# Financial Statements January – June 2008

August 13, 2008

## Highlights

- Revenue declined by 1.3% to DKK 19,456m compared with 1H 2007 due to lower revenue from traditional landline telephony, divestment of International Voice Business, lower sales in TDC Shop, lower roaming prices as well as fewer landline and mobile wholesale customers. This was partly offset by more broadband and cable-TV customers as well as more mobile customers in Sunrise and Mobile Nordic. Further, a positive net impact was achieved from HTCC's acquisitions and the divestment of Bité. Adjusted for acquisitions and divestments of enterprises, revenue declined by 3.4%.
- EBITDA increased by 2.2% to DKK 6,294m compared with 1H 2007 due to the increased customer base in TV and broadband, lower wages, salaries and pension costs as well as lower operating expenses resulting from lower traffic in traditional landline telephony. Further, a positive net impact was achieved from HTCC's acquisitions and the divestment of Bité in addition to gains from the divestment of small business activities. This was partly counterbalanced by lower income from traditional landline telephony, the divestment of International Voice Business, sale and lease back of properties, higher customer acquisition and retention costs due to growth in customer intake as well as one-off expenses related to the sale of uncollectibles in Sunrise. The EBITDA margin improved from 31.2% to 32.3%. Adjusted for acquisitions and divestments of enterprises, EBITDA declined by 0.8%, reflecting a 2.1% increase in the Nordic business and a 13.2% decline in Sunrise.
- Operating income (EBIT), excluding special items, increased by 9.0% to DKK 3,438m.
- Net income declined to DKK 1,481m compared with DKK 2,881m in 1H 2007, due to the gain from the divestment of Bité in 1H 2007.
- Net income from continuing operations, excluding special items and fair value adjustments, rose by 14.6% to DKK 1,669m.
- Total cash flow declined to DKK (4,976)m compared with DKK (1,543)m in 1H 2007, due to the divestment of Bité in 1H 2007.
- Net interest-bearing debt was down by DKK 11,797m to DKK 42,021m.
- Pierre Danon was elected as a new member of TDC A/S' Board of Directors.
- HTCC reviews its strategic alternatives.

### Outlook for 2008

- Revenue is expected to be level with 2007, as the full-year effect of HTCC's acquisitions and growth in YouSee, is expected to offset declining revenue in the domestic landline business and Sunrise.
- Net income from continuing operations, excluding special items and fair value adjustments, is expected to increase by 10%-20%. More efficient operations and decreasing interest expenses will be partly offset by higher taxes from the full-year effect of the tax legislation amendments in 2007.

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# Key financial data

| DKKm | | 1H 2008 | 1H 2007 | Change in % |
|---|---|---|---|---|
| **Statements of Income** | | | | |
| Revenue | | 19,456 | 19,720 | (1.3) |
| Transmission costs and cost of goods sold | | (5,945) | (6,390) | 7.0 |
| Other external expenses | | (3,937) | (3,649) | (7.9) |
| Wages, salaries and pension costs | | (3,489) | (3,654) | 4.5 |
| Total operating expenses before depreciation, etc. | | (13,371) | (13,693) | 2.4 |
| Other income and expenses | | 209 | 130 | 60.8 |
| **Income before depreciation, amortization and special items (EBITDA)** | | **6,294** | **6,157** | **2.2** |
| Depreciation, amortization and impairment losses | | (2,856) | (3,002) | 4.9 |
| **Operating income (EBIT) excluding special items** | | **3,438** | **3,155** | **9.0** |
| Special items | | (616) | 941 | (165.5) |
| Income from joint ventures and associates | | 324 | 240 | 35.0 |
| Net financials | | (1,039) | (1,425) | 27.1 |
| **Income before income taxes** | | **2,107** | **2,911** | **(27.6)** |
| Income taxes | | (626) | (211) | (196.7) |
| **Net income from continuing operations** | | **1,481** | **2,700** | **(45.1)** |
| Net income from discontinued operations[1] | | 0 | 181 | - |
| **Net income** | | **1,481** | **2,881** | **(48.6)** |
| **Attributable to:** | | | | |
| Shareholders of the Parent Company | | 1,566 | 3,001 | (47.8) |
| Minority interests | | (85) | (120) | 29.2 |
| **Net income from continuing operations, excl. special items and fair value adjustments[2]** | | **1,669** | **1,457** | **14.6** |
| **Net interest-bearing debt** | | **42,021** | **53,818** | **(21.9)** |
| **Statements of Cash Flow** | | | | |
| Operating activities | | 3,240 | 4,374 | (25.9) |
| Investing activities | | (2,443) | 995 | - |
| Financing activities | | (5,773) | (6,912) | 16.5 |
| **Total cash flow** | | **(4,976)** | **(1,543)** | **-** |
| **Key financial ratios** | | | | |
| Earnings Per Share (EPS) | DKK | 7.9 | 15.1 | - |
| EPS, excl. special items, fair value adjustments and discontinued operations | DKK | 8.9 | 8.0 | - |
| Dividend payments per share | DKK | 3.6 | 3.5 | - |
| EBITDA margin (EBITDA divided by revenue) | % | 32.3 | 31.2 | - |
| Capex, excl. share acquisitions-to-revenue ratio | % | 12.1 | 11.4 | - |
| Cash Earnings Per Share (CEPS), excl. special items, fair value adjustments and discontinued operations[3] | DKK | 21.1 | 21.6 | - |
| Return on capital employed (ROCE)[4] | % | 8.3 | 7.2 | - |

1) Related primarily to Talkline.
2) Special items and fair value adjustments are present in several lines in the Statements of Income as shown in the detailed Statements of Income on page 20.
3) 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.
4) ROCE is defined as EBIT excluding special items plus interest and other financial income excluding fair value adjustments plus income from joint ventures and associates divided by average equity attributable to Company shareholders plus interest-bearing debt.

# TDC Group

## Summary

TDC's revenue declined by DKK 264m or 1.3% to DKK 19,456m in 1H 2008. Earnings before depreciation, amortization and special items (EBITDA) increased by 2.2% to DKK 6,294m. Net income from continuing operations excluding special items and fair value adjustments totaled DKK 1,669m, up by 14.6% due to a higher EBITDA, lower net financials as well as lower depreciation, amortization and impairment losses that were partly counteracted by higher income taxes.

In 2Q 2008, TDC's EBITDA increased by 8.0% to DKK 3,321m from DKK 3,075m in 2Q 2007, with particularly good progress achieved by the Nordic business units.

TDC's total customer base amounted to 11.6m customers in 1H 2008, up by 4.3% compared with 1H 2007. This development was due chiefly to HTCC's acquisitions as well as 7.6% more mobile customers in Sunrise, 7.7% more domestic mobile retail customers and 5.5% more domestic broadband customers.

Following the divestment, Talkline is treated as a discontinued operation in the release and comparative figures have been adjusted accordingly.

## Revenue

In 1H 2008, TDC's revenue declined by DKK 264m or 1.3% to DKK 19,456m. This reflects mainly declining domestic revenue from traditional landline telephony in Fixnet Nordic and Business Nordic attributed to the migration toward mobile telephony and, to some extent, VoIP products. Further, the divestment of International Voice Business impacted revenue negatively in 1H 2008. Sunrise was adversely impacted by less revenue from the postpaid segment due to retail price reductions and reduced mobile termination prices. Mobile Nordic's declining revenue reflected lower terminal sales, lower sales of PCs etc. in TDC Shop, lower roaming, lower service provider revenue caused by fewer wholesale customers as well as reduced mobile termination prices that were partly compensated for by increased volumes.

The divestment of Bité also negatively impacted revenue, though this was more than offset by a positive effect from HTCC's acquisitions. YouSee contributed positively to growth due chiefly to the larger customer base. In general, revenue was positively impacted by higher revenue from internet and network services attributable mainly to the increase in broadband and cable-modem subscriber bases.

Adjusted for acquired and divested enterprises, TDC's revenue decreased by 3.4%[1].

## Total operating expenses

Total operating expenses dropped by DKK 322m or 2.4% to DKK 13,371m in 1H 2008.

Transmission costs and cost of goods sold fell by DKK 445m or 7.0% to DKK 5,945m due largely to the divestment of International Voice Business, less domestic landline traffic, the divestment of Bité, reduction in mobile termination fees in Denmark and Switzerland and reduced sales of mobile and data products. This was partly offset by HTCC's acquisitions and 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.

Other external expenses increased by 7.9% to DKK 3,937m reflecting HTCC's acquisitions, higher lease payments due to the sale and leaseback of Danish properties in 2007, as well as customer acquisition and retention costs and one-off expenses related to the sale of uncollectibles in Sunrise. This was partly counteracted by lower consultancy fees and the divestment of Bité. In total, Other external expenses decreased in the Nordic business units.

Wages, salaries and pension costs dropped by 4.5% to DKK 3,489m reflecting primarily lower wages and salaries due to fewer employees. The divestment of Bité and the outsourcing of IT services, which also contributed positively, were partly counteracted by HTCC's acquisitions.

