITA's decision in 2006 on the submarket for broadband access requires TDC to offer wholesale broadband solutions (bitstream access) without compulsory landline subscriptions, which improved TDC's competitors'

conditions for offering broadband solutions combined with VoIP. A revised market analysis and decision on the submarket for broadband access is expected in 2009. In this new analysis, broadband over the cable-TV network, as supplied by TDC's subsidiary YouSee and other cable operators, will probably be included in the market definition. The revised decision may require TDC to offer wholesale access to broadband over the cable-TV network and may fuel further competition on the broadband market.

EU Universal Service Obligation (USO) directive

TDC is designated 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.

EU international roaming charge regulation

The EU has adopted a new regulation that reduces the international roaming charges both for the wholesale and retail voice markets. Further, required price reductions have been announced for 2009, which will also have a negative impact on TDC's revenue and earnings. An expected extension of the existing regulation to include SMS and data will also adversely affect TDC's revenue and earnings.

Anti-terror measures

As part of the anti-terrorism action plan issued in 2005, the Danish parliament has passed an act requiring telecommunications providers to provide communication interception services without cost compensation for investments. As a result of executive orders from 2006 and a subsequent amendment of the Telecommunications Act in 2007, telecommunications providers are required to retain and store traffic data for one year for the purpose of investigation and prosecution of criminal offences. Also, telecommunications providers are required to establish the necessary logging functions and databases and cover any equipment costs related to the abovementioned data retention. As a result, TDC must

make ongoing additional investments in technical equipment and cover operating costs.

International Business activities

Nordic Business

In the pan-Nordic market, TDC's business customers are increasingly demanding Nordic solutions covering cross-border landline telephony, data communications, broadband telephony and mobile communications, where competition, especially from other pan-Nordic providers, is intense. TDC faces increasing competition from the Nordic operators Telenor and TeliaSonera, which both offer full product suites of fixed and mobile voice, broadband and TV. These competitors may have better access to financing, more comprehensive product offerings, greater personnel resources, greater brand-name recognition and longer relationships with customers than TDC. In addition, they have higher market shares, and better possibilities to exert significant influence over the market, and TDC's subsidiaries may therefore be at a competitive disadvantage. If TDC is unable to provide competitive cross-border solutions for TDC's Nordic business customers, an important segment of TDC's customer base may be lost.

TDC's foreign subsidiaries outside the pan-Nordic market are also facing market saturation and increasing competition, which could adversely affect their revenue and profit margins.

Sunrise

Sunrise has experienced price decreases in the Swiss landline market owing 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.

Competition in the Swiss retail broadband market is weak due to Swisscom's dominant position in the wholesale and retail markets. Sunrise is currently investing substantial amounts in broadband infrastructure to enhance its capacity to deliver broadband based on Swisscom's ULL. This will reduce Sunrise's dependency on

Swisscom's broadband wholesale services and is expected to increase Sunrise's contribution margin and competitiveness in the broadband market. Any roll-out delays will therefore adversely impact Sunrise's expected margin improvement.

In the Swiss mobile market, Sunrise faces the risk of increased pricing pressure from both new MVNOs entering the market and Swisscom. Future growth in revenue and earnings within the mobile telephony sector will also depend on Sunrise's ability to gain market shares in the business market, which Sunrise 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 beginning to approach 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.

Sunrise has outsourced its operation and development of networks. The outsourcing to Alcatel-Lucent exposes Sunrise to the same risks as TDC's domestic mobile business (as described in the section above on risk regarding discontinuance of suppliers).

Regulatory risks

Due to the EU regulation on international roaming and the subsequent price reduction made by Swisscom, political and regulatory pressure, especially for data roaming, could lead to price decreases in this area.

The Swiss competition authority (COMCO) is reviewing competition in the mobile call termination market and is currently investigating whether the Swiss mobile operators, including Sunrise, have a dominant position and, if so, abuse such a position. Consequently, the Swiss authorities may require Swisscom and/or Sunrise to cut the mobile call termination prices agreed between the operators stepwise. Such price reductions may materially adversely affect the earnings and profit margins of TDC's Swiss operations. It is uncertain whether the Swiss competition authority will impose a material fine on Sunrise if Sunrise is found to have a dominant position in the mobile call termination market and to have abused such a position.

ComCom, the regulatory authority for the Swiss telecommunications market, has decided ULL tariffs for 2007 and 2008 and Sunrise's business plan and earnings forecasts are based on ULL prices near the EU average. The decided prices are comparable with the EU average, but are increasing. If this trend continues, Sunrise's forecasts must be adjusted downwards. Moreover, utility companies will start using their infrastructure to provide telephony and broadband services, and they will probably subsidize the telecommunications business, which could lead to additional margin pressure.

TDC's UMTS-based 3G service in Switzerland has required substantial investments in services, networks, and licenses. As in Denmark, 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 TDC's business and results of operations.

HTCC and Nawras

TDC has a 14.6% share of Nawras, a mobile telephony provider, and a 64.6% share of HTCC. HTCC has taken over Invitel, another Hungarian landline operator, as well as Memorex, an Austrian based international wholesale operator. These shareholdings are subject to the same risks as TDC, but also expose TDC's business to unsubstantiated or inadequate management decisions made on behalf of companies over which TDC does not have full control and that rely on TDC and/or other shareholders for strategic and financial support. Such other shareholders may fail to 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 the implementation of business plans, and the expected return on TDC's investment. If HTCC fails to integrate acquired businesses according to plan, HTCC may not achieve the expected synergies, which could also harm TDC and its results of operations.

The HTCC group and its business activities are currently being restructured with the aim of enhancing the strategic alternatives for the Group. The restructuring can only take place if certain parts of HTCC's debt financing packages are simultaneously restructured. Should the

restructuring of HTCC's debt financing packages fail, this could have an adverse effect on the restructuring of HTCC.

Financial and taxation risks

Exchange-rate risks

TDC is subject to exchange-rate risks owing to revenue originating in Switzerland, Sweden, Norway and Hungary, 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.

Risk regarding borrowing facilities

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. If part of the debt remains at floating rates, an increase in interest rates will raise TDC's payment obligations and negatively impact its financial results and 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 TDC to pay its debts when due or 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 debts as they mature or to fund its liquidity needs, TDC may be forced to reduce or delay its business activities and capital expenditures, sell assets, raise additional debt or equity capital or 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 the SFA, NTCH's high-yield bonds 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 restrict TDC's ability to e.g. incur or guarantee additional indebtedness, make investments or other restricted payments, create liens or 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 comply with 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 a default in accordance with the cross-default provisions in 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 is subject to restrictions on NTC/NTCH payments

TDC's ability to pay dividends or otherwise distribute funds, including upstream loans, to assist in servicing NTCH's high-yield bonds and other debts is 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 revenue-generating operations of its own, it depends on payments from its subsidiaries to make payments on its high-yield bonds. Any dividends or other distributions are paid on a pro-

rata basis to minority shareholders. TDC's dividend and distribution capacity may be inadequate to fund distributions in amounts and in time to allow NTCH to pay its debts as they fall due, including its obligations under the high-yield bonds and the Revolving Credit Facility (to the extent drawn by NTCH). However, if distributable reserves are insufficient to make distributions to NTCH, NTCH can borrow under the Revolving Credit Facility to make interest payments on its high-yield bonds.

Risks regarding changes in tax legislation

The TDC 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 TDC Group's payable corporate tax and VAT, and its future results. TDC Group's Danish entities and its jointly-taxed related parties in the Nordic Telephone Company Investment Group are subject to the Danish rules on limitation of interest deduction. As a consequence of the limitations of interest deduction between the jointly taxed entities, these rules may lead to unproportional tax consequences depending on the development in the financial markets.

TDC pursues an active tax policy and evaluates potential tax advantages against potential costs and other disadvantages. This tax policy implies a natural risk for TDC's tax position to be challenged by local tax authorities. Therefore, TDC keeps a well-documented transfer-pricing set-up in accordance with Danish and international directions as defined by the OECD.

Other risks

Risk of loss of important property rights

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, Sunrise, YouSee and Telmore, and TDC relies upon a combination of trademark laws, copyright and database protection as well as contractual arrangements to establish and protect its intellectual 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 that 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.

Risk regarding loss of key technologies

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, 2017, January 1, 2011 and March 1, 2012, respectively, and TDC's Swiss GSM license is valid until December 31, 2013. 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 re-apply 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 results of operations could be materially adversely affected.

Risks regarding alleged health risks from the use of mobile phones and environmental protection regulations

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, and 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, usage and ARPU 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. However, TDC believes that it is in substantial compliance with such laws and regulations.

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.

Financial Statements

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Consolidated Statements of Income

DKKm

	Note	2008	2007
Revenue	4,5	38,819	39,321
Transmission costs and cost of goods sold		(11,623)	(12,326)
Other external expenses		(7,977)	(7,640)
Wages, salaries and pension costs	6	(6,505)	(7,141)
Total operating expenses before depreciation, etc.		(26,105)	(27,107)
Other income and expenses	7	461	284
Income before depreciation, amortization and special items		13,175	12,498
Depreciation, amortization and impairment losses		(5,819)	(6,227)
Operating income excluding special items		7,356	6,271
Special items	8	(5,815)	1,809
Operating income		1,541	8,080
Income from joint ventures and associates	15	4,564	1,401
Fair value adjustments		(616)	(122)
Currency translation adjustments		688	146
Financial income		2,782	2,131
Financial expenses		(5,266)	(5,551)
Net financials	9	(2,412)	(3,396)
Income before income taxes		3,693	6,085
Income taxes	10	(1,001)	(1,431)
Net income from continuing operations		2,692	4,654
Net income from discontinued operations	11	59	3,513
Net income		2,751	8,167
Attributable to:			
Shareholders of the Parent Company		2,905	8,409
Minority interests		(154)	(242)
Total		2,751	8,167
EPS (DKK)	12		
Earnings per share, basic		14.7	42.4
Earnings per share, diluted		14.7	42.4
Earnings per share from continuing operations, basic		14.4	24.7
Earnings per share from continuing operations, diluted		14.4	24.7
Earnings per share from discontinued operations, basic		0.3	17.7
Earnings per share from discontinued operations, diluted		0.3	17.7

Assets		DKKm	
	Note	2008	2007
Non-current assets			
Intangible assets	13	26,130	28,317
Property, plant and equipment	14	24,940	24,704
Investments in joint ventures and associates	15	171	1,640
Minority passive investments		9	7
Deferred tax assets	10	155	267
Pension assets	26	6,844	6,402
Receivables	16	96	95
Derivative financial instruments	25	11	39
Prepaid expenses	17	211	147
Total non-current assets		58,567	61,618
Current assets			
Inventories	18	489	641
Receivables	16	8,283	7,566
Income tax receivable	10	1	14
Derivative financial instruments	25	372	781
Prepaid expenses	17	785	665
Cash	19	6,396	8,251
Total current assets		16,326	17,918
Total assets		74,893	79,536

Equity and liabilities

DKKm

	Note	2008	2007
Equity			
Common shares	20	992	992
Reserves		(1,423)	(582)
Retained earnings		10,306	9,185
Proposed dividends		1,785	714
Equity attributable to Company shareholders		11,660	10,309
Minority interests		(9)	118
Total equity		11,651	10,427
Non-current liabilities			
Deferred tax liabilities	10	2,654	3,027
Provisions	23	1,355	1,275
Pension liabilities, etc.	26	126	201
Loans	21	36,980	45,571
Derivative financial instruments	25	23	141
Deferred income	22	1,369	992
Total non-current liabilities		42,507	51,207
Current liabilities			
Loans	21	4,714	4,146
Trade and other payables	24	8,671	8,046
Income tax payable	10	823	1,877
Derivative financial instruments	25	2,007	312
Deferred income	22	3,435	2,934
Provisions	23	1,085	587
Total current liabilities		20,735	17,902
Total liabilities		63,242	69,109
Total equity and liabilities		74,893	79,536

Consolidated Statements of Cash Flow		DKK m	
	Note	2008	2007
Income before depreciation, amortization and special items		13,175	12,498
Reversal of items without cash flow effect	27	(218)	(245)
Pension contributions		(461)	(156)
Payments related to provisions		(149)	(91)
Cash flow related to special items		(488)	(132)
Change in working capital	28	456	612
Cash flow from operating activities before net financials and tax		12,315	12,486
Interest received		2,822	2,068
Interest paid		(5,248)	(5,305)
Realized currency translation adjustments		(944)	1,040
Cash flow from operating activities before tax		8,945	10,289
Corporate income tax paid		(1,767)	(770)
Cash flow from operating activities in continuing operations		7,178	9,519
Cash flow from operating activities in discontinued operations		0	419
Total cash flow from operating activities		7,178	9,938
Investment in enterprises	29	(538)	(631)
Investment in property, plant and equipment		(3,896)	(3,840)
Investment in intangible assets		(1,078)	(955)
Investment in other non-current assets		(6)	(18)
Investment in marketable securities		(1,264)	0
Divestment of enterprises	30	189	3,189
Sale of property, plant and equipment		103	4,307
Sale of intangible assets		41	24
Divestment of joint ventures and associates		5,383	986
Sale of other non-current assets		0	7
Sale of marketable securities		1,266	0
Repayment of loans from joint ventures and associates		0	274
Dividends received from joint ventures and associates		387	528
Cash flow from investing activities in continuing operations		587	3,871
Cash flow from investing activities in discontinued operations	31	13	4,015
Total cash flow from investing activities		600	7,886
Proceeds from long-term loans		460	1,718
Repayments of long-term loans		(9,298)	(14,035)
Change in short-term bank loans		(1)	(15)
Change in other interest-bearing debt		(81)	(1,115)
Change in minority interests		0	(1)
Dividends paid		(713)	(694)
Cash flow from financing activities in continuing operations		(9,633)	(14,142)
Cash flow from financing activities in discontinued operations		0	1,114
Total cash flow from financing activities		(9,633)	(13,028)
Total cash flow		(1,855)	4,796
Cash and cash equivalents at January 1	32	8,251	3,455
Cash and cash equivalents at December 31		6,396	8,251

Consolidated Statements of Changes in Equity

DKKm

	Equity attributable to Company shareholders				Total	Minority interests	Total
	Common shares	Reserve for currency translation adjustments	Retained earnings	Proposed dividends			
Equity at January 1, 2007	992	69	1,534	694	3,289	282	3,571
Currency translation adjustment, foreign enterprises	-	(1,216)	0	-	(1,216)	(53)	(1,269)
Currency hedging of net investments in foreign enterprises	-	769	0	-	769	-	769
Reversal of currency translation adjustments, foreign enterprises	-	1	0	-	1	0	1
Tax related to changes in equity	-	(205)	0	-	(205)	0	(205)
Net gain/(loss) recognized directly in equity	-	(651)	0	-	(651)	(53)	(704)
Net income	-	-	7,695	714	8,409	(242)	8,167
Total comprehensive income	-	(651)	7,695	714	7,758	(295)	7,463
Distributed dividends	-	-	0	(694)	(694)	-	(694)
Dividends, treasury shares	-	-	0	0	0	-	0
Dilution gain regarding subsidiaries	-	-	22	-	22	61	83
Premium, minority interests	-	-	(66)	-	(66)	66	0
Additions during the year, minority interests	-	-	-	-	-	4	4
Equity at December 31, 2007	992	(582)	9,185	714	10,309	118	10,427
Currency translation adjustments, foreign enterprises	-	1,141	0	-	1,141	27	1,168
Currency hedging of net investments in foreign enterprises	-	(2,304)	0	-	(2,304)	-	(2,304)
Reversal of currency translation adjustment, foreign enterprises	-	(254)	0	-	(254)	0	(254)
Tax related to changes in equity	-	576	0	-	576	0	576
Net gain/(loss) recognized directly in equity	-	(841)	0	-	(841)	27	(814)
Net income	-	-	1,120	1,785	2,905	(154)	2,751
Total comprehensive income	-	(841)	1,120	1,785	2,064	(127)	1,937
Distributed dividends	-	-	-	(714)	(714)	-	(714)
Dividends, treasury shares	-	-	1	0	1	-	1
Additions during the year, minority interests	-	-	-	-	-	0	0
Equity at December 31, 2008	992	(1,423)	10,306	1,785	11,660	(9)	11,651

The dividends paid in 2008 and 2007 were DKK 3.60 per share and DKK 3.50 per share respectively. A dividend of DKK 9.00 per share will be proposed at the Annual General Meeting on March 19, 2009.

Notes to Consolidated Financial Statements

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Note 1 Significant Accounting Policies

TDC's Consolidated Financial Statements for 2008 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 NASDAQ OMX Copenhagen 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 as available for sale.

When preparing the Consolidated Financial Statements, Management makes assumptions that affect the reported amount of assets and liabilities at the balance sheet date, and the reported 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.

The 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 joint ventures and associates are recognized in the Balance Sheets under Investments in joint ventures and associates. 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.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, adjustments made within twelve months of the acquisition date to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition, are adjusted to the initial goodwill. The adjustment is calculated as if it were recognized at the acquisition date and comparative figures are restated. Subsequent to this period, goodwill is adjusted only for changes in estimates of the cost of the acquisition being contingent on future events. However, subsequent realization of deferred tax assets not recognized on acquisition will result in the recognition in the statement of income of the tax benefit concurrently with a write-down of the carrying amount of goodwill to the amount that would have been recognized if the deferred tax asset had been recognized at the time of the acquisition.

The difference between the cost of acquired minority interests and the carrying value of the acquired minority interests is recognized in equity. Gains or losses on disposals to minority interests are also recorded in equity.

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 divestment of subsidiaries, joint ventures and associates are recognized as the difference between the proceeds (less divestment expenses) and the carrying value of net assets (including goodwill), with the addition of accumulated currency translation adjustments recognized in equity at the time of divestment.

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 asset (such as inventories) or a liability, however, gains or losses from equity are 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:

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

Revenues are 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, revenues are 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 to which employees are expected to be entitled 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 are 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.

Items of a similar nature for non-consolidated enterprises and discontinued operations are recognized under income from joint ventures and associates and net income from discontinued operations, respectively.

Research

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

Customer-related assets are measured at cost less accumulated amortization and impairment losses and are amortized using the diminishing-balance method based on percentage churn (4% to 33%) corresponding to the expected pattern of consumption of the expected future economic benefits.

Licenses, 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	2-12 years
Cabling rights of way	4-50 years
Other rights, etc.	2-25 years
Development projects	2-5 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 if exceeded by the carrying value.

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 directly attributable payroll costs, materials, parts purchased and

services rendered by sub-suppliers or contractors as well as interest expenses in the construction period. Cost also includes estimated asset retirement costs if the related obligation meets the conditions for recognition as a provision.

Directly attributable 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.

Property, plant and equipment that have been disposed of or scrapped are eliminated from accumulated cost and accumulated depreciation. Gains and losses arising from sale of property, plant and equipment are measured as the difference between the sales price less selling expenses and the carrying 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 is 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 joint ventures and associates

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

Joint ventures and associates 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 joint venture's or associate's negative balance, an obligation is recognized.

Minority passive investments

Other investments whose fair value cannot be reliably determined are 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. 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.

In accordance with IFRS 1, currency translation adjustments occurring before January 1, 2004 have not been recognized in the currency translation reserve.

Current and deferred corporate income taxes

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

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

Deferred tax is measured under the balance-sheet liability method on the basis of all temporary differences between the carrying 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. Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by TDC and

it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets including the tax value of tax loss carry-forwards 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 income 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.

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.

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 sales transaction rather than through continuing use and it seems highly probable that the disposal is effected within twelve months in accordance with a single coordinated plan.

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. Furthermore, recognition of income under the equity method ceases when joint ventures and associates 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, amortization and special items adjusted for non-cash operating items, cash flow related to special items, 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 divested are recognized up to the time of divestment.

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 three months at the time of acquisition, and with an insignificant risk of changes in value.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Committee. The operating segments have been determined based on the financial and operational reports reviewed by the Executive Committee.

The accounting policies of the reportable segments are the same as the Group's accounting policies described above. Income before depreciation, amortization and special items (EBITDA) represents the profit earned by each segment without allocation of depreciation, amortization and impairment losses, special items, income from joint ventures and associates, net financials and income taxes. EBITDA is the measure reported to the Executive Committee for the purposes of resource allocation and assessment of segment performance.

Assets and liabilities are not allocated to operating segments in the financial and operational reports reviewed by the Executive Committee, as the review focuses on the development in net working capital for the Group and for each segment. For IFRS 8 purposes, segment assets for each reportable segment comprise the following assets: Inventories, trade receivables, receivables from joint ventures and associates as well as contract work in process, other receivables and prepaid expenses.

In presenting information on the basis of geographical segments, segment revenue and assets are based on the geographical location of the enterprise where the sale originates.

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 as shown in notes 13 and 14, respectively, 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 comprise a significant portion of our total assets. Impairment tests on goodwill and other intangible assets with indefinite lives are performed at least annually and, if necessary, when events or changes in circumstances indicate that their carrying 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 13.
- 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 26, the assumed discount rate was increased in 2008 to reflect changes in market conditions, and the expected return on plan assets

has been reduced to reflect changes in market conditions and in the mix of assets held by our pension funds. Our assumptions for 2009 reflect a further increase in the discount rate from 5.35% to 5.60%, a decrease in the expected return on plan assets from 5.80% to 5.10%, and unchanged assumptions for inflation. We believe these assumptions illustrate current market conditions and expectations for market returns in the long term. The demographic assumptions used for 2008 reflect an expected life shorter than previously assumed. With these changed assumptions, TDC's total pension costs excluding redundancy programs are expected to increase by approximately DKK 47m in 2009 compared with 2008, assuming all other factors remain unchanged.

- Estimates of deferred taxes and significant items giving rise to the deferred assets and liabilities are shown in note 10. 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 result 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, as shown in note 36, 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.
- Revenues, as shown in note 4, are recognized when realized or realizable and earned. Revenues from non-refundable up-front connection fees are 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 revenues for any period.

Note 3 New accounting standards

At December 31, 2008 IASB and the EU have approved the following new accounting standards (IFRSs) and interpretations (IFRICs) that become effective for 2009 or later, and are judged relevant for TDC:

- IFRS 2 (Amendment) *Share-based Payment* will be effective for fiscal years starting on or after January 1, 2009. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from January 1, 2009, but the standard is not expected to have any impact on the Group's financial statements.
- IFRS 7 (Amendment) *Financial Instruments: Disclosures* is effective for fiscal years starting on or after 1 July, 2008. The amendment concerns reclassifications made according to the amendment to IAS 39 and has no impact on the financial reporting.
- IAS 1 (Revised 2007) *Presentation of Financial Statements* will be effective for fiscal years starting on or after January 1, 2009. The revised standard requires an entity to include two years of comparative figures when accounting policies are changed retrospectively. Further, a statement of comprehensive income shall be disclosed either separately or together with the statement of income.
- IAS 23 (Revised 2007) *Borrowing Costs* will be effective from January 1, 2009. The revised standard requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (an asset that takes a substantial period of time to prepare for use or sale) as part of the cost of the asset. The option of immediately expensing these borrowing costs will be removed. TDC's present recognition of borrowing costs is in accordance with IAS 23 (Revised 2007), which will therefore have no effect on the financial reporting.
- IAS 39 (Amendment) *Financial Instruments: Recognition and Measurement* is effective for fiscal years starting on or after July 1, 2008. The amendment allows entities to reclassify financial assets in certain situations. The amendment has no impact on the financial reporting.
- IFRIC 13 *Customer Loyalty Programmes* are effective for fiscal years starting on or after July 1, 2008. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable

from the customer is allocated between the components of the arrangement using fair values. TDC's present recognition of customer loyalty programmes is in accordance with IFRIC 13, which will therefore have no effect on the financial reporting.

IASB has published the following new accounting standards (IFRSs) and interpretations (IFRICs) that become effective for 2009 or later, and are judged relevant for TDC, but have not yet been approved by the EU:

- IFRS 3 (Revised 2008) *Business Combinations* will be effective for fiscal years starting on or after July 1, 2009. The revised standard continues to apply the purchase method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. The non-controlling interest in the acquiree can be measured on an acquisition-by-acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are to be expensed. The Group will apply IFRS 3 (Revised 2008) prospectively to all business combinations from January 1, 2010.
- IAS 27 (Revised 2008) *Consolidated and Separate Financial Statements* will be effective for fiscal years starting on or after July 1, 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The Group will apply IAS 27 (Revised 2008) prospectively to transactions with non-controlling interests from January 1, 2010. The Group already uses this economic entity approach on transactions with non-controlling interests.

- IAS 32 (Amendment) *Financial instruments: Presentation* and IAS 1 (Amendment) *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* will be effective for fiscal years starting on or after January 1, 2009. The amended standards change the classification between equity and liabilities in very specific situations. The Group will apply the IAS 32 and IAS 1 (Amendment) from January 1, 2009, however, the standards are not expected to have any impact on the Group's financial statements.
- As part of the annual improvement project, IASB has approved changes to several of the existing standards. The adjustments are effective from January 1, 2009, but are expected to have no material impact on the Group's financial statements.
- IFRIC 15 *Agreements for the Construction of Real Estate* will be effective for fiscal years starting on or after January 1, 2009. The interpretation clarifies whether IAS 18, *Revenue* or IAS 11, *Construction Contracts* should be applied to particular transactions and is likely to result in IAS 18 being applied to a wider range of transactions. The Group has no agreement for construction of real estate but has assessed whether the interpretation has an impact on contract work in process. IFRIC 15 is expected to have no material impact on the financial reporting.

Note 4 Segment reporting

For a description of reportable segments and the types of products and services from which each reportable segment derives its revenue, see "Business activities" under "The TDC Group".

In 2008, TDC changed the accounting for the following services across segments:

- Business Nordic's, Fixnet Nordic's and Mobile Nordic's mutual use of network transmission capacity is allocated to the respective segments based on measurable cost drivers. Previously, use of transmission capacity was accounted for as revenue billed at market prices across segments.
- Headquarters' supply of supporting facilities, i.e. buildings, cars and billing services is allocated to the respective segments based on measurable cost drivers. Previously, such services were accounted for as revenue billed at market prices across segments.
- Headquarters' supply of staff function services, i.e. HR, legal, finance, etc., is not allocated to other segments. Previously, such services were allocated to the respective segments based on measurable cost drivers.

Comparative figures for 2007 have been restated accordingly.

Interconnect services between networks and mutual use of network transmission capacity in other segments' networks are accounted for as revenue billed at regulated prices across segments. However, operating expenses related to Business Nordic's, Fixnet Nordic's and Mobile Nordic's mutual use of network transmission capacity are allocated to the respective segments based on measurable cost drivers, e.g. number of minutes of use. Business Nordic bases its services mainly on Fixnet Nordic's and Mobile Nordic's infrastructure, respectively.

Services from the segment Other activities to other segments, i.e. TDC IT's delivery of IT solutions as well as Headquarters' supply of supporting facilities, i.e. buildings, cars and billing services are allocated to the respective segments based on measurable cost drivers. Headquarters' supply of staff function services, i.e. HR, legal, finance, etc., is not allocated to other segments.

Headquarters has assumed all pension obligations for the members of the three Danish pension funds. Accordingly, net periodic pension cost/income and the plan assets for the three Danish pension funds are related to Headquarters. Segments employing members pay contributions to Headquarters, and these contributions are included in the EBITDA line items of the respective segments.

Activities

DKKm

	Business Nordic		Fixnet Nordic		Mobile Nordic		YouSee	
	2008	2007	2008	2007	2008	2007	2008	2007
External revenue	11,771	12,228	7,697	8,554	4,606	4,605	3,155	2,820
Revenue across segments	271	201	739	770	708	889	46	32
Revenue	12,042	12,429	8,436	9,324	5,314	5,494	3,201	2,852
EBITDA	3,981	3,845	4,136	3,801	1,439	1,399	962	814
Segment assets ²	3,555	3,237	1,255	1,251	765	888	812	758

	Sunrise		Other activities ¹		Total	
	2008	2007	2008	2007	2008	2007
External revenue	8,693	8,828	2,897	2,286	38,819	39,321
Revenue across segments	12	14	140	187	1,916	2,093
Revenue	8,705	8,842	3,037	2,473	40,735	41,414
EBITDA	2,152	2,373	514	294	13,184	12,526
Segment assets ²	1,894	1,930	794	617	9,075	8,681

¹ Including HTCC, TDC IT and Headquarters.² See definition under Significant Accounting Policies.

Reconciliation of revenue

DKKm

	2008	2007
Reportable segments	40,735	41,414
Elimination of across segment items	(1,916)	(2,093)
Consolidated amounts	38,819	39,321

Reconciliation of Income before depreciation, amortization and special items (EBITDA)

DKKm

	2008	2007
EBITDA from reportable segments	13,184	12,526
Elimination of EBITDA	(9)	(28)
Unallocated:		
Depreciation, amortization and impairment losses	(5,819)	(6,227)
Special items	(5,815)	1,809
Income from joint ventures and associates	4,564	1,401
Net financials	(2,412)	(3,396)
Consolidated Income before income taxes	3,693	6,085

Reconciliation of segment assets

DKKm

	2008	2007
Segment assets	9,075	8,681
Unallocated:		
Other current assets ¹	7,462	9,384
Non-current assets	58,356	61,471
Consolidated total assets	74,893	79,536

¹ Other current assets include cash and derivative financial instruments.

Geographical markets

DKKm

	Domestic operations		Switzerland		Other international operations		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
External revenue	23,917	24,753	8,693	8,828	6,209	5,740	38,819	39,321
Non-current assets allocated ¹	17,106	17,434	25,661	26,078	8,303	9,509	51,070	53,021

¹ Non-current assets other than Investments in joint ventures and associates, financial instruments, deferred tax assets and post-employment benefit assets including pension assets.

External revenue from products and services

DKKm

	2008	2007
Landline telephony	9,658	10,428
Mobile telephony	11,649	11,608
Internet and network	10,267	8,981
Terminal equipment etc.	3,880	4,527
Cable TV	2,493	2,177
Other	872	1,600
External revenue	38,819	39,321

No customer comprises more than 10% of revenue.

Note 5 Revenue

DKKm

	2008	2007
Sales of goods	3,277	4,016
Sales of services	35,542	35,305
Total	38,819	39,321

Note 6 Wages, salaries and pension costs

DKK m

	2008	2007
Wages and salaries	(6,553)	(7,097)
Pensions	(414)	(455)
Social security	(379)	(387)
Total	(7,346)	(7,939)
Of which capitalized as non-current assets	841	798
Total	(6,505)	(7,141)
Average number of full-time employee equivalents ^{1, 2}	16,193	17,787

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 divestment.

² The figure covers only continuing operations. Calculated including discontinued operations, the average number of full-time employee equivalents amounted to 16,193 in 2008 and 18,629 in 2007.

The average number of full-time employee equivalents includes 201 TDC employees who are entitled to pensions on conditions similar to those provided for Danish civil servants and who have been seconded to external parties in connection with outsourcing of tasks or divestment of operations. At December 31, 2008, 218 employees were seconded to external parties in connection with outsourcing of tasks or divestment of operations.

Remuneration for the Board of Directors and Executive Committee

DKK m

	Board of Directors		Executive Committee	
	2008	2007	2008	2007
Wages and salaries	3	3	62	43
Pensions	0	0	0	2
Total	3	3	62	45

Remuneration for the Executive Committee for 2008 includes non-recurring remuneration of DKK 17m. Remuneration for the Executive Committee for 2007 included non-recurring remuneration of DKK 18m. With effect from January 1, March 15, July 1 and August 1, 2007, the remuneration for the Executive Committee comprises remuneration for two members, four members, six members and seven members, respectively. With effect from September 1 and December 2, 2008, the remuneration for the Executive Committee comprises remuneration for six members and seven members, respectively.

The Executive Committee members' service contracts include 12 to 15 months' notice in the event of termination by the Company. One of the Executive Committee members' service contracts contains a change-of-control clause including 24 months' notice in the event of termination by the Company.

Bonus program

Around 300 top managers participate in a short-term bonus program called the Top Managers' Compensation Program, and around 1,700 managers and specialists participate in a short-term bonus program called the Managers' Compensation Program. Around 140 Danish and Nordic top managers participate in a long-term bonus program called the Long-Term Incentive Program.

The short-term bonus programs are 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 10–33%. The on-target bonus percentage is somewhat lower for the Managers' Compensation Program. In 2008, the bonus could be maximum 200% of the on-target bonus.

The Long-Term Incentive Program is a revolving program based on financial targets for a three-year period for the TDC Group. The bonus varies within a range of 20–25% of the employees' basic salary. Payout starts at a performance of 5% below target and payout of 200% is achieved at a performance of 5% above target. Payout is capped at 200% unless performance in the third year is above target.

Certain top managers in Sunrise participate in a bonus program based on financial and strategic targets for Sunrise. The bonus agreements contain change-of-control clauses.

The short-term bonus program for the members of the Executive Committee is based on the same principles as those for other managers. Executive Committee members do not participate in the Long-Term Incentive Program.

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 program ceased in 2006 when Nordic Telephone Company ApS acquired control of the Company. From 2007, the Long-Term Incentive Program replaced 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.

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 NASDAQ OMX Copenhagen 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 have not been exercised within ten years of granting will be canceled.

Share options were also granted to the members of the Executive Committee according to the above-mentioned principles.

In the period 2000–2003, 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 options for certain employees in Danish enterprises

	Board of Directors (number)	Executive Committee (number)	Other management employees (number)	Total (number)	Average exercise price per option in DKK
Outstanding at January 1, 2007	0	0	190,581	190,581	345
Share options issued in 2007	0	0	0	0	-
Exercised in 2007	0	0	0	0	-
Canceled in 2007	0	0	(128,031)	(128,031)	366
Outstanding at December 31, 2007	0	0	62,550	62,550	302
Share options issued in 2008	0	0	0	0	-
Exercised in 2008	0	0	0	0	-
Canceled in 2008	0	0	(20,334)	(20,334)	332
Outstanding at December 31, 2008	0	0	42,216	42,216	288
Options that may be exercised at December 31, 2008	0	0	42,216	42,216	288
Average remaining option lives at December 31, 2008 (years)	-	-	2.7	2.7	-
Average remaining option lives at December 31, 2007 (years)	-	-	3.4	3.4	-

No expenses resulted from the Danish share-option program in 2008 and 2007.

The exercise prices of outstanding share options are specified as follows

	2008	2007
Share options (numbers)		
Exercise price in the interval DKK 150-200	12,606	12,606
Exercise price in the interval DKK 200-250	0	0
Exercise price in the interval DKK 250-300	19,482	32,301
Exercise price in the interval DKK 300-400	3,886	9,120
Exercise price in the interval DKK 400-500	2,204	2,204
Exercise price in the interval DKK 500-600	500	1,000
Exercise price in the interval DKK 600-700	3,538	5,319
Total	42,216	62,550

Number of shares in TDC A/S

	2008	2007
Present Board of Directors¹		
Leif Hartmann	101	101
Steen M. Jacobsen	101	101
Jan Bardino	161	161
Bo Magnussen	101	101
Total	464	464
Present Executive Committee		
Henrik Poulsen	0	0
Eva Berneke	0	0
Niels Breining	101	101
Carsten Dilling	0	0
Jesper Theill Eriksen	11	11
Jesper Ovesen	0	0
Klaus Pedersen	101	101
Total	213	213

¹ The other members of the Board of Directors hold no shares in TDC A/S.

Note 7 Other income, expenses and government grants

DKK m

	2008	2007
Other income	479	333
Other expenses	(18)	(49)
Total	461	284
Government grants		
Government grants recognized during the year	19	1

Other income comprises mainly income from leases as well as profit relating to disposal of intangible assets, property, plant and equipment and enterprises.

Note 8 Special items

DKK m

	2008	2007
Profit on divestments of enterprises and property	8	4,611
Impairment losses and adjustment of goodwill	(4,624)	(2,507)
Income from rulings	29	166
Restructuring costs, etc.	(1,228)	(461)
Special items before income taxes	(5,815)	1,809
Income taxes related to special items	245	(566)
Special items after income taxes	(5,570)	1,243

Items of a similar nature for non-consolidated enterprises and discontinued operations are recognized under income from joint ventures and associates and net income from discontinued operations, respectively.

Note 9 Net financials

DKKm

					2008
	Interest	Currency translation adjustments	Fair value adjustments	Effect of early redemption	Total
Income					
Financial assets and liabilities measured at fair value through profit or loss	2,492	360	192	0	3,044
Loans and receivables	243	192	0	0	435
Financial liabilities measured at amortized cost	0	901	0	0	901
Non-financial assets or liabilities	47	21	0	0	68
Total	2,782	1,474	192	0	4,448
Expenses					
Financial assets and liabilities measured at fair value through profit or loss	(1,880)	(629)	(808)	0	(3,317)
Loans and receivables	0	(65)	0	0	(65)
Financial liabilities measured at amortized cost	(3,440)	(92)	0	148	(3,384)
Non-financial assets or liabilities	(94)	0	0	0	(94)
Total	(5,414)	(786)	(808)	148	(6,860)
Net financials	(2,632)	688	(616)	148	(2,412)

					2007
	Interest	Currency translation adjustments	Fair value adjustments	Effect of early redemption	Total
Income					
Financial assets and liabilities measured at fair value through profit or loss	1,864	109	279	0	2,252
Loans and receivables	257	233	0	0	490
Financial liabilities measured at amortized cost	0	22	0	0	22
Non-financial assets or liabilities	10	0	0	0	10
Total	2,131	364	279	0	2,774
Expenses					
Financial assets and liabilities measured at fair value through profit or loss	(1,369)	(104)	(401)	0	(1,874)
Loans and receivables	0	(101)	0	0	(101)
Financial liabilities measured at amortized cost	(4,122)	(13)	0	32	(4,103)
Non-financial assets or liabilities	(92)	0	0	0	(92)
Total	(5,583)	(218)	(401)	32	(6,170)
Net financials	(3,452)	146	(122)	32	(3,396)

Interest income includes interest from joint ventures and associates amounting to DKK 0m compared with DKK 3m in 2007.

Note 10 Income taxes

DKKm

	2008		
	Income taxes cf. the Statements of Income	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)
At January 1	-	1,863	2,760
Currency translation adjustments, net	-	4	(28)
Additions relating to acquisition of enterprises	-	15	49
Disposals relating to divestment of enterprises	-	(4)	4
Income taxes	(1,155)	1,498	(343)
Adjustment of tax for previous years	154	(211)	57
Tax related to changes in equity	-	(576)	0
Tax paid	-	(1,767)	-
Total	(1,001)	822	2,499
which can be specified as follows:			
Income tax payable/deferred tax liabilities	-	823	2,654
Income tax receivable/deferred tax assets	-	(1)	(155)
Total	-	822	2,499
Income taxes are specified as follows:			
Income excluding special items and fair value adjustments	(1,411)	-	-
Special items	245	-	-
Fair value adjustments	165	-	-
Total	(1,001)	-	-

DKKm

	Income taxes cf. the Statements of Income	Income tax payable/ (receivable)	2007 Deferred tax liabilities/ (assets)
At January 1	-	605	2,867
Transferred to discontinued operations	-	181	(44)
Currency translation adjustments, net	-	(4)	13
Additions relating to acquisition of enterprises	-	(3)	155
Disposals relating to divestment of enterprises	-	(9)	(4)
Income taxes	(1,716)	1,642	74
Change of corporate income tax rate	359	-	(359)
Adjustment of tax for previous years	(74)	16	58
Tax related to changes in equity	-	205	0
Tax paid/refunded relating to prior years	-	(738)	-
Tax paid on account relating to present year	-	(32)	-
Total	(1,431)	1,863	2,760

which can be specified as follows:

Tax payable/deferred tax liabilities	-	1,877	3,027
Tax receivable/deferred tax assets	-	(14)	(267)
Total	-	1,863	2,760

Income taxes are specified as follows:

Income excluding special items and fair value adjustments	(806)	-	-
Special items	(566)	-	-
Fair value adjustments	(59)	-	-
Total	(1,431)	-	-

Reconciliation of effective tax rate

	2008	2007
Danish corporate income tax rate	25.0	25.0
Joint ventures and associates	(2.3)	(3.9)
Other non-taxable income and non-tax deductible expenses	0.2	1.1
Tax value of non-capitalized tax losses and utilized tax losses, net	(0.1)	0.8
Different tax rates in foreign subsidiaries	1.0	(1.0)
Adjustment of tax for previous years	(2.5)	0.7
Change of tax legislation, including change of corporate income tax rate	0.0	(10.1)
Re-taxation of formerly deducted losses in foreign enterprises	0.0	0.8
Limitation on the tax deductibility of interest expenses	1.7	9.5
Other	0.0	(0.1)
Effective tax rate excluding special items and fair value adjustments	23.0	22.8
Special items and fair value adjustments	4.1	0.7
Effective tax rate including special items and fair value adjustments	27.1	23.5

Specification of deferred tax

DKKm

	2008			2007
	Deferred tax assets	Deferred tax liabilities	Total	
Allowances for uncollectibles	(1)	0	(1)	(1)
Provisions for redundancy payments	(106)	0	(106)	(92)
Current	(107)	0	(107)	(93)
Intangible assets	(4)	595	591	532
Property, plant and equipment	(51)	1,151	1,100	1,237
Pension assets and pension liabilities, etc.	0	1,711	1,711	1,614
Tax value of tax loss carry-forwards	(30)	0	(30)	(108)
Other	(776)	10	(766)	(422)
Non-current	(861)	3,467	2,606	2,853
Deferred tax liabilities at December 31	(968)	3,467	2,499	2,760

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, 2008, these tax losses amounted to a tax value of DKK 393m, compared with DKK 543m at December 31, 2007.

With effect from February 1, 2006, the Danish Group companies participate in joint taxation with Nordic

Telephone Company Investment ApS, which is the management company in the joint taxation. 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 11 Discontinued operations

Discontinued operations	DKKm	
	2008	2007
Revenue	0	4,164
Total operating costs	0	(3,848)
Income taxes	0	(106)
Results from discontinued operations excluding gains from divestments	0	255
Special items relating to divestment of discontinued operations	59	3,258
Net income from discontinued operations	59	3,513

Discontinued operations comprise the former 100% owned subsidiary Talkline, a German service provider operating under its own brand through T-Mobile's network.

Note 12 Earnings per share

	2008	2007
Net income (DKKm)	2,751	8,167
Minority interests' share of consolidated income (DKKm)	154	242
Shareholders' share of net income (DKKm)	2,905	8,409
Average number of shares	198,375,177	198,375,177
Average number of treasury shares	(283,821)	(283,821)
Average number of outstanding shares	198,091,356	198,091,356
Average dilutive effect of outstanding share options (number)	5,292	4,704
Average number of diluted outstanding shares	198,096,648	198,096,060
EPS (DKK)		
Earnings per share, basic	14.7	42.4
Earnings per share, diluted	14.7	42.4
Earnings per share from continuing operations, basic	14.4	24.7
Earnings per share from continuing operations, diluted	14.4	24.7
Earnings per share from discontinued operations, basic	0.3	17.7
Earnings per share from discontinued operations, diluted	0.3	17.7

Calculations of earnings per share from continuing operations were based on net income from continuing operations attributable to Company shareholders and amounted to DKK 2,846m in 2008 compared with DKK 4,896m in 2007.

Note 13 Intangible assets

DKKm

	2008		
	Goodwill	Rights, software, etc.	Total
Accumulated cost at January 1, 2008	27,462	11,785	39,247
Currency translation adjustments	2,128	160	2,288
Additions during the year	0	1,005	1,005
Additions relating to the acquisition of subsidiaries	(31)	778	747
Disposals relating to the divestment of subsidiaries	(187)	(56)	(243)
Assets disposed of or fully amortized during the year	(43)	(1,144)	(1,187)
Accumulated cost at December 31, 2008	29,329	12,528	41,857
Accumulated amortization and write-downs for impairment at January 1, 2008	(3,988)	(6,942)	(10,930)
Currency translation adjustments	(338)	(91)	(429)
Amortization for the year	0	(1,023)	(1,023)
Write-downs for impairment during the year	(4,203)	(549)	(4,752)
Disposals relating to the divestment of subsidiaries	169	54	223
Assets disposed of or fully amortized during the year	44	1,140	1,184
Accumulated amortization and write-downs for impairment at December 31, 2008	(8,316)	(7,411)	(15,727)
Carrying value at December 31, 2008	21,013	5,117	26,130
Carrying value of capitalized interest at December 31, 2008	-	165	165

DKKm

	2007		
	Goodwill	Rights, software, etc.	Total
Accumulated cost at January 1, 2007	29,842	11,003	40,845
Transferred to discontinued operations	(824)	(336)	(1,160)
Currency translation adjustments	(925)	(124)	(1,049)
Additions during the year	0	966	966
Additions relating to the acquisition of subsidiaries	532	841	1,373
Disposals relating to the divestment of subsidiaries	(1,040)	(423)	(1,463)
Assets disposed of or fully amortized during the year	(123)	(142)	(265)
Accumulated cost at December 31, 2007	27,462	11,785	39,247
Accumulated amortization and write-downs for impairment at January 1, 2007	(2,098)	(6,554)	(8,652)
Transferred to discontinued operations	321	290	611
Currency translation adjustments	37	71	108
Amortization for the year	0	(1,055)	(1,055)
Write-downs for impairment during the year	(2,530)	(72)	(2,602)
Reversed write-downs	0	17	17
Disposals relating to the divestment of subsidiaries	159	218	377
Assets disposed of or fully amortized during the year	123	143	266
Accumulated amortization and write-downs for impairment at December 31, 2007	(3,988)	(6,942)	(10,930)
Carrying value at December 31, 2007	23,474	4,843	28,317
Carrying value of capitalized interest at December 31, 2007	-	168	168

In 2008, write-downs for impairment of rights, software, etc. totaled DKK 549m. Of this, DKK 45m related to assets operated jointly by Business Nordic, Fixnet Nordic and Mobile Nordic, DKK 11m related to YouSee, DKK 31m related to Sunrise, and DKK 462m related to Other activities.

In 2007, write-downs for impairment of rights, software, etc. totaled DKK 72m. Of this, DKK 12m related to assets operated jointly by Business Nordic, Fixnet Nordic and Mobile Nordic, DKK 7m related to YouSee, and DKK 53m related to Other activities.

The carrying value of software amounted to DKK 1,706m, compared with DKK 1,946m in 2007. In 2008, the addition of internally developed software amounted to DKK 114m compared with DKK 579m in 2007.

Interest capitalized during 2008 amounted to DKK 11m, compared with DKK 7m in 2007.

The carrying value of mortgaged intangible assets amounted to DKK 354m at December 31, 2008, compared with DKK 966m in 2007.

TDC acquired a UMTS license in Denmark in 2001. The carrying value of the license amounted to DKK 752m in 2008, compared with DKK 811m in 2007. Amortization was initiated in 2005. The remaining amortization period totals 13 years.

Goodwill impairment tests

The carrying value of goodwill is tested for impairment annually and if events or changes in circumstances indicate impairment. The annual tests were carried out at October 1, 2008, and July 1, 2007, respectively.

The impairment test is an integrated part of the Group's budget and planning process, which is based on five-year business plans. The discount rates applied reflect specific risks relating to the individual cash-generating unit. The recoverable amount is based on the value in use determined on expected cash flows based on five-year business plans approved by Management.

Following the completion of the annual impairment test at October 1, 2008, write-downs for impairment of goodwill totaling DKK 940m from TDC Sweden and DKK 315m from TDC

Finland were recognized. The write-downs resulted primarily from reduced cash-flow expectations.

Goodwill at December 31, 2008 related primarily to Sunrise. The assumptions for calculating the value in use are given below.

Sunrise

Due to developments subsequent to the annual impairment test at October 1, 2008, operations and expectations for Sunrise were reviewed at year-end 2008. The review resulted in a downward adjustment of the estimated enterprise value due to a higher discount rate compared with October 1, 2008 as well as reduced cash-flow expectations. Accordingly, a write-down for impairment relating to Sunrise goodwill of DKK 2,906m was recognized.

The carrying value of goodwill relating to Sunrise amounted to DKK 19,068m at December 31, 2008. The recoverable amount is sensitive primarily to changes in the expected revenue growth. The projected revenue growth will stem mainly from broadband and data services as well as mobile offerings. The growth rate applied to extrapolate projected future cash flows for the period following 2012 equals an expected market-based rate of 2.0%. A discount rate of 7.7% (December 31, 2007: 7.2%) has been applied.

An adverse development in key assumptions would cause the carrying value to exceed the recoverable amount.

Note 14 Property, plant and equipment

DKKm

						2008
	Land and buildings	Telecommu- nications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
Accumulated cost at January 1, 2008	1,040	72,196	5,719	421	975	80,351
Currency translation adjustments	(25)	297	45	(5)	47	359
Transfers (to)/from other items	(56)	2,090	162	(155)	(2,041)	0
Additions relating to the acquisition of subsidiaries	11	355	70	0	358	794
Work performed for own purposes and capitalized	0	1,251	5	4	40	1,300
Acquisitions from third parties	4	669	361	143	1,647	2,824
Disposals relating to the divestment of subsidiaries	0	(58)	(21)	0	(3)	(82)
Assets disposed of during the year	(2)	(664)	(341)	(38)	(2)	(1,047)
Accumulated cost at December 31, 2008	972	76,136	6,000	370	1,021	84,499
Accumulated depreciation and write-downs for impairment at January 1, 2008	(563)	(50,372)	(4,493)	(219)	0	(55,647)
Currency translation adjustments	10	(235)	(27)	2	0	(250)
Transfers to/(from) other items	19	(22)	3	0	0	0
Depreciation for the year	(22)	(4,053)	(535)	0	0	(4,610)
Write-downs for impairment during the year	(3)	(37)	(10)	(30)	(3)	(83)
Disposals relating to the divestment of subsidiaries	0	36	14	0	0	50
Assets disposed of during the year	1	648	319	10	3	981
Accumulated depreciation and write-downs for impairment at December 31, 2008	(558)	(54,035)	(4,729)	(237)	0	(59,559)
Carrying value at December 31, 2008	414	22,101	1,271	133	1,021	24,940
Carrying value of capital leases at December 31, 2008	94	388	141	-	-	623
Carrying value of capitalized interest at December 31, 2008	0	79	0	-	0	79

DKK m

						2007
	Land and buildings	Telecommunications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
Accumulated cost at January 1, 2007	3,181	68,231	6,166	392	847	78,817
Transferred to discontinued operations	0	0	(362)	0	0	(362)
Currency translation adjustments	7	(398)	(48)	(1)	(19)	(459)
Transfers (to)/from other items	19	1,144	37	(267)	(933)	0
Additions relating to the acquisition of subsidiaries	30	2,502	44	0	47	2,623
Work performed for own purposes and capitalized	0	1,304	4	1	3	1,312
Acquisitions from third parties	96	1,102	327	296	1,099	2,920
Disposals relating to the divestment of subsidiaries	(48)	(1,401)	(153)	0	(44)	(1,646)
Assets disposed of during the year	(2,263)	(288)	(296)	0	(25)	(2,872)
Transfers (to)/from assets held for sale	18	0	0	0	0	18
Accumulated cost at December 31, 2007	1,040	72,196	5,719	421	975	80,351
Accumulated depreciation and write-downs for impairment at January 1, 2007	(2,197)	(46,872)	(4,602)	(190)	0	(53,861)
Transferred to discontinued operations	0	0	258	0	0	258
Currency translation adjustments	(1)	142	25	0	0	166
Transfers to/(from) other items	(3)	4	(1)	0	0	0
Depreciation for the year	(29)	(4,346)	(557)	0	0	(4,932)
Write-downs for impairment during the year	0	(227)	(13)	(29)	0	(269)
Disposals relating to the divestment of subsidiaries	8	675	108	0	0	791
Assets disposed of during the year	1,674	252	289	0	0	2,215
Transfers to/(from) assets held for sale	(15)	0	0	0	0	(15)
Accumulated depreciation and write-downs for impairment at December 31, 2007	(563)	(50,372)	(4,493)	(219)	0	(55,647)
Carrying value at December 31, 2007	477	21,824	1,226	202	975	24,704
Carrying value of capital leases at December 31, 2007	115	310	214	-	-	639
Carrying value of capitalized interest at December 31, 2007	0	74	7	-	0	81

In 2008, write-downs for impairment totaled DKK 83m. Of this, DKK 72m related to assets operated jointly by Business Nordic, Fixnet Nordic and Mobile Nordic, DKK 2m related to Sunrise and DKK 9m related to Other activities.

In 2007, write-downs for impairment totaled DKK 269m. Of this, DKK 203m related to assets operated jointly by Business Nordic, Fixnet Nordic and Mobile Nordic, and DKK 66m related to Sunrise.

Interest capitalized during 2008 amounted to DKK 18m compared with DKK 12m in 2007.

The TDC Group has recourse guarantee obligations in respect of payment and performance in connection with lease contracts. See note 36 Contingencies.

The carrying value of mortgaged property, plant and equipment amounted to DKK 2,886m at December 31, 2008, compared with DKK 3,505m at December 31, 2007.

In 2008, damages received relating to property, plant and equipment of DKK 65m were recognized as income compared with DKK 61m in 2007.

Note 15 Investments in joint ventures and associates

DKKm

	2008	2007
Accumulated cost at January 1	5,598	6,485
Currency translation adjustments	(56)	54
Additions during the year	0	12
Disposals relating to the divestment of enterprises	0	(8)
Disposals during the year	(863)	(945)
Accumulated cost at December 31	4,679	5,598
Accumulated write-ups and write-downs for impairment at January 1	(3,958)	(4,834)
Currency translation adjustments	(64)	34
Disposals relating to the divestment of enterprises	0	2
Transferred to liabilities	5	0
Write-ups and write-downs for the year:		
· Share of income/loss excluding special items	572	542
· Share of special items	0	0
· Dividends	(394)	(528)
Disposals during the year	(669)	826
Accumulated write-ups and write-downs for impairment at December 31	(4,508)	(3,958)
Carrying value at December 31	171	1,640
which can be specified as follows:		
Joint ventures	1	1,499
Associates	170	141
Total	171	1,640

Income from joint ventures and associates can be specified as follows:

	2008	2007
Share of income/loss excluding special items	572	542
Share of special items	0	0
Gain/loss relating to the divestment of joint ventures and associates classified as special items	3,992	859
Income from joint ventures and associates	4,564	1,401

Joint ventures

The 19.6% ownership share in Polkomtel S.A. was divested at December 18, 2008.

The 15% ownership share in One GmbH was divested at October 2, 2007.

Financial summary for joint ventures (TDC's share)

DKKm

	2008	2007
Revenue	2,911	3,471
Total operating expenses before depreciation, etc.	(1,790)	(2,247)
Total non-current assets	0	2,661
Total current assets	9	530
Total non-current liabilities	0	(122)
Total current liabilities	(14)	(1,570)

Associates

TDC has no significant investments in associates.

Note 16 Receivables

DKKm

	2008	2007
Trade receivables	7,667	7,171
Allowances for uncollectibles	(548)	(548)
Trade receivables, net	7,119	6,623
Receivables from group enterprises	3	4
Contract work in process (see table below for details)	182	268
Other receivables	1,075	766
Total	8,379	7,661
Recognized as follows:		
Non-current assets	96	95
Current assets	8,283	7,566
Total	8,379	7,661
Allowances for uncollectibles at January 1	(548)	(890)
Transferred to discontinued operations	0	298
Additions	(346)	(226)
Deductions relating to divestment of subsidiaries	20	0
Other deductions	326	270
Allowances for uncollectibles at December 31	(548)	(548)
Receivables past due but not impaired	1,239	1,401
Receivables past due and impaired	1,067	704

Of the receivables classified as current assets at December 31, 2008, DKK 179m falls due after more than one year, compared with DKK 327m at December 31, 2007.

Trade receivables past due amounted to DKK 1,901m compared with DKK 1,834m at December 31, 2007. Other classes within receivables do not contain impaired assets.

The carrying value of pledged receivables amounted to DKK 347m at December 31, 2008, compared with DKK 0m at December 31, 2007.

Contract work in process	DKKm	
	2008	2007
Value of contract work in process	323	439
Billing on account	(141)	(175)
Total	182	264
Recognized as follows:		
Contract work in process (assets)	182	268
Contract work in process (liabilities)	0	(4)
Total	182	264
Recognized as revenue from contract work in process	674	994
Prepayments from customers	18	36

Write-downs of contract work in process amounted to DKK 0m in 2008, compared with DKK 28m in 2007.

Note 17 Prepaid expenses	DKKm	
	2008	2007
Prepayment regarding former civil servants	0	51
Prepaid lease payments	176	143
Prepayments regarding non-refundable up-front connection fees	259	196
Other prepaid expenses	561	422
Total	996	812
Recognized as follows:		
Non-current assets	211	147
Current assets	785	665
Total	996	812

Note 18 Inventories	DKKm	
	2008	2007
Raw materials and supplies	68	93
Work in process	0	0
Finished goods and merchandise	421	548
Total	489	641

Inventories expensed amounted to DKK 2,810m in 2008, compared with DKK 3,275m in 2007.

Inventories expected to be sold after more than one year amounted to DKK 11m at December 31, 2008, compared with DKK 17m at December 31, 2007.

Write-downs of inventories amounted to DKK 39m in 2008, compared with DKK 33m in 2007. Reversal of write-downs of inventories amounted to DKK 11m in 2008, compared with DKK 18m in 2007.

Note 19 Cash

The carrying value of charged cash amounted to DKK 6,279m at December 31, 2008, compared with DKK 8,058m at December 31, 2007.

Note 20 Equity

Common shares	Shares (number)	Nominal value (DKK)
Holding at January 1, 2007	198,375,177	991,875,885
Additions	0	0
Reductions	0	0
Holding at January 1, 2008	198,375,177	991,875,885
Additions	0	0
Reductions	0	0
Holding at December 31, 2008	198,375,177	991,875,885

Treasury shares	Shares (number)	Nominal value (DKK)	% of common shares
Holding at January 1, 2007	283,821	1,419,105	0.14
Additions	0	0	-
Disposals	0	0	-
Holding at January 1, 2008	283,821	1,419,105	0.14
Additions	0	0	-
Disposals	0	0	-
Holding at December 31, 2008	283,821	1,419,105	0.14

The Group's remaining commitments under the previous share-option program for the Board of Directors, the Executive Committee and other management employees were hedged primarily through the purchase of the Group's treasury shares.

Note 21 Loans

DKK m

	2008	2007
Bank loans	29,924	35,727
Bonds and mortgages	10,860	13,048
Debt relating to capital leases	704	694
Other long-term debt	206	248
Total	41,694	49,717
Of which loans expected to be paid within 12 months	(4,714)	(4,146)
Long-term loans	36,980	45,571
Long-term loans fall due as follows:		
1 -3 years	4,375	6,342
3 -5 years	9,139	10,646
5 -7 years	23,318	14,200
7 -9 years	72	14,238
After 9 years	76	145
Total	36,980	45,571
Fair value	38,964	50,450
Nominal value	42,286	50,555

Allocation of liabilities relating to capital leases according to maturity date

DKK m

	Minimum payments		Present value	
	2008	2007	2008	2007
Mature within 1 year	215	161	204	137
Mature between 1 and 5 years	314	385	282	281
Mature after 5 years	378	423	218	276
Total	907	969	704	694

Liabilities concerning capital leases related primarily to sale and leaseback agreements for the sale of property, agreements regarding the renting of fiber networks and IT equipment.

Note 22 Deferred income

DKKm

	2008	2007
Accrued profit relating to sale and leaseback	33	53
Accrued revenue from non-refundable up-front connection fees	1,498	1,444
Deferred subscription revenue	2,177	1,456
Other deferred income	1,096	973
Total	4,804	3,926
Recognized as follows:		
Non-current liabilities	1,369	992
Current liabilities	3,435	2,934
Total	4,804	3,926

Note 23 Provisions

DKKm

				2008	2007
	Asset retirement obligations	Restructuring obligations	Other provisions	Total	
Provisions at January 1	526	457	879	1,862	1,759
Transferred to discontinued operations	0	0	0	0	(28)
Currency translation adjustments	42	(13)	(14)	15	(23)
Additions relating to the acquisition of subsidiaries	26	0	59	85	7
Disposal related to the divestment of subsidiaries	0	0	(3)	(3)	(12)
Provisions made during the year	20	683	677	1,380	976
Change in present value	20	0	4	24	31
Provisions used during the year	(8)	(340)	(412)	(760)	(761)
Unused provisions reversed during the year	(2)	(91)	(70)	(163)	(87)
Provisions at December 31	624	696	1,120	2,440	1,862
Recognized as follows:					
Non-current liabilities	590	288	477	1,355	1,275
Current liabilities	34	408	643	1,085	587
Total	624	696	1,120	2,440	1,862

Provisions for asset retirement obligations relate to the future dismantling of mobile stations and restoration of property owned by third parties. The uncertainties relate primarily to the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflow until after 2013.

Provisions for restructuring obligations relate primarily to redundancy programs. The majority of these obligations are expected to result in cash outflow in the period 2009–2013. The uncertainties relate primarily to the estimated amounts.

Other provisions relate mainly to pending lawsuits, onerous contracts, bonuses for Management and employees, as well as jubilee benefits provided for employees.

Note 24 Trade and other payables**DKKm**

	2008	2007
Trade payables	5,669	5,022
Prepayments from customers	332	330
Other payables	2,670	2,694
Total	8,671	8,046

Of the current liabilities at December 31, 2008, DKK 96m falls due after more than one year at December 31, 2007, compared with DKK 17m at December 31, 2007.

Note 25 Financial instruments, etc.

TDC is exposed to financial market and credit risks when buying and selling goods and services in foreign denominated currencies and when 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					2008	2007
Currency	Maturities	Assets	Liabilities	Derivatives ¹	Net position	Net position
EUR	< 1 year	6,020	(5,392)	1,134	1,762	(504)
	1-3 years	0	(3,983)	(186)	(4,169)	(2,582)
	3-5 years	0	(9,068)	538	(8,530)	(8,948)
	5-7 years	0	(23,205)	0	(23,205)	(14,131)
	7-9 years	0	0	0	0	(14,161)
	> 9 years	0	0	0	0	0
Total EUR		6,020	(41,648)	1,486	(34,142)	(40,326)
Others	< 1 year	2,817	(1,183)	(3,083)	(1,449)	(2,627)
	1-3 years	78	(177)	(12)	(111)	(2,502)
	3-5 years	0	(47)	0	(47)	(767)
	5-7 years	0	(89)	0	(89)	(51)
	7-9 years	0	(59)	0	(59)	(57)
	> 9 years	0	(39)	0	(39)	(80)
Total others		2,895	(1,594)	(3,095)	(1,794)	(6,084)
Foreign currencies total		8,915	(43,242)	(1,609)	(35,936)	(46,410)
DKK	< 1 year	4,367	(2,766)	1,849	3,450	8,953
	1-3 years	33	(216)	0	(183)	(1,166)
	3-5 years	21	(32)	(752)	(763)	(816)
	5-7 years	4	(22)	0	(18)	(13)
	7-9 years	4	(13)	0	(9)	(17)
	> 9 years	149	(37)	0	112	6
Total DKK		4,578	(3,086)	1,097	2,589	6,947
Total		13,493	(46,328)	(512)	(33,347)	(39,463)

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 on the next page.

Hedging of net investments in foreign enterprises**DKKm**

Foreign-currency hedging of net investments in foreign subsidiaries, joint ventures and associates:

	2008			2007		
	Net investments, carrying value	Hedged	Not hedged	Net investments, carrying value	Hedged	Not hedged
CHF	22,908	(22,695)	(213)	24,195	(24,284)	89
SEK	7,889	0	(7,889)	10,557	0	(10,557)
PLN	0	0	0	1,499	0	(1,499)
HUF	69	0	(69)	297	0	(297)
EUR	7	0	(7)	7	0	(7)
Others	0	0	0	(38)	0	38
Total at December 31	30,873	(22,695)	(8,178)	36,517	(24,284)	(12,233)

Net investments in foreign subsidiaries, joint ventures and associates are hedged for foreign currency risks for Sunrise only.
 Net investments in foreign enterprises include goodwill.

B: 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 are determined using the zero-coupon rates.

All carrying values are derived from the balance sheet and other notes.

	Maturity profiles (DKKm) ¹						Total	Fair value	2008 Carrying value
	< 1 year	1-3 years	3-5 years	5-7 years	7-9 years	> 9 years			
Financial assets and liabilities measured at fair value through profit or loss and net investment hedges									
Derivatives, assets									
Interest-rate swaps	70	0	0	0	0	0	70	69	69
Currency swaps	220	0	1	0	0	0	221	263	263
Net investment hedges	76	0	0	0	0	0	76	51	51
Other derivatives	0	0	0	0	0	0	0	0	0
Total derivatives, assets	366	0	1	0	0	0	367	383	383
Derivatives, liabilities									
Interest-rate swaps	(162)	(306)	(43)	0	0	0	(511)	(530)	(530)
Currency swaps	(392)	(28)	0	0	0	0	(420)	(314)	(314)
Net investment hedges	(828)	0	0	0	0	0	(828)	(1,186)	(1,186)
Other derivatives	0	0	0	0	0	0	0	0	0
Total derivatives, liabilities	(1,382)	(334)	(43)	0	0	0	(1,759)	(2,030)	(2,030)
Financial liabilities measured at amortized cost									
Bank loans	(3,013)	(7,665)	(3,015)	(24,779)	0	0	(38,472)	(30,235)	(29,924)
Bonds	(2,713)	(1,471)	(9,770)	0	0	0	(13,954)	(7,821)	(10,860)
Debt relating to capital leases	(215)	(201)	(113)	(113)	(104)	(161)	(907)	(704)	(704)
Trade and other payables	(4,698)	(155)	(8)	0	0	0	(4,861)	(4,839)	(4,840)
Total financial liabilities measured at amortized cost	(10,639)	(9,492)	(12,906)	(24,892)	(104)	(161)	(58,194)	(43,599)	(46,328)
Total	(11,655)	(9,826)	(12,948)	(24,892)	(104)	(161)	(59,586)	(45,246)	(47,975)

¹ All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories:

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and Receivables ¹	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Non-financial assets and liabilities, and equity	Total balance
Assets	383	13,493	0	0	61,017	74,893
Equity and liabilities	(2,030)	0	0	(46,328)	(26,535)	(74,893)

¹ The fair value of loans and receivables is equal to the carrying value.

	Maturity profiles (DKKm) ¹						Total	Fair value	2007
	< 1 year	1-3 years	3-5 years	5-7 years	7-9 years	> 9 years			Carrying value
Financial assets and liabilities measured at fair value through profit or loss and net investment hedges									
Derivatives, assets									
Interest-rate swaps	179	129	42	0	0	0	350	312	312
Currency swaps	0	0	3	0	0	0	3	3	3
Net investment hedges	757	66	0	0	0	0	823	471	471
Other derivatives	34	0	0	0	0	0	34	34	34
Total derivatives, assets	970	195	45	0	0	0	1,210	820	820
Derivatives, liabilities									
Interest-rate swaps	(145)	(366)	(35)	0	0	0	(546)	(357)	(357)
Currency swaps	(94)	(5)	0	0	0	0	(99)	(92)	(92)
Net investment hedges	0	0	0	0	0	0	0	0	0
Other derivatives	(4)	0	0	0	0	0	(4)	(4)	(4)
Total derivatives, liabilities	(243)	(371)	(35)	0	0	0	(649)	(453)	(453)
Financial liabilities measured at amortized cost									
Bank loans	(4,555)	(7,609)	(7,870)	(14,750)	(14,662)	0	(49,446)	(36,372)	(35,727)
Bonds	(2,476)	(4,035)	(7,762)	(2,588)	0	0	(16,861)	(13,084)	(13,048)
Debt relating to capital leases	(161)	(276)	(109)	(104)	(104)	(215)	(969)	(694)	(694)
Trade and other payables	(4,129)	(179)	(76)	0	0	(4)	(4,388)	(4,357)	(4,304)
Total financial liabilities measured at amortized cost	(11,321)	(12,099)	(15,817)	(17,442)	(14,766)	(219)	(71,664)	(54,507)	(53,773)
Total	(10,594)	(12,275)	(15,807)	(17,442)	(14,766)	(219)	(71,103)	(54,140)	(53,406)

¹ All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories:

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and receivables ¹	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Non-financial assets and liabilities, and equity	Total balance
Assets	820	14,414	0	0	64,302	79,536
Equity and liabilities	(453)	0	0	(53,773)	(25,310)	(79,536)

¹ The fair value of loans and receivables is equal to the carrying value.

C: Undrawn credit lines

The undrawn credit lines at December 31, 2008 are specified as follows:

	DKK m		
Maturities	Committed credit lines	Committed syndicated credit lines	Total
< 1 year	0	0	0
> 1 year	2,108	2,608	4,716
Total	2,108	2,608	4,716

D: Credit risks

Financial transactions are entered into only with counterparties holding the long term credit rating of at least A from Standard & Poor's or A2 from Moody's Investor Service. Each counterparty credit line is determined by the counterparty's credit rating and is of a size that spreads the credit risks of total credit lines over several counterparties. The counterparty risk is therefore considered to be minimal.

Note 26 Pension assets and pension obligations

A: Domestic defined benefit plans

At December 31, 2008, 2,620 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. Of these, 218 employees were seconded to external parties in connection with outsourcing of tasks or divestment of operations. In addition, 8,128 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 via three separate legal entities supervised by the Danish Financial Supervisory Authority (FSA). In accordance with existing legislation, bylaws and the pension regulations, TDC is required to make contributions to meet the capital adequacy requirements. Future pension benefits are based primarily on years of credited service and on participants' compensation at the time of retirement. Distribution of funds from the pension funds to TDC is not possible until all pension obligations have been met.

	DKK m	
Specification of (pension costs)/income	2008	2007
Service cost ¹	(171)	(200)
Interest cost ²	(879)	(862)
Expected return on plan assets	1,264	1,327
Recognized net actuarial gain/(loss)	(26)	(30)
Net periodic (pension cost)/income recognized in pension cost	188	235
Domestic redundancy programs recognized in special items	(189)	(57)
(Pension cost)/income recognized in the Statements of Income	(1)	178

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	2008	2007
Specification of pension assets		
Fair value of plan assets	22,876	22,178
Projected benefit obligations	(15,846)	(16,908)
Funded status	7,030	5,270
Unrecognized net actuarial (gain)/loss	(186)	1,132
Pension assets recognized in the Balance Sheets	6,844	6,402
Change in present value of benefit obligations		
Projected benefit obligations at January 1	(16,908)	(18,214)
Service cost	(171)	(200)
Interest cost	(879)	(862)
Curtailed in connection with redundancies	0	0
Special termination benefit	(189)	(57)
Actuarial gain	1,355	1,502
Benefit paid	946	923
Projected benefit obligations at December 31	(15,846)	(16,908)
Change in fair value of plan assets		
Fair value of plan assets at January 1	22,178	22,445
Actual return on plan assets	1,202	435
TDC's contribution	442	221
Benefit paid	(946)	(923)
Fair value of plan assets at December 31	22,876	22,178

Plan assets include property used by Group companies with a fair value of DKK 2,150m at December 31, 2008, compared with DKK 1,662m at December 31, 2007.

Weighted-average asset allocation by asset categories at December 31	%	
	2008	2007
Equity securities	8	14
Debt securities	70	64
Real estate	16	17
Other	6	5
Total	100	100

Weighted-average assumptions used to determine benefit obligations	%	
	2008	2007
Discount rate	5.60	5.35
General wage inflation	2.25	2.25
General price inflation	2.25	2.25

Weighted-average assumptions used to determine net periodic pension cost	%	
	2008	2007
Discount rate	5.35	4.85
Expected return on plan assets	5.80	6.00
General wage inflation	2.25	2.25
General price inflation	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 25% as equity securities, 50% 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 2008, the assumed discount rate was increased to reflect changes in market conditions. The assumptions for 2009 reflect a further increase of the discount rate to 5.60% and a decrease in expected return on plan assets to 5.10% as well as unchanged assumptions with respect to general inflation. The demographic assumptions used for 2008 reflect an expected shorter life than previously assumed. The changed assumptions have resulted in decreased pension benefit obligations at year-end 2008 compared with 2007. With these changed assumptions, TDC's total pension costs excluding redundancy programs are expected to increase by approximately DKK 47m in 2009 compared with 2008, assuming all other factors remain unchanged.

The average remaining service periods of active plan participants expected to receive benefits were estimated to be 10.9 years at December 31, 2008, compared with 12.0 years at December 31, 2007.

Cash flows

TDC's current contributions were DKK 158m in 2008, against DKK 134m in 2007. Furthermore, extraordinary contributions were DKK 84m following a reduced workforce in 2008 compared with DKK 87m in 2007. Finally, a capital contribution of DKK 200m was made in 2008. For 2009, the projected current contributions amount to DKK 151m. As in 2008, extraordinary contributions are expected to be paid in connection with retirements.

Other information

581 members of the defined benefit plans will ultimately have part of their pension payment reimbursed by the Danish government. The related benefit obligations of DKK 416m have been deducted, resulting in the projected benefit obligation.

B: Foreign defined benefit plans

Pension costs for members of foreign Group companies 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 liabilities, etc. Pension liabilities, etc. related to foreign defined benefit plans amounted to DKK 126m at December 31, 2008 compared with DKK 201m at December 31, 2007.

TDC's foreign defined benefit plans concern primarily Sunrise.

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 was treated as a prepaid expense, which was amortized and expensed over the period 1994–2008.

In connection with the reduction in the number of employees in 2008 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.

Note 27 Reversal of items without cash flow effect

DKKm

	2008	2007
Pension income	(148)	(231)
(Gain)/loss on disposal of property, plant and equipment	(59)	(68)
Other adjustments	(11)	54
Total	(218)	(245)

Note 28 Change in working capital

DKKm

	2008	2007
Change in inventories	139	(96)
Change in receivables	(346)	625
Change in trade payables	(110)	16
Change in other items, net	773	67
Total	456	612

Note 29 Investment in enterprises

2008

In 2008, TDC made the following acquisitions:

At March 5, 2008 Hungarian Telephone & Cable Corp. (HTCC) acquired 95.7% of the common shares of Memorex Telex Communications AG, an Austrian-based landline service provider. At August 28, 2008 HTCC acquired the remaining 4.3% of the common shares.

At April 1, 2008, TDC Sverige AB acquired Effero AB, a provider of corporate telephony services.

At August 1, 2008, YouSee A/S acquired Guldborgsund Fællesantenne, a TV service provider.

At November 1, 2008, YouSee A/S acquired Køge Fællesantenne, a TV service provider.

At November 21, 2008, Sunrise AG acquired Tele2 AG, a mobile, internet and landline service provider.

Assets and liabilities at the time of acquisition¹

DKK m

	2008	
	Fair value at the time of acquisition	Carrying value before acquisition
Intangible assets	778	246
Property, plant and equipment	794	1,182
Receivables	402	402
Inventories	5	5
Cash and cash equivalents	81	81
Deferred tax assets/(liabilities), net	(49)	47
Provisions	(85)	(85)
Long-term debt	(844)	(1,046)
Corporate income tax receivable/(payable), net	(15)	(15)
Deferred income	(25)	(25)
Short-term debt	(350)	(350)
Acquired net assets	692	442
Negative goodwill recognized as other income	(11)	
Goodwill (adjustments to previous years)	(31)	
Acquisition cost	650	
Cash in acquired subsidiaries	(81)	
Unpaid share of acquisition cost	(31)	
Net cash flow on acquisition	538	

¹ Including immaterial adjustments regarding previous years' acquisitions.

Since the acquisitions in 2008, the acquired enterprises have contributed DKK 409m to revenue and DKK (30)m to net income.

Calculated as if the enterprises had been acquired at January 1, 2008, the acquired enterprises would have contributed DKK 1,495m to revenue and DKK (126)m to net income.

2007

In 2007, TDC made the following acquisitions:

At April 27, 2007, Hungarian Telephone & Cable Corp. (HTCC) acquired Invitel Távközlési Szolgáltató Zrt, a landline service provider.

At September 1, 2007, TDC Hosting A/S acquired Uni2 A/S, a hosting service provider.

At November 1, 2007, YouSee A/S acquired Fredericia Bynet, a TV service provider.

Assets and liabilities at the time of acquisition¹**DKKm**

	2007	
	Fair value at the time of acquisition	Carrying value before acquisition
Intangible assets	841	368
Property, plant and equipment	2,623	1,884
Receivables	180	180
Inventories	4	4
Cash and cash equivalents	89	89
Deferred tax assets/(liabilities), net	(155)	57
Provisions	(7)	(7)
Long-term debt	(2,902)	(2,902)
Corporate income tax receivable/(payable), net	3	3
Loans	(1)	(1)
Deferred income	(43)	(43)
Short-term debt	(356)	(356)
Net assets	276	(724)
Minority interests	(5)	
Acquired net assets	271	
Goodwill	532	
Acquisition cost	803	
Cash in acquired subsidiaries	(89)	
Part of purchase price settled with shares	(82)	
Unpaid share of acquisition cost	(1)	
Net cash flow on acquisition	631	

¹ Including immaterial adjustments regarding previous years' acquisitions.

The acquired enterprises contributed DKK 942m to revenue and DKK (338)m to net income in 2007.

Calculated as if the enterprises had been acquired at January 1, 2007, the acquired enterprises would have contributed DKK 1,454m to revenue and DKK (508)m to net income for 2007.

Goodwill related to acquisitions was calculated at DKK 532m 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.

Note 30 Divestment of enterprises

DKKm

In 2008, TDC divested TDC Produktion A/S, Sunrise Business Communications AG, Uppsala Stadtsnät AB, the Business Phone, Digital Signatur and Carrier Services activities as well as the network activities of Connect Partner A/S.

In 2007, TDC divested Bité Lietuva. TDC also divested Talkline, which is presented as a discontinued operation.

	2008	2007
The carrying value of assets and liabilities consists of the following at the time of divestment:		
Intangible assets	20	1,086
Property, plant and equipment	32	855
Other non-current assets	0	5
Inventories	18	28
Prepaid expenses	2	28
Receivables	142	180
Cash and cash equivalents	31	78
Deferred tax assets/(liabilities), net	4	(4)
Pension liabilities	(44)	0
Provisions	(3)	(12)
Long-term debt	(1)	0
Corporate income tax receivable/(payable), net	(4)	(9)
Deferred income	(3)	(17)
Short-term debt	(118)	(137)
Net assets	76	2,081
Gain/(loss) on divestment of enterprises	140	1,186
Currency adjustments on divestment of enterprises	0	(2)
Received prepayments relating to divestment of enterprises	4	2
Cash in divested enterprises	(31)	(78)
Net cash flow on divestment	189	3,189

Note 31 Cash flow from investing activities in discontinued operations

DKK m

	2008	2007
The carrying value of assets and liabilities in discontinued operations consists of the following at the time of divestment:		
Intangible assets	0	546
Property, plant and equipment	0	100
Inventories	0	70
Receivables	0	549
Cash and cash equivalents	0	1,584
Deferred tax assets/(liabilities), net	0	127
Provisions	0	(28)
Long-term debt	0	(25)
Corporate income tax receivable/(payable), net	0	(12)
Short-term debt	0	(617)
Net assets	0	2,294
Gain relating to divestment of discontinued operations	59	3,258
Hereof reversal of currency adjustments recognized in equity	0	4
Sales proceeds not received and sales costs not paid, net	(46)	60
Cash in discontinued operations	0	(1,584)
Net cash flow on divestment	13	4,032
Cash flow from investing activities in discontinued operations excluding divestments	0	(17)
Net cash flow from investing activities in discontinued operations	13	4,015

Note 32 Cash and cash equivalents at January 1

DKK m

	2008	2007
Cash and cash equivalents at January 1	8,251	3,455
Unrealized currency translation adjustments	0	0
Adjusted cash and cash equivalents at January 1	8,251	3,455

Note 33 Overview of Group companies at December 31, 2008

Company name	Domicile	Currency	TDC Group ownership share (%)	Number of subsidiaries, joint ventures and associates not listed here ¹
Business Nordic				1
TDC Hosting A/S	Århus, Denmark	DKK	100.0	
Service Hosting A/S	Ballerup, Denmark	DKK	100.0	
TDC AS	Oslo, Norway	NOK	100.0	2
TDC Con SQOV AB	Stockholm, Sweden	SEK	100.0	
- TDC Nordic AB	Stockholm, Sweden		100.0	2
- TDC Sverige AB	Stockholm, Sweden		100.0	3
- TDC Hosting AB	Stockholm, Sweden		100.0	
- TDC Oy Finland	Helsinki, Finland		100.0	4
- TDC Hosting Oy	Helsinki, Finland		100.0	
- TDC Song Danmark A/S	Ballerup, Denmark		100.0	1
NetDesign A/S	Farum, Denmark	DKK	100.0	
TDC Business Solution GmbH	Elmshorn, Germany	EUR	100.0	
TDC Mobil Center A/S	Odense, Denmark	DKK	100.0	
Fixnet Nordic				6
Operators Clearing House A/S ²	Glostrup, Denmark	DKK	33.3	
TDC Call Center Europe A/S	Sønderborg, Denmark	DKK	100.0	
TDC Carrier Services USA, Inc.	New Jersey, USA	USD	100.0	
Mobile Nordic				
Telmore A/S	Taastrup, Denmark	DKK	100.0	
Unotel A/S ²	Skanderborg, Denmark	DKK	20.0	
YouSee				
YouSee 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	

Company name	Domicile	Currency	TDC Group ownership share (%)	Number of subsidiaries, joint ventures and associates not listed here ¹
Sunrise				
Sunrise Communications AG	Zürich, Switzerland	CHF	100.0	5
• TelCommunication Services AG (previously Tele2 AG)	Zürich, Switzerland		100.0	1
Other				8
ADSB Telecommunications B.V. ²	Amsterdam, the Netherlands	EUR	34.7	
Hungarian Telephone and Cable Corp.	Seattle, USA	USD	64.6	20
• Invitel Távközlési Zrt.	Budapest, Hungary		64.6	
• Memorex Telex Communications AG	Voesendorf, Austria		64.6	
Telmore International Holding 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	

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.

In pursuance of the Danish Financial Statements Act section 6 the following subsidiaries have chosen not to prepare annual reports: Kaisai A/S, Anpartsselskabet af 28. august 2000, Jydsk Tele A/S, Tele1 Europe ApS, TDCH I ApS, TDCH II ApS, TDCH III ApS, TDCT IV ApS, TDCT V ApS, TDCT VI ApS and TDCKT XII ApS.

Note 34 Related parties

Name of related party	Nature of relationship	Domicile
Angel Lux Parent S.a.r.l.	Indirect ownership	Luxembourg
Angel Lux Common S.a.r.l.	Indirect ownership	Luxembourg
Nordic Telephone Management Holding ApS	Group enterprise	Århus, Denmark
Nordic Telephone Company Investment ApS	Indirect ownership	Århus, Denmark
Nordic Telephone Company Administration ApS	Indirect ownership	Århus, Denmark
Nordic Telephone Company Finance ApS	Indirect ownership	Århus, Denmark
Nordic Telephone Company Holding ApS	Indirect ownership	Århus, Denmark
Nordic Telephone Company ApS	Ownership	Århus, 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 580m at December 31, 2008, compared with DKK 578m at December 31, 2007. The rental expense was DKK 131m for 2008, compared with DKK 122m in 2007. The Danish Group companies have also entered into four lease contracts that qualify as capital leases. The debt relating to these contracts amounted to DKK 52m at December 31, 2008, compared with DKK 70m at December 31, 2007. The related interest expense amounted to DKK 2m for 2008, compared with DKK 3m in 2007. In addition, annual contributions are paid to the pension funds, see note 26 Pension obligations.

Remuneration for the Board of Directors and the Executive Committee is described in note 6.

The Group has the following additional transactions and balances with related parties:

2008	DKKm			
	Joint ventures	Associates	Other related parties	Total
Income	2	0	4	6
Costs	0	0	(1)	(1)
Receivables	0	0	152	152
Debt	0	0	0	0

2007	DKKm			
	Joint ventures	Associates	Other related parties	Total
Income	9	0	4	13
Costs	0	0	(4)	(4)
Receivables	0	0	73	73
Debt	0	0	0	0

Note 35 Other financial commitments

DKKm

	2008	2007
Lease commitments for all operating leases		
Rental expense relating to properties and mobile sites in the period of interminability	8,301	8,239
Accumulated lease commitments for machinery, equipment, computers, etc.	1,506	1,332
Total	9,807	9,571
which can be specified as follows:		
Due not later than 1 year	1,173	1,135
Due later than 1 year and not later than 5 years	3,218	3,041
Due later than 5 years	5,416	5,395
Total	9,807	9,571
Total rental expense for the year for all operating leases		
Minimum lease payments	1,509	1,466
Contingent lease payments	0	0
Sublease payments	(16)	(20)
Total	1,493	1,446
Capital and purchase commitments		
Investments in property, plant and equipment	379	24
Investments in intangible assets	602	20
Commitments related to outsourcing agreements	3,063	844
Other purchase commitments	361	386

Operating leases, for which TDC is the lessee, are related primarily to agreements on fiber networks and sea cables, and agreements on property leases and mobile sites, including agreements with the related Danish pension funds. The lease agreements terminate in 2048 at the latest.

Total future minimum sublease payments expected for interminable subleases on balance sheet dates amounted to DKK 46m at December 31, 2008, compared with DKK 41m at December 31, 2007.

The increase in capital and purchase commitments is due primarily to outsourcing of the operation of the mobile network in Denmark, and the Sunrise networks and IT activities in Denmark.

Note 36 Contingencies

Contingent assets

The 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 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 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, 2008, the guarantees amounted to DKK 1,047m, compared with DKK 2,214m at December 31, 2007. The guarantees provided by the Group are economically defeased by means of payment instruments issued by creditworthy obligors unrelated to the 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 385m at December 31, 2008, compared with DKK 428m at December 31, 2007.

Change of control

The EU Take-Over Directive, as partially implemented by the Danish Financial Statements Act, contains certain rules for the disclosure by listed companies of information on capital and ownership structure, etc., and change-of-control provisions in material agreements.

Information on TDC's ownership is provided in "Shareholder information". For information on change-of-control clauses in relation to the service contracts of management employees, see Note 6 Wages, salaries and pensions.

In addition, the Group has other agreements to which the Group is a party, and that take effect, are altered or terminated upon a change of control of the Group following implementation of a take-over bid. A change of control may lead to termination of the agreements by the relevant counterparties.

Under certain circumstances, a change of control could lead to termination of the Senior Facilities Agreement. On December 31, 2008, the aggregate nominal debt of the Senior Facilities Agreement amounted to DKK 28,885m. Termination of the Senior Facilities Agreement may have a material adverse effect on TDC's earnings.

For information on change-of-control clauses in relation to licenses for key technologies underlying TDC's service offerings, see *Risk factors related to TDC's business* cf. *Risk regarding loss of key technologies*. Under certain circumstances, a change of control would lead to termination of these licenses. Termination of certain of these licenses would have a material adverse effect on TDC's revenue and earnings.

For information on change-of-control clauses in relation to other contracts with third parties, see *Risk factors related to TDC's business* cf. *Risks regarding third parties*. A change of control could lead to termination of such contracts. Termination of such contracts would not individually or combined have a material adverse effect on TDC's revenue and earnings.

Note 37 Research and development costs

Research and development costs for the year recognized in the Statements of Income amounted to DKK 12m in 2008, compared with DKK 29m in 2007.

Note 38 Auditors' remuneration

DKKm

	2008	2007
The remuneration of auditors elected by the Annual General Meeting:		
PricewaterhouseCoopers	38	42
Other auditors	0	0
Total	38	42
Hereof fees in respect of non-audit services:		
PricewaterhouseCoopers	13	18
Other auditors	0	0
Total	13	18

Note 39 Net interest-bearing debt

DKKm

	2008	2007
Interest-bearing receivables	159	69
Cash	6,396	8,251
Long-term loans	(36,980)	(45,571)
Short-term loans	(4,714)	(4,146)
Other interest-bearing debt	0	(3)
Total	(35,139)	(41,400)

Note 40 Events after the balance sheet date**Moody's upgrades credit rating of TDC's long-term debt**

On January 30, 2009, Moody's Investor Service (Moody's) has upgraded TDC's Company Rating to Ba2 from Ba3. At the same time, the credit rating of TDC's Senior Facilities was upgraded to Ba1 from Ba2 and the credit rating of TDC's Euro Medium Term Notes (EMTN) was upgraded to Ba3 from B1. The upgrades follows from Moody's upgrade of the company credit rating of Nordic Telephone Company Holding ApS (NTCH), which owns 87.9% of TDC, to Ba2 (stable outlook) from Ba3 (positive outlook). The credit rating of NTCH's High Yield Bonds was upgraded to B1 from B2.

Parent Company Statements of Income

DKKm

	Note	2008	2007
Revenue	4	19,877	21,559
Transmission costs and cost of goods sold		(4,194)	(5,091)
Other external expenses		(4,267)	(4,581)
Wages, salaries and pension costs	5	(3,340)	(4,008)
Total operating expenses before depreciation, etc.		(11,801)	(13,680)
Other income and expenses	6	566	361
Income before depreciation, amortization and special items		8,642	8,240
Depreciation, amortization and impairment losses		(3,210)	(3,519)
Operating income excluding special items		5,432	4,721
Special items	7	537	788
Operating income		5,969	5,509
Fair value adjustments	8	(738)	328
Currency adjustments		825	207
Financial income	9	5,038	4,137
Financial expenses	10	(4,865)	(5,475)
Net financials		260	(803)
Income before income taxes		6,229	4,706
Income taxes	11	(566)	(1,072)
Net income		5,663	3,634

Assets		DKKm	
	Note	2008	2007
Non-current assets			
Intangible assets	12	2,031	2,344
Property, plant and equipment	13	12,722	12,913
Investments in subsidiaries	14	34,243	37,508
Investments in joint ventures and associates	15	27	911
Minority passive investments		8	6
Pension assets	16	6,844	6,402
Receivables	17	102	132
Derivative financial instruments	26	0	28
Prepaid expenses	18	193	122
Total non-current assets		56,170	60,366
Current assets			
Inventories	19	159	277
Receivables	17	7,612	5,614
Derivative financial instruments	26	365	776
Prepaid expenses	18	407	317
Cash	20	6,039	7,841
Total current assets		14,582	14,825
Total assets		70,752	75,191

Equity and liabilities

DKK m

	Note	2008	2007
Equity			
Common shares	21	992	992
Reserves		(592)	1,136
Retained earnings		10,861	6,982
Proposed dividends		1,785	714
Total equity		13,046	9,824
Non-current liabilities			
Deferred tax liabilities	11	2,403	2,897
Provisions	24	793	650
Loans	22	31,844	41,164
Payables to group enterprises		0	4,332
Deferred income	23	968	807
Total non-current liabilities		36,008	49,850
Current liabilities			
Loans	22	4,303	3,907
Trade and other payables	25	5,005	4,389
Income tax payable	11	626	1,871
Payables to group enterprises		7,322	3,470
Derivative financial instruments	26	1,945	187
Deferred income	23	1,841	1,323
Provisions	24	656	370
Total current liabilities		21,698	15,517
Total liabilities		57,706	65,367
Total equity and liabilities		70,752	75,191

Parent Company Statements of Cash Flow		DKKkm	
	Note	2008	2007
Income before depreciation, amortization and special items		8,642	8,240
Reversal of items without cash flow effect	27	(333)	(168)
Pension contributions		(376)	(145)
Payments related to provisions		(88)	16
Cash flow related to special items		(435)	(140)
Change in working capital	28	746	992
Cash flow from operating activities before net financials and tax		8,156	8,795
Interest received		2,735	2,024
Interest paid		(4,966)	(5,233)
Realized currency translation adjustments		(496)	1,012
Cash flow from operating activities before tax		5,429	6,598
Corporate income tax paid		(1,729)	(643)
Cash flow from operating activities		3,700	5,955
Investment in subsidiaries		0	(11)
Investment in property, plant and equipment		(2,209)	(2,448)
Investment in intangible assets		(818)	(703)
Investment in other non-current assets		(5)	(16)
Investment in marketable securities		(1,264)	0
Divestment of subsidiaries		969	8,482
Divestment of activities		96	0
Sale of property, plant and equipment		69	4,254
Sale of intangible assets		41	1
Divestment of joint ventures and associates		5,383	986
Sale of other non-current assets		0	7
Sale of marketable securities		1,266	0
Dividends received from subsidiaries, joint ventures and associates		2,259	2,052
Change in loans to subsidiaries, joint ventures and associates		30	127
Cash flow from investing activities		5,817	12,731
Proceeds from long-term loans		0	183
Repayments of long-term loans		(8,981)	(13,045)
Change in short-term bank loans		(1)	(9)
Change in interest-bearing receivables and payables		(1,624)	(62)
Dividends paid		(713)	(694)
Cash flow from financing activities		(11,319)	(13,627)
Total cash flow		(1,802)	5,059
Cash and cash equivalents at January 1		7,841	2,782
Cash and cash equivalents at December 31		6,039	7,841

Parent Company Statements of Changes in Equity

DKKm

	Common shares	Reserve for currency translation adjustments	Retained earnings	Proposed dividends	Total
Equity at January 1, 2007	992	572	4,062	694	6,320
Currency translation adjustment, financial instruments	-	769	0	-	769
Tax related to changes in equity	-	(205)	0	-	(205)
Net gain/(loss) recognized directly in equity	-	564	0	-	564
Net income	-	-	2,920	714	3,634
Total comprehensive income	-	564	2,920	714	4,198
Distributed dividends	-	-	0	(694)	(694)
Dividends, treasury shares	-	-	0	0	0
Equity at December 31, 2007	992	1,136	6,982	714	9,824
Currency translation adjustment, financial instruments	-	(2,304)	0	-	(2,304)
Tax related to changes in equity	-	576	0	-	576
Net gain/(loss) recognized directly in equity	-	(1,728)	0	-	(1,728)
Net income	-	-	3,878	1,785	5,663
Total comprehensive income	-	(1,728)	3,878	1,785	3,935
Distributed dividends	-	-	0	(714)	(714)
Dividends, treasury shares	-	-	1	0	1
Equity at December 31, 2008	992	(592)	10,861	1,785	13,046

The dividends paid in 2008 and 2007 were DKK 3.60 per share and DKK 3.50 per share respectively. A dividend of DKK 9.00 per share will be proposed at the Annual General Meeting on March 19, 2009.

Notes to Parent Company Financial Statements

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Note 1 Significant Accounting Policies

The Financial Statements 2008 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.

The accounting policies are unchanged from last year.

The Parent Company accounting policies are the same as those applied for the Group with the additions mentioned below. See note 1 to the Consolidated Financial Statements for the Significant Accounting Policies of the Group.

Supplementary Significant Accounting Policies for the Parent Company

Dividends from investments in subsidiaries, joint ventures and associates

Dividends from investments in subsidiaries, joint ventures 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, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are measured at cost. Where cost exceeds the recoverable amount, the carrying value is written down to the recoverable amount. The carrying value is reduced to the extent that dividends distributed exceed accumulated earnings after the time of acquisition.

Accumulated earnings after the time of acquisition are measured based on a group approach. Consequently, dividends received by subsidiaries from underlying Group companies have no impact on earnings in the parent company. Furthermore, Parent company earnings are not affected by intra-group restructuring. Depreciation, amortization and impairment losses related to fair value adjustment recognized when TDC obtains control do not affect accumulated earnings after the time of acquisition as the fair value adjustment is an owner adjustment that has no effect on earnings in the underlying companies.

Note 2 Critical accounting estimates and judgments

See note 2 to the Consolidated Financial Statements for information on critical accounting estimates and judgments.

In addition, investments in subsidiaries comprise a significant portion of TDC's total assets. Impairment tests on subsidiaries are performed if events or changes in circumstances indicate that their carrying value may not be recoverable. The measurement of subsidiaries 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.

Note 3 New accounting standards

See note 3 to the Consolidated Financial Statements for information on new accounting standards for the Group. In addition, IASB has issued the following new accounting standards (IFRSs) and interpretations (IFRICs) that become effective for 2009 or later, and are judged relevant for the Parent Company, but have not yet been approved by the EU:

- IFRS 1 (Amendment) *First-time Adoption of IFRS* and IAS 27 (Amendment) *Consolidated and Separate Financial Statements* will be effective for fiscal years starting on or after January 1, 2009. The amended standard allows first-time adopters to use

a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. IFRS 1 (Amendment) is not relevant as IFRS has already been adopted. The amendment in IAS 27 will have an impact on the Parent Company's financial statements. The impact depends on dividends declared from group enterprises.

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* will be effective for fiscal years starting on or after October 1, 2008. IFRIC 16 clarifies the accounting treatment for net investment hedging and that the hedgeable risk for a net investment arises from the differences in the functional currency, not the presentation currency, and that hedging instruments may be held anywhere in the group except in the foreign entity itself. IFRIC 16 further clarifies that net investment hedging cannot be used on investments measured at cost. The Group will apply IFRIC 16 from January 1, 2009, but the interpretation is not expected to have any impact on the Group's financial statements. There will be an impact on the Parent Company's financial statement where investments are measured at cost and hedging is classified as net investment hedges. From January 1, 2009 hedging instruments will be re-measured through the statement of income. Adjustments up to January 1, 2009 will be reversed from equity when investments are disposed.

Note 4 Revenue	DKKkm	
	2008	2007
Sales of goods	1,222	1,738
Sales of services	18,655	19,821
Total	19,877	21,559

Note 5 Wages, salaries and pension costs	DKKkm	
	2008	2007
Wages and salaries	(3,774)	(4,431)
Pensions	(168)	(169)
Social security	(93)	(92)
Total	(4,035)	(4,692)
Of which capitalized as non-current assets	695	684
Total	(3,340)	(4,008)
Average number of full-time employee equivalents ¹	9,323	10,801

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 includes 201 TDC employees who are entitled to pensions on conditions similar to those provided for Danish civil servants and who have been seconded to external parties in connection with outsourcing of tasks or divestment of operations.

Remuneration for the Board of Directors and Executive Committee is described in note 6 to the Consolidated Financial Statements.

Note 6 Other income and expenses

DKK m

	2008	2007
Other income	567	368
Other expenses	(1)	(7)
Total	566	361

Other income comprises mainly income from leases as well as profit relating to disposal of intangible assets, property, plant and equipment and enterprises.

Note 7 Special items

DKK m

	2008	2007
Profit on divestment of enterprises and property	4,993	6,420
Impairment losses	(3,274)	(5,386)
Income from rulings	0	158
Restructuring costs, etc.	(1,182)	(404)
Special items before income taxes	537	788
Income taxes related to special items	251	(571)
Special items after income taxes	788	217

Note 8 Fair value adjustments

DKK m

	2008	2007
Fair value adjustments of marketable securities	1	0
Other fair value adjustments	(739)	328
Fair value adjustments before tax	(738)	328
Income taxes related to fair value adjustments	177	(61)
Fair value adjustments after tax	(561)	267

Note 9 Financial income

DKK m

	2008	2007
Interest income	2,634	1,998
Interest from group enterprises	105	83
Interest from joint ventures and associates	0	3
Dividends from subsidiaries	1,851	1,449
Dividends from joint ventures and associates	387	519
Reversal of write-downs of investments in subsidiaries	43	44
Gains on divestment of subsidiaries	18	10
Gains on divestment of joint ventures and associates	0	31
Total	5,038	4,137

Note 10 Financial expenses

DKK m

	2008	2007
Write-downs of investments in subsidiaries	(12)	(72)
Interest expenses	(4,423)	(5,041)
Interest to group enterprises	(430)	(362)
Total	(4,865)	(5,475)

Note 11 Income taxes

DKK m

	Income taxes cf. the Statements of Income	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)
2008			
At January 1	-	1,871	2,897
Income taxes	(740)	1,272	(532)
Adjustment of tax for previous years	174	(212)	38
Tax related to changes in equity	-	(576)	0
Tax paid	-	(1,729)	-
Total	(566)	626	2,403
Income taxes are specified as follows:			
Income excluding special items and fair value adjustments	(994)	-	-
Special items	251	-	-
Fair value adjustments	177	-	-
Total	(566)	-	-

2007

At January 1	-	463	3,671
Income taxes	(1,419)	1,839	(420)
Adjustment of tax for previous years	(12)	7	5
Change of corporate income tax rate	359	-	(359)
Tax related to changes in equity	-	205	0
Tax paid	-	(643)	-
Total	(1,072)	1,871	2,897

Income taxes are specified as follows:

Income excluding special items and fair value adjustments	(440)	-	-
Special items	(571)	-	-
Fair value adjustments	(61)	-	-
Total	(1,072)	-	-

Reconciliation of effective tax rate

	2008	2007
Danish corporate income tax rate	25.0	25.0
Tax-free dividends from subsidiaries	(7.2)	(10.2)
Tax-free dividends from joint ventures and associates	(1.5)	(3.6)
Write-downs of investments in subsidiaries	(0.2)	0.2
Other non-taxable income and non-tax deductible expenses	0.5	2.1
Re-taxation of formerly deducted losses in the joint taxation	0.0	(0.7)
Adjustment of tax for previous years	(2.7)	0.3
Change of tax legislation, including change of corporate income tax rate	0.0	(10.1)
Limitation on the tax deductibility of interest expenses	1.6	9.4
Effective tax rate excluding special items and fair value adjustments	15.5	12.4
Special items and fair value adjustments	(6.4)	10.4
Effective tax rate including special items and fair value adjustments	9.1	22.8

Specification of deferred tax

DKKkm

	2008	2007
Provisions for redundancy payments	(106)	(91)
Current	(106)	(91)
Intangible assets	416	449
Property, plant and equipment	948	1,187
Pension assets and pension liabilities, etc.	1,711	1,614
Other	(566)	(262)
Non-current	2,509	2,988
Deferred tax liabilities at December 31	2,403	2,897

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 12 Intangible assets

DKKm

	2008		
	Goodwill	Rights, software, etc.	Total
Accumulated cost at January 1, 2008	45	6,017	6,062
Additions during the year	0	772	772
Assets disposed of or fully amortized during the year	(45)	(40)	(85)
Accumulated cost at December 31, 2008	0	6,749	6,749
Accumulated amortization and write-downs for impairment at January 1, 2008	(34)	(3,684)	(3,718)
Amortization for the year	0	(606)	(606)
Write-downs for impairment during the year	(11)	(465)	(476)
Assets disposed of or fully amortized during the year	45	37	82
Accumulated amortization and write-downs for impairment at December 31, 2008	0	(4,718)	(4,718)
Carrying value at December 31, 2008	0	2,031	2,031
Carrying value of capitalized interest at December 31, 2008	-	165	165
			2007
	Goodwill	Rights, software, etc.	Total
Accumulated cost at January 1, 2007	173	5,357	5,530
Additions during the year	0	719	719
Assets disposed of or fully amortized during the year	(128)	(59)	(187)
Accumulated cost at December 31, 2007	45	6,017	6,062
Accumulated amortization and write-downs for impairment at January 1, 2007	(162)	(3,151)	(3,313)
Amortization for the year	0	(578)	(578)
Write-downs for impairment during the year	0	(30)	(30)
Reversed write-downs	0	17	17
Assets disposed of or fully amortized during the year	128	58	186
Accumulated amortization and write-downs for impairment at December 31, 2007	(34)	(3,684)	(3,718)
Carrying value at December 31, 2007	11	2,333	2,344
Carrying value of capitalized interest at December 31, 2007	-	164	164

The carrying value of software amounted to DKK 1,208m, compared with DKK 1,436m in 2007. In 2008 addition of internally developed software amounted to DKK 113m compared with DKK 652m in 2007.

Interest capitalized during 2008 amounted to DKK 11m, compared with DKK 7m in 2007.

TDC acquired a UMTS license in Denmark in 2001. The carrying value of the license amounted to DKK 752m in 2008, compared with DKK 811m in 2007. Amortization was initiated in 2005. The remaining amortization period totals 13 years.

Note 13 Property, plant and equipment

DKKm

						2008
	Land and buildings	Telecommunications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
Accumulated cost at January 1, 2008	906	52,833	3,881	371	294	58,285
Transfers (to)/from other items	(1)	291	35	(61)	(264)	0
Work performed for own purposes and capitalized	0	1,244	0	1	0	1,245
Acquisitions from third parties	4	528	168	62	397	1,159
Assets disposed of during the year	0	(312)	(206)	(37)	(1)	(556)
Accumulated cost at December 31, 2008	909	54,584	3,878	336	426	60,133
Accumulated depreciation and write-downs for impairment at January 1, 2008	(549)	(41,325)	(3,292)	(206)	0	(45,372)
Depreciation for the year	(20)	(2,225)	(244)	0	0	(2,489)
Write-downs for impairment during the year	0	(32)	(5)	(25)	0	(62)
Assets disposed of during the year	0	311	191	10	0	512
Accumulated depreciation and write-downs for impairment at December 31, 2008	(569)	(43,271)	(3,350)	(221)	0	(47,411)
Carrying value at December 31, 2008	340	11,313	528	115	426	12,722
Carrying value of capital leases at December 31, 2008	88	0	86	-	-	174
Carrying value of capitalized interest at December 31, 2008	0	0	0	-	0	0

DKKm

						2007
	Land and buildings	Telecommu- nications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
Accumulated cost at January 1, 2007	3,060	50,567	3,865	361	259	58,112
Transfers (to)/from other items	0	440	3	(159)	(284)	0
Work performed for own purposes and capitalized	0	1,297	1	0	0	1,298
Acquisitions from third parties	91	618	165	169	334	1,377
Assets disposed of during the year	(2,263)	(89)	(153)	0	(15)	(2,520)
Transfers (to)/from assets held for sale	18	0	0	0	0	18
Accumulated cost at December 31, 2007	906	52,833	3,881	371	294	58,285
Accumulated depreciation and write-downs for impairment at January 1, 2007	(2,189)	(38,702)	(3,166)	(184)	0	(44,241)
Transfers to/(from) other items	0	4	(4)	0	0	0
Depreciation for the year	(19)	(2,625)	(271)	0	0	(2,915)
Write-downs for impairment during the year	0	(84)	(13)	(22)	0	(119)
Assets disposed of during the year	1,674	82	162	0	0	1,918
Transfers to/(from) assets held for sale	(15)	0	0	0	0	(15)
Accumulated depreciation and write-downs for impairment at December 31, 2007	(549)	(41,325)	(3,292)	(206)	0	(45,372)
Carrying value at December 31, 2007	357	11,508	589	165	294	12,913
Carrying value of capital leases at December 31, 2007	115	21	174	-	-	310
Carrying value of capitalized interest at December 31, 2007	0	0	0	-	0	0

TDC A/S has recourse guarantee obligations regarding payment and performance in connection with lease contracts, cf. note 36 to the Consolidated Financial Statements.

In 2008, damages received relating to property, plant and equipment of DKK 65m were recognized as income compared with DKK 60m in 2007.

Note 14 Investments in subsidiaries

DKKkm

	2008	2007
Accumulated cost at January 1	44,349	49,626
Additions during the year	0	331
Disposals during the year	(540)	(5,608)
Accumulated cost at December 31	43,809	44,349
Accumulated write-downs at January 1	(6,841)	(1,533)
Dividends distributed in excess of accumulated earnings	(21)	0
Write-downs for impairment during the year	(2,886)	(5,458)
Reversal of write-downs for impairment during the year	43	44
Disposals during the year	139	106
Accumulated write-downs at December 31	(9,566)	(6,841)
Carrying value at December 31	34,243	37,508

Overview of subsidiaries at December 31, 2008

Company name	Domicile	Currency	TDC A/S' ownership share (%) ¹
YouSee A/S	Copenhagen, Denmark	DKK	100.0
Sunrise Communications AG	Zürich, Switzerland	CHF	100.0
Hungarian Telephone and Cable Corp.	Seattle, USA	USD	64.6
Service Hosting A/S	Ballerup, Denmark	DKK	100.0
TDC AS	Oslo, Norway	NOK	100.0
TDC Con SQOV AB	Stockholm, Sweden	SEK	100.0
NetDesign A/S	Farum, Denmark	DKK	100.0
TDC Business Solution GmbH	Elmshorn, Germany	EUR	100.0
TDC Mobil Center A/S	Odense, 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
Telmore A/S	Taastrup, Denmark	DKK	100.0
Telmore International Holding 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

¹ In order to give the reader a clear presentation, some minor subsidiaries are not listed separately in the overview.

Impairment tests of subsidiaries recognized at cost

The carrying value of subsidiaries is tested for impairment if events or changes in circumstances indicate impairment.

Note 15 Investments in joint ventures and associates

DKK m

	2008	2007
Accumulated cost at January 1	1,108	2,070
Additions during the year	0	12
Disposals during the year	(884)	(974)
Accumulated cost at December 31	224	1,108
Accumulated write-downs at January 1	(197)	(224)
Write-downs for impairment during the year	0	0
Disposals during the year	0	27
Accumulated write-downs at December 31	(197)	(197)
Carrying value at December 31	27	911

For further details, see note 15 to the Consolidated Financial Statements.

Note 16 Pension assets

See note 26 to the Consolidated Financial Statements under defined domestic benefit plans for information on pension assets.

Note 17 Receivables

DKK m

	2008	2007
Trade receivables	3,630	3,488
Allowances for uncollectibles	(221)	(246)
Trade receivables, net	3,409	3,242
Receivables from group enterprises	3,729	2,018
Contract work in process (see table below for details)	32	50
Other receivables	544	436
Total	7,714	5,746
Recognized as follows:		
Non-current assets	102	132
Current assets	7,612	5,614
Total	7,714	5,746
Allowances for uncollectibles at January 1	(246)	(271)
Additions	(158)	(103)
Deductions	183	128
Allowances for uncollectibles at December 31	(221)	(246)
Receivables past due but not impaired	286	498
Receivables past due and impaired	585	398

Of the receivables classified as current assets at December 31, 2008, DKK 178m falls due after more than one year, compared with DKK 143m at December 31, 2007.

Trade receivables past due amounted to DKK 843m compared with DKK 876m at December 31, 2007. Other classes within receivables do not contain impaired assets.

Contract work in process	DKK m	
	2008	2007
Value of contract work in process	32	107
Billing on account	0	(57)
Total	32	50
Recognized as follows:		
Contract work in process (assets)	32	50
Contract work in process (liabilities)	0	0
Total	32	50
Recognized as revenue from contract work in process	14	207
Prepayments from customers	0	0

Write-downs of contract work in process amounted to DKK 0m in 2008, compared with DKK 28m in 2007.

Note 18 Prepaid expenses	DKK m	
	2008	2007
Prepayment regarding former civil servants	0	51
Prepayments regarding non-refundable up-front connection fees	256	195
Other prepaid expenses	344	193
Total	600	439
Recognized as follows:		
Non-current assets	193	122
Current assets	407	317
Total	600	439

Note 19 Inventories	DKK m	
	2008	2007
Work in process	0	0
Finished goods and merchandise	159	277
Total	159	277

Inventories expensed amounted to DKK 972m in 2008, compared with DKK 1,354m in 2007.

Inventories expected to be sold after more than one year amounted to DKK 0m at December 31, 2008, compared with DKK 6m at December 31, 2007.

Write-downs of inventories amounted to DKK 17m in 2008, compared with DKK 25m in 2007. Reversal of write-downs of inventories amounted to DKK 11m in 2008, compared with DKK 18m in 2007.

Note 20 Cash

The carrying value of charged cash amounted to DKK 6,029m at December 31, 2008, compared with DKK 7,838m at December 31, 2007.

Note 21 Equity

See note 20 to the Consolidated Financial Statements for information on common shares and treasury shares.

Note 22 Loans

DKKm

	2008	2007
Bank loans	28,415	34,923
Bonds and mortgages	7,259	9,537
Debt relating to capital leases	281	365
Other long-term debt	192	246
Total	36,147	45,071
Of which loans expected to be paid within 12 months	(4,303)	(3,907)
Long-term loans	31,844	41,164
Long-term loans fall due as follows:		
1-3 years	3,886	6,290
3-5 years	5,411	8,947
5-7 years	22,497	11,681
7-9 years	13	14,182
After 9 years	37	64
Total	31,844	41,164
Fair value	35,741	45,762
Nominal value	36,653	45,909

Allocation of liabilities relating to capital leases according to maturity date

DKKm

	Minimum payments		Present value	
	2008	2007	2008	2007
Mature within 1 year	102	103	99	99
Mature between 1 and 5 years	123	211	110	178
Mature after 5 years	158	172	72	88
Total	383	486	281	365

Liabilities relating to capital leases are related primarily to sale and leaseback agreements regarding sale of property and IT equipment.

Note 23 Deferred income

DKK m

	2008	2007
Accrued profit relating to sale and leaseback	33	53
Accrued revenue from non-refundable up-front connection fees	1,309	1,226
Deferred subscription revenue	1,422	826
Other deferred income	45	25
Total	2,809	2,130
Recognized as follows:		
Non-current liabilities	968	807
Current liabilities	1,841	1,323
Total	2,809	2,130

Note 24 Provisions

DKK m

	2008			2007	
	Asset retirement obligations	Restructuring obligations	Other provisions	Total	Total
Provisions at January 1	146	318	556	1,020	894
Provisions made during the year	12	620	453	1,085	580
Change in present value	1	0	0	1	(4)
Provisions used during the year	(3)	(266)	(249)	(518)	(402)
Unused provisions reversed during the year	(2)	(82)	(55)	(139)	(48)
Provisions at December 31	154	590	705	1,449	1,020
Recognized as follows:					
Non-current liabilities	143	240	410	793	650
Current liabilities	11	350	295	656	370
Total	154	590	705	1,449	1,020

Provisions for asset retirement obligations relate to the future dismantling of mobile stations and restoration of property owned by third parties. The uncertainties relate primarily to the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflow until after 2013.

Provisions for restructuring obligations relate primarily to redundancy programs. The majority of these obligations are expected to result in cash outflow in the period 2009–2013. The uncertainties relate primarily to the estimated amounts.

Other provisions relate mainly to pending lawsuits, onerous contracts, bonuses for Management and employees, as well as jubilee benefits provided for employees.

Note 25 Trade and other payables

DKKm

	2008	2007
Trade payables	3,119	2,421
Prepayments from customers	88	107
Other payables	1,798	1,861
Total	5,005	4,389

Of the current liabilities at December 31, 2008, DKK 76m falls due after more than one year at December 31, 2008, compared with DKK 7m at December 31, 2007.

Note 26 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 and when 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:

Currency	Maturities	Financial assets and liabilities			2008	2007
		Assets	Liabilities	Derivatives ¹	Net position	Net position
EUR	< 1 year	5,491	(4,897)	1,154	1,748	(472)
	1-3 years	0	(3,676)	(186)	(3,862)	(5,069)
	3-5 years	0	(5,387)	538	(4,849)	(7,979)
	5-7 years	0	(22,474)	0	(22,474)	(11,662)
	7-9 years	0	0	0	0	(14,160)
	> 9 years	0	0	0	0	0
Total EUR		5,491	(36,434)	1,506	(29,437)	(39,342)
Others	< 1 year	4,000	(5,575)	(3,048)	(4,623)	(3,935)
	1-3 years	13	0	0	13	(4,332)
	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 others		4,013	(5,575)	(3,048)	(4,610)	(8,267)
Foreign currencies total		9,504	(42,009)	(1,542)	(34,047)	(47,609)
DKK	< 1 year	3,588	(3,995)	1,849	1,442	7,505
	1-3 years	33	(210)	0	(177)	(1,157)
	3-5 years	21	(32)	(752)	(763)	(816)
	5-7 years	4	(22)	0	(18)	(15)
	7-9 years	4	(13)	0	(9)	(17)
	> 9 years	149	(37)	0	112	5
Total DKK		3,799	(4,309)	1,097	587	5,505
Total		13,303	(46,318)	(445)	(33,460)	(42,104)

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 on the next page.

Hedging of net investments in foreign enterprises**DKKm**

Foreign-currency hedging of net investments in foreign subsidiaries, joint ventures and associates:

	2008			2007		
	Net investments, carrying value	Hedged	Not hedged	Net investments, carrying value	Hedged	Not hedged
CHF	22,908	(22,695)	(213)	24,195	(24,284)	89
SEK	7,445	0	(7,445)	10,216	0	(10,216)
HUF	903	0	(903)	903	0	(903)
PLN	0	0	0	883	0	(883)
EUR	5	0	(5)	5	0	(5)
Others	875	0	(875)	30	0	(30)
Total at December 31	32,136	(22,695)	(9,441)	36,232	(24,284)	(11,948)

Net investments in foreign subsidiaries, joint ventures and associates are hedged for foreign currency risks for Sunrise only.

B: Net financials

DKKm

					2008
	Interest	Currency transla- tion adjustments	Fair value adjustments	Effect of early redemption	Total
Income					
Financial assets and liabilities measured at fair value through profit or loss	2,385	360	100	0	2,845
Loans and receivables	314	182	0	0	496
Financial liabilities measured at amortized cost	0	899	0	0	899
Non-financial assets or liabilities	40	21	0	0	61
Total	2,739	1,462	100	0	4,301
Expenses					
Financial assets and liabilities measured at fair value through profit or loss	(1,704)	(623)	(838)	0	(3,165)
Loans and receivables	0	(2)	0	0	(2)
Financial liabilities measured at amortized cost	(3,209)	(12)	0	148	(3,073)
Non-financial assets or liabilities	(88)	0	0	0	(88)
Total	(5,001)	(637)	(838)	148	(6,328)
Net financials	(2,262)	825	(738)	148	(2,027)

					2007
	Interest	Currency transla- tion adjustments	Fair value adjustments	Effect of early redemption	Total
Income					
Financial assets and liabilities measured at fair value through profit or loss	1,755	109	362	0	2,226
Loans and receivables	319	213	0	0	532
Financial liabilities measured at amortized cost	0	22	0	0	22
Non-financial assets or liabilities	10	0	0	0	10
Total	2,084	344	362	0	2,790
Expenses					
Financial assets and liabilities measured at fair value through profit or loss	(1,238)	(45)	(34)	0	(1,317)
Loans and receivables	0	(85)	0	0	(85)
Financial liabilities measured at amortized cost	(4,085)	(7)	0	32	(4,060)
Non-financial assets or liabilities	(112)	0	0	0	(112)
Total	(5,435)	(137)	(34)	32	(5,574)
Net financials	(3,351)	207	328	32	(2,784)

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 are determined using the zero-coupon rates.

All carrying values are derived from the balance sheet and other notes.

	Maturity profiles (DKKm) ¹						Total	Fair value	2008 Carrying value
	< 1 year	1-3 years	3-5 years	5-7 years	7-9 years	> 9 years			
Financial assets and liabilities measured at fair value through profit or loss and net investment hedges									
Derivatives, assets									
Interest-rate swaps	70	0	0	0	0	0	70	69	69
Currency swaps	220	0	1	0	0	0	221	245	245
Net investment hedges	76	0	0	0	0	0	76	51	51
Other derivatives	0	0	0	0	0	0	0	0	0
Total derivatives, assets	366	0	1	0	0	0	367	365	365
Derivatives, liabilities									
Interest-rate swaps	(157)	(299)	(43)	0	0	0	(499)	(528)	(528)
Currency swaps	(337)	(4)	0	0	0	0	(341)	(231)	(231)
Net investment hedges	(828)	0	0	0	0	0	(828)	(1,186)	(1,186)
Other derivatives	0	0	0	0	0	0	0	0	0
Total derivatives, liabilities	(1,322)	(303)	(43)	0	0	0	(1,668)	(1,945)	(1,945)
Financial liabilities measured at amortized cost									
Bank loans	(2,542)	(7,082)	(2,780)	(23,947)	0	0	(36,351)	(28,863)	(28,415)
Bonds	(2,328)	(701)	(5,743)	0	0	0	(8,772)	(6,406)	(7,259)
Debt relating to capital leases	(102)	(94)	(29)	(30)	(21)	(107)	(383)	(281)	(281)
Trade and other payables	(10,474)	(142)	(8)	0	0	0	(10,624)	(10,363)	(10,363)
Total financial liabilities measured at amortized cost	(15,446)	(8,019)	(8,560)	(23,977)	(21)	(107)	(56,130)	(45,913)	(46,318)
Total	(16,402)	(8,322)	(8,602)	(23,977)	(21)	(107)	(57,431)	(47,493)	(47,898)

¹ All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories:

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and receivables ¹	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Non-financial assets and liabilities, and equity	Total balance
Assets	365	13,303	0	0	57,084	70,752
Equity and liabilities	(1,945)	0	0	(46,318)	(22,489)	(70,752)

¹ The fair value of loans and receivables is equal to the carrying value.

	Maturity profiles (DKKm) ¹						2007		
	< 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 measured at fair value through profit or loss and net investment hedges									
Derivatives, assets									
Interest-rate swaps	173	117	42	0	0	0	332	296	296
Currency swaps	0	0	3	0	0	0	3	3	3
Net investment hedges	757	66	0	0	0	0	823	471	471
Other derivatives	34	0	0	0	0	0	34	34	34
Total derivatives, assets	964	183	45	0	0	0	1,192	804	804
Derivatives, liabilities									
Interest-rate swaps	(15)	(86)	0	0	0	0	(101)	(97)	(97)
Currency swaps	(92)	(5)	0	0	0	0	(97)	(90)	(90)
Net investment hedges	0	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0	0
Total derivatives, liabilities	(107)	(91)	0	0	0	0	(198)	(187)	(187)
Financial liabilities measured at amortized cost									
Bank loans	(4,229)	(7,511)	(7,074)	(14,750)	(14,662)	0	(48,226)	(35,568)	(34,923)
Bonds	(2,150)	(3,414)	(6,097)	0	0	0	(11,661)	(9,529)	(9,537)
Debt relating to capital leases	(103)	(182)	(29)	(29)	(30)	(113)	(486)	(365)	(365)
Trade and other payables	(5,958)	(4,651)	(76)	0	0	(4)	(10,689)	(10,262)	(10,278)
Total financial liabilities measured at amortized cost	(12,440)	(15,758)	(13,276)	(14,779)	(14,692)	(117)	(71,062)	(55,724)	(55,103)
Total	(11,583)	(15,666)	(13,231)	(14,779)	(14,692)	(117)	(70,068)	(55,107)	(54,486)

¹ All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories:

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and receivables ¹	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Non-financial assets and liabilities, and equity	Total balance
Assets	804	12,853	0	0	61,534	75,191
Equity and liabilities	(187)	0	0	(55,103)	(19,901)	(75,191)

¹ The fair value of loans and receivables is equal to the carrying value.

D: Undrawn credit lines

The undrawn credit lines at December 31, 2008 are specified as follows:

	DKKm		
Maturities	Committed credit lines	Committed syndicated credit lines	Total
< 1 year	0	0	0
> 1 year	2,108	2,608	4,716
Total	2,108	2,608	4,716

E: Credit risks

Financial transactions are entered into only with counterparties holding the long term credit rating of at least A from Standard & Poor's or A2 from Moody's Investor Service. Each counterparty credit line is determined by the counterparty's credit rating and is of a size that spreads the credit risks of total credit lines over several counterparties. The counterparty risk is therefore considered to be minimal.

Note 27 Reversal of items without cash flow effect

	DKKm	
	2008	2007
Pension income	(188)	(235)
(Gain)/loss on disposal of property, plant and equipment	(52)	(34)
Other adjustments	(93)	101
Total	(333)	(168)

Note 28 Change in working capital

	DKKm	
	2008	2007
Change in inventories	115	(33)
Change in receivables	(134)	510
Change in trade payables	60	575
Change in other items, net	705	(60)
Total	746	992

Note 29 Related parties

For information about the related parties of the Group, see note 34 to the Consolidated Financial Statements. The Parent Company has the following transactions and balances with its subsidiaries (cf. the overview of subsidiaries in note 14):

	DKK m	
	Subsidiaries 2008	Subsidiaries 2007
Income	2,186	1,515
Costs	(856)	(869)
Receivables	3,729	2,014
Debt	(7,322)	(7,802)

The Parent Company has the following additional transactions and balances with related parties:

	DKK m			
	Joint ventures	Associates	Other related parties	Total
Income	2	0	4	6
Costs	0	0	(1)	(1)
Receivables	0	0	152	152
Debt	0	0	0	0

	DKK m			
	Joint ventures	Associates	Other related parties	Total
Income	9	0	4	13
Costs	0	0	(4)	(4)
Receivables	0	0	73	73
Debt	0	0	0	0

All transactions were 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 26 to the Consolidated Financial Statements.

Note 30 Other financial commitments

DKKm

	2008	2007
Lease commitments		
Lease expenses relating to properties in the period of interminability	6,434	6,627
Accumulated lease commitments for machinery, equipment, computers, etc.	478	663
Total	6,912	7,290
which can be specified as follows:		
Due not later than 1 year	532	578
Due later than 1 year and not later than 5 years	1,787	1,877
Due later than 5 years	4,593	4,835
Total	6,912	7,290
Total lease expense for the year for all operating leases		
Minimum lease payments	655	642
Contingent lease payments	0	0
Sublease payments	0	0
Total	655	642
Capital and purchase commitments		
Investments in property, plant and equipment	372	19
Investments in intangible assets	448	20
Commitments related to outsourcing agreements	1,550	841
Other purchase commitments	361	372

Operating leases, for which the Parent Company is the lessee, are related primarily to agreements for fiber networks and sea cables, and agreements on property leases and mobile sites, including agreements with the related Danish pension funds. The lease agreements terminate in 2037 at the latest.

Total future minimum sublease payments expected for interminable subleases on balance sheet dates amounted to DKK 13m at December 31, 2008, compared with DKK 0m at December 31, 2007.

Note 31 Contingencies

At December 31, 2008, the Parent Company had provided guarantees for the amount of DKK 19m concerning subsidiaries, compared with DKK 25m at December 31, 2007. Furthermore, TDC A/S has issued letters of support and undertaken loan commitments for some of its subsidiaries.

See note 36 to the Consolidated Financial Statements for information on pending lawsuits and change-of-control clauses.

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, 2008 the aggregate nominal debt of the Senior Facilities Agreement amounted to DKK 28,885m.

TDC A/S has charged its shares in a number of its subsidiaries including Sunrise Communications AG and YouSee A/S as well as bank deposits and intra-group receivables as security for the Senior Facilities Agreement.

Note 32 Research and development costs

Research and development costs for the year recognized in the Statements of Income amounted to DKK 11m in 2008, compared with DKK 29m in 2007.

Note 33 Auditors' remuneration

DKKm

	2008	2007
The remuneration of auditors elected by the Annual General Meeting:		
PricewaterhouseCoopers	20	24
Other auditors	0	0
Total	20	24
Hereof fees in respect of non-audit services:		
PricewaterhouseCoopers	9	15
Other auditors	0	0
Total	9	15

Note 34 Net interest-bearing debt

DKKm

	2008	2007
Interest-bearing receivables	3,724	114
Cash	6,039	7,841
Long-term loans	(31,844)	(41,164)
Payables to group enterprises	(7,135)	(4,332)
Short-term loans	(4,303)	(3,907)
Other interest-bearing debt	0	(3)
Total	(33,519)	(41,451)

Note 35 Events after the balance sheet date

See note 40 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 2008.

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.

In our opinion, the Annual Report presents fairly, in all material aspects, the Group's and the Parent Company's assets, liabilities and financial position at December 31, 2008 as well as their results of operations and cash flows for the financial year 2008. Furthermore, in our opinion, the Annual Report provides a fair review of the developments in the Group's and the Parent Company's activities and financial position, and describes the significant risks and uncertainties that may affect the Group and the Parent Company.

The Annual Report is recommended for approval by the Annual General Meeting.

Copenhagen, February 5, 2009

Executive Committee

Henrik Poulsen
President and Chief Executive Officer

Eva Berneke
Senior Executive Vice President
and Chief Strategy Officer

Niels Breining
Senior Executive Vice President
and Chief Executive Officer,
YouSee A/S

Carsten Dilling
Senior Executive Vice President
and Chief Executive Officer, Fixnet Nordic

Jesper Theill Eriksen
Senior Executive Vice President
and Chief Executive Officer, Mobile Nordic

Jesper Ovesen
Senior Executive Vice President
and Chief Financial Officer

Klaus Pedersen
Senior Executive Vice President
and Chief Executive Officer, Business Nordic

Board of Directors

Vagn Sørensen
Chairman

Pierre Danon
Vice Chairman

Kurt Björklund

Lawrence Guffey

Oliver Haarmann

Gustavo Schwed

Andrew Sillitoe

Leif Hartmann

Steen M. Jacobsen

Jan Bardino

Bo Magnussen

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, 2008, which comprises management's review, statements of income, balance sheets, statements of cash flow, statements of changes in equity, notes and management statement for the Group as well as for 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 presents fairly, in all material aspects, the financial position at December 31, 2008 of the Group and the Parent Company and of the results of the Group's and Parent Company's operations and cash flows for the financial year 2008 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 5, 2009

PricewaterhouseCoopers

Statsautoriseret Revisionsaktieselskab

Fin T. Nielsen
State Authorized Public Accountant

Lars Holtug
State Authorized Public Accountant

Corporate governance

Recommendations from the Committee on Corporate Governance

Introduction

As a company listed on NASDAQ OMX Copenhagen, TDC A/S must account for its approach to the recommendations from the Committee on Corporate Governance in its Annual Report based on a "comply or explain" principle.

In 2005, the Nørby Committee recommendations on corporate governance from 2001 were revised by what was then called the Copenhagen Stock Exchange Committee on Corporate Governance. In 2008, the recommendations were revised again, this time by the Committee on Corporate Governance – a continuation of the Copenhagen Stock Exchange Committee, but no longer under the auspices of the stock exchange.

TDC complies with the majority of the recommendations. Of the 40 numbered recommendations, divided into eight main categories, TDC fully complies with 33 recommendations, whereas three are partly complied with, and four are not complied with. TDC's non-compliance is further described below. The full recommendations are available at the Committee on Corporate Governance's website, www.corporategovernance.dk.

The role of the shareholders and their interaction with the management

TDC has a majority shareholder that owns 87.9% of the shares, and a number of minority shareholders. Due to the ownership structure, the Board of Directors is not able to predetermine how to act in the event of a takeover bid for TDC. Thus, the Board of Directors does not comply with Recommendation 1.4 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 of Directors 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

TDC complies with all 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

Composition of the Board of Directors

The Board of Directors regularly assesses the competence needed for the Board of Directors to best perform its tasks and in the light hereof the Board of Directors assesses its composition, in compliance with the general recommendation in V.1 on composition of the Board of Directors. However, the Board of Directors does not comply with all the underlying recommendations in V.1.

Thus, the Board of Directors does not comply with the recommendation on diversity in the Board composition and a formal, thorough and transparent process for selection and nomination of candidates for the Board of Directors. This is due to TDC's ownership structure as described above. The majority shareholder selects and nominates candidates for TDC's Board of Directors, who may be elected by the majority shareholder's votes alone. In the selection and nomination of candidates, the majority shareholder ensures a composition of the Board of Directors that provides the competence needed for the Board of Directors to best perform its tasks.

As a result of the Board of Directors' non-compliance with the recommendation on a formal and transparent process for selection and nomination of candidates for the Board of Directors, TDC does not comply with the recommendations that the notice of the Annual General Meeting include information on the recruitment criteria and the Board of Directors' assessment of its composition. A general description of the applied recruitment criteria and the composition of the Board of Directors may be

given at the Annual General Meeting. For the same reason, TDC does not comply with the recommendation that in the annual management's review the Board of Directors accounts for its composition and for any special competence possessed by the individual Board members.

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 non-compliance with Recommendation V.4 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 of Directors list the names of Board members who are not regarded as independent persons and also disclose whether new candidates for the Board of Directors 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 information only about the Board members' individual shareholdings in the Company, 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 of Directors has set up an Audit Committee and a Compensation Committee. The Audit Committee has no power of decision, whereas the Compensation Committee has power of decision on matters relating to specific issues within the Compensation Committee's areas of responsibility. The Board of Directors deems it expedient that the Compensation Committee has this limited power of decision. Therefore, the Board of Directors 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 of Directors. The Compensation Committee reports regularly to the entire Board of Directors.

Assessment of the work of the Board of Directors and the Executive Committee

TDC does not comply with Recommendation V.11 on the assessment of the composition of the Board of Directors and the Board of Directors' and the individual Board

members' work and results. Due to TDC's ownership structure and its significance for the composition of TDC's Board of Directors, as described above, the Board of Directors 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 of Director's procedures of self-assessment.

Likewise, the Board of Directors has neither established a formal assessment procedure for evaluating the Executive Committee's work and results, nor a procedure to assess the collaboration between the Board of Directors and the Executive Committee – as stated in Recommendation V.11. However, the Board of Directors regularly assesses the work of the Executive Committee by setting goals and evaluating the degree to which such goals are met. The collaboration between the Board of Directors and the Executive Committee is regularly assessed at meetings attended by the CEO and the Chairman of the Board of Directors.

Other recommendations

TDC complies with all other recommendations on the composition of the Board of Directors.

Remuneration of members of the Board of Directors and the Executive Committee

Remuneration policy

TDC does not comply with Recommendation VI.2 that the Board of Directors adopt a remuneration policy, and consequently does not comply with the underlying recommendations regarding the contents of the remuneration policy and remuneration policy reporting. The Board of Directors 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.

In accordance with the rules in the Danish Companies Act, the Board of Directors has set general guidelines for incentive schemes for the Executive Committee and these guidelines have been adopted by the Annual General Meeting 2008.

The principles of TDC's existing bonus schemes are described in note 6 to the Consolidated Financial Statements.

The total annual remuneration of the Board of Directors is approved by the Annual General Meeting in connection with the adoption of the Annual Report. Therefore, TDC does not comply with Recommendation VI.2 that the remuneration of the Board of Directors 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. TDC deems its practice expedient, for example because the composition of the Board of Directors occasionally changes during the year.

Openness about remuneration

TDC does not comply with Recommendation VI.5 that the Annual Report include information on the amounts of total remuneration received by individual members of the Board of Directors and the Executive Committee granted to such members by the Company and other companies within the same Group. TDC finds the information in the Annual Report on the remuneration of the entire Board of Directors and the entire Executive Committee to be adequate (cf. note 6 to the Consolidated Financial Statements).

Other recommendations

TDC complies with all other recommendations on the remuneration of the members of the Board of Directors and the Executive Committee.

Risk management

TDC complies with all recommendations on risk management.

Audit

TDC complies with all audit recommendations.

Guidelines from the Danish Venture Capital and Private Equity Association

In 2008, the Danish Venture Capital and Private Equity Association (DVCA) published new guidelines for responsible ownership and good corporate governance in private equity funds in Denmark.

TDC A/S' majority shareholder, Nordic Telephone Company ApS, is – through a number of holding companies – ultimately controlled by investment funds each of which is advised or managed, directly or indirectly, by Apax Partners Worldwide LLP, The Blackstone Group International Limited, Kohlberg Kravis Roberts & Co. L.P., Permira Advisers KB or Providence Equity Partners Limited. Both Nordic Telephone Company ApS and TDC A/S are covered by the DVCA guidelines.

TDC complies with all DVCA guidelines of relevance to TDC. The guideline regarding a company's provision of financial information after delisting in connection with a transaction is not relevant to TDC A/S, as TDC remains listed on NASDAQ OMX Copenhagen.

The shareholders, customers, employees and society are TDC's primary stakeholders. The entire Annual Report reflects how TDC's management accommodates these stakeholders. Any other information requested by the DVCA guidelines has been included in the appropriate sections of the Annual Report.

The guidelines are available at DVCA's website, www.dvca.dk.

Corporate Social Responsibility

TDC attaches importance to operating in a socially and environmentally responsible manner and to respecting its commitment to the company, its employees and Danish society as a whole. Over the years, TDC has financed a number of social projects, with the clear goals to reduce the Group's impact on the environment regarding waste handling, paper and water consumption and the emission of greenhouse gases. TDC also has clear guidelines for the Group's suppliers.

In 2008, TDC concluded a three-year agreement to support Danish Red Cross emergency plans, engage with employees and provide funding for a project enabling long-stay children in hospitals to participate in lessons via webcams and interactive whiteboards. TDC employees also contributed nearly 1,000 hours to various projects as part of TDC's "Tidsbank", through which employees can exchange eight normal working hours with eight hours working for selected charities.

The increased focus on global warming prompted TDC to launch an ambitious climate plan in 2008 to reduce its CO2 emission by five percent before 2014. Since 2001, TDC has submitted reports on its environmental initiatives, and also reports to the international Carbon Disclosure Project. In 2008, TDC was awarded the title of third-best at reporting on climate issues in Denmark.

For a detailed review of TDC's CSR initiatives, see TDC's CSR report, which is to be published on March 31, 2009.

The Board of Directors

TDC's Board of Directors has 11 members, seven elected by the Annual General Meeting and four elected by the employees.

All the members of the Board of Directors act in the interests of TDC. The members of the Board of Directors who are also partners of the equity funds, which ultimately own the majority shareholder of TDC, do not represent these equity funds on the Board of Directors.

In 2008, the Board of Directors held 16 meetings and a number of strategy sessions.

Currently, the Board of Directors has set up two committees – the Compensation Committee and the Audit Committee.

The Compensation Committee consists of Vagn Sørensen, Pierre Danon, Kurt Björklund and Gustavo Schwed. The Compensation Committee approves the compensation and other terms of employment for the members of the Group's Executive Committee. It also approves the framework of the Group's incentive program and proposes to the Board the size of the Board of Directors' fee, which is approved at the General Meeting. The Compensation Committee held seven meetings in 2008.

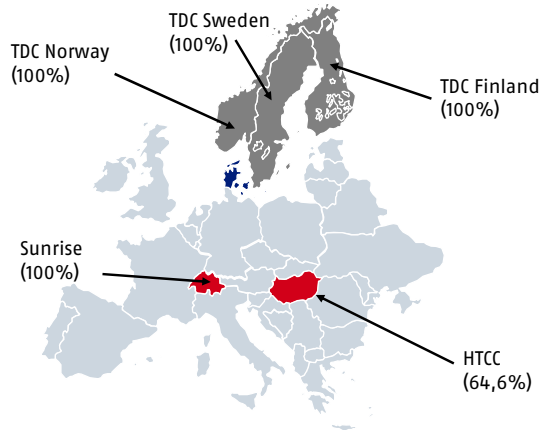
The Audit Committee consists of Lawrence Guffey, Vagn Sørensen and Andrew Sillitoe. The Audit Committee assists the Board of Directors with activities including: (i) monitoring the financial reporting process, (ii) monitoring the efficiency of TDC's internal control system and any internal auditing and risk management systems, (iii) monitoring the statutory audit of the annual report, (iv) appointing TDC's independent auditors and monitoring

and checking the independence of the auditors, including in particular the delivery of non-audit services to TDC. The Audit Committee held two meetings in 2008.

Strategy

TDC – strong and resilient

TDC's – strong and resilient
(Ownership in %)



Objectives for the Nordic business market

- to remain the clear leader in all our Danish submarkets
- to be the leading challenger in all other Nordic business markets
- to consider all investments outside the Nordic region financial holdings

Proactive strategy

We must:

- invest heavily in IT and networks
- cut costs to remain competitive
- differentiate ourselves by offering more

First choice

Strategy	Objective
To differentiate ourselves by offering more... ...and target customer differences to provide fully optimized services	To remain the clear leader in all our Danish submarkets

Simple and efficient

Strategy	Objective
To cut costs, remain competitive... ...and simplify processes to improve customer service	To be the most efficient telecoms operator in the Nordic region

Solid foundation for IT and networks

Strategy	Objective
To invest heavily in IT and networks... ...to provide simple and coherent services anytime, anywhere	To provide the best, most coherent terminal and network services, anytime, anywhere, throughout the Nordic region

Management

Executive Committee

Henrik Poulsen

President and Chief Executive Officer

Age 41. Appointed to the Executive Committee in 2008.

MSc in Economics (Financing and Accounting), Aarhus School of Business, University of Aarhus, 1994.

Eva Berneke

Senior Executive Vice President and Chief Strategy Officer

Age 39. Appointed to the Executive Committee in 2007.

MSc in Mechanical Engineering, Technical University of Denmark, 1992, and MBA, INSEAD, 1995.

Member of the Board of Directors, Copenhagen Business School.

Niels Breining

Senior Executive Vice President and Chief Executive Officer, YouSee A/S

Age 54. Appointed to the Executive Committee in 2008.

MSc in Economics and Business Administration, University of Aarhus, 1979.

Carsten Dilling

Senior Executive Vice President and Chief Executive Officer, Fixnet Nordic

Age 46. Appointed to the Executive Committee in 2007.

BSc in Economics and Business Administration, Copenhagen Business School, 1983, and Graduate Diploma in Business Administration (International Trade) Copenhagen Business School, 1986.

Chairman of the Board of Traen Informationssystemer A/S.

Jesper Theill Eriksen

Senior Executive Vice President and Chief Executive Officer, Mobile Nordic

Age 40. Appointed to the Executive Committee in 2007.

Master of Law, University of Copenhagen, 1991 and INSEAD (Executive Management Training Program), 1999.

Jesper Ovesen

Senior Executive Vice President and Chief Financial Officer

Age 51. Appointed to the Executive Committee in 2008.

MSc in Economics (Finance), Copenhagen Business School, 1984.

Member of the Boards of Directors of Skandinaviska Enskilda Banken AB and FLSmidt & Co A/S.

Klaus Pedersen

Senior Executive Vice President and Chief Executive Officer, Business Nordic

Age 41. Appointed to the Executive Committee in 2007.

MSc in Economics (Financing and Accounting), Aarhus School of Business, University of Aarhus, 1992, and various executive management programs, INSEAD.

Board of Directors

Vagn Sørensen

Chairman

Age 49. Elected by the shareholders at the Annual General Meeting. First elected on April 26, 2006. Re-elected on March 13, 2008. Term will expire on March 19, 2009. Nominated by Nordic Telephone Company ApS.

Member of the Compensation Committee and the Audit Committee.

MSc in Economics and Business Administration, Aarhus School of Business, University of Aarhus, 1984.

Chairman of the Boards of Directors of BTX Group A/S, Select Service Partner Ltd., and Scandic Hotels AB. Vice Chairman of the Board of Directors of DFDS A/S. Member of the Boards of Directors of ST Global AG, Air Canada, Braganza AS, SIMI and FormueEvolution I+II.

Pierre Danon

Vice Chairman

Age 52. Elected by the shareholders at an Extraordinary General Meeting. First elected on May 16, 2008. Term will expire on March 19, 2009. Nominated by Nordic Telephone Company ApS.

Member of the Compensation Committee.

Degree in civil engineering from Ecole Nationale des Ponts et Chaussées, 1978, and a law degree from Faculté de Droit Paris II Assas, 1978. MBA degree from HEC School of Management, Paris, 1980.

Chief Executive Officer of Numericable and Completel and Senior Advisor at JP Morgan.

Kurt Björklund

Age 39. Elected by the shareholders at the Annual General Meeting. First elected on February 28, 2006. Re-elected on March 13, 2008. Term will expire on March 19, 2009. Nominated by Nordic Telephone Company ApS.

Member of the Compensation Committee.

MSc in Economics, SSEBA, Helsinki, 1993, and MBA, INSEAD, 1996.

Co-Managing Partner in Permira Advisers LLP.

Chairman of the Board of Directors of Nordic Telephone Company ApS.

Lawrence Guffey

Age 40. Elected by the shareholders at the Annual General Meeting. First elected on February 28, 2006. Re-elected on March 13, 2008. Term will expire on March 19, 2009. Nominated by Nordic Telephone Company ApS.

Member of the Audit Committee.

BA, Rice University, 1990.

Senior Managing Director of the Blackstone Group.

Member of the Boards of Directors of Nordic Telephone Company ApS, Deutsche Telekom AG, Axtel SA de CV and Cineworld Group PLC.

Oliver Haarmann

Age 41. Elected by the shareholders at the Annual General Meeting. First elected on February 28, 2006. Re-elected on March 13, 2008. Term will expire on March 19, 2009. Nominated by Nordic Telephone Company ApS.

BA, Brown University, 1990. MBA, Harvard Business School, 1996.

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 47. Elected by the shareholders at the Annual General Meeting. First elected on February 28, 2006. Re-elected on March 13, 2008. Term will expire on March 19, 2009. Nominated by Nordic Telephone Company ApS.

Member of the Compensation Committee.

BA, Swarthmore College, 1984. MBA, Stanford University, 1988.

Managing Director of Providence Equity.

Member of the Boards of Directors of Nordic Telephone Company ApS and The 4U Group Ltd.

Andrew Sillitoe

Age 36. Elected alternate for Richard Wilson by the shareholders at the Annual General Meeting. First elected on April 26, 2006. Nominated member of the Board of Directors on October 14, 2008, at which date Richard Wilson retired from the Board. Term will expire on March 19, 2009. Nominated by Nordic Telephone Company ApS.

Member of the Audit Committee.

MA, Oxford, 1993. MBA. INSEAD, 1997.

Partner of Apax Partners LLP.

Member of the Board of Directors of Nordic Telephone Company ApS.

Leif Hartmann

Age 65. Elected by the employees. First elected in 1996. Re-elected in 2000, 2004 and 2008. Term will expire in 2012.

Systems Technician at TDC A/S.

Steen M. Jacobsen

Age 59. Elected by the employees. First elected in 1996. Re-elected in 2000, 2004 and 2008. Term will expire in 2012.

Specialist Technician at TDC A/S.

Jan Bardino

Age 56. Elected by the employees. First elected in 2004. Re-elected in 2008. Term will expire in 2012.

MSc (Computer Science).

IT Project Manager at TDC A/S.

Bo Magnussen

Age 61. Elected by the employees. First elected in 1996. Re-elected in 2000, 2004 and 2008. Term will expire in 2012.

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 2008, TDC A/S had 29,359 registered shareholders, of whom 97% were based in Denmark. The Danish-based shareholders held approximately 95% of TDC A/S' shares at year-end 2008.

A total of 21 shareholders each held more than 10,000 TDC shares, together owning approximately 95% of the outstanding shares.

At year-end 2008, the following shareholders each held more than 5% of TDC A/S' common shares and the voting rights:

- Arbejdsmarkedets Tillægspension (ATP), Hillerød, Denmark: 5.5%
- Nordic Telephone Company ApS, Aarhus, Denmark: 87.9%

The ultimate holding company of TDC A/S' majority shareholder, Nordic Telephone Company ApS, is Angel Lux Parent S.a.r.l.

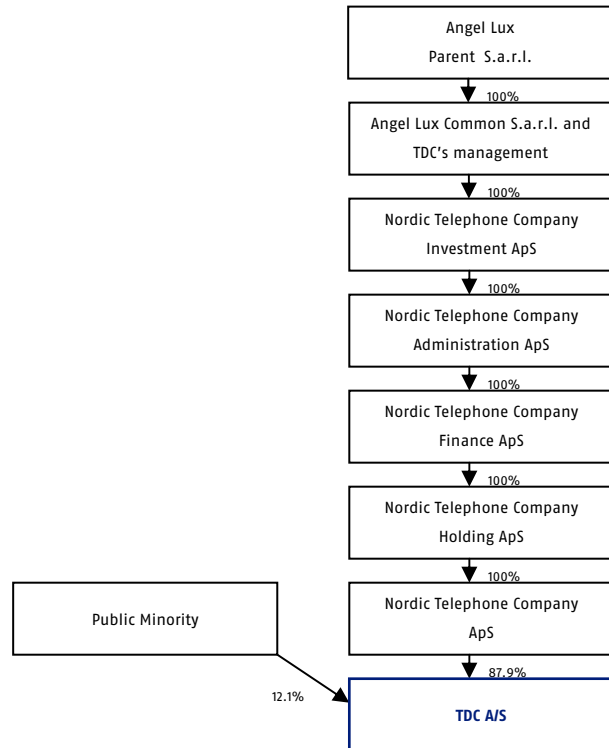
Nordic Telephone Company ApS, is – through a number of holding companies – ultimately controlled by investment funds, each of which is advised or managed, directly or indirectly, by¹⁸:

- Apax Partners Worldwide LLP: 15.7%
- The Blackstone Group International Limited: 23.5%
- Kohlberg Kravis Roberts & Co. L.P.: 19.6%
- Permira Advisers KB: 19.4%
- Providence Equity Partners Limited: 17.7%

Capital structure

The Board of Directors has assessed TDC's capital structure and found that it accommodates both the shareholders' interests and continued development of the company. The capital structure largely follows the plan set out in connection with NTC's acquisition of TDC as well as the requirements resulting from TDC's debt financing.

¹⁸ Each person or group known to control more than 5% of the common shares of Angel Lux Parent S.a.r.l. is shown.



Common shares and voting rights

TDC A/S' common shares are divided into 198,375,177 shares in a denomination of DKK 5 each. Each share amount of DKK 5 entitles a shareholder to one vote. All the Company's shares are listed on NASDAQ OMX Copenhagen (ISIN DK00-1025333-5).

For a shareholder to be entitled to participate in the Company's general meetings and exercise voting rights, an admission card (specifying the number of votes held by the shareholder) must be requested at least five days before the date of the General Meeting in accordance with the requirements in Article 10 of the Company's Bylaws. The same time limit applies if a shareholder wishes to vote by proxy.

Appointment and replacement of members of the Board of Directors

According to Article 14 of the Company's Bylaws, the Board of Directors shall consist of three to eight members elected by the Annual General Meeting. Shareholder-

elected Board members serve a one-year term and may be re-elected.

Amendment of Bylaws

A resolution to amend the Company's Bylaws is subject to adoption by a qualified majority or by unanimity as stated in Sections 78 and 79 of the Danish Companies Act. The Company's Bylaws contain no further requirements than those stated in the Danish Companies Act regarding bylaw amendments.

Authorizations to the Board of Directors

Until the Annual General Meeting 2009, the Board of Directors is authorized to allow the Company to acquire treasury shares at a nominal value of up to 10% of the common shares of the Company at a price that must not deviate by more than 10% from the price quoted on NASDAQ OMX Copenhagen. If the shares are not listed on NASDAQ OMX Copenhagen at the time of acquisition, the purchase price must not deviate by more than 10% from the market value of the shares at the time of acquisition.

Until March 28, 2009, the Board of Directors is authorized to increase the common shares by up to DKK 108,229,770, see Article 4a of the Bylaws.

Until April 25, 2011, the Board of Directors is authorized on one or more occasions to issue warrants to the managers of the Company and its subsidiaries as well as the Chairman and the Vice-Chairman of the Board of Directors to subscribe for shares in the Company at a nominal value of up to DKK 49,593,790. Furthermore, the Board of Directors is authorized to increase the common shares of the Company on one or more occasions by up to DKK 49,593,790 in the period until and including April 25, 2011. The capital increase(s) shall be implemented by cash payment when the warrants are exercised. The shareholders shall have no pre-emption right to shares issued through the exercise of warrants. See Article 5b of the Bylaws.

Finally, the Board of Directors is authorized to resolve to distribute interim dividend, provided that TDC's financial position warrants such distribution. The authorization has no time limit. See Article 5a of the Bylaws.

Headquarters

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CVR No. 1477 3908

Annual General Meeting

The Company's Annual General Meeting will be held in Copenhagen on March 19, 2009.

Dividend

The Board of Directors recommends that a dividend of DKK 9.00 per share be distributed for the fiscal year 2008. The amount is resolved by the Company at the Annual General Meeting

From and including March 20, 2009, shares are traded without dividends for 2008. Dividends from TDC will be paid on March 25, 2009, on the basis of the shareholdings registered on VP accounts at the end-of-day on March 24, 2009 (CET).

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 will depend on the double tax treaties entered into with the shareholders' countries.

Enquiries on dividends on the Company's shares should be made to the authorized issuing agent:

Danske Bank
Corporate Actions
Holmens Kanal 2-12
DK-1092 Copenhagen K
Denmark
Tel: +45 33 44 00 00

Enquiries regarding holdings of the Company's shares should be made to the Company's register of shareholders:

VP Investor Services A/S (VP Services A/S)

Helgeshøj Allé 61

P.O. Box 20

DK-2630 Taastrup

Denmark

Tel: +45 43 58 88 88

Glossary

2G refers to second-generation mobile networks, including GSM networks that can deliver 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.

Add-on service refers to any extra service that may be added to the basic offering.

ADM service or *Application Development and Maintenance service* refers to the development and maintenance of software applications.

ADSL refers to Asymmetric Digital Subscriber Line and is based on DSL technology.

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.

Avoidable cost refers to a method where the pricing of a specific service is only based on the traffic related costs that would be avoided if the service is no longer produced. The avoidable cost method differs from the prevalent LRAIC/LRIC principles by not including costs which are joint across more services and which do not increase in a response to an increase in the volume of the specific service.

Best Practice analysis refers to a pricing regulation method that implies that the interconnect price for SMP operators are set equal to the prices for comparable operators, either domestic or international. Until 2009, mobile termination prices for TDC, Sonofon and TeliaSonera was fixed on the basis of a best practice analysis. From 2009, only the mobile termination prices of Barablu are set according to a best practice analysis.

Broadband refers to data communication forms of a certain bandwidth that depending on the relevant context is perceived to be significantly high or 'wide' in terms of information-carrying capacity. The most common broadband technologies are cable modem, DSL, mobile broadband and optical fiber. TDC applies NITA's definition

in which broadband implies bandwidths higher than 144 kbps.

BSA or *Bitstream* 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.

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). Different telecommunications companies calculate churn in different manners.

Coax or *Coaxial cable* refers to a copper-based technology used for carrying signals at frequencies ranging from near-zero to the intermediate array. Coax is typically used for carrying cable TV, satellite, broadband internet or any other Audio/Visual heavy information.

COMCO refers to The Competition Commission; the state antitrust authority of Switzerland (in German, Wettbewerbskommission, WEKO). It decides and decrees on matters concerning concerted practices and abuse of dominant position or merger.

ComCom refers to The Federal Communications Commission (in German, Die Eidgenössische Kommunikationskommission); the independent regulatory authority for the Swiss telecommunications market.

Content service refers to a service, typically in terms of information or entertainment, broadcasted or provided on-line.

CPE refers to Customer Premises Equipment. Equipment that resides at the customer's premises. CPE includes the hardware required to handle telephony and data traffic. Products handling telephony traffic range from large PABXs for the largest business corporations, to single telephone apparatuses sold to small business customers. Products handling data traffic consist mainly of routers,

switches, DSL modems and other bridging equipment used to create LAN and WAN solutions.

Dial-up refers to an internet connection that uses 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. Three DOCSISs have been adopted as international standards: DOCSIS 1.1, DOCSIS 2.0 and DOCSIS 3.0.

DSL or *Digital Subscriber Line* refers to a technology enabling a local-loop copper pair to transport high-speed data between a exchange building and the customers' premises.

DSLAM or *Digital Subscriber Line Access Multiplexer* refers to a network device, usually at a telecommunications company's exchange building 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, ultimately allowing telephone lines to make faster connections to the Internet.

DTT refers to Digital Terrestrial Television, which is a digital signal broadcast to standard aerials that are utilized to replace the, in Denmark, soon-to-be-discontinued analog signal.

DWDM or *Dense Wavelength Division Multiplexing* refers to an optical technology used to increase bandwidth over existing fiber-optic backbone networks.

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 transmission of pictures, video postcards via e-mail and other airborne multimedia. The coding technology has also been named 2.5G implying the inherence of some 3G-like qualities although it utilizes (parts of) the existing GSM infrastructure.

Ethernet refers to a type of networking technology for LANs and is increasingly used in the IP-networks.

Frame-relay refers to a data communication service well suited for transmitting traffic between LANs or terminal points in a WAN. With frame-relay data is sent in packets of varying sizes, called frames and error corrections occur in the terminal points yielding a higher bit rate for the aggregate data transmission.

FTTH or *Fiber To The Home* refers to the fiber-optic technology linking residential customers directly to the fiber network.

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 or *High-Definition Television* refers to a digital television broadcasting system with a higher resolution than traditional television systems.

HFC or *Hybrid Fiber Coax* refers to a type of broadband network that combines optical fiber with coaxial cable hallmarked by higher data carrying capacities than the traditional DSL technology.

HSDPA or *High Speed Downlink Packet Access* or *Turbo 3G* refers to an enhancement of UMTS 3G technology that is expected to increase the available download speeds by a multiple of 5 or more.

HSUPA or *High Speed Uplink Packet Access* is expected to improve the performance of uplink-dedicated transport channels, i.e. to increase capacity and throughput while reducing delays. HSUPA employs link adaptation methods similar to those used by HSDPA.

Hub refers to a device that splits one network cable into a set of separate cables, each connecting to a different computer; used in a LAN to create a small-scale network by connecting several computers together.

IN or *Intelligent Network* refers to a service-independent telecommunications network.

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.

International roaming is a means of accessing a foreign operator's network that enables customers to automatically make and receive voice calls, send and receive data, or access other services, when traveling abroad. Operators in various countries will have to arrange mutual cross-border covenants to facilitate such roaming.

IP or *Internet Protocol* refers to a standard protocol 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 Network* 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 means of providing more channels of 64 kbps over the existing regular phone line, which can be used for either integrated voice and data or solely data transmission. An ISDN modem is necessary to connect to the network. The ISDN technology enables 2-30 channels at the same line.

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 (*Long Run Average Incremental Cost*) and *LRIC* (*Long Run Incremental Cost*) refer to the most-applied pricing

regulation methods used to fix operators' interconnect prices for SMP operators. With the LRAIC/LRIC method, prices are set equal to the costs of producing the regulated services in a modern and fully efficient telecommunication network at the same size as the SMP operator. In practice, there are only minor differences between the LRAIC method used in Denmark and the LRIC method used in for instance Sweden and Switzerland. Danish LRAIC prices for switched interconnection, ULL, co-location, bitstream access and mobile termination are calculated by models developed by NITA. The LRAIC models are updated annually.

Mbps refers to megabits per second.

MMS or *Multimedia Messaging Service* refers to a store-and-forward messaging service that allows mobile customers to exchange multimedia messages with other mobile customers. It can be seen as an evolution of SMS, with MMS supporting the transmission of additional media types: picture, audio, video and combinations of them.

Mobile termination refers to the delivery of traffic to a mobile operator for the purpose of terminating the relevant traffic to any end-user who is connected to the operator's network. The mobile termination service covers all type of calls to a mobile handset, including calls from landline network, calls from another mobile network or international calls.

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. The MPLS technology is used in the IP-Core.

MVNO or *Mobile Virtual Network Operators* refers to a mobile operator that does not own its own spectrum but to some extent has its own network infrastructure. MVNOs have business arrangements with traditional mobile operators to buy traffic and data for sale to their own customers.

NITA refers to the Danish National IT and Telecom Agency (in Danish, IT- og Telestyrelsen).

Non-ionizing radiation refers to any type of electromagnetic radiation that does not carry enough energy to completely remove an electron from an atom or molecule.

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.

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 either the population of households or the number of inhabitants 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.

Postpaid refers to subscriptions that are paid for at the beginning of the period, whereas the usage charge, which varies depending on the tariff plan selected by the subscriber, is paid at the end of the period.

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 lines carrying analog voice data – traditional landline telephony.

PVR or *Personal Video Recorder* refers to a device that records video in a digital format to a disk drive or other memory media within a device. The term includes stand-alone set-top boxes, portable media players and software for personal computers which enables video capture and playback to and from disk.

Quadruple play refers to the bundling of triple play (telephony, internet and TV services) with mobile 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.

SMP or *Significant Market Power* refers to a designation assigned to operators having a dominant market position in a specific submarket. As a rule of thumb in NITA's market analyses, shares greater than 50% automatically trigger an SMP designation while 25–50% will call for the fulfillment of additional criteria.

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 a category of businesses which is defined by, among others, being fewer than two employees and with limited revenue during the last year (< DKK 30,000).

Terrestrial Network refers to a ground-based telecommunications network.

Transfer-pricing refers to the determination of prices concerning the transfer of goods and services between intra-group entities.

Triple play refers to the bundling of telephony, internet and TV services through one access channel only.

Turbo 3G refers to the HSDPA technology.

TVoIP refers to television programs provided over the internet.

ULL or *Unbundled Local Loop* refers to raw copper lines to which competing carriers have been granted access by the incumbent operator, allowing such alternative carriers to offer data transmission capacity and/or telephony to the incumbent's subscriber base.

UMTS or *Universal Mobile Telecommunications Systems* refers to a 3G network designed to provide a wide range of voice, high-speed data and multimedia services.

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 LAN.

WAN or *Wide Area Network* refers to a long-distance data communications network and is a geographically dispersed collection of LANs. The internet, for instance, is a WAN, but a network between a company's divisions can also be WAN.

WAP or *Wireless Application Protocol* refers to an open international standard for application layer network communications in a wireless communication environment. Its main use is to enable access to the Internet from a mobile phone or PDA.

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