Nordic Telephone Company Holding Group
Annual Report 2007

Table of contents

Financial highlights for the year

As TDC was acquired by Nordic Telephone Company ApS (NTC ApS) as of February 1, 2006, the 2006 figures for NTCH do not include the operations of TDC for the full year 2006, but only for February 1, 2006 to December 31, 2006. Consequently, the figures for NTCH for 2006 include eleven months of TDC operations as well as twelve months of administrative expenses and interest expenses in NTC ApS and Nordic Telephone Company Holding ApS (NTCH ApS).

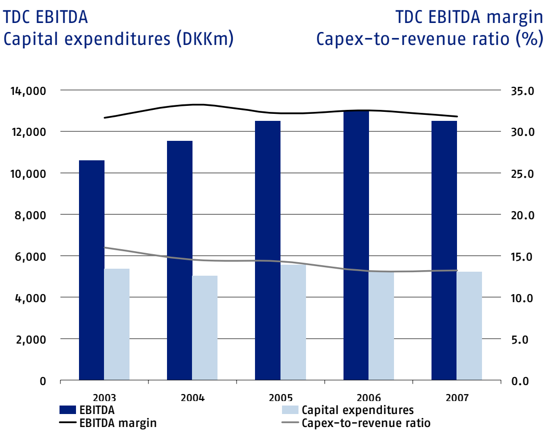
The acquisition of TDC has resulted in a number of accounting adjustments to NTCH's financial statements, including purchase price allocation adjustments that have increased consolidated non-cash expenses.

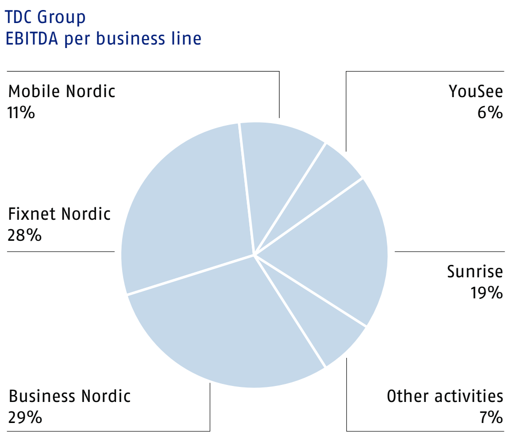
NTCH's revenue amounted to DKK 39,321m compared with 36,622 in 2006. On a full-year basis[1] revenue decreased by DKK 620m or 1.6% compared with 2006. This reflects mainly lower revenue from traditional landline telephony, due primarily to the migration to mobile telephony as well as lower revenue in Sunrise caused by an unfavorable development in the Swiss exchange rate. This was partly counterbalanced by growth in the cable-TV and broadband business due largely to an increased customer base. In addition, revenue was positively impacted by growth in the business segment related to higher revenue from mobile services and data communications and internet services, which was also generated by a larger customer base. Adjusted for acquisition and divestment of companies, revenue was down by 0.9% on a full-year basis.

NTCH's income before depreciation, amortization and special items (EBITDA) amounted to DKK 12,427m compared with DKK 11,682m in 2006. On a full-year basis, EBITDA decreased by DKK 493m or 3.8%. This development was caused chiefly by lower gross profit from traditional landline telephony and an unfavorable development in Sunrise due mainly to the Swiss exchange rate. Higher costs due to sale and leaseback of properties in 2007, higher costs resulting from outsourcing of IT services and higher consultancy fees also had a negative impact on EBITDA. This was partly counterbalanced by growth in the broadband and cable-TV business, due mainly to a larger customer base. The acquisition of Invitel more than offsets the divestment of Bité. Adjusted for acquisitions and divestments of companies, on a full-year basis, EBITDA was down by 5.0%.

Net income, including special items and fair value adjustments, increased from a net loss of DKK 2,621m in 2006 to an income of DKK 2,556m in 2007. The increase related mainly to lower depreciation, amortization and impairment losses, the gain from divestment of Talkline, Bité and properties in 2007 as well as restructuring costs related to the refinancing in 2006. Net income, excluding special items and fair value adjustments, increased from a net loss of DKK 2,534m to an income of DKK 661m in 2007.

[1] In the remainder of the Annual Report, 'On a full-year basis' refers to figures for the TDC Group on a stand alone basis, as previously reported by TDC.





Net interest-bearing debt was reduced by DKK 14.1bn to DKK 55.7bn, driven principally by the divestment of Talkline, Bité and One as well as sale and leaseback of properties. The acquisition of Invitel had a negative influence on the development in net interest-bearing debt.

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

Major events in 2007

Acquisition of Invitel by TDC's Hungarian subsidiary HTCC

On April 27, 2007, pursuant to a share purchase agreement announced on January 9, 2007, TDC's subsidiary, HTCC, completed its acquisition of Invitel Távközlési Szolgáltató Zrt (Invitel) for a total consideration of EUR 470m (USD 611m) including the assumption of debt. Invitel is the second-largest landline telecommunications service provider in Hungary. The consideration was financed solely by HTCC.

Divestment of TDC's Baltic subsidiary Bité

On January 19, 2007, TDC announced that an agreement had been signed regarding the divestment of its wholly-owned subsidiary Bité to the Central and Eastern European private equity fund Mid Europa Partners for a total cash consideration of EUR 0.45bn. TDC's gain from the sale of its shares amounted to DKK 564m after tax, which is included in the Statement of Income under special items.

TDC re-organization and merger with certain subsidiaries

With effect from July 1, 2007, TDC was re-organized to achieve a stronger business and customer-oriented approach for its Nordic business lines. In the Nordic region, TDC now comprises four business lines: Business Nordic, Fixnet Nordic, Mobile Nordic and YouSee (formerly TDC Cable TV).

In order to align the legal structure to the new organization, on October 1, 2007, TDC accomplished a merger between TDC A/S, the large Danish subsidiaries: TDC Solutions A/S, TDC Mobile International A/S, TDC Services A/S and TDC Mobil A/S, and certain minor subsidiaries. YouSee A/S remains a separate legal entity, which is wholly-owned by TDC A/S.

The merger has effect as from January 1, 2007.

Divestment of TDC's German subsidiary Talkline

On July 31, 2007, TDC divested Talkline, the wholly-owned German mobile operator, to debitel AG. The total consideration was EUR 560m on a cash- and debt-free basis. The sale of the shares resulted in an after-tax gain of DKK 1,297m, which was included in the Statement of Income under special items related to income from discontinued operations.

The Eastern High Court's judgment regarding compulsory redemption of minority shareholdings in TDC A/S

At an Extraordinary General Meeting of TDC A/S on February 28, 2006, more than 90% of the common shares represented voted for new provisions in the Bylaws permitting Nordic Telephone Company ApS (NTC) to compulsorily redeem the minority shareholdings in TDC A/S. The new provisions were then declared adopted. Based on the amended Bylaws, on March 5, 2006, NTC initiated a compulsory redemption of the minority shareholdings in TDC A/S. However, on March 8, 2006, the Danish Commerce and Companies Agency (DCCA) rejected the request to register the amendments of the Bylaws and therefore on March 9, 2006, NTC suspended the compulsory redemption.

In May 2006, TDC brought the decision of the DCCA before the courts. In parallel, the Danish Labor Market Supplementary Pension Scheme (ATP) had initiated legal proceedings against TDC and NTC in March 2006 claiming that the new provisions in the Bylaws were invalid because NTC did not own 90% or more of the shares of TDC A/S.

On June 13, 2007, the Eastern High Court delivered its judgment in the two actions. The court found for ATP's and the DCCA's claims that the provisions in the Bylaws regarding compulsory redemption for the benefit of NTC were invalid and could not be registered with the DCCA. Both TDC and NTC decided not to appeal the Eastern High Court's judgment to the Supreme Court whereby the judgment became final. As a consequence, the relevant provisions for compulsory redemption have been taken out of TDC A/S' Bylaws.

Divestment of TDC's 15% ownership share in the Austrian mobile company One

On October 2, 2007, TDC divested One to a consortium of Mid Europa Partners and France Telecom. TDC held 15% of the shares in the company. The other shareholders were E.on, Telenor and Orange. The total consideration was EUR 1.4bn on a cash- and debt-free basis of which TDC's share amounted to EUR 213m. TDC has received total proceeds, including repayment of its shareholder loan, of approximately DKK 1.3bn, which has resulted in an after-tax loss of DKK 76m. The gain was included in the Statement of Income under special items related to income from associates and joint ventures.

Sale and leaseback of 224 TDC properties

In July, TDC entered into a sale and leaseback agreement regarding 224 of its 1,586 properties in Denmark with Ejendomsselskabet Norden that has ATP Ejendomme A/S and PFA Ejendomme A/S as its main investors. The properties cover about 480,000 square meters and are being used largely for technical and administrative purposes. As a consequence of the sale and leaseback, TDC is now a lessee of the properties. The leases are interminable for up to 30 years for the lessee as well as the lessor. The total consideration was DKK 4.1bn on a cash- and debt-free basis. The sale resulted in an after-tax gain of DKK 497m which was included in the Statement of Income under special items.

TDC A/S' Executive Committee - changes and enlargement

By mutual agreement with TDC, Kim Frimer resigned from his positions as member of TDC A/S' Executive Committee and Chief Executive Officer (CEO) of TDC Solutions A/S on January 9, 2007. Until the merger between TDC A/S and TDC Solutions A/S, President and CEO of TDC A/S, Jens Alder, served as the CEO of TDC Solutions A/S in addition to his other positions.

In connection with the re-organization of TDC, on July 1, 2007, TDC A/S' Executive Committee gained an additional two new members, Klaus Pedersen, who became responsible for Business Nordic, and Eva Berneke, who became responsible for strategy.

On August 1, 2007, Carsten Dilling joined TDC A/S' Executive Committee with responsibility for Fixnet Nordic.

On September 3, 2007, Jesper Theill Eriksen joined TDC A/S' Executive Committee with responsibility for HR and Group Staff functions.

On November 20, 2007, TDC announced that Jesper Ovesen will take up the position as Chief Financial Officer (CFO) and member of TDC A/S' Executive Committee as from January 1, 2008, after Hans Munk Nielsen who wished to retire from his post in TDC A/S by the end of 2007.

Today, TDC A/S' Executive Committee consists of the following members: President and CEO Jens Alder; Senior Executive Vice President and Chief Strategy Officer Eva Berneke; Senior Executive Vice President and CEO, Fixnet Nordic, Carsten Dilling; Senior Executive Vice President, Corporate HR and Chief of Staff, Jesper Theill Eriksen; Senior Executive Vice President and CEO, Mobile Nordic, Mads Middelboe; Senior Executive Vice President and CFO Jesper Ovesen and Senior Executive Vice President and CEO, Business Nordic, Klaus Pedersen.

Termination of TDC's US Securities and Exchange Commission (SEC) registration and SEC reporting obligations

Following withdrawal of TDC's American Depository Shares under its American Depository Receipts program (ADR program) and common shares from listing and registration on the New York Stock Exchange in April 2006 and termination of TDC's ADR program at the end of October 2006, on November 13, 2006, TDC filed a notice of termination of registration with the SEC under section 12(g) of the Securities Exchange Act of 1934 and suspension of its duty to file reports to the SEC under sections 13(a) and 15(d). TDC's obligations to file reports under sections 13(a) and 15(d) were immediately suspended. On August 17, 2007, TDC filed a notice of termination of its duty to file reports to the SEC under sections 13(a) and 15(d) and such duty was terminated in November 2007. Thus, all TDC's SEC reporting obligations have now been terminated.

Acquisition of Memorex by HTCC

On March 5, 2008, pursuant to a share purchase agreement announced on December 20, 2007, TDC's subsidiary, HTCC, completed its acquisition of 95.7% of the common shares of the Austrian-based Memorex Telex Communications AG (Memorex), one of the leading alternative bandwidth providers in Central and Eastern Europe with the largest landline infrastructure in the region.

The purchase price was EUR 30.3m to the selling shareholders of Memorex for their 95.7% equity interest plus the assumption of Memorex' debt, which purchase price was financed solely by HTCC.

Selected financial and operational data

NTCH Group[1]		2005	2006	2007	2007[3]	2007[4]
Statements of Income	DKKm				USDm	EURm
Revenue		0	36,622	39,321	7,748	5,273
Income before depreciation, amortization and special items (EBITDA)		**0**	**11,682**	**12,427**	**2,449**	**1,667**
Depreciation, amortization and impairment losses		0	(10,634)	(8,085)	(1,593)	(1,084)
Operating income (EBIT), excluding special items		**0**	**1,048**	**4,342**	**856**	**582**
Special items		0	(489)	506	100	68
Operating income (EBIT), including special items		**0**	**559**	**4,848**	**955**	**650**
Income from associates and joint ventures		0	200	266	52	36
Net financials		(40)	(4,518)	(4,500)	(887)	(603)
Income before income taxes		**(40)**	**(3,759)**	**614**	**121**	**82**
Income taxes		0	1,105	536	106	72
Net income from continuing operations		**(40)**	**(2,654)**	**1,150**	**227**	**154**
Net income from discontinued operations		0	33	1,406	277	189
Net income		**(40)**	**(2,621)**	**2,556**	**504**	**343**
Attributable to:						
Shareholders of the Parent Company		(40)	(2,562)	2,360	**465**	**316**
Minority interests		0	(59)	196	**39**	**26**
Net income, excluding special items and fair value adjustments:[2]						
Operating income (EBIT), excluding special items		**0**	**1,048**	**4,342**	**856**	**582**
Income from associates and joint ventures		0	190	342	67	46
Net financials		(40)	(4,656)	(4,564)	(899)	(612)
Income before income taxes		**(40)**	**(3,418)**	**120**	**24**	**16**
Income taxes		0	839	439	86	59
Net income from continuing operations		**(40)**	**(2,579)**	**559**	**110**	**75**
Net income from discontinued operations		0	45	102	20	14
Net income		**(40)**	**(2,534)**	**661**	**130**	**89**
Balance Sheets	DKKbn				USDbn	EURbn
Total assets		7.6	113.6	105.1	20.7	14.1
Net interest-bearing debt		0.0	69.8	55.7	11.0	7.5
Total equity		7.4	14.5	16.8	3.3	2.3
Shares outstanding (thousand)		136	136	136		
Statements of Cash Flow	DKKm				USDm	EURm
Operating activities		(38)	7,076	9,261	1,825	1,242
Investing activities		(7,627)	(48,875)	7,886	1,554	1,058
Financing activities		7,668	45,539	(12,416)	(2,446)	(1,656)
Total cash flow		3	(3,740)	4,731	932	635
Capital expenditures	DKKbn				USDbn	EURbn
Excluding share acquisitions		0.0	4.9	5.2	1.0	0.7
Including share acquisitions		0.0	52.0	5.8	1.1	0.8

[1] Pension costs are recognized in accordance with US GAAP FAS Nos. 87/88 for 2002-2003 and in accordance with IAS 19 with effect from 2004.
[2] Net income excluding special items and fair value adjustments excludes special items from income from associates and joint ventures as well as special items from income from discontinued activities.
[3] Translated solely for the convenience of the reader at a rate of DKK 5.0753 to $1.00, the exchange rate of Danmarks Nationalbank on December 28, 2007.
[4] Translated solely for the convenience of the reader at a rate of DKK 7.4566 to €1.00, the exchange rate of Danmarks Nationalbank on December 28, 2007.

NTCH Group		2005	2006	2007
Key financial ratios				
EBITDA margin (EBITDA divided by revenue)	%	–	31.9	31.6
Capex excl. share acquisitions-to-revenue ratio	%	–	13.4	13.2
Return on capital employed (ROCE)[5]	%	0.0	6.8	8.5
Subscriber base (end-of-period)[6]	(1,000)			
Landline		3,471	3,311	3,670
Mobile		5,588	6,195	4,477
Internet		1,769	1,767	1,920
TV customers		1,030	1,062	1,106
Total subscribers		**11,858**	**12,335**	**11,173**
Number of employees[7]		**19,373**	**18,164**	**17,390**

[5] ROCE is defined as (EBIT excluding special items plus interest and other financial income excluding fair value adjustments plus income from associates and joint ventures) divided by (average equity attributable to company shareholders plus interest-bearing debt).

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

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

The number of subscribers also includes resale customers.

In 2007, landline customers were affected by the acquisition of Invitel by HTCC. Mobile customers were affected by the divestment of Bité in 2007.

[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 excluding discontinued operations.

Business Activities

All operating activities in the NTCH Group are related to TDC.

The figures presented below reflect the data for the TDC Group on a stand alone basis, as previously reported by TDC.

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, Hungary and Poland.

TDC's total customer base amounted to 11.2m customers in 2007, down 9.4% on 2006, which was attributable mainly to the divestment of Bité in February 2007. This was partly counterbalanced by the acquisition of Invitel. By the end of 2007, the TDC Group had 7.8m customers in Denmark: 2.4m landline customers, 2.9m mobile customers, 1.4m internet customers, and 1.1m TV customers. In addition, the TDC Group had 2.3m customers in Switzerland, 1.0m customers in Hungary and 0.1m customers in TDC Nordic.

The domestic customer base totaled 7.8m, up 0.7%. This development resulted primarily from growth in the mobile retail and broadband customer bases as well as more TV customers, and was partly offset by fewer landline telephony, mobile wholesale and dial-up internet customers.

At year-end 2007, TDC had 17,390 full-time employee equivalents compared with 18,164 in 2006. At year-end 2007, the domestic operations accounted for 12,414 full-time employee equivalents compared with 13,122 in 2006. The decrease was driven by general savings and improved efficiency e.g. within call centers and back-office functions.

Subscriber base (end-of-period) **1,000**

TDC Group	**2006**	**2007**	**Growth in % 2007 vs. 2006**
Domestic	**7,781**	**7,833**	**0.7**
Landline customers	2,594	2,372	(8.6)
- Retail	2,159	2,003	(7.2)
- Wholesale	435	369	(15.2)
Mobile customers	2,777	2,937	5.8
- Retail	2,467	2,705	9.6
- Wholesale	310	232	(25.2)
Internet customers	1,348	1,419	5.3
- Broadband	1,151	1,290	12.1
- Non-broadband	197	129	(34.5)
TV customers	1,062	1,105	4.0
International	**4,554**	**3,337**	**(26.7)**
Landline customers	717	1,298	81.0
Mobile customers	3,418	1,538	(55.0)
Internet customers	419	501	19.6
TDC Group	**12,335**	**11,170**	**(9.4)**

The reduction in full-time employee equivalents was effected by natural attrition and redundancy programs implemented during 2006 and 2007. The lower number of full-time employee equivalents in Denmark also resulted from outsourcing, primarily to external IT service providers, partly counteracted by more full-time employee equivalents due to more cable damage corrections. The reduction in international full-time employee equivalents is principally a consequence of the divestment of Bité and redundancies in HTCC and Sunrise, partly counteracted by HTCC's acquisition of Invitel.

With effect from July 1, 2007, TDC changed the organization. TDC's business lines now comprise Business Nordic, Fixnet Nordic, Mobile Nordic, YouSee[2] and Sunrise. Other activities include Bité, HTCC, Headquarters and IT Nordic.

TDC’s main business lines and their contribution to revenue and EBITDA for the year ended December 31, 2007 are:

- Business Nordic (32% of revenue, 29% of EBITDA) provides telecommunications solutions to 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 through TDC Nordic[3]. Business Nordic also provides IP/LAN infrastructure through NetDesign.

- Fixnet Nordic (24% of revenue, 28% of EBITDA) provides landline services to residential, including SoHo customers, and wholesale customers in Denmark. Fixnet Nordic's activities include chiefly landline telephony, convergence products (combined landline and mobile telephony), data communications and internet services, including broadband solutions, and leased lines.

- Mobile Nordic (15% of revenue, 11% of EBITDA) provides mobile services to residential, SoHo and wholesale customers in Denmark. Mobile Nordic's focus areas cover primarily residential activities, which include mobile services and sale of handsets. Mobile Nordic also includes Telmore, which is a service provider that offers mobile telephony services as web-based self-services through Mobile Nordic's network.

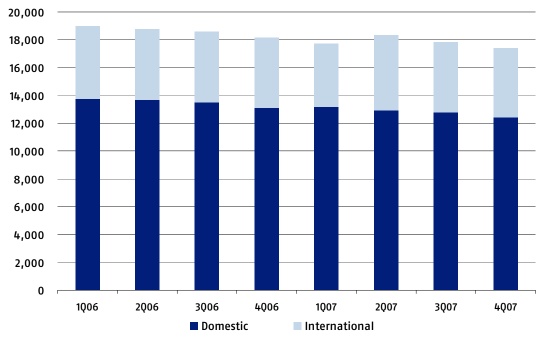
- YouSee (7% of revenue, 6% of EBITDA) is a Danish provider of cable TV, broadband and telephony. YouSee offers its customers triple-play solutions (TV, broadband and telephony in one package), supplies cable TV through a fully digitized hybrid fiber coaxial-cable network and offers analog as well as digital TV.

- Sunrise (22% of revenue, 19% 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 landline backbone, GSM/EDGE and ISP networks, and is further developing and expanding its mobile network based on UMTS/HSDPA technology.

- Other activities include Bité, HTCC, Headquarters and IT Nordic. Bité was divested at the beginning of February 2007. HTCC (Hungarian Telephone and Cable Corp.) is a 64.6% owned subsidiary and as of April 27, 2007, HTCC acquired another Hungarian telecommunications provider, Invitel. HTCC provides landline and data commu-

[2] YouSee is the former TDC Cable TV.

Number of employees
End-of-period



[3] TDC Nordic includes the following companies in Sweden, Norway and Finland: TDC Sverige AB, TDC Dotcom AB, TDC Norge AS and TDC Oy Finland. TDC Nordic was formerly named TDC Song.

nications services in Hungary for retail and wholesale customers. Headquarters and IT Nordic provide internal services for the TDC Group's domestic business lines. TDC also holds a 19.6% stake in the Polish mobile operator Polkomtel (which is in the process of being sold).

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 data communications and internet services, landline telephony, mobile services, leased lines, including fiber access, and sale of terminals and installation.

At year-end 2007, Business Nordic had approximately 1.7m customers, with approximately 1.6m in the domestic market and approximately 0.1m international customers. In 2007, Business Nordic's revenue was DKK 12,419m. At year-end 2007, Business Nordic had 3,808 full-time employee equivalents.

Business areas

Data communications and internet services

Business Nordic's data communications and internet services business consists largely of broadband subscription packages, private IP-based networks and data communications services. In 2007, revenue from data communications and internet services was DKK 3,655m, corresponding to 29% of Business Nordic's revenue. Business Nordic's broadband customer base increased to 337,000 at year-end 2007.

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, which means that they are bundled with the line product.

Competition continued to increase in 2007. As broadband access for businesses is being increasingly seen as a commodity that 'anyone' in the market can provide, power utility companies and small geographically limited companies are also offering low-priced, high-speed broadband.

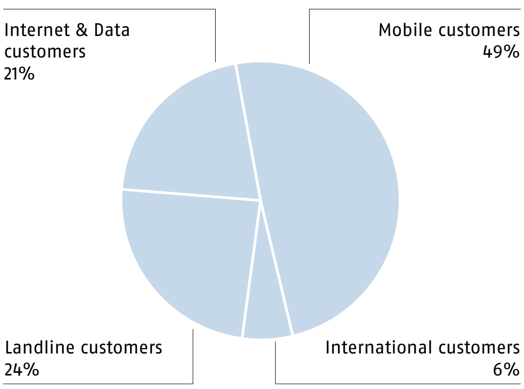
Landline telephony

Business Nordic's landline telephony business consists of traditional landline telephony, convergence products and VoIP. In 2007, revenue from landline telephony was DKK 3,036m, corresponding to 24% of Business Nordic's revenue.

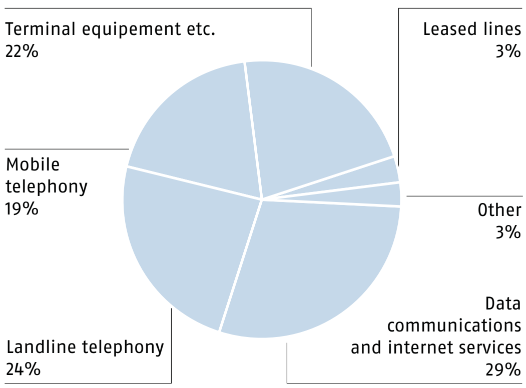
Business Nordic's product portfolio consists principally of the PSTN telephone services and ISDN products and newer products/technologies such as convergence products and VoIP solutions.

The basic PSTN product for business customers is similar to the one offered to residential customers in Fixnet Nordic,

Business Nordic
Customers 2007 (end-of-year)



Business Nordic
Revenue per business area 2007



but is typically sold at discounted rates. 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. VoIP, an IP-telephony product, is also a low-priced solution for business customers.

In 2007, the market for landline voice revenues for both access and traffic continued to decline and this decline is expected to accelerate. VoIP has impressive growth rates, but the total volume is still small compared with the traditional landline products.

Mobile services

Business Nordic's mobile business consists of postpaid mobile customers. In 2007, mobile revenue was DKK 2,347m, corresponding to 19% of Business Nordic's revenue. Mobile voice is a growing market, both in terms of revenue and volume, due to the migration from landline to mobile. However, the prices of mobile termination and roaming moderate 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 access to mail and calendar (PIM) on handheld devices as well as mobile access to internet/intranet via PC cards (for which both bandwidth and coverage are important criteria). Turbo 3G, which is based on HSDPA technology, was therefore clearly in focus in this market.

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 2007, revenue was DKK 2,697m, corresponding to 22% of Business Nordic's revenue.

Customer premises equipment (CPE) is the hardware required to handle telephony and data traffic. TDC Business Centers[4] sell CPE products and services to business customers.

Business Nordic sells two types of CPE, telephony CPE and data CPE. Telephony CPE includes products ranging from large PABX's, which are in-house telephone switching systems for the largest business corporations, to single telephone apparatuses sold to small business customers. Data CPE consists 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 small part of CPE is leased. Business Nordic offers service agreements in conjunction with equipment sales, with agreements made for certain repairs to the equipment within specified time limits.

Leased lines

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 has experienced substantial growth in 2007. Revenue from leased lines was DKK 418m in 2007, corresponding to 3% of Business Nordic's revenue.

TDC Nordic

In 2004, Business Nordic acquired TDC Nordic (formerly TDC Song), a Nordic telecommunications provider with a pan-Nordic network. TDC Nordic offers CPE as well as a wide range of services in data communications, landline telephony and mobile telephony in the Nordic region, with IP-VPN and internet access as its main services.

TDC Nordic aims at being 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 Nordic'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 con-

[4] Outlets targeting business customers.

nected to TDC Nordic's fiber network in the Nordic countries at competitive prices.

Competition

Broadband

Business Nordic has a relatively stable market share of approximately 60% of the Danish business broadband market. As many small and medium-sized companies are buying broadband connections, the number of business broadband connections grew by 11% in 2007.

Business Nordic is the dominant player in the market for employee broadband with approximately 60% of the Danish market. Employee broadband is an employee-paid tax-subsidized broadband connection that is offered by a company to its employees. The growth was nearly 19% in 2007.

The market for fiber-based business broadband access is maturing, and Business Nordic increased its market share in 2007. Power utility companies continued their roll-out of fiber across the country. Despite low penetration in areas covered until now, the power utility companies are expected to continue their deployment of fiber. The introduction of Turbo 3G, a new type of technology for the mobile network, has further expanded the total broadband market.

Landline telephony

In Denmark, Business Nordic has a 84% 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 now also 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 except through the packaging of different combinations of features.

The market for PSTN/ISDN substitutes addressing the business market, i.e. VoIP products, grew in 2007. The market was characterized by several small IP telephony companies that provide single-line products and/or multi-line hosted products especially designed for the small and medium-sized businesses.

Mobile telephony

Business Nordic has a relatively stable market share in Denmark of approximately 56% 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 subscriptions is still showing growth despite high penetration in the business market. The increase in mobile traffic is even bigger, demonstrating the increasing use of mobile telephony as an alternative to landline telephony.

The use of mobile broadband increased in 2007. Up- and download of data via mobile telephones has grown strongly from 2006 to 2007 by almost 400%. Customers have also shown an increasing interest in convergence solutions that link companies' mobile and landline telephony.

Fixnet Nordic

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

At year-end 2007, Fixnet Nordic had approximately 3.1m customers. Fixnet Nordic's largest customer segments are landline and broadband. In 2007, Fixnet Nordic's revenue was DKK 9,357m. Combined, landline telephony and data communications and internet services accounted for 77% of Fixnet Nordics revenue in 2007. At year-end 2007, Fixnet Nordic had 5,768 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 5,352m in 2007, traditional landline telephony represented the largest share of Fixnet Nordic's revenue, corresponding to 57%.

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

To counter migration towards mobile and VoIP, and to meet the market's increased focus on flat-rate products, Fixnet Nordic has in 2004 launched TDC Samtale, a landline telephony flat-rate product. As a continuation of the success of TDC Samtale, Fixnet Nordic launched TDC Samtale Døgn and TDC Samtale Weekend. In 2007, the flat-rate product portfolio was extended to also include packages aimed at sole-proprietor customers. The number of subscribers totaled 383,000 at year-end 2007. Furthermore, TDC Telefoni a PSTN subscription with value-added-services enabling call-forwarding and free subscription with up to 5 mobile subscriptions, was introduced as a way to offset migration.

Duét is a convergence product that bundles landline with a mobile subscription and is offered in several feature packages. Duét can forward calls from landline telephones to mobile phones. In 2007, the Duét customer base increased to 345,000 subscribers.

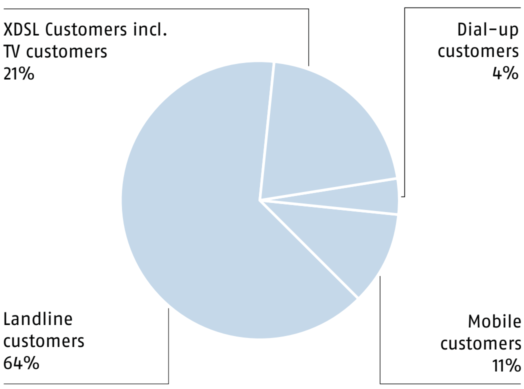
In 2006, Fixnet Nordic launched VoIP for residential customers. VoIP is an IP telephony product that provides voice quality comparable to the PSTN network. Fixnet Nordic's VoIP customer base had increased to 54,000 at year-end 2007.

Data communications and internet services

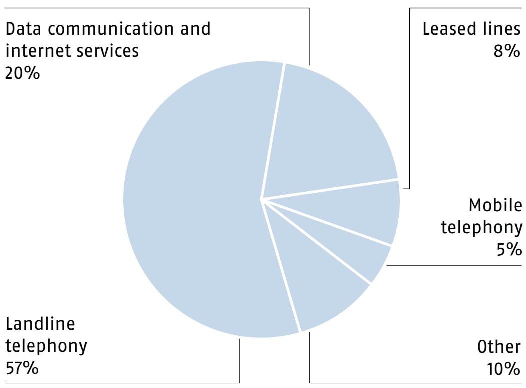
Fixnet Nordic's business activities within data communications and internet services consist chiefly of broadband subscription packages, dial-up solutions and data communications services. In 2007, revenue from data communications and internet services was DKK 1,872m, corresponding to 20% of Fixnet Nordic's revenue. Fixnet Nordic's broadband customer base increased to 510,000 at 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 a downstream bandwidth of 160 kbps and an upstream bandwidth of 128 kbps to a connection with a

Fixnet Nordic
Customers 2007 (end-of-year)



Fixnet Nordic
Revenue per business area 2007



downstream bandwidth of 20 Mbps and an upstream bandwidth of 1024 kbps. 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 product aimed at young people and students, was changed to Broadband City to better match the existing product portfolio. The number of subscribers has grown since its introduction in 2006 and totaled 11,000 at year-end 2007.

Fixnet Nordic launched TDC TV in 2005, which is a digital TV solution through TDC broadband. TDC TV's customer base had increased to 13,000 subscribers at year-end 2007. In October 2007, Fixnet Nordic started a new sales agreement with FONA – one of Denmark's leading electronic retail chains. FONA is the first external TDC sales channel focusing on selling broadband and TDC TV. FONA has broad geographic coverage with 64 outlets.

Leased lines
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 for transporting 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 leased lines was DKK 771m in 2007, corresponding to 8% of Fixnet Nordic's revenue.

Operator services
The operator-services business consists of directory inquiries services. In 2007, revenue from the operator-services business amounted to a total of DKK 326m, corresponding to approximately 3% of total revenue.

Competition
Landline telephony
In the Danish landline business, Fixnet Nordic has a 83% market share of the residential landline 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, resulting in a continuous reduction of end-user prices. 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 except through the packaging of different combinations of features.

The technology that enables VoIP has further intensified competition. Competitors are able to compete with triple-play solutions, offering broadband, TV and VoIP in one package. With the merger in 2007 to one company, TDC can now also offer triple-play solutions, including mobile telephony, in one single solution.

Data and internet services
Fixnet Nordic has a 27% share of the Danish residential broadband market.

Customer migration from dial-up internet to broadband solutions in Denmark continued in 2007. Competition in the broadband market intensified, especially in urban areas where several operators launched new low-priced products with less service and increasing download speeds (20 Mbps). This development was further enhanced by TDC's sale of raw copper and Bitstream access at LRAIC-based prices to competitors.

To counter the increasing competition in the broadband market, in 2007, Fixnet Nordic launched Broadband City 15 Mbps, Double-Up campaigns and other pricing promotions. Fixnet Nordic has launched 50 Mbps broadband in January 2008.

Power 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 until now, the power 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 also 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 online via a self-service website. Telmore is the market leader in Denmark in the online mobile self-service segment.

At year-end 2007, Mobile Nordic had approximately 1.8m customers. In 2007, Mobile Nordic's revenue was DKK 5,906m and Mobile Nordic had 1,262 full-time employee equivalents at year-end 2007.

Business areas

In October 2007, Mobile Nordic changed the name of its portfolio MobilExtra to Max and launched this new postpaid product portfolio with various price plans. The Max product family was introduced for customers with a focus on high usage of either SMS or voice. The products are MaxSms (free SMS and MMS, voice charged per minute), MaxTale (flat-rate voice) and MaxOne (an all-in-one product, voice charged per minute). MobilTid is another major mobile product in the portfolio. MobilTid is a prepaid mobile service package featuring a free subscription. In 2007, a new prepaid mobile service TDC Click was introduced for price-driven online customers.

The Telmore concept is mainly an online-channel product based on no subscription fees, a simple prepaid tariff structure, and an easy-to-use web-based customer interface. The concept focuses on Lean operations and limited marketing budgets. In addition to relatively low prices, customers are offered a wide range of additional options such as automatic payment for additional minutes when a certain limit is reached, Children's Budget[5] and detailed call specification, which can be selected online. At the end of 2007, Telmore had 610,000 customers.

In 2005, data services were launched on the UMTS network, providing access via mobile broadband cards, increased speed and video telephony on 3G phones to both business and residential customers. By the end of 2006, Mobile Nordic's UMTS network covered almost half of the Danish population including the four largest cities in Denmark and selected areas with a high density of business premises. By the end of 2007, 62% of the population had access to UMTS. All 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 are able to surf the internet via Mobile Nordic's UMTS network at speeds considerably faster than the speed on 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.

[5] With Children's Budget, parents can limit the amount their children can spend.

Music is offered via TDC Online music store as a dual-download service for both mobile handsets and PCs. In 2007, 16% of all these music downloads were via mobile handsets.

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

Competition

Mobile Nordic has approximately 38% of the Danish mobile market for residential customers.[6]

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 subscribers. In Denmark, mobile residential customers who buy subsidized handsets have a six-month binding period, which is the maximum fixed subscription period permitted by regulation.

In 2007, the domestic mobile market was further consolidated by Telia buying debitel. The mobile market is now divided into one main operator (TDC) and two secondary operators (Sonofon/Telenor and Telia). The mobile operator 3 holds a position as a minor player in the market. This market also has a characteristically high number of small service providers. The new competitor, BiBoB, en-

[6] The market share includes Fixnet Nordic's Duét product.

tered the mobile market in 2007, with low-priced products and a more aggressive strategy than other telecommunications providers. This might be the beginning of a new price-war on the mobile market.

YouSee

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

At year-end 2007, YouSee had approximately 1.1m cable-TV customers and 309,000 broadband customers. The number of telephony customers was 35,000 at year-end 2007. In 2007, YouSee's revenue was DKK 2,852m, and YouSee had 1,110 full-time employee equivalents at year-end 2007.

In September 2007, TDC Cable TV changed its name to YouSee. This was part of a new strategy to brand YouSee as an independent company focusing on delivering TV, broadband and telephony on its coaxial network.

As of November 1, 2007, YouSee acquired Fredericia Municipality's cable-TV activities – a television provider for approximately 17,000 households.

Business areas

TV

YouSee's core business is TV, and offers analog and digital TV. Analog TV is offered in three standard packages (basic, medium and full) to individual household customers and organized customers, representing 31% and 69% of YouSee's TV business, respectively. Organized customers include antenna and housing associations.

Digital TV is offered as an add-on to the analog TV-packages and requires a set-top box. The digital TV is offered in a large variety of small packages and gives TV viewers the option of HDTV and VoD.

The channels in the cable-TV packages are selected with consideration for customer preferences. YouSee's basic package, with approximately 168,000 customers, contains primarily free channels from the national broadcasting services. The medium package, with approximately 95,000 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 the same channels as the medium package plus some domestic and foreign channels, and has approximately 637,000 customers. Some organized customers, i.e. large antenna associations who represent an additional 192,000 households and housing associations, are agency customers who buy individually customized content packages from YouSee.

YouSee expects to continue the migration of its analog TV packages toward digital packages. Approximately 7.5% of YouSee's TV customers are digital customers and therefore own or lease digital set-top boxes. During 2007, YouSee pushed this development further by introducing more digital services e.g. additional High Definition channels. By the end of 2007, the digital customer base had increased 55% to 82,000.

YouSee has a market-leading 68% share of the cable-TV 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.

Broadband

At year-end 2007, YouSee had 309,000 broadband customers, or 28% of the accessible customers, who are customers with a YouSee's cable-TV subscription. YouSee's broadband products are based primarily on a flat-rate concept, whereby the customer is billed for a fixed monthly subscription with unlimited up- and downloads. Currently, broadband speeds of up to 15 Mbps are offered.

At the beginning of 2008, YouSee introduced a new price structure that makes it more favorable for customers to choose high-speed bandwidths.

Telephony

At year-end 2007, YouSee had 35,000 telephony customers including both VoIP and traditional landline telephony. Since the introduction of VoIP in 2005, YouSee has offered its customers triple-play solutions, including TV, broadband and telephony. At year-end 2007, YouSee had more than 26,000 mainly triple-play VoIP customers. YouSee offers VoIP with Quality of Service which ensures a voice flow of the same quality as PSTN. VoIP is offered as a prepaid, flat-rate product, with management and payments online.

Sunrise

Sunrise offers mobile telephony, landline telephony and internet services. Sunrise generated revenue of DKK 8,842m in 2007 and had 2,036 full-time employee equivalents at year-end 2007.

Sunrise has maintained its position as the second-largest full-range telecommunications provider in the Swiss market, which is characterized by strong competition as well as decreasing mobile and landline prices. Sunrise does not have its own landline access network. In March 2006, the Swiss parliament decided in favor of the liberalization of the access network. Since mid-2007, Swisscom has been required to provide competitors with access to its local loop based on cost-oriented prices and Sunrise began investing in local-loop access in the fourth quarter of 2007. The prices offered by Swisscom have been disputed and a preliminary decision is expected by the end of 2008. At year-end 2007, Sunrise had 2.3m customers. Sunrise's total customer base is relatively stable, with declining traditional landline voice and dial-up services offset by growth in mobile users and broadband.

Business areas

Mobile telephony

Sunrise's mobile telephony revenue was DKK 5,373m in 2007, which was 61% of its total revenue. Sunrise had 1.5m mobile customers at year-end 2007.

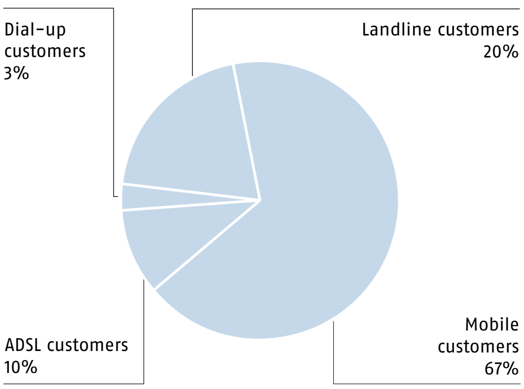
Sunrise's mobile business includes retail and wholesale. The retail business offers postpaid and prepaid services, PC cards and mobile handsets. By the end of 2007, 55% of Sunrise's mobile subscriptions were prepaid.

New logo colors, four clear new brand values (simplicity, honesty, boldness and vitality) and a massive simplification of mobile rate plans mark the beginning of the new Sunrise brand image. Sunrise now offers just three mobile subscriptions and one prepaid offer. The previous basic monthly charge no longer applies – instead, a minimum monthly amount spent is required. A prepaid offer and flat-rate subscription is available for high-volume customers.

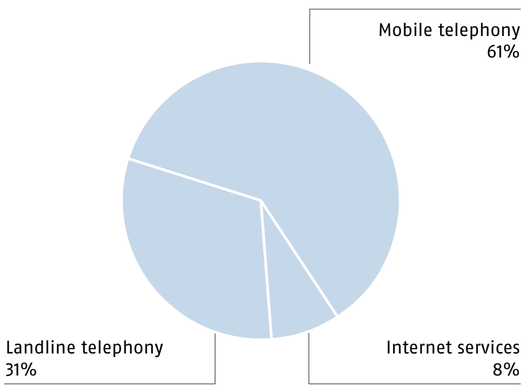
In order to compete with the no-frills packages offered by its competitors', Sunrise has launched the yallo brand in 2005. yallo offers simple and transparent pricing and no subscriptions along the lines of the Telmore concept. Sunrise sells yallo through its direct and indirect distribution channels. yallo offers competitive prices for domestic calls as well as for calls to large parts of Europe. The product therefore targets the rather large community of European foreigners living in Switzerland.

Sunrise also offers a wide portfolio of value-added services and data services, such as the Sunrise live portal, which includes music downloads, games and video te-

Sunrise
Customers 2007 (end-of-year)



Sunrise
Revenue per business area 2007



lephony. In 2006, Sunrise launched a UMTS/HSDPA network. The outdoor population coverage at the end of 2007 was approximately 99% for GSM/EDGE and 70% for UMTS. At the end of 2007, HSDPA was available in all major cities in Switzerland. Sunrise also launched a USB modem, called t@ke away, which allows surfing at an HSDPA speed of 3.6 Mbps.

In the mobile retail and wholesale areas, Sunrise currently has agreements with companies such as Cablecom, Tele2 and Aldi.

Landline telephony
Revenue from landline telephony in Sunrise was DKK 2,745m in 2007. Landline telephony contributed 31% of Sunrise's revenue in 2007. At the end of 2007, Sunrise had 0.5m landline customers.

Sunrise's landline telephony business covers the retail and wholesale markets. Retail voice includes pre-fix and pre-select PSTN plans. By signing a twelve-month contract, customers obtain more favorable terms. The main family of PSTN price plans is called Sunrise Select, and contains a range that includes a charge-by-the-minute plan, a charge-by-the-call plan and a plan with minutes included. Sunrise offers additional options such as discounted international calls or discounted calls within a user group. Business customers also benefit from data solutions such as IP-VPN and leased lines and network-integration solutions 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 2007, the internet-services business contributed DKK 724m in revenue, or 8% of Sunrise's revenue. Sunrise had 0.2m broadband customers and 0.1m dial-up customers at year-end 2007.

Sunrise's internet-services business offers dial-up and two different DSL products. ADSL plus is a flat-rate product with up to 5 Mbps downstream. ADSL Flex is a consumption-based DSL product for which the customer pays a subscription fee that covers a certain amount of megabytes, while additional usage is billed per megabyte.

The growing broadband market in Switzerland is the driver for the continuous DSL customer growth in Sunrise. As access to the local loop on a regulated basis has just started in Switzerland, Sunrise currently resells Swisscom's DSL products with small gross margins and little room for product differentiation other than through pricing. Sunrise began investing in ULL access in fourth quarter 2007 and, as a result, expects margins to grow in future years. Churn in the DSL business was low, but increased as the market began to saturate.

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

Competition
Mobile
Sunrise had a stable market position with a 20% network market share in 2007.

In 2007, the 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. With the simplification of its mobile portfolio and the discontinuation of the basic monthly charge, Sunrise is ready to face this challenge.

Landline
The total market for landline voice traffic in Switzerland declined in 2007 due principally to migration from landline to mobile telephony. As voice products typically consist only of a choice of price plans, there is little room for differentiating Sunrise's products and competitors' products beyond price.

Sunrise's landline business, initially successful with a market share of over 20% in 2002, has experienced a decline in market share to 12%. Reasons are entry of competitors with own access to customers or with a purely low-price strategy as well as lack of unbundling of the local loop, which has hindered Sunrise in offering competitive landline products. However, the introduction of ULL is expected to put Sunrise in a position to provide better prices and product offerings.

Broadband
Sunrise's broadband market share was approximately 10% in 2007 and Sunrise is continuing to migrate its dial-up customer base to DSL. Not all customers who are moving away from dial-up acquire ADSL from Sunrise. This is mainly because Sunrise currently only resells Swisscom's DSL offers. This keeps rates high and bandwidths limited. With the unbundling of the local loop, Sunrise will have the freedom to change this and Sunrise expects to grow its market share with ULL.

Other activities

Other activities include HTCC, Headquarters and IT Nordic. TDC also holds a 19.6% stake in the Polish mobile operator Polkomtel.

HTCC (Hungary)
TDC holds 64.6% of the shares in the Hungarian company, HTCC. HTCC had 1,415 full-time employee equivalents at year-end 2007.

HTCC acquired Invitel in April 2007. The acquisition of Invitel has made HTCC a strong contender with an improved market position in line with the strategy for the Hungarian market. With the acquisition, HTCC holds a 20% market share of the Hungarian landline market. HTCC already had the wholly-owned subsidiaries Hungarotel and PanTel and acquired Tele 2 in Hungary during 2007. HTCC is currently acquiring Memorex, an Austrian-based company and a leading alternative bandwidth provider in Central and Eastern Europe with the largest landline infrastructure in the region.

After the acquisition of Invitel, HTCC rebranded its name in Hungary to Invitel.

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.

HTCC is also a wholesaler providing capacity and transport services on its network 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.

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

IT Nordic delivers IT services to TDC's Nordic business lines. Some of these services have been outsourced in recent years. 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.

Polkomtel (Poland)
TDC has a 19.6% stake in the Polish mobile operator Polkomtel.

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

TDC's network

TDC operates an extensive telecommunications network in Denmark. The backbone network has high-capacity transmission capabilities and is fully digitalized. The access network reaches almost 100% of Denmark's population. In addition, TDC has rolled out a GSM network in Denmark and has been in the process of rolling out a UMTS network in Denmark since 2005. In Switzerland, TDC has its own landline and GSM networks and is currently rolling out a UMTS network. 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 95.5% of the Danish population. TDC can

also deliver up to 8 Mbps and 20 Mbps to 89% and 63% of the households, respectively, and from January 2008, TDC also offers speeds of 50 Mbps.

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

- 19,686 kilometers of fiber cable, which connects all of TDC's central offices and nodes
- wavelength-division multiplex systems to increase capacity per fiber
- SDH platform delivering fixed-capacity connection speeds with bandwidths of up to 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
- 7,447 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 a just-in-time port build-out is employed. As a result, the current customer take-up cannot be sustained without investing in additional port capacity.

The data networks
The data networks in Denmark and the Nordic region include TDC's ATM, Ethernet and IP networks. The ATM network (only in Denmark) is the major platform for aggregated DSL-based broadband-access services delivering a range of data-connection services including frame-relay and ATM services. The ATM network covers Denmark with 137 POPs. The ATM network is gradually 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. Routers are a key component of the reliability of the MPLS-based IP core network, as each POP is supported by two routers in order to prevent interruptions in the flow of traffic on the network. The separated IP cores in the Nordic countries are currently being integrated into a unified Nordic IP core.

The IP network is being extended to a larger number of POPs and provides a range of IP-access services, including dial-up, fixed-capacity leased-line access and ATM-based access. TDC's IP network extends to 161 POPs in Denmark. The IP aggregation networks include DSL networks providing DSL- and SHDSL-based services and IP/Ethernet networks providing up to 1 Gbps Ethernet-access services for the IP network.

Due to rapid data traffic growth, the traffic capacity limits on the ATM DSLAM platform have been reached on certain parts of the network. As a result, TDC is rolling out an IP/Ethernet network, and installs IP DSLAMs for DSL services in all central offices and nodes connected to the local copper loop. The new network enables improved high-speed DSL coverage using remote DSLAMs. TDC has now completed the roll-out covering approximately 900 POPs. The initial remote DSLAMs were implemented in fall 2007, with roll-out escalating from 2008.

Pan-Nordic networks (TDC Nordic)
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 connects fiber directly to the customers. Apart from direct fiber-network connections, TDC Nordic relies on DSL over unbundled copper 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 7,000 kilometers of optical fiber throughout Hungary. HTCC's international network connects access points located in 30 cities across 14 countries. HTCC is currently acquiring Memorex, a leading bandwidth provider in Central and Eastern Europe that owns approximately 12,500 kilometers of optical fiber. This acquisition will enhance HTCC's position as a leading provider of telecommunications services in Central and Eastern Europe.

The mobile network
Mobile Nordic has rolled out GSM 1800 and 900 networks in Denmark. The GSM networks currently consist of 2,255 sites.

In Denmark, 99% of the population and geography is covered by GSM (outdoor) whereas 86% of the population also has GSM indoor coverage. According to industry surveys conducted by a Danish telecommunications research company, 77% of the decision makers in companies believe that Mobile Nordic has the best network. Of the decision makers that are already Mobile Nordic customers 88% believe that Mobile Nordic has the best network in Denmark.

Mobile Nordic is rolling out a UMTS network. The roll-out presently consists of 1,082 sites and provides 62% population coverage. The UMTS network is expected to fulfill the requirements of Mobile Nordic's Danish UMTS license to achieve 80% population coverage at a speed of 12.2 kbps by year-end 2008, with geographic coverage of approximately 13%. Besides the increase in coverage, capacity and offered data speed will continuously be upgraded to match customer expectations.

Mobile Nordic's network includes platforms for voicemail, SMS, WAP, MMS, a platform for content delivery, the mobile portal FLY[7] and an Intelligent Network platform for a large number of services, including prepaid services. Mobile Nordic has bundled its mobile broadband access offer (TDC Mobil Flex Data) with the TDC wireless hotspots in airports, hotels, conference centers, cafés and Statoil petrol stations and rest areas along the main transport roads across Denmark (a broadband add-on module to Flex Data).

High-speed data solutions, e.g. HSDPA have been implemented in the network early in 2008. HSDPA is currently being used as backbone for a trial together with the Danish State Railway Company (DSB), offering internet access in a selection of trains.

The cable network
YouSee has a fully digitalized network operated from one central head-end station in Copenhagen that serves as play-out for the entire network. This head-end station also serves as a basis for TDC's offerings of TVoIP, 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, from where the three standard TV packages are converted into analog transmission. All digital programs are sent digitally via the coaxial networks, and customers need set-top boxes or TV sets with integrated digital cable receivers to receive them. From the hubs to the households, transmission is through a Hybrid Fiber and Coaxial (HFC) network, the majority of which is owned by YouSee. Often, the last few hundred meters of customer premises cable network are owned by landlords or organized customers. In total, YouSee's network covers almost 52% of Danish households.

As with TV transmission, IP traffic terminates via Fixnet Nordic's IP backbone to the same 41 hubs, partly through lines leased from Fixnet Nordic. The network owned by YouSee is completely return-path upgraded. Approximately two-thirds of the customer-owned network is upgraded by YouSee. Coaxial cables offer up to 5 Gbps digital capacity of which 2 Gbps is planned for digital TV and video and 0.5 Gbps is planned for DOCSIS. All modems operate in DOCSIS 1.1 mode but most are ready for DOCSIS 2.0. YouSee is presently rolling out additional downstream capacity using modular CMTS technology in accordance with the DOCSIS 3.0 standard. This will enable new DOCSIS 3.0 modems to provide end-users with at least 100 Mbps in the entire network.

[7] Through the FLY mobile portal, customers can surf on the internet, buy and download music, games, news, ringing tones etc., and watch TV on their mobile phones.

The Swiss network
Sunrise has built and operates its own mobile, 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. Due to legislation requiring Swisscom to provide its competitors with access to its ULL network, Sunrise can obtain direct access to additional end users in Switzerland.

Mobile network
Despite difficult topographical circumstances and stringent environmental obligations, which 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 coverage objective for its UMTS network is to achieve HSDPA indoor service in major cities such as Zurich, Basel, Bern, Lausanne, Geneva, Luzern etc. and then enlarge to less densely populated areas, ultimately covering approximately 56% of the Swiss population.

Landline network
Sunrise's landline network consists of a SDH/DWDM backbone (own fiber-optic network measuring more than 8,100 kilometers), and over 1,900 connected sites including direct connected customers, 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 for residential and business customers. An aggregation network is being built to connect Swisscom local exchanges in the ULL project.

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

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 the daily fault handling or as part of the network performance monitoring. The service and support agreements also include provisions for the service and repair of spare parts. In addition, TDC has agreements with local companies for on-site repairs and spare parts handling.

Sunrise's central network operations center monitors the entire Sunrise network and performs fault management procedures. Sunrise has a field crew that operates at 11 locations and performs first-line and preventive maintenance and implements site safety and security.

Billing, IT and procurement

Billing
Domestic
Through its Corporate Billing division, 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 loyalty among customers are ensured by developing the billing processes and ensuring that bills are delivered with correct amounts, frequency, layout and language.

Corporate Billing produced and distributed approximately 20m invoices and call specifications in 2007. 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 2007, 3.7% of all bills were distributed electronically.

International
Sunrise
Sunrise produces and distributes approximately 800,000 invoices monthly, 94% to residential customers and 6% to business and wholesale customers and dealers. All services can be included in one invoice. The payment methods are "over the counter" payments at post offices (approximately 50%) and electronic payments (approximately

50%). Sunrise has launched electronic billing and payment for its residential customers.

TDC Nordic
In TDC Nordic, each company is individually responsible for billing all its customers, retail as well as wholesale. Support and maintenance is managed by IT Nordic.

IT
IT Nordic is the overall IT unit in TDC and delivers IT services to TDC's Nordic business lines. In the last couple of years, all operations and a part of system development and maintenance have been outsourced, including development and maintenance of Enterprise Resource Planning (ERP) applications, user support and desktop management. IT Nordic is responsible for developing and maintaining IT systems, systems operation and desktop support and product development. In 2007, TDC decided to plan for a replacement of vital parts of the Nordic Enterprise Architecture to lower costs, decrease the product delivery time and improve the customer intimacy.

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 early in 2008. An HSDPA backbone network is currently being used in a trial with the Danish State Railway Company (DSB) to develop a system that provides internet access through Public Hotspots (WLAN) in a selection of railway trains. TDC also participates in international programs, including standardization efforts, and cooperates with independent research organizations.

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

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

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

In 2007, TDC completed a sale and leaseback project and sold some of its properties, mainly administrative buildings and exchange buildings on August 15, 2007 at a price of DKK 4.1bn.

As the headquarters will be relocating to Teglholmen in 2009, the lease agreement for Nørregade 21, Copenhagen, was terminated in 2007.

The total portfolio of TDC's domestic properties consisted of approximately 913,700 gross square meters as of December 31, 2007, of which approximately 9% was owned by TDC and approximately 91% was leased. Compared with 2006, TDC now leases twice as many gross square meters, largely as a result of the sale and leaseback project. As of December 31, 2007, telecommunications installations (exchanges and base stations) accounted for 36% of TDC's total square meters, and other installations comprised 5% of its total property, plant and equipment.

Employees

Overview
TDC focuses on training its employees, and employee satisfaction is monitored in a yearly employee survey. The

employee satisfaction survey engages TDC's employees in dialog to identify ways to improve work environment processes and goal setting.

TDC has a number of incentive programs that are described in the Financial Statements section (cf. note 6 regarding wages, salaries and pension costs).

TDC has implemented a number of general domestic redundancy programs in recent years. A program to reduce positions chiefly in TDC's staff functions was initiated in 2006 and implemented in the first half of 2007. The program caused a closure of vacant positions, relocation of employees to front-office jobs and employee layoffs. At the start of the second quarter of 2007, a program was initiated with the purpose of further reducing the workforce, in 2007 and 2008, regarding primarily employees in back-office functions in Fixnet Nordic and Business Nordic.

Unions

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

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

TDC has entered into Truce Agreements, collective agreements with the Danish Metal Workers Union, the Association of Managers and Employees in Special Positions of Trust in TDC, and the Danish Confederation of Professional Associations (collectively, the Truce Agreement Unions). TDC has thus 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 the assumptions behind the agreements lapse or change.

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

Pension schemes

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

The pension terms of employees who are former civil servants are similar to those that apply to government civil servants under the Danish Civil Servants Plan. When joining TDC, they retained their right to a civil-service pension in accordance with the Danish Act on Pensions for Civil Servants. Employees who are former civil servants also retain their right to special severance pay in the amount of three years' salary (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 (standoff pay).

The table shows the number of employees (head count) participating in each of TDC's pension plans as of December 31, 2007[8].

[8] The figures cover TDC A/S and YouSee A/S. The figures represent headcounts and not full-time employee equivalents. The following employees are included: Permanent employees and temporary employees except employees on leave, expatriates and employees who are included in a redundancy plan.

Contract types / Collective agreements	Ordinary pension plans	TDC pension fund members (civil servants)	Former government civil servants	Total
AC	1,562	6	2	1,570
Dansk Metal	4,300	2,502	467	7,269
LTD	1,022	488	107	1,617
Other or no collective agreement	334	8	2	344
Total	**7,218**	**3,004**	**578**	**10,800**

Outlook

By their very nature, forward-looking statements involve certain risks and uncertainties that are described in more detail in the section on risk factors and the Safe Harbor Statement.

NTCH expects net income from continuing operations, excluding special items and fair value adjustments, to increase compared with 2007.

Management's Discussion and Analysis of Financial Statements

Key financial data — DKKm

	NTCH Group			TDC full-year basis		
	2006	2007	Growth in % 2007 vs. 2006	2006	2007	Growth in % 2007 vs. 2006
Revenue	**36,622**	**39,321**	**7.4**	**39,941**	**39,321**	**(1.6)**
Transmission costs and cost of goods sold	(11,600)	(12,326)	(6.3)	(12,625)	(12,326)	2.4
Other external expenses	(6,940)	(7,729)	(11.4)	(7,473)	(7,640)	(2.2)
Wages, salaries and pension costs	(6,633)	(7,101)	(7.1)	(7,209)	(7,141)	0.9
Total operating expenses before depreciation etc.	(25,173)	(27,156)	(7.9)	(27,307)	(27,107)	0.7
Other income and expenses	233	262	12.4	357	284	(20.4)
Income before depreciation, amortization and special items (EBITDA)	**11,682**	**12,427**	**6.4**	**12,991**	**12,498**	**(3.8)**
Depreciation, amortization and impairment losses	(10,634)	(8,085)	24.0	(6,491)	(6,227)	4.1
Operating income (EBIT), excl. special items	1,048	4,342	-	6,500	6,271	(3.5)
Special items	(489)	506	-	(312)	1,809	-
Operating income (EBIT), incl. special items	559	4,848	-	6,188	8,080	30.6
Income from associates and joint ventures	200	266	33.0	449	1,401	-
- of which special items	10	(76)	-	10	859	-
Net financials	(4,518)	(4,500)	0.4	(2,723)	(3,396)	(24.7)
Income before income taxes	(3,759)	614	116.3	3,914	6,085	55.5
Income taxes	1,105	536	(51.5)	(858)	(1,431)	(66.8)
Net income from continuing operations	(2,654)	1,150	143.3	3,056	4,654	52.3
Net income from discontinued operations	33	1,406	-	387	3,513	-
- of which special items related to discontinued operations	(4)	1,304	-	(5)	3,258	-
Net income	**(2,621)**	**2,556**	**197.5**	**3,443**	**8,167**	**137.2**
Attributable to:						
Shareholders of the Parent Company	(2,562)	2,360	192.1	3,446	8,409	144.0
Minority interests	(59)	196	-	(3)	(242)	-
Net income excl. special items and fair value adjustments [1]	**(2,534)**	**661**	**126.1**	**3,362**	**2,988**	**(11.1)**
EBITDA margin in %	31.9%	31.6%	-	32.5%	31.8%	-
Capital expenditures excl. share acquisitions	4,895	5,207	(6.4)	5,256	5,207	0.9
Capex excl. share acquisitions-to-revenue ratio %	13.4%	13.2%	-	13.2%	13.2%	-
Net interest-bearing debt	(69,772)	(55,652)		(55,221)	(41,400)	
Cash flow from operating activities	7,076	9,261	30.9	10,141	9,938	(2.0)

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

The NTCH Group[9]

As TDC was acquired by Nordic Telephone Company ApS (NTC ApS, a subsidiary of NTCH) as of February 1, 2006, the 2006 figures for NTCH do not include the operations of TDC for the full year 2006, but only for February 1, 2006 to December 31, 2006. Consequently, the figures for NTCH for 2006 include eleven months of TDC operations as well as twelve months of administrative expenses and interest expenses in NTC ApS and Nordic Telephone Company Holding ApS (NTCH ApS).

The acquisition of TDC has resulted in a number of accounting adjustments to NTCH's financial statements, including purchase price allocation adjustments that have increased consolidated non-cash expenses.

In the following sections, the development from 2006 to 2007 and 2005 to 2006 is presented in separate sections.

[9] Talkline was divested as of July 2007, and has been classified as a discontinued operation.

The NTCH Group 2006-2007

Revenue

NTCH's revenue amounted to DKK 39,321m compared with 36,622 in 2006. On a full-year basis[10] revenue was down DKK 620m or 1.6% compared with 2006. This reflects mainly declining domestic revenue from traditional landline telephony as a consequence of the migration toward mobile telephony and to some extent VoIP products as well as lower revenue from Sunrise stemming from a lower exchange rate. However, in local currency, revenue in Sunrise was unchanged. The divestment of Bité also had a negative impact on revenue. The decrease was partly counterbalanced by growth in the cable-TV and broadband business due chiefly to an increased customer base. In addition, revenue was positively impacted by growth in the business segment related to higher revenue from mobile services and data communications and internet services, also due to a larger customer base. The acquisition of the Hungarian landline operator, Invitel, by HTCC also had a positive impact on revenue. Adjusted for acquired and divested enterprises[11], on a full-year basis, TDC's revenue decreased by 0.9%.

[10] In the remainder of the Annual Report, 'On a full-year basis' refers to figures for the TDC Group on a stand alone basis, as previously reported by TDC.
[11] Developments from 2006 to 2007 were impacted by the following changes in ownership shares: Divestment of Contactel (February 2006), divestment of Bité (February 2007) and HTCC's acquisition of Invitel (April 2007). In the remainder of the Annual Report, 'adjusted for acquired and divested companies' refers to reported figures for the TDC Group adjusted for these acquisitions and divestments.

Revenue **DKKm**

	NTCH Group			TDC full-year basis		
	2006	2007	Growth in % 2007 vs. 2006	2006	2007	Growth in % 2007 vs. 2006
Business Nordic	11,248	12,419	10.4	12,270	12,419	1.2
Fixnet Nordic	8,854	9,357	5.7	9,723	9,357	(3.8)
Mobile Nordic	5,527	5,906	6.9	5,980	5,906	(1.2)
YouSee	2,266	2,852	25.9	2,458	2,852	16.0
Sunrise	8,480	8,842	4.3	9,252	8,842	(4.4)
Other activities[1]	247	(55)	(122.3)	258	(55)	(121.3)
TDC Group	**36,622**	**39,321**	**7.4**	**39,941**	**39,321**	**(1.6)**

[1] Includes IT Nordic, enterprises outside the Nordic region and Switzerland, Headquarters and eliminations.

Transmission costs and cost of goods sold

Transmission costs and costs of goods sold amounted to DKK 12,326m compared with DKK 11,600m in 2006. On a full-year basis transmission costs and costs of goods sold was down by DKK 299m or 2.4% compared with 2006. Transmission costs and cost of goods sold were positively impacted primarily by the divestment of Bité and by lower domestic landline traffic and reduced sales of data CPE by TDC Shop. This was partly offset by YouSee due largely to higher program costs as a result of the larger customer base. The acquisition of Invitel also had a negative impact on transmission costs and cost of on a full-year basis, goods sold. Adjusted for acquired and divested enterprises, transmission costs and cost of goods sold decreased by 0.4%.

Other external expenses

Other external expenses amounted to DKK 7,729m in 2007 compared with DKK 6,940m in 2006. On a full-year basis other external expenses rose DKK 167m or 2.2% on 2006 reflecting principally the acquisition of Invitel, higher costs due to outsourcing of IT services, higher lease payments due to sale and leaseback of properties in 2007, higher consultancy fees that comprised various strategic projects, higher costs for contractors due to more cable damage and higher customer acquisition costs. This was partly counteracted by the divestment of Bité. Adjusted for acquired and divested enterprises, on a full-year basis, other external expenses increased by 7.1%.

Wages, salaries and pension costs

Wages, salaries and pension costs amounted to DKK 7,101m compared with 6,633 in 2006. On a full-year basis wages, salaries and pension costs declined DKK 68m or 0.9% on 2006. The decrease reflected primarily lower wages and salaries due to fewer employees. In 2007, the domestic redundancy programs[12] resulted in a reduction of 345 full-time employee equivalents for the TDC Group, comprising mainly Fixnet Nordic, Business Nordic and Headquarters. Outsourcing of IT to CSC also contributed positively due to a reduction of 122 full-time employee equivalents. In Sunrise, a decline in basic wages and salaries was driven mainly by a reduction of 120 full-time employee equivalents due to redundancy programs. The divestment of Bité also had a positive impact. This was partly counteracted by severance payments[13] in Headquarters and Fixnet Nordic, more full-time employee equivalents in Mobile Nordic and the acquisition of Invitel. Adjusted for acquired and divested enterprises, on a full-year basis, wages, salaries and pension costs decreased by 2.9%.

Income before depreciation, amortization and special items (EBITDA)

EBITDA amounted to DKK 12,427 compared with DKK 11,682 in 2006. On a full-year basis EBITDA decreased by DKK 493m or 3.8%. This was caused primarily by negative growth in Fixnet Nordic's EBITDA with a decrease of DKK 443m or 11.1% resulting chiefly from lower gross profit from traditional landline telephony and higher costs regarding increased installation and cable damage. EBITDA in Sunrise decreased DKK 209m or 8.2% due largely to lower exchange rate. Furthermore, EBITDA in Mobile Nordic decreased DKK 42m or 3.0% due primarily to lower

[12] Redundancies implemented in 2007 related to the domestic programs announced in 2006 and as well as a program initiated in May 2007, aimed at reducing the back-office staff functions in Fixnet Nordic, Business Nordic and Headquarters.

[13] Severance payments regarding individuals are included in Wages, salaries and pension costs, whereas severance payments regarding redundancy programs are included in Special items.

gross profit from roaming-in traffic, higher customer acquisition costs and higher wages and salaries. The negative growth was partly counterbalanced by increased EBITDA of DKK 192m or 5.5% in Business Nordic that related principally to higher gross profit from mobile services, data communications and internet services and fiber access. EBITDA in YouSee increased DKK 155m or 25.1% reflecting primarily more customers on analog TV and broadband. The acquisition of Invitel more than offsets the divestment of Bité. Adjusted for acquired and divested enterprises, on a full-year basis, the decrease was 5.0%.

Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses decreased to DKK 8,085m compared with DKK 10,634m in 2006. This was caused primarily by lower depreciation of property, plant and equipment and software due to assets fully depreciated in early 2007 as well as lower amortization of customer relationships due to the diminishing balance method. The decrease was partly counterbalanced by higher write-downs of intangible assets in 2007, primarily related to the write-down of the TDC Cable TV brand due to the replacement by the YouSee brand as well as the write-down of mobile wholesale customer relationships.

Depreciation, amortization and impairment losses included amortization of DKK 2,378m related to customer relationships and brands in 2007 compared with DKK 2,743m in 2006.

The customer relationships of TDC and the TDC brand and other brands used by TDC companies were recognized as separate assets as part of the purchase price allocation performed in connection with the acquisition of TDC. The customer relationships are amortized over the estimated useful lives of such relationships. Brands with finite useful lives are amortized over the useful lives of such brands. The useful life of the TDC brand and other TDC related brands are deemed indefinite and consequently, NTCH does not amortize the value of these brands.

Furthermore, the recognition of property, plant and equipment at fair value in connection with the acquisition of TDC implied higher depreciation compared with the corresponding depreciation of the assets based on historical costs according to TDC's consolidated financial statements.

Special items

Special items include significant amounts that cannot be attributed to normal operations such as large gains and

EBITDA **DKKm**

	NTCH Group			TDC full-year basis		
	2006	2007	Growth in % 2007 vs. 2006	2006	2007	Growth in % 2007 vs. 2006
Business Nordic	3,187	3,688	15.7	3,492	3,684	5.5
Fixnet Nordic	3,621	3,547	(2.0)	3,990	3,547	(11.1)
Mobile Nordic	1,301	1,368	5.1	1,409	1,367	(3.0)
YouSee	572	772	35.0	617	772	25.1
Sunrise	2,357	2,363	0.3	2,559	2,350	(8.2)
Other activities[1]	644	689	7.0	924	778	(15.8)
TDC Group	**11,682**	**12,427**	**6.4**	**12,991**	**12,498**	**(3.8)**

[1] Includes IT Nordic, enterprises outside the Nordic region and Switzerland, Headquarters and eliminations.

losses related to divestment of subsidiaries, special write-downs for impairment and costs for restructuring etc. Items of a similar nature for the non-consolidated enterprises are recognized under income from associates and joint ventures as well as net income from discontinued operations.

In 2007, special items before and after tax amounted to DKK 506m and DKK 708m, respectively. Special items before tax comprised primarily a gain from divestment of enterprises and properties amounting to DKK 918m consisting of divestment of properties and Bité. This was partly counterbalanced by restructuring costs of DKK (443)m, related largely to redundancy programs in the Nordic business and costs regarding discontinued use of sea cables,

In 2006, special items amounted to DKK (489)m before tax and DKK (189)m after tax. Special items before tax comprised principally restructuring costs amounting to DKK (1,380)m partly counterbalanced by income of DKK 995m related to a retroactive reduction of the landline network interconnect rates for 2000-2005 for Sunrise.

Income from associates and joint ventures

Income after income taxes from associates and joint ventures amounted to DKK 266m in 2007 compared with DKK 200m in 2006, up DKK 66m. The increase related mainly to income from Polkomtel, partly offset by loss of goodwill related to the divestment of One in 2007.

Net financials

Net financials, including fair value adjustments, amounted to DKK (4,500)m in 2007, a decrease of DKK 18m compared with 2006. Financial expenses, net, excluding fair value adjustments, amounted to an expense of DKK 4,564m in 2007, a decrease of DKK 92m compared with 2006.

This development reflects mainly initial costs regarding long term debt due to the changed capital structure in 2006 as well as increased interest expenses due to HTCC's acquisition of Invitel. This was partly offset by the full year effect of TDC in 2007 and the development of foreign currency adjustments, which were positive in 2007 and negative in 2006.

In 2007, fair value adjustments totaled an income of DKK 64m compared with an income of DKK 138m in 2006. Fair value adjustments in 2007 reflected primarily value adjustment of financial assets, whereas fair value adjustments in 2006 reflected primarily value adjustments of derivative financial instruments.

Income taxes

Income taxes amounted to an income of DKK 536m in 2007 compared with an income of DKK 1,105m.

Income taxes related to net income, excluding special items and fair value adjustments amounted to an income of DKK 439m in 2007 compared with DKK 839m in 2006.

Special items DKKm

NTCH Group	2006	2007
Gain from divestment of enterprises and properties	19	918
Income from rulings	995	166
Impairment losses and adjustment of goodwill	(123)	(135)
Restructuring costs etc.	(1,380)	(443)
Special items before income taxes[1]	**(489)**	**506**
Income taxes related to special items	300	202
Special items after income taxes[1]	**(189)**	**708**

[1] In excess of the special items above, net income from discontinued operations included gains of DKK 1,297m after tax from the divestment of Talkline in 2007. Furthermore, an adjustment regarding the divestment of TDC Directories of DKK 7m was included in net income from discontinued operations in 2007. A DKK (76)m write-down of goodwill related to One was included in income from associates in 2007. In 2006, an adjustment of a DKK 10m gain after tax from the sale of Belgacom was included in results from associates.

The effective tax rate, excluding special items and fair value adjustments was (365.8)% in 2007 compared with 24.5% in 2006. In total, the development was positively impacted by the changed Danish tax legislation. On an ongoing basis, the changed tax legislation will have a negative impact due to the limitation on the tax deductibility of interest expenses, which will be only partly offset by the reduction of the corporate income tax rate from 28% to 25%. However, in 2007 a non-recurrent positive impact on deferred taxes resulted from the lower corporate tax rate.

Income taxes relating to special items amounted to an income of DKK 202m in 2007 compared with an income of DKK 300m in 2006. Income taxes relating to fair value adjustments amounted to DKK 105m in 2007 compared with DKK 34m in 2006.

Net income from discontinued operations

In 2007, net income from discontinued operations amounted to DKK 1,406m, compared with DKK 33m in 2006. The increase was due largely to a gain of DKK 1,297m from divestment of Talkline in 2007.

Net income

Net income, including special items and fair value adjustments, amounted to DKK 2,556m compared with a net loss of DKK 2,621m in 2007. The increase related mainly to lower depreciation, amortization and impairment losses, the gain from divestment of Talkline, Bité and properties in 2007 as well a restructuring costs related to the refinancing in 2006.

Net income, excluding special items and fair value adjustments, amounted to DKK 661m compared with a net loss of DKK 2,534m.

Balance Sheets

Total assets amounted to DKK 105,142m at year-end 2007, down DKK 8,432m compared with year-end 2006. The decrease during 2007 was due chiefly to lower receivables and lower intangible assets. This was partly counteracted by an increase in cash.

Equity aggregated DKK 16,752m at year-end 2007, up DKK 2,224m compared with year-end 2006. The increase in equity during 2007 was due largely to net income of DKK 2,556m in 2007. This was counterbalanced by currency translation adjustments of foreign enterprises, net of hedging and tax, DKK 336m.

Total liabilities amounted to DKK 88,390m, down by DKK 10,656m compared with year-end 2006. The decrease in liabilities during 2007 was due primarily to lower loans. This was partly counteracted by increased income tax payables.

Net interest-bearing debt

Net interest-bearing debt totaled DKK 55,652m at year-end 2007, down DKK 14,120m compared with 2006. The decrease in net interest-bearing debt was due mainly to cash flow from operating activities and the proceeds from the divestment of Talkline, Bité and One as well as sale and leaseback of properties. The acquisition of Invitel[14] and interest payments on long-term debt had a negative influence on the development in net interest-bearing debt.

The Senior Facilities Agreement (SFA) is the main debt-financing instrument in NTCH, representing 54.4% 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 a bullet in 2014 and 2015, respectively (Facilities B and C).

During 2007, the drawings (nominal values) under the SFA were reduced by DKK 12,222m (EUR 1,638m) including mandatory prepayments stemming from disposals of certain assets.

[14] Debt in Invitel is included in Other loans.

During the third quarter of 2007 and the beginning of fourth quarter of 2007, TDC bought back SFA loans of DKK 3,634m (EUR 487m), of which DKK 1,425m (EUR 191m) was settled in the fourth quarter of 2007 and DKK 2,207m (EUR 296m) are expected to be settled in the first quarter of 2008. At year-end 2007 the following amounts (nominal values) drawn in euro were outstanding under the SFA: Facility A: DKK 7,244m (EUR 971m), Facility B: DKK 12,827m (EUR 1,719m) and Facility C: DKK 15,521m (EUR 2,080m). Adjusted for the buy-backs of DKK 2,207m (EUR 296m) to be settled in the first quarter of 2008 the following amounts were outstanding: Facility A: DKK 7,037m (EUR 943m), Facility B: DKK 11,894m (EUR 1,594m) and Facility C: DKK 14,454m (EUR 1,937m).

The high-yield bond (HYB) is the secondary debt-financing instrument in NTCH, representing 22.4% of total loans (in terms of net carrying value). The HYB comprises a one term loan repayable in one installment in 2016.

Capital expenditures

Capital expenditures, including share acquisitions, amounted to DKK 5,850m compared with DKK 5,234m in 2006. On a full-year basis capital expenditures, including share acquisitions, were up DKK 255m. The increase stemmed mainly from the acquisition of Invitel by HTCC in 2007.

Capital expenditures, excluding share acquisitions, amounted to DKK 5,207m in 2007 compared with DKK 4,895m in 2006. On a full-year basis capital expenditures, excluding share acquisitions, were down DKK 49m compared with 2006. The reduction stemmed mainly from divestment of Bité, outsourcing of IT infrastructure and in Sunrise, lower GSM and EDGE network investments and a lower exchange rate. This was partly counteracted by the acquisition of Invitel and increased investments in principally the domestic GSM and UMTS networks and capital leases of property and PCs for TDC's employees.

The capex-to-revenue ratio was 13.2% in both 2006 and 2007 on a full-year basis.

Statements of Cash Flow

Cash flow from operating activities amounted to DKK 9,261m in 2007, an increase of DKK 2,185m compared with 2006. This increase was due mainly to the full year effect of TDC in 2007 as well as higher net interest paid in 2007 compared with 2006 counterbalanced by an improvement in the development in working capital, a positive development in cash flow from special items, taxes paid and higher realized currency adjustments in 2007 compared with 2006.

Cash flow from investing activities totaled DKK 7,886m in

Net interest-bearing debt [1] — DKKm

NTCH Group	2006	2007
Senior Facilities	46.754	34.922
High yield bond	14.704	14.379
Euro Medium Term Notes (EMTN)	9.670	9.632
Other loans	2.460	5.259
Loans	**73.588**	**64.192**
Interest-bearing payables	5	3
Gross interest-bearing debt	**73.593**	**64.195**
Interest-bearing receivables	(78)	(69)
Cash	(3.743)	(8.474)
Net interest-bearing debt	**69.772**	**55.652**

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

2007 compared with DKK (48,875)m in 2006. The development was driven largely by the investment in TDC in 2006 partly offset by the sale and leaseback of properties, the divestment of Talkline, Bité and One in 2007 and the sale of marketable securities in 2006.

Cash flow from financing activities totaled DKK (12,416)m in 2007 compared with DKK 45,539m in 2006. The positive development was driven mainly by the change in the capital structure in 2006.

NTCH's cash and cash equivalents increased from DKK 3,743m at year-end 2006 to DKK 8,474m at year-end 2007.

The NTCH Group 2005–2006

NTCH ApS was established on November 11, 2005, to run a finance company and investing business and to hold shares in and thereto related enterprises. As of February 1, 2006, NTC ApS acquired 88.2% of the shares in TDC A/S.

Accordingly, it is only to a limited extent possible to conduct a meaningful comparison of 2006 with 2005 for NTCH.

We refer to "Selected financial and operational data" on page 6.

Income before depreciation, amortization and special items (EBITDA)

EBITDA amounted to DKK 11,682m in 2006. Of this, EBITDA of DKK 11,784m stems from TDC. The remaining DKK 104m is attributable primarily to fees to lawyers, auditors, etc. in relation to the change of ownership of TDC as well as charges for administration and management by the direct and indirect principal shareholders of NTCH[15].

EBITDA amounted to DKK 0m in 2005.

Net financials

Net financials amounted to an expense of DKK 4,518m in 2006, and comprised primarily interest expenses including amortization of borrowing expenses with effect from January 30, 2006, relating to the Senior Facilities, the Bridge Facility, high-yield bonds and Euro medium-term notes (EMTN). During March and April 2006, EMTN debt was partly replaced by Senior Facilities, and May 3, 2006, the Bridge Facility was replaced by high-yield bonds.

Net financials amounted to an expense of DKK 40m in 2005.

Net loss

The net loss amounted to DKK 2,621m in 2006, negatively impacted by net financial expenses and amortization of customer relationships and brands, as well as depreciation of property plant and equipment.

The net loss amounted to DKK 40m in 2005.

Statements of Cash flow

The cash flow in 2006 resulted in a net inflow of DKK 3,740m.

Cash flow from operating activities was a net inflow of DKK 7,076m, related primarily to EBITDA of DKK 11,682m partly offset by net interests paid, DKK (3,807)m.

Cash flow from investing activities was a net outflow of DKK 48,805m, driven primarily by the investment of DKK 46,729m in TDC.

Cash flow from financing activities was a net inflow of DKK 45,539m, driven primarily by proceeds from long-term loans of DKK 109,210m, related primarily to Senior Facilities, the Bridge Facility and high-yield bonds. The proceeds were partly offset by repayment of long-term debt of DKK 66,830m, related primarily to partial redemption of Senior Facilities and Euro Medium Term Notes (EMTN) as well as redemption of the Bridge Facility.

The cash flow in 2005 resulted in a net inflow of DKK 3m, related primarily to capital increase of DKK 7,668m, partly offset by investment in marketable securities, DKK (7,627)m.

[15] The direct and indirect principal shareholder of NTCH includes the ultimate Danish parent company NTCI and Angel Lux Common S.a.r.l., a company resident in Luxembourg, indirectly held by a group of investment funds each of which is advised or managed by Apax, Blackstone, KKR, Permira or Providence. For more details on shareholders see "Shareholder Information".

Business Nordic

As TDC was acquired by Nordic Telephone Company ApS (NTC ApS) as of February 1, 2006, the 2006 figures for NTCH do not include the operations of Business Nordic for the full year 2006, but only for February 1, 2006 to December 31, 2006. In order to conduct a meaningful comparison of 2007 with 2006 for the business lines, the following review is based on figures for 2006 on a full-year basis[16].

In 2007, Business Nordic's revenue and EBITDA were DKK 12,419m and DKK 3,684m respectively, compared with DKK 12,270m and DKK 3,492m in 2006. The EBITDA margin was 29.7% in 2007 compared with 28.5% in 2006.

At year-end 2007, Business Nordic had 3,808 full-time employee equivalents compared with 3,965 in 2006 and 1.7m customers against 1.5m in 2006.

[16] In this Annual Report, 'On a full-year basis' refers to figures for the TDC Group on a stand alone basis, as previously reported by TDC.

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

		NTCH Group			TDC full-year basis		
Business Nordic		**2006**	**2007**	**Growth in % 2007 vs. 2006**	**2006**	**2007**	**Growth in % 2007 vs. 2006**
	DKKm						
Revenue		**11,248**	**12,419**	**10.4**	**12,270**	**12,419**	**1.2**
Transmission costs and cost of goods sold		(4,791)	(5,141)	(7.3)	(5,207)	(5,141)	1.3
Other external expenses		(1,487)	(1,661)	(11.7)	(1,629)	(1,661)	(2.0)
Wages, salaries and pension costs		(1,826)	(2,016)	(10.4)	(1,987)	(2,016)	(1.5)
Total operating expenses before depreciation etc.		**(8,104)**	**(8,818)**	**(8.8)**	**(8,823)**	**(8,818)**	**0.1**
Other income and expenses		43	87	102.3	45	83	84.4
Income before depreciation, amortization and special items (EBITDA)		**3,187**	**3,688**	**15.7**	**3,492**	**3,684**	**5.5**
Key financial ratios							
EBITDA margin [1]	%	28.3	29.7	-	28.5	29.7	-
Subscriber base (end-of-year)	(1,000)						
Landline customers		430	405	(5.8)	430	405	(5.8)
Internet customers		304	342	12.5	304	342	12.5
Mobile customers		664	818	23.2	664	818	23.2
International customers		80	94	17.5	80	94	17.5
Subscriber base, total		**1,478**	**1,659**	**12.2**	**1,478**	**1,659**	**12.2**
Number of employees [2]		**3,965**	**3,808**	**(4.0)**	**3,965**	**3,808**	**(4.0)**

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

Revenue

Business Nordic's revenue increased DKK 149m or 1.2% to DKK 12,419m in 2007. This revenue increase was driven mainly by growth in mobile telephony, data communications and internet services as well as fiber access. This was countered by declining revenue from traditional landline telephony and lower mobile termination fees and roaming prices.

Data communications and internet services

This business area includes largely broadband solutions, private IP-based networks and data communications services. In 2007, revenue from data communications and internet services rose by DKK 121m or 3.4% to DKK 3,655m. This can be attributed to a 12.5% increase in the number of domestic customers combined with growth in the Nordic internet access and IP-VPN customer base.

Landline telephony

This business area covers primarily traditional landline telephony, including PSTN and ISDN products, as well as convergence products and VoIP solutions. In 2007, revenue from landline telephony decreased by DKK 206m or 6.4% to DKK 3,036m. The decline was driven mainly by a 5.8% decreasing customer base with a lower usage due to the general market trend for traffic to migrate to the mobile networks and IP telephony.

Mobile telephony

Revenue from mobile telephony grew by DKK 133m or 6.0% to DKK 2,347m driven by a 23.2% domestic customer base increase, including a strong growth contribution from 3G data card subscriptions. This was partly counteracted by lower mobile termination fees and lower roaming prices.

Leased lines

Revenue from leased lines amounted to DKK 418m up DKK 63m or 17.7% reflecting mainly increased sales of fiber access.

Terminal equipment etc.

Revenue from terminal equipment was down by DKK 14m or 0.5% to DKK 2,697m. The decrease reflects lower sales of data and tele CPE in the Danish operations counterbalanced by growth in TDC Nordic.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to DKK 5,141m in 2007, down DKK 66m or 1.3% compared with 2006. The decrease stemmed mainly from lower domestic landline traffic and was partly counteracted by higher transmission costs due to higher mobile activity.

Other external expenses

Other external expenses amounted to DKK 1,661m in 2007, an increase of DKK 32m or 2.0%, stemming principally from a higher activity level in Business Nordic, higher acquisition costs, increased marketing costs and higher consultancy fees.

Revenue DKKm

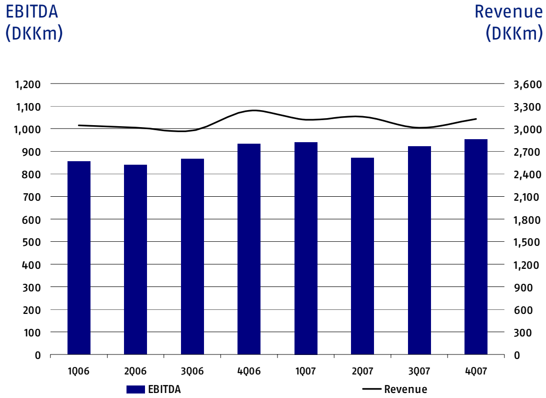
	NTCH Group			TDC full-year basis		
Business Nordic	**2006**	**2007**	**Growth in % 2007 vs. 2006**	**2006**	**2007**	**Growth in % 2007 vs. 2006**
Revenue	11,248	12,419	10.4	12,270	12,419	1.2
Data communications and internet services	3,244	3,655	12.7	3,534	3,655	3.4
Landline telephony	2,954	3,036	2.8	3,242	3,036	(6.4)
Mobile telephony	2,030	2,347	15.6	2,214	2,347	6.0
Leased lines	326	418	28.2	355	418	17.7
Terminal equipment	2,492	2,697	8.2	2,711	2,697	(0.5)
Other	202	266	31.7	214	266	24.3

Wages, salaries and pension costs

In 2007, wages, salaries and pension costs amounted to DKK 2,016m, up DKK 29m or 1.5% driven by more full-time employee equivalents in NetDesign and TDC Hosting counteracted by a reduction in the remainder of Business Nordic domestic activities due partly to redundancy programs.

Income before depreciation, amortization and special items (EBITDA)

In 2007, EBITDA amounted to DKK 3,684m, up by DKK 192m or 5.5%, reflecting largely higher gross profit from mobile telephony, data communications and internet services and higher sale of fiber access.



Fixnet Nordic

As TDC was acquired by Nordic Telephone Company ApS (NTC ApS) as of February 1, 2006, the 2006 figures for NTCH do not include the operations of Fixnet Nordic for the full year 2006, but only for February 1, 2006 to December 31, 2006. In order to conduct a meaningful comparison of 2007 with 2006 for the business lines, the following review is based on figures for 2006 on a full-year basis[17].

At year-end 2007, Fixnet Nordic had 3.1m customers, compared with 3.2m in 2006. The number of full-time employee equivalents totaled 5,768 by year-end 2007 compared with 6,208 in 2006.

Revenue and EBITDA were DKK 9,357m and DKK 3,547m, respectively in 2007 compared with DKK 9,723m and DKK

[17] In this Annual Report, 'On a full-year basis' refers to figures for the TDC Group on a stand-alone basis, as previously reported by TDC.

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

Fixnet Nordic		NTCH Group 2006	NTCH Group 2007	NTCH Group Growth in % 2007 vs. 2006	TDC full-year basis 2006	TDC full-year basis 2007	TDC full-year basis Growth in % 2007 vs. 2006
	DKKm						
Revenue		**8,854**	**9,357**	**5.7**	**9,723**	**9,357**	**(3.8)**
Transmission costs and cost of goods sold		(1,968)	(2,156)	(9.6)	(2,172)	(2,156)	0.7
Other external expenses		(2,250)	(2,501)	(11.2)	(2,457)	(2,501)	(1.8)
Wages, salaries and pension costs		(1,825)	(1,999)	(9.5)	(1,994)	(1,999)	(0.3)
		(6,043)	(6,656)	(10.1)	(6,623)	(6,656)	(0.5)
Operating expenses allocated to other business lines		683	741	8.5	741	741	0.0
Total operating expenses before depreciation etc.		**(5,360)**	**(5,915)**	**(10.4)**	**(5,882)**	**(5,915)**	**(0.6)**
Other income and expenses		127	105	(17.3)	149	105	(29.5)
Income before depreciation, amortization and special items (EBITDA)		**3,621**	**3,547**	**(2.0)**	**3,990**	**3,547**	**(11.1)**
Key financial ratios							
EBITDA margin [1]	%	40.9	37.9	-	41.0	37.9	-
Subscriber base (end-of-year)	(1,000)						
Landline customers		2,138	1,932	(9.6)	2,138	1,932	(9.6)
Internet customers		755	768	1.7	755	768	1.7
Mobile customers		311	345	10.9	311	345	10.9
TV customers		3	13	-	3	13	-
Subscriber base, total		**3,207**	**3,058**	**(4.6)**	**3,207**	**3,058**	**(4.6)**
Number of employees [2]		**6,208**	**5,768**	**(7.1)**	**6,208**	**5,768**	**(7.1)**

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

3,990m in 2006. The EBITDA margin decreased from 41.0% in 2006 to 37.9% in 2007, as a result largely of the negative growth in landline telephony business.

Revenue

In 2007, Fixnet Nordic's revenue totaled DKK 9,357m, a decrease of DKK 366m or 3.8% compared with 2006. The decrease was due mainly to a fall in landline telephony revenue of DKK 544m that was generated by a decreasing customer base and lower traffic. This was driven by migration to mobile and to some extent VoIP. Higher revenue of DKK 143m from broadband services partly offset the fall in landline revenue.

Landline telephony, residential

In 2007, revenue from landline telephony, residential decreased by DKK 442m or 11.0% to DKK 3,577m.

Revenue from subscriptions decreased by DKK 203m or 8.0% to DKK 2,324m in 2007, driven primarily by a decrease of approximately 166,000 or 9.9% in the number of domestic landline customers to 1.5m at year-end 2007.

In 2007, revenue from landline traffic decreased by DKK 240m or 16.1% to DKK 1,252m. The decrease is due to the migration of traffic to the mobile and IP networks. Landline traffic decreased by 0.7bn minutes or 14.5% in 2007 compared with 2006.

Landline telephony, wholesale

In 2007, revenue from landline telephony, wholesale decreased by DKK 80m or 4.3% to DKK 1,776m, stemming mainly from a lower wholesale customer base of 66,000 customers partly offset by increased revenue from international transit traffic.

Data communications and internet services

In 2007, revenue from data communications and internet services rose by DKK 87m or 4.9% to DKK 1,872m and covered largely broadband solutions, dial-up solutions and data communications services. The increase stemmed mainly from growth in xDSL sales of DKK 143m, partly offset by a decrease in revenue from dial-up customers. Fixnet Nordic's residential broadband customer base grew from 446,000 in 2006 to 510,000 at year-end 2007.

Leased lines

In 2007, revenue from leased lines decreased by DKK 6m, or 0.8% to DKK 771m. This business area comprises domestic and international leased line services to other telecommunications operators on a wholesale basis.

Mobile telephony

In 2007, revenue from mobile telephony, which consisted of Duét customers, rose by DKK 17m or 3.9% to DKK 450m, driven chiefly by a 10.9% increase in the customer base.

Revenue DKKm

	NTCH Group			TDC full-year basis		
Fixnet Nordic	**2006**	**2007**	**Growth in % 2007 vs. 2006**	**2006**	**2007**	**Growth in % 2007 vs. 2006**
Revenue	8,854	9,357	5.7	9,723	9,357	(3.8)
Landline telephony	5,346	5,352	0.1	5,896	5,352	(9.2)
Data communications and internet services	1,628	1,872	15.0	1,785	1,872	4.9
Leased lines	719	771	7.2	777	771	(0.8)
Mobile telephony	400	450	12.5	433	450	3.9
Operator services	295	326	10.5	326	326	0.0
Other	466	586	25.8	506	586	15.8

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to DKK 2,156m in 2007, down DKK 16m or 0.7% compared with 2006. The decrease stemmed mainly from lower domestic landline traffic partly counterbalanced by growth in international transit traffic.

Other external expenses

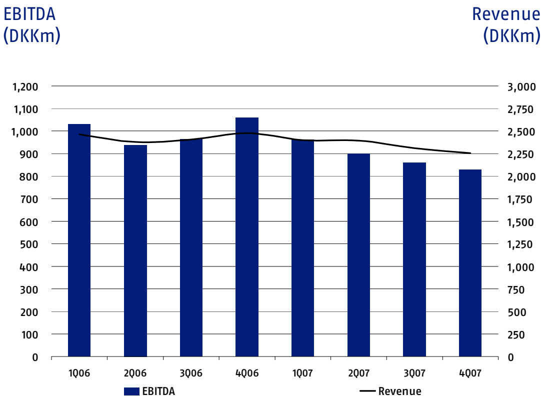
Other external expenses increased by DKK 44m or 1.8% to DKK 2,501m in 2007 caused primarily by 18,000 extra installation and cable damage compared with 2006, an increase of 4%, causing higher costs for contractors.

Wages, salaries and pension costs

Wages, salaries and pension costs increased by DKK 5m or 0.3% to DKK 1,999m in 2007 driven primarily by increased personnel in call centers due to more incoming calls and increased average handling time and severance payments. This was partly offset by a reduction in full-time employee equivalents due to redundancy programs and reallocation of trainees to Headquarters.

Income before depreciation, amortization and special items (EBITDA)

In 2007, EBITDA amounted to DKK 3,547m, down by DKK 443m or 11.1%. This performance reflects largely declining growth in the landline telephony business, due to the migrations to mobile and to some extent VoIP, as well as higher costs due to a high level of installation and cable damage in 2007. This development was partly counterbalanced by increased growth in broadband solutions and general cost savings.



Mobile Nordic

As TDC was acquired by Nordic Telephone Company ApS (NTC ApS) as of February 1, 2006, the 2006 figures for NTCH do not include the operations of Mobile Nordic for the full year 2006, but only for February 1, 2006 to December 31, 2006. In order to conduct a meaningful comparison of 2007 with 2006 for the business lines, the following review is based on figures for 2006 on a full-year basis[18].

Mobile Nordic's revenue and EBITDA in 2007 were DKK 5,906m and DKK 1,367m respectively, compared with DKK 5,980m and DKK 1,409m in 2006. The EBITDA margin was 23.1% in 2007 compared with 23.6% in 2006.

At year-end 2007, Mobile Nordic had 1,262 full-time employee equivalents compared with 1,226 in 2006 and 1.8m customers, as in 2006.

Revenue

Mobile Nordic's revenue decreased DKK 74m or 1.2% to DKK 5,906m in 2007. The revenue decrease was due mainly to lower mobile termination fees, EU roaming regulation and reduced sales of data CPE by TDC Shop. The retail

[18] In this Annual Report, 'On a full-year basis' refers to figures for the TDC Group on a stand-alone basis, as previously reported by TDC.

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

Mobile Nordic		NTCH Group 2006	NTCH Group 2007	Growth in % 2007 vs. 2006	TDC full-year basis 2006	TDC full-year basis 2007	Growth in % 2007 vs. 2006
	DKKm						
Revenue		**5,527**	**5,906**	**6.9**	**5,980**	**5,906**	**(1.2)**
Transmission costs and cost of goods sold		(2,354)	(2,480)	(5.4)	(2,533)	(2,480)	2.1
Other external expenses		(1,595)	(1,742)	(9.2)	(1,733)	(1,742)	(0.5)
Wages, salaries and pension costs		(447)	(518)	(15.9)	(490)	(518)	(5.7)
		(4,396)	**(4,740)**	**(7.8)**	**(4,756)**	**(4,740)**	**0.3**
Operating expenses allocated to other business lines		166	196	18.1	181	196	8.3
Total operating expenses before depreciation etc.		**(4,230)**	**(4,544)**	**(7.4)**	**(4,575)**	**(4,544)**	**0.7**
Other income and expenses		4	6	50.0	4	5	25.0
Income before depreciation, amortization and special items (EBITDA)		**1,301**	**1,368**	**5.1**	**1,409**	**1,367**	**(3.0)**
Key financial ratios							
EBITDA margin [1]	%	23.5	23.2	-	23.6	23.1	-
Subscriber base (end-of-year)	(1,000)						
Subscriber base, total		**1,801**	**1,774**	**(1.5)**	**1,801**	**1,774**	**(1.5)**
Number of employees [2]		**1,226**	**1,262**	**2.9**	**1,226**	**1,262**	**2.9**

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

postpaid segment grew by 50,000 customers to 540,000 and in Telmore the number of customers grew by 31,000 to 610,000 customers, counteracted by a decrease of 31,000 prepaid cards and a loss of 78,000 wholesale customers. The latter can be attributed mainly to the loss of debitel as a wholesale customer.

The current landline-to-mobile migration was reflected in strong voice traffic growth in 2007 with retail MoU per subscriber up by 12.9% to 96 minutes. Also in mobile data, volumes of traditional SMS texting rose, and 3G mobile services such as mobile broadband access became more widespread. Overall, retail ARPU was DKK 166, which was more or less unchanged compared with 2006.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold decreased by 2.1% or DKK 53m to DKK 2,480m in 2007. This can be attributed mainly to reduced sales of data CPE by TDC Shop partly offset by increased transmission costs from higher voice and SMS traffic and increased sales of handsets.

Other external expenses

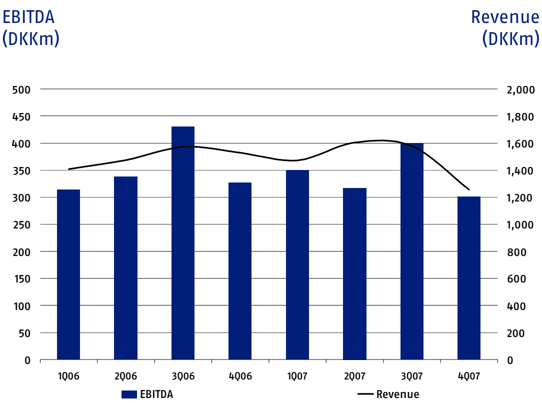
Other external expenses amounted to DKK 1,742m in 2007, an increase of DKK 9m or 0.5%, stemming primarily from higher customer acquisition costs.

Wages, salaries and pension costs

In 2007, wages, salaries and pension costs amounted to DKK 518m, up DKK 28m or 5.7% caused by more full-time employee equivalents, due to organizational changes, and higher wages and salaries.

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

In 2007, Mobile Nordic's EBITDA fell by DKK 42m or 3.0% to DKK 1,367m reflecting chiefly lower gross profit from roaming-in traffic, higher customer acquisition costs and higher wages and salaries.



YouSee

As TDC was acquired by Nordic Telephone Company ApS (NTC ApS) as of February 1, 2006, the 2006 figures for NTCH do not include the operations of YouSee for the full year 2006, but only for February 1, 2006 to December 31, 2006. In order to conduct a meaningful comparison of 2007 with 2006 for the business lines, the following review is based on figures for 2006 on a full-year basis[19].

In 2007, YouSee's revenue and EBITDA totaled DKK 2,852m and DKK 772m, respectively, compared with DKK 2,458m and 617m in 2006. The EBITDA margin was 27.1% in 2007 compared with 25.1% in 2006.

At year-end 2007, YouSee's cable-TV customers totaled 1.092m, up 3.1% compared with 2006. The number of customers with internet access rose by 6.9% to 309,000 and the number of telephony customers increased by 29.6% to 35,000.

[19] In this Annual Report, 'On a full-year basis' refers to figures for the TDC Group on a stand-alone basis, as previously reported by TDC.

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

YouSee		NTCH Group 2006	NTCH Group 2007	Growth in % 2007 vs. 2006	TDC full-year basis 2006	TDC full-year basis 2007	Growth in % 2007 vs. 2006
	DKKm						
Revenue		**2,266**	**2,852**	**25.9**	**2,458**	**2,852**	**16.0**
Transmission costs and cost of goods sold		(960)	(1,177)	(22.6)	(1,045)	(1,177)	(12.6)
Other external expenses		(367)	(467)	(27.2)	(402)	(467)	(16.2)
Wages, salaries and pension costs		(368)	(437)	(18.8)	(395)	(437)	(10.6)
Total operating expenses before depreciation etc.		**(1,695)**	**(2,081)**	**(22.8)**	**(1,842)**	**(2,081)**	**(13.0)**
Other income and expenses		1	1	0.0	1	1	0.0
Income before depreciation, amortization and special items (EBITDA)		**572**	**772**	**35.0**	**617**	**772**	**25.1**
Key financial ratios							
EBITDA margin [1]	%	25.2	27.1	-	25.1	27.1	-
Subscriber base (end-of-year)	(1,000)						
Cable TV customers		1,059	1,092	3.1	1,059	1,092	3.1
Internet customers		289	309	6.9	289	309	6.9
Telephony customers		27	35	29.6	27	35	29.6
Subscriber base, total		**1,375**	**1,436**	**4.4**	**1,375**	**1,436**	**4.4**
Number of employees [2]		**1,118**	**1,110**	**(0.7)**	**1,118**	**1,110**	**(0.7)**

[1] Income before depreciation, amortization and special items divided by revenue.

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

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

At year-end 2007, YouSee had 1,110 full-time employee equivalents compared with 1,118 in 2006.

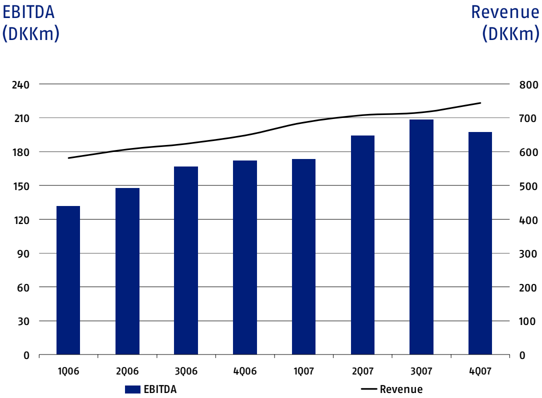
Revenue

YouSee's revenue rose by DKK 394m or 16.0% to DKK 2,852m in 2007. YouSee's core business area is TV, offered in three standard packages (basic, medium and full-range) both to individual customers and antenna and housing associations. The increase was driven largely by higher cable-TV revenue of 15.6%, due to a larger customer base and higher ARPU from new TV channels.

YouSee's broadband businesses contributed revenue growth of 8.2% due mainly to a larger customer base, which amounted to 309,000 broadband customers in 2007, an increase of 6.9% compared with 2006. Furthermore, increased revenue growth from telephony due to 29.6% growth in the landline customer base in 2007 compared with 2006. The customer base amounted to 35,000 customers at year-end 2007, of whom 26,000 are VoIP customers.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold totaled DKK 1,177m in 2007, up DKK 132m or 12.6% compared with 2006, stemming mainly from increased program expenses primarily as a result of the wider range of programs included in the packages.



Other external expenses

Other external expenses amounted to DKK 467m in 2007, up DKK 65m or 16.2%, related primarily to increased activity and branding of YouSee.

Wages, salaries and pension costs

Wages, salaries and pension costs rose by DKK 42m or 10.6% to DKK 437m, due largely to a general increase in wages and salaries as well as a changed workforce mix.

Income before depreciation, amortization and special items (EBITDA)

YouSee's EBITDA totaled DKK 772m in 2007, up DKK 155m or 25.1%. The increase in EBITDA related to an increased gross profit from TV and internet, due mainly to an increased customer base and higher ARPU.

Sunrise

As TDC was acquired by Nordic Telephone Company ApS (NTC ApS) as of February 1, 2006, the 2006 figures for NTCH do not include the operations of Sunrise for the full year 2006, but only for February 1, 2006 to December 31, 2006. In order to conduct a meaningful comparison of 2007 with 2006 for the business lines, the following review is based on figures for 2006 on a full-year basis[20].

At year-end 2007, Sunrise had 2.3m customers comprising 1.5m mobile customers, 0.5m landline customers and 0.3m internet customers.

Revenue and EBITDA in Sunrise in 2007 were DKK 8,842m and DKK 2,350m, respectively, compared with DKK 9,252m and DKK 2,559m in 2006. The EBITDA margin was 26.6%, which was 1.1 percentage points lower than in 2006.

[20]In this Annual Report, 'On a full-year basis' refers to figures for the TDC Group on a stand-alone basis, as previously reported by TDC.

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

		NTCH Group			TDC full-year basis		
Sunrise		**2006**	**2007**	**Growth in % 2007 vs. 2006**	**2006**	**2007**	**Growth in % 2007 vs. 2006**
	DKKm						
Revenue		**8,480**	**8,842**	**4.3**	**9,252**	**8,842**	**(4.4)**
Transmission costs and cost of goods sold		(3,022)	(3,280)	(8.5)	(3,311)	(3,280)	0.9
Other external expenses		(1,906)	(2,049)	(7.5)	(2,095)	(2,049)	2.2
Wages, salaries and pension costs		(1,197)	(1,150)	3.9	(1,291)	(1,163)	9.9
Total operating expenses before depreciation etc.		**(6,125)**	**(6,479)**	**(5.8)**	**(6,697)**	**(6,492)**	**3.1**
Other income and expenses		2	0	(100.0)	4	0	(100.0)
Income before depreciation, amortization and special items (EBITDA)		**2,357**	**2,363**	**0.3**	**2,559**	**2,350**	**(8.2)**
Key financial ratios							
EBITDA margin [1]	%	27.8	26.7	-	27.7	26.6	-
Subscriber base (end-of-year)	(1,000)						
Landline customers		502	457	(9.0)	502	457	(9.0)
Mobile customers		1,361	1,524	12.0	1,361	1,524	12.0
ADSL customers		225	232	3.1	225	232	3.1
Dial-up customers		118	60	(49.2)	118	60	(49.2)
Subscriber base, total		**2,206**	**2,273**	**3.0**	**2,206**	**2,273**	**3.0**
Number of employees [2]		**2,246**	**2,036**	**(9.3)**	**2,246**	**2,036**	**(9.3)**

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

At year-end 2007, Sunrise had 2,036 full-time employee equivalents, compared with 2,246 in 2006.

Revenue

In 2007, Sunrise's revenue totaled DKK 8,842m, down by DKK 410m or 4.4%. In local currency, revenue decreased by 0.1%.

Mobile telephony

Revenue from mobile telephony amounted to DKK 5,373m in 2007, down DKK 323m or 5.7%. The decline reflected primarily a lower exchange rate. In local currency, revenue from mobile telephony decreased 1.3% mainly as a consequence of less revenue from the postpaid segment due to retail price reductions, reduced mobile termination fees and lower handset sales. This was partly counterbalanced by increased revenue from a larger prepaid customer base.

Landline telephony

Revenue from landline telephony decreased by DKK 50m or 1.8% to DKK 2,745m in 2007. In local currency, revenue increased by 2.4% stemming largely from wholesale activities due to higher international transit traffic and increased income from network integration solutions. However, this was partly offset by decreasing retail landline revenue caused by lower prices and a reduction in the customer base of 45,000 to 457,000 customers, due chiefly to a generally declining market.

Internet services

In 2007, revenue from internet services decreased by DKK 37m or 4.9% to DKK 724m. In local currency, revenue decreased by 0.6%. In local currency broadband revenue increased due to a rise in the customer base of 7,000 to 232,000 customers. This was counteracted by a decrease in internet dial-up revenue due to a reduction in the number of customers from 118,000 in 2006 to 60,000 in 2007, which can be attributed to migration toward higher connection speeds.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to DKK 3,280m in 2007, down DKK 31m or 0.9% compared with 2006. In local currency, transmission costs and cost of goods sold rose by 3.6%. This can be attributed mainly to higher transmission costs and raw materials from higher activity levels within wholesale transit traffic and network integration solutions, respectively. This was partly countered by lower handset costs derived from lower sales of handsets.

Other external expenses

Other external expenses amounted to DKK 2,049m in 2007, down DKK 46m or 2.2% compared with 2006. In local currency, other external expenses increased by 2.5% due to higher marketing costs associated with the company's repositioning, costs related to internal IT projects and higher customer retention costs within mobile.

Wages, salaries and pension costs

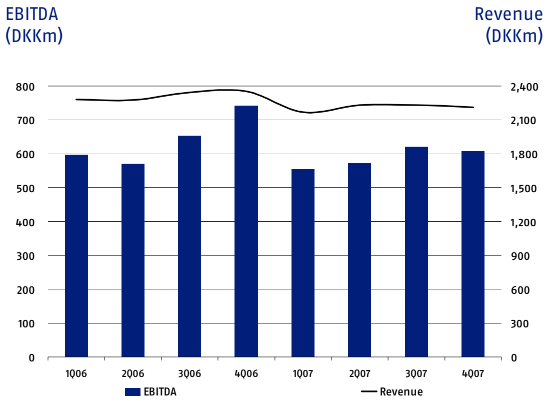
Wages, salaries and pension costs amounted to DKK 1,163m, down DKK 128m or 9.9% in 2007, due mainly to a reduction of 210 full-time employee equivalents. In local currency, wages, salaries and pension costs decreased by 5.9%.

Revenue DKKm

	NTCH Group			TDC full-year basis		
Sunrise	2006	2007	Growth in % 2007 vs. 2006	2006	2007	Growth in % 2007 vs. 2006
Revenue	8,480	8,842	4.3	9,252	8,842	(4.4)
Mobile telephony	5,247	5,373	2.4	5,696	5,373	(5.7)
Landline telephony	2,538	2,745	8.2	2,795	2,745	(1.8)
Internet Services	695	724	4.2	761	724	(4.9)

Income before depreciation, amortization and special items (EBITDA)

EBITDA decreased by DKK 209m or 8.2% to DKK 2,350m in 2007. In local currency, EBITDA decreased by 4.1% reflecting primarily a reduced gross profit from mobile termination, larger share of prepaid customers with a lower margin and a shift within landline telephony from high-margin retail revenue to low-margin wholesale revenue.



Other activities

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

Bité was divested at the beginning of February 2007, and was included in the financial figures until then. Bité was primarily a mobile operator with businesses in Lithuania and Latvia and was 100% owned by TDC. The divestment of Bité had a negative impact on revenue and EBITDA in 2007.

HTCC is a 64.6% owned landline and data communications provider. HTCC acquired Invitel on April 27, 2007 and Invitel is included in the financial figures as from May 2007. The acquisition of Invitel had a positive impact on revenue and EBITDA in 2007.

Headquarters' EBITDA decreased from 2006 to 2007, principally as a result of property divestments, which resulted in increased lease payments. EBITDA was also negatively affected by increased wages due to severance payments and the transfer of trainees from business lines to Headquarters.

In the last couple of years, IT Nordic has been outsourcing all operations and some system development and maintenance. This has resulted in a decrease in EBITDA from 2006 to 2007, which stemmed mainly from increased costs due to outsourcing of TDC's IT infrastructure to CSC as of April 2007.

Risk management

Operational risk management

The operational risks of NTCH relate exclusively to the operations of TDC. The operational risks are managed by TDC through two centrally placed functions: the Risk Management function and the Corporate Security function. Additionally, each TDC subsidiary has appointed employees responsible for security and insurance issues who work closely together with the central risk management functions. The risk management activities are governed mainly by a corporate insurance policy which is anchored in TDC's corporate security policy.

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

As a part of the risk management strategy, a comprehensive annual risk survey program is performed in close corporation with external risk engineers, and 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 decided based on the risk assessment related to each individual area and the subsequent level of insurance premium.

Financial management and market risk disclosures

NTCH is exposed to financial market and credit risks in relation to 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, both at NTCH and TDC Group levels, have been set for interest, exchange rate and credit exposures. Together with market values of financial assets and liabilities, these exposures are calculated and monitored on a daily basis and reported to TDC's CFO on a weekly basis.

TDC's Group Treasury is responsible for the financial systems and methodologies used to calculate and estimate risk positions. 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 NTCH's financial risk management are set out in TDC's financial strategy, which is reviewed and if necessary revised on an annual basis.

TDC's financial strategy was revised and altered in late 2006.

Refinancing and liquidity risk

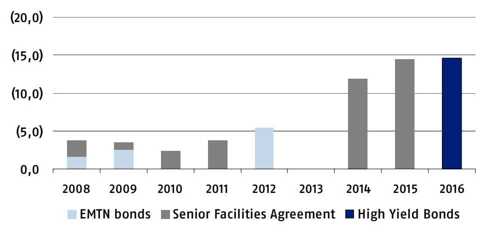
To reduce refinancing risk, the maturity profile of the debt portfolio is spread over several years. Therefore, NTCH does not have significant debt positions to be refinanced in the coming years. A revolving credit facility of DKK 5.2bn (EUR 700m) is sufficient to handle the refinancing risk.

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

Interest rate risk

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

Maturity profile of NTCH gross debt, nominal value (DKKbn)[1]



[1] Graph shows the maturity profile of NTCH's gross debt according to the loan agreements. Debt of DKK 4.1bn in HTCC is not included.

Due to the acquisition of TDC in February 2006 by NTC and the subsequent change in capital structure as well as the interdependence between TDC and NTCH the scope of interest rate risk management has increased considerably. The debt financing of NTCH includes several financial covenants and undertakings which NTCH must adhere to. Further, though TDC is not legally obliged to, it is TDC's aim to be able to pay out sufficient dividends on a continuous basis for NTCH to meet its debt service requirements on its high-yield bond debt.

As a consequence of these new requirements, interest rate risk is monitored and managed using several variables as stipulated in TDC's financial strategy for 2007. Throughout 2007, TDC has monitored and managed the following variables:

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

The table below shows the interest rate risk variables monitored by TDC. As TDC implemented the new financial strategy in late December 2006, there is no data for the period prior to the end of the fourth quarter 2006.

Exchange rate risk

NTCH is primarily exposed to exchange rate risk from EUR, CHF, USD and SEK. The exchange rate exposure from NTCH's business activities relates primarily to net income generated in foreign subsidiaries, as income and expenses generated in these entities are denominated primarily in local currencies.

Throughout 2007, TDC monitored and managed exchange rate risk using the following variables:

- Exchange rate VaR on EBITDA or Consolidated Cash Flow must not exceed 2% of EBITDA or Consolidated Cash Flow

[21] A two-percentage-point breach occurred in the period May 3 – July 9, 2007. The breach was thoroughly assessed but was deemed to be insignificant, and of a temporary nature and therefore accepted.

Monitored interest rate risk variables (end-of-period) **DKKm**

	Maxima/ minima	4Q 06	1Q 07	2Q 07	3Q 07	4Q 07	Average 2007	Interval 2007
Interest rate VaR on gross debt	Max. 2,500	1,607	1,492	1,364	1,267	1,270	1,388	1,207 – 1,604
Interest rate VaR on the derivatives portfolio and marketable securities	Max. 1,400	624	553	481	431	510	510	400 – 624
Share of floating interest rate debt	Max. 60%	40%	40%	34%	32%	31%	35%	30% – 40%
Duration of gross debt (years)	Min. 1.5	2.35	2.15	2.29	2.24	2.38	2.31	2.12 – 2.56
Duration of cash accounts, marketable securities and deposits (years)	Max. 0.5	0.00	0.01	0.00	0.01	0.01	0.01	0.00 – 0.07
The maximum share of fixed interest rate gross debt to be reset within one year	Max. 25%	21%	15%	27%[21]	25%	18%	22%	15% – 27%

- 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 associated companies, cash accounts, marketable securities and accounts payable and receivable in EUR shall not exceed DKK 300m and the same positions in other currencies (than EUR) shall not exceed DKK 50m

The table below shows the exchange rate variables monitored by TDC. As TDC implemented the new financial strategy in late December 2006, there is no data for the period prior to the end of the fourth quarter 2006.

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

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

Credit rating
NTCH ApS is rated by Standard & Poor's (S&P), Moody's and Fitch Ratings.

NTCH ApS' credit ratings as of December 31, 2007

Rating	Senior Unsecured	Long-term	Outlook
S&P	-	BB-	Stable
Moody's	B2	Ba3	Positive
Fitch	B+	-	Stable

Financial position
At year-end 2006 cash, marketable securities and interest-bearing receivables amounted to DKK 3,821m, while short-term interest-bearing debt amounted to DKK 1,980m at year-end 2006 leaving net liquid assets at DKK 1,841m.

Long-term interest-bearing debt totaled DKK 71,613m at year-end 2006 leaving net interest-bearing debt at DKK 69,772m.

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

	Maxima	4Q06	1Q07	2Q07	3Q07	4Q07	Average 2007	Interval 2007
Exchange rate VaR on equity investments and intragroup loans	700	562	532	571	523	554	542	503 - 577
Exchange rate VaR in EUR[1]	300	203	180	167	159	174	171	155 – 203
Exchange rate VaR in other currencies than EUR[1]	50	21	17	27	35	43	30	15 - 50

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

NTCH's total cash, marketable securities, interest-bearing receivables and undrawn credit lines totalled DKK 8,743m at year-end 2006.

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

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

	NTCH	
	2007	**2006**
Cash, marketable securities and interest-bearing receivables	8,543	3,821
Short-term debt and interest-bearing payables	(4,149)	(1,980)
Net liquid assets	4,394	1,841
Long-term debt	(60,046)	(71,613)
Net interest-bearing debt	**(55,652)**	**(69,772)**
Cash, marketable securities and interest-bearing receivables	8,543	3,821
Undrawn committed short- and long-term credit lines	4,789	4,922
Total cash, marketable securities, net interest-bearing receivables and undrawn credit lines	**13,332**	**8,743**

Risk factors related to NTCH

The risk factors described below relate primarily to the financial risks of NTCH. However, due to the interconnectivity of NTCH and TDC, the risk factors also relate to TDC. In addition to the risks described below, risks and uncertainties not currently known to NTCH or that NTCH currently deems to be immaterial may also materially adversely affect NTCH's business, financial position, results of operations or cash flows.

NTCH's international business activities expose NTCH's earnings to exchange rate risk and the risks of a fluctuating global economy.

The exchange rate risks NTCH is exposed to relate primarily to the business activities of TDC, as described in TDC's annual report.

Following the issuance of high-yield bonds, NTCH has incurred USD denominated debt obligations. However, all USD denominated debt was swapped into EUR immediately after the issuance.

Risks related to NTCH's indebtedness and NTCH's structure

NTCH's high leverage and debt service obligations could materially and adversely affect NTCH's business, financial condition or results of operations.

NTCH's substantial leverage poses the risk that:

- NTCH's vulnerability to a downturn in its business or economic and industry conditions will increase
- NTCH's ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements will be limited
- NTCH may have a much higher level of debt than certain of its competitors, which may put it at a competitive disadvantage and hinder it from pursuing its business strategy and growing its business in accordance with strategy
- a substantial portion of NTCH's cash flow from operations will have to be dedicated to the payment of principal of, and interest on, its indebtedness, which means that this cash flow will not be available to fund its operations, capital expenditures or other corporate purposes
- NTCH's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the industry in which it operates will be limited.

Any of these or other consequences or events could have a material adverse effect on NTCH's ability to satisfy its debt obligations.

In addition, NTCH may incur substantial indebtedness in the future. The terms of the high-yield bond indenture and the SFA restrict NTCH from incurring additional indebtedness, but do not prohibit NTCH from doing so. The incurrence of additional indebtedness would increase the leverage-related risks described in this section.

NTCH requires a significant amount of cash to service its debt. NTCH's ability to generate sufficient cash depends on many factors beyond its control.

NTCH's ability to make payments on and to refinance its debt and to 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 NTCH's control, as well as the other factors discussed in this section. Stakeholders cannot be sure that NTCH's business will generate sufficient cash flows from operations or that future debt and equity financing will be available for NTCH to pay its debts when due, or to fund NTCH's other liquidity needs. If NTCH's future cash flows from operations and other capital resources (including borrowings under the SFA) are insufficient to meet NTCH's obligations as they mature or to fund NTCH's liquidity needs, NTCH may be forced to:

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

NTCH's stakeholders cannot be certain that any of these alternatives will be accomplished on a timely basis or on satisfactory terms, if at all. In addition, the terms of

NTCH's debt limit, and any future debt, may limit NTCH's ability to pursue any of these alternatives.

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

The SFA and the high-yield bond indenture contain covenants significantly restricting NTCH's ability to, e.g.

- incur or guarantee additional indebtedness
- pay dividends or make other distributions, or repurchase or redeem NTCH's stock
- make investments or other restricted payments
- create liens
- enter into certain transactions with affiliates
- enter into agreements that restrict NTCH's restricted subsidiaries' ability to pay dividends
- consolidate, merge or sell all or substantially all of NTCH's assets.

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

The SFA also requires NTCH to comply with financial ratios and satisfy specified financial tests. Events beyond NTCH's control may affect its ability to do so and, as a result, NTCH cannot assure its stakeholders that these ratios and tests will be met. In the event of a default under the SFA or certain other defaults under any other agreement, 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 the high-yield bond indenture would also result in cross-default under the SFA. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions could also be accelerated and become due and payable in such circumstances. NTCH may be unable to pay these debts in such circumstances.

NTCH ApS is a holding company that has no revenue-generating operations of its own and depends on payments from its subsidiaries to make payments on its debt.

NTCH ApS is a holding company that was formed in connection with the acquisition of TDC. NTCH ApS conducts no business operations of its own and has not engaged in any activities other than the holding of ownership interests in NTC ApS and indirectly in TDC and the borrowing of funds under the SFA. Following the issuance of high-yield bonds, NTCH ApS has held no assets and has had no sources of revenue other than the ownership interests in its subsidiaries and the right to any dividends thereon. NTCH ApS must therefore rely on payments under loans, dividends and other distributions from its subsidiaries, as well as drawings under the Revolving Credit Facility, to fund its cash requirements, including interest payments under the high-yield bonds and any operating expenses.

NTCH ApS' subsidiaries are subject to restrictions on making payments to NTCH.

The terms of the SFA, the intercreditor agreement and applicable law restrict the ability of TDC's subsidiaries to make payments and other distributions to NTCH ApS. NTCH ApS is therefore subject to all risks related to TDC's ability to make distributions.

TDC's ability to pay dividends or otherwise distribute funds, including upstream loans, to assist in servicing NTCH ApS' high-yield bonds and other debt will be subject to certain restrictions under applicable Danish law and certain other restrictions e.g. earnings retained for distribution. As of December 31, 2007, TDC's retained earnings on a stand-alone basis for TDC amounted to DKK 9,185m after proposed dividends of DKK 714m, compared with DKK 1,534m as of December 31, 2006. The amount could be further reduced by the amount of any losses incurred or other dividends paid after December 31, 2007. 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 at times sufficient to allow NTCH ApS to pay its obligations as they fall due, including its obligations under the high-yield bonds and the Revolving Credit Facility (to the extent drawn by NTCH ApS).

If distributable reserves are insufficient to make distributions to NTCH ApS, NTCH ApS can borrow under the Revolving Credit Facility.

If NTCH ApS' subsidiaries are unable to distribute sufficient funds to NTCH ApS, NTCH ApS may be unable to make the required payments on the high-yield bonds when they fall due. In addition, a default under the high-yield bonds could cause a default under the SFA.

Minority shareholders may interfere with TDC's operations and future corporate decisions.

NTC ApS owns approximately 87.9% of TDC's share capital. TDC employees and other shareholders unrelated to NTC ApS hold the remainder of the outstanding TDC shares. Minority shareholders may be able to delay or prevent the implementation of TDC's corporate actions irrespective of the size of their shareholding. Further, shareholders holding 10% of the share capital enjoy certain privileges under the Danish Companies Act, such as, among others, blocking certain resolutions, requesting that the board of directors to convene an extraordinary general meeting and electing a co-accountant. Any challenge by minority shareholders of the validity of a corporate action is subject to judicial resolution that may substantially delay or hinder the implementation of such action. Such delays of, or interferences with, corporate actions as well as related litigation may limit the access of NTCH ApS to TDC's cash flows and make it difficult or impossible for NTC ApS and TDC to take or implement corporate actions that may be desirable in view of the operating or financial requirements of NTCH ApS, NTC ApS and/or TDC.

Risks related to the high-yield bonds

The enforceability of investors' rights under the high-yield bonds may be restricted.

NTCH ApS is a company organized under Danish law and the high-yield bond indenture is governed by New York law. There is no treaty between the United States and Denmark providing for the reciprocal recognition and enforcement of judgments. NTCH ApS has appointed an agent to receive service of process in any action against it in any federal court or court in the State of New York arising out of the issuance of high-yield bonds. NTCH ApS has not given consent for this agent to accept service of process in connection with any other claim.

All of the members of NTCH ApS' Board of Directors reside outside the United States and the assets of most of NTCH ApS' subsidiaries and the assets of most of its directors and managers are located outside the United States. Service of process upon individuals or companies that are not resident in the United States may be difficult to obtain within the United States. Furthermore, any judgment obtained in the United States against NTCH or such persons may not be collectible within the United States. In addition, there is doubt as to the enforceability in the foreign jurisdictions where most of NTCH's directors and assets are located (including Denmark and Switzerland) of liabilities predicated solely upon United States federal or state securities law against NTCH, NTCH's directors, controlling persons and management and other persons who are not residents of the United States, in original actions or in actions for enforcements of judgments of United States courts. Under applicable Danish law, a judgment of a state or federal court of the United States in respect of the high-yield bonds or the high-yield bond indenture will neither be recognized nor enforced in the Danish courts without a review of the merits underlying the judgment.

Investors' ability to recover under the security and the high-yield bonds is limited by subordination provisions and restrictions on enforcement.

The high-yield bonds are secured on a second-ranking basis by a pledge by NTCH ApS of 100% of the shares in NTC ApS. The shares of NTC ApS are pledged to secure obligations under the SFA on a first-priority basis. These priorities are contractually provided for in the intercreditor agreement. In addition, some claims may rank by operation of law before any other claim that may be secured by the share pledge. These claims can include, among others, court costs and costs incurred for the preservation of the pledged assets.

Investors may be unable to recover on the share pledge because the lenders under the SFA will have a prior claim on all proceeds realized from any enforcement of this pledge. If the proceeds realized from such sales of collateral exceed the amount owed under the SFA and certain expenses, any excess amount of such proceeds will be paid to the security agent for its own benefit and for the benefit of owners of the high-yield bonds and other creditors permitted by the high-yield bond indenture to share in the collateral on an equal and ratable basis with the high-yield bonds. If there are no excess proceeds from sales of collateral, or if the amount of such excess proceeds is less than the aggregate amount of the obligations under the high-yield bonds and other obligations that share in the collateral on an equal and ratable basis with the high-yield bonds, investors will not recover some or all of the amounts owed to investors under the high-yield bonds. The ability of the holders of the high-yield bonds to require the security agent to take enforcement action under the share pledge is subject to significant restrictions imposed by the intercreditor agreement. In particular, the intercreditor agreement provides for a 179-day stand-still period on enforcement of the share pledge after an event of default under the high-yield bonds, and thereafter in certain circumstances.

In the event that NTCH ApS or its subsidiaries incur additional debt, and the high-yield bond indenture permits such debt to be secured, then that debt may also be permitted to be secured by the same collateral as that securing the high-yield bonds, and may be ranked ahead of the security granted in favor of the high-yield bonds, without the need for the consent of the holders of the high-yield bonds or the trustee. In that event, the security in favor of the high-yield bonds will be subject to restrictions and disadvantages in favor of this additional debt similar to those outlined above in relation to the SFA. In addition, in the event that additional high-yield bonds are issued under the high-yield bond indenture, the security in favor of the high-yield bonds will be shared among a larger principal amount of indebtedness.

In addition, the intercreditor agreement provides that in certain circumstances payments must be made first to lenders under the SFA and only after the claims of such lenders have been satisfied will amounts be applied to satisfy the claims of the high-yield bond holders.

The share pledge will not be granted directly to the holders of the high-yield bonds.

The share pledge that will constitute security for obligations of NTCH will, under the high-yield bonds and the high-yield bond indenture, not be granted directly to the holders of the high-yield bonds but will be granted only in favor of the security agent, acting as joint creditor together with the holders of the high-yield bonds, of all such obligations. As a consequence, holders of the high-yield bonds will not have direct security and will not be entitled to take enforcement action in respect of the security for the high-yield bonds, except through the security agent, who has agreed to apply any proceeds of enforcement on such security towards such obligations. It is uncertain under Danish law whether obligations owing to beneficial owners of the high-yield bonds that are not identified as registered holders in the share pledge will be validly secured. The security agent will agree with the trustee that the security agent will hold the security and any proceeds of the security in trust for the benefit of holders of the high-yield bonds and the trustee under the high-yield bonds. However, the security agent has, as joint creditor together with the holders of the high-yield bonds, a claim against NTCH ApS for the full principal amount of the high-yield bonds. Holders of the high-yield bonds bear some risk associated with possible insolvency or bankruptcy of the security agent. The security agent will agree to proceed against the security with the approval only of the trustee acting on the instructions of the holders of the high-yield bonds and for the purpose of recovery against the pledged shares. Nonetheless, there can be no assurance that, in the event of insolvency or bankruptcy of the security agent, a trustee in bankruptcy, receiver or similar entity would not assert rights as a joint creditor for the full amount of the high-yield bonds.

Applicable insolvency laws may affect the enforceability of the obligations of NTCH.

In the event that any one or more of NTCH ApS or any of NTCH ApS' subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of NTCH's obligations.

NTCH may be unable to obtain the funds required to repurchase the high-yield bonds upon a change of control.

The high-yield bond indenture contains provisions relating to certain events constituting a "change of control" of NTCH. Upon the occurrence of a change of control, NTCH ApS will be required to offer to repurchase all outstanding high-yield bonds at a price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, at the date of repurchase. If a change of control were to occur, NTCH ApS may have insufficient funds available, or may be unable to obtain the funds needed to pay the purchase price for all of the high-yield bonds tendered by holders deciding to accept the repurchase offer. The restrictions in the SFA and the intercreditor agreement and instruments governing NTCH ApS' and its subsidiaries' other existing and future indebtedness may also prohibit NTCH ApS from being provided with the funds necessary to purchase any high-yield bonds prior to their stated maturity, including upon a change of control. Before NTCH ApS can be provided with any funds to purchase any high-yield bonds, NTCH ApS may be required to:

- repay indebtedness under the SFA, or, possibly, other existing and future indebtedness that ranks senior to the high-yield bonds; or
- obtain consent from lenders of senior indebtedness, including the lenders under the SFA, to make funds available to permit the repurchase of the high-yield bonds.

A change of control of NTCH may result in an event of default under the SFA and may cause the acceleration of other indebtedness that may be senior to the high-yield bonds. In any case, third-party financing could be required in order to provide the funds necessary for NTCH ApS to make the change-of-control offer. NTCH ApS may be unable to obtain such additional financing.

Transfer of the high-yield bonds will be restricted, which may adversely affect the value of the high-yield bonds.

The high-yield bonds have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws, and NTCH ApS has not undertaken to effect any exchange offer for the high-yield bonds in the future. Investors may not offer the high-yield bonds in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws, or pursuant to an effective registration statement. The high-yield bonds and the high-yield bond indenture will contain provisions that will restrict the high-yield bonds from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. Furthermore, NTCH ApS has not registered the high-yield bonds under any other country's securities laws. It is the high-yield bond investors' obligation to ensure that their offers and sales of the high-yield bonds within the United States and other countries comply with applicable securities laws.

NTCH ApS cannot assure an active trading market for the high-yield bonds.

NTCH ApS cannot assure investors that an active trading market for the high-yield bonds will prevail at all times.

The liquidity of, and trading market for, the high-yield bonds may be affected by general declines in the market for similar securities. Such a decline may adversely affect any liquidity and trading of the high-yield bonds independent of NTCH ApS' financial performance and prospects.

Risks related to TDC's business

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

TDC faces significant competition from established and new competitors. TDC must match its competitors' product offerings, services, acquisition costs, and prices, or it may lose market share. If TDC is forced to lower its prices to match its competitors and if cost savings initiatives are not implemented with the required speed, TDC may experience decreasing profit margins and EBITDA. Some of the companies against which TDC's international operations compete have better access to financing, more comprehensive product offerings, greater personnel resources, greater brand-name recognition and experience or long-established relationships with regulatory authorities and customers.

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

Landline

Traditional landline telephony is decreasing fast due to strong landline-to-mobile migration and migration to

VoIP. The growing penetration of broadband and VoIP will increase the competitive pressure on traditional landline telephony, whereby TDC may lose its customers even faster than expected. This could adversely affect TDC's revenue and profit margins.

VoIP providers are offering telephony at reduced prices compared with traditional PSTN telephony. A risk also exists that TDC's own sale of VoIP could negatively affect the future earnings potential of its landline operation, as the price level for TDC's VoIP may not be maintained at levels similar to those for PSTN.

Continuing competition is also expected in landline telephony from IP-based internal networks (such as IP-VPN for business customers), antenna and housing association networks and the utility companies using their infrastructure to provide telephony and broadband. A number of operators have launched VoIP, and utility companies are well under way with the roll-out of FTTH. In total, the utility companies expect to roll out FTTH to 40% of, or approximately one million, Danish households.

In the market for leased lines, continuing competition is likely from substitution products, including IP-based transmission products such as MPLS, Ethernet solutions, wireless networks, WLAN, WiMAX and CDMA/450 MHz. Such products are often priced lower than leased lines, and product quality is sufficiently strong to constitute a viable alternative to traditional landline solutions.

Although TDC offers its customers substitution products and services for its traditional telephony products and transmission services, there is no assurance that TDC's current telephony customers will switch to its substitution products and services and not those of a competitor. Even if TDC manages to capture 100% of customer migration from traditional telephony to substitution products, its landline business may still experience decreasing profit margins, as margins for substitution products and services are generally lower than those for traditional telephony products and services.

Future growth in the landline market requires TDC to lead or adapt to technological developments, including the market's demand for even higher DSL speeds. TDC expects the future landline market to be dominated by providers offering bundles such as broadband, telephony, and TV in one package. Such types of bundled products complicate matters for the providers because of the technological, logistical and pricing complexities of combining these three services as a single product offering. If TDC fails to adapt to or lead technological developments, or to offer attractive packages of bundled products, TDC's market share and profit margins in the landline business may be adversely affected.

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

Mobile

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

Market prices for many mobile services are continuing to fall, due to competition between mobile providers. At the same time, regulations are limiting prices for both terminating calls in TDC's mobile networks and roaming charges. Further growth in earnings will therefore require increasing sales volumes and continued cost reductions, which TDC may fail to achieve.

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

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

YouSee

YouSee is expected to face increasing competition from sources including utility companies, large antenna co-operatives and housing associations and satellite television providers. Competition is driven by price, convenience and the range of channels offered. I/S DIGI-TV, an entity owned by the Danish state broadcasting services and TV2/Danmark A/S, launched DTT in March 2006, which utilizes digital technology to provide a greater number of channels and picture and sound enhancements such as HDTV and Dolby Digital through a conventional antenna. Although DIGI-TV currently offers only four channels, the DTT network is expected to be expanded, with up to 16-20 channels by 2009 and increase the range of channels in the generally accessible terrestrial network, which will increase competition. In the long term, increased competition in the Danish cable-TV market may also arise from new technology, mainly from future internet-based content providers. Failure by YouSee to meet these challenges may have a materially adverse effect on TDC's market share of the Danish cable-TV market.

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

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

Regulated wholesale prices (such as resale of PSTN, raw copper, BSA, switched interconnection) have improved conditions for other providers in the Danish market. This has increased the competition, and TDC believes that ongoing regulatory initiatives in Denmark will maintain strong competition.

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

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

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

Competition in the broadband market has also intensified. Swisscom is offering a naked DSL – Mobile subscription bundle. If Sunrise should offer a similar product, it would have to be based on a wholesale product from Swisscom. However, this wholesale product is priced so that Sunrise is unable to obtain a positive margin on the retail market. This may lead to slower growth in Sunrise's broadband customer base.

Sunrise's backbone consists of leased dark fibers situated in the guard wire of high-voltage power lines. In a case in the Swiss Federal Court, the use of the power line for telecommunications purposes was disputed by the owner of a property over which a power line is situated. Based on the outcome of this case, Sunrise was forced to find alternative facilities to secure the part of the backbone in question. A risk might therefore arise as in future similar cases Sunrise may be forced to find alternative operators for other parts of its backbone network at substantial costs.

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 share 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 starting to approach its saturation level, this may lead to fierce competition for remaining customers, which could, in turn, lead to rising customer-acquisition and retention costs, and further pressure on earnings.

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

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

The Danish mobile telecoms market is approaching saturation, with a penetration rate of 110. The degree to which the Danish mobile telecommunications market will continue to expand, if at all, is uncertain. However, TDC believes that, in addition to general market conditions, future market growth will be driven largely by new technologies (e.g. HSDPA and, online solutions) and new content. TDC's ability to sustain growth in revenue and its customer base despite the increased competition resulting from this market saturation will depend largely on retaining existing subscribers, convincing subscribers to switch from competing service providers to TDC's services, and stimulating and increasing usage. TDC may not achieve these aims if it is unable to enhance its existing mobile products and services and to develop, introduce and market new mobile technologies, products and services. If TDC fails to increase revenue from or expand its mobile business subscriber base in spite of market saturation, TDC's business, financial position and results of operations could be materially adversely affected.

Customer churn may adversely affect TDC's business

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

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

TDC's business is capital intensive and has always been cash intensive. TDC's capital expenditure program will continue to require significant capital outlays in the foreseeable future, including the continued development of TDC's GSM and UMTS networks, cable-TV business, TDC's backbone network, TDC's continuing fiber network roll-out including FTTN, and investments in new IT systems, including customer care and billing systems. The utility companies are well under way with their FTTH roll-out and expect to cover 40% of, or approximately one million, Danish households, which the Danish Competition Authority has estimated will cost the utility companies DKK 9.5bn. Although TDC now has more than 27,000 kilometers of fiber cable, primarily in the backbone network, competition from utility companies may force TDC to invest more heavily in both FTTN and FTTH.

In 2007, TDC decided to plan to replace vital parts of the Nordic Enterprise Architecture to lower costs, reduce product delivery times and improve customer intimacy. During this upgrade process, TDC may discover issues not entailed in the plan and therefore risks may incur additional investments and involve further impact from delays related to the additional investments.

TDC has modern networks but may need to invest in new networks and technologies in the future, such as Next Generation Networks, which could require significant capital expenditures. Network usage may develop faster than TDC anticipates, requiring greater capital investments more quickly than anticipated. However, TDC may not have the resources available for such investments.

Costs associated with the operating licenses for TDC's existing networks and technologies, including UMTS and those that TDC develops in the future, and related costs and rental expenses could be considerable. The amount and timing of future capital requirements may differ materially from current estimates due to various factors, many beyond TDC's control. It is uncertain whether sufficient cash flows will be generated in the future to meet capital expenditure needs, sustain operations or meet other capital requirements.

New technologies such as VoIP, VDSL, FTTH and Ethernet are being rolled out. TDC expects technological innovation to continue rapidly across all product lines and must anticipate and react to these changes, and develop or apply new, enhanced products and services rapidly enough for the changing market. Market share and customers may otherwise be lost and substitution technologies introduced by competitors may result in lower profit margins. In addition, new technologies may become dominant, rendering TDC's current systems obsolete.

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

TDC's revenue, generated outside Denmark and the euro area, originated from Switzerland, Sweden, Norway, Poland 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.

Risks from changes in the tax legislation

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

Interest rate risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TDC's profitability is under pressure from declining market prices (and consequently lower ARPU), a continuous decrease in the traditional landline telephony, saturation of the mobile market and losses in market share. Maintaining and improving TDC's profitability therefore requires that TDC continuously reduces costs and improves efficiency. As part of these initiatives, TDC will be streamlining its workforce in the years ahead. Many of TDC's employees in Denmark have civil servant pension rights and some are entitled to severance benefits. Thus any workforce reduction may entail significant redundancy costs, which may affect TDC's earnings.

Although Danish law imposes no significant restrictions on work force reductions, and TDC's labor unions have no right under Danish law to veto any workforce reductions, any workforce reduction may lead to strikes, work stoppages or other industrial action. TDC has entered into truces with the telecommunications departments of the Danish Metal Workers Union (Dansk Metal), the Association of Managers and Employees in Special Positions of Trust in TDC (Lederforeningen i TDC, LTD) and the Danish Confederation of Professional Associations (AC-organisationerne – the truce unions). In these truces, TDC has agreed to follow certain procedural guidelines when reducing its workforce, including retraining redundant employees for reassignment within TDC. The truces will expire at the end of 2009, but may be terminated by TDC or the unions with three months' notice if the assumptions behind the truces lapse or change. TDC has also made agreements with the unions to encourage voluntary resignations by employees in redundant positions. These agreements may be terminated by either party with two months' notice.

Although TDC has made truces relating to procedures for workforce reductions and agreements on the terms and conditions of voluntary resignations, no assurance can be given that none of TDC's labor unions will resist further workforce reductions. In addition, TDC may be unable to negotiate similar agreements with the truce unions in question after 2009.

TDC has implemented a number of domestic redundancy programs in recent years. A program to reduce positions mainly in TDC's staff functions was initiated at the end of 2006. The program caused a closure of vacant positions, relocation of employees to front-office jobs and continuous employee layoffs in 2007. At the beginning of the second quarter of 2007, a new program was initiated to further reduce the workforce, chiefly regarding employees in back-office functions in 2007 and 2008.

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

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

Number of cable damage corrections

In 2007, TDC was burdened by increased damage to its landline network and installations. Ambitious steps have been taken to alter the situation through preventive maintenance. If, however, this trend is not reversed, TDC's costs will increase and the image of a reliable telecommunications provider will potentially suffer.

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

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

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

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

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

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

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

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

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

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

TDC's mobile products and services are available through a small number of mobile distributors – in Denmark, 34% of TDC's sales, and in Switzerland, over 50%. Under TDC's current arrangements, mobile distributors may stop distributing or selling TDC's products at any time. New mobile distributors may be difficult to find that can provide the same level of sales. In addition, TDC's mobile distributors have distribution agreements with TDC's competitors that may negatively affect gross activations through distribution partners, threatening TDC's market share. TDC's mobile distributors may more actively promote competitors' products and services. If TDC fails to maintain key distribution relationships, or its distribution partners fail to procure sufficient customers for TDC for any reason, this could have a materially adverse effect on TDC's financial position and results of operations.

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

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

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

TDC's minority shareholdings (Polkomtel and Nawras) in the mobile telephony industry, and TDC's 64.6% share of HTCC, expose TDC's business to unsubstantiated or inadequate management decisions made on behalf of companies over which TDC has no full control and that may require strategic and financial support

The performance of international operators in which TDC has minority interests, and of HTCC, which has taken over Invitel, another Hungarian landline operator, may depend on the financial or strategic support of other shareholders. Although owner of a 64.6% majority equity interest in HTCC, TDC may be unable to exercise full control over its operations. Such international operators may rely on TDC and/or other shareholders for strategic and financial support. Such other shareholders may fail or be unwilling to supply the required operational, strategic and financial resources relating to, for example, the build-out of infrastructure, and the cost of meeting regulatory requirements or effective marketing, which could adversely affect both the ability of these operations to compete and the return on TDC's investment.

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

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

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

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

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

TDC's success relies heavily on the skills, experience and efforts of TDC's senior management. In addition, as TDC's business develops and expands, TDC believes that its future success will depend on its continued ability to attract and retain highly skilled and qualified personnel without increased labor costs. TDC's ability to continuously attract and retain key qualified personnel in the future is under pressure, especially as Denmark's labor market is currently characterized by low unemployment and bottlenecks.

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

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

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

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

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

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

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

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

Tougher competition, further reductions of tariffs, and decreased profit margins due to the Danish telecoms regulatory framework. NITA has designated TDC as having significant market power (SMP) in Denmark in a number of submarkets

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

EU regulatory framework

In March 2002, the EU passed several directives promoting competition in the telecoms market that were subsequently implemented into Danish law in 2003. In line with this legislation, NITA performs market analyses on 18 specifically defined submarkets within landline telephony, mobile telephony, leased lines, unbundled access, broadband and TV and radio transmission. NITA may designate a dominant telecoms operator as having SMP in such a submarket. If imperfections in a submarket in which an operator has been designated as having SMP are identified, NITA may impose remedies against such an operator in order to promote competition. In the wholesale market, such measures may include the acceptance of a reasonable request for interconnection, non-discrimination, reference offers, transparency, accounting separation, specific cost-accounting obligations and price-control methods. NITA has so far issued decisions on 16 out of the 18 submarkets. Final decisions for all the remaining submarkets are expected in 2008. Until market analyses of the relevant submarkets have been completed and NITA has decided whether to adopt new regulatory measures or revoke former measures, the current regulation will be maintained in each relevant submarket.

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 almost all of the submarkets in Denmark, except for market 10 (transit services in the fixed public telephone network) market 17 (the wholesale market for international roaming), market 18 (the market for broadcasting transmission services) and markets 5 and 6 (the retail markets for national and international traffic for business customers). As a result, TDC is subject to the regulatory burdens summarized below. NITA may impose additional regulatory burdens on TDC as a result of its current SMP status or give TDC SMP status in additional markets.

Retail markets

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

Wholesale markets

The majority of TDC's prices are also regulated in the wholesale markets where TDC has SMP status. Until 2002, interconnection prices were regulated mainly on the basis of historical-cost analyses and best-practice benchmarking against corresponding international prices. Since January 1, 2003, NITA has used a LRAIC model to set TDC's prices for switched interconnection traffic, interconnection capacity, shared access and ULL (also known as raw copper) as well as related co-location. NITA calculates these prices once a year in accordance with the LRAIC model. In 2006, the LRAIC model was adjusted and the prices for ULL, switched interconnection traffic and interconnection capacity were reduced considerably. From January 1, 2007, the prices for bitstream access and sub-loops of ULL are also calculated in accordance with the LRAIC model. The LRAIC model for 2008 has resulted in further price decreases for bitstream access. The next comprehensive adjustment of the LRAIC model for the landline network is expected to begin in 2008 with effect from January 1, 2010.

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 will improve TDC's competitors' conditions for offering broadband solutions combined with IP telephony.

In the market for termination of mobile calls (market 16), NITA decided in 2006 that TDC, Telia, Sonofon, Tele2 and Hi3G have SMP. However, price regulation was introduced only for TDC, Sonofon and Telia, whose average prices (including call setup fee) must be reduced stepwise over a period until May 1, 2008. As a result of this decision, the mobile termination prices will be set by a LRAIC mobile model from January 1, 2009. NITA is preparing this model at the moment. The regulation will adversely impact TDC's earnings. In February 2008, NITA decided that Tele2 is also subject to price regulation as a consequence of Sonofons (Telenor Denmark Holding) acquisition of Tele2 in May 2007.

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

Anti-terror measures
As part of the anti-terrorism action plan, the Danish parliament has passed an act requiring telecommunications providers to provide communication interception services without cost compensation for investments.

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

In February 2007, the Danish parliament passed an amended telecommunications act requiring telcos to establish the necessary logging functions and databases and cover any equipment costs related to the abovementioned data retention. As a result, TDC will have to make ongoing additional investments in technical equipment and cover operational costs.

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. In addition, TDC faces uncertainty concerning the renewal of its USP designation from January 1, 2009, which may affect its revenue and earnings.

EU roaming charge regulation
The EU has adopted a new regulation that reduces the international roaming charges both for the wholesale and retail markets. The regulation has a negative impact on TDC's s revenue and earnings.

Regulatory contingencies in Switzerland may affect TDC's Swiss business

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

TDC's Swiss business benefits from regulations requiring Swisscom to grant other telecommunications operators network access to its network, including Sunrise's interconnection services under cost-based terms and conditions. Swisscom has challenged the interconnection tariffs set by the Swiss regulator ComCom in court. After the Federal Supreme Court in Switzerland issued a final ruling, the rates for the years 2000-2003 are final since August 2006. By year-end 2007, most of the rates for the subsequent years 2004-2006 had been decided by ComCom but are not yet final, as they may be challenged once again by Swisscom. The rates for 2007 are still pending at ComCom.

Sunrise's business plan and earnings forecasts, particularly in relation to expected broadband and triple-play sales, anticipate that Swisscom will give the necessary access to ULL infrastructure according to the revised law. The start phase of the network roll-out has shown that Swisscom caused obstacles that must be overcome mainly through co-location. If Swisscom delays the ULL processes or does not adhere to the terms and conditions agreed in the negotiation phase, Sunrise will have to adjust its business plan and earnings forecast. Moreover, utility companies will start using their infrastructure to provide telephony and broadband services and will probably subsidize the telecommunications business, which could lead to additional margin pressure.

Licenses for key technologies underlying TDC's service offerings

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

TDC is licensed to provide mobile telecommunications services in Denmark and in Switzerland. For example, TDC has UMTS licenses to provide 3G services in Denmark and Switzerland, three GSM licenses in Denmark (including licenses for DCS 1800, DC56 and GSM, respectively) and one GSM license in Switzerland. TDC's Danish and Swiss UMTS licenses are valid until October 31, 2021 and December 31, 2016, respectively. TDC's Danish GSM licenses are valid until June 12, 2017, January 1, 2011 and March 1, 2012, respectively, and TDC's Swiss GSM license is valid until May 31, 2008. NITA or the Swiss regulator may withdraw existing licenses if TDC cannot meet the license conditions, including obtaining the regulator's consent in the event of a change of control. After the expiry dates, TDC will have to reapply for a new Danish UMTS license and new Swiss GSM and UMTS licenses. Any application for renewal of such licenses may be unsuccessful. The three Danish GSM licenses will be extended automatically for periods of 10 years unless NITA decides otherwise no later than one year before the scheduled expiry date. In the event that TDC is unable to renew a license or obtain a new license for any technology that is important for the provision of TDC's service offerings, TDC could be forced to stop using that technology and TDC's financial position and results of operations could be materially adversely affected.

The Swiss regulator has decided to renew the GSM license in 2008 for 5½ years with a slight amendment to the framework agreement. Possible loss of quality will have to be compensated for by investing more in additional base stations. Tele 2 has once again disputed the decision by ComCom. The process for the renewal of the license remains unclear.

Litigation

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

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 NTCH 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 NTCH, 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

Table of contents

Consolidated Statements of Income	Note	2007	2006	2005
				DKKm
Revenue	4,5	**39,321**	**36,622**	**0**
Transmission costs and cost of goods sold		(12,326)	(11,600)	0
Other external expenses		(7,729)	(6,940)	0
Wages, salaries and pension costs	6	(7,101)	(6,633)	0
Total operating expenses before depreciation, etc.		**(27,156)**	**(25,173)**	**0**
Other income and expenses	7	262	233	0
Income before depreciation, amortization and special items		**12,427**	**11,682**	**0**
Depreciation, amortization and impairment losses		(8,085)	(10,634)	0
Special items	8	506	(489)	0
Operating income		**4,848**	**559**	**0**
Income from joint ventures and associates	14	266	200	0
Fair value adjustments		64	138	0
Currency translation adjustments		98	(200)	(20)
Financial income		2,438	1,986	1
Financial expenses		(7,100)	(6,442)	(21)
Net financials	9	**(4,500)**	**(4,518)**	**(40)**
Income/(loss) before income taxes		**614**	**(3,759)**	**(40)**
Income taxes	10	536	1,105	0
Net income/(loss) from continuing operations		**1,150**	**(2,654)**	**(40)**
Net income from discontinued operations	11	1,406	33	0
Net income/(loss)		**2,556**	**(2,621)**	**(40)**
Attributable to:				
Shareholders of the Parent Company		2,360	(2,562)	(40)
Minority interests		196	(59)	0
Total		**2,556**	**(2,621)**	**(40)**

Assets			DKKm
	Note	2007	2006
Non-current assets			
Intangible assets	12	55,365	63,871
Property, plant and equipment	13	21,227	23,001
Investments in joint ventures and associates	14	5,897	6,784
Minority passive investments		7	7
Deferred tax assets	10	125	1
Pension assets	26	4,094	3,665
Receivables	15	95	305
Derivative financial instruments	25	39	171
Prepaid expenses	17	147	259
Total non-current assets		**86,996**	**98,064**
Current assets			
Inventories	18	641	657
Receivables	15	7,571	8,998
Income tax receivable	10	14	473
Derivative financial instruments	25	781	921
Prepaid expenses	17	665	713
Cash	38	8,474	3,743
Assets held for sale	11	0	5
Total current assets		**18,146**	**15,510**
Total assets		**105,142**	**113,574**

Equity and liabilities DKKm

	Note	2007	2006
Equity			
Common shares		0	0
Reserves		228	476
Retained earnings		15,976	13,651
Proposed dividends		0	0
Equity attributable to Company shareholders		**16,204**	**14,127**
Minority interests		548	401
Total equity	19	**16,752**	**14,528**
Non-current liabilities			
Deferred tax liabilities	10	7,496	10,444
Provisions	22	1,275	1,174
Pension liabilities, etc.	26	322	380
Loans	20	60,046	71,613
Derivative financial instruments		141	0
Deferred income	21	956	1,035
Total non-current liabilities		**70,236**	**84,646**
Current liabilities			
Loans	20	4,146	1,975
Trade and other payables	23	8,298	8,583
Income tax payable	10	1,442	11
Derivative financial instruments	25	728	504
Deferred income	21	2,953	2,742
Provisions	22	587	585
Total current liabilities		**18,154**	**14,400**
Total liabilities		**88,390**	**99,046**
Total equity and liabilities		**105,142**	**113,574**

Consolidated Statements of Cash Flow				DKKm
	Note	2007	2006	2005
Income before depreciation, amortization and special items		12,427	11,682	0
Reversal of items without cash flow effect	33	(268)	(32)	0
Pension contributions		(228)	(310)	0
Payments related to provisions		(293)	(332)	0
Cash flow related to special items		171	(385)	0
Change in working capital	34	642	55	1
Cash flow from operating activities before net financials and tax		**12,451**	**10,678**	**1**
Interest received		2,417	2,335	1
Interest paid		(6,919)	(6,142)	(21)
Realized currency translation adjustments		1,040	628	(19)
Cash flow from operating activities before tax		**8,989**	**7,499**	**(38)**
Corporate income tax paid		(147)	(819)	0
Cash flow from operating activities in continuing operations		**8,842**	**6,680**	**(38)**
Cash flow from operating activities in discontinued operations		419	396	0
Total cash flow from operating activities		**9,261**	**7,076**	**(38)**
Investment in enterprises	35	(631)	(47,065)	0
Investment in property, plant and equipment		(3,840)	(3,822)	0
Investment in intangible assets		(955)	(1,125)	0
Investment in marketable securities		0	0	(7,627)
Investment in other non-current assets		(18)	(9)	0
Divestment of enterprises		3,189	51	0
Sale of property, plant and equipment		4,307	116	0
Sale of intangible assets		24	0	0
Divestment of joint ventures and associates		986	11	0
Sale of marketable securities		0	2,077	0
Sale of other non-current assets		7	8	0
Change in loans to joint ventures and associates		274	90	0
Dividends received from joint ventures and associates		528	863	0
Cash flow from investing activities in continuing operations		**3,871**	**(48,805)**	**(7,627)**
Cash flow from investing activities in discontinued operations	37	4,015	(70)	0
Total cash flow from investing activities		**7,886**	**(48,875)**	**(7,627)**
Proceeds from long-term loans		1,718	109,210	0
Repayments of long-term loans		(14,035)	(66,830)	0
Change in short-term bank loans		(15)	(51)	0
Change in interest-bearing debt		(1,115)	196	0
Dividends to minority interests		(83)	(5,310)	0
Capital increase		0	10,991	7,668
Dividends paid		0	(2,363)	0
Cash flow from financing activities in continuing operations		**(13,530)**	**45,843**	**7,668**
Cash flow from financing activities in discontinued operations		1.114	(304)	0
Total cash flow from financing activities		**(12,416)**	**45,539**	**7,668**
Total cash flow		**4,731**	**3,740**	**3**
Cash and cash equivalents at January 1	38	3,743	3	0
Cash and cash equivalents at December 31		**8,474**	**3,743**	**3**

Consolidated Statements of Changes in Equity

DKKm

	Equity attributable to Company shareholders					Minority interests	Total
	Common shares[1]	Reserve for currency translation adjustments	Retained earnings[1]	Proposed dividends	Total		
Contribution in connection with the establishment November 11, 2005	0	–	–	–	0	–	0
Loss on available-for-sale financial assets	–	–	(72)	–	(72)	0	(72)
Hedging of available-for-sale financial assets	–	–	(120)	–	(120)	0	(120)
Net income/(loss)	–	–	(40)	0	(40)	–	(40)
Total comprehensive income	**–**	**–**	**(232)**	**0**	**(232)**	**0**	**(232)**
Capital increase	0	–	7,668	–	7,668	–	7,668
Equity at December 31, 2005	0	0	7,436	0	7,436	0	7,436

Consolidated Statements of Changes in Equity (continued) **DKKm**

	Equity attributable to Company shareholders					Minority interests	Total
	Common shares[1]	Reserve for currency translation adjustments	Retained earnings[1]	Proposed dividends	Total		
Currency translation adjustments, foreign enterprises	–	(196)	0	–	(196)	(25)	(221)
Currency hedging of net investments in foreign enterprises	–	926	0	–	926	126	1,052
Reversal of loss on available-for-sale financial assets	–	–	72	–	72	0	72
Reversal of hedging of available-for-sale financial assets	–	–	120	–	120	0	120
Tax related to changes in equity	–	(254)	(5)	–	(259)	(36)	(295)
Net gain/(loss) recognized directly in equity	–	476	187	–	663	65	728
Net income/(loss)	–	–	(2,562)	0	(2,562)	(59)	(2,621)
Total comprehensive income/(loss)	**–**	**–**	**(2,375)**	**0**	**(1,899)**	**6**	**(1,893)**
Distributed dividends	–	–	(2,363)	–	(2,363)	–	(2,363)
Capital increase	0	–	10,991	–	10,991	–	10,991
Share-based payment	–	–	(36)	–	(36)	(5)	(41)
Dilution loss regarding subsidiaries	–	–	(2)	–	(2)	2	0
Additions relating to acquisition of subsidiaries	–	–	–	–	–	5,708	5,708
Dividends to minority interests	–	–	–	–	–	(5,310)	(5,310)
Equity at December 31, 2006	0	476	13,651	0	14,127	401	14,528
Currency translation adjustments, foreign enterprises	–	(757)	0	–	(757)	(157)	(914)
Currency hedging of net investments in foreign enterprises	–	677	0	–	677	92	769
Reversal of currency translation adjustments, foreign enterprises	–	12	0	–	12	2	14
Tax related to changes in equity	–	(180)	0	–	(180)	(25)	(205)
Net gain/(loss) recognized directly in equity	–	(248)	0	–	(248)	(88)	(336)
Net income/(loss)	–	–	2,360	0	2,360	196	2,556
Total comprehensive income/(loss)	**–**	**(248)**	**2,360**	**0**	**2,112**	**108**	**2,220**
Dilution gain regarding subsidiaries	–	–	6	–	6	77	83
Premium, minority interests	–	–	(41)	–	(41)	41	0
Additions relating to acquisition of subsidiaries	–	–	–	–	–	5	5
Reductions during the year, minority interests	–	–	–	–	–	(1)	(1)
Dividends to minority interests	–	–	–	–	–	(83)	(83)
Equity at December 31, 2007	**0**	**228**	**15,976**	**0**	**16,204**	**548**	**16,752**

[1] Contribution in connection with the establishment consisted of 125,000 shares of DKK 1 nominal for an amount of DKK 250,000. On December 21, 2005 the share capital was increased by 1,000 shares of DKK 1 nominal for an amount of DKK 7,668m. On January 30, 2006 the share capital was increased by 10,000 shares of DKK 1 nominal for an amount of DKK 10,991m. The share capital amounted to DKK 136,000 at December 31, 2007. Retained earnings include capital in excess of par value of DKK 18,659m.

Notes to Consolidated Financial Statements

Overview

Note 1 Significant Accounting Policies

The Consolidated Financial Statements for 2007 of NTCH have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional disclosure requirements issued by the IFRS Executive Order issued by the Danish Commerce and Companies Agency in pursuance of the Danish Financial Statements Act. For NTCH there are no differences between IFRS as adopted by the European Union and IFRS as issued by IASB.

The Consolidated Financial Statements are based on the historical cost convention, except that the following assets and liabilities are measured at fair value: derivatives, financial instruments held for trading, and financial instruments classified available for sale.

When preparing the Consolidated Financial Statements, Management makes assumptions that affect the reported amount of assets and liabilities at the balance sheet date, and the reported revenue and expenses for the accounting period. The accounting estimates and judgments considered material to the preparation of the Consolidated Financial Statements appear from note 2 below.

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 Nordic Telephone Company Holding ApS 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 Nordic Telephone Company Holding ApS 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, gains or losses from equity are, however, included in the cost of the asset or liability.

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

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

Revenue recognition

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

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

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

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

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

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

Share options

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

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

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

Special items

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

Research

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

Intangible assets

Goodwill and brands with indefinite useful lives are recognized at cost less accumulated write-downs. The carrying value of goodwill and brands with indefinite useful lives are 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.

Brands with finite useful lives, 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.

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 direct and indirect payroll costs, materials, parts purchased and services rendered by sub-suppliers or contractors, indirect production costs as well as interest expenses in the construction period. Cost also includes estimated asset retirement costs if the related obligation meets the conditions for recognition as a provision.

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

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

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

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

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 are measured at the lower of the assets' fair value and the present value of future minimum lease payments. Lease payments on operating leases are accrued and expensed on a straight-line basis over the term of the lease.

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

Investments in 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 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

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

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

Inventories

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

Receivables

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

Contract work in process

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

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

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

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

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.

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. 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 abovementioned limits are not recognized in the Statements of Income or the Balance Sheets, but are disclosed in the notes.

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

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

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

For the defined contribution plans, the Group will pay in a fixed periodic contribution to separate legal entities and will have no further obligations after the payment has been made.

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

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

Deferred tax is measured under the balance-sheet liability method on the basis of all temporary differences between the carrying values and the tax bases of assets and liabilities at the balance sheet date except for temporary differences arising from goodwill and other items where amortization for tax purposes is disallowed. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by NTCH and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets including the tax value of tax loss carryforwards are recognized at the value at which they are expected to be realized. Realization is expected to be effected either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Adjustment of deferred tax is made concerning elimination of unrealized intra-group profits and losses.

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

Provisions

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

Provisions for restructuring etc. are recognized when a final decision thereon has been made before or on the balance sheet date and has been announced to the parties involved, provided that the amount can be measured reliably. Provisions for restructuring are based on a defined plan, which means that the restructuring is commenced immediately after the decision has been made.

When the Group is under an obligation to demolish an asset or re-establish the site where the asset was used, a liability corresponding to the present value of estimated future costs is recognized.

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

Financial liabilities

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

Other financial liabilities are measured at amortized cost.

Deferred income

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

Assets held for sale

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

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

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

Disclosure of discontinued operations

Discontinued operations are recognized separately as they constitute entities comprising separate major lines of business or geographical areas, whose activities and cash flows for operating and accounting purposes can be clearly distinguished from the rest of the entity, and where the entity has been disposed of or classified as held for sale, and it seems highly probable that the disposal is expected to be effected within twelve months in accordance with a single coordinated plan.

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

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

Statements of Cash Flow

Cash flow from operating activities is presented under the indirect method and is based on earnings before interest, taxes, depreciation, 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 Board of Directors. The operating segments have been determined based on the financial and operational reports reviewed by the Board of Directors.

The accounting policies of the reportable segments are the same as the Group's accounting policies described 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 Board of Directors for the purposes of resource allocation and assessment of segment performance.

Assets and liabilities are not allocated to operating segments in the financial and operational reports reviewed by the Board of Directors, 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 NTCH'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 12 and 13, 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 12.

- 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 2007 to reflect changes in market conditions, and the assumed rate of return on plan assets has been increased to reflect changes in market conditions and in the mix of assets held by our pension funds. Our assumptions for 2008 reflect a further increase in the discount rate from 4.85% to 5.35%, a decrease in the assumed return on plan assets from 6.00% to 5.80%, and unchanged assumptions for inflation. We believe these assumptions illustrate current market conditions and expectations for market returns in the long term. With these changed assumptions, NTCH's total pension costs excluding redundancy programs are expected to increase by approximately DKK 51m in 2008 compared with 2007, assuming all other factors remain unchanged.

- Estimates of deferred income taxes and significant items giving rise to the deferred assets and liabilities are shown in note 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 results from the final review of our tax returns by tax authorities.

- The determination of the treatment of contingent assets and liabilities in the financial statements, as shown in note 28, 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, is recognized when realized or realizable and earned. Revenues from non-refundable up-front connection fees is deferred and recognized as income over the expected term of the related customer relationship. The term is estimated using historical customer churn rates. Change of Management estimates may have a significant impact on the amount and timing of our revenues for any period.

Note 3 New accounting standards

At December 31, 2007 IASB and the EU have approved the following new accounting standards (IFRSs) and interpretations (IFRICs) that become effective for 2008 or later, and are judged relevant for NTCH:

- IFRS 8 *Operating Segments* will be effective from January 1, 2009. IFRS 8 replaces IAS 14 *Segment reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. NTCH has retrospectively adopted IFRS 8 with effect for the Annual Report for 2007. As a result, the identification of the Group's reportable segments has changed. Comparative figures for 2006 have been restated accordingly.

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

IASB has published the following new accounting standards (IFRSs) and interpretations (IFRICs) that become effective for 2008 or later, and are judged relevant for NTCH, but have not yet been approved by the EU:

- 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 total income shall be disclosed either separately or together with the statement of income.

- IAS 23 (Revised 2007) *Borrowing Costs* is 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 (one 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. NTCH's present recognition of borrowing costs is in accordance with IAS 23 (Revised 2007), which will therefore have no effect on the financial reporting.

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

- IFRIC 13 *Customer Loyalty Programmes* will be 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. NTCH is currently investigating the implications of this interpretation.

- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction* is effective from January 1, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14 will have no effect 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 NTCH Group".

Business Nordic bases its services 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 and use of transmission capacity in other segments networks are accounted for as inter-segment revenue, billed at regulated prices.

Services from the segment Other activities to other segments, i.e. IT Nordics delivery of IT solutions as well as Headquarters' staff functions, i.e. HR, legal, finance, etc., are allocated to the respective segment based on measureable expense drivers. However, Headquarters' supply of supporting facilities, i.e. buildings, cars and billing services, are accounted for as intra-segment revenue billed at market prices.

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 employing the members pay contributions to Headquarters, and these contributions are included in the EBITDAs of the respective segments.

As the reportable segments were established in connection with NTCH's acquisition of TDC in 2006, the segment reporting comprises figures for 2007 and 2006 only.

Activities **DKKm**

	Business Nordic		Fixnet Nordic		Mobile Nordic		YouSee	
	2007	2006	2007	2006	2007	2006	2007	2006
External revenue	12,218	11,134	8,395	7,999	4,768	4,406	2,820	2,255
Intra-segment revenue	201	114	962	855	1,138	1,121	32	11
Revenue	12,419	11,248	9,357	8,854	5,906	5,527	2,852	2,266
EBITDA	3,688	3,187	3,547	3,621	1,368	1,301	772	572
Segment assets[2]	3,237	3,271	1,251	1,607	888	1,017	758	648

	Sunrise		Other activities[1]		Total	
	2007	2006	2007	2006	2007	2006
External revenue	8,828	8,464	2,292	2,364	39,321	36,622
Intra-segment revenue	14	16	1,311	1,300	3,658	3,417
Revenue	8,842	8,480	3,603	3,664	42,979	40,039
EBITDA	2,363	2,357	716	671	12,454	11,709
Segment assets[2]	1,930	2,112	619	1,390	8,683	10,045[2]

[1] Including International Holdings, IT Nordic and headquarters.
[2] See the definition under Significant Accounting Policies. Including Talkline in 2006.

Reconciliation of revenue DKKm

	Revenue	
	2007	**2006**
Reportable segments	42,979	40,039
Elimination of inter-segment items	(3,658)	(3,417)
Consolidated amounts	**39,321**	**36,622**

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

	2007	**2006**
EBITDA from reportable segments	12,454	11,709
Elimination of intra-segment EBITDA	(27)	(27)
Unallocated:		
Depreciation, amortization and impairment losses	(8,085)	(10,634)
Special items	506	(489)
Income from associates and joint ventures	266	200
Net financials	(4,500)	(4,518)
Consolidated Income before income taxes	**614**	**(3,759)**

Reconciliation of segment assets DKKm

	2007	**2006**
Segment assets	8,683	10,045
Unallocated:		
Other current assets[1]	10,186	5,653
Non-current assets	86,849	97,876
Consolidated total assets	**105,718**	**113,574**

[1] Other current assets include intra-group items, cash and derivative financial instruments.

Geographical markets DKKm

	Domestic operations		**Switzerland**		**Other international operations**		**Total**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
External revenue	24,753	24,806	8,828	9,234	5,740	5,901	39,321	39,941
Non-current assets allocated[1]	49,712	68,139	17,181	9,889	9,699	8,845[2]	76,592	86,872

[1] Non-current assets other than Investments in associates and joint ventures, financial instruments, deferred tax assets and post-employment benefit assets including pension assets. At year-end 2006, the initial allocation on cash-generating units of goodwill acquired in connection with the acquisition of TDC was not completed. Accordingly, goodwill was provisionally allocated to "Domestic operations".
[2] Including Talkline.

External revenue from products and services DKKm

	2007	2006
Landline telephony	10,428	9,774
Mobile telephony	11,608	11,637
Data communications and internet services	7,340	6,376
Terminal equipment etc.	4,527	4,336
Leased lines	1,641	1,287
Cable TV	2,177	1,715
Other	1,600	1,497
External revenue	**39,321**	**36,622**

No customer comprises more than 10% of revenue.

Note 5 Revenue DKKm

	2007	2006	2005
Sales of goods	4,016	4,167	0
Sales of services	35,305	32,455	0
Total	**39,321**	**36,622**	**0**

Note 6 Wages, salaries and pension costs DKKm

	2007	2006	2005
Wages and salaries	(7,097)	(6,559)	0
Pensions	(415)	(404)	0
Share-based payment	0	(3)	0
Social security	(387)	(375)	0
Total	**(7,899)**	**(7,341)**	**0**
Of which capitalized as non-current assets	798	708	0
Total	**(7,101)**	**(6,633)**	**0**
Average number of full-time employee equivalents [1, 2]	17,787	17,122	0

[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 18,629 in 2007 and 17,898 in 2006.

The average number of full-time employee equivalents includes approximately 133 persons employed by the NTCH Group 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.

The members of the Board of Directors do not receive remuneration. Nordic Telephone Company Holding ApS has no Executive Committee.

Bonus program

Around 280 TDC top managers participate in a short-term bonus program called the Top Managers' Compensation Program, and around 2,200 TDC managers and specialists participate in a short-term bonus program called the Managers' Compensation Program. Around 160 Danish and Nordic TDC 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 2007, 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 TDC Executive Committee is based on the same principles as those for other managers. TDC Executive Committee members do not participate in the Long-Term Incentive Program.

Note 7 Other income, expenses and government grants DKKm

	2007	**2006**	**2005**
Other income	311	243	0
Other expenses	(49)	(10)	0
Total	**262**	**233**	**0**
Government grants			
Government grants recognized during the year	1	3	0

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

Note 8 Special items DKKm

	2007	**2006**	**2005**
Gain from divestments of enterprises and property	918	19	0
Impairment losses and adjustments of goodwill	(135)	(123)	0
Income from rulings	166	995	0
Restructuring costs, etc.	(443)	(1,380)	0
Special items before income taxes	**506**	**(489)**	**0**
Income taxes related to special items	202	300	0
Special items after income taxes	**708**	**(189)**	**0**

Note 9 Net financials DKKm

2007	Interest	Currency translation adjustments	Fair value adjustments	Effect of early redemption	Total
Income					
Financial assets and liabilities at fair value through profit or loss	2,142	109	401	0	2,652
Loans and receivables	268	233	64	0	565
Financial liabilities measured at amortized cost	0	365	0	0	365
Non-financial assets or liabilities	28	0	0	0	28
Total	**2,438**	**707**	**465**	**0**	**3,610**
Expenses					
Financial assets and liabilities at fair value through profit or loss	(1,631)	(495)	(401)	0	(2,527)
Loans and receivables	0	(101)	0	0	(101)
Financial liabilities measured at amortized cost	(5,409)	(13)	0	32	(5,390)
Non-financial assets or liabilities	(92)	0	0	0	(92)
Total	**(7,132)**	**(609)**	**(401)**	**32**	**(8,110)**
Net financials	**(4,694)**	**98**	**64**	**32**	**(4,500)**

2006	Interest	Currency translation adjustments	Fair value adjustments	Effect of early redemption	Total
Income					
Financial assets and liabilities at fair value through profit or loss	1,761	60	222	0	2,043
Loans and receivables	197	9	0	0	206
Available-for-sale financial assets	2	0	0	0	2
Financial liabilities measured at amortized cost	0	256	0	0	256
Non-financial assets or liabilities	26	0	0	0	26
Total	**1,986**	**325**	**222**	**0**	**2,533**
Expenses					
Financial assets and liabilities at fair value through profit or loss	(1,417)	(428)	(84)	0	(1,929)
Loans and receivables	(69)	(97)	0	0	(166)
Financial liabilities measured at amortized cost	(4,923)	0	0	0	(4,923)
Non-financial assets or liabilities	(33)	0	0	0	(33)
Total	**(6,442)**	**(525)**	**(84)**	**0**	**(7,051)**
Net financials	**(4,456)**	**(200)**	**138**	**0**	**(4,518)**

					2005
	Interest	Currency translation adjustments	Fair value adjustments	Effect of early redemption	Total
Income					
Financial assets and liabilities at fair value through profit or loss	0	0	0	0	0
Loans and receivables	1	0	0	0	1
Available-for-sale financial assets	0	0	0	0	0
Financial liabilities measured at amortized cost	0	0	0	0	0
Non-financial assets or liabilities	0	0	0	0	0
Total	**1**	**0**	**0**	**0**	**1**
Expenses					
Financial assets and liabilities at fair value through profit or loss	0	0	0	0	0
Loans and receivables	0	0	0	0	0
Financial liabilities measured at amortized cost	(21)	(20)	0	0	(41)
Non-financial assets or liabilities	0	0	0	0	0
Total	**(21)**	**(20)**	**0**	**0**	**(41)**
Net financials	**(20)**	**(20)**	**0**	**0**	**(40)**

Interest income includes interest from joint ventures and associates amounting to DKK 3m compared with DKK 11m in 2006 and DKK 0m in 2005.

Note 10 Income taxes DKKm

	Income taxes cf. the Statements of Income	Income tax payable/ (receivable)	Deferred tax liabilities /(assets)
			2007
At January 1	–	(462)	10,443
Transferred to discontinued operations	–	181	(955)
Currency translation adjustments, net	–	(3)	(12)
Additions relating to acquisition of enterprises	–	(3)	155
Disposals relating to divestment of enterprises	–	(9)	(58)
Income taxes	(349)	1,166	(817)
Change of corporate income tax rate	927	–	(927)
Adjustment of tax for previous years	(42)	500	(458)
Tax related to changes in equity	–	205	0
Tax paid/refunded relating to prior years	–	(114)	–
Tax paid on account relating to present year	–	(33)	–
Total	**536**	**1,428**	**7,371**
which can be specified as follows:			
Tax payable/deferred tax liabilities	–	1,442	7,496
Tax receivable/deferred tax assets	–	(14)	(125)
Total	**–**	**1,428**	**7,371**
Income taxes are specified as follows:			
Income excluding special items and fair value adjustments	439	–	–
Special items	202	–	–
Fair value adjustments	(105)	–	–
Total	**536**	**–**	**–**

	2006		
	Income taxes cf. the Statements of Income	Income tax payable/ (receivable)	Deferred tax liabilities /(assets)
At January 1	–	0	0
Currency translation adjustments, net	–	1	(7)
Additions relating to acquisition of enterprises	–	453	11,268
Income taxes	1,064	(212)	(852)
Adjustment of tax for previous years	12	(46)	34
Tax related to changes in equity	–	295	0
Tax paid/refunded relating to prior years	–	(448)	–
Tax paid on account relating to present year	–	(505)	–
Transferred to discontinued operations	29	–	–
Total	**1,105**	**(462)**	**10,443**
which can be specified as follows:			
Tax payable/deferred tax liabilities	–	11	10,444
Tax receivable/deferred tax assets	–	(473)	(1)
Total	**–**	**(462)**	**10,443**
Income taxes are specified as follows:			
Income excluding special items and fair value adjustments	839	–	–
Special items	300	–	–
Fair value adjustments	(34)	–	–
Total	**1,105**	**–**	**–**

Reconciliation of effective tax rate

	2007	2006	2005
Danish corporate income tax rate	25.0	28.0	28.0
Joint ventures and associates	(72.2)	3.3	0.0
Other non-taxable income and non-tax deductible expenses	23.2	(3.9)	0.0
Tax value of non-capitalized tax losses and utilized tax losses, net	20.5	(3.1)	(28.0)
Different tax rates in foreign subsidiaries	(12.1)	0.6	0.0
Adjustment of tax for previous years	2.5	0.4	0.0
Change of tax legislation, including change of corporate income tax rate	(770.8)	0.0	0.0
Taxation of dividend	0.0	(3.7)	0.0
Re-taxation of formerly deducted losses in foreign enterprises	22.1	0.0	0.0
Limitation on the tax deductibility of interest expenses	396.8	0.0	0.0
Other	(0.8)	2.9	0.0
Effective tax rate excluding special items and fair value adjustments	**(365.8)**	**24.5**	**0.0**
Special items and fair value adjustments	278.5	4.9	0.0
Effective tax rate including special items and fair value adjustments	**(87.3)**	**29.4**	**0.0**

Specification of deferred tax DKKm

	2007			2006
	Deferred tax assets	Deferred tax liabilities	Total	
Allowances for uncollectibles	(1)	0	(1)	(19)
Provisions for redundancy payments	(92)	0	(92)	(90)
Current	**(93)**	**0**	**(93)**	**(109)**
Intangible assets	(20)	6,430	6,410	8,895
Property, plant and equipment	(287)	712	425	1,418
Pension assets and pension liabilities, etc.	0	1,026	1,026	1,034
Tax value of tax loss carry-forwards	(108)	0	(108)	(624)
Other	(685)	396	(289)	(171)
Non-current	**(1,100)**	**8,564**	**7,464**	**10,552**
Deferred tax liabilities at December 31	**(1,193)**	**8,564**	**7,371**	**10,443**

The Group's capitalized tax loss carry-forwards are expected to be utilized before the end of 2009.

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, 2007, these tax losses amount to a tax value of DKK 311m, compared with DKK 450m at December 31, 2006.

No deferred taxes have been recognized on the basis of temporary differences related to investments in subsidiaries, joint ventures and associates, as the Group intends to keep the investments until they can be divested tax-free and that dividends are not expected to cause tax payments. At December 31, 2007, these non-recognized deferred taxes amounted to DKK 0m, compared with DKK 74m at December 31, 2006.

All of the Danish Group companies participate in joint taxation. Joint taxation in the TDC Group with foreign Group companies ceased from January 1, 2005, due to the changed Danish tax legislation. For foreign Group companies, which previously participated in the joint taxation, re-taxation of formerly deducted losses will be effected concurrently with profits in the respective companies and in connection with potential divestment of the companies. Provisions have been made for re-taxation liabilities related to formerly deducted losses.

With effect from February 1, 2006, 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 and assets held for sale

DKKm

Discontinued operations

DKKm	2007	2006	2005
Revenue	4,164	6,893	0
Total operating costs	(3,848)	(6,290)	0
Income taxes	(11)	(29)	0
Results from discontinued operations excluding gain from divestment	102	33	0
Gain relating to divestment of discontinued operations	1,304	0	0
Net income from discontinued operations	**1,406**	**33**	**0**

Discontinued operations comprise the 100% owned subsidiary Talkline, a German service provider operating under its own brand through T-Mobile's network. Talkline was part of the business activity International Holdings.

Assets held for sale

DKKm	2007	2006
Intangible assets and property, plant and equipment	0	5
Total assets held for sale	**0**	**5**

Note 12 Intangible assets

DKKm

	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total
					2007
Accumulated cost at January 1, 2007	28,118	26,010	8,484	6,503	69,115
Transferred to discontinued operations	(1,139)	(2,579)	(313)	(63)	(4,094)
Additions relating to the acquisition of subsidiaries	532	397	148	296	1,373
Additions during the year	0	0	0	966	966
Currency translation adjustments [1]	(699)	(197)	(60)	(94)	(1,050)
Disposals relating to the divestment of subsidiaries	(959)	(460)	(178)	(540)	(2,137)
Assets disposed of or fully amortized during the year	0	0	0	(32)	(32)
Accumulated cost at December 31, 2007	**25,853**	**23,,171**	**8,081**	**7,036**	**64,141**
Accumulated amortization and write-downs for impairment at January 1, 2007	(126)	(3,067)	(195)	(1,856)	(5,244)
Transferred to discontinued operations	0	489	29	16	534
Currency translation adjustments [1]	0	55	8	55	118
Amortization for the year	0	(2,220)	(158)	(1,005)	(3,383)
Write-downs for impairment during the year	(140)	(360)	(546)	(85)	(1,131)
Reversed write-downs from prior years	0	0	0	17	17
Disposals relating to the divestment of subsidiaries	0	159	18	102	279
Assets disposed of or fully amortized during the year	0	0	0	34	34
Accumulated amortization and write-downs for impairment at December 31, 2007	**(266)**	**(4,944)**	**(844)**	**(2,722)**	**(8,776)**
Carrying value at December 31, 2007	**25,587**	**18,227**	**7,237**	**4,314**	**55,365**
Carrying value of capitalized interest at December 31, 2007	**-**	**0**	**0**	**6**	**6**

[1] The initial allocation on cash-generating units of goodwill acquired in connection with the acquisition of TDC was not complete as of December 31, 2006. Accordingly, all goodwill from this acquisition was provisionally recognized in DKK.

					2006
	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total
Accumulated cost at January 1, 2006	0	0	0	0	0
Additions relating to the acquisition of subsidiaries	28,118	26,176	8,536	5,557	68,387
Additions during the year	0	0	0	1,063	1,063
Currency translation adjustments [1]	0	(166)	(52)	(117)	(335)
Assets disposed of or fully amortized during the year	0	0	0	0	0
Accumulated cost at December 31, 2006	**28,118**	**26,010**	**8,484**	**6,503**	**69,115**
Accumulated amortization and write-downs for impairment at January 1, 2006	0	0	0	0	0
Currency translation adjustments [1]	(1)	0	0	87	86
Amortization for the year	0	(3,067)	(195)	(1,886)	(5,148)
Write-downs for impairment during the year	(125)	0	0	(57)	(182)
Assets disposed of or fully amortized during the year	0	0	0	0	0
Accumulated amortization and write-downs for impairment at December 31, 2006	**(126)**	**(3,067)**	**(195)**	**(1,856)**	**(5,244)**
Carrying value at December 31, 2006	**27,992**	**22,943**	**8,289**	**4,647**	**63,871**
Carrying value of capitalized interest at December 31, 2006	**-**	**0**	**0**	**3**	**3**

[1] The initial allocation on cash-generating units of goodwill acquired in connection with the acquisition of TDC is not completed. Accordingly, all goodwill from this acquisition is provisionally recognized in DKK.

In 2007, write-downs for impairment of intangible assets totaled DKK 1,131m. Of this, DKK 74m related to assets operated jointly by Business Nordic, Fixnet Nordic and Mobile Nordic, DKK 360m related to Mobile Nordic, DKK 497m related to YouSee, DKK 135m related to Sunrise, and DKK 65m related to Other activities. The write-downs related to Mobile Nordic comprised the write-down of wholesale mobile customer relationships. The write-downs related to YouSee comprised primarily the DKK 489m write-down of the TDC Cable TV brand due to its replacement by the YouSee brand.

In 2007, reversed write-downs amounted to DKK 17m and related to assets operated jointly by Business Nordic, Fixnet Nordic and Mobile Nordic.

In 2006, write-downs for impairment of intangible assets totaled DKK 182m. Of this, DKK 59m related to assets operated jointly by Business Nordic, Fixnet Nordic and Mobile Nordic, and DKK 123m related to Sunrise.

The carrying value of software amounted to DKK 1,946m, compared with DKK 1,812m in 2006.

Interest capitalized during 2007 amounted to DKK 7m, compared with DKK 4m in 2006.

The carrying value of mortgaged intangible assets amounted to DKK 915m at December 31, 2007, compared with DKK 179m in 2006.

Impairment tests of goodwill and intangible assets with indefinite useful lives

The carrying value of goodwill is tested for impairment annually at July 1, and if events or changes in circumstances indicate impairment.

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

Goodwill and intangible assets with indefinites useful lives relate primarily to Business Nordic, Fixnet Nordic, Mobile Nordic, YouSee, Sunrise and TDC Nordic. The assumptions for calculating the value in use for the most significant goodwill amounts are given below. Any reasonably possible changes in the key assumptions are deemed not to cause the carrying value of goodwill to exceed the recoverable value.

The carrying value of assets with indefinite useful lives amounted to DKK 5.880m at December 31, 2007, compared with DKK 6,377m in 2006.

Business Nordic

The carrying value of goodwill relating to Business Nordic amounted to DKK 8,248m at December 31, 2007. The recoverable amount is sensitive primarily to the applied assumptions regarding the decline within traditional landline telephony and corresponding growth within VoIP. Furthermore, projected revenue growth will stem mainly from datacommunication and fiber. The growth rate applied to extrapolate projected future cash flows for the period following 2016 equals an expected market based rate of 2.5%. A discount rate of 9.2% has been applied.

Fixnet Nordic

The carrying value of goodwill relating to Fixnet Nordic amounted to DKK 3,053m at December 31, 2007. The recoverable amount is sensitive primarily to the applied assumptions regarding the decline within traditional landline telephony and corresponding growth within VoIP. Furthermore, projected revenue growth will stem mainly from broadband, TVoIP and content. The growth rate applied to extrapolate projected future cash flows for the period following 2016 equals an expected market based rate of 2.5%. A discount rate of 8.7% has been applied.

Mobile Nordic

The carrying value of goodwill relating to Mobile Nordic amounted to DKK 1,803m at December 31, 2007. The projected revenue growth will stem mainly from mobile broadband. The growth rate applied to extrapolate projected future cash flows for the period following 2016 equals an expected market based rate of 2.5%. A discount rate of 9.0% has been applied.

YouSee

The carrying value of goodwill relating to YouSee amounted to DKK 1,992m at December 31, 2007. The projected revenue growth will stem mainly from digital TV and TVoIP. The growth rate applied to extrapolate projected future cash flows for the period following 2016 equals an expected market based rate of 2.0%. A discount rate of 9.5% has been applied.

Sunrise

The carrying value of goodwill relating to Sunrise amounted to DKK 8,299m at December 31, 2007. 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. The growth rate applied to extrapolate projected future cash flows for the period following 2016 equals an expected market-based rate of 2.0%. A discount rate of 7.2% has been applied.

TDC Nordic

The carrying value of goodwill relating to TDC Nordic amounted to DKK 1,540m at December 31, 2007. The recoverable amount is sensitive primarily to changes in the projected revenue growth. The projected revenue growth will stem primarily from corporate communications solutions as well as mobile offerings. The growth rate applied to extrapolate projected future cash flows for the period following 2016 is 2.0%. The growth rate is not deemed to exceed the long-term average growth rate in TDC Nordic's markets. A discount rate of 10.3% has been applied.

Note 13 Property, plant and equipment **DKKm**

	Land and buildings	Telecommunications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
						2007
Accumulated cost at January 1, 2007	4,761	20,487	2,680	218	717	28,863
Transferred to discontinued operations	0	0	(143)	0	0	(143)
Currency translation adjustments	7	(319)	(52)	(1)	(17)	(382)
Transfers (to)/from other items	19	1,070	37	(267)	(859)	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	(41)	(725)	(70)	0	(12)	(848)
Assets disposed of during the year	(3,765)	(38)	(55)	0	(25)	(3,883)
Transfers (to)/from assets held for sale	18	0	0	0	0	18
Accumulated cost at December 31, 2007	**1,125**	**25,383**	**2,772**	**247**	**953**	**30,480**
Accumulated depreciation and write-downs for impairment at January 1, 2007	(54)	(4,630)	(1,161)	(16)	(1)	(5,862)
Transferred to discontinued operations	0	0	39	0	0	39
Currency translation adjustments	(1)	125	28	0	0	152
Transfers to/(from) other items	(3)	4	(1)	0	0	0
Depreciation for the year	(46)	(2,920)	(599)	0	0	(3,565)
Write-downs for impairment during the year	0	(213)	(13)	(29)	0	(255)
Disposals relating to the divestment of subsidiaries	1	92	25	0	0	118
Assets disposed of during the year	84	3	48	0	0	135
Transfers to/(from) assets held for sale	(15)	0	0	0	0	(15)
Accumulated depreciation and write-downs for impairment at December 31, 2007	**(34)**	**(7,539)**	**(1,634)**	**(45)**	**(1)**	**(9,253)**
Carrying value at December 31, 2007	**1,091**	**17,844**	**1,138**	**202**	**952**	**21,227**
Carrying value of capital leases at December 31, 2007	**115**	**334**	**214**	**-**	**-**	**663**
Carrying value of capitalized interest at December 31, 2007	**0**	**17**	**0**	**-**	**0**	**17**

2006

	Land and buildings	Telecommunications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
Accumulated cost at January 1, 2006	0	0	0	0	0	0
Currency translation adjustments	0	(260)	(39)	0	(13)	(312)
Transfers (to)/from other items	5	1,441	89	(218)	(1,317)	0
Additions relating to the acquisition of subsidiaries	4,903	17,408	2,296	199	651	25,457
Work performed for own purposes and capitalized	1	1,322	(1)	0	8	1,330
Acquisitions from third parties	36	509	366	242	1,391	2,544
Assets disposed of during the year	(181)	(18)	(31)	(5)	(3)	(238)
Transfers (to)/from assets held for sale	(3)	85	0	0	0	82
Accumulated cost at December 31, 2006	**4,761**	**20,487**	**2,680**	**218**	**717**	**28,863**
Accumulated depreciation and write-downs for impairment at January 1, 2006	0	0	0	0	0	0
Currency translation adjustments	(1)	134	21	1	0	155
Transfers to/(from) other items	0	(10)	10	0	0	0
Depreciation for the year	(55)	(4,635)	(1,205)	0	0	(5,895)
Write-downs for impairment during the year	0	(115)	5	(17)	(1)	(128)
Assets disposed of during the year	0	2	8	0	0	10
Transfers to/(from) assets held for sale	2	(6)	0	0	0	(4)
Accumulated depreciation and write-downs for impairment at December 31, 2006	**(54)**	**(4,630)**	**(1,161)**	**(16)**	**(1)**	**(5,862)**
Carrying value at December 31, 2006	**4,707**	**15,857**	**1,519**	**202**	**716**	**23,001**
Carrying value of capital leases at December 31, 2006	**20**	**448**	**47**	**-**	**-**	**515**
Carrying value of capitalized interest at December 31, 2006	**0**	**7**	**0**	**-**	**0**	**7**

Interest capitalized during 2007 amounted to DKK 12m at December 31, 2007 compared with DKK 8m in 2006.

The NTCH Group has recourse guarantee obligations of payment and performance in connection with lease contracts. Reference is made to note 28 Contingencies.

The carrying value of mortgaged property, plant and equipment amounted to DKK 3,396m at December 31, 2007 compared with DKK 2,923m in 2006.

In 2007, damages received relating to property, plant and equipment of DKK 61m have been recognized as income compared with DKK 62m in 2006.

Note 14 Investments in joint ventures and associates **DKKm**

	2007	2006
Accumulated cost at January 1	7,515	0
Currency translation adjustments	339	(39)
Additions relating to the acquisition of enterprises	0	7,572
Additions during the year	12	3
Disposals relating to the divestment of enterprises	(8)	0
Disposals during the year	(1,026)	(21)
Accumulated cost at December 31	**6,832**	**7,515**
Accumulated write-ups and write-downs for impairment at January 1	(731)	0
Currency translation adjustments	7	(49)
Disposals relating to the divestment of enterprises	2	0
Write-ups and write-downs for the year:		
• Share of income/(loss)	377	170
• Special items	(76)	10
• Dividends	(528)	(863)
Disposals during the year	14	1
Accumulated write-ups and write-downs for impairment at December 31	**(935)**	**(731)**
Carrying value at December 31	**5,897**	**6,784**
which can be specified as follows:		
Joint ventures	5,755	6,646
Associates	142	138
Total	**5,897**	**6,784**

The carrying value of joint ventures and associates included goodwill of DKK 3,537m at December 31, 2007, compared with DKK 4,282m in 2006.

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

	2007	2006	2005
Share of income/loss	377	170	0
Special items	(76)	10	0
Gain/loss relating to disposals	(35)	20	0
Income from joint ventures and associates	**266**	**200**	**0**

Associates

NTCH has no significant associates.

Joint ventures

The NTCH Group's significant investments in joint ventures comprise a 19.6% ownership share in Polkomtel S.A., a Polish mobile network operator with a market share of approximately a third of the mobile market in Poland.

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

Financial summary for joint ventures (NTCH's share) **DKKm**

	2007	2006
Revenue	3,471	3,207
Total operating expenses before depreciation, etc.	(2,247)	(2,097)
Total non-current assets	7,104	8,561
Total current assets	530	632
Total non-current liabilities	(309)	(1,136)
Total current liabilities	(1,570)	(1,411)

Contingent liabilities in the joint ventures amounted to DKK 0m at December 31, 2007, compared with DKK 17m in 2006.

Note 15 Receivables **DKKm**

	2007	2006
Trade receivables	7,171	8,883
Allowances for uncollectibles	(548)	(890)
Trade receivables, net	6,623	7,993
Receivables from joint ventures and associates	0	277
Contract work in process (see note 16 for details)	268	248
Other receivables	775	785
Total	**7,666**	**9,303**
Recognized as follows:		
Non-current assets	95	305
Current assets	7,571	8,998
Total	**7,666**	**9,303**
Allowances for uncollectibles at January 1	(890)	0
Transferred to discontinued operations	298	0
Additions relating to the acquisition of subsidiaries	0	(1,068)
Additions	(226)	(229)
Deductions	270	407
Allowances for uncollectibles at December 31	**(548)**	**(890)**
Receivables past due but not impaired	**1,401**	**908**
Receivables past due and impaired	**704**	**1,168**

Of the receivables classified as current assets at December 31, 2007, DKK 327m falls due after more than one year, compared with DKK 77m at December 31, 2006.

Note 16 Contract work in process

DKKm	2007	2006
Value of contract work in process	439	397
Billing on account	(175)	(151)
Total	**264**	**246**
Recognized as follows:		
Contract work in process (assets)	268	248
Contract work in process (liabilities)	(4)	(2)
Total	**264**	**246**
Recognized as revenue from contract work in process	994	721
Prepayments from customers	36	31

Write-downs of contract work in process amounted to DKK 28m in 2007, compared with DKK 0m in 2006.

Note 17 Prepaid expenses

DKKm	2007	2006
Prepayment regarding former civil servants	51	131
Prepaid lease paymentss	143	134
Other prepaid expenses	618	707
Total	**812**	**972**
Recognized as follows:		
Non-current assets	147	259
Current assets	665	713
Total	**812**	**972**

Note 18 Inventories

DKKm	2007	2006
Raw materials and supplies	93	58
Work in process	0	7
Finished goods and merchandise	548	592
Total	**641**	**657**

Inventories expensed amounted to DKK 3,845m in 2007, compared with DKK 3,585 in 2006.

Inventories expected to be sold after more than one year amounted to DKK 17m at December 31, 2007, compared with DKK 12m at December 31, 2006.

Write-downs of inventories amounted to DKK 33m in 2007, compared with DKK 27m in 2006. Reversal of write-downs of inventories amounted to DKK 18m in 2007, compared with DKK 38m in 2006.

Note 19 Equity

Share capital

	Shares (number)	Nominal value (DKK)
Holding at January 1, 2006	126,000	126,000
Additions	10,000	10,000
Holding at January 1, 2007	136,000	136,000
Additions	0	0
Reductions	0	0
Holding at December 31, 2007	**136,000**	**136,000**

Note 20 Loans

DKKm

	2007	2006
Bank loans	35,727	47,594
Bonds and mortgages	27,523	25,260
Debt relating to capital leases	694	434
Other long-term debt	248	300
Total	**64,192**	**73,588**
Of which loans expected to be paid within 12 months	(4,146)	(1,975)
Long-term loans	**60,046**	**71,613**
Long-term loans fall due as follows:		
1 -3 years	6,368	8,459
3 -5 years	10,716	5,996
5 -7 years	14,200	6,403
7 -9 years	28,617	35,895
After 9 years	145	14,860
Total	**60,046**	**71,613**
Fair value	65,356	75,611
Nominal value	65,162	74,881

Allocation of liabilities relating to capital leases according to maturity date

DKKm

	Minimum payments		Present value	
	2007	**2006**	**2007**	**2006**
Mature within 1 year	161	74	137	49
Mature between 1 and 5 years	385	209	281	124
Mature after 5 years	423	306	276	261
Total	**969**	**589**	**694**	**434**

Liabilities relating to capital leases are related primarily to sale and leaseback agreements regarding sale of property to the related Danish pension funds and agreements regarding the renting of fiber networks.

Note 21 Deferred income

DKKm

	2007	2006
Accrued revenue from non-refundable up-front connection fees	1,480	1,489
Deferred subscription revenue	1,456	1,382
Other deferred income	973	906
Total	**3,909**	**3,777**
Recognized as follows:		
Non-current liabilities	956	1,035
Current liabilities	2,953	2,742
Total	**3,909**	**3,777**

Note 22 Provisions

DKKm

	2007				2006
	Asset retirement obligations	Restructuring obligations	Other provisions	Total	
Provisions at January 1	451	512	796	1,759	0
Transferred to discontinued operations	(4)	(21)	(3)	(28)	0
Currency translation adjustments	(10)	(3)	(10)	(23)	(12)
Additions relating to the acquisition of subsidiaries	0	0	7	7	1,910
Disposal related to the divestment of subsidiaries	(7)	0	(5)	(12)	0
Provisions made during the year	83	325	568	976	670
Change in present value	15	0	16	31	(31)
Provisions used during the year	(1)	(329)	(431)	(761)	(727)
Unused provisions reversed during the year	(1)	(27)	(59)	(87)	(51)
Provisions at December 31	**526**	**457**	**879**	**1,862**	**1,759**
Recognized as follows:					
Non-current liabilities	521	280	474	1,275	1,174
Current liabilities	5	177	405	587	585
Total	**526**	**457**	**879**	**1,862**	**1,759**

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 2012.

Provisions for restructuring obligations relate primarily to redundancy programs. The majority of these obligations are expected to result in cash outflow in the period 2008-2012. The uncertainties relate primarily to the estimated amounts.

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

Note 23 Trade and other payables DKKm

	2007	2006
Trade payables	5,040	4,971
Payables to joint ventures and associates	0	4
Prepayments from customers	330	403
Other payables	2,928	3,205
Total	**8,298**	**8,583**

Of the current liabilities at December 31, 2007, DKK 17m falls due after more than one year at December 31, 2007, compared with DKK 24m at December 31, 2006.

Note 24 Research and development costs

Research and development costs for the year recognized in the Statements of Income amounted to DKK 29m in 2007, compared with DKK 10m in 2006.

Note 25 Financial instruments, etc.

NTCH 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 of 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:

					2007	2006
		Financial assets and liabilities				
Currency	Maturities	Assets	Liabilities	Derivatives1	Net position	Net position
EUR	< 1 year	2,376	(4,847)	1,761	(710)	300
	1-3 years	0	(6,047)	3,443	(2,604)	(7,133)
	3-5 years	0	(10,495)	(2,439)	(12,934)	(9,241)
	5-7 years	0	(14,131)	0	(14,131)	(4,721)
	7-9 years	0	(25,544)	0	(25,544)	(35,840)
	> 9 years	0	0	0	0	(11,096)
Total EUR		**2,376**	**(61,064)**	**2,765**	**(55,923)**	**(67,731)**
Others	< 1 year	3,070	(1,494)	(4,208)	(2,632)	(1,051)
	1-3 years	238	(43)	(2,697)	(2,502)	(51)
	3-5 years	6	(147)	2,874	2,733	3,448
	5-7 years	0	(51)	0	(51)	(49)
	7-9 years	0	(3,053)	0	(3,053)	(56)
	> 9 years	0	(80)	0	(80)	(3,448)
Total others		**3,314**	**(4,868)**	**(4,031)**	**(5,585)**	**(1,207)**
Foreign currencies total		**5,690**	**(65,932)**	**(1,266)**	**(61,508)**	**(68,938)**
DKK	< 1 year	8,857	(2,071)	2,380	9,166	5,393
	1-3 years	5	(287)	(884)	(1,166)	(1,429)
	3-5 years	7	(73)	(750)	(816)	(247)
	5-7 years	7	(20)	0	(13)	(1,629)
	7-9 years	4	(21)	0	(17)	0
	> 9 years	75	(69)	0	6	50
Total DKK		**8,955**	**(2,541)**	**746**	**7,160**	**2,138**
Total		**14,645**	**(68,473)**	**(520)**	**(54,348)**	**(66,800)**

[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:

	2007				2006[1]			
	Net investments, carrying value	Hedged	Not hedged	Currency translation adjustments for the year	Net investments, carrying value	Hedged	Not hedged	Currency translation adjustments for the year
CHF	14,620	(24,284)	9,664	(100)	27,710	(27,375)	(335)	(12)
SEK	10,341	0	(10,341)	(329)	10,822	0	(10,822)	304
PLN	5,756	0	(5,756)	88	1,445	0	(1,445)	(25)
HUF	470	0	(470)	(104)	585	0	(585)	(17)
EUR	7	0	(7)	(5)	4,048	0	(4,048)	(4)
Others	(38)	0	38	3	(53)	0	53	(3)
Total at December 31	**31,156**	**(24,284)**	**(6,872)**	**(447)**	**44,557**	**(27,375)**	**(17,182)**	**243**

[1] The amounts shown are derived from the 2006 consolidated financial statements of TDC. At year-end 2006 the carrying value was not determined, as the initial allocation on cash-generating units of goodwill acquired in connection with the acquisition of TDC was not complete.

Net investments in foreign subsidiaries, joint ventures and associates are hedged at TDC level for foreign currency risks only for Sunrise. Net investments in foreign enterprises include goodwill. Due to the results of the goodwill allocation in NTCH, the carrying value of the net investments in NTCH deviate from the corresponding carrying value to be hedged in TDC.

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 were determined using the zero-coupon rates.

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

	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 at fair value through profit or loss									
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
Derivatives, liabilities									
Interest rate swaps	(145)	(366)	(35)	0	0	0	(546)	(357)	(357)
Currency swaps	(80)	12	(558)	0	0	0	(626)	(508)	(508)
Net investment hedges							0	0	0
Other derivatives	(4)	0	0	0	0	0	(4)	(4)	(4)
Loans and receivables									
Cash	8,474	0	0	0	0	0	8,474	8,474	8,474
Trade receivables and other receivables	5,865	265	27	22	20	298	6,497	6,176	6,171
Available-for-sale financial assets	0	0	0	0	0	0	0	0	0
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	(3,798)	(6,634)	(10,383)	(5,228)	(16,569)	0	(42,612)	(27,990)	(27,523)
Debt relating to capital leases	(161)	(276)	(109)	(104)	(104)	(215)	(969)	(694)	(694)
Trade and other payables	(4,358)	(179)	(76)	0	0	(4)	(4,617)	(4,586)	(4,529)
Total	**2,208**	**(14,592)**	**(18,959)**	**(20,060)**	**(31,315)**	**79**	**(82,639)**	**(55,041)**	**(53,877)**

[1] All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories:

	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Non-financial assets and liablities, and equity	Total balance
Assets	820	14,645	0	0	89,677	105,142
Equity and liabilities	(869)	0	0	(68,473)	(35,800)	(105,142)

Maturity profiles (DKKm)[1]	< 1 year	1–3 years	3–5 years	5–7 years	7–9 years	> 9 years	Total	Fair value	2006 Carrying value
Financial assets and liabilities at fair value through profit or loss									
Derivatives, assets									
Interest rate swaps	38	162	38	0	0	0	238	153	153
Currency swaps	91	77	(98)	3	0	0	73	301	301
Net investment hedges	1,056	313	0	0	0	0	1,369	694	694
Other derivatives	74	0	0	0	0	0	74	74	74
Derivatives, liabilities									
Interest rate swaps	(35)	(117)	0	0	0	0	(152)	(147)	(147)
Currency swaps	(57)	(163)	96	0	0	0	(124)	(487)	(487)
Net investment hedges	0	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0	0
Loans and receivables									
Cash	3,743	0	0	0	0	0	3,743	3,743	3,743
Trade receivables and other receivables	7,139	14	6	8	6	613	7,786	7,407	7,450
Available-for-sale financial assets	5	0	0	0	0	0	5	5	5
Financial liabilities measured at amortized cost									
Bank loans	(4,054)	(9,890)	(13,119)	(5,126)	(38,715)	0	(70,904)	(48,461)	(47,594)
Bonds	(1,928)	(7,967)	(3,451)	(9,371)	(2,700)	(15,660)	(41,077)	(26,413)	(25,260)
Debt relating to capital leases	(72)	(120)	(98)	(100)	(98)	(117)	(605)	(434)	(434)
Trade and other payables	(4,399)	(175)	(156)	0	0	0	(4,730)	(4,607)	(4,604)
Total	**1,644**	**(17,780)**	**(16,887)**	**(14,586)**	**(41,507)**	**(15,164)**	**(104,280)**	**(68,172)**	**(66,106)**

[1] All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories:

	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Non-financial assets and liabilities, and equity	Total balance
Assets	1,092	11,193	5	0	101,284	113,574
Equity and liabilities	(504)	0	0	(77,892)	(35,178)	(113,574)

C: Undrawn credit lines

The undrawn credit lines at December 31, 2007 are specified as follows:

			DKKm
Maturities	Committed credit lines	Committed syndicated credit lines	Total
< 1 year	0	0	0
> 1 year	2,180	2,609	4,789
Total	**2,180**	**2,609**	**4,789**

D: Credit risks

Financial instruments are concluded only with counterparties holding the credit rating of A-/A3/A- or higher from Standard & Poor's, Moody's Investor Service or Fitch Ratings. Each counterparty credit line is determined by the counterparty's credit rating and is of a size that spreads the credit risks of the Group's 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, 2007, 3,004 of the NTCH Group's employees were entitled to a pension from the three pension funds related to TDC under conditions similar to those provided by the Danish Civil Servants' Pension Plan. In addition, 7,708 members of the pension funds receive or are entitled to receive pension benefits. Since 1990, no new members have joined the pension fund plans, and the pension funds are prevented from admitting new members in the future due to the bylaws.

The pension funds operate defined benefit plans and, in accordance with existing legislation, bylaws and the pension regulations, TDC is required to make contributions to meet the premium reserve requirements. Future pension benefits are based primarily on years of credited service and on participants' compensation at the time of retirement.

DKKm

Specification of (pension costs)/income	**2007**	**2006**	**2005**
Service cost[1]	(200)	(205)	0
Interest cost[2]	(862)	(756)	0
Expected return on plan assets	1,327	1,172	0
Recognized net actuarial (gain)/loss	0	0	0
Net periodic (pension cost)/income recognized in pension cost	**265**	**211**	**0**
Domestic redundancy programs recognized in special items	(57)	(31)	0
(Pension cost)/income recognized in the Statements of Income	**208**	**180**	**0**

[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	2007	2006
Specification of pension assets		
Fair value of plan assets	22,178	22,445
Projected benefit obligations	(16,908)	(18,214)
Funded status	**5,270**	**4,231**
Unrecognized net actuarial (gain)/loss	(1,176)	(566)
Pension assets recognized in the Balance Sheets	**4,094**	**3,665**
Change in present value of benefit obligations		
Projected benefit obligations at January 1	(18,214)	0
Additions on acquisition	0	(19,188)
Service cost	(200)	(205)
Interest cost	(862)	(756)
Curtailment in connection with redundancies	0	0
Special termination benefit	(57)	(31)
Actuarial gain/(loss)	1,502	1,150
Benefit paid	923	816
Projected benefit obligations at December 31	**(16,908)**	**(18,214)**
Change in fair value of plan assets		
Fair value of plan assets at January 1	22,445	0
Additions on acquisition	0	22,380
Actual return on plan assets	435	589
NTCH's contribution	221	292
Benefit paid	(923)	(816)
Fair value of plan assets at December 31	**22,178**	**22,445**

Plan assets include property used by TDC companies with a fair value of DKK 1,662m at December 31, 2007, compared with DKK 2,040m at December 31, 2006.

Weighted-average asset allocation by asset categories at December %

	2007	2006
Equity securities	14	14
Debt securities	64	69
Real estate	17	14
Other	5	3
Total	**100**	**100**

Weighted-average assumptions used to determine benefit obligations %

	2007	2006
Discount rate	5.35	4.85
General wage inflation	2.25	2.25
General price inflation	2.25	2.25

Weighted-average assumptions used to determine net periodic pension cost %

	2007	2006	2005
Discount rate	4.85	4.40	-
Expected return on plan assets	6.00	5.80	-
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 30% as equity securities, 45% as debt securities, 15% as real estate and 10% as other assets. The overall expected rate of return is based on the average long-term yields on the plan assets invested or to be invested.

In 2007, the assumed discount rate was increased to reflect changes in market conditions. The assumptions for 2008 reflect a further increase of the discount rate to 5.35% and a decrease in expected return on plan assets to 5.80% as well as unchanged assumptions with respect to general inflation. The changed assumptions have resulted in decreased pension benefit obligations at year-end 2007 compared with 2006. With these changed assumptions, NTCH's total pension costs excluding redundancy programs are expected to increase approximately DKK 51m in 2008 compared with 2007, assuming all other factors remain unchanged.

The average remaining service periods of active plan participants expected to receive benefits were estimated to be 12.0 years at December 31, 2007, compared with 10.8 years at December 31, 2006.

Cash flows

NTCH's current contributions were DKK 134m in 2007, against DKK 125m in 2006. Furthermore, extraordinary contributions were DKK 87m following a reduced work force in 2007, compared with DKK 167m in 2006. For 2008, the projected current contributions amount to DKK 154m. As in 2007, extraordinary contributions are expected to be paid in connection with retirements.

Other information

590 members of the defined benefit plans will ultimately have part of their pension payment reimbursed by the Danish government. The related benefit obligations, DKK 440m, have been deducted, arriving at the projected benefit obligation.

B: Foreign defined benefit plans

Pension costs for members of foreign Group enterprises operating defined benefit plans are determined on the basis of the development in the actuarially determined pension obligations and on the yield on the pension funds' assets. The difference between the actuarially determined pension obligations and the fair value of the pension funds' assets is recognized in the Balance Sheets under pension provisions, etc.

NTCH'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 TDC 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 TDC Group's pension obligation to employees who participated in the Danish civil servants' pension plan. Under the agreement, the TDC Group's pension contributions to the Danish Government ceased at July 1, 1994. The agreed non-recurring payment is treated as a prepaid expense, which will be amortized and expensed over the average expected remaining service lives of the active employees concerned.

In connection with the reduction in the number of employees in 2007 and previous years, some retired employees have retained their rights to civil servant pensions from the Danish government. It is deemed that the retirements will not cause further payments on the part of the Company.

Note 27 Other financial commitments and lease receivables

DKKm

	2007	2006
Lease commitments for all operating leases		
Rental expense relating to properties and mobile sites in the period of interminability	8,239	3,716
Accumulated lease commitments for machinery, equipment, computers, etc.	1,332	861
Total	**9,571**	**4,577**
which can be specified as follows:		
Not later than 1 year	1,135	947
Later than 1 year and not later than 5 years	3,041	2,172
Later than 5 years	5,395	1,458
Total	**9,571**	**4,577**
Total rental expense for the year for all operating leases		
Minimum lease payments	1,466	1,057
Contingent lease payments	0	1
Sublease payments	(20)	(16)
Total	**1,446**	**1,042**
Capital and purchase commitments		
Investments in property, plant and equipment	24	29
Investments in intangible assets	20	44
Commitments related to outsourcing agreements	844	910
Other purchase commitments	386	356

Operating leases, for which NTCH 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 2037 at the latest.

Total future minimum sublease payments expected for interminable subleases on balance sheet dates amounted to DKK 41m at December 31, 2007, compared with DKK 80m in 2006.

DKKm

Lease receivables	2007	2006
Total lease receivables in the period of interminability	1	17
which can be specified as follows:		
Not later than 1 year	1	16
Later than 1 year and not later than 5 years	0	1
Later than 5 years	0	0
Total	**1**	**17**

Operating leases, for which the NTCH Group is the lessor, are related primarily to agreements on telecommunications installations.

Note 28 Contingencies

Contingent assets

The NTCH Group is awaiting the outcome of certain cases brought against other telecommunications companies. A potential favorable outcome for NTCH of one or more of these cases could result in substantial income.

Contingent liabilities

The NTCH 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 NTCH 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, 2007, the guarantees amounted to DKK 2,214m, compared with DKK 2,713m at December 31, 2006. The guarantees provided by the NTCH Group are economically defeased by means of payment instruments issued by creditworthy obligors unrelated to the NTCH 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 428m at December 31, 2007, compared with DKK 361m at December 31, 2006.

Note 29 Related parties

Name of related party	Nature of relationship	Domicile
Angel Lux Common S.a.r.l.	Indirect ownership	Luxembourg
Nordic Telephone Management Holding ApS	Group company	Copenhagen, Denmark
Nordic Telephone Company Investment ApS	Indirect ownership	Copenhagen, Denmark
Nordic Telephone Company Administration ApS	Indirect ownership	Copenhagen, Denmark
Nordic Telephone Company Finance ApS	Ownership	Copenhagen, Denmark
KTAS Pensionskasse	Pension fund	Copenhagen, Denmark
Jydsk Telefons Pensionskasse	Pension fund	Århus, Denmark
Fyns Telefons Pensionskasse	Pension fund	Odense, Denmark

Danish Group companies have entered into certain lease contracts with the related Danish pension funds. The lease contracts are interminable until 2020 at the latest. The aggregate amount payable under such agreements amounted to DKK 578m at December 31, 2007, compared with DKK 793m at December 31, 2006. The rental expense was DKK 122m for 2007, compared with DKK 120m in 2006. In addition, annual contributions are paid to the pension funds, see note 26 Pension obligations.

DKK 46m in 2007 and DKK 35m in 2006 were charged for administration and management by the investment funds, each of which is advised by or managed, directly or indirectly, by Apax, Blackstone, KKR, Permira or Providence, or to the advisory entities of these funds. Further, a transaction fee of DKK 969m was paid to the investment funds in 2006, each of which is advised by or managed, directly or indirectly, by Apax, Blackstone, KKR, Permira or Providence, or to the advisory entities of these funds, in respect of the acquisition of TDC as well as the structuring and negotiation of the financing. DKK 242m (25% of the fee) has been allocated to acquisition costs in connection with the acquisition of the TDC shares, and the remaining DKK 727m was expensed as special items in 2006.

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

2007 **DKKm**

	Joint ventures	Associates	Other related parties	Total
Revenue	9	0	0	9
Costs	0	0	(5)	(5)
Receivables	0	0	69	69
Debt	0	0	0	0

2006 **DKKm**

	Joint ventures	Associates	Other related parties	Total
Revenue	11	4	13	28
Costs	0	(6)	(59)	(65)
Receivables	275	2	71	348
Debt	(4)	0	(1)	(5)

Note 30 Overview of Group companies at December 31, 2007

Company name	Domicile	Currency	NTCH Group ownership share (%)	Number of subsidiaries, joint ventures and associates not listed here[1]
Business Nordic				**2**
TDC Hosting A/S	Århus, Denmark	DKK	100.0	
• Uni2 A/S	Valby, Denmark		100.0	
TDC Dotcom AB	Stockholm, Sweden	SEK	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	3
- TDC Sverige AB	Stockholm, Sweden		100.0	3
- TDC Oy Finland	Helsinki, Finland		100.0	5
- 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	
TDC Produktion A/S	Glostrup, Denmark	DKK	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	NTCH Group ownership share (%)	Number of subsidiaries, joint ventures and associates not listed here[1]
Sunrise				
Sunrise Communications AG	Zürich, Switzerland	CHF	100.0	6
• sunrise business communications AG	Zürich, Switzerland		100.0	
Other				**8**
Nordic Telephone Company ApS	Copenhagen, Denmark	DKK	100.0	
TDC A/S	Copenhagen, Denmark	DKK	100.0	
ADSB Telecommunications B.V.[2]	Amsterdam, the Netherlands	EUR	34.7	
Hungarian Telephone and Cable Corp.	Seattle, USA	USD	64,6	15
• Invitel Távközlési Szolgáltató Zrt.	Budapest, Hungary		100.0	
• Hungarotel Távközlési Zrt.	Budapest, Hungary		100.0	
• Pantel Távközlési Kft.	Budapest, Hungary		100.0	
Polkomtel S.A.[2]	Warsaw, Poland	PLN	19.6	
Telmore International Holding A/S	Taastrup, Denmark	DKK	100.0	
• Shimmerbright Ltd.	London, UK		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 §6 the following subsidiaries have chosen not to prepare an annual report: Kaisai A/S, Anpartsselskabet af 28. august 2000, Jydsk Tele A/S, Tele1Europe ApS, TDCH I ApS, TDCH II ApS, TDCH III ApS, TDCT IV ApS, TDCT V ApS, TDCT VI ApS and TDCKT XII ApS.

Note 31 Auditors' remuneration DKKm

	2007	2006	2005
The remuneration of auditors elected by the Annual General Meeting:			
PricewaterhouseCoopers	46	69	0
Other auditors	0	7	0
Total	**46**	**76**	**0**
Hereof fees in respect of non-audit services:			
PricewaterhouseCoopers	21	45	0
Other auditors	0	0	0
Total	**21**	**45**	**0**

Note 32 Net interest-bearing debt DKKm

	2007	2006
Interest-bearing receivables	69	78
Cash	8,474	3,743
Long-term loans	(60,046)	(71,613)
Short-term loans	(4,146)	(1,975)
Other interest-bearing debt	(3)	(5)
Total	**(55,652)**	**(69,772)**

Note 33 Reversal of items without cash flow effect DKKm

	2007	2006	2005
Pension income	(275)	(45)	0
(Gain)/loss on disposal of property, plant and equipment	(68)	(40)	0
Other adjustments	75	53	0
Total	**(268)**	**(32)**	**0**

Note 34 Change in working capital DKKm

	2007	2006	2005
Change in inventories	(96)	(48)	0
Change in receivables	632	(643)	0
Change in trade payables	65	301	1
Change in other items, net	41	445	0
Total	**642**	**55**	**1**

Note 35 Investment in enterprises

2007

In 2007, NTCH 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 acquisition[1] **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.

Since the acquisition in 2007, the acquired enterprises have contributed DKK 942m to revenue and DKK (338)m to net income.

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.

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.

2006

In 2006, NTCH made the following acquisitions:

On February 1, 2006, Nordic Telephone Company ApS, settled its public tender offer of December 2, 2005, for TDC, and thereby became the owner of 87.9% of the shares in TDC A/S. TDC is the leading provider of communications solutions in Denmark, the second-largest telecom provider in the Swiss market and is represented by significant presence in the pan-Nordic market and in selected markets in Central Europe. The determination of fair values of assets acquired and liabilities assumed for purposes of the allocation of the total purchase price was based on independent appraisal.

At November 15, 2006 TDC YouSee A/S acquired Esbjerg Municipality's Cable-TV and Internet assets and activities, a TV and internet service provider.

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

	Acquisition of TDC A/S		Other acquisitions	
	Fair value at the time of acquisition	Carrying value before acquisition	Fair value at the time of acquisition	Carrying value before acquisition
Intangible assets	40,099	4,558	170	0
Property, plant and equipment	25,362	25,978	95	95
Investments in associates and joint ventures	7,572	2,196	0	0
Pension assets	3,192	5,468	0	0
Other non-current assets	410	473	0	0
Derivative financial instruments, net	460	460	0	0
Inventories	658	658	0	0
Receivables	7,863	7,863	1	1
Prepaid expenses	1,301	1,301	0	0
Marketable securities	2,087	2,087	0	0
Cash	12,832	12,832	0	0
Assets held for sale	197	120	0	0
Provisions	(1,910)	(1,920)	0	0
Pension liabilities	(446)	(333)	25	0
Deferred tax liabilities, net	(11,268)	(2,589)	0	0
Non-current loans	(25,401)	(24,900)	0	0
Current loans	(5,432)	(5,432)	0	0
Income tax payable	(453)	(365)	0	0
Short-term debt	(8,511)	(8,489)	(1)	(1)
Deferred income	(3,805)	(3,868)	0	0
Net assets	**44,807**	**16,098**	**290**	**95**
Minority interests	(5,704)		(3)	
Previous investments recognized under minority passive investments	(7,627)		0	
Acquired net assets	**31,476**		**287**	
Goodwill	28,085		9	
Acquisition cost	**59,561**		**296**	
Cash in acquired enterprises	(12,832)		0	
Unpaid share of acquisition cost	0		40	
Net cash flow on acquisition	**46,729**		**336**	

Since the acquisition in 2006, the acquired enterprises have contributed DKK 36,622m to revenue and DKK (531)m to net income.

Calculated as if the enterprises had been acquired at January 1, 2006, the acquired enterprises would have contributed DKK 36,700m to revenue and DKK (857)m to net income.

Goodwill related to acquisitions was calculated at DKK 28,118m on recognition of identifiable assets, liabilities and contingent liabilities at fair value. Goodwill represents the value of current employees and know-how.

Note 36 Divestment of enterprises DKKm

NTCH divested Bité Lietuva in 2007 and Contactel s.r.o in 2006. NTCH divested no enterprises in 2005.

	2007	2006
The carrying value of assets and liabilities consists of the following at the time of divestment:		
Intangible assets	1,858	0
Property, plant and equipment	730	0
Other non-current assets	5	0
Inventories	28	0
Prepaid expenses	28	0
Receivables	180	0
Cash and cash equivalents	78	0
Assets held for sale	0	115
Deferred tax assets/(liabilities), net	(58)	0
Provisions	(12)	0
Corporate income tax receivable/(payable), net	(9)	0
Deferred income	(17)	0
Short-term debt	(137)	(45)
Liabilities concerning assets held for sale	0	(79)
Net assets	**2,674**	**(9)**
Gain/(loss) on divestment of subsidiaries	589	77
Currency adjustments on divestment of subsidiaries	2	0
Received prepayments relating to divestment of subsidiaries	2	(17)
Cash in divested subsidiaries	(78)	0
Net cash flow on divestment	**3,189**	**51**

Note 37 Cash flow from investing activities in discontinued operations

DKKm

	2007	2006	2005
The carrying value of assets and liabilities in discontinued operations consists of the following at the time of divestment:			
Intangible assets	3,307	–	–
Property, plant and equipment	100	–	–
Inventories	70	–	–
Receivables	549	–	–
Cash and cash equivalents	1,584	–	–
Deferred tax assets/(liabilities), net	(687)	–	–
Provisions	(28)	–	–
Long-term debt	(25)	–	–
Corporate income tax receivable/(payable), net	(12)	–	–
Short-term debt	(617)	–	–
Net assets	**4,241**	**–**	**–**
Profit relating to divestment of discontinued operations	1,304	0	0
Hereof reversal of currency adjustments recognized in equity	11	0	0
Sales proceeds not received and sales costs not paid, net	60	0	0
Cash in discontinued operations	(1,584)	0	0
Net cash flow on divestment	**4,032**	**0**	**0**
Cash flow from investing activities in discontinued operations excluding divestments	(17)	(70)	0
Net cash flow from investing activities in discontinued operations	**4,015**	**(70)**	**0**

Note 38 Cash and cash equivalents

DKKm

	2007	2006	2005
Cash and cash equivalents at January 1	3,743	3	0
Unrealized currency translation adjustments	0	0	0
Adjusted cash and cash equivalents at January 1	**3,743**	**3**	**0**

The carrying value of pledged cash and cash equivalents amounted to DKK 8,058m at December 31, 2007, compared with DKK 2,963m at December 31, 2006.

Note 39 Events after the balance sheet date

No events have occurred subsequent to the balance sheet date that materially affect the financial position of the Company.

Parent Company Statements of Income				DKKm
	Note	2007	2006	2005
Other external expenses		(17)	(3)	0
Income before special items		**(17)**	**(3)**	**0**
Special items	2	0	(727)	0
Operating income		**(17)**	**(730)**	**0**
Fair value adjustments	3	123	(69)	0
Financial income	4	301	217	0
Financial expenses	5	(1,637)	(2,186)	(41)
Net financials		**(1,213)**	**(2,038)**	**(41)**
Income/(loss) before income taxes		**(1,230)**	**(2,768)**	**(41)**
Income taxes	6	152	744	0
Net income/(loss)		**(1,078)**	**(2,024)**	**(41)**

Assets			DKKm
	Note	2007	2006
Non-current assets			
Investments in subsidiaries	7	27,712	28,495
Total non-current assets		**27,712**	**28,495**
Current assets			
Receivables	8	10	53
Income tax receivable	6	413	1,048
Derivative financial instruments	12	0	130
Cash		177	4
Total current assets		**600**	**1,235**
Total assets		**28,312**	**29,730**

Equity and liabilities **DKKm**

	Note	2007	2006
Equity			
Common shares		0	0
Retained earnings		13,153	14,231
Total equity	**9**	**13,153**	**14,231**
Non-current liabilities			
Deferred tax liabilities	6	132	304
Loans	10	14,379	14,703
Total non-current liabilities		**14,511**	**15,007**
Current liabilities			
Trade and other payables	11	232	220
Derivative financial instruments	12	416	272
Total current liabilities		**648**	**492**
Total liabilities		**15,159**	**15,499**
Total equity and liabilities		**28,312**	**29,730**

Parent Company Statements of Cash Flow DKKm

	2007	2006	2005
Income before special items	(17)	(3)	0
Reversal of items without cash flow effect	0	0	0
Cash flow from special items	0	(727)	0
Change in working capital	63	(51)	0
Cash flow from operating activities before net financials and tax	**46**	**(781)**	**0**
Interest received	344	167	0
Interest paid	(1,614)	(1,527)	(21)
Realized currency translation adjustments	(1)	(212)	(20)
Cash flow from operating activities before tax	**(1,225)**	**(2,353)**	**(41)**
Corporate income tax paid	615	0	0
Total cash flow from operating activities	**(610)**	**(2,353)**	**(41)**
Investment in subsidiaries	0	(60,402)	(7,627)
Dividends received from subsidiaries in excess of accumulated earnings	783	39,534	0
Total cash flow from investing activities	**783**	**(20,868)**	**(7,627)**
Proceeds from long-term loans	0	62,199	0
Repayments of long-term loans	0	(47,602)	0
Capital increase	0	10,991	7,668
Dividends paid	0	(2,363)	0
Total cash flow from financing activities	**0**	**23,225**	**7,668**
Total cash flow	**173**	**4**	**0**
Cash and cash equivalents at January 1	4	0	0
Cash and cash equivalents at December 31	**177**	**4**	**0**

Parent Company Statements of Changes in Equity **DKKm**

	Common shares[1]	Retained earnings	Total
Contribution in connection with the establishment November 11, 2005	0	–	0
Hedging of available-for-sale financial assets	–	(120)	(120)
Net income/(loss)	–	(41)	(41)
Total comprehensive income/(loss)	**–**	**(161)**	**(161)**
Capital increase	0	7,668	7,668
Equity at December 31, 2005	**0**	**7,507**	**7,507**
Reversal of available-for-sale financial assets	–	120	120
Net income/(loss)	–	(2,024)	(2,024)
Total comprehensive income/(loss)	–	(1,904)	(1,904)
Distributed dividends	**–**	**(2,363)**	**(2,363)**
Capital increase	0	10,991	10,991
Equity at December 31, 2006	**0**	**14,231**	**14,231**
Net income/(loss)	–	(1,078)	(1,078)
Total comprehensive income/(loss)	**–**	**(1,078)**	**(1,078)**
Distributed dividends	–	0	0
Capital increase	0	0	0
Equity at December 31, 2007	**0**	**13,153**	**13,153**

[1] Contribution in connection with the establishment consisted of 125,000 shares of DKK 1 nominal for an amount of DKK 250,000. On December 21, 2005 the share capital was increased by 1,000 shares of DKK 1 nominal for an amount of DKK 7,668m. On January 30, 2006 the share capital was increased by 10,000 shares of DKK 1 nominal for an amount of DKK 10,991m. Common shares amount to a total nominal value of DKK 136,000, cf. note 19 to the Consolidated Financial Statements.

Notes to Parent Company Financial Statements

Note 1 Significant Accounting Policies

The Financial Statements 2007 of the Parent Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional Danish disclosure requirements 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. Reference is made to note 1 to the Consolidated Financial Statements as regards the Significant Accounting Policies of the Group.

Supplementary Significant Accounting Policies for the Parent Company

Dividends from investments in subsidiaries and associates

Dividends from investments in subsidiaries 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

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

Note 2 Special items — **DKKm**

	2007	**2006**	**2005**
Transaction fee	0	(727)	0
Special items before income taxes	**0**	**(727)**	**0**
Income taxes related to special items	0	204	0
Special items after income taxes	**0**	**(523)**	**0**

Note 3 Fair value adjustments

DKKm

	2007	2006	2005
Fair value adjustments of derivatives	123	(69)	0
Fair value adjustments before tax	**123**	**(69)**	**0**
Income taxes related to fair value adjustments	(31)	19	0
Fair value adjustments after tax	**92**	**(50)**	**0**

Note 4 Financial income

DKKm

	2007	2006	2005
Interest income	301	217	0
Total	**301**	**217**	**0**

Note 5 Financial expenses

DKKm

	2007	2006	2005
Interest expenses	(1,589)	(2,117)	(21)
Currency translation adjustments, net	(48)	(69)	(20)
Total	**(1,637)**	**(2,186)**	**(41)**

Note 6 Income taxes

DKKm

	Income taxes cf. the Statements of Income	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)
2007			
At January 1	–	(1,048)	304
Adjustment of tax for previous years	2	473	(475)
Change of corporate income tax rate	(18)	–	18
Income taxes	168	(453)	285
Tax paid relating to prior years	–	615	–
Share of tax paid on account relating to joint taxation in present year	–	0	–
Total	**152**	**(413)**	**132**
Income taxes are specified as follows:			
Income excluding special items and fair value adjustments	183	–	–
Special items	0	–	–
Fair value adjustments	(31)	–	–
Total	**152**	**–**	**–**

	Income taxes cf. the Statements of Income	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)
2006			
At January 1	–	0	0
Income taxes	744	(1,048)	304
Tax paid relating to prior years	–	0	–
Share of tax paid on account relating to joint taxation in present year	–	0	–
Total	**744**	**(1,048)**	**304**
Income taxes are specified as follows:			
Income excluding special items and fair value adjustments	521	–	–
Special items	204	–	–
Fair value adjustments	19	–	–
Total	**744**	**–**	**–**

Reconciliation of effective tax rate

	2007	**2006**	**2005**
Danish corporate income tax rate	25.0	28.0	28.0
Adjustment of tax for previous years	0.1	0.0	0.0
Change of tax legislation, including change of corporate income tax rate	(1.3)	0.0	0.0
Limitation on the tax deductibility of interest expenses	(10.4)	0.0	0.0
Non-taxable income and non-tax deductible expenses	0.1	(2.0)	0.0
Tax value of non-capitalized tax losses and utilized tax losses, net	0.0	0.4	(28.0)
Effective tax rate excluding special items and fair value adjustments	13.5	**26.4**	0.0
Special items and fair value adjustments	(1.1)	0.5	0.0
Effective tax rate including special items and fair value adjustments	**12.4**	**26.9**	0.0

Specification of deferred tax **DKKm**

	2007	**2006**
Current	**0**	**0**
Loans	132	**304**
Non-current	**132**	**304**
Deferred tax liabilities at December 31	**132**	**304**

All of the Danish Group companies participate in joint taxation.

NTCH participates in joint taxation with Nordic Telephone Company Investment ApS. 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 7 Investments in subsidiaries

DKKm

	2007	2006
Accumulated cost at January 1	28,495	7,627
Additions during the year	0	60,402
Disposals during the year	0	0
Accumulated cost at December 31	**28,495**	**68,029**
Accumulated write-downs for impairment at January 1	0	0
Dividends distributed in excess of accumulated earnings	(783)	(39,534)
Accumulated write-downs for impairment at December 31	**(783)**	**(39,534)**
Carrying value at December 31	**27,712**	**28,495**

Overview of subsidiaries at December 31, 2007

Company name	Domicile	Currency	Ownership share (%)[1]
Nordic Telephone Company ApS	Copenhagen, Denmark	DKK	100.0

Impairment tests of subsidiaries recognized at cost

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

Note 8 Receivables

DKKm

	2007	2006
Receivables from subsidiaries	0	51
Other receivables	10	2
Total	**10**	**53**

Note 9 Equity

DKKm

Reference is made to note 19 to the Consolidated Financial Statements as regards information on common shares.

Note 10 Loans DKKm

	2007	2006
Bonds and mortgages	14,379	14,703
Of which loans expected to be paid within 12 months	0	0
Long-term loans	14,379	14,703
Long-term loans fall due as follows:		
1-3 years	0	0
3-5 years	0	0
5-7 years	0	0
7-9 years	14,379	0
After 9 years	0	14,703
Total	14,379	14,703
Fair value	14,906	16,038
Nominal value	14,607	14,956

.

Note 11 Trade and other payables DKKm

	2007	2006
Trade payables	218	219
Payables to subsidiaries	14	1
Total	**232**	**220**

Note 12 Financial instruments, etc.

The Parent Company is exposed to financial market and credit risks when buying and selling goods and services in foreign denominated currencies as well as investing in and financing of 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			2007	2006
	Currency	Maturities	Assets	Liabilities	Derivatives[1]	Net position	Net position
EUR		< 1 year	19	(173)	(44)	(198)	(207)
		1-3 years	0	0	0	0	0
		3-5 years	0	0	(3,917)	(3,917)	(3,639)
		5-7 years	0	0	0	0	0
		7-9 years	0	(11,383)	0	(11,383)	0
		> 9 years	0	0	0	0	(11,370)
Total EUR			**19**	**(11,556)**	**(3,961)**	**(15,498)**	**(15,216)**
Others		< 1 year	1	(45)	45	1	0
		1-3 years	0	0	0	0	0
		3-5 years	0	0	3,500	3,500	3,491
		5-7 years	0	0	0	0	0
		7-9 years	0	(2,996)	0	(2,996)	0
		> 9 years	0	0	0	0	(3,333)
Total others			**1**	**(3,041)**	**3,545**	**505**	**158**
Foreign currencies total			**20**	**(14,597)**	**(416)**	**(14,993)**	**(15,058)**
DKK		< 1 year	167	(14)	0	153	52
		1-3 years	0	0	0	0	0
		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 DKK			**167**	**(14)**	**0**	**153**	**52**
Total			**187**	**(14,611)**	**(416)**	**(14,840)**	**(15,006)**

[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.

B: Net financials

DKKm

	Interest	Currency translation adjustments	Fair value adjustments	Effect of early redemption	2007 Total
Income					
Financial assets and liabilities at fair value through profit or loss	278	0	123	0	401
Loans and receivables	5	0	0	0	5
Financial liabilities measured at amortized cost	0	343	0	0	343
Non-financial assets or liabilities	18	0	0	0	18
Total	**301**	**343**	**123**	**0**	**767**
Expenses					
Financial assets and liabilities at fair value through profit or loss	(262)	(391)	0	0	(653)
Loans and receivables	0	0	0	0	0
Financial liabilities measured at amortized cost	(1,327)	0	0	0	(1,327)
Non-financial assets or liabilities	0	0	0	0	0
Total	**(1,589)**	**(391)**	**0**	**0**	**(1,980)**
Net financials	**(1,288)**	**(48)**	**123**	**0**	**(1,213)**

	Interest	Currency translation adjustments	Fair value adjustments	Effect of early redemption	2006 Total
Income					
Financial assets and liabilities at fair value through profit or loss	204	0	0	0	204
Loans and receivables	13	2	0	0	15
Available-for-sale financial assets	0	0	0	0	0
Financial liabilities measured at amortized cost	0	223	0	0	223
Non-financial assets or liabilities	0	0	0	0	0
Total	**217**	**225**	**0**	**0**	**442**
Expenses					
Financial assets and liabilities at fair value through profit or loss	(183)	(294)	(69)	0	(546)
Loans and receivables	0	0	0	0	0
Financial liabilities measured at amortized cost	(1,934)	0	0	0	(1,934)
Non-financial assets or liabilities	0	0	0	0	0
Total	**(2,117)**	**(294)**	**(69)**	**0**	**(2,480)**
Net financials	**(1,900)**	**(69)**	**(69)**	**0**	**(2,038)**

					2005
	Interest	Currency translation adjustments	Fair value adjustments	Effect of early redemption	Total
Income					
Financial assets and liabilities at fair value through profit or loss	0	0	0	0	0
Loans and receivables	0	0	0	0	0
Available-for-sale financial assets	0	0	0	0	0
Financial liabilities measured at amortized cost	0	0	0	0	0
Non-financial assets or liabilities	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**
Expenses					
Financial assets and liabilities at fair value through profit or loss	0	0	0	0	0
Loans and receivables	0	0	0	0	0
Financial liabilities measured at amortized cost	(21)	(20)	0	0	(41)
Non-financial assets or liabilities	0	0	0	0	0
Total	**(21)**	**(20)**	**0**	**0**	**(41)**
Net financials	**(21)**	**(20)**	**0**	**0**	**(41)**

Currency translation adjustments and fair value adjustments are recognized on a net basis. Currency translation adjustments are classified as either Financial income or Financial expenses in the Statements of Income. See also notes 3-5.

The maturity analysis of financial assets and liabilities is disclosed by category and class and is allocated according to maturity period. All interest payments and repayments of financial assets and liabilities are based on contractual agreements. Interest payments on floating-rate instruments were determined using the zero-coupon rates.

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

	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 at fair value through profit or loss									
Derivatives, assets									
Interest rate swaps	0	0	0	0	0	0	0	0	0
Currency swaps	0	0	0	0	0	0	0	0	0
Net investment hedges	0	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0	0
Derivatives, liabilities									
Interest rate swaps	14	17	(558)	0	0	0	(527)	(416)	(416)
Currency swaps	0	0	0	0	0	0	0	0	0
Net investment hedges	0	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0	0
Loans and receivables									
Cash	177	0	0	0	0	0	177	177	177
Trade receivables and other receivables	10	0	0	0	0	0	10	10	10
Available-for-sale financial assets	0	0	0	0	0	0	0	0	0
Financial liabilities measured at amortized cost									
Bank loans	0	0	0	0	0	0	0	0	0
Bonds	(1,322)	(2,599)	(2,621)	(2,640)	(16,569)	0	(25,751)	(14,906)	(14,379)
Debt relating to capital leases	0	0	0	0	0	0	0	0	0
Trade and other payables	(232)	0	0	0	0	0	(232)	(232)	(232)
Total	**(1,353)**	**(2,582)**	**(3,179)**	**(2,640)**	**(16,569)**	**0**	**(26,323)**	**(15,367)**	**(14,840)**

[1] All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories:

	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Non-financial assets and liabilities, and equity	Total balance
Assets	0	187	0	0	28,125	28,312
Equity and liabilities	(416)	0	0	(14,611)	(13,285)	(28,312)

	< 1 year	1–3 years	3–5 years	5–7 years	7–9 years	> 9 years	Total	Fair value	2006 Carrying value
					Maturity profiles (DKKm)[1]				
Financial assets and liabilities at fair value through profit or loss									
Derivatives, assets									
Interest rate swaps	0	0	0	0	0	0	0	0	0
Currency swaps	39	79	(96)	0	0	0	22	130	130
Net investment hedges	0	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0	0
Derivatives, liabilities									
Interest rate swaps	0	0	0	0	0	0	0	0	0
Currency swaps	(82)	(165)	201	0	0	0	(46)	(272)	(272)
Net investment hedges	0	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0	0
Loans and receivables									
Cash	4	0	0	0	0	0	4	4	4
Trade receivables and other receivables	53	0	0	0	0	0	53	53	53
Available-for-sale financial assets	0	0	0	0	0	0	0	0	0
Financial liabilities measured at amortized cost									
Bank loans	0	0	0	0	0	0	0	0	0
Bonds	(1,322)	(2,675)	(2,676)	(2,688)	(2,700)	(15,660)	(27,721)	(16,038)	(14,703)
Debt relating to capital leases	0	0	0	0	0	0	0	0	0
Trade and other payables	(218)	0	0	0	0	0	(218)	(218)	(218)
Total	**(1,440)**	**(2,589)**	**(2,781)**	**(2,688)**	**(2,700)**	**(15,660)**	**(27,858)**	**(16,341)**	**(15,006)**

[1] All cash flows are undiscounted.

Reconciliation of assets, equity or liabilities on categories:

	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Non-financial assets and liabilities, and equity	Total balance
Assets	130	57	0	0	29.543	29.730
Equity and liabilities	(272)	0	0	(14.921)	(14.537)	(29.730)

D: Undrawn credit lines

The undrawn credit lines at December 31, 2007 are specified as follows:

DKKm

Maturities	Committed credit lines	Committed syndicated credit lines	Total
< 1 year	0	0	0
> 1 year	2,180	2,609	4,789
Total	**2,180**	**2,609**	**4,789**

E: Credit risks

Financial instruments are concluded only with counterparties holding the credit rating of A-/A3/A- or higher from Standard & Poor's, Moody's Investor Service or Fitch Ratings. Each counterparty credit line is determined by the counterparty's credit rating and is of a size that spreads the credit risks of the Parent Company total credit lines over several counterparties. The counterparty risk is therefore considered to be minimal.

Note 13 Contingent liabilities

Reference is made to note 28 to the Consolidated Financial Statements as regards information on pending lawsuits.

Senior Facilities Agreement

On November 30, 2005, Nordic Telephone Company Holding ApS entered into a Senior Facilities Agreement as the original borrower and the original guarantor with a number of banks as lenders. On March 3, 2006, TDC A/S acceded to the Senior Facilities Agreement as borrower and guarantor. Subsequently, certain subsidiaries of TDC A/S have acceded as guarantors.

The Senior Facilities Agreement is a secured multi-currency credit facility composed of various term-loan facilities and a revolving credit facility. On December 31, 2007, the aggregate nominal debt outstanding under the Senior Facilities Agreement amounted to DKK 35,592m. The debt outstanding under the Senior Facilities Agreement at December 31, 2007, related exclusively to TDC A/S.

Nordic Telephone Company Holding ApS has pledged its shares in the subsidiary Nordic Telephone Company ApS as security for the Senior Facilities Agreement. Further, the shares of a number of subsidiaries of TDC A/S have been pledged, and certain subsidiaries have pledged bank deposits and intra-group receivables.

High yield bonds

Nordic Telephone Company Holding ApS has pledged its shares in the subsidiary Nordic Telephone Company ApS and certain bank deposits in the form of a second-priority pledge as security for the High yield bond debt. The security ranks behind the security granted in favor of the Senior Facilities Agreement.

Note 14 Related parties

For information about the related parties of the Group, reference is made to note 29 to the Consolidated Financial Statements. Further, the Parent Company has the following transactions and balances with group companies (cf. the overview of subsidiaries in note 7):

		DKKm
	Subsidiaries 2007	**Subsidiaries 2006**
Income	0	0
Costs	(12)	0
Receivables	0	51
Debt	(14)	(1)

All transactions are made on an arm's length basis.

Note 15 Auditors' remuneration

DKKm

	2007	2006	2005
The remuneration of auditors elected by the Annual General Meeting:			
PricewaterhouseCoopers	0.7	**0.7**	0.3
Other auditors	0.0	**0.0**	0.4
Total	**0.7**	**0.7**	**0.7**
Hereof fees in respect of non-audit services:			
PricewaterhouseCoopers	0.3	**0.3**	0.2
Other auditors	0.0	**0.0**	0.3
Total	**0.3**	**0.3**	**0.5**

Note 16 Events after the balance sheet date

Reference is made to note 39 to the Consolidated Financial Statements.

Management Statement

Today, the Board of Directors considered and approved the Annual Report of Nordic Telephone Company Holding ApS for 2007.

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.

We consider the accounting policies applied to be appropriate. In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at December 31, 2007 as well as of their results of operations and cash flows for the financial year 2007.

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

Copenhagen, April 3, 2008

Board of Directors

Kurt Björklund	Oliver Haarman	Lawrence Guffey
Richard Wilson	Gustavo Schwed	

Independent Auditor's Report

To the shareholders of Nordic Telephony Company Holding ApS

We have audited the Annual Report of Nordic Telephone Company Holding ApS for the financial year January 1 to December 31, 2007, which comprises management's discussion and analysis of financial statements, statements of income, balance sheets, statements of cash flow, statement of changes in equity, notes and management statement for the Group and the Parent Company. The Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports.

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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with International and Danish Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the financial position at December 31, 2007 of the Group and the Parent Company and of the Group's and Parent Company's results of operations and cash flows for the financial year 2007 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports.

Copenhagen, April 3, 2008

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Fin T. Nielsen
State Authorized Public Accountant

Management

Board of Directors

Kurt Björklund
Age 38. Elected by the shareholders at the Annual General Meeting. First elected February 28, 2006. Re-elected April 30, 2007. Term expires April 25, 2008.

Member of the TDC Compensation Committee.

MSc (Economics). SSEBA, Helsinki, 1993, and MBA, INSEAD, 1996.

Co-Managing Partner in Permira.

Chairman of the Board of Directors of Nordic Telephone Company ApS.

Lawrence Guffey
Age 39. Elected by the shareholders at the Annual General Meeting. First elected February 28, 2006. Re-elected April 30, 2007. Term expires April 25, 2008.

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 40. Elected by the shareholders at the Annual General Meeting. First elected February 28, 2006. Re-elected April 30, 2007. Term expires April 25, 2008.

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 46. Elected by the shareholders at the Annual General Meeting. First elected February 28, 2006. Re-elected April 30, 2007. Term expires April 25, 2008.

Member of the TDC Compensation Committee.

BA, Swarthmore College, 1984. MBA, Stanford University, 1988.

Managing Director of Providence Equity.

Member of the Board of Directors of Nordic Telephone Company ApS and The 4U Group Ltd.

Richard Wilson
Age 42. Elected by the shareholders at the Annual General Meeting. First elected February 28, 2006. Re-elected April 30, 2007. Term expires April 25, 2008.

BA, University of Cambridge, 1988. MBA, INSEAD, 1994.

Partner of Apax Partners Worldwide LLP.

Member of the Board of Directors of Nordic Telephone Company ApS.

Shareholder information

Shareholders

Nordic Telephone Company Finance ApS (NTCF ApS) is the record holder of all issued and outstanding shares of Nordic Telephone Company Holding ApS (NTCH ApS). The sole shareholder of NTCF ApS is Nordic Telephone Company Administration ApS (NTCA ApS). The sole shareholder of NTCA ApS is Nordic Telephone Company Investment ApS (NTCI ApS).

The controlling shareholder of NTCI ApS is Angel Lux Common S.a.r.l.

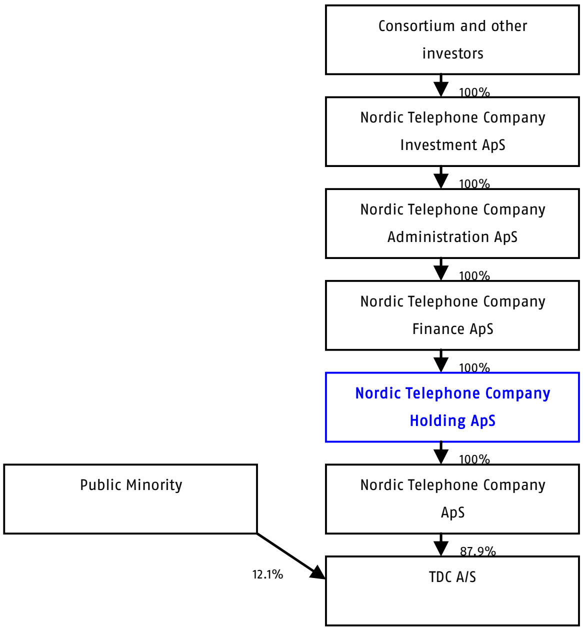
Investment funds, each of which is advised or managed, directly or indirectly, by Apax, Blackstone, KKR, Permira or Providence, are the beneficial owners of Angel Lux Common S.a.r.l.

The following table sets forth information with respect to the beneficial ownership of Angel Lux Common S.a.r.l. (the ultimate holding company in the group of companies with an ownership interest in TDC of 87.9%) by each person or group known to beneficially own more than 5% of the share capital of Angel Lux Common S.a.r.l. The amounts and percentages of ordinary shares beneficially owned by each shareholder are reported on the basis of SEC rules governing the determination of beneficial ownership, and the information is not necessarily indicative of beneficial ownership for any other purposes. Under such rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of a security, or investment power, which includes the power to dispose of or direct the disposition of a security, and includes securities for which a person holds the right to acquire beneficial ownership within 60 days.

Beneficial ownership of Angel Lux Common S.a.r.l. (more than 5% of the share capital)

Name of Beneficial Owner	Percentage
Investment funds advised or managed, directly or indirectly, by:	
Apax	15.7%
Blackstone	23.5%
KKR	19.6%
Permira	19.4%
Providence	17.7%

NTCH's corporate structure



Stock exchange listing

NTCH ApS has issued high yield bonds that are listed on the Official List of the Luxembourg Stock Exchange and are tradable on the Luxembourg Stock Exchange's Euro MTF Market.

For so long as the high yield bonds are listed on the Luxembourg Stock Exchange and the rules of that exchange require, copies of the following documents will be available free of charge during usual business hours on any weekday at the head office of TDC and the paying agent in Luxembourg being Deutsche Bank Luxembourg SA:

I. the Memorandum and Articles of Association of NTCH ApS, TDC A/S and NTC ApS;

II. the audited consolidated financial statements of TDC for the years 2004 – 2007;

III. the audited parent company financial statements of TDC A/S for the years 2004 – 2007 and of NTCH ApS and

NTC ApS for the first period ended December 31, 2005 and for the years 2006 – 2007;

IV. all future annual and interim financial statements of NTCH, TDC and NTC and the following documents:

a. the Indenture; and

b. the Intercreditor Agreement.

NTCH and TDC publish interim consolidated financial statements for January – March, January – June and January – September. NTCH ApS, TDC A/S and NTC ApS do not publish interim parent company financial statements.

Glossary

2G refers to second-generation mobile networks, including GSM networks that can deliver high-speed voice and limited data communications including fax and SMS.

3G refers to third-generation mobile networks that can deliver voice, data and multimedia content at high speed.

ADSL refers to Asymmetric Digital Subscriber Line and is based on DSL technology.

ADSL2+ refers to a type of DSL technology that is expected to increase transmission speeds over copper wires up to 18 Mbps.

ARPU refers to Average Revenue per User.

ATM or *Asynchronous Transfer Mode* refers to a dedicated connection switching technology for LANs and WANs that supports real-time voice and video as well as data.

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.

Broadband refers to a type of connection to exchange data at a speed of 144 kbps or more, through analog lines. The most common broadband technologies are cable modem, DSL, wireless and optical fiber.

CDMA/450 MHz or *Code Division Multiple Access on 450 MHz frequency band* refers to the use of CDMA technology (as used for UMTS) on the 450 MHz frequency band (as opposed to the 2.1 GHz band for UMTS). Fewer base stations are required to gain geographical coverage with this frequency. However, the capacity of this frequency is low compared with the UMTS band. The 450 MHz frequency band has not been in use since the closure of the first generation analog mobile network.

Churn rate refers to customer turnover, e.g. wireless subscribers are said to churn when they cancel their mobile service with their current wireless provider (and either move to a different provider or simply choose not to have a wireless service). TDC calculates churn by dividing the gross decrease in the number of customers for a period by the average number of customers for that period. The average number of customers for a period is calculated by adding the number of customers at the beginning of a period to the number of customers at the end of a period and dividing by two. Different telecommunications companies calculate churn in different manners.

CPE refers to Customer Premises Equipment.

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 the central office and the customers' premises.

DSLAM or *Digital Subscriber Line Access Multiplexer* refers to a network device, usually at a telecommunications company's central office or one of its nodes, that receives signals from multiple customer DSL connections and puts the signals on a high-speed backbone line using multiplexing techniques.

DTT refers to Digital Terrestrial Television, which is a digital signal broadcast to standard aerials that are utilized to replace the current analog signal.

DVB-H or *Digital Video Broadcasting* – Handheld refers to a standard specifically for broadcasting TV-like content and data to handheld devices, such as mobile phones. DVB-H is based closely on DCB-T, which is the standard for broadcast digital TV in most of Europe.

DWDM or *Dense Wavelength Division Multiplexing* refers to an optical technology used to increase bandwidth over existing fiber-optic 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, wireless pictures and video postcards via e-mail and other airborne multimedia.

Ethernet refers to a type of networking technology for LANs.

FTTH or *Fiber To The Home* refers to the fiber-optic technology linking residential customers directly to the fiber network.

FTTN or *Fiber To The Neighborhood* or Node refers to the fiber-optic technology linking the fiber network to nodes that serve several hundred homes through copper wires.

Gbps refers to gigabits per second.

GSM or *Global System for Mobile Communications* refers to a comprehensive digital network for the operation of all aspects of a cellular telephone system.

HSDPA or *High Speed Downlink Packet Access* refers to an enhancement of UMTS 3G technology that is expected to increase the available download speeds by five times or more. HSDPA is also called Turbo 3G.

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.

IP or *Internet Protocol* refers to a standard procedure whereby internet-user data is divided into packets to be sent onto the correct network pathway. In addition, IP gives each packet an assigned number so that the message completion can be verified. Before packets are delivered to their destination, the protocol carries unifying procedures so that they are delivered in their original form.

IP-VPN or *IP-based Virtual Private Networks* refers to a network that enables organizations to use a shared network to connect remote sites or users together. Instead of using only dedicated connections (such as a leased line), a VPN uses virtual connections routed across a shared network to remote sites or employees.

ISDN or *Integrated Services Digital Network* refers to a way to move more data over existing regular phone lines. It can provide speeds of about two 64 kbps channels, therefore providing integrated digital transmission of data and voice at a higher speed and broader band over regular phone lines. An ISDN modem is necessary to connect to the network.

ISP or *Internet Service Provider* refers to a company that provides access to the internet.

kbps refers to kilobits per second.

LAN or *Local Area Network* refers to a short-distance data communications network (typically within a company) used to link computers, which allows data and printer sharing.

LRAIC or *Long Run Average Incremental Cost Model* refers to a system where SMP (Significant Market Power) operators' interconnect prices must be based on what the cost would be to produce these interconnect products (switched interconnect, ULL and co-location) in a modern telecommunications network, which does not bear the burden of historically related investments and the lack of up-to-date technology. Danish LRAIC prices are calculated in a model maintained and updated by NITA.

Mbps refers to megabits per second.

MMS or *Multimedia Messaging Service* refers to a store-and-forward messaging service that allows mobile subscribers to exchange multimedia messages with other mobile subscribers. It can be seen as an evolution of SMS, with MMS supporting the transmission of additional media types: texts, picture, audio, video and combinations of them.

MoU or *Minutes of Usage* refers to minutes used per subscriber.

MPLS or *Multiprotocol Label Switching* refers to a versatile solution for addressing the problems faced by present-day networks such as speed, scalability, quality of service management and traffic engineering. MPLS has emerged as a solution to meet the bandwidth management and service requirements for next generation IP-based backbone networks.

MVNO or *Mobile Virtual Network Operators* refers to a mobile operator that does not own its own spectrum 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.

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 the population of households to which the service is available.

PIM refers to Personal Information Management.

POP or *Point of Presence* refers to a local access point to a communications network, e.g. the internet.

Postpaid refers to mobile subscriptions that customers pay for before using a service.

Prepaid refers to when the customer pays for a specified amount of credit for services upfront. The credit then diminishes as the customer uses the service.

PSTN or *Public Switched Telephone Network* refers to the telecommunications network based on copper wires carrying analog voice data – traditional landline telephony.

Quality of Service refers to a collective measure of the level of service delivered to the customer, and reflects the network's transmission quality and service availability.

SDH or *Synchronous Digital Hierarchy* refers to a standard technology for synchronous data transmission on optical media and provides faster and less-expensive network interconnection than traditional PDH (Plesiochronous Digital Hierarchy) equipment. In digital telephone transmission, synchronous means the bits from one call are carried within one transmission frame. Plesiochronous means almost synchronous or a call that must be extracted from more than one transmission frame.

SHDSL or *Symmetric High-speed Digital Subscriber Line* refers to DSL technology with symmetric data transmission.

SIM or *Subscriber Identify Module* refers to a small, stamp-size smart card used in a mobile phone.

SMS or *Short Message Service* refers to short text messages that can be sent or received on mobile phones.

SoHo or *Small Office/Home Office* refers to the category of businesses which meet the following definitions: i) fewer than two employees, ii) revenue of DKK 30.000 or less in the past twelve months regarding Fixnet Nordic, iii) the company must not own any kind of business products regarding the landline network, iv) the company must not be a part of a business structure and v) the company may not be a public company.

Triple play refers to offering subscriber telephony, internet and TV services through one access channel only.

Turbo 3G refers to HSDPA technology.

TVoIP refers to television programs provided over the internet.

ULL or *Unbundled Local Loop* refers to the existing access network that is historically the property of the incumbent. It is not economically possible for a new operator to duplicate the entirety and especially the final connection between the local exchanges and the subscriber.

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.

VDSL2 or *Very-High-Bit-Rate Digital Subscriber Line 2* refers to an enhancement to VDSL standard that permits the transmission of asymmetric and symmetric data rates of up to 200 Mbps on copper pairs over short distances (for subscribers close to the access module on the central or in a remote access node). VDSL permits up to 52 Mbps.

VoD or *Video on Demand* refers to transmission delivery of video via broadband at the time requested by the customer.

VoIP or *Voice over Internet Protocol* refers to a telephone call over the internet.

VPN or *Virtual Private Network* refers to a large network that operates in the same way as a LAN allowing geographically spread offices or computers to communicate with the same protection, speed and accessibility as with a 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 it can also be a network between a company's divisions.

WIFI or *wireless fidelity* refers to a wireless network technology used across the globe. WiFi refers to any system that uses the 802.11 standard, which was developed by the Institute of Electrical and Electronics Engineers (IEEE).

WiMAX or *World interoperability for Microwave Access* refers to wireless broadband service with a range of one to five kilometers.

Translation: Access Translations
Textprocessing: SkabelonDesign
Printed by: Scanprint A/S