TDC

2011

Group Annual Report

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

Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this financial report. The key factors that may have a direct bearing on TDC's results include: the competitive environment and the industry in which TDC operates; contractual obligations in TDC's financing arrangements; developments in competition within the domestic and international communications industry; information technology and operational risks including TDC's responses to change and new technologies; introduction of and demand for new services and products; developments in the demand, product mix and prices in the mobile and multimedia services market; research regarding the impact of mobile phones on health; changes in applicable legislation, including but not limited to tax and telecommunications legislation and anti-terror measures; decisions by the Danish Business Authority; the possibility of being awarded licences; increases in interest rates; status of important intellectual property rights; exchange-rate fluctuations; global and local economic conditions; investments in and divestments of domestic and foreign companies; and supplier relationships.

Because the risk factors referred to in this Annual Report could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this Annual Report, undue reliance is not to be placed on any of these forward-looking statements. New factors will emerge in the future that TDC cannot predict. In addition, TDC cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

Group Annual Report
To make this report clearer and more user-friendly, this year TDC is publishing a Group Annual Report excluding the Financial Statements of the Parent Company TDC A/S. In pursuance of Section 149 of the Danish Financial Statements Act, the Group Annual Report is therefore an extract of the Company's complete annual report.

The complete annual report, including the Financial Statements of the Parent Company, is available on request from the Company and may be downloaded from www.tdc.com. Following adoption at the Annual General Meeting on 8 March 2012, the complete annual report will also be available from Erhvervsstyrelsen (The Danish Business Authority). The distribution of the profit for the year and proposals on dividends are shown under Consolidated Statements of Changes in Equity in the Group Annual Report.

TDC Group Annual Report 2011

Letter from the CEO

Significant strategic progress

In 2008, TDC defined its ambition to become the best-performing incumbent telco in Europe by 2012 measured on value creation, customer satisfaction and employee pride, while remaining the backbone of the Danish world-class communications infrastructure. It is therefore time to consider our progress.

Measured on profitability and total shareholder return TDC has transformed from being a lowest quartile performer into one of the most profitable and value creating telcos in Europe. Our EBITDA margin has increased from 29% in 2006 to 42% in 2011, and our average annual shareholder return totalled 11.2% against a TSR of 3.8% in the European telco benchmark and 6.3% in the Danish C20 index[1]. Productivity in the TDC Group excluding YouSee and Nordic has improved by an average of approximately 10% a year since 2008.

We have also significantly improved customer satisfaction since launching our TAK improvement programme in 2009. Our score in the customer satisfaction index for the TDC Group excluding Nordic has improved from 67 in 2009 to 72 in 2011 with 33% fewer unacceptable customer experiences. Our new multi-brand strategy has added new brands with high customer satisfaction scores to our portfolio, including Fullrate, M1, and Onfone, while Telmore’s customer satisfaction remains the highest of all Danish telco brands.

TDC operates in a very demanding, competitive environment and adjusting to major technology shifts requires continuous change and cost reductions. In spite of this challenging context, TDC's employee satisfaction has steadily increased in recent years from 73 in 2008 to 80 in 2011. At the same time, the number of managers with a low employee satisfaction score (index < 60) has dropped from 13% in 2008 to 2% in 2011. This testifies to the ongoing efforts to fuel employee development and motivation and upgrade TDC's management processes and leadership quality.

In recent years, TDC has invested an average of 14% of revenue in infrastructure, IT and innovation. This has allowed a parallel build-out of highly competitive cable, xDSL, and mobile infrastructures. Since 2007, the average maximum broadband speed TDC offers Danish households has increased from 17 Mbps to 60 Mbps. Today, the average maximum speed offered is a factor 4.8 higher than the average speed purchased, illustrating the significant unexploited potential in our infrastructure. In 2011, TDC announced its plans to invest DKK 25bn in Danish infrastructure towards 2020 with a main focus on the continued roll-out of cable and FttX fibre infrastructure and high-speed mobile technologies. TDC remains the backbone of a Danish world-class communications society and we are committed to maintaining this position.

We have come a very long way towards delivering on our ambition for 2012. This achievement is the result of 10,000 competent and highly committed members of the TDC team working hard every day to succeed. They deserve tremendous credit for the transformation in TDC's performance.

Naturally, TDC can and must continue to improve its customer experience and productivity. We have much more work ahead of us when it comes to building world-class customer-facing processes and benefiting from the productivity improvement potential throughout the Company. Furthermore, we must maintain a high level of investment in innovation, technology and infrastructure to further develop our strong market positions in the Nordic region.

With the progress made towards achieving our ambition for 2012, it is now time for TDC to set a new ambition reaching further into the future. TDC's Board of Directors and the Corporate Management Team have therefore launched a strategy process for setting a new ambition to be achieved before the end of 2015 as well as the strategic priorities that will lead the way. We expect to announce the outcome of this process in June this year.

Strong 2011 results

In 2011, TDC delivered another set of very solid results in a highly challenging, competitive market and macroeconomic climate. With revenue and EBITDA growth of 0.5% and 1.6%, respectively, and a strong cash-flow performance with EFCF up by 1.7%, the Company demonstrated its resilience and ability to produce results under significant pressure. The results form a solid foundation for TDC's 2011 dividend commitment of DKK 4.35 per share.

[1] An index consisting of the 20 most traded shares at the Copenhagen stock exchange.

While our business is less impacted by the macroeconomic environment than most other industries, we nonetheless felt the impact of a subdued Danish economy in our 2011 figures. Consumer behaviour has become even more cautious, and business and public accounts are being extraordinarily circumspect in their investment and procurement decisions.

2011 was characterised by intense price competition in all segments of the mobile market. This inevitably led to a reduced residential mobile ARPU compared with 2010. However, our strong portfolio of brands, including newly acquired Onfone, has performed well and our domestic mobile subscription base increased by 287,000 during 2011. This included a positive development in the business market with TDC gaining market share during 2011 and maintaining a stable ARPU with price pressure offset by growth in mobile data.

YouSee and TDC in combination delivered pay-TV revenue growth of 11% in 2011 driven mainly by higher ARPU in YouSee and 19% subscriber growth in TDC TV. Several innovative products and services were added to our pay-TV portfolio, including new TV apps in TDC HomeTrio, increased freedom of choice with YouSee through the new 'Extra Channels' product and most recently the launch of TV apps for iPhone and iPad. The number of VoD sessions grew by >300% in 2011 and TDC is on track to become the number one movie rental company in Denmark within the next year.

Nordic delivered organic revenue and EBITDA growth of 5% and 8%, respectively, driven by strong performances by TDC Hosting and TDC Sweden in particular. The macroeconomic bounce-back in Sweden supported strong growth in both our integrator and operator businesses in TDC Sweden. TDC Finland also delivered on expectations while TDC Norway faced a challenging second half of 2011.

TDC's landline business generally met expectations in 2011 despite significant competitive pressure from the utilities in particular as well as increased landline-to-mobile substitution in the wake of the mobile price war. However, new product launches within both telephony and broadband across our brands and extensive retention efforts have contained the total loss of landline profit. In Q4, we had the highest quarterly retail broadband net adds in more than three years and lowest PSTN/ISDN churn in Consumer in more than five years. These positive trends contribute to our expectation of a slowdown in the decline in gross profit from landline in 2012.

TDC is in good shape and well prepared for 2012. We are ready to continue offering still more value and better experiences to our customers while improving our productivity throughout the Group and launching new and innovative products and services.

Henrik Poulsen
CEO & President

Performance in 2011

Key financial data

TDC Group		2011	2010	Change in %
Income Statements	**DKKm**			
Revenue		26,304	26,167	0.5
Gross profit		19,172	19,420	(1.3)
EBITDA before pension income		10,501	10,337	1.6
EBITDA		10,940	10,772	1.6
Profit for the year from continuing operations, excluding special items		3,498	2,888	21.1
Profit for the year		2,808	3,007	(6.6)
Total comprehensive income		3,127	2,636	18.6
Capital expenditure				
Capital expenditure		(3,421)	(3,534)	3.2
Net interest-bearing debt				
Net interest-bearing debt		(21,013)	(22,607)	7.1
Statements of Cash Flow				
EBITDA before pension income		10,501	10,337	1.6
Adjustment for non-cash items		143	217	(34.1)
Pension contributions		(157)	(169)	7.1
Payments related to provisions		(90)	(11)	-
Change in net working capital excl. special items		(67)	571	(111.7)
Interest paid, net		(645)	(1,422)	54.6
Income tax paid		(1,715)	(1,500)	(14.3)
Investment in PPE and intangible assets excl. mobile licenses		(3,376)	(3,508)	3.8
Equity free cash flow		**4,594**	**4,515**	**1.7**
Cash flow from operating activities		7,177	7,238	(0.8)
Cash flow from investing activities		(3,637)	(3,889)	6.5
Cash flow from financing activities		(2,815)	(20,091)	86.0
Total cash flow from continuing operations		**725**	**(16,742)**	**104.3**
Special items:				
Redundancy programmes and surplus office capacity		(615)	(606)	(1.5)
Other		(171)	(186)	8.1
Cash flow from operating activities		(786)	(792)	0.8
Cash flow from investing activities		95	1	-
Total cash flow from special items		(691)	(791)	12.6
Key financial ratios				
Gross profit margin	%	72.9	74.2	-
EBITDA margin before pension income	%	39.9	39.5	-
EBITDA margin	%	41.6	41.2	-
Capex-to-revenue ratio	%	13.0	13.5	-
Net interest-bearing debt/EBITDA	x	1.9	2.1	-
RGUs (end-of-year)	('000)			
Landline		1,775	1,915	(7.3)
Mobile		3,894	3,607	8.0
Internet		1,777	1,807	(1.7)
Other networks and data connections		62	64	(3.1)
TV		1,496	1,464	2.2
Total RGUs		**9,004**	**8,857**	1.7
FTEs				
Number of FTEs (EoY)		9,816	10,423	(5.8)
Number of FTEs (EoY), domestic		8,552	9,200	(7.0)
Average number of FTEs		10,106	10,860	(6.9)
Average number of FTEs, domestic		8,875	9,601	(7.6)

Revenue

The TDC Group's revenue increased by 0.5% in 2011 despite a very challenging market characterised by strong competition in almost all areas and renewed macroeconomic uncertainty.

Revenue was positively affected by:

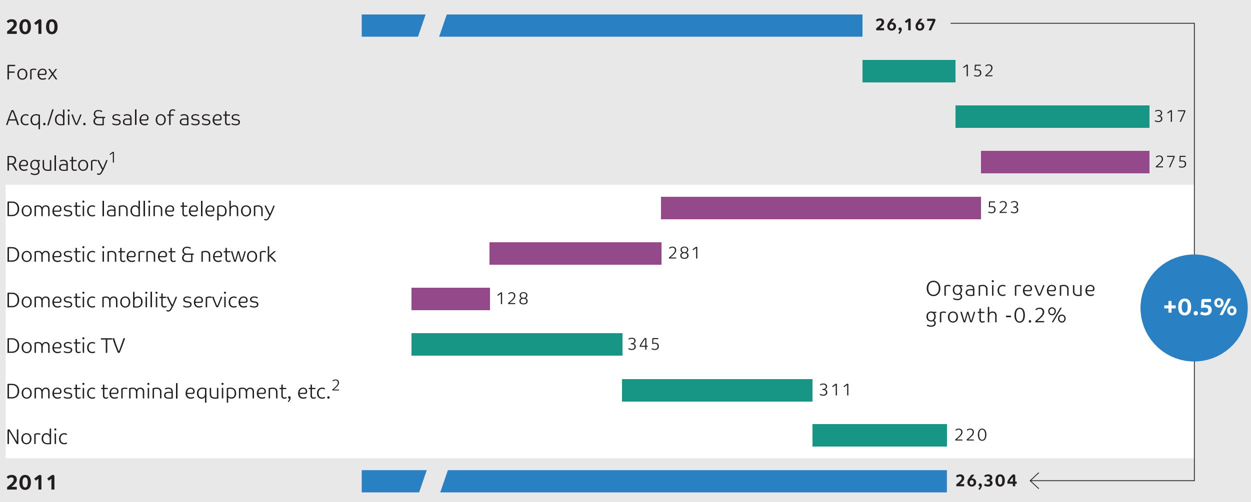
- Increasing organic[2] domestic TV revenue, reflecting the continued strong performance in YouSee and TDC TV driven by more subscribers and higher ARPU.
- The acquisition of Onfone in Q2 2011 and the hosting business DIR in Q1 2011.
- Increasing organic domestic revenue from terminal equipment driven primarily by the increased sale of smartphones without SAC subsidies.
- Strong organic revenue in Nordic driven mainly by TDC Sweden supported by strong growth in both the integrator and operator business areas. Organic growth was also achieved in TDC Hosting and TDC Finland while TDC Norway had negative organic growth.
- A favourable development in the NOK and SEK exchange rates.

Revenue growth was partly offset by:

- Decreasing organic revenue in the domestic landline voice business stemming from fewer PSTN/ISDN RGUs due to the continued migration from landline to mobile and VoIP.
- Decreasing organic domestic internet and network revenue as a result of a very competitive situation in the residential and business broadband markets resulting in fewer RGUs and lower ARPU.
- A continued negative impact from regulation of mobile termination rates (MTR) for voice and SMS, international roaming charges and PSTN resale.
- Decreasing organic revenue from domestic mobility services reflecting a year of fierce price competition in the residential mobile voice market resulting in lower ARPU. The decline was, however, somewhat offset by an increase in RGUs in both mobile voice (driven by strong performance in the business market) and mobile broadband.

Revenue bridge: 2010-2011

DKKm



[1] Regulatory includes mobile termination rates regulation (voice and SMS), international roaming regulation and regulation regarding PSTN resale.
[2] Terminal equipment includes mobile and landline phones and equipment sales in Consumer and Business (incl. NetDesign), including sale of smartphones without subsidies. In addition to terminal equipment, the category also contains income from operator service, service fees, rental of masts and eliminations.

[2] The term organic means adjusted for forex, acquisitions/divestments, sale of assets and regulatory price adjustments.

Gross profit

Despite the TDC Group's revenue increase, gross profit decreased by 1.3% to DKK 19,172m.

- The decline was driven mainly by a shift in product mix. Growth in areas with relatively low margins such as the TV business, Nordic and especially terminal equipment were more than offset by decreased activity in high-margin areas such as landline voice and landline broadband.

The gross profit margin decreased from 74.2% to 72.9% despite being positively affected by the fact that only a minor part of the regulation had a gross profit effect.

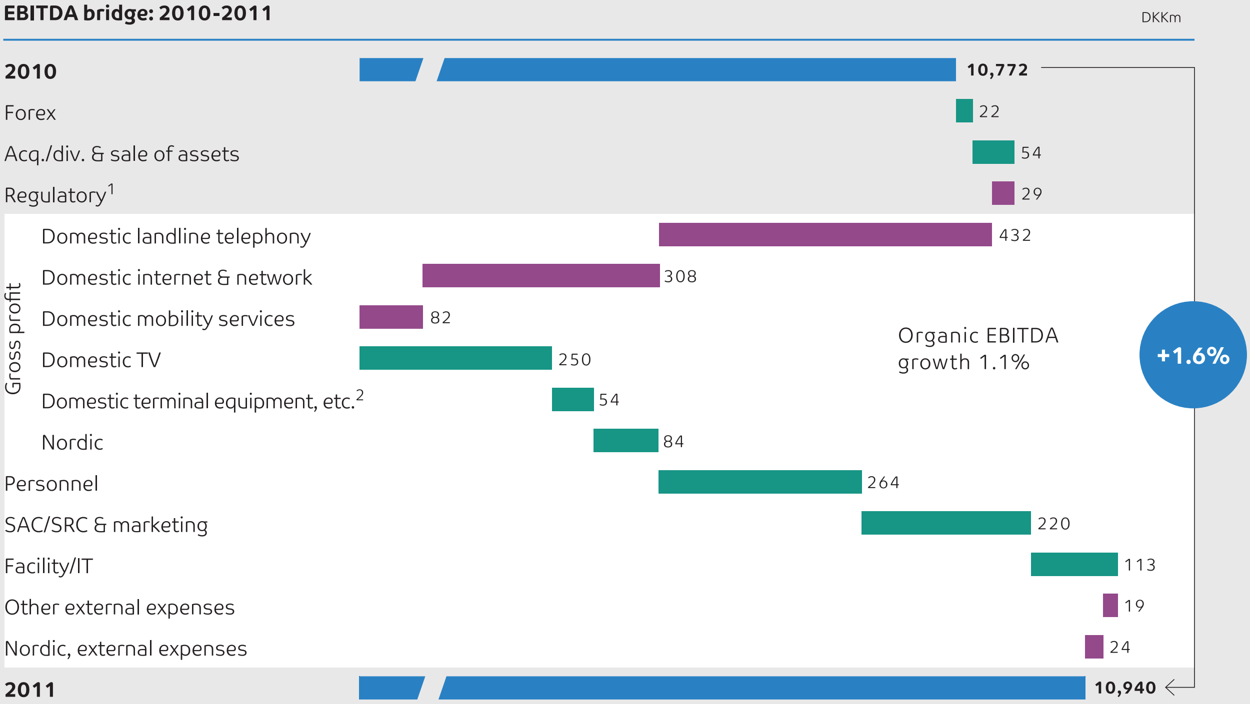
EBITDA

EBITDA increased by 1.6% driven by lower operational expenses as a result of productivity gains throughout the organisation.

- The introduction of TDC Rate resulted in a significant fall in SAC/SRC costs. This changed sales from SAC-financed handsets to instalment plans, which resulted in lower costs for mobile subscriber acquisitions. This was partly offset by higher marketing costs driven by the competitive environment in the domestic residential mobile market in particular.
- Continued improvements in efficiency through TDC's transformation programmes have led to fewer faults in TDC's products, fewer calls to customer centres and further process optimisations, etc., which have enabled a 7.3% reduction in average employees excluding acquisitions. As a result, organic wages, salaries and pension costs decreased by 4.2%. This was achieved in spite of a negative impact from termination of an old incentive scheme and build up of new incentive programmes.
- Lower IT and facility management costs, including savings on rent and service and leasing agreements, resulting from further consolidation of physical locations, optimisation of processes and purchasing activities.

The EBITDA margin increased from 41.2% in 2010 to 41.6% in 2011.

EBITDA bridge: 2010-2011



[1] Regulatory includes international roaming regulation and regulation regarding PSTN resale.
[2] Terminal equipment includes mobile and landline phones and equipment sales in Consumer and Business (incl. NetDesign), including sale of smartphones without subsidies. In addition to terminal equipment, the category also contains income from operator service, service fees, rental of masts and eliminations.

Profit for the year

Profit for the year, excluding special items, totalled DKK 3,498m, up by DKK 610m or 21.1% compared with 2010. The increase resulted mainly from improved EBITDA, fewer amortisation costs and lower net financial expenses resulting primarily from the positive development in fair value adjustments and the effects of the refinancing completed in Q1 2011.

Profit for the year, including special items, amounted to DKK 2,808m, corresponding to a decrease of DKK 199m or 6.6%. Profit from discontinued operations declined due to the divestment of Sunrise in 2010, while net expenses from special items developed positively as a result of a DKK 287m decrease in restructuring costs as well as the gain from divestment of shares in Nawras.

Comprehensive income

The increase in total comprehensive income from DKK 2,636m in 2010 to DKK 3,127m in 2011 reflected mainly the positive development in actuarial gains and losses, which totalled a gain of DKK 276m in 2011 compared with a loss of DKK 515m in 2010. The actuarial gains in 2011 covered favourable returns on the domestic pension funds' assets, in particular in Q4, partly offset by losses due to an increasing pension obligation resulting from adjusted mortality assumptions. The actuarial losses in 2010 were primarily the result of a decreasing discount rate during 2010.