The number of full-time employee equivalents totaled 16,582, which was 1,764 or 9.6% less than in 1H 2007. The domestic workforce fell from 12,927 in 1H 2007 to 11,610 in 1H 2008, down by 10.2%, of which outsourcing of tasks contributed 2.7%.

Adjusted for acquired and divested enterprises, total operating expenses dropped by 3.9%.

[1] Developments from 1H 2007 to 1H 2008 were impacted by HTCC's acquisition of Invitel (April 2007) and Memorex (March 2008) as well as the divestment of Bité (February 2007). In the remainder of this report, 'adjusted for acquired and divested enterprises' refers to reported figures for the TDC Group adjusted for these acquisitions and divestments.

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

TDC's EBITDA increased by DKK 137m or 2.2% to DKK 6,294m in 1H 2008. This reflected primarily higher EBITDA in Fixnet Nordic due to lower transmission costs and cost of goods sold, as well as lower wages due mainly to fewer full-time employee equivalents. YouSee's higher activity level also contributed. In addition, gains from the divestments of small business activities[2] impacted positively. Finally, HTCC's acquisitions more than offset the divestment of Bité. This was partly offset by lower EBITDA in Sunrise related to reduced mobile termination charges as well as lower prices for postpaid customers and higher retention costs.

The EBITDA margin improved from 31.2% in 1H 2007 to 32.3% in 1H 2008.

Adjusted for acquired and divested enterprises, EBITDA fell 0.8% compared with 1H 2007, reflecting a 2.1% increase in the Nordic business units and a 13.2% decline in Sunrise.

In 2Q 2008, TDC's EBITDA increased by 8.0% to DKK 3,321m from DKK 3,075m in 2Q 2007. EBITDA increased by 11.0% in Business Nordic, 9.4% in Fixnet Nordic, 7.4% in Mobile Nordic, 19.0% in YouSee, partly offset by a 3.0% decrease in Sunrise.

## Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses fell by DKK 146m or 4.9% to DKK 2,856m in 1H 2008. The reduction reflected mainly the lower depreciation level due to lower investments in wireline networks. This was partly offset by higher capital expenditures related to HTCC's acquisitions.

## Special items

In 1H 2008, special items before and after tax amounted to expenses of DKK 616m and DKK 482m, respectively. Special items comprised primarily restructuring costs and an impairment loss related to Sunrise Business Communications.

In 1H 2007, special items amounted to an income of DKK 941m before tax and DKK 1,000m after tax. This stemmed chiefly from the divestment of Bité as of February 9, 2007, which was partly offset by restructuring costs.

[2] 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.

## Income from associates and joint ventures

Income after income taxes from associates and joint ventures totaled DKK 324m in 1H 2008 compared with DKK 240m in 1H 2007, up by DKK 84m, due chiefly to the increased postpaid customer intake in Polkomtel.

## Net financials

Net financials, including fair value adjustments, totaled an expense of DKK 1,039m in 1H 2008, down by DKK 386m compared with 1H 2007. Financial expenses, net, excluding fair value adjustments, amounted to DKK 1,415m in 1H 2008, which was DKK 316m lower than in 1H 2007.

This development reflects lower interest expenses due primarily to long-term debt redemptions. This was partly offset by interest expenses related to HTCC's acquisitions and the development of foreign currency adjustments, which was influenced positively by DKK 103m in 1H 2007 and negatively by DKK 140m in 1H 2008.

Fair value adjustments totaled an income of DKK 376m compared with an income of DKK 306m in 2007, reflecting value adjustment of derivative financial instruments in both years.

## Income taxes

Income taxes amounted to DKK 626m in 1H 2008, which was DKK 415m higher than in 1H 2007. Income taxes related to net income, excluding special items and fair value adjustments, totaled DKK 678m in 1H 2008, up by DKK 471m on 1H 2007.

The effective tax rate, excluding special items and fair value adjustments was 28.9% in 1H 2008 compared with 12.4% in 1H 2007. The increase reflects primarily the non-recurrent positive impact on deferred taxes in 1H 2007 resulting from the reduction of the Danish corporate tax rate.

## Net income from discontinued operations

Net income from discontinued operations amounted to DKK 0m compared with DKK 181m in 1H 2007. This development reflected the divestment of Talkline in 2007.

## Net income

Net income, including special items and fair value adjustments, totaled DKK 1,481m compared with DKK 2,881m in 1H 2007. The decrease related mainly to the gain from the divestment of Bité in 1H 2007.

Net income from continuing operations, excluding special items and fair value adjustments, rose by DKK 212m or 14.6% to DKK 1,669m. This increase related primarily to higher EBITDA, lower depreciation, amortization and impairment losses, and lower net financials, which were partly offset by increased income taxes.

## Statements of Cash Flow

In 1H 2008, cash flow from operating activities amounted to DKK 3,240m, down by 25.9% compared with 1H 2007. This development was due to currency translation adjustments from hedging activities, which was partly counterbalanced by lower net interest paid.

Cash flow from investing activities was DKK (2,443)m compared with DKK 995m in 1H 2007. This decline reflects primarily the divestment of Bité in 1H 2007. Higher capital expenditures and lower dividends received from joint ventures and associates also had a negative impact on cash flow.

Cash flow from financing activities amounted to DKK (5,773)m in 1H 2008, an improvement of DKK 1,139m compared with 1H 2007. This was due largely to lower repayments of Senior Loans, partly counterbalanced by lower proceeds from long-term loans in HTCC.

## Equity

Equity aggregated DKK 11,577m at June 30, 2008 up from DKK 10,427m at year-end 2007. Net income of DKK 1,481m and currency translation adjustments of DKK 382m were partly counterbalanced by dividend payments of DKK 713m.

## Net interest-bearing debt

Net interest-bearing debt totaled DKK 42,021m at the end of 1H 2008, down by DKK 11,797m compared with 1H 2007. The decrease in net interest-bearing debt was due mainly to the cash flow from operating activities and proceeds from the divestment of Talkline and One received in 2007 as well as the sale and leaseback of properties. Debt of DKK 0.9bn related to HTCC's acquisitions negatively influenced the development in net interest-bearing debt compared with 1H 2007.

Compared with year-end 2007, net interest-bearing debt increased by DKK 621m, due primarily to the payment of dividends in March 2008.

### Net interest-bearing debt[1]

| DKKm | 1H 2008 | 1H 2007 |
|---|---|---|
| Senior Loans | 29,951 | 40,132 |
| Euro Medium Term Notes (EMTN) | 9,152 | 9,508 |
| Other loans | 6,312 | 6,062 |
| **Loans** | **45,415** | **55,702** |
| Interest-bearing payables | 0 | 5 |
| **Gross interest-bearing debt** | **45,415** | **55,707** |
| Interest-bearing receivables | (149) | (75) |
| Cash and cash equivalents | (3,245) | (1,814) |
| **Net interest-bearing debt** | **42,021** | **53,818** |

[1]Net book value measured at amortized cost so that the difference between the proceeds received and the nominal vlaue is recognized in the Statements of Income over the term of the loan.

The Senior Facilities Agreement (Senior Loans) is TDC's main debt-financing instrument, representing 65.9% of total loans (in terms of net carrying value) at the end of 1H 2008. Apart from a revolving credit facility, the Senior Loans comprise three term loans, one repayable in installments until 2011 (Facility A) and the other two repayable as a bullet in 2014 and 2015, respectively (Facilities B and C).

TDC bought back Senior Loans of DKK 3,628m (EUR 487m) in the second half of 2007, of which DKK 1,423m (EUR 191m) was settled in the fourth quarter of 2007 and DKK 1,475m (EUR 198m) and DKK 440m (EUR 59m) were settled during 1Q 2008 and 2Q 2008, respectively. The remaining buy-backs in 2007, DKK 290m (EUR 39m), were settled in the period July 1 to August 12, 2008.

During 1H 2008, TDC bought back additional Senior Loans of DKK 2,714m (EUR 364m), of which DKK 2,339m (EUR 314m) was settled in the 2Q 2008. The remaining buy-backs in 1H 2008, DKK 375m (EUR 50m), of which nothing was settled in the period July 1 to August 12, 2008, are expected to be settled in 3Q 2008.

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.

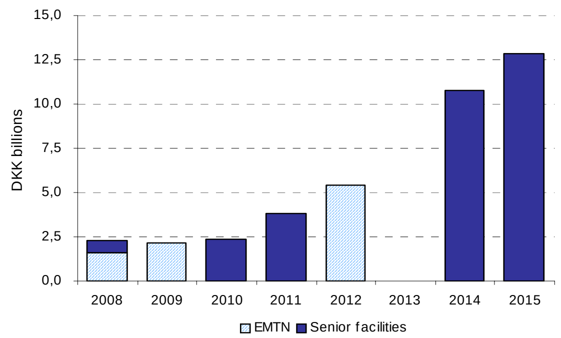
Adjusted for the remaining settlements, the following amounts were outstanding in relation to the Senior Loans: Facility A: DKK 6,168m (EUR 827m), Facility B: DKK 10,742m (EUR 1,440m) and Facility C: DKK 12,848m (EUR 1,723m). In total: DKK 29,758m (EUR 3,990m).

**Senior Loans**

| EURm | 1H 2008 |
|---|---|
| Outstanding amounts 2Q 2008 | 4,079 |
| Settled amounts in 3Q 2008 - from buy backs in 2007 | (39) |
| **Outstanding amounts, adjusted for settlements from July 1 - August 12, 2008** | **4,040** |
| Amounts to be settled in 3Q 2008 - from buy backs in 2008 | (50) |
| **Outstanding amounts, adjusted for remaining settlements** | **3,990** |

In addition to the buy-back of Senior Loans, TDC bought back EMTN notes due in February 2009 totaling DKK 386m (EUR 52m) during the second quarter of 2008. Further, EMTN debt of DKK 1.6bn (EUR 212m) was repaid with available cash at maturity in the beginning of July 2008.

**Maturity profile of nominal debt[1]**




[1] Nominal value of Senior Facilities including buy backs of DKK 375 mio. (EUR 50 mio.) to be settled in 3Q 2008 and EMTN (excl. HTCC) as of June 30, 2008.

## Capital expenditures

Capital expenditures, excluding share acquisitions, totaled DKK 2,361m in 1H 2008, up by DKK 120m compared with 1H 2007. This increase stemmed mainly from HTCC's acquisitions and was partly offset by decreased investments in the domestic mobile network as well as fewer xDSL installations at a lower unit price and less spent on fiber in the domestic land-line network. The capex-to-revenue ratio was 12.1% in 1H 2008 compared with 11.4% in 1H 2007.

## Capital and purchase commitments

Commitments related to outsourcing agreements amounted to DKK 0.8bn at December 31, 2007. During 1H 2008 TDC have entered into additional outsourcing agreements relating to the operation and maintenance of the domestic mobile Network and Sunrise's network as well as IT Services, whereby commitments related to outsourcing agreements increased by approximately DKK 1.9bn.

## Number of customers

TDC's total customer base amounted to 11.6m customers in 1H 2008, up by 4.3% on 1H 2007, which was attributable primarily to HTCC's acquisitions and more postpaid mobile customers in Sunrise. This was partly counterbalanced by a fewer retail landline telephony customers, wholesale landline and wholesale mobile customers as well as dial-up internet customers.

The domestic customer base edged down by 0.9% to 7.8m, largely as a result of fewer landline telephony, mobile wholesale and dial-up internet customers. This was partly offset by growth in the mobile retail and broadband customer bases as well as more TV customers. The domestic mobile customer base rose by 3.2% to 3.0m, and the number of broadband customers in TDC's domestic operations grew by 5.5% or 68,000 to 1,315,000 customers.

## Accounting policies

The financial statements for 1H 2008 have been prepared in accordance with IAS 34 and additional Danish disclosure requirements for interim financial statements of listed companies.

The accounting policies are unchanged from the Annual Report 2007.

With effect from January 1, 2008, the principles for allocating revenues and expenses to the respective segments (business lines) were changed. Comparative figures for previous periods have been restated accordingly.

Business Nordic bases its services mainly on infrastructure that is administered by Fixnet Nordic and Mobile Nordic, respectively. Operating expenses used in Fixnet Nordic and Mobile Nordic to produce Business Nordic's services are allocated to Business Nordic based on measurable expense drivers, e.g. number of minutes of use. Interconnect services between networks are accounted for as intra-segment revenue, billed at regulated prices.

Services from Other activities to other segments, i.e. IT Nordic'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 expense drivers. Costs related to Headquarters' staff functions, i.e. HR, legal, finance, etc., are not allocated to other segments.

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

## Outlook for 2008

The Outlook for 2008 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 Safe Harbor Statement.

TDC expects revenue in 2008 to be level with revenue in 2007, as the full-year effect of HTTC's acquisitions and growth in YouSee will offset the decrease in the domestic landline business and Sunrise.

Net income from continuing operations excluding special items and fair value adjustments, is expected to increase by 10%-20%, as increasing earnings from more efficient operations and decreasing interest expenses due to debt repayments in 2007 will be partly offset by higher tax expenses from the full-year impact of the tax legislation amendments in 2007.

# Major events

## Annual General Meeting 2008

TDC's Annual General Meeting 2008 was held on March 13, 2008. As announced previously, Henning Dyremose resigned as a member of the Board of Directors. The other 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. See below regarding election of a new member of the Board of Directors at an Extraordinary General Meeting in the Company.

## New member of TDC A/S' Board of Directors

At an Extraordinary General Meeting in TDC A/S on May 16, 2008, Pierre Danon was elected as a new member of TDC A/S' Board of Directors. The Board of Directors was not otherwise changed.

Pierre Danon, 51 years old, is Chief Executive Officer of Numericable and Completel. He is Chairman of the Board of Directors of Eircom and has previously been senior advisor at JPMorgan, Chief Operating Officer of the Capgemini Group; Chief Executive Officer of BT Retail and President of Xerox Europe. Pierre Danon holds a degree in civil engineering from Ecole Nationale des Ponts et Chaussées and a law degree from Faculté de Droit Paris II Assas. He also holds an MBA from HEC School of Management, Paris.

After the Extraordinary General Meeting, the Board of Directors constituted itself with Vagn Sørensen as Chairman and Pierre Danon as Vice Chairman of the Board of Directors.

Pierre Danon has joined the Compensation Committee set up by the Board of Directors, which committee also has Vagn Sørensen (Chairman), Kurt Björklund and Gustavo Schwed as members.

The Board of Directors' Audit Committee consists of Lawrence Guffey (Chairman), Vagn Sørensen and Richard Wilson.

## Sunrise Communications AG outsources business areas involving 520 employees

TDC A/S' wholly owned subsidiary Sunrise Communications AG has entered into agreements with Alcatel-Lucent and Aurelius, respectively, which entails outsourcing and transfer of jointly 520 out of the Swiss Group's total of 2,100 employees.

*Agreement with Alcatel-Lucent*

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

The agreement is for a term of 7 years and the total value of the transaction is approximately CHF 550m, depending on the actual build out of the Sunrise network in the contractual period.

*Agreement with Aurelius*

The agreement with Aurelius Information Technology Holding GmbH is for all the shares in Sunrise Communication AG's wholly owned subsidiary Sunrise Business Communications AG, which deals with planning, installation and integration of internal equipment and data networks for business customers. All of the company's 230 employees are included in the transaction, which had effect from July 1, 2008.

The divestment is part of the ongoing streamlining of the business of Sunrise.

## Hungarian Telephone and Cable Corp. reviews its strategic alternatives

TDC A/S' 64.6% controlled subsidiary Hungarian Telephone and Cable Corp. (HTCC) has retained the investment banking firm of BNP Paribas Corporate Finance to assist it in evaluating strategic alternatives for the company.

# Segment reporting

## Segment reporting 1H

| DKKm | Business Nordic | | Fixnet Nordic | | Mobile Nordic | | YouSee | |
|---|---|---|---|---|---|---|---|---|
| | 1H 2008 | 1H 2007 | 1H 2008 | 1H 2007 | 1H 2008 | 1H 2007 | 1H 2008 | 1H 2007 |
| External revenue | 6,015 | 6,166 | 3,964 | 4,364 | 2,278 | 2,427 | 1,575 | 1,384 |
| Intra-segment revenue | 114 | 115 | 338 | 415 | 368 | 446 | 18 | 10 |
| Revenue | 6,129 | 6,281 | 4,302 | 4,779 | 2,646 | 2,873 | 1,593 | 1,394 |
| Total operating expenses before depreciation etc. | (4,258) | (4,427) | (2,329) | (2,867) | (1,985) | (2,199) | (1,136) | (1,007) |
| Other income and expenses | 57 | 34 | 100 | 65 | 2 | 6 | (1) | 0 |
| **EBITDA** | **1,928** | **1,888** | **2,073** | **1,977** | **663** | **680** | **456** | **387** |

| DKKm | Sunrise | | Other activities[1] | | Total | |
|---|---|---|---|---|---|---|
| | 1H 2008 | 1H 2007 | 1H 2008 | 1H 2007 | 1H 2008 | 1H 2007 |
| External revenue | 4,227 | 4,391 | 1,397 | 988 | 19,456 | 19,720 |
| Intra-segment revenue | 7 | 8 | 73 | 145 | 918 | 1,139 |
| Revenue | 4,234 | 4,399 | 1,470 | 1,133 | 20,374 | 20,859 |
| Total operating expenses before depreciation etc. | (3,247) | (3,261) | (1,331) | (1,055) | (14,286) | (14,816) |
| Other income and expenses | 1 | 0 | 50 | 25 | 209 | 130 |
| **EBITDA** | **988** | **1,138** | **189** | **103** | **6,297** | **6,173** |

1) Includes International Holdings, IT Nordic and Headquarters.

| Reconciliation of revenue, DKKm | 1H 2008 | 1H 2007 |
|---|---|---|
| Reportable segments | 20,374 | 20,859 |
| Elimination of intra-segment items | (918) | (1,139) |
| **Consolidated amounts** | **19,456** | **19,720** |

| Reconciliation of Income before depreciation, amortization and special items (EBITDA), DKKm | 1H 2008 | 1H 2007 |
|---|---|---|
| EBITDA from reportable segments | 6,297 | 6,173 |
| Elimination of intra-segment EBITDA | (3) | (16) |
| Unallocated: | | |
| Depreciation, amortization and impairment losses | (2,856) | (3,002) |
| Special items | (616) | 941 |
| Income from joint ventures and associates | 324 | 240 |
| Net financials | (1,039) | (1,425) |
| **Consolidated Income before income taxes** | **2,107** | **2,911** |

## Segment reporting 2Q

| DKKm | Business Nordic | | Fixnet Nordic | | Mobile Nordic | | YouSee | |
|---|---|---|---|---|---|---|---|---|
| | 2Q 2008 | 2Q 2007 | 2Q 2008 | 2Q 2007 | 2Q 2008 | 2Q 2007 | 2Q 2008 | 2Q 2007 |
| External revenue | 3,038 | 3,107 | 1,910 | 2,157 | 1,160 | 1,275 | 797 | 703 |
| Intra-segment revenue | 45 | 54 | 152 | 225 | 181 | 222 | 10 | 5 |
| Revenue | 3,083 | 3,161 | 2,062 | 2,382 | 1,341 | 1,497 | 807 | 708 |
| Total operating expenses before depreciation etc. | (2,128) | (2,274) | (1,089) | (1,449) | (995) | (1,179) | (562) | (503) |
| Other income and expenses | 57 | 25 | 79 | 29 | 2 | 6 | (1) | 0 |
| **EBITDA** | **1,012** | **912** | **1,052** | **962** | **348** | **324** | **244** | **205** |

| DKKm | Sunrise | | Other activities[1] | | Total | |
|---|---|---|---|---|---|---|
| | 2Q 2008 | 2Q 2007 | 2Q 2008 | 2Q 2007 | 2Q 2008 | 2Q 2007 |
| External revenue | 2,166 | 2,228 | 780 | 582 | 9,851 | 10,052 |
| Intra-segment revenue | 3 | 3 | 33 | 99 | 424 | 608 |
| Revenue | 2,169 | 2,231 | 813 | 681 | 10,275 | 10,660 |
| Total operating expenses before depreciation etc. | (1,611) | (1,655) | (714) | (587) | (7,099) | (7,647) |
| Other income and expenses | 1 | 0 | 6 | 11 | 144 | 71 |
| **EBITDA** | **559** | **576** | **105** | **105** | **3,320** | **3,084** |

1) Includes International Holdings, IT Nordic and Headquarters.

| **Reconciliation of revenue, DKKm** | **2Q 2008** | **2Q 2007** |
|---|---|---|
| Reportable segments | 10,275 | 10,660 |
| Elimination of intra-segment items | (424) | (608) |
| **Consolidated amounts** | **9,851** | **10,052** |

| **Reconciliation of Income before depreciation, amortization and special items (EBITDA), DKKm** | **2Q 2008** | **2Q 2007** |
|---|---|---|
| EBITDA from reportable segments | 3,320 | 3,084 |
| Elimination of intra-segment EBITDA | 1 | (9) |
| Unallocated: | | |
| Depreciation, amortization and impairment losses | (1,430) | (1,507) |
| Special items | (543) | (245) |
| Income from joint ventures and associates | 180 | 139 |
| Net financials | (311) | (817) |
| **Consolidated Income before income taxes** | **1,217** | **645** |

# Business Nordic

Business Nordic offers a wide range of telecommunications solutions in Denmark and the other Nordic countries and includes TDC Nordic, NetDesign and TDC Hosting. Business Nordic provides internet and network services, including leased lines and fiber access, landline telephony, mobile services and sale of terminals and installation.

| DKKm | 1H 2008 | 1H 2007 | Change in % |
|---|---|---|---|
| **Revenue** | **6,129** | **6,281** | **(2.4)** |
| Internet and network | 2,041 | 2,020 | 1.0 |
| Landline telephony | 1,430 | 1,579 | (9.4) |
| Mobile telephony | 1,204 | 1,164 | 3.4 |
| Terminal equipment etc. | 1,343 | 1,372 | (2.1) |
| Other[1] | 111 | 146 | (24.0) |
| Transmission costs and cost of goods sold | (2,638) | (2,693) | 2.0 |
| Other external expenses | (593) | (708) | 16.2 |
| Wages, salaries and pension costs | (1,027) | (1,026) | (0.1) |
| Operating expenses | (4,258) | (4,427) | 3.8 |
| Other income and expenses | 57 | 34 | 67.6 |
| **EBITDA** | **1,928** | **1,888** | **2.1** |

1) Includes operator services etc.

## Revenue

Business Nordic's revenue decreased by DKK 152m or 2.4% to DKK 6,129m in 1H 2008. This was driven mainly by lower revenue from traditional landline telephony related to fewer customers and therefore less traffic, combined with lower minutes of use.

## Operating expenses

Operating expenses fell to DKK 4,258m in 1H 2008, which was DKK 169m or 3.8% lower than in 1H 2007. This development reflected primarily lower transmission costs and cost of goods sold and other external expenses as a result of ongoing streamlining of the business focusing on higher margin products. Wages, salaries and pension costs edged up by DKK 1m or 0.1% to DKK 1,027m.

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

In 1H 2008, EBITDA rose by DKK 40m or 2.1% to DKK 1,928m , reflecting largely lower operating expenses, which more than offset lower revenue from traditional landline telephony. Gains from the divestment of Business Phone and Uppsala Stadsnät also contributed to the increase.

# Fixnet Nordic

Fixnet Nordic offers landline services to residential customers and wholesale customers in Denmark, covering provides landline telephony, internet and network services, including broadband solutions and leased lines, convergence products, triple-play solutions, security services, hosting, sale of terminals and installation. Traditional landline telephony remains the largest business area, but the customer base is decreasing as many customers are switching mainly to mobile but also to VoIP.

| DKKm | 1H 2008 | 1H 2007 | Change in % |
|---|---|---|---|
| **Revenue** | **4,302** | **4,779** | **(10.0)** |
| Landline telephony | 2,323 | 2,760 | (15.8) |
| Internet and network | 1,257 | 1,257 | 0.0 |
| Mobile telephony | 283 | 302 | (6.3) |
| Operator services | 159 | 163 | (2.5) |
| Other[1] | 280 | 297 | (5.7) |
| Transmission costs and cost of goods sold | (784) | (1,077) | 27.2 |
| Other external expenses | (1,074) | (1,134) | 5.3 |
| Wages, salaries and pension costs | (885) | (1,040) | 14.9 |
| | (2,743) | (3,251) | 15.6 |
| Operating expenses allocated to other business lines | 414 | 384 | 7.8 |
| Operating expenses | (2,329) | (2,867) | 18.8 |
| Other income and expenses | 100 | 65 | 53.8 |
| **EBITDA** | **2,073** | **1,977** | **4.9** |

1) Includes terminal equipment etc.

## Revenue

In 1H 2008, Fixnet Nordic's revenue decreased by DKK 477m or 10% to DKK 4,302m due mainly to decreasing landline telephony revenue caused by a decreasing customer base, fewer minutes of use and the divestment of the International Voice Business. Revenue from internet and network services was unchanged with a decrease in revenue from leased lines counterbalanced by higher revenue from growth in xDSL subscribers.

## Operating expenses

Operating expenses fell to DKK 2,329m in 1H 2008, down by 18.8% compared with 1H 2007.

Transmission costs and cost of goods sold amounted to DKK 784m in 1H 2008, down DKK 293m or 27.2% compared with 1H 2007. The decrease was due primarily to the divestment of International Voice Business and was due partly to lower wholesale and retail landline traffic.

Other external expenses decreased by DKK 60m or 5.3% to DKK 1,074m in 1H 2008. This development reflected lower costs to contractors due to fewer incidents of cable damage, lower consultancy fees and lower costs related to temporary employees. This was partly counterbalanced by higher rent due to the sale and lease back of properties in 2007.

Wages, salaries and pension costs dropped by DKK 155m or 14.9% to DKK 885m in 1H 2008. This development was driven primarily by a reduction of 815 full-time employee equivalents achieved by redundancy programs and outsourcing of the mobile network to Ericsson.

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

In 1H 2008, EBITDA rose by DKK 96m or 4.9% to DKK 2,073m. This performance reflected mainly lower wages, salaries and pension costs due to redundancy programs as well as lower transmission costs and cost of goods sold. Gain from the divestment of International Voice Business also contributed to an increase. This was partly counterbalanced by a decline in the traditional landline telephony business, due to the migration to mobile and, to some extent, VoIP.

# Mobile Nordic

Mobile Nordic is the leading provider of mobile telecommunications services in Denmark and also includes the TDC Shop chain and Telmore. The customer focus is on postpaid and prepaid voice services, mobile broadband access, content and handsets for the residential market. In the SoHo segment, the focus is also on business applications. Telmore sells prepaid mobile products, ADSL products and services online via a self-service website. Telmore is the market leader in Denmark in the online mobile self-service segment.

| DKKm | 1H 2008 | 1H 2007 | Change in % |
|---|---|---|---|
| **Revenue** | **2,646** | **2,873** | **(7.9)** |
| Transmission costs and cost of goods sold | (1,050) | (1,233) | 14.8 |
| Other external expenses | (828) | (825) | (0.4) |
| Wages, salaries and pension costs | (241) | (264) | 8.7 |
| | (2,119) | (2,322) | 8.7 |
| Operating expenses allocated to other business lines | 134 | 123 | 8.9 |
| Operating expenses | (1,985) | (2,199) | 9.7 |
| Other income and expenses | 2 | 6 | (66.7) |
| **EBITDA** | **663** | **680** | **(2.5)** |

## Revenue

Mobile Nordic's revenue decreased by DKK 227m or 7.9% to DKK 2,646m in 1H 2008 due to lower handset sales, lower sales of PCs, etc. in TDC Shop. Decreased revenue from service providers caused by fewer wholesale customers and reduced mobile termination prices was partly compensated for by larger volumes. Lower revenue from the prepaid segment was due to the smaller customer base and also lower roaming revenue was due to the EU roaming regulation resulting in lower prices. This was partly counteracted by higher postpaid revenue from more customers and higher subscription fees and higher revenue from more Telmore customers.

## Operating expenses

Operating expenses totaled DKK 1,985m in 1H 2008, down by DKK 214m or 9.7% compared with 1H 2007.

Transmission costs and cost of goods sold fell by 14.8% or DKK 183m to DKK 1,050m in 1H 2008. This was due to reduced handset sales and sales of PCs etc. in TDC Shop as well as reduced mobile termination prices partly counterbalanced by increased volumes.

Other external expenses amounted to DKK 828m in 1H 2008, up by DKK 3m or 0.4%, compared with 1H 2007. This stemmed from higher consultancy fees, rent and leases in connection with outsourcing of the mobile network and from higher marketing costs. This was partly counteracted by lower customer acquisition costs and the closure of Telmore Norway in 2007.

Wages, salaries and pension costs dropped by DKK 23m or 8.7% to DKK 241m in 1H 2008 as a result of fewer full-time employee equivalents achieved mainly by outsourcing the mobile network.

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

In 1H 2008, Mobile Nordic's EBITDA declined by DKK 17m or 2.5% to DKK 663m, which reflected primarily lower roaming traffic, fewer wholesale customers and higher consultancy fees. This was partly offset by a larger postpaid subscriber base, reduced customer acquisition costs and more Telmore customers.

# YouSee

YouSee is the largest TV distributor in Denmark and provides TV signals for approximately 43% of all Danish households. YouSee offers cable TV, broadband services and telephony.

| DKKm | 1H 2008 | 1H 2007 | Change in % |
|---|---|---|---|
| **Revenue** | **1,593** | **1,394** | **14.3** |
| Transmission costs and cost of goods sold | (685) | (596) | (14.9) |
| Other external expenses | (217) | (193) | (12.4) |
| Wages, salaries and pension costs | (234) | (218) | (7.3) |
| Operating expenses | (1,136) | (1,007) | (12.8) |
| Other income and expenses | (1) | 0 | - |
| **EBITDA** | **456** | **387** | **17.8** |

### Revenue

YouSee's revenue rose by DKK 199m or 14.3% to DKK 1,593m in 1H 2008. This increase was driven mainly by higher analogue-TV revenue from a larger customer base and higher ARPU from the wider range of channels included in the packages, and higher prices. A positive impact also resulted from the larger digital TV and broadband customer base.

### Operating expenses

Operating expenses increased by DKK 129m or 12.8% to DKK 1,136m in 1H 2008.

Transmission costs and cost of goods sold totaled DKK 685m in 1H 2008, up by DKK 89m or 14.9% compared with 1H 2007. This rise stemmed from increased program expenses resulting from more customers and the wider range of channels included in the packages.

Other external expenses rose by DKK 24m or 12.4% to DKK 217m in 1H 2008, and related primarily to increased costs for customers service and marketing.

Wages, salaries and pension costs rose by DKK 16m or 7.3% to DKK 234m, due largely to an increase in full-time employee equivalents.

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

YouSee's EBITDA rose by DKK 69m or 17.8% to DKK 456m in 1H 2008. This increase in EBITDA related to TV and broadband due mainly to an increased customer base and higher ARPU.

# Sunrise

Sunrise offers mobile telephony, landline telephony and internet services.

| DKKm | 1H 2008 | 1H 2007 | Change in % |
|---|---|---|---|
| **Revenue** | **4,234** | **4,399** | **(3.8)** |
| Transmission costs and cost of goods sold | (1,495) | (1,665) | 10.2 |
| Other external expenses | (1,191) | (995) | (19.7) |
| Wages, salaries and pension costs | (561) | (601) | 6.7 |
| Operating expenses | (3,247) | (3,261) | 0.4 |
| Other income and expenses | 1 | 0 | - |
| **EBITDA** | **988** | **1,138** | **(13.2)** |

## Revenue

In 1H 2008, Sunrise's revenue declined by DKK 165m or 3.8% to DKK 4,234m. This decrease was mainly a consequence of less revenue from the postpaid segment related to retail price reductions, lower revenue in Sunrise Business Communications, lower sale of handsets and reduced mobile termination prices. This was partly counterbalanced by increased landline wholesale revenue and increased revenue from a larger prepaid and postpaid mobile customer base.

## Operating expenses

Operating expenses dropped by DKK 14m or 0.4% to DKK 3,247m in 1H 2008.

Transmission costs and cost of goods sold amounted to DKK 1,495m in 1H 2008, down by DKK 170m or 10.2% compared with 1H 2007. This can be attributed mainly to an adjustment due to reduced prices for termination of mobile calls for 2006 and 2007, lower activity in Sunrise Business Communications and lower sale of handsets. This was partly countered by higher transmission costs due to increased wholesale revenue.

Other external expenses amounted to DKK 1,191m in 1H 2008, up by DKK 196m or 19.7% compared with 1H 2007, due to higher customer acquisition costs driven by customer intake, customer retention costs, outsourcing of call centers as well as one-off expenses due to the sale of uncollectibles.

Wages, salaries and pension costs fell by DKK 40m or 6.7% to DKK 561m in 1H 2008, due mainly to a reduction of full-time employee equivalents.

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

EBITDA decreased by DKK 150m or 13.2% to DKK 988m in 1H 2008 reflecting primarily reduced revenue from 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 customer intake. This was partly counterbalanced by an adjustment due to a reduction of prices for termination of mobile calls for 2006 and 2007 and a decrease in wages due mainly to a reduction of full-time employee equivalents.

# Other activities

Other activities cover Bité, HTCC, Headquarters and IT Nordic.

Bité was divested as of February 9, 2007, and was included in the financial figures until this date.

HTCC is a 64.6% owned landline and data communications provider. On April 27, 2007, HTCC acquired Invitel, which was included in the financial figures as from May 2007. As of March 3, 2008, HTCC acquired Memorex, which was included in the financial figures as from March 2008. Memorex is a 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 has retained the investment banking firm of BNP Paribas Corporate Finance to assist it in evaluating strategic alternatives for the company.

In 1H 2008, Other activities' EBITDA totaled DKK 189m compared with DKK 103m in 1H 2007. This development was driven mainly by HTCC, and was partly offset by sale and leaseback of properties in 2007, which increased lease payments.

# Risk factors related to TDC's operations

TDC's Annual Report contains a description as of February 22, 2008 of certain risks that could materially adversely affect TDC's business, financial condition, results of operations or cash flows. It is noted that the information included in this Earnings Release is not complete in and of itself and does not necessarily include risks that were described in the Annual Report and that have not been subject to material change, or risks that have arisen since the date of the Annual Report and that were not included in the Annual Report. The risks described in the Annual Report and below are not the only risks that TDC faces. Additional 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 condition, results of operations or cash flows.

### The new DTT gatekeeper will increase the competitive pressure on YouSee

YouSee is expected to face increasing competition from sources, also including DTT. Competition is driven by price, convenience and the range of channels offered. I/S DIGI-TV, an entity owned by the Danish state broadcasting services and TV2/Danmark A/S, launched DTT in March 2006, which utilizes digital technology to provide a greater number of channels and picture and sound enhancements such as HDTV and Dolby Digital through a conventional antenna. By the end of March 2008, Swedish operator Boxer was elected as commercial gatekeeper for DTT. Boxer has announced that they will offer 29 channels in multiple packets from November 1, 2009. From November 1, 2009, DIGI-TV will also utilize an additional multiplex that will double their current channel offering. All in all, the DTT network will be expanded, with up to 30-35 channels, by the end of 2009. The increased range of channels in the generally accessible terrestrial network will significantly increase competition. In the long term, increased competition in the Danish cable-TV market may also arise from new technology, mainly from future internet-based content providers. Failure by YouSee to meet these challenges may have a materially adverse effect on TDC's market share of the Danish cable-TV market.

# Safe Harbor Statement

Certain sections of this 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 financial income and expenses
- 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 undue reliance should therefore 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 TDC 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 from 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 that 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 the competition within domestic and international telecommunications
- 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 and divestitures in domestic and foreign companies.

We caution that the above list of important factors is not exhaustive. When relying on forward-looking statements in order 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.

# Statements of Income

| TDC Group (DKKm) | 1H 2008 | 1H2007 | Change in % | 2Q 2008 | 2Q 2007 | Change in % |
|---|---|---|---|---|---|---|
| **Revenue** | **19,456** | **19,720** | **(1.3)** | **9,851** | **10,052** | **(2.0)** |
| Transmission costs and cost of goods sold | (5,945) | (6,390) | 7.0 | (2,939) | (3,282) | 10.5 |
| Other external expenses | (3,937) | (3,649) | (7.9) | (1,929) | (1,899) | (1.6) |
| Wages, salaries and pension costs | (3,489) | (3,654) | 4.5 | (1,806) | (1,867) | 3.3 |
| Total operating expenses before depreciation, etc. | (13,371) | (13,693) | 2.4 | (6,674) | (7,048) | 5.3 |
| Other income and expenses | 209 | 130 | 60.8 | 144 | 71 | 102.8 |
| **Income before depreciation, amortization and special items (EBITDA)** | **6,294** | **6,157** | **2.2** | **3,321** | **3,075** | **8.0** |
| Depreciation, amortization and impairment losses | (2,856) | (3,002) | 4.9 | (1,430) | (1,507) | 5.1 |
| **Operating income (EBIT), excluding special items** | **3,438** | **3,155** | **9.0** | **1,891** | **1,568** | **20.6** |
| Special items[1] | (616) | 941 | (165.5) | (543) | (245) | (121.6) |
| **Operating income (EBIT)** | **2,822** | **4,096** | **(31.1)** | **1,348** | **1,323** | **1.9** |
| Income from joint ventures and associates | 324 | 240 | 35.0 | 180 | 139 | 29.5 |
| Fair value adjustments | 376 | 306 | 22.9 | 409 | 263 | 55.5 |
| Currency translation adjustments | (140) | 103 | - | (60) | (5) | - |
| Financial income | 1,064 | 924 | 15.2 | 458 | 443 | 3.4 |
| Financial expenses | (2,339) | (2,758) | 15.2 | (1,118) | (1,518) | 26.4 |
| Net financials | (1,039) | (1,425) | 27.1 | (311) | (817) | 61.9 |
| **Income before income taxes** | **2,107** | **2,911** | **(27.6)** | **1,217** | **645** | **88.7** |
| Income taxes related to income, excluding special items and fair value adjustments | (678) | (207) | - | (390) | 99 | - |
| Income taxes related to special items | 134 | 59 | 127.1 | 116 | 59 | 96.6 |
| Income taxes related to fair value adjustments | (82) | (63) | (30.2) | (112) | (63) | (77.8) |
| Total income taxes | (626) | (211) | (196.7) | (386) | 95 | - |
| **Net income from continuing operations** | **1,481** | **2,700** | **(45.1)** | **831** | **740** | **12.3** |
| Net income from discontinued operations | 0 | 181 | - | 0 | 106 | - |
| **Net income** | **1,481** | **2,881** | **(48.6)** | **831** | **846** | **(1.8)** |
| **Attributable to:** | | | | | | |
| Shareholders of the Parent Company | 1,566 | 3,001 | (47.8) | 910 | 892 | 2.0 |
| Minority interests | (85) | (120) | 29.2 | (79) | (46) | (71.7) |
| | | | | | | |
| **Net income from continuing operations, excluding special items and fair value adjustments** | **1,669** | **1,457** | **14.6** | **961** | **726** | **32.4** |
| **EPS (DKK)** | | | | | | |
| Earnings Per Share | 7.9 | 15.1 | (47.7) | 4.6 | 4.5 | 2.2 |
| Earnings Per Share, diluted | 7.9 | 15.1 | (47.7) | 4.6 | 4.5 | 2.2 |

1) Special items includes significant amounts that cannot be attributed to normal operations such as large gains and losses related to divestment of subsidiaries, special write-downs for impairment as well as expenses related to restructuring etc.

# Balance Sheets

| TDC (DKKm) | June 30, 2008 | December 31, 2007 | June 30, 2007 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 29,100 | 28,317 | 31,107 |
| Property, plant and equipment | 25,135 | 24,704 | 25,848 |
| Investments in joint ventures and associates | 1,875 | 1,640 | 1,420 |
| Minority passive investments | 9 | 7 | 7 |
| Deferred tax assets | 215 | 267 | 374 |
| Pension assets | 6,621 | 6,402 | 6,158 |
| Receivables | 97 | 95 | 369 |
| Derivative financial instruments | - | 39 | 167 |
| Prepaid expenses | 176 | 147 | 170 |
| **Total non-current assets** | **63,228** | **61,618** | **65,620** |
| **Current assets** | | | |
| Inventories | 595 | 641 | 496 |
| Receivables | 8,432 | 7,566 | 8,373 |
| Income tax receivables | 34 | 14 | 6 |
| Derivative financial instruments | 949 | 781 | 1,221 |
| Prepaid expenses | 900 | 665 | 745 |
| Cash | 3,245 | 8,251 | 1,814 |
| Assets held for sale | 150 | - | 1,432 |
| **Total current assets** | **14,305** | **17,918** | **14,087** |
| **Total assets** | **77,533** | **79,536** | **79,707** |
| **Equity and liabilities** | | | |
| Common shares | 992 | 992 | 992 |
| Reserves | (244) | (582) | (355) |
| Retained earnings | 10,752 | 9,185 | 4,554 |
| Proposed dividends | - | 714 | - |
| **Equity attributable to Company shareholders** | **11,500** | **10,309** | **5,191** |
| Minority interests | 77 | 118 | 239 |
| **Total equity** | **11,577** | **10,427** | **5,430** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 2,933 | 3,027 | 2,926 |
| Provisions | 1,316 | 1,275 | 1,335 |
| Pension liabilities, etc. | 171 | 201 | 183 |
| Loans | 40,468 | 45,571 | 53,970 |
| Derivative financial instruments | 187 | 141 | - |
| Deferred income | 1,087 | 992 | 1,044 |
| **Total non-current liabilities** | **46,162** | **51,207** | **59,458** |
| **Current liabilities** | | | |
| Loans | 4,947 | 4,146 | 1,732 |
| Trade and other payables | 8,189 | 8,046 | 7,307 |
| Income tax payable | 2,540 | 1,877 | 1,377 |
| Derivative financial instruments | 266 | 312 | 532 |
| Deferred income | 3,175 | 2,934 | 2,843 |
| Provisions | 492 | 587 | 216 |
| Liabilities concerning assets held for sale | 185 | - | 812 |
| **Total current liabilities** | **19,794** | **17,902** | **14,819** |
| **Total liabilities** | **65,956** | **69,109** | **74,277** |
| **Total equity and liabilities** | **77,533** | **79,536** | **79,707** |

# Statements of Cash Flows

| TDC Group (DKKm) | 1H 2008 | 1H 2007 | Change in % | 2Q 2008 | 2Q 2007 |
|---|---|---|---|---|---|
| Income before depreciation, amortization and special items (EBITDA) | 6,294 | 6,157 | 2.2 | 3,321 | 3,075 |
| Reversal of items without cash flow effect | (63) | (112) | 43.8 | 68 | (69) |
| Pension contributions | (88) | (76) | (15.8) | (44) | (34) |
| Payments related to provisions | (70) | (38) | (84.2) | (40) | (16) |
| Cash flow related to special items | (222) | (132) | (68.2) | (128) | (85) |
| Change in net working capital excl. special items | (668) | (621) | (7.6) | (408) | 27 |
| **Cash flow from operating activities before net financials and tax** | **5,183** | **5,178** | **0.1** | **2,769** | **2,898** |
| Interest paid, net | (1,397) | (1,874) | 25.5 | (675) | (989) |
| Realized currency translation adjustments | (520) | 739 | (170.4) | (462) | 436 |
| **Cash flow from operating activities before tax** | **3,266** | **4,043** | **(19.2)** | **1,632** | **2,345** |
| Corporate income tax paid | (26) | (7) | - | (13) | 1 |
| **Cash flow from operating activities in continuing operations** | **3,240** | **4,036** | **(19.7)** | **1,619** | **2,346** |
| Cash flow from operating activities in discontinued operations | 0 | 338 | - | 0 | 178 |
| **Total cash flow from operating activities** | **3,240** | **4,374** | **(25.9)** | **1,619** | **2,524** |
| Investment in enterprises | (306) | (446) | 31.4 | (3) | (422) |
| Investment in property, plant and equipment | (2,011) | (1,836) | (9.5) | (903) | (935) |
| Investment in intangible assets | (518) | (446) | (16.1) | (279) | (181) |
| Investment in other non-current assets | (3) | (3) | 0.0 | (2) | (2) |
| Divestment of enterprises | 91 | 3,189 | (97.1) | 91 | 4 |
| Sale of property, plant and equipment | 60 | 146 | (58.9) | 32 | 36 |
| Divestment of joint ventures and associates, and other non-current assets | 38 | 4 | - | (9) | 0 |
| Change in loans to joint ventures and associates | 0 | (2) | - | 0 | (2) |
| Dividends received from joint ventures and associates | 206 | 399 | (48.4) | 206 | 304 |
| **Cash flow from investing activities in continuing operations** | **(2,443)** | **1,005** | **-** | **(867)** | **(1,198)** |
| Cash flow from investing activities in discontinued operations | 0 | (10) | - | 0 | (6) |
| **Total cash flow from investing activities** | **(2,443)** | **995** | **-** | **(867)** | **(1,204)** |
| Proceeds from long-term loans | 515 | 1,378 | (62.6) | 254 | 1,378 |
| Repayments of long-term loans | (5,494) | (7,584) | 27.6 | (3,966) | (7,571) |
| Change in short-term bank loans | (1) | (12) | 91.7 | 0 | 3 |
| Change in interest-bearing receivables | (80) | 300 | (126.7) | (80) | 142 |
| Change in minority interests | 0 | (1) | - | 0 | (1) |
| Dividends paid | (713) | (694) | (2.7) | 0 | 0 |
| **Cash flow from financing activities in continuing operations** | **(5,773)** | **(6,613)** | **12.7** | **(3,792)** | **(6,049)** |
| Cash flow from financing activities in discontinued operations | 0 | (299) | - | 0 | (145) |
| **Total cash flow from financing activities** | **(5,773)** | **(6,912)** | **16.5** | **(3,792)** | **(6,194)** |
| **Total cash flow** | **(4,976)** | **(1,543)** | **-** | **(3,040)** | **(4,874)** |
| **Cash and cash equivalents (end-of-period)** | **3,245** | **1,912** | **69.7** | **3,245** | **1,912** |

# Statements of Changes in Equity

| | Equity attributable to Company shareholders | | | | | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| ***DKKm*** | **Common shares** | **Reserve for currency translation adjustments** | **Retained earnings** | **Proposed dividends** | **Total** | | |
| Shareholders' equity at January 1, 2007 | 992 | 69 | 1,534 | 694 | 3,289 | 282 | 3,571 |
| Currency translation adjustments, foreign enterprises | - | (1,040) | - | - | (1,040) | 4 | (1,036) |
| Currency hedging of net investments in foreign enterprises | - | 810 | - | - | 810 | - | 810 |
| Reversal of currency translation adjustments, foreign enterprises | - | (2) | - | - | (2) | - | (2) |
| Tax related to changes in equity | - | (192) | - | - | (192) | - | (192) |
| Net gain/(loss) recognized directly in equity | - | (424) | - | - | (424) | 4 | (420) |
| Net income | - | - | 3,001 | - | 3,001 | (120) | 2,881 |
| Total comprehensive income | - | (424) | 3,001 | - | 2,577 | (116) | 2,461 |
| Distributed dividends | - | - | - | (694) | (694) | - | (694) |
| Dilution gain regarding subsidiaries | - | - | 19 | - | 19 | 60 | 79 |
| Additions to minority interests | - | - | - | - | - | 13 | 13 |
| **Shareholders' equity at June 30, 2007** | **992** | **(355)** | **4,554** | **-** | **5,191** | **239** | **5,430** |

| | Equity attributable to Company shareholders | | | | | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| ***DKKm*** | **Common shares** | **Reserve for currency translation adjustments** | **Retained earnings** | **Proposed dividends** | **Total** | | |
| Shareholders' equity at January 1, 2008 | 992 | (582) | 9,185 | 714 | 10,309 | 118 | 10,427 |
| Currency translation adjustments, foreign enterprises | - | 830 | - | - | 830 | 44 | 874 |
| Currency hedging of net investments in foreign enterprises | - | (492) | - | - | (492) | - | (492) |
| Net gain/(loss) recognized directly in equity | - | 338 | - | - | 338 | 44 | 382 |
| Net income | - | - | 1,566 | - | 1,566 | (85) | 1,481 |
| Total comprehensive income | - | 338 | 1,566 | - | 1,904 | (41) | 1,863 |
| Distributed dividends | - | - | - | (714) | (714) | - | (714) |
| Dividends, treasury shares | - | - | 1 | - | 1 | - | 1 |
| **Shareholders' equity at June 30, 2008** | **992** | **(244)** | **10,752** | **-** | **11,500** | **77** | **11,577** |

# Customers & Employees

| Customers ('000) (end-of-period) | 2Q 2007 | 4Q 2007 | 2Q 2008 | Change in % 2Q08 vs. 2Q07 | 2Q08 vs. 4Q07 |
|---|---|---|---|---|---|
| **Domestic, retail and wholesale:** | | | | | |
| Landline customers | 2,476 | 2,372 | 2,256 | (8.9) | (4.9) |
| - Retail | 2,078 | 2,003 | 1,925 | (7.4) | (3.9) |
| - Wholesale | 398 | 369 | 331 | (16.8) | (10.3) |
| Mobile customers | 2,914 | 2,937 | 3,007 | 3.2 | 2.4 |
| - Retail | 2,598 | 2,705 | 2,797 | 7.7 | 3.4 |
| - of which Telmore | 593 | 610 | 641 | 8.1 | 5.1 |
| - Wholesale | 316 | 232 | 210 | (33.5) | (9.5) |
| Internet customers | 1,396 | 1,419 | 1,421 | 1.8 | 0.1 |
| - Broadband | 1,247 | 1,290 | 1,315 | 5.5 | 1.9 |
| - Non-broadband | 149 | 129 | 106 | (28.9) | (17.8) |
| TV customers | 1,092 | 1,105 | 1,124 | 2.9 | 1.7 |
| **Domestic customers, total** | **7,878** | **7,833** | **7,808** | **(0.9)** | **(0.3)** |
| **International:** | | | | | |
| Landline customers | 1,253 | 1,298 | 1,662 | 32.6 | 28.0 |
| Mobile customers | 1,483 | 1,538 | 1,599 | 7.8 | 4.0 |
| Internet customers | 481 | 501 | 498 | 3.5 | (0.6) |
| **International customers, total** | **3,217** | **3,337** | **3,759** | **16.8** | **12.6** |
| **Group customers, total** | **11,095** | **11,170** | **11,567** | **4.3** | **3.6** |

## Employees

**Full-time equivalents[1]**

| EoP | 2Q 2007 | 4Q 2007 | 2Q 2008 | Change in % 2Q08 vs. 2Q07 | 2Q08 vs. 4Q07 |
|---|---|---|---|---|---|
| Business Nordic | 3,937 | 3,808 | 3,682 | (6.5) | (3.3) |
| - of which in Denmark | 2,423 | 2,312 | 2,222 | (8.3) | (3.9) |
| Fixnet Nordic | 6,135 | 5,768 | 5,320 | (13.3) | (7.8) |
| - of which in Denmark | 6,130 | 5,763 | 5,320 | (13.2) | (7.7) |
| Mobile Nordic | 1,242 | 1,262 | 1,035 | (16.7) | (18.0) |
| - of which in Denmark | 1,242 | 1,262 | 1,035 | (16.7) | (18.0) |
| YouSee | 1,094 | 1,110 | 1,176 | 7.5 | 5.9 |
| Sunrise | 2,226 | 2,036 | 1,977 | (11.2) | (2.9) |
| Others | 3,712 | 3,406 | 3,392 | (8.6) | (0.4) |
| - of which in Denmark | 2,038 | 1,967 | 1,857 | (8.9) | (5.6) |
| **TDC** | **18,346** | **17,390** | **16,582** | **(9.6)** | **(4.6)** |
| **TDC, domestic** | **12,927** | **12,414** | **11,610** | **(10.2)** | **(6.5)** |

1) The number denotes end-of-period full-time equivalents including permanent employees, trainees and temporary employees (FTE). Furthermore, the number of full-time employee equivalents is exclusive of FTEs in discontinued operations.

# Selected financial and operational data, 2004 – 1H 2008

| TDC Group | | 2004 | 2005 | 2006 | 2007 | 1H 2007 | 1H 2008 |
|---|---|---|---|---|---|---|---|
| **Statements of Income:** | DKKm | | | | | | |
| Revenue | | 34,689 | 38,848 | 39,941 | 39,321 | 19,720 | 19,456 |
| **Income before depreciation, amortization and special items (EBITDA)** | | **11,529** | **12,492** | **12,991** | **12,498** | **6,157** | **6,294** |
| Depreciation, amortization and impairment losses | | (6,534) | (6,696) | (6,491) | (6,227) | (3,002) | (2,856) |
| **Operating income (EBIT), excluding special items** | | **4,995** | **5,796** | **6,500** | **6,271** | **3,155** | **3,438** |
| Special items | | 357 | (973) | (312) | 1,809 | 941 | (616) |
| **Operating income (EBIT)** | | **5,352** | **4,823** | **6,188** | **8,080** | **4,096** | **2,822** |
| Income from joint ventures and associates | | 5,632 | 334 | 449 | 1,401 | 240 | 324 |
| Net financials | | (714) | (1,068) | (2,723) | (3,396) | (1,425) | (1,039) |
| **Income before income taxes** | | **10,270** | **4,089** | **3,914** | **6,085** | **2,911** | **2,107** |
| Income taxes | | (1,105) | (850) | (858) | (1,431) | (211) | (626) |
| **Net income from continuing operations** | | **9,165** | **3,239** | **3,056** | **4,654** | **2,700** | **1,481** |
| Net income from discontinued operations | | 745 | 4,211 | 387 | 3,513 | 181 | 0 |
| **Net income** | | **9,910** | **7,450** | **3,443** | **8,167** | **2,881** | **1,481** |
| **Attributable to:** | | | | | | | |
| - Shareholders of the Parent Company | | 9,912 | 7,474 | 3,446 | 8,409 | 3,001 | 1,566 |
| - Minority interests | | (2) | (24) | (3) | (242) | (120) | (85) |
| | | | | | | | |
| **Net income, excluding special items and fair value adjustments[1]:** | | | | | | | |
| **Operating income (EBIT)** | | **4,995** | **5,796** | **6,500** | **6,271** | **3,155** | **3,438** |
| Income from joint ventures and associates | | 566 | 334 | 439 | 542 | 240 | 324 |
| Net financials | | (892) | (887) | (2,900) | (3,274) | (1,731) | (1,415) |
| **Income before income taxes** | | **4,669** | **5,243** | **4,039** | **3,539** | **1,664** | **2,347** |
| Income taxes | | (1,233) | (1,050) | (1,077) | (806) | (207) | (678) |
| **Net income from continuing operations** | | **3,436** | **4,193** | **2,962** | **2,733** | **1,457** | **1,669** |
| Net income from discontinued operations | | 507 | 506 | 400 | 255 | 181 | 0 |
| **Net income** | | **3,943** | **4,699** | **3,362** | **2,988** | **1,638** | **1,669** |
| | | | | | | | |
| **Balance Sheets** | DKKbn | | | | | | |
| Total assets | | 90.3 | 93.5 | 80.8 | 79.5 | 79.7 | 77.5 |
| Net interest-bearing debt | | 20.1 | 16.5 | 55.2 | 41.4 | 53.8 | 42.0 |
| Total equity | | 38.9 | 43.8 | 3.6 | 10.4 | 5.4 | 11.6 |
| Average number of shares outstanding (million) | | 204.6 | 195.2 | 198.0 | 198.1 | 198.1 | 198.1 |
| | | | | | | | |
| **Statements of Cash Flow** | DKKm | | | | | | |
| Operating activities | | 11,084 | 8,691 | 10,141 | 9,938 | 4,374 | 3,240 |
| Investing activities | | 2,889 | (1,226) | (989) | 7,886 | 995 | (2,443) |
| Financing activities | | (12,573) | (4,229) | (15,760) | (13,028) | (6,912) | (5,773) |
| Total cash flow | | 1,400 | 3,236 | (6,608) | 4,796 | (1,543) | (4,976) |
| | | | | | | | |
| **Capital expenditures** | DKKbn | | | | | | |
| Excluding share acquisitions | | 5.0 | 5.6 | 5.3 | 5.2 | 2.2 | 2.4 |
| Including share acquisitions | | 9.9 | 6.2 | 5.6 | 5.8 | 2.7 | 2.7 |
| | | | | | | | |
| **Key financial ratios** | | | | | | | |
| Earnings Per Share (EPS) | DKK | 48.4 | 38.3 | 17.4 | 42.4 | 15.1 | 7.9 |
| EPS, excl. special items, fair value adjustments and discontinued operations | DKK | 16.8 | 21.6 | 15.0 | 15.0 | 8.0 | 8.9 |
| Dividend payments per share | DKK | 12.0 | 12.5 | 223.9 | 3.5 | 3.5 | 3.6 |
| EBITDA margin (EBITDA divided by revenue) | % | 33.2 | 32.2 | 32.5 | 31.8 | 31.2 | 32.3 |
| Capex, excl. share acquisitions-to-revenue ratio | % | 14.5 | 14.3 | 13.2 | 13.2 | 11.4 | 12.1 |
| Cash Earnings Per Share (CEPS), excl. special items, fair value adjustments and discontinued operations[2] | DKK | 46.2 | 54.1 | 45.2 | 42.8 | 21.6 | 21.1 |
| Return on capital employed (ROCE)[3] | % | 11.5 | 12.0 | 13.0 | 14.9 | 7.2 | 8.3 |
| | | | | | | | |
| **Subscriber base (end-of-period)[4]** | ('000) | | | | | | |
| Landline | | 3,483 | 3,471 | 3,311 | 3,670 | 3,729 | 3,918 |
| Mobile | | 4,536 | 5,588 | 6,195 | 4,475 | 4,397 | 4,606 |
| Internet | | 1,813 | 1,769 | 1,767 | 1,920 | 1,877 | 1,919 |
| TV customers | | 982 | 1,030 | 1,062 | 1,105 | 1,092 | 1,124 |
| **Total subscribers** | | **10,814** | **11,858** | **12,335** | **11,170** | **11,095** | **11,567** |
| | | | | | | | |
| **Full-time employee equivalents[5]** | | **18,565** | **19,373** | **18,164** | **17,390** | **18,346** | **16,582** |

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 activities.
2) 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.
3) ROCE is defined as EBIT excluding special items plus interest and other financial income excluding fair value adjustments plus income from joint ventures and associates divided by average equity attributable to Company shareholders plus interest-bearing debt.
4) The number denotes end-of-period subscribers and includes customers with subscriptions and customers without subscriptions according to the following general principles:
- Landline subscribers who have generated traffic in the previous month.
- Mobile subscribers active for a certain period of time, up to 3 months.
- Internet subscribers active for a certain period of time, up to 3 months.

The number of subscribers also includes resale customers.
5) The number denotes end-of-period 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.

# Management Statement

The Board of Directors and the Executive Committee have reviewed and approved the Financial Statements of the TDC Group for 1H 2008.

The Financial Statements, which have not been audited or reviewed by the Group's auditors, have been prepared in accordance with IAS 34 as adopted by the EU and additional Danish disclosure requirements for listed companies.

We consider the accounting policies applied to be appropriate. In our opinion, the Financial Statements give a true and fair view of the Group's financial position at June 30, 2008 as well as of the results of its operations and cash flows for 1H 2008.

### Executive Committee

| | |
|---|---|
| Jens Alder | Eva Berneke |
| Carsten Dilling | Jesper Theill Eriksen |
| Mads Middelboe | Jesper Ovesen |
| Klaus Pedersen | |

### Board of Directors

| | |
|---|---|
| Vagn Sørensen | Pierre Danon |
| Kurt Björklund | Lawrence Guffey |
| Oliver Haarmann | Gustavo Schwed |
| Richard Wilson | Jan Bardino |
| Leif Hartmann | Steen M. Jacobsen |
| Bo Magnussen | |

## About TDC

TDC is the leading provider of communications solutions in Denmark with a strong Nordic focus. In the Nordic region, TDC has four business units: Business Nordic, Fixnet Nordic, Mobile Nordic and YouSee. TDC's activities outside the Nordic region comprise amongst others Sunrise, a leading telecommunications provider in Switzerland, and HTCC, a leading telecommunications provider in Hungary. TDC was partly privatized in 1994 and fully privatized in 1998. Nordic Telephone Company ApS owns 87.9% of TDC, with the remainder of the shares held by individual and institutional shareowners.

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## Listing

Shares: OMX Nordic Exchange Copenhagen A/S.
Reuters TDC.CO.
Bloomberg TDC DC.
Nominal value DKK 5.
ISIN DK00-10253335.
SEDOL 5698790.