Capital expenditure

In 2011, capital expenditure totalled DKK 3,421m corresponding to the targeted 13.0% of revenue. Compared with 2010, this amounted to a decrease of 3.2%. The decrease resulted mainly from lower investments in the landline network. Increased investments in IT and Nordic partly offset the decline in capital expenditure.

In 2011, TDC carried through significant investments in TDC's high-speed mobile network with build-out of the 3G and 4G networks. The expansion of the fibre access network continued, resulting in an extra 100,000 households within reach of fibre. A considerable increase in the sale of HomeTrio installations caused significant installation activity in Q4.

Cash flows

Equity free cash flow increased by DKK 79m or 1.7% to DKK 4,594m due mainly to a decrease of DKK 777m in interest paid, partly offset by a change in net working capital that was DKK 638m below the figure for the previous year:

- The lower interest paid was a result of the refinancing in Q1 2011 as well as two non-recurring effects. Realisation of fair market value gains due to declining interest rates on fixed-to-floating swaps entered into in connection with the refinancing yielded approximately DKK 490m. This effect was partly offset by the early termination of interest-rate swaps related to the Senior Facilities Agreement and full termination of prehedges of the EMTN issuance totalling DKK 218m. The net proceeds from these swaps were utilised for further on-account tax payments, resulting in reduced outstanding income tax payables at year-end 2011.

- The negative DKK 67m change in net working capital in 2011 was caused by reduced operating expenses and capital expenditure resulting in lower payables, as well as increased receivables due to the introduction of the TDC Rate instalment product.

- In addition, improved EBITDA and lower investments in PPE and intangible assets contributed to the increase in the EFCF, partly offset by higher income tax paid.

Cash outflow from financing activities in continuing operations amounted to DKK 2,815m, reflecting a lower outflow of DKK 17,276m or 86.0%. The lower outflow was due largely to the buy-back of shares in 2010 and lower repayments of debt. This was only partly counterbalanced by the payment of dividends in 2011.

Guidance

TDC's guidance is based on comprehensive financial plans for each individual business line. However, by their very nature, forward-looking statements involve certain risks and uncertainties that are described in more detail in the section on Risk factors and in the Disclaimer.

Guidance 2012

With effect for 2012, TDC has adjusted its guidance parameters. TDC's EBITDA includes non-cash pension income related to defined benefit plans. The components of the pension income from TDC's domestic pension fund are shown below.

DKKm

	Expected 2012	2011
Service cost[1] (wages, salaries and pension costs)	(144)	(134)
Interest cost[1]	(843)	(840)
Expected return on plan assets[1]	923	1,278
Non-cash net interest (pension income)	80	438
Total pension (cost)/income from the domestic pension fund	**(64)**	**304**

[1] For definitions, see note 27 to the financial statements.

Non-cash pension income is not related to the operation of TDC's business and is highly volatile. Accordingly, in the future TDC will base its guidance on EBITDA before pension income.

In the Income Statements, TDC has increased the level of disclosure, and now reports both EBITDA before pension income and the full EBITDA.

DKKm

	2011	2010	Change in %
EBITDA before pension income	**10,501**	**10,337**	**1.6**
Pension income[1]	439	435	0.9
EBITDA	**10,940**	**10,772**	**1.6**

[1] Including pension income of DKK 1m in TDC Norway in 2011 and DKK 0m in 2010.

In addition, TDC's revenue is impacted by regulation that, everything being equal, reduces revenue but with limited gross profit impact, and hence influences the capex-to-revenue ratio year over year. Accordingly, TDC will base its guidance on absolute capex.

Finally, TDC's leverage target is restated due to the adjusted presentation of pension income. TDC targets a net debt/EBITDA before pension income ratio at or below 2.2x on average over the financial year. This target is equivalent to the former net debt/EBITDA ratio target of 2.1.

The guidance for 2012 for the TDC Group is:

	Guidance 2012	Actual 2011
Revenue	DKK 26.0-26.5bn	DKK 26.3bn
EBITDA before pension income	DKK 10.3-10.5bn	DKK 10.5bn
Capex	DKK 3.4-3.5bn	DKK 3.4bn
Dividends per share	DKK 4.50[1]	DKK 4.35

[1] Calculated based on the number of shares pre buy-back. DKK 2.25 of the dividend for 2012 is expected to be paid in August 2012.

The guidance ranges for revenue and EBITDA before pension income, reflect macroeconomic and market related uncertainty currently being higher than normal. Further, the guidance for 2012 should be seen in the context of a number of expected impacts on our business. We expect the ongoing year-on-year ARPU erosion in the mobile market to continue into 2012, and we expect to be impacted by the additional negative regulatory effects related to roaming prices. We are also facing a domestic consumer economy with little or no spending growth, business and public accounts behaving extraordinarily diligent in their investment and procurement decisions as well as negative impacts on our public-sector contract portfolio, including reduced SKI prices. However, on the positive side, we expect continued earnings growth in Nordic and YouSee, full-year effects of the Onfone acquisition and continued productivity gains as well as an improved gross profit trend in our landline business.

TDC will return DKK 750m of proceeds from the settlement of the dispute between DPTG and TPSA to its shareholders in the form of a one-off share buy-back programme to be conducted in 2012. This represents an additional payment of DKK 0.92 per share on top of the expected dividend of DKK 4.50 per share. TDC's majority shareholder, NTC, has informed TDC, that NTC will participate in the share buy-back on a pro rata basis.

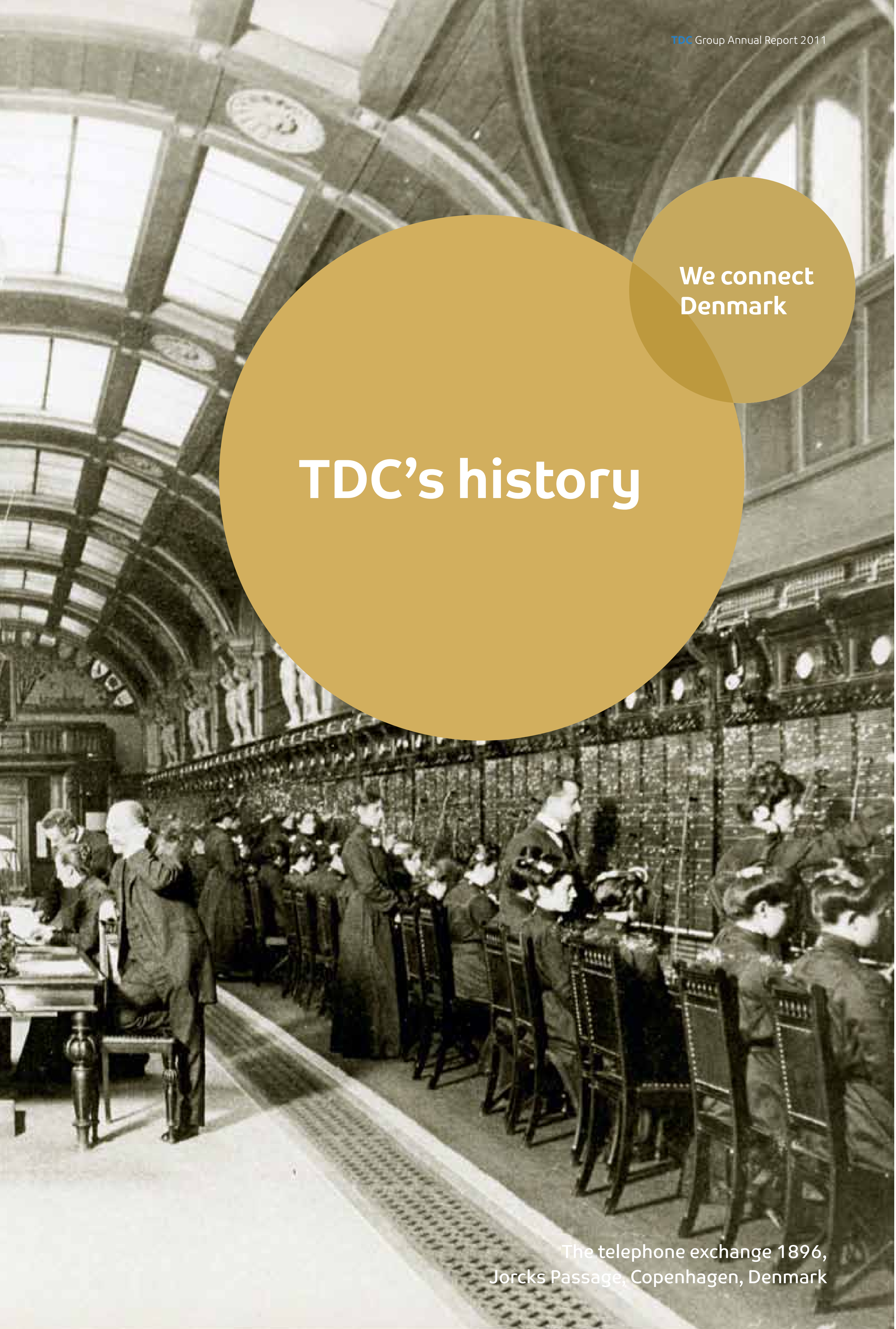
Guidance 2011

TDC published financial guidance for 2011 for the TDC Group in the TDC Annual Report 2010 on 8 February 2011. This guidance implied revenue level with 2010, EBITDA growth of approximately 2% compared with 2010 and a capex-to-revenue ratio of approximately 13%. Following the Onfone acquisition on 11 May 2011, TDC's 2011 guidance was adjusted to growth of 0-1% on revenue and approx. 2% on EBITDA compared with 2010. These adjusted expectations were confirmed in the third Quarterly Report on 3 November 2011.

Guidance 2011 was achieved on all parameters although Q4 was slightly below expectations, due mainly to lower traffic than anticipated. Furthermore, TDC experienced some signs of the macroeconomic headwinds in Q4, i.e. customers were even more cautious, and businesses and public-sector accounts were extraordinarily circumspect in terms of investments and procurement decisions. In general, 2011 was characterised by fierce price competition, especially on mobility services due to a much tougher mobile price competition than anticipated at the beginning of 2011. The EBITDA growth target was achieved through accelerated cost savings, including significant savings on SAC and SRC.

We connect Denmark

TDC's history



The telephone exchange 1896,
Jorcks Passage, Copenhagen, Denmark

TDC during 130 years

TDC turns 130 years of age on 21 August 2012

On 21 August 2012, TDC will celebrate its 130th birthday. On that day 130 years ago, Kjøbenhavns Telefon Selskab (KTS) was founded, which later became part of TDC.

On 21 August 1882, C.F. Tietgen, the leading Danish financier at the time, took over The International Bell Telephone Company, an American-owned telephone exchange on Lille Kongensgade in Copenhagen, for DKK 200,000 and founded Kjøbenhavns Telefon Selskab (KTS), later renamed Kjøbenhavns Telefon Aktieselskab (KTAS).

Telephony becomes popular

Telephony quickly became popular and the subscriber base grew from 400 in 1882 to 25,000 by 1900. Several local telephone companies were established to serve the growing market, and by the end of the 1890s there were about 57 telephone companies. In order to raise technological standards in a highly fragmented market, the Danish Parliament established a monopoly in 1897 on the construction and operation of telephone networks. This right was passed on through concessions to a number of large regional companies that were able to meet a range of technological requirements. As a result, a market consolidation process started and by the end of the 19th century, only 11 companies were granted concessions.

Landline telephony

During the first few years of landline telephony, telephone subscribers were connected mainly via overhead lines fixed to chimney stands and house roofs. As technology developed, the entire network of cables was replaced by underground cables. In 1999, TDC had reached 3.2 million landline telephony customer relationships, but in the following years, demand for landline telephony slowly began to decline as a result of the increasing popularity of mobile phones.

1882

Tietgen establishes KTS, later KTAS, which has 400 subscribers.

1896

There are now 57 telephone companies in Denmark.

1897

The Danish Parliament passes a law that grants a number of companies the right to construct and operate telephony under concession.

1900

KTAS' subscriber base has grown to 25,000.

Telephone switchboard operators

From the early years, telephone subscribers were connected manually by female telephone switchboard operators at the telephone exchanges. The telephone operators' work was quite demanding and under strict supervision. At the large telephone exchanges, the young women were able to serve up to 500 calls an hour. Some telephone exchanges were not fully automated until the 1970s.

TV

Jydsk Telefon was interested in cable TV as early as in 1963, but the four regional telephone companies were not permitted to establish the cable network infrastructure until 1985. When the former regional companies merged in 1995, the TV businesses joined to become Tele Danmark Kabel TV, which was renamed YouSee in 2007. Continuous upgrades of the cable network infrastructure have subsequently made digital TV, HD and high-speed internet access available via the cable network. In 2005, IP technology allowed TV to be distributed via TDC's broadband access on ADSL, and TDC TV was launched.

1935

The telephone box is launched.

1947

There are now four regional telephone companies.

1982

The first mobile subscription is sold. The first mobile telephone weighs 11.5 kg.

1986

The first cable-TV subscription is sold.

Internet

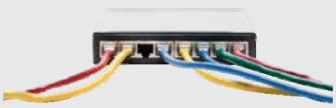
The four regional telephone companies were delivering data services to primarily the financial service sector as early as in the late 1970s. In 1995, Tele Danmark began offering businesses and institutions internet access, as we know it today, based on the worldwide standardised Internet Protocol (IP) technology. The following year, Tele Danmark began offering internet access to residential customers and reached 160,000 customers within one year. In 1997, the data traffic transmitted in Tele Danmark's network exceeded the total amount of voice traffic produced in Denmark. Since then, data traffic has continued to increase exponentially in line with continuous improvements of data speed from a measured top speed of 64 kbps in 1993 to a measured top speed of 10 Gbps in 2012.

Tele Danmark is formed

In 1990, the Danish Parliament decided to merge the regional telephone companies, KTAS, Jydsk Telefon, Fyns Telefon and Tele Sønderjylland, into a 100 percent state-owned holding company to ensure stronger international competitive power. The company was named Tele Danmark A/S. Five years later, the holding company's subsidiaries merged to form the nationwide company Tele Danmark.

1990

The four regional telcos merge to form one large national company – Tele Danmark.



1995

The first Internet connection based on IP protocols is sold.

2000

Tele Danmark changes its name to TDC.

2001

There are now more mobile than landline subscriptions in Denmark.

Mobile telephony

In 1982, the first fully automatic mobile telephone system (NMT) was launched as a result of an alliance between the Nordic countries. Since 1982, major technological developments of the mobile network have taken place. In 1992, the 2G (GSM) network was launched, enabling data transmission for the first time. In 2005, measured data speed increased to 384 kbps when the 3G (UMTS) network was launched. Recently, in 2011, TDC launched the 4G (LTE) network with a measured top speed of 100 Mbps. Handsets have also developed rapidly since the launch of the first mobile telephone in Denmark in 1982 weighing 11.5 kg. Today, three out of every four new telephones sold are smartphones.

Tele Danmark changes ownership and name

In 1997, the government completed the process of privatising Tele Denmark, initiated in 1994, by selling its remaining shares to the American company Ameritech, which was later taken over by SBC. The same year, the market for landline telephony was liberalised and Tele Danmark lost its monopoly. In 2000, Tele Danmark changed its name to TDC to promote a more international image and over the next few years, TDC completed a number of acquisitions in Eastern and Central Europe and was at one point present in 16 different countries. In 2004, SBC sold its shareholding and the following year, five equity funds formed Nordic Telephone Company ApS (NTC) and acquired 87.9% of the shares in TDC.

The transformation begins

When the equity funds took over the TDC shares, a systematic transformation process was initiated in the TDC Group. In 2010, TDC divested its last non-Nordic asset and in December 2010, NTC reintroduced the TDC share on the Copenhagen stock exchange and reduced its shareholding to 59.1%.

2005

The 3G (UMTS) mobile network is launched with a measured data speed of 384 kbps.

TV is available via broadband access and TDC TV is launched.

2005

2006

NTC acquires 87.9% of the shares in TDC and a focus on the Nordic market begins.

NASDAQ OMX

TDC divests its remaining non-Nordic asset and NTC reduces its stake to 59.1% on the Copenhagen Stock Exchange.

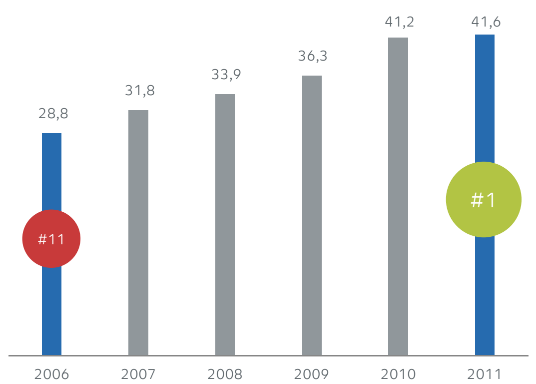
2010

"The best-performing incumbent telco in Europe by 2012 measured on value creation, customer satisfaction...

Value creation

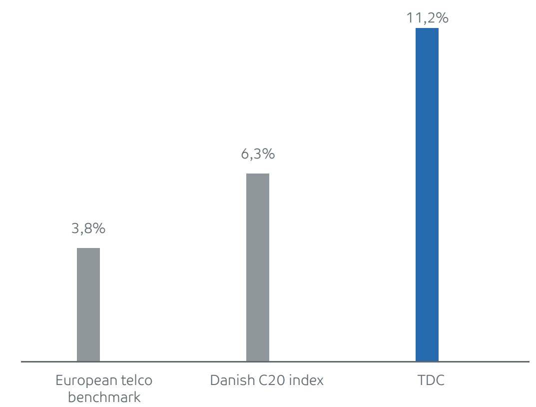
As a result of productivity gains, cost improvements and divestment of non-core assets, TDC has significantly improved its reported EBITDA margin. From being at the bottom among European peers in 2006 to reaching a European high of 41.6% at year-end 2011.
Average TSR over the period outperformed both peers and the Danish C20 stock index.

EBITDA margin **%**



Peers: Telekom Austria, Telecom Italia, France Telecom, KPN, Swisscom, Telefonica, Telenor, TeliaSonera, Belgacom, Deutsche Telekom, Elisa.

Average TSR 2006-2011 **%**



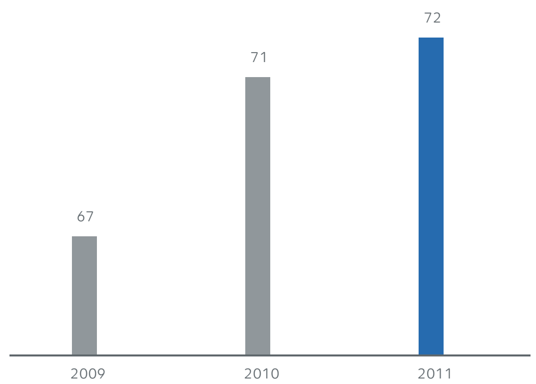
Peers: Belgacom, BT, Deutsche Telekom, Elisa, France Telecom, KPN, Hellenic Telecommunication, Portugal Telecom, Swisscom, Telecom Italia, Telefonica, Telekom Austria, Telenor, TeliaSonera.
Source: Bloomberg

Customer satisfaction

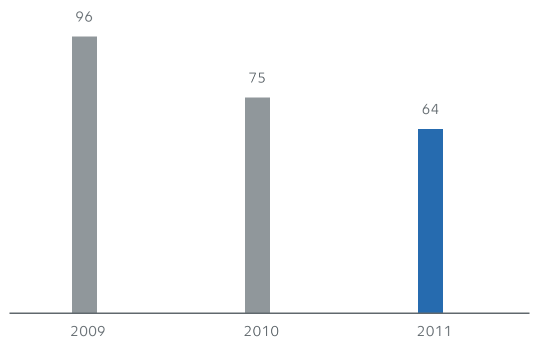
Launched in Q2 2009, the TAK customer satisfaction programme has been a key element in changing TDC from a product/technology-centric to a customer-centric organisation. TDC continues to have a clear focus on improving customer experiences and has managed to lift customer satisfaction considerably.

Efforts to decrease the number of unacceptable customer experiences have also been in focus.

Customer satisfaction **Index score**



Unacceptable customer experiences **Index, Q1 09=100**



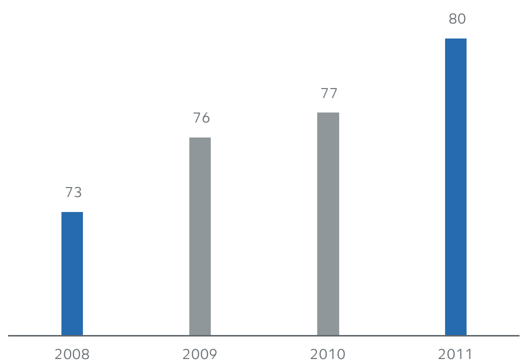
… and employee pride, while remaining the backbone of a Danish world-class communications infrastructure”

Employee pride

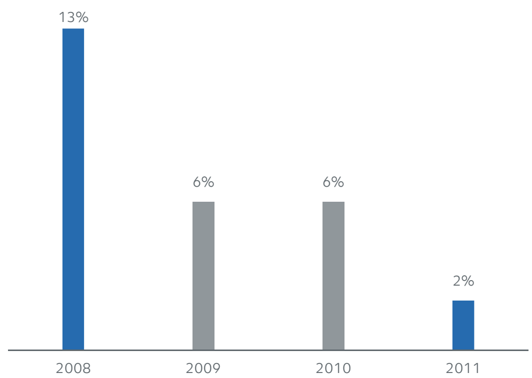
TDC has managed to improve employee satisfaction substantially from 73 in 2008 to 80 in 2011.

The focus on strengthening management has also been successful through reducing the share of low-performing managers, those with an employee satisfaction score below 60, from 13% in 2008 to 2% in 2011.

Employee satisfaction — **Index score**



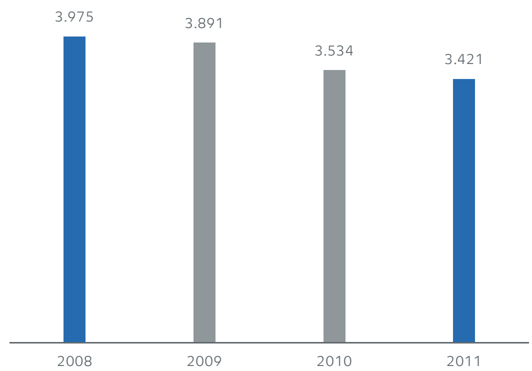
Low performing managers — **%**



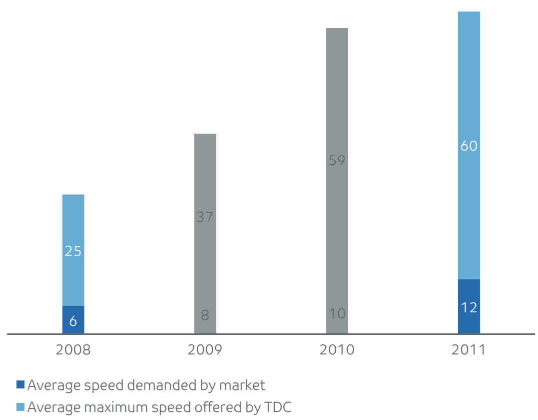
World-class infrastructure

TDC has invested significantly in its network to retain its world-class communications infrastructure. In fact, this means that TDC’s average maximum broadband speed increasingly exceeds the average demand of Danish broadband customers.

Investments — **DKKm**



Offered and demanded speed — **Mbps**



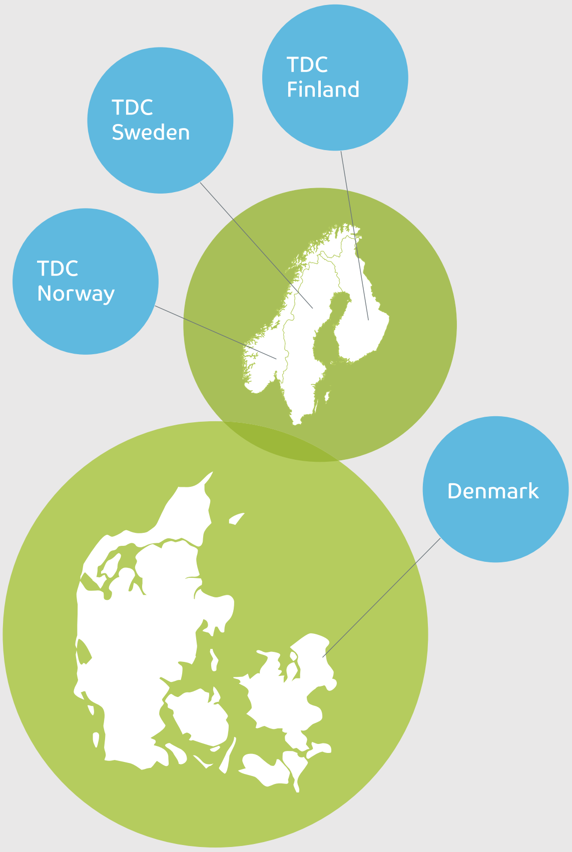
Source: TDC/Danish Business Authority

TDC today

Profile

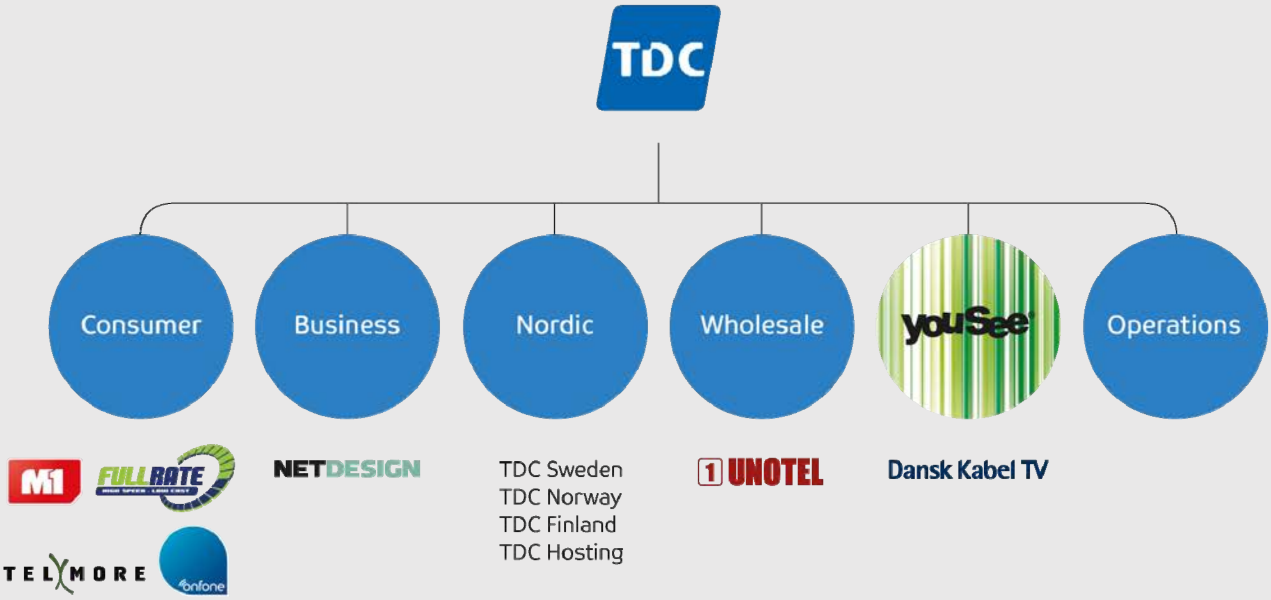
TDC is the leading provider of communications and entertainment solutions in Denmark with a market-leading position in each of its major segments: landline telephony, landline broadband, mobility services and pay-TV as well as in the developing multi-play segment. TDC has successfully defended or even grown its leading market positions over the years. This has been achieved through a range of strong domestic brands covering all customer segments, channels and product categories in the residential and business markets and through TDC's undisputed position as the leading provider of technology platforms and infrastructure across all the major access technologies – copper, coax, fibre and mobile. TDC is one of only two European incumbent operators to fully own a cable-TV network in its domestic market.

Outside Denmark, TDC has a significant presence in the pan-Nordic business market. With fully controlled subsidiaries in Sweden, Norway and Finland, TDC can offer pan-Nordic solutions to businesses and challenge the local incumbent operators by offering its corporate customers seamless business solutions, including hosting and systems integration solutions.



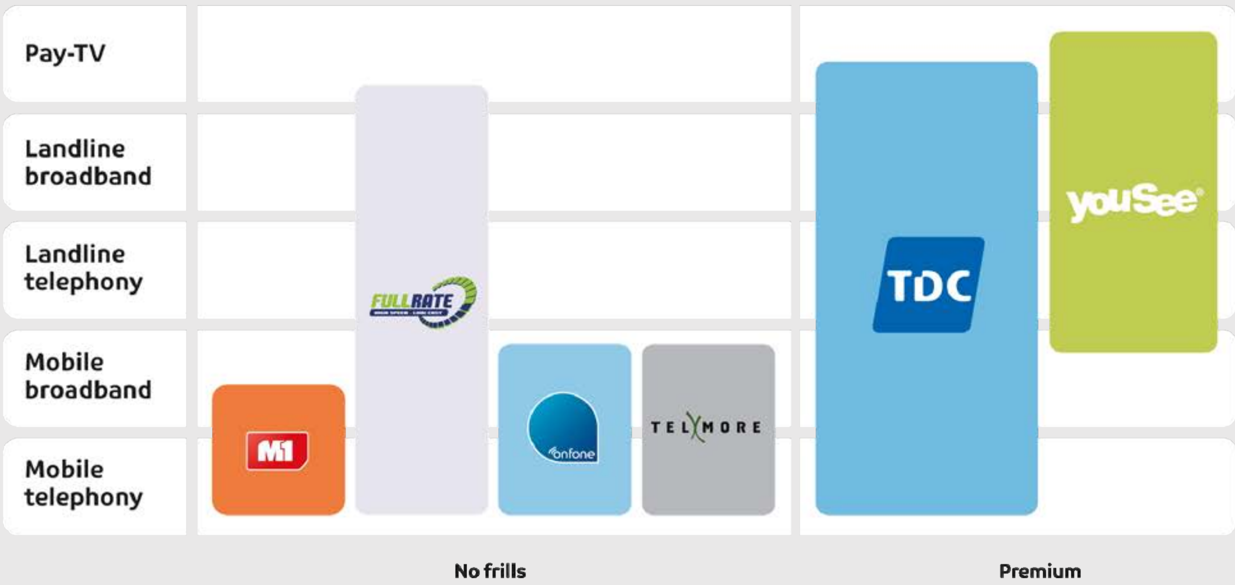
"The TDC shares are yield stock with dedicated steady dividends based on a highly attractive shareholder remuneration policy that commits to pay dividends of 80 to 85% of the EFCF. For the financial year 2011, dividend yield was 9.4%[1]."

[1] Dividends of DKK 4.35 per share divided by the closing share price of 46.06 at 30 December 2011.



Organisation and brands

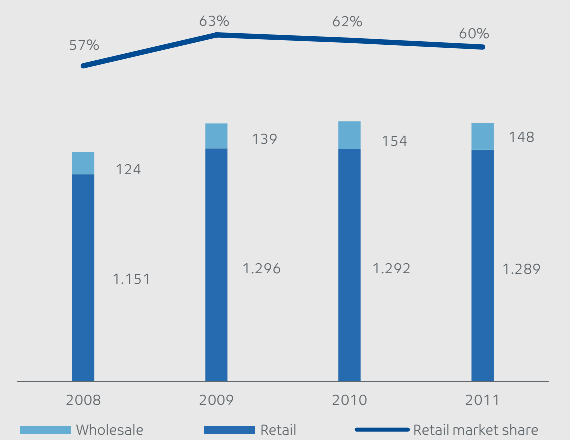
TDC has a customer-centric structure with five business divisions and a shared operations function to emphasise its focus on customer types and needs. Through a multi-brand strategy based on differentiated brands such as TDC, Fullrate, Telmore, M1, Onfone and YouSee, TDC brands span all key telecommunications product segments in Denmark, with price positions ranging from no frills to premium. TDC distributes its products through an extensive distribution network, including TDC's own shops, dealer network, account managers, call centres and websites.



Product lines

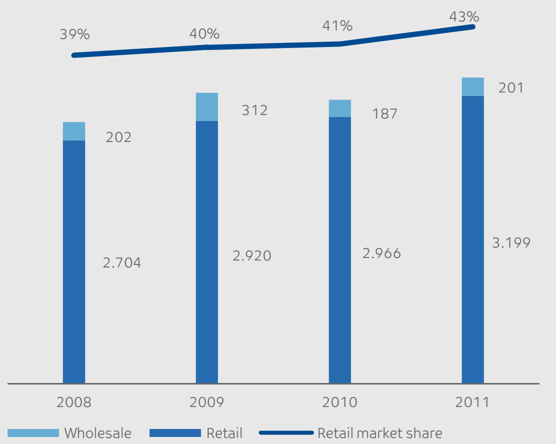
In a rapidly changing telecommunications industry, TDC maintains or improves its market-leading positions across its major product lines by remaining at the forefront of technological developments. At year-end 2011, the TDC Group had a total of 8,775k customer relationships, also known as Revenue Generating Units (RGUs).

Landline broadband **RGU '000/%**

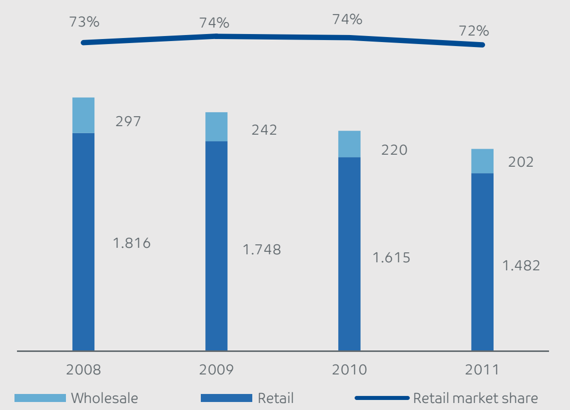


Note: xDSL in Consumer and Business. BSA/xDSL resale in Wholesale.

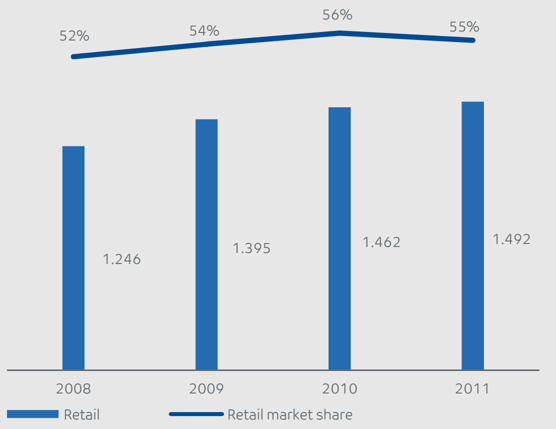
Mobility services **RGU '000/%**



Landline telephony (PSTN/ISDN/VoIP) **RGU '000/%**



Pay-TV **RGU '000/%**



Infrastructure

Denmark has one of the highest broadband penetrations in the world, with 75% of all households and businesses subscribing to broadband through xDSL, coax, fibre or other access technology. As the incumbent telecommunications operator in Denmark, TDC has a proud legacy of building and operating the communications infrastructure in Denmark and thereby contributing to Denmark's leading position.

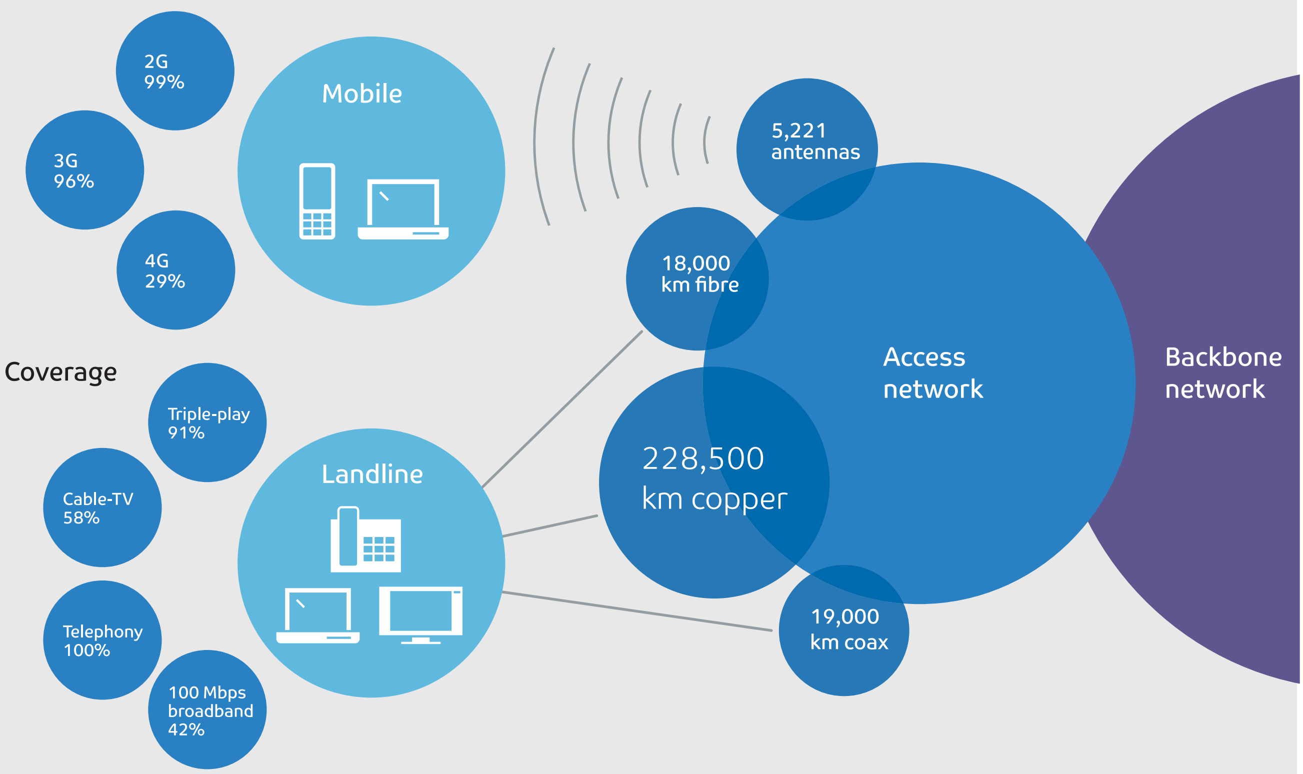
TDC's landline network, including cable and fibre, enables almost all Danish households to receive broadband with download speeds of 2 Mbps as well as landline telephony. The vast majority of households can receive broadband at download speeds of up to 20 Mbps and triple-play services (bundled telephony, internet and TV services through one access channel). Speeds of up to 100 Mbps are also widely available through TDC's VDSL product.

This puts TDC in a very strong position to address the future high-speed broadband and data market.

TDC is continuing its effort to bring fibre closer to its customers, enabling increasingly higher speeds on the ever shorter distances where data is carried by copper lines. At the same time, TDC is continuing to roll out fibre network to residential customers (fibre-to-the-home).

TDC's mobile network covers almost the entire population with 2G (GSM and EDGE) and 3G. Continuous HSDPA (3.5G) roll-out, enabling download speeds of up to 42 Mbps, is in progress, and TDC is using its 2.5GHz licence to roll out 4G (LTE). In Q4 2011, TDC launched its first commercial 4G product with speeds of up to 80 Mbps.

Nordic has a fibre-based backbone network, a common best-in-class scalable VoIP platform and operates as an MVNO without its own mobile network infrastructure.



Innovations in TDC in 2011

TDC is at the forefront of innovative thinking within products, services and processes, creating increased value for its customers and new ways to benefit from the telecommunications infrastructure across all technology platforms. 2011 saw a steady flow of innovations.

16 HD channels. (+5 in 2011) included in the three YouSee Clear TV packages

TDC Play. Access 15 million music tracks via PC or smartphone app

FamilieFordel. Up to five family members can call and text each other for free throughout Denmark

TDC Scale. Flexible and scalable IP telephony solution for businesses. App provides easy control

HomeDisk. Easy access to personal content everywhere and automatic backup

TDC HomeDuo Secure. Security online, free telephony and automatic backup of files and pictures

MobilPorto. Replace the stamp. Receive a code by SMS and write it on your letter

TDC Rate. Payment plan allowing customers to pay their smartphone over 6, 12, or 24 months

Fullrate TV. Easy TV solution directly through the telephone socket. Attractive channels in a single package

YouSee Player. Easy access to TV, movies and music through an easy-to-use PC or Mac interface

Q1

Q2

New mobile portfolio. Five products available in bundled and build-it-yourself versions

4G. For those of us who are always online and when speed is crucial

Nordic Video. Service-based solution supplying meeting tools for more efficient and convenient communication within and across national borders

My TDC. Access to HomeDisk, Play, Radio and more apps directly on your TV

Extra channels. Pick and mix your own channels from a selection of over 70 channels as an alternative to packages

Live TV app. Use your iPad or iPhone to watch live TV, check upcoming events and set reminders

TDC-to-TDC. Check the TDC-to-TDC app on your smartphone to find out which friends you can call for free

100 films. Access to 100 films on demand at no extra charge with YouSee Plus and TDC TV

Business app. Keep track of usage, find the nearest TDC Hotspot and report coverage problems to increase network quality

Q3 | Q4

TDC's mission, vision and values

In 2011, TDC defined a new mission, vision and three supporting values.

TDC's mission

We connect Denmark with ...

...friends & family
...business partners & colleagues
...the community & the world
...machines & systems
...entertainment & learning

TDC's vision

We put the customer first by...

... being accessible and open
... keeping our promises and acting fast
... delivering user-friendly and innovative products
... being honest and easy to understand

TDC's values

Engaged

We are committed to customers, each other and Danish society. Commitment drives our cooperation and will to win

Competent

We develop and play an active role in society. We know how to translate complex technology into simple and good customer experiences

Attentive

We listen and are proactive. We are present whenever needed as a reliable partner in all relationships

Strategy 2012

Transformation

Customer satisfaction
TDC will continue to improve customer satisfaction through the Group-wide TAK programme, aimed at improving customer experiences across all touch points with TDC.

Behaviour and culture
TDC will continue to implement TDC 2.0, a group-wide behavioural and cultural transformation project aimed at improving performance, productivity and employee satisfaction.

IT tools
TDC will further enhance its IT tools through platform upgrades and simplification of IT architecture.

Financial discipline
TDC will maintain a strong financial discipline to ensure a positive and predictable cash flow development as well as attractive remuneration for shareholders through a continued focus on cost and capex efficiency.

World-class infrastructure
TDC will continue to invest in increasing the speed and expanding the coverage of its mobile and landline network infrastructure.

Innovation

Mobility growth
TDC will improve its mobile position in the residential market through a focus on smartphones, value added services and brand portfolio optimisation.

IP-based business solutions
TDC will create growth within business solutions by continuously moving towards integrated solutions and value-added services in Business and increasing growth from mobile voice, IP-VPN and TDC Hosting in Nordic's business markets.

Multi-play
TDC will continue to innovate and expand its multi-play offerings, through e.g. launch of quad-play, to reduce line loss and increase ARPU.

Home entertainment
TDC will continuously innovate and improve offerings to enable anytime access to entertainment and personal content seamlessly across multiple platforms.

Public digitisation
TDC will leverage its key competences and network infrastructure to continuously innovate within the area of public digitisation, focusing primarily on healthcare and education.

World-class infrastructure

By leveraging the latest technologies and building fibre-connected micro-centrals closer to homes, TDC will be able to deliver constantly higher speeds to a constantly increasing share of Danish households through the last stretch of copper.

In addition, TDC will expand its fibre-to-the-home coverage while investing significantly in the new 4G/LTE high-speed mobile network.

TDC plans to invest DKK
25bn
in mobile and landline network infrastructure from 2011 to 2020

TDC aims to cover more than
62% of all
Danish households with
100 Mbps
broadband in 2015

TDC aims to cover
99% of the
Danish population with
4G/LTE in 2015

Did you know that...

... TDC paid DKK

5.2bn

in corporate tax, energy taxes and VAT in 2011

... in 2011, TDC invested DKK

2.6bn

in infrastructure, e.g. in Denmark's largest fibre network and cutting-edge mobile technology

... in 2011, TDC's foreign and Danish investors received dividends of DKK

1.8 bn

to the benefit of e.g. pension funds

... in 2011, TDC invested DKK

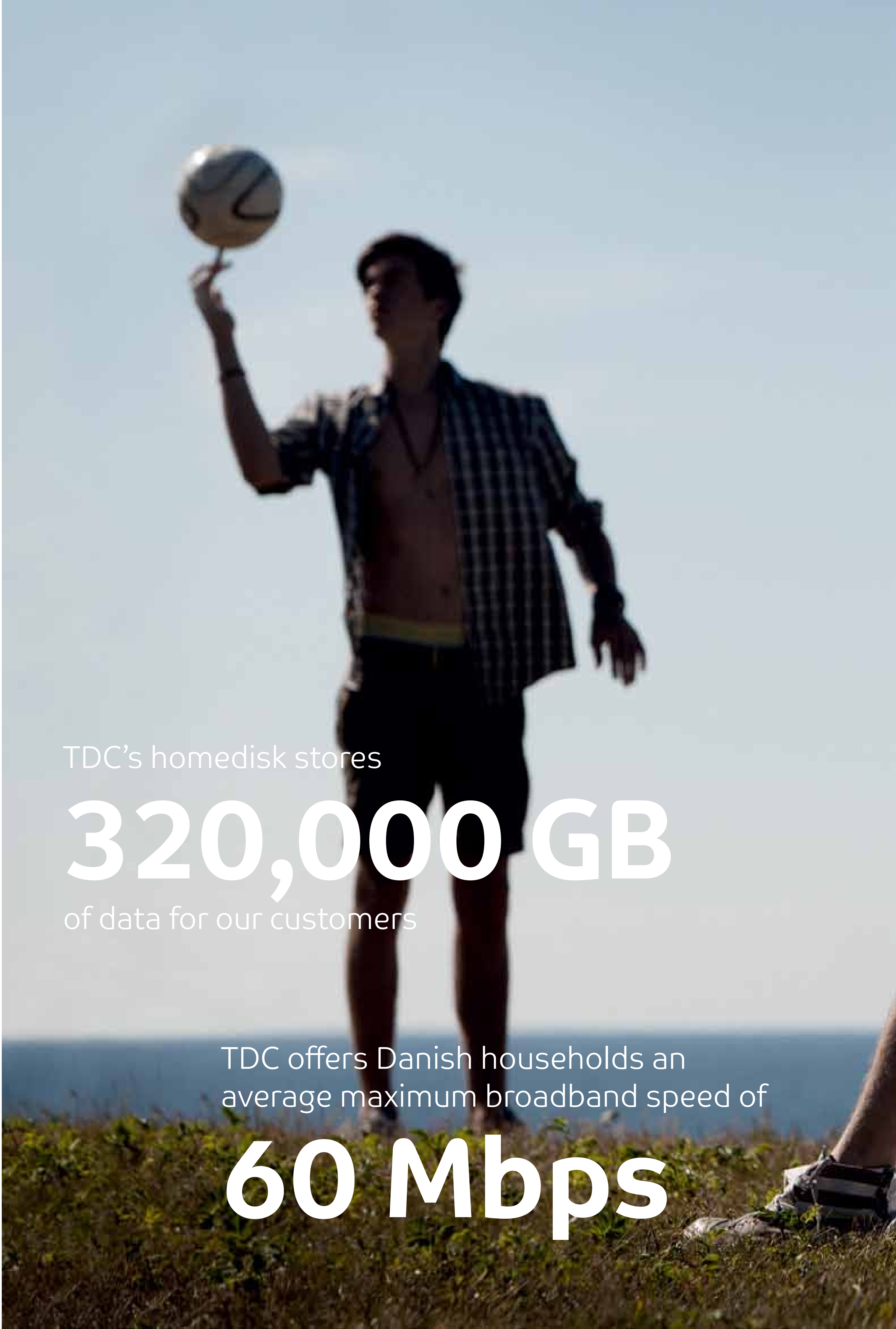
1.0bn

in innovation and development projects

... TDC had

8,552

full time employees in Denmark and paid DKK **4.7 bn** in wages and pensions in 2011



TDC's homedisk stores

320,000 GB

of data for our customers

TDC offers Danish households an average maximum broadband speed of

60 Mbps

We connect Denmark

Friends & family

Rågeleje, North Zealand, Denmark

Consumer

2011 at a glance

- Consumer acquired Onfone in May 2011 and thereby added a company with strong market momentum and a strong brand to its diversified brand portfolio.
- TDC launched a 4G product in October 2011 covering ten of the largest cities in Denmark and 29% of the population.
- Consumer introduced TDC Rate and a new mobile portfolio (‘Pak selv’ and other packages), which were well received.
- New TV apps were launched, giving customers the opportunity to access news, TDC Play and 100 films as part of their subscription on their TVoIP solution.
- The success of the multi-play product TDC HomeTrio continued with 29k new customers in 2011.

About Consumer

Consumer is the leading supplier of telecommunications in the residential market in Denmark. Consumer connects friends, family and small businesses all over Denmark through landline telephony, internet, TVoIP and mobility services. Consumer addresses the entire market spectrum from no frills to premium with its diversified and strong brand portfolio: Telmore, Onfone, M1, Fullrate and TDC brand. This multi-brand strategy is the key to fulfilling the different customer segments’ needs.

Consumer offers a range of different products and services from prepaid cards to unique product offerings. The bundled multi-play products, TDC HomeDuo and TDC HomeTrio are particularly popular.

Consumer’s ambition is to give customers access to everything, regardless of time, place and device. Today, Consumer offers functionalities such as video on demand (VoD), TV pause functions, online backup of files with HomeDisk (access via PC, TV or mobile phone) and remote surveillance solutions. Furthermore, Consumer focuses on helping customers to use their smartphones and has therefore introduced a smartphone on-boarding programme.

Consumer meets customers online through its Call Centres and in TDC Shops, depending on customer preferences.

157,993,000
songs streamed/downloaded from TDC Play

32,000
new TV customer relationships

Consumer has
4,200,000
customer relationships

4,156,000
visitors to TDC Shops

Performance in 2011

Revenue

2011 was characterised by pressure across most product lines, especially in the residential mobile market, where the price war continued. Compared with 2010, revenue declined by 1.2%.

Landline telephony

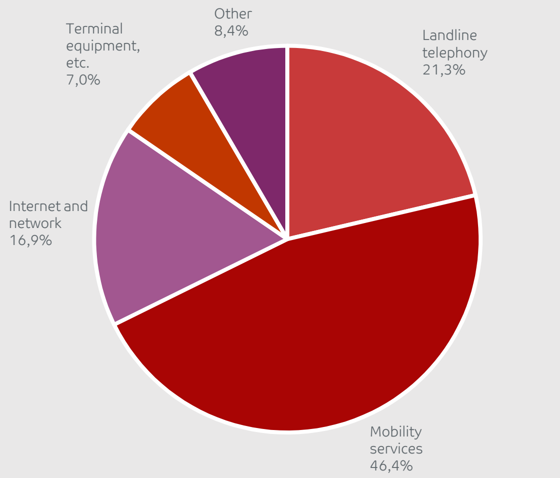
Despite the continuing migration from landline telephony to mobile only, Consumer managed to reduce its line loss through improved intake of, and migration to, HomeDuo and HomeTrio. Besides churn reduction, Consumer's multi-play strategy opens up growth opportunities and offers scope for a unique brand position.

The continued market size decline resulted in a revenue decrease of 14.7% compared with 2010.

Mobility services

The mobile market is saturated and the intense price competition continued in 2011, which drove down the total market value within mobility services. Combined with the impact from MTR (both SMS and voice) and roaming regulation, this led to a 5.9% decrease in blended ARPU including IC, and a revenue decline of 3.7% compared with 2010.

Revenue split, Consumer



In the no frills market, Consumer is seeking to continue growing its market share and acquired Onfone in May 2011. The acquisition strengthened the multi-brand strategy and supports Consumer's broad and diversified brand portfolio. By September, all subscribers were migrated to the TDC network with very limited churn, and Onfone continued to use its strong market momentum to gain customers in H2 2011.

The Onfone acquisition and the new launches (of TDC Rate and the new mobile portfolio) resulted in a 7.6% increase in mobile voice RGUs, which partly compensated for the negative effects of the price war and regulation.

Internet and network

The market for internet and network was affected by strong competition in 2011, including increased competition from utilities, which resulted in increased bandwidth at unchanged or even reduced prices as well as significant competition for broadband add-on services.

These circumstances led to decreases in both ARPU and RGUs, which affected revenue negatively. The migration from legacy broadband to HomeDuo or HomeTrio also had a negative impact on the xDSL ARPU. On the positive side, Fullrate succeeded in gaining more RGUs as a result of increased marketing and competitive prices.

As a result, Consumer's internet and network revenue declined by 3.4% compared with 2010.

TV

In an effort to increase value differentiation, Consumer is seeking to offer new services and launched upgrades for the home entertainment universe in the form of TV apps and the '100 films' offering.

Since the launch of TDC TV in 2005, Consumer has experienced continuous growth in the subscriber base and in 2011 the number of RGUs increased by 25.4%.

To an increasing extent, customers are using the offerings available – more than 93% of the customers activated 'Mit TDC' in 2011. The increased demand for add-on TV products resulted in increased ARPU positively affecting TDC TV's revenue, which grew by 27.2% compared with 2010.

Terminal equipment

Revenue from terminal equipment increased by 131.0%, driven by increased sales of smartphones without SAC subsidies.

Gross profit

Consumer's gross profit declined more than revenue, resulting in a gross profit margin decline from 69.2% in 2010 to 65.8% in 2011.

The GP margin decline was caused partly by the increased sales of smartphones, which had only a minor positive spill-over effect on gross profit, and partly by the revenue decline on high-margin landline telephony. This was only partly offset by the regulatory price reductions, which did not affect gross profit due to correspondingly reduced transmission costs. Transmission costs also decreased as a result of 6.2% lower network costs allocated from Operations driven by efficiency improvements.

EBITDA

Consumer's ability to reduce wages, salaries and pension costs and external expenses partly offset the decrease in gross profit, resulting in an EBITDA decline of 4.7%.

Savings in external expenses related mainly to significant reductions in SAC due to the introduction of TDC Rate and to a lesser extent lower IT costs. Higher marketing/advertising costs as a consequence of the strong price competition countered the positive development.

Consumer managed to contain wages, salaries and pension costs due to fewer average employees, which was partly offset by the acquisition of Onfone. As part of the customer-oriented TAK programme, Consumer increased time spent on each customer, despite the continuing cost optimisation.

Financial highlights

Consumer		2011	2010	Change in %
	DKKm			
Revenue		**9,024**	**9,130**	**(1.2)**
Landline telephony		1,926	2,257	(14.7)
Mobility services		4,184	4,343	(3.7)
Internet and network		1,521	1,574	(3.4)
Terminal equipment, etc.		633	274	131.0
Operator services		138	172	(19.8)
TV		528	415	27.2
Other[1]		94	95	(1.1)
Transmission costs and cost of goods sold		(3,082)	(2,813)	(9.6)
Gross profit		**5,942**	**6,317**	**(5.9)**
External expenses		(1,463)	(1,655)	11.6
Wages, salaries and pension costs		(796)	(802)	0.7
Other income and expenses		1	4	(75.0)
EBITDA before pension income		**3,684**	**3,864**	**(4.7)**
Pension income		-	-	-
EBITDA		**3,684**	**3,864**	**(4.7)**
Gross profit margin	%	65.8	69.2	-
EBITDA margin	%	40.8	42.3	-
Organic revenue[2]	DKKm	9,024	9,269	(2.6)
Organic EBITDA[2]	DKKm	3,684	3,915	(5.9)

[1] Including reminder and invoicing fees etc.
[2] Reported revenue and EBITDA excluding impact from acquisitions and divestments as well as the impact of regulatory price adjustments.

Selected operational data

Consumer		31 Dec. 2011	31 Dec. 2010	Change in %
RGU base	('000)			
Landline		1,008	1,112	(9.4)
Mobile voice		2,201	2,046	7.6
Prepaid cards		189	229	(17.5)
Subscriptions[3]		2,012	1,817	10.7
Mobile broadband		162	130	24.6
Internet		671	680	(1.3)
TDC TV		158	126	25.4
RGU base, total		**4,200**	**4,094**	**2.6**
Dual-play bundles		366	304	20.4
Triple-play bundles		145	116	25.0
ARPU	DKK / month			
PSTN/ISDN		179	182	(1.6)
Mobile voice, blended		159	169	(5.9)
Prepaid cards		50	51	(2.0)
Subscriptions[3]		168	186	(9.7)
IP[4]		311	304	2.3
FTEs				
Number of FTEs (EoY)		1,996	2,037	(2.0)
Average number of FTEs		2,003	2,110	(5.1)

[3] Including Telmore/M1 and from Q2 2011 Onfone.
[4] Broadband, VoIP and TV per broadband RGU.

Business

2011 at a glance

- Business managed to defend its market positions in the traditional markets such as xDSL, landline telephony and mobile voice while continuing to gain momentum in areas such as mobile broadband and VoIP services.
- Competitive wins achieved in the key account segment, e.g. DONG, DSB, and ISS. The system integrator, NetDesign, also achieved major wins (the Capital Region of Denmark and ATP).
- Leading position maintained in the public sector.
- Positive effects achieved following implementation of the TDC 2.0 change programme and the TAK customer-oriented programme. This was reflected in an increase in the customer satisfaction score (ECSI).

About Business

Business is the market leader in all main business markets in Denmark and supplies telecommunications solutions to almost three out of four Danish companies.

Business offers a wide range of telecommunications products and services for businesses and organisations. Business is the leading telecoms operator to offer customers cloud-based services through TDC Scale, which is one of Business' fastest growing areas. TDC Scale is part of the 'Communication as a service' (CaaS) concept, which offers customers a full and flexibly managed convergence VoIP solution including switchboards and enhanced opportunities through 3rd party integration.

Business provides extended mobile broadband access and wireless Hotspots throughout Denmark (e.g. in airports, trains, cafés) as well as high-speed data through LTE services.

Business delivers telecommunications solutions to all types of businesses and organisations including the public institutions in Denmark. The majority of the Danish municipalities chose TDC as their voice communication supplier in the recently completed SKI tender.

Business' terminal equipment and systems integration activities for enterprise and public-sector customers are carried out by NetDesign. The solutions are typically complex, customer-specific and based on customers' premises, where products include surveillance, video conferences and telephony systems and secure mobile MPLS solutions.

73%
of all Danish companies are TDC customers

Business has
97,000
convergent Scale telephony users

Business has
1,944,000
customer relationships

77%
of the Danish municipalities signed the new SKI agreement

Performance in 2011

Revenue

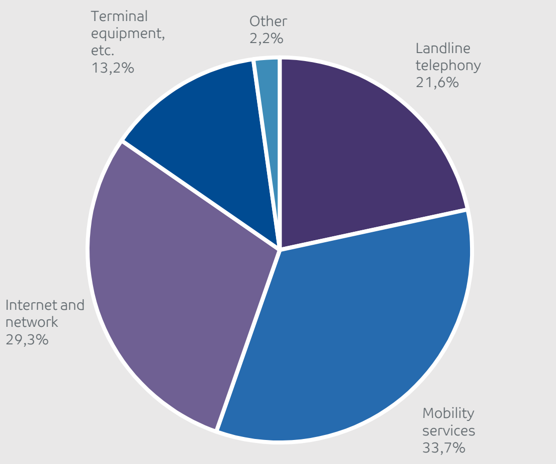
The business market was characterised by strong competition in 2011, especially in the market for mobility services and internet and network. As a result, revenue in Business declined by DKK 287m or 3.7%.

Landline telephony
The business market for landline telephony is continuously affected by the migration from traditional landline telephony to mobile and VoIP. The market size is therefore continuing to decrease, as reflected in the 12.3% fall in traditional landline RGUs. Consequently revenue decreased by 8.2%.

Business' success with Scale, its VoIP converged solution, is positively affecting landline revenue. This solution is characterised by a higher ARPU driven by combining additional products. Close to 100,000 landline and mobile users are now active on the platform, corresponding to growth of 86%.

Mobility services
The market for mobility services stagnated and was characterised by very intense price competition and additional regulatory requirements. Despite these conditions, Business managed to increase mobile voice RGUs by 3.0% and maintaining ARPU excluding incoming traffic at the same level as 2010.

Revenue split, Business



The increased smartphone penetration was reflected in significant growth in mobile broadband and data traffic, thus counteracting the negative effects stemming from price competition and regulation. In addition, a one-off adjustment of discounts relating to prior years (DKK25m) was recognised in Q1, thus contributing to maintaining revenue from mobility services level with 2010.

In an effort to constantly improve services and counter the fierce market conditions in the market for mobility services, new and more transparent product packages were launched, including 'TDC Pro' (flat rate packages) and 'TDC Business Mobile' (customers can create packages depending on the individual user's needs).

Internet and network
Fierce price competition, driven particularly by aggressive offerings from utility companies, led to increased xDSL churn in favour of fibre in specific regions, which has affected the business internet market. The migration from business to residential solutions following the introduction of the multimedia taxation (introduced in 2010) has also negatively affected the business market, yet the regulations in this area are expected to be modified in 2012.

These circumstances negatively impacted revenue from internet and network services, which decreased by 7.0% compared with 2010.

In Q4, Business unfortunately was not able to match a very low price offering from a competitor and lost the FM Data tender[3]. This is expected to have a negative impact in 2012.

Terminal equipment and system integration
In 2011, NetDesign managed to bounce back after a difficult 2010. Revenue increased by 1.5% despite declining service revenue on the legacy platform, which is being challenged by low ARPU alternatives. As a consequence, revenue from terminal equipment and system integration remained level compared with 2010.

[3] Supplier agreement for data communications services, accessories and related services. The agreement is binding for the state and optional for municipalities, regions etc.

Gross profit

Business' gross profit remained level despite the revenue decline.

Efficiency improvements in Operations resulted in 12.9% fewer allocated network costs. Furthermore, regulatory impacts on mobility services were gross profit neutral, since the decrease in interconnection and roaming prices resulted in lower transmission costs for Business.

EBITDA

In the highly competitive market, Business successfully managed to increase EBITDA by 2.1%.

The increase was achieved through increased cost focus on external expenses, realised primarily in IT & Invoicing and SAC. Throughout 2011, a keen focus was retained on efficient acquisitions spending, which resulted in a 20.0% decline in SAC/SRC spending compared with 2010.

Business implemented the 'TDC 2.0' change programme, enabling the division to raise productivity and reduce costs while increasing its customer satisfaction score (ECSI). The decreases in wages, salaries and pension costs also contributed to the EBITDA increase.

Through efficiency and cost cutting, NetDesign managed to realise a positive EBITDA development of 15.1% despite level gross profit, which also contributed to Business' EBITDA increase.

Financial highlights

Business		2011	2010	Change in %
	DKKm			
Revenue		**7,517**	**7,804**	**(3.7)**
Landline telephony		1,626	1,772	(8.2)
Mobility services		2,535	2,534	-
Internet and network		2,200	2,365	(7.0)
Terminal equipment, etc.		991	992	(0.1)
Other[1]		165	141	17.0
Transmission costs and cost of goods sold		(2,133)	(2,413)	11.6
Gross profit		**5,384**	**5,391**	**(0.1)**
External expenses		(676)	(719)	6.0
Wages, salaries and pension costs		(805)	(851)	5.4
Other income and expenses		-	-	-
EBITDA before pension income		**3,903**	**3,821**	**2.1**
Pension income		-	-	-
EBITDA		**3,903**	**3,821**	**2.1**
Gross profit margin	%	71.6	69.1	-
EBITDA margin	%	51.9	49.0	-
Organic revenue[2]	DKKm	7,517	7,716	(2.6)
Organic EBITDA[2]	DKKm	3,903	3,821	2.1

[1] Includes operator services, etc.
[2] Reported revenue and EBITDA excluding impact from regulatory price adjustments.

Selected operational data

Business		31 Dec. 2011	31 Dec. 2010	Change in %
RGU base	('000)			
Landline		393	427	(8.0)
Mobile voice		690	670	3.0
Telemetrics		408	387	5.4
Mobile broadband		142	115	23.5
Internet		257	272	(5.5)
Other networks and data connections		54	54	-
RGU base, total		**1,944**	**1,925**	**1.0**
ARPU	DKK / month			
PSTN/ISDN		338	336	0,6
Mobile voice excluding incoming traffic		244	241	1,2
Broadband		332	355	(6.5)
FTEs				
Number of FTEs (EoY)		1,344	1,476	(8.9)
Average number of FTEs		1,400	1,535	(8.8)

We connect Denmark

Business partners & colleagues

Copenhagen Airport, Denmark

TDC secures digital documents. We store backup data equivalent to the entire contents of the Royal Danish Library...

times five

TDC has **9m** customer relationships

Nordic

2011 at a glance

- Solid revenue and EBITDA growth supported by a strong order intake and solid progress in the public sector especially in IP-VPN and terminal sales, as well as 'Communication as a Service' (CaaS).
- Several strong wins in 2011, such as contracts with the City of Vantaa (Finland), Norwegian Public Roads Administration 'Statens Vegvesen' (Norway), 'Logica/Region Syd', (Hosting) and the postal company 'Posten' (Sweden).
- Introduction of a common pan-Nordic video-conference solution, further leveraging TDC's presence across the Nordic region.
- The regulatory situation in Sweden remains uncertain following a recent Swedish court ruling regarding mobile and landline termination rates for the period from 2008 to February 2010.

About Nordic

Nordic is present in Finland, Norway and Sweden, offering a full range of operator services and in Sweden, also integrator services which include the Direct business. In addition, TDC Hosting provides IT hosting solutions in Finland, Sweden and Denmark. Operator services include landline telephony, mobile telephony, internet and network (including IP-VPN services). The target customer segments are both the public sector and medium-sized to large enterprises in Sweden, Norway and Finland. Services are also offered to global customers through partnerships.

In the mobile market, Nordic operates through agreements with local operators using MVNO agreements in Sweden and Norway and a service provider agreement in Finland, allowing TDC to offer pan-Nordic products.

Nordic has its own pan-Nordic landline network, which is upgraded on an ongoing basis. The network covers mainly medium-sized to large towns in the Nordic region, and includes fibre-based backbone (fibre cable and a pan-Nordic SDH network delivering landline point-to-point capacity), PSTN/ISDN and IP/Ethernet networks. Combined with its local presence, the pan-Nordic network enables Nordic to benefit from sales synergies by utilising cross-selling opportunities to offer competitive pan-Nordic telecommunications solutions for business customers and public-sector customers across the Nordic countries. Nordic and Business benefit from sharing customer relationships as well as products and services. Leveraging on the pan-Nordic network, Nordic also offers a wide range of wholesale solutions.

Through TDC Hosting, Nordic offers hosting and information technology operations solutions, with a primary focus on providing managed hosting, co-location and shared hosting for small and medium-sized enterprises. During 2011, TDC Hosting also launched cloud services.

87,000
IP-VPN connections

27,000 km
of pan-Nordic fibre network

17%
of TDC's revenue generated by Nordic

Nordic has
264,000
RGUs

Performance in 2011

Revenue

In 2011, Nordic reported solid growth in all product groups with the public sector recording particularly strong results.

The revenue in Nordic was positively affected by a favourable exchange-rate development in SEK and NOK that led to a total revenue increase of DKK 400m. Excluding the exchange-rate development and effects from acquisitions and divestments, revenue in Nordic grew by 5.1%.

Landline telephony

The migration from landline telephony to mobile continued in 2011 which, combined with reduced termination prices, had a negative effect on landline revenue, especially in TDC Norway. However, this was more than counteracted by increased revenue from landline telephony in TDC Sweden, due primarily to the TAB product, a resale product sold through the wholesale business, which during the year added approximately 11k new RGUs.

Mobility services

The increased revenue in mobility services was related to a strong development in the number of SIM cards in TDC Sweden and TDC Norway as a result of large customer accounts gained in 2010 and 2011.

Several initiatives were also conducted during the year - among them acceleration of the Vodafone partnership which gained good traction in 2011.

Internet and network

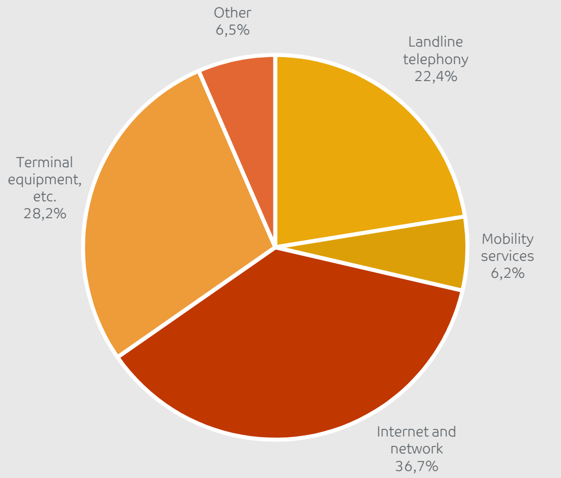
The increased customer intake in the public sector in 2011 led to solid business within IP-VPN across Nordic.

In 2011, TDC Hosting increased its focus on managed hosting, which resulted in more customer contracts and a higher order intake, leading to a positive revenue effect. The acquisition of DIR A/S (March 2011) also had a positive revenue effect.

Terminal equipment, etc.

Nordic's large intake of new customers led to an increase in the sale of customised terminal equipment, as well as 'Communication as a Service' (CaaS), in Sweden. Due to an efficient sales and delivery engine, the Direct business in TDC Sweden has also established a strong sale of CPE to customers without other business relations with TDC.

Revenue split, Nordic



Gross profit

The gross profit growth in Nordic was slightly higher than the revenue increase, amounting to 10.1%.

The gross margin increased as a result of savings due to increased operational efficiency. In 2011, TDC Norway initiated a technology change from ATM-based transport to Ethernet-based transport on DSL bitstream access which has optimised its infrastructure and led to reduced transmission costs. TDC Finland also reduced its direct cost/revenue-ratio through infrastructure optimisation. On the other hand, the gross margin was challenged by a shift in product mix towards an increasing share of low margin products such as resale in landline (TAB) and sale of CPE equipment.

EBITDA

Excluding the foreign exchange-rate effect and effects from divestments and acquisitions, Nordic's EBITDA grew by 7.9%.

The EBITDA growth resulted from the strong gross profit growth in combination with a continued focus on optimising the underlying cost structure within Nordic.

Financial highlights

Nordic		2011	2010	Change in %
	DKKm			
Revenue		**4,487**	**4,087**	**9.8**
TDC Sweden		2,422	2,086	16.1
TDC Norway		1,034	1,044	(1.0)
TDC Finland		754	727	3.7
TDC Hosting		415	355	16.9
Other, incl. eliminations		(138)	(125)	(10.4)
Landline telephony		1,007	984	2.3
Mobility services		277	190	45.8
Internet and network		1,647	1,523	8.1
Terminal equipment, etc.		1,264	1,086	16.4
Other[1]		292	304	(3.9)
Transmission costs and cost of goods sold		(2,622)	(2,393)	(9.6)
Gross profit		**1,865**	**1,694**	**10.1**
External expenses		(324)	(282)	(14.9)
Wages, salaries and pension costs		(906)	(852)	(6.3)
Other income and expenses		13	4	-
EBITDA before pension income		**648**	**564**	**14.9**
Pension income		1	-	-
EBITDA		**649**	**564**	**15.1**
Gross profit margin	%	41.6	41.4	-
EBITDA margin	%	14.5	13.8	-
Organic revenue[2]	DKKm	4,487	4,268	5.1
Organic EBITDA[2]	DKKm	643	596	7.9

[1] Includes operator services, etc.
[2] Reported revenue and EBITDA excluding impact from currency effects, acquisitions and divestments and sale of property, plant and equipment.

Selected operational data

Nordic		31 Dec. 2011	31 Dec. 2010	Change in %
RGU base	('000)			
Landline		91	80	13.8
Mobile		86	67	28.4
Internet		87	83	4.8
RGU base, total		**264**	**230**	**14.8**
ARPU	DKK / month			
Mobile voice		299	279	7.2
FTEs				
Number of FTEs (EoY)		1,472	1,388	6.1
Average number of FTEs		1,430	1,412	1.3

Wholesale

2011 at a glance

- Wholesale continued its transformation through TDC 2.0 with further organisational renewal to increase its channel focus and slim down the organisation.
- Netto and Coop (Danish retailers) launched the mobile products 'Nettalk' and 'Coop Mobil', respectively, using a TDC solution.
- Wholesale experienced continued strong demand for Pan-Nordic capacity products which grew solidly in 2011, while the market for sale of domestic capacity products stagnated.

About Wholesale

Wholesale offers landline telephony, mobility services (including convergence) and internet and network services for service providers and brand partners, as well as national and international traffic and roaming for other network operators.

A significant part of Wholesale's prices are regulated by the Danish Business Authority, as TDC is designated as having Significant Market Power in several markets.

Wholesale leverages on TDC's strong position in all four Nordic countries including TDC's extensive Nordic network. Wholesale focuses on extending its position as the preferred network provider for Danish and international telecommunications operators. For international operators, Wholesale delivers a Pan-Nordic 'One - Stop - Shop', solution for the convenience of its Nordic end customers.

Wholesale's brand partner concept enables customers with access to new distribution channels or brands with distinct strong positions to offer complete and targeted telecommunications solutions with their own brand.

As a content provider service, Wholesale handles sales, consulting and business development within mobile data services, for example mobile payment, barcodes, telemetrics and mobile marketing.

Wholesale also provides a variety of access services such as full and shared unbundled access to the local loop, BSA and resale of ISDN and xDSL services. Furthermore, Wholesale offers infrastructure services, including traditional leased lines, IP-VPN, dedicated fibre, including national and international Network Capacity Services, wavelengths and IP connectivity, and sells co-location to approximately 1,200 TDC telephone exchanges.

Customer satis-faction is up by **6 points**

Wholesale has a range of **innovative** mobile concepts

1-stop-shop for 4 Nordic countries

Wholesale has **764,000** RGUs

Performance in 2011

Revenue

Wholesale's revenue decreased by 81m or 3.6% from 2010 to 2011, largely as a result of a reduction in landline broadband and landline telephony RGUs and the negative effects stemming from increased regulation.

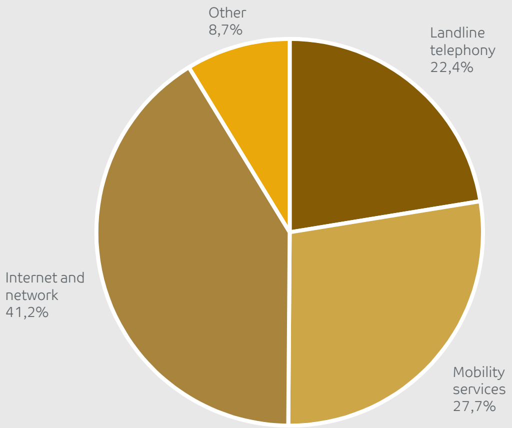
Landline telephony

In 2011, the market for traditional landline telephony continued to decrease as the demand for mobile-only solutions grew and customers increasingly migrated to VoIP solutions. Wholesale continues to resell access to other landline telephony operators with new market approaches or a specific segment focus.

The method for calculating regulated wholesale prices was changed in 2011 and led to a further reduction of the PSTN/ISDN price in July, which had a negative impact on revenue. The full-year effect of this price decrease will be seen in 2012.

The international interconnect volume in Wholesale also decreased in 2011, which was only partly compensated for by higher revenue on national IC.

Revenue split, Wholesale



Mobility services

The total number of domestic traffic minutes from MVNO customers increased significantly from 418m in 2010 to 647m in 2011, and was the main driver for the DKK 10m or 1.7% increase in mobility services. However, the mobile price war continued in 2011, putting ARPU from SPs under pressure, while price regulations also negatively affected revenue from international roaming.

Wholesale aims at achieving closer cooperation with customers on products, systems and process development. For instance, this has led to an increased focus on brand partners. Consequently, in August 2011 the Danish discount retailer Netto launched the mobile product 'Nettalk', while the retailer Coop launched 'Coop Mobil' in December 2011, both using Wholesale's subsidiary Companymobile. Early results show that the products have been well received by end users.

Internet and network

Revenue from internet and network activities decreased by 4.8% from 2010 to 2011.

ARPU on BSA and xDSL resale decreased significantly in 2011, as a result of regulated BSA prices and transfer of high-ARPU customers on the fibre network to Consumer. Lower revenue from co-location activities also contributed negatively. The decline was partly offset by an organic increase in BSA and xDSL RGUs. Wholesale's ULL RGU base decreased significantly in 2011, but was primarily a result of large business customers moving from TDC's competitors to Business. The revenue decrease from ULL in Wholesale was therefore largely counterbalanced in Business.

In order to mitigate the reduced revenue caused by regulation, Wholesale increased its focus on unregulated products, such as capacity. This led to continued strong growth, primarily within Nordic IP-VPN and Nordic capacity services. However, stagnating demand for domestic capacity negatively affected revenue from capacity.

Gross profit

Gross profit in Wholesale increased by DKK 4.0m or 0.3%, while the gross profit margin increased from 59.6% to 62.0%.

The gross profit margin increase was driven by 8.6% lower network costs, allocated from Operations, as a consequence of efficiency improvements. Moreover, Wholesale has been positively affected by various one-offs in both 2010 and 2011. In 2011, the one-offs affected transmission costs and thus had a positive impact on the GP margin development. The one-offs related mainly to roaming and mast rental settlements regarding previous years.

The gross profit margin increase was counteracted by price regulation on international roaming and internal transfer of high margin fibre customers to Consumer. The margin was also negatively affected by a changed product mix away from high-margin products (primarily landline, SP and broadband) towards lower margin products (primarily MVNO and capacity).

EBITDA

Wholesale's EBITDA increased by DKK 36m or 3.6% to DKK 1,031m in 2011, which related primarily to savings on IT, as well as on consultants and facility management.

Wages, salaries and pension costs increased marginally, resulting from the transfer of staff functions to Wholesale and an increase of 32 employees following the acquisition of an IT-platform from Zitcom. Excluding these factors, the number of employees decreased by 15.7%.

The cost savings were carried out while Wholesale completed a reorganisation to increase both its commercial focus and emphasis on an increased focus on segments and channels to achieve a more proactive sales approach through TDC 2.0. This was combined with continued work with the TAK programme, which increased customer satisfaction from 63 in Q4 2010 to 69 in Q4 2011.

Financial highlights

Wholesale		**2011**	**2010**	**Change in %**
	DKKm			
Revenue		**2,153**	**2,234**	**(3.6)**
Landline telephony		483	525	(8.0)
Mobility services		596	586	1.7
Internet and network		886	931	(4.8)
Other[1]		188	192	(2.1)
Transmission costs and cost of goods sold		(818)	(903)	9.4
Gross profit		**1,335**	**1,331**	**0.3**
External expenses		(198)	(230)	13.9
Wages, salaries and pension costs		(107)	(106)	(0.9)
Other income and expenses		1	-	-
EBITDA before pension income		**1,031**	**995**	**3.6**
Pension income		-	-	-
EBITDA		**1,031**	**995**	**3.6**
Gross profit margin	%	62.0	59.6	-
EBITDA margin	%	47.9	44.5	-
Organic revenue[2]	DKKm	2,153	2,158	(0.2)
Organic EBITDA[2]	DKKm	1,031	946	9.0

[1] Includes rent of mobile sites.
[2] Reported revenue and EBITDA excluding impact from acquisitions and divestments as well as the impact of regulatory price adjustments.

Selected operational data

Wholesale		**31 Dec. 2011**	**31 Dec. 2010**	**Change in %**
RGU base	('000)			
Landline		202	220	(8.2)
Mobile voice		201	187	7.5
Mobile broadband		2	2	-
Internet		348	369	(5.7)
Other networks and data connections		8	10	(20.0)
TDC TV		3	2	50.0
RGU base, total		**764**	**790**	**(3.3)**
ARPU	DKK / month			
PSTN/ISDN		98	100	(2.0)
Mobile voice, Service Provider		89	127	(29.9)
FTEs				
Number of FTEs (EoY)		190	178	6.7
Average number of FTEs		178	189	(5.8)

YouSee

2011 at a glance

- Strong growth in EBITDA driven primarily by an increase in Clear ARPU as well as customer growth and an ARPU increase in broadband.
- Launch of a freedom of choice product, 'Extra Channels' giving customers a choice of 70 channels in addition to the basic package.
- Continued focus on adding more value for customers through e.g. new app for iPads and iPhones, '100 films' campaign, extra HD channels in TV packages, and increased download broadband speeds.
- Wholesale business established following the regulator decision regarding YouSee's obligation to offer coax BSA. So far, no requests have been received.

About YouSee

YouSee is the leading Danish cable-TV provider in terms of market share, and offers individual households and organised customers (such as antenna and housing associations) home entertainment and telecommunications solutions. YouSee's network covers 58% of the Danish households.

YouSee strives to deliver premium cable TV and a range of other products and services, including internet and landline telephony as add on services.

YouSee's main product, YouSee Clear, enables customers to choose from either standard unencrypted digital TV packages or the new freedom of choice product, 'Extra Channels'.

The increasing demand for flexibility is met through YouSee's add-on product, YouSee Plus, giving customers a range of features, including start-over, pause and reeling functions. A video-on-demand feature allows customers to rent films without leaving their home.

As a premium brand in internet services, YouSee focuses on value-added services such as YouSee Web TV, YouSee Play and the new TV access iPad and iPhone app as the main differentiators from its competitors.

YouSee has a wholly-owned subsidiary, Dansk Kabel TV A/S, which is YouSee's main contractor for establishing new local networks and connecting new customers. In 2011, YouSee established a wholesale business following a decision from the Danish Business Authority.

1,124,000
films downloaded through VoD

3.1m
start-over events

YouSee has
1,832,000
customer relationships

49%
market share of the Pay-TV market

Performance in 2011

Revenue

Despite an almost saturated TV market and strong competition in the broadband market, revenue in YouSee rose by 6.2% compared with 2010.

YouSee Clear

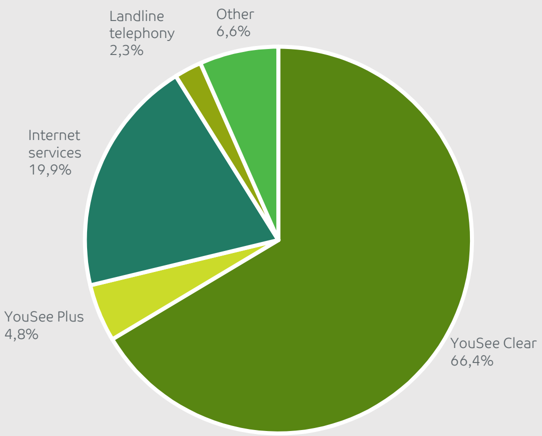
In 2011, the TV market was characterised by strong competition from non-premium providers. Combined with increased price sensitivity among customers, this enhanced pressure on premium providers such as YouSee.

Despite the market challenges, YouSee managed to maintain Clear RGUs level with 2010 as a result of the constant effort to improve the offers available to customers, e.g. giving new customers a sign-up benefit and adding free HD channels.

At the beginning of 2011, the subscription fees were raised, reflecting a wider range of TV channels and increasing content costs. The price increase had only a limited effect on the customer's choice of TV packages and the downward migration from the full packages to medium or basic were kept at a minimum. These circumstances positively affected ARPU, which grew by 6.4%.

All in all, revenue from YouSee Clear rose by 6.9% in 2011 compared with 2010.

Revenue split, YouSee



YouSee Plus

In an effort to continuously improve and expand the offers available to YouSee Plus customers, YouSee launched the '100 films' campaign, giving subscribers access to 100 films at no extra charge. This has been a success with approximately 308,000 films streamed since the launch and generally customers have increasingly been using video-on-demand, with rentals reaching approximately 1,124,000 in 2011, an increase of 167%. The ability to decide when to watch TV is also of great importance to YouSee Plus customers and the number of start-over events reached 3.1m compared with 1.7m in 2010. Combined with the major effort to improve network capacity and establish return paths, this is continuously reducing YouSee Plus churn.

During 2011, YouSee Plus gained net adds totalling 25,000. However, as the card fee paid by 26,900 customers was removed in Q4 to eliminate barriers for 'Extra channels', the RGU base was reduced by 2.5% compared with 2010. These customers, who have retained a card, can purchase on-demand services from YouSee at any time.

Despite higher copyright fees and customers choosing fewer and less expensive additional TV packages, YouSee Plus revenue rose by 10.2% compared with 2010.

Internet services

Despite fierce competition in a saturated broadband market, YouSee succeeded in continuing its strong performance and is one of the few companies gaining market shares, with RGUs up by 2.5%.

The demand for higher bandwidths contributed to YouSee gaining market share. More customers on higher bandwidth were reflected in an ARPU increase, which positively affected revenue from internet services that rose by 3.5% compared with 2010.

Gross profit

YouSee's gross profit increased by 7.4% compared with 2010, as a result of higher revenue and a higher gross profit margin. The gross profit margin increase was a result of the ARPU increase exceeding the rise in programme expenses and was only partly offset by increased costs regarding capacity enlargement and costs related to increased internet usage.

EBITDA

EBITDA increased by 12.4% and was positively affected by YouSee's ability to contain external expenses in spite of organic growth.

Savings were achieved primarily through an increased cost focus on all cost lines throughout YouSee. Contractor costs in particular were lower due to reductions in faults and the number of faults corrected in-house through increased efficiency. Furthermore, marketing costs were restrained.

Financial highlights

YouSee		2011	2010	Change in %
	DKKm			
Revenue		**4,259**	**4,012**	**6.2**
YouSee Clear		2,829	2,646	6.9
YouSee Plus		205	186	10.2
Internet services		846	817	3.5
Landline telephony		97	98	(1.0)
Other[1]		282	265	6.4
Transmission costs and cost of goods sold		(1,728)	(1,655)	(4.4)
Gross profit		**2,531**	**2,357**	**7.4**
External expenses		(459)	(467)	1.7
Wages, salaries and pension costs		(554)	(538)	(3.0)
Other income and expenses		3	1	-
EBITDA before pension income		**1,521**	**1,353**	**12.4**
Pension income		-	-	-
EBITDA		**1,521**	**1,353**	**12.4**
Gross profit margin	%	59.4	58.7	-
EBITDA margin	%	35.7	33.7	-
Organic revenue[2]	DKKm	4,259	4,003	6.4
Organic EBITDA[2]	DKKm	1,521	1,358	12.0

[1] Includes installation fees and TDC TV.
[2] Reported revenue and EBITDA excluding impact from acquisitions and divestments.

Selected operational data

YouSee		31 Dec. 2011	31 Dec. 2010	Change in %
RGU base	('000)			
TV		1,335	1,336	(0.1)
- YouSee Clear		1,179	1,176	0.3
- YouSee Plus[3]		156	160	(2.5)
Internet		413	403	2.5
Landline		81	76	6.6
Mobile broadband		3	3	-
RGU base, total		**1,832**	**1,818**	**0.8**
ARPU	DKK / month			
Landline internet		173	169	2.4
TV, total		214	202	5.9
YouSee Clear		200	188	6.4
YouSee Plus		103	105	(1.9)
Total ARPU		281	268	4.9
Other KPIs				
Homes passed	('000)	1,489	1,454	2.4
Penetration	%	79	81	-
RGU per subscriber	#	1.55	1.54	-
FTEs				
Number of FTEs (EoY)		1,218	1,231	(1.1)
Average number of FTEs		1,235	1,245	(0.8)

[3] Digital add-on product.

Operations & HQ

2011 at a glance

- In 2011, Operations & HQ continued to deliver significant cost reductions. The focus on process optimisation, decreasing complexity and increasing customer focus continued through the targeted TDC Pro, TDC 2.0 and TAK transformation programmes.

- Three outsourcing activities were confirmed – offshoring parts of finance to India, outsourcing mobile repair activities to Danish partners, and activities regarding the building of fibre networks.

- Fault correction hours in the field force fell by 21,000 hours in 2011 compared with 2010 – despite the extra 26,500 hours related to heavy rainfall in July 2011.

- TDC continued to invest in LTE mobile network and at the end of 2011 the ten largest cities in Denmark were covered, securing a measured top speed of 100 Mbps.

About Operations & HQ

Operations & HQ manages a number of critical support functions in the organisation: Fault correction, information technology, supply chain and procurement, installation and network, and staff functions (such as HR, Communications, Strategy, Market Intelligence, Finance, and Legal and Regulatory).

Through TDC's strategic network build out, Operations ensures that TDC's network remains the backbone of a world-class Danish communications infrastructure (see 'TDC Today' for more information regarding TDC's infrastructure).

The division also takes on activities such as the ongoing development of network technologies, optimisation of the use of external partners and suppliers (e.g. all information technology, infrastructure, operations and application development and maintenance have been outsourced to CSC), and facility management including space management within TDC.

The networks and information technology platforms used by Business, Consumer and Wholesale are managed by Operations. A continued focus on operational excellence is therefore a key driver for efficiency and productivity improvements in the TDC Group.

Operating expenses in Operations relating to other business divisions' use of the infrastructure and supply functions are allocated to the relevant business divisions (except YouSee and Nordic, which are invoiced according to the arms' length principle). Operations' revenue generated from third parties relates mainly to support assignments, operation of mobile sites and supply chain management.

12m
SMS/MMS a day sent through Operations' network

Operations' technicians visit an average of
2,500
customers every day

We ask
1,500
customers a day to give feedback on our service

TDC has
38,000
km fibre cable in Denmark

Performance in 2011

In 2011, Operations & HQ continued to deliver strong results in cost reductions, managing to reduce external expenses by DKK 171m compared with 2010 and wages, salaries and pension costs by DKK 139m.

The reduction was achieved through continued improvements in the cost base, including lower wages, salaries and pension costs due to an 11.7% reduction in the average number of employees primarily within staff functions and due to a decline in the legacy landline business. Further reductions were achieved by focusing on a number of programmes aimed at achieving cost reductions across the organisation. Also utilisation of economies of scale, through TDC's position as the major player in the Danish market was a source of cost efficiency throughout 2011. Consequently, the efficiency gains achieved in Operations and HQ resulted in a DKK 292m or 9.3% fall in operating expenses allocated to other business lines.

TAK

TAK is the corporate-wide customer satisfaction programme aimed at improving customer experience on all fronts. This includes better alignment of expectations with the customer in the sales situation, fewer system breakdowns in the commissioning phase, fast and efficient fault handling and better service levels on phones, etc. Customer satisfaction KPIs continued to improve and TDC achieved several successes during 2011:

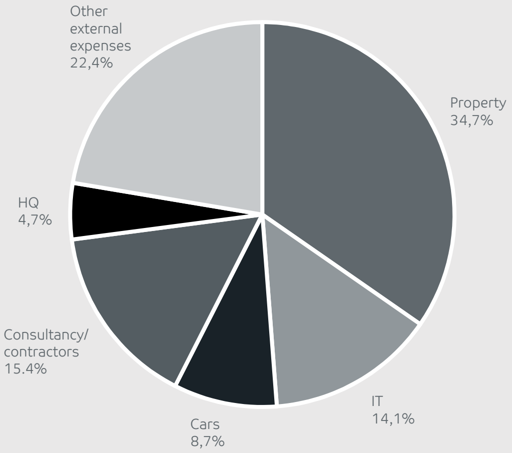
- In 2011, Operations continued to focus on fault correction in order to improve its customer experience while reducing costs. As a result of these actions, fault correction hours in the field force fell by 21,000 hours or 2.8% in 2011 compared with 2010. This was despite an extra 26,500 hours of fault correction related to heavy rainfall that flooded the Copenhagen area in July 2011.

- Faults after delivery decreased 6 percentage points for residential and 5 percentage points for business customers, primarily as an effect of 'first time right' activities – more initial tests are carried out, while faults are handled and technical faults are corrected during the delivery process.

- Recurring faults decreased by 8 percentage points for residential customers and by 4 percentage points for business customers during 2011. During the last two years, the number of recurring faults more than halved for residential customers and declined by almost 40% for business customers.

- The overall customer satisfaction index increased during the year – from 71 in 2010 to 72 in 2011 for the whole TDC Group. Unacceptable customer experiences also improved during the year, with an index that declined from 75 in 2010 to 64 in 2011 for the whole TDC Group.

Cost split, Operations & HQ



TDC Pro

TDC Pro (Process optimisation, restructuring and outsourcing) is a review of the operating model aimed at increasing efficiency, simplifying production, reducing lead times and waste, improving flexibility and strengthening cross-functional collaboration. TDC Pro covers the review of processes, structures and interfaces as well as decisions on 'make versus buy', primarily within Operations, as well as the interfaces between Operations, and Consumer and Business.

During 2011, numerous initiatives were carried out, including:

- Four potential outsourcing activities were identified during H1 2011. By the end of 2011, three external initiatives had been carried out or decided on – outsourcing of shared services in Finance to India, outsourcing of mobile repair activities in Supply & Logistics to Danish partners, and in early October 2011, Operations also announced that activities regarding the building of fibre networks will be outsourced to the consortium 'Fiber & Anlæg', which will take over operation of TDC´s fibre network in February 2012. These initiatives will affect approximately 260 employees. The fourth initiative resulted in building a strong in-house case in the Run division of Operations following negotiations with the unions, leveraging on productivity gains and cost reductions.

- A project was carried out in order to optimise the fibre delivery process by reducing the order lead time and delivery precision. In addition to this, delivery times have been differentiated in order to reflect the varying complexity and scale of orders. These efforts have produced positive results, as delivery times have improved by 23% from 2010 to 2011 while delivery precision has increased from an average of 80% to 85%.

- Operations continued the work on simplifying the product portfolio to reduce complexity in processes, systems and platforms.

- Through TPM (Technical Product Management), all new product development projects are monitored and optimised throughout TDC's organisation to secure effective production when launched.

TDC 2.0

As a means of continually improving profitability, customer satisfaction and employee satisfaction, TDC is rolling out a major transformation programme, TDC 2.0, across the Company. TDC 2.0 addresses the daily work routines of each team with a focus on better operational planning, more effective performance management, building a lean culture, and making management more visible to employees.

Financial highlights

Operations & HQ		2011	2010	Change in %
	DKKm			
Revenue		**287**	**323**	**(11.1)**
Transmission costs and cost of goods sold		(66)	(83)	20.5
Gross profit		**221**	**240**	**(7.9)**
External expenses		(2,061)	(2,232)	7.7
Wages, salaries and pension costs		(1,480)	(1,619)	8.6
Operating expenses allocated to other business divisions		2,852	3,144	(9.3)
Other income and expenses		174	193	(9.8)
EBITDA before pension income		**(294)**	**(274)**	**(7.3)**
Pension income		438	435	0.7
EBITDA		**144**	**161**	**(10.6)**
Organic revenue[1]	DKKm	287	323	(11.1)
Organic EBITDA[1]	DKKm	143	163	(12.3)

[1] Reported EBITDA excluding impact from sale of property, plant and equipment as well as acquisitions and divestments.

Selected operational data

Operations & HQ		31 Dec. 2011	31 Dec. 2010	Change in %
KPI				
Faults correction time	Hours ('000)	727	748	(2.8)
Active IT applications	#	486	553	(12.1)
Image (ECSI)[2]	Index	66	65	-
Customer Satisfaction (KundeBarometer)[2]	Index	72	71	-
Unacceptable customer experiences[2,3]	Index	64	75	-
FTEs				
Number of FTEs (EoY)		3,596	4,113	(12.6)
Average number of FTEs		3,860	4,369	(11.7)

[2] KPI includes TDC Group
[3] Q1 2009 = Index 100, A lower index equals a more positive customer experience.

In 2011, the programme was introduced in Operations, where altogether approximately 900 employees were included in the transformation by year end. Initial results of the transformation in Operations confirmed that full implementation of TDC 2.0 holds significant potential for efficiency improvement and will be an important lever for future efficiency improvements.

In 2011, TDC showed its ability to deliver solid results in a competitive market, with revenue and EBITDA growth of

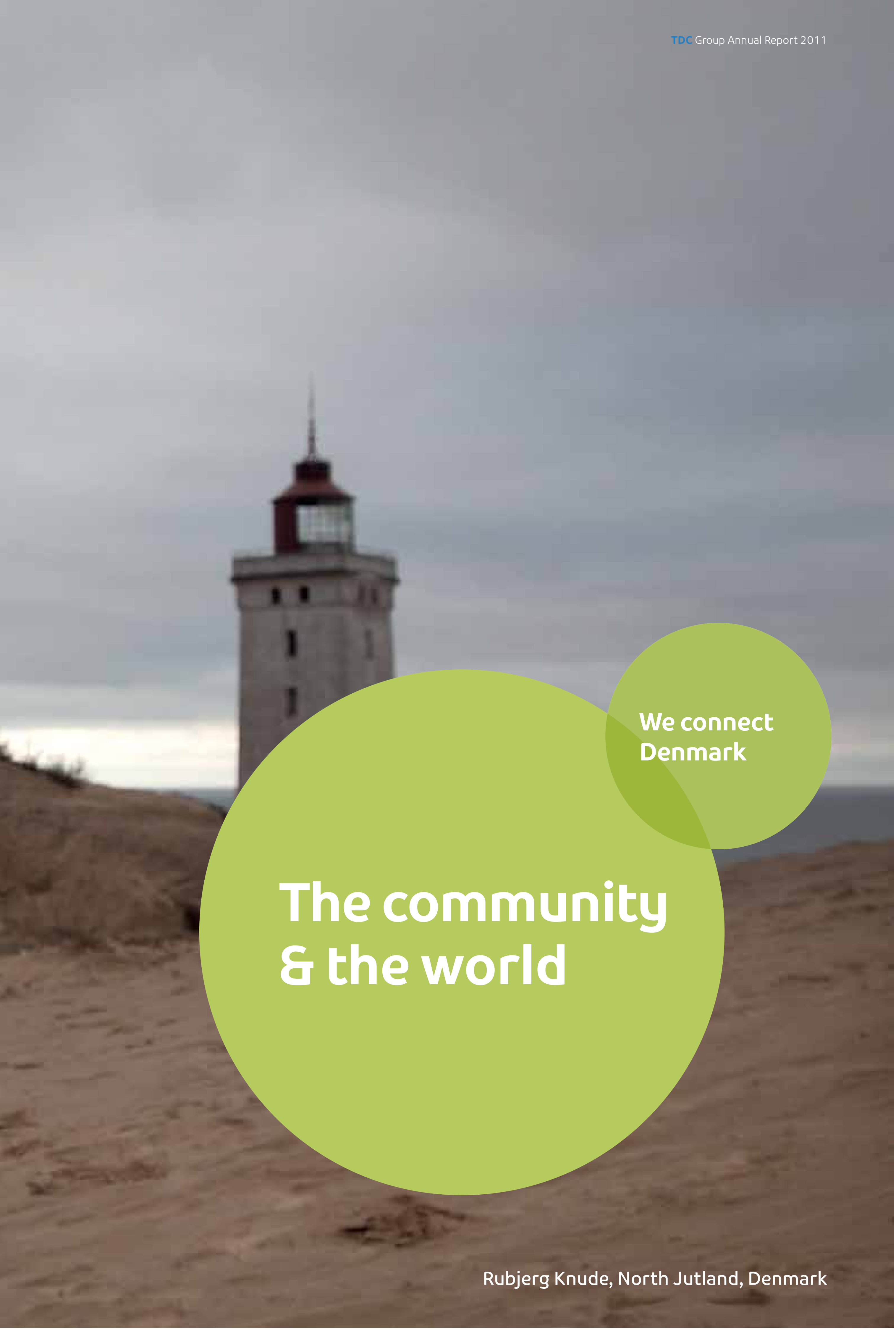
0.5% and **1.6%**, respectively

TDC' annual return to shareholders was

11.2% compared with the European Telco Benchmark showing a 3.8% TSR

We connect Denmark

The community & the world



Rubjerg Knude, North Jutland, Denmark

Shareholder information

Policy
TDC strives to create and maintain an open dialogue with its investors and to provide investors with information relevant for making reasoned investment decisions about the Company's debt and equity securities. TDC's disclosure practices are designed to give all investors fair and equal access to this information.

Shareholders
TDC is listed on NASDAQ OMX Copenhagen. At year-end 2011, TDC's outstanding shares and voting rights were distributed as shown in the table.

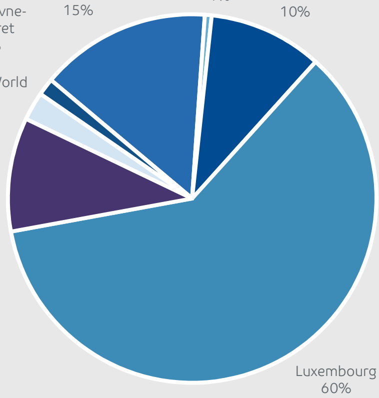
TDC's ownership base exceeded 42,000 shareholders at year-end 2011 and includes Danish and international institutional investors as well as Danish retail investors and TDC employees.

The ultimate holding company of TDC A/S' majority shareholder, NTC Holding GP & Cie S.C.A., is NTC Parent S.à r.l, which prepares consolidated financial statements that, can be ordered at Registre de Commerce et des Sociétés, Centre administratif Pierre Werner Bâtiment F, 13 rue Erasme, L-1468 Luxembourg-Kirchberg.

Through a number of holding companies, NTC Holding GP & Cie S.C.A. is ultimately controlled by investment funds, each of which is advised or managed, directly or indirectly, by:

- Apax Partners Worldwide LLP: 15.7%
- The Blackstone Group International Limited: 23.5%
- Kohlberg Kravis Roberts & Co. L.P.: 19.6%
- Permira Advisers KB: 19.4%
- Providence Equity Partners Limited: 17.7%

Shareholders, geographical DKKm



Dividend for 2011-2012
The Board of Directors approved the dividend payment of DKK 2.18 in August 2011 and is expected to distribute the remainder of the DKK 4.35 for the financial year 2011 in March 2012.

For the financial year 2012, the Board of Directors expects to recommend a dividend of DKK 4.50 per outstanding share, of which DKK 2.25 is expected to be distributed in August 2012 and the remainder in the first quarter of 2013.

Dividend policy
The Board of Directors has adopted a dividend payout policy of 80% to 85% of Equity Free Cash Flow in a given financial year with 40% to 50% of the full-year amount to be distributed in the third quarter of the year, and the remainder to be distributed following approval of the Annual Report in the first quarter of the subsequent year.

Ownership as of year-end 2011

	Number of shares	Distribution of common shares	Distribution of voting rights
NTC Holding GP & Cie S.C.A.	482,368,645	58.5%	59.1%
Singapore Investment Corporation Pte Ltd.	41,620,612	5.0%	5.1%
TDC A/S	8,367,121	1.0%	-
Other	279,770,650	33.9%	34.2%
Not registered	12,872,972	1.6%	1.6%
Total outstanding shares	**825,000,000**	**100%**	**100%**

Source: VP Securities.

Dividends paid to the Company's shareholders may be subject to tax withholdings.

Capital structure
The Board of Directors has assessed TDC's capital structure and found that it accommodates both its shareholders' interests and the Company's continued development.

Shares and voting rights
TDC's share capital is divided into 825,000,000 shares in a denomination of DKK 1 each. Each share amount of DKK 1 entitles a shareholder to one vote. All the Company's shares are listed on NASDAQ OMX Copenhagen (ISIN DK0060228559).

Appointment and replacement of members of the Board of Directors
According to the Company's Articles of Association, the Board of Directors shall consist of three to eleven members elected by the Annual General Meeting. Board members elected by shareholders serve a one-year term and may be re-elected. According to the Articles of Association, board members must resign no later than at the first Annual General Meeting after reaching the age of 70.

Amendments of Articles of Association
A resolution to amend the Company's Articles of Association is subject to adoption by a qualified majority or by unanimity as stated in Sections 106 and 107 of the Danish Companies Act. The Company's Articles of Association contain no further requirements than those stated in the Danish Companies Act regarding amendments of articles of association.

Authorisations to the Board of Directors
Until the Annual General Meeting 2012, the Board of Directors is authorised to allow the Company to acquire its own shares in accordance with the rules of the Danish Companies Act provided that the Company's holding of own shares cannot exceed 10% of the nominal share capital at any time. The purchase price for the shares in question must not deviate by more than 10% from the price quoted on NASDAQ OMX Copenhagen A/S at the time of acquisition.

Furthermore, the Company's Articles of Association contain the following authorisations to the Board of Directors:

- Until 18 March 2014, the Board of Directors is authorised to increase the share capital by up to DKK 108,229,770. The increase may be affected by cash payment or by payment in values other than cash. Subscription of shares may disregard the pre-emption right of shareholders.

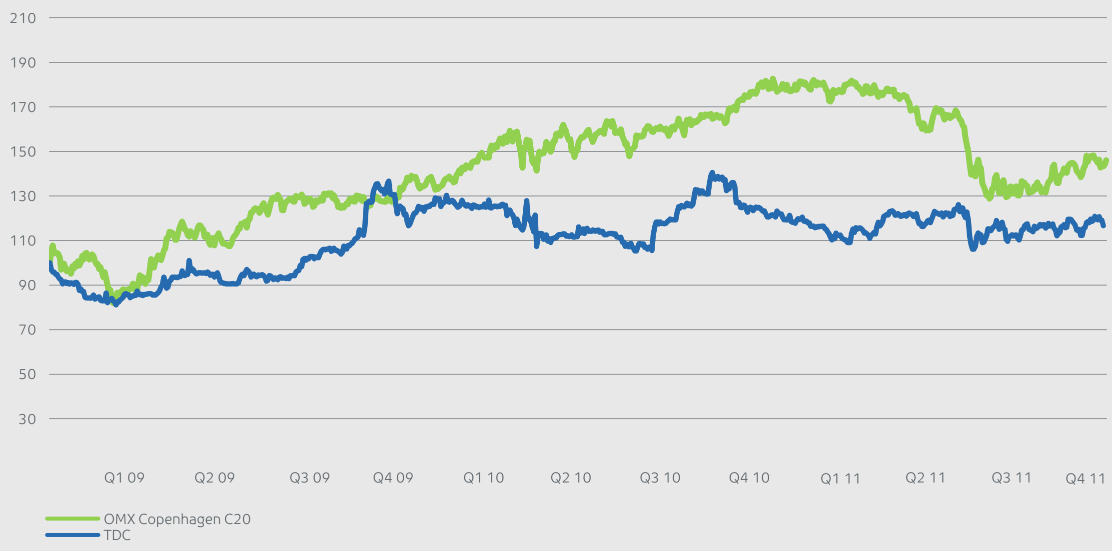
- The Board of Directors is authorised to resolve to distribute an interim dividend provided the Company's and the Group's financial position warrants such distribution. The authorisation has no time limit.

Share price

In a challenging market, the TDC stock's defensive characteristics proved its value in 2011 with a total shareholder return of a negative 0.1%, approximately 13.5% percentage points better than the return on the NASDAQ OMX Copenhagen C20. The share price closed the year in 2011 at DKK 46.06 equal to a loss of DKK 2.39 per share or 5%, reflecting a dividend payout of DKK 2.18 per share during the year.

Further, the trading activity in the TDC share was limited prior to the market offering of shares in TDC in December 2010. However, during 2011, the number of TDC shares traded was 447.9m averaging 8.6m per week in 2011.

Share price 2009-2011[1]



[1]The share price is adjusted for dividend and share split

Financial calendar 2012

13 January	Start of closed period prior to Financial Statements for 2011
25 January	Deadline for the Company's shareholders to submit a written request to have a specific item included in the agenda for the Annual General Meeting on 8 March 2012
3 February	Financial Statements for 2011
7 February	Annual Report 2011 public on investor.tdc.com
8 March	Annual General Meeting
9-14 March	The shares are traded without dividend
14 March	Payment of dividend
18 April	Start of closed period prior to Interim Financial Statements January – March 2012
9 May	Interim Financial Statements January – March 2012
18 July	Start of closed period prior to Interim Financial Statements January – June 2012
8 August	Interim Financial Statements January – June 2012 including the Board of Directors' decision to distribute interim dividend
9-14 August	The shares are traded without dividend
14 August	Payment of dividend
11 October	Start of closed period prior to Interim Financial Statements January – September 2012
1 November	Interim Financial Statements January – September 2012
31 December	End of financial year 2012

Financial calendar

TDC's financial calendar is available at investor.tdc.com.

TDC share information	
Stock exchange	NASDAQ OMX Copenhagen
Share capital	DKK 825,000,000
Denomination	DKK 1
Number of shares	825,000,000
Classes of shares	One
ISIN code	DK0060228559

Investor relations website

The Company's investor relations site investor.tdc.com provides access to information on the TDC share, financial information, financial reports, announcements, financial calendar, the Annual General Meeting, corporate governance and investor relations contact details. The investor relations site also provides investors with advanced sign-up, portfolio and reminder functions for price performance, webcasts, presentations and analyst conference calls.

Contacts

Investor enquiries regarding the Company's shares and debt instruments should be made to TDC Investor Relations:

Flemming Jacobsen
Head of Treasury and Investor Relations

TDC Investor Relations
Teglholmsgade 3
DK-0900 Copenhagen C
Denmark
Tel: +45 66 63 76 80
Fax +45 33 15 75 79
investorrelations@tdc.dk
investor.tdc.com.

Enquiries regarding holdings of the Company's shares should be made to the Company's register of shareholders:
VP SECURITIES A/S
Weidekampsgade 14
DK-2300 Copenhagen
Denmark
Tel: +45 43 58 88 88
vp.dk

TDC has

2,550 3G sites

in Denmark, making it the European telco with most sites per capita

TDC's network has

228,500 km

of copper cable, corresponding to almost 6 times around the earth

We connect Denmark

Machines & systems

Farsø, Himmerland, Denmark

Regulation

Overview

The summary below describes the regulatory framework in the telecommunications industry in the EU, and Denmark in particular. It is intended to provide a general outline of the most relevant telecom regulations applicable to TDC's operations in Denmark and is not intended to be a comprehensive description of such regulations.

The regulatory framework

European Union

Regulatory framework

The European regulatory framework requires EU Member States to impose certain obligations on providers designated as having Significant Market Power. These obligations are intended to be proportionate to the market failure found in a market where one participant, or more, has Significant Market Power. The regulatory framework is supplemented by the 'Significant Market Power Recommendation' from the EU Commission on relevant product and service markets. The Recommendation defines seven specific markets and concerns the identification of product and service markets in which regulatory obligations can be imposed on providers designated as having Significant Market Power.

International roaming

EU mobile providers have to comply with a number of obligations stated in the EU Roaming Regulation, such as maximum charges relating to wholesale and retail prices for voice, SMS and data. The EU Roaming Regulation has reduced the level of the roaming charges, which in some areas has had a negative impact on TDC's revenue and earnings. A new EU Roaming Regulation is expected to be adopted in the first half of 2012.

Denmark

Denmark has fully implemented the European regulatory Framework. The Danish regulation regarding operation of electronic communications networks and provision of electronic communications services is extensive. The Danish Tele Act is the main legal act in the Danish regulatory framework and contains the overall regulation regarding end-user aspects, universal services obligations, numbering aspects and interconnection.

Regulation of providers with Significant Market Power

Market analyses

According to the Danish Tele Act, the DBA is required to conduct market analyses on a regular basis for the purpose of assessing whether individual markets are sufficiently competitive. In markets where the DBA has identified a lack of sufficient competition, it designates one or more providers as having Significant Market Power.

The DBA is required to impose on providers with Significant Market Power one or more of the following obligations:

- meeting all reasonable requests for access to interconnection
- non-discrimination
- transparency in connection with interconnection and new interconnection products
- accounting separation
- functional separation

TDC does not expect to be subject to obligations of functional separation. As part of the non-discrimination obligation, DBA can require Significant Market Power providers to apply a stand-still period when the provider is introducing new or amended wholesale products.

In certain circumstances and subject to prior consultation with the EU Commission and with the EU Commission's consent, the DBA may impose other obligations than the above-mentioned on providers with Significant Market Power.

The DBA has designated TDC as Significant Market Power provider within all seven markets and has designated TDC as Significant Market Power provider in the wholesale market for SMS termination. TDC is therefore subject to all the Significant Market Power obligations listed above except for functional separation.

Where TDC is subject to the Significant Market Power obligation of price control, the LRAIC method is the pricing method generally used. The EU Commission has recommended a change of the LRAIC method for calculating wholesale termination rates in both landline and mobile networks so that incremental costs are now defined as avoidable costs, which significantly reduces the wholesale prices that TDC will be able to charge. While the recommendation has been implemented in the legislation in Denmark, the principles have not yet been fully implemented in the applied LRAIC pricing decisions.

The most important market decisions for TDC's business are wholesale markets 4, 5 and 7, where TDC is subject to Significant Market Power obligations. See table below for a description of the three markets.

The requirement regarding offering wholesale BSA for broadband via coax, which is part of market 5, will come into effect when a competitor has formally requested BSA for broadband via coax. After the requirement has come into effect, TDC has six months to implement and start offering BSA via coax, at prices set according to the LRAIC model developed for this purpose. The decision also includes a requirement to offer wholesale BSA for broadband via coax networks not owned by TDC, but where TDC supplies broadband services to the households connected to the network and controls the frequencies necessary for broadband distribution. In TDC's opinion, TDC is not required to do so, unless this is explicitly provided for in an agreement between the owner of the network and TDC. However, the decision is unclear in relation to this requirement, and TDC has therefore appealed this part of the decision to the ordinary courts.

The supplementary decision regarding market 5, requiring TDC to offer wholesale BSA for broadband via its fibre network, imposes a number of obligations on TDC including establishment of fibre access to households. The prices will be determined based on an LRAIC model. TDC has appealed part of the decision to the ordinary courts with respect to the obligation to establish fibre access to households.

The new market 4 and 5 decisions will be adopted in the first half of 2012. Draft market decisions were sent for public consultations in December 2011. The main changes compared with the existing market 4 and 5 decisions are that fibre will be included in and regulated as part of market 4; TDC will be required to apply a stand-still period when introducing new or amended wholesale products in markets 4 and 5; and the DBA will also introduce a margin squeeze remedy requiring TDC to adjust wholesale prices if the cost of a modelled reasonably efficient operator is higher than the relevant retail prices of TDC. The margin squeeze remedy includes only single-play broadband based on copper and will apply only if TDC is the price-leading company in the market.

Universal service obligations

TDC is designated as the universal service provider in Denmark, which implies that regardless of their geographical location, all customers have a right to be offered a number of basic telecommunications services such as landline telephony, ISDN networks and services, a certain minimum set of leased lines, special universal services for disabled persons, directory enquiry services, an electronic directory, and certain radio-based maritime distress and safety services. TDC must deliver the services covered by the universal service obligation on reasonable terms to anyone requesting such services. The universal service provider appointment expires on 31 December 2014 with an option for the DBA to extend the period by up to two years.

Overview of most important markets and wholesale prices

Market	Definition	Significant Market Power provider	Selected wholesale prices					
						2009	2010	2011
Market 4	Physical wholesale network infrastructure access on raw copper (not fibre or other access infrastructure) at a fixed location in Denmark	TDC	Raw copper, subscription	Full ULL	DKK/year	890	832	820
				Shared use	DKK/year	445	416	410
Market 5	Wholesale access to broadband via copper, coax and fibre	TDC	BSA, downstream speed	2 Mbps	DKK/year	968	916	817
				4 Mbps	DKK/year	1,060	1,004	896
				8 Mbps	DKK/year	1,156	1,092	973
				20 Mbps	DKK/year	1,276	1,212	1,079
Market 7	Voice call termination on individual mobile network	TDC, Telia, Telenor and Hi3G	Termination charges	Voice	DKK/min	0.54	0.44	0.33

Risk factors

TDC is faced with both internal risks such as operational risks, and external risks such as macroeconomic and regulatory risks. How TDC mitigates these risks has a significant impact on TDC's business, financial condition and results of operations. The following pages describe risks faced by TDC, including their impact and mitigating factors and initiatives taken by TDC to manage the risks. The risks described below are not the only risks TDC faces. Additional risks not currently known to TDC or that TDC currently deems to be immaterial may also adversely affect TDC's business, financial condition and results of operations.

The risk factors described below are not listed in any order of priority with regard to their significance or probability. It is not possible to quantify the significance to TDC of each individual risk factor, as each risk described below may materialise to a greater or lesser degree and have unforeseen consequences.

Risk	Description and impact	Mitigation
Risk of extended weak macroeconomic development	• Consumers may reduce their usage of telecommunication products, and have an increased incentive to spend time analysing relevant offers due to an increased cost focus, which may increase churn and decrease ARPU across products in Consumer, YouSee and Wholesale. Also, more consumers may prioritise cost over convenience and choose individual suppliers for each communication need where the price is lower, rather than a bundled product, which may influence the demand for bundled products such as TDC HomeTrio. • More businesses may go bankrupt, while the remaining business customers may reduce their investment levels, which may shrink the telecommunications market and thus reduce the contract volume and increase the risk of incurring losses due to bad debts.	• Focus on high spender intake – e.g. push smartphones, high broadband requiring services and broadband value added services, and stimulate SMS & data usage. • Launch semi-flat-rate offers in relevant markets. • Promote proactive customer contact, churn focus and improved save team instruments. • Push TDC HomeTrio Mini to the low ARPU TV-segment. • Include more content VAS and build value perception to justify pricing. • Expand network capacity for both up- and download.
	• Decreased demand in the other Nordic countries, especially in Sweden, where the government has reduced expectations for future growth in GDP, can have an impact, mainly on product areas with non-recurring revenue.	• Focus more on cross-selling between operator and integrator businesses. • Strengthening of the pan-Nordic product offering and focus on pan-Nordic cooperation and partner sales to expand appeal to a broader customer range.
Risk of increased competitive pressure	• TDC faces significant competition from well-established, pan-Nordic and national telecommunications companies, as well as utility companies and TV distributors. Some of these competitors are subject to fewer regulatory requirements in Denmark than TDC and base their price strategy on marginal cost considerations. The competition may intensify further in the future and lead to increased churn and decreasing ARPU across products and services in the consumer, business and wholesale market in Denmark and the other Nordic countries. • A change of platform and technology has increased the competition from utilities that have rolled out fibre networks to offer landline telephony, broadband and TV. TDC TV and YouSee are also challenged by providers that offer pay-TV services on other platforms, such as utility companies, DTH satellite distributors, DTT providers and operators offering TVoIP. Furthermore, foreign distributors in the OTT market can be expected to gain parts of the VoD market.	• Promote proactive customer contact, a focus on churn and improved save team instruments. • Include more content VAS and build value perception to justify pricing. • Continue to focus on pipeline management and sales execution. • Focus on 'all IP home entertainment' and OTT. • Continue to focus on competing with utility companies. • Continue to expand network capacity for both up- and download.
	• If operators currently relying on national roaming or MVNO agreements with TDC fast track their own network rollout, it will have a negative effect on TDC's wholesale business.	• Compensate by selling mobile fibre backhaul and mast positions. • Provide incentives to retain use of TDC network.

Risk	Description and impact	Mitigation
Technology risks	• Changing technology may fast track the substitution towards more advanced or cheaper alternatives – landline to mobile and VoIP and landline broadband to mobile broadband – markets, in which TDC's market share and profitability are lower.	• Structure migration to remain in TDC.
	• Future technological developments may cause TDC's price structure to deteriorate within one or more product markets. • TDC may in the future be unable to keep up with the technological development and be unable to supply the solutions of the complexity demanded and may therefore lose momentum compared with its competitors.	• Continue to focus on innovation and value creation, including launching new and/or improved products.
	• With increased complexity comes increased fault risk, which may lead to reduced customer satisfaction.	• Consistently and continuously work to solve quality problems as they occur and focus on first-time right solutions.
	• A shift in IT technology may result in increased costs in the future, as a reduction in operating expenses from legacy systems no longer compensates for increased operating expenses from new systems.	• Compose a task force to analyse the situation with the common goal of further optimising costs. • If the analyses fail to identify optimisation potential, consider putting IT up for a tender process.
	• Nordic: Increased smartphone penetration in the mobile market has caused technical challenges with the MVNO set-up, which may have a negative impact on the Nordic mobile business.	• Increase cooperation with handset suppliers and improve the technical set-up in cooperation with MVNO hosts.
Absence of further operational improvements	In recent years, TDC has actively sought to reduce operating expenses and improve operating efficiency. TDC can make no assurance that it can continue to improve the operation. This includes: • Failure to meet changing production capacity demand.	• Secure maximum production flexibility through use of external resources. • Improve response times via better planning tools and local Nimbus agreements.
	• Failure to deliver productivity improvements in call centres (average handling time and availability) and implement call reduction initiatives. • Failure to improve fault rates, e.g. backlogs building up due to cloud bursts. • Although TDC has succeeded in cutting costs significantly in previous years, this may not be possible going forward.	• Continue to focus on first-call resolution. • Improve average handling time. • Boost fault reduction programme through strategic initiative. • Best in class fault correction with product-specific tracks.
Increased regulatory pressure	• A decision from the Danish Supreme Court is expected in Q2 2012 and may confirm the Danish Business Authority's decision that YouSee must provide BSA also on networks owned by third parties.	• Appeal to Supreme Court if the decision is not in TDC's favour, and work with associations to modify contracts where these are not interested in other operators on their network.
	• Compared to the present draft decisions from the DBA, the final market 4 and 5 decisions may result in new and/or strengthened regulatory requirements towards TDC.	• Provide input for the Danish Business Authority on market decisions where such a tool is used. • Exert political influence to drive the message that pressure on wholesale prices will lead to lower investment levels.
	• Recommendations in a draft report from the Competition and Consumer Authority regarding free choice of TV channels and no-pay channels in the Basic Package may be implemented in legislation.	Increase awareness among regulators regarding: • costs to consumers of free choice and removal of particularly TV2 from basic package. • the risk that several Danish channels will have to stop operating as a consequence of full free choice. • the market moving towards increased choice.
	• Nordic: Uncertainty related to the Swedish regulatory environment especially within landline and mobile termination and copper prices. Risk concerning the potential price squeeze from MVNO hosts.	• Increase dialogue with regulatory authorities in Sweden and Norway. • Intense negotiations within MVNO hosts including benchmarking against alternative providers.

Risk	Description and impact	Mitigation
Outsourcing risks	• Change of main IT outsourcing partner or heavy off-shoring of the current CSC workforce may cause an increased number of IT incidents and longer project delivery times. • Failure to continue to optimise existing and future outsourcing relationships, and in the event that TDC's current outsourcing arrangements become unsatisfactory, or its obligations are not met, TDC may be unable to find new outsourcing partners on economically attractive terms or on a timely basis or at all.	• Plan knowledge transfer in detail. • Negotiate at all levels with outsourcing partners and explore exchanging the existing sourcing set up. • Getting transparency regarding suppliers' activities and risk.
Network risks	• Increased outsourcing of development and operation of Value Added Services (VAS) to multiple partners adds complexity in all processes (plan, build and run), as the different partners have different platforms and processes. Increased complexity and outsourcing of quality control increases the risk of faults.	• Implement all new functionality (services, platforms) using a handover process with explicit acceptance criteria. • Ensure that roles and responsibilities are fully defined and documented.
	• All IP strategy is based on a single platform, which means that network breakdowns may have greater consequences than before.	• Reduce the risk of major power cuts in the IP network by a continuous problem management process. • Compile stability reviews.
Financial risks	• TDC's EMTN bonds and new credit facilities contain change of control provisions that in conjunction with a rating downgrade below investment grade or a withdrawal of TDC's ratings could result in lenders terminating their commitments and requiring TDC to repay its outstanding debt partly or fully. Further, TDC's new EMTN bonds and new credit facilities also contain cross default provisions which in case a default occurs could result in lenders terminating their commitments and requiring TDC to repay its outstanding debt under agreements that contain a cross default provision. Finally, if TDC is downgraded below the investment grade, the interest payments (coupon) on the EMTN bonds issued in 2011 will increase by 1.25 percentage points.	• Ensure that TDC to the extent possible complies with its contractual financial obligations.
	• Exchange rates and/or interest rates may develop unfavourably for TDC, resulting in a financial downside.	• Prudent risk management within risk tolerance limits defined in the Financial Strategy approved by the Board of Directors.
	• TDC's financial counterparties may enter into financial distress and be unable to meet their obligations to TDC.	• Diversify counterparty exposure. • Weekly statement of counterparty exposure. • Settling value of positions.
	• Downgrade of TDC's credit rating could increase its financing costs and limit its access to financing sources.	• Remain in continuous dialogue with the rating agencies to ensure correct understanding of current financial performance and expectations for the future.
	• Pressure on payment terms from large customers due to the increased cash flow focus may cause longer payment days from debtors.	• Weekly reporting to account managers.
	• See also the following notes to the Consolidated Financial Statements: note 26D about financial management and market risk disclosures, note 27 about pension obligations and note 38 about Contingent liabilities.	

Risk	Description and impact	Mitigation
Taxation risks	• TDC is subject to the tax legislation in effect in the countries where TDC conducts business. Any future amendment of the tax laws including value added tax (VAT) and other direct taxes in the countries where TDC conducts business may adversely affect TDC's corporate tax and VAT payable and its future results of operations.	• Continue to focus on tax risk management to ensure a low level of unidentified risks and on ensuring correct and timely reporting and payment of direct and indirect taxes. • Evaluate tax risks associated with TDC's tax position and financial provisions for these risks when required. • Mitigation through use of advisers and via input to Confederation of Danish Industry and others commenting on tax law.
Risk of damaged reputation	• Bad publicity from stakeholders including competitors, regulators or consumer organisations may negatively affect the public's and customers' image of TDC. A correlation has been demonstrated between image and customers' desire to become or remain customers.	• Establish weekly tracking and reporting on image and media coverage to management and spokespersons. • Establish quarterly image reporting to CMT. • Establish a working group to ensure a continued focus on image throughout the Group. • Promote PR activities aimed at strengthening TDC's image. • Establish structured 'issue management'.
	• Actual or perceived risks associated with mobile handsets or base stations and related publicity, regulation or litigation could reduce TDC's mobile phone customer base, causing mobile telephone customers to use their mobile phones less, making it difficult to find or maintain attractive sites for base stations and potentially resulting in litigation costs.	• Engage in dialogue with affected local communities.
Other	• TDC's equipment and networks (including critical systems such as exchanges, switches and other key network points) may be damaged or disrupted such as by fire, power cuts and equipment or system failures, including those caused by terrorist attacks. • The impact of natural disasters and extreme weather conditions may result in increased cable faults and fault handling costs. • The impact of criminal acts (e.g. hacking and abuse of software access rights) and/or sabotage by employees, partners or third parties may negatively impact TDC's business.	Continue to focus on/consider: • terrorism, crime and property insurance. • back-up facilities. • redundancy in server parks and networks. • Credit & Fraud Management/Crime Insurance. • Ensure the security board and Group safety manager maintain ongoing and strict security processes.

2011

Corporate Social Responsibility

Ry, East Jutland, Denmark

Corporate Social Responsibility

The following constitutes TDC's statutory reporting on Corporate Social Responsibility in accordance with Section 99a of the Danish Financial Statements Act. As a supplement to the statutory reporting on social responsibility, TDC has prepared a CSR report that is in accordance with the Global Reporting Initiative's sustainability reporting guidelines (G3). This report is available at www.tdc.com/csr.

As a member of the UN Global Compact, TDC will also submit a Communication on Progress report (COP) to the UN for the financial year 2011. This COP will consist of TDC's CSR report prepared in accordance with the abovementioned guidelines. TDC could thereby have chosen to omit a report on social responsibility from the Management's Review, but has chosen not to make use of this exemption provision in the interest of providing transparency.

Introduction

CSR strengthens TDC

In 2011, TDC continued its work on corporate responsibility and sustainability based on the CSR strategy adopted in 2010, which covers the entire TDC Group including its Nordic and Danish subsidiaries. The strategy supports TDC's ambition to become the best-performing incumbent telecom player in Europe by 2012 measured on value creation, customer satisfaction and employee pride, while remaining the backbone of a world-class Danish communications infrastructure. Our work with CSR helps us focus attention on the needs and expectations of our surroundings, on innovation and on enhancing the company's reputation in society.

More specifically, TDC's work on responsibility and sustainability was structured around the five focus areas defined in our CSR strategy and chosen on the basis of their strategic links to TDC's core business. A number of key employees have been attached to each of the five focus areas with responsibility for securing progress and fulfilment of the objectives set out for each area.

The five focus areas are:

- Digital Denmark
- Customer trust and safety
- Climate and environment
- Employee well-being and diversity
- Social partnerships

In 2011, minor adjustments were made to the CSR strategy, including the integration of TDC's new values from 2011, so that CSR activities are based on and promote these values. As a guiding principle, TDC will leverage its core competencies, attentiveness and engagement to promote sustainable development in society, with efforts centred on the five focus areas.

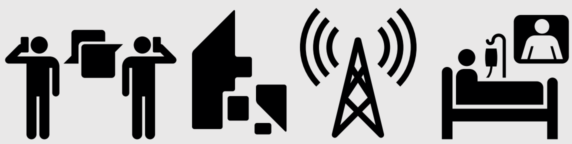
In the following sections, the specific policies and ambitions for the five focus areas are described, together with a description of how these have been translated into concrete actions as well as the results achieved for the year.

Systematic approach to CSR

TDC's CSR strategy defines a number of ambitious CSR objectives and enables the Group to build on the results achieved in recent years while strengthening a number of specific areas.

All objectives and results are reported every three months to the CSR Board, which is set up to support and secure implementation of the strategy across the TDC Group. The CSR Board, which reports directly to TDC's Corporate Management Team (CMT), comprises TDC's Head of Stakeholder Relations, Head of People & Culture, Head of Marketing and Public Accounts Manager in Business.

Furthermore, all objectives and results are reported every six months to the Corporate Management Team (CMT) and annually to the Board of Directors. Results and objectives as well as a more detailed review of TDC's CSR activities can be found in the CSR report, which is available online at www.tdc.com/csr.



Digital Denmark

TDC's ambition

With the 'Digital Denmark' focus area, TDC wishes to promote the digital agenda and support digitisation across Danish society. By international comparison, Denmark already holds a strong position on mobile coverage, broadband penetration and digital solutions. This position is based largely on TDC's intensive roll-out of both landline and mobile networks, and we wish to secure Denmark's continued development as a leading digital country – for the benefit of the public, businesses, and society at large. We are therefore maintaining our ambitious plan from 2010 to invest DKK 25 billion in Danish IT infrastructure by 2020.

TDC also commits to promoting greater use of IT and communications technology in Danish schools and educational institutions, and to supporting the expansion of telemedicine and digital solutions in other welfare services. TDC is thus helping to drive the development of welfare services, for the benefit of the Danish population, while preparing society for future challenges and developing business opportunities as new technology becomes available.

Actions, results and objectives

Towards even stronger coverage

In 2011, TDC expanded its mobile network and remains the company that can offer the widest geographical coverage for both voice and data across technologies. For example, in the biggest cities in Denmark, we launched a 4G mobile network (LTE) with speeds of up to 100 Mbps, so we can now offer our customers an even better mobile data experience. And with the continued development of the 3G mobile network, more than half of the Danish population now has mobile data coverage at speeds of up to 21 Mbps.

TDC also continued investing in expanding its fibre network capacity to provide increased data speeds for our end users. At the end of 2011, TDC was able to provide 91% of the Danish population with triple-play solutions (i.e. TV, telephony and internet). In addition, TDC and YouSee together covered 87% of the Danish population with access to high-speed broadband (10-20 Mbps) at the end of 2011.

The continued development of our fibre network also means that TDC's fibre infrastructure is now even closer to our customers. More than 59% of all households in Denmark are now within 300 metres of a TDC remote fibre hub – an increase of 100,000 households over the past year. Now that DONG's fibre network has been fully integrated, TDC can provide HomeTrio via fibre to more than 90,000 households in Northern Zealand.

IT in schools and education

In 2011, TDC continued its commitment to promoting digital solutions in Danish schools and educational institutions. In addition to providing internet and telephony for a large number of schools and institutions in 2011, TDC also continued its efforts to promote the use of IT-based teaching materials, including integrated online services in classrooms.

Two concrete examples are projects at Ganløse School and Vinderslev School, which have been running since 2010 and involve the use of smartphones during lessons. The mobile phones play a key role in the teaching situations, providing a vast range of new educational opportunities. Smartphones have been used for e.g. maths assignments, finding information online, orienteering with GPS, and making videos. The pipeline for 2012 includes extending the pilot project involving a few classes at Vinderslev School to cover a much greater number of pupils.

Furthermore, TDC collaborated on a pilot project involving iPads for a class at Odder Gymnasium (upper secondary school). In this case, TDC provided 3G mobile data subscriptions for each iPad, enabling the students to maximise use of the iPad - no matter where they are. The iPad has thereby become a unique tool for 'mobile learning' - i.e. learning outside the classroom.

Finally, in 2011, TDC developed a video-conferencing solution for Aalborg University that has made everyday life easier for teachers and managers by reducing the time and resources spent on travelling between the university's three campuses at Aalborg, Esbjerg and Ballerup. The university employees now spend less time in planes and trains – and more time on activities that benefit students and research.

In 2012, TDC will carry on promoting the digital agenda at schools and educational institutions by demonstrating the many learning benefits and opportunities, and by driving the development and propagation of these solutions.

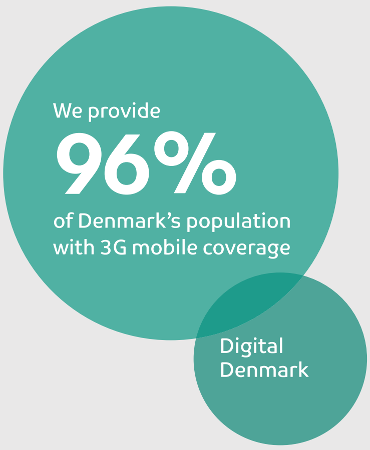
Telemedicine

TDC is involved in extending telemedicine across Denmark, as we see great perspectives in collaborating on solutions that can reduce the number of outpatients and hospitalisation days of several patient groups, while enabling tele-examinations of chronically ill patients in their own homes. This has the potential of improving the quality of life of the individual patients as well as significantly reducing healthcare expenditures.

In 2011, TDC supported a number of concrete telemedicine projects partly by providing Telemedicine Subscriptions (tailor-made broadband solutions) and through integrated solutions. For example, with 'Project Fast Track' we have developed an integrated video-communications solution (including broadband connection) for outpatients at Kolding hospital suffering from recently diagnosed type-2 diabetes. This solution allows patients to communicate with healthcare personnel at the hospital from their home via a video link.

TDC also participated in a project with Hjørring Municipality, where iPads in the residents' rooms at old people's homes and in the private homes of elderly people are to provide better service and dialogue between these citizens and employees in elder care. TDC provided mobile-data subscriptions for each iPad to ensure a 24-hour open line between the citizens and healthcare staff.

While the extent of TDC's activities within telemedicine has not been as great as hoped for in 2011, we expect the trend of growing use of telemedicine to accelerate in 2012, boosted especially by a large-scale government project in Denmark (Clinical Integrated Home Monitoring). At TDC, we will seek to continue contributing to this development with our experience, resources and competences in order to improve patient experiences and optimise the use of healthcare resources.



Customer trust and safety

TDC's ambition

Because our customers are naturally among our most important key stakeholders, since 2009 TDC has applied the 'TAK' concept (Take responsibility for the customer), which ensures improved customer satisfaction and is part of TDC's general ambition. We also wish to take responsibility for ensuring that our customers feel safe when using our products and generally have confidence in TDC.

When it comes to increasing customers' satisfaction, security and confidence, dialogue with customers is a vital tool. We therefore always seek to engage in dialogue at eye level with our customers – based on their needs and expectations.

Actions, results and objectives

Safe use of TDC products

In 2011, TDC initiated a three-year cooperation project with the Danish Road Safety Council featuring campaigns that focus on safe use of mobile phones in traffic. With this project, TDC wished to proactively take joint responsibility for ensuring safe use of our products. When the campaign was evaluated in 2011, 65% of the respondents were aware of the campaign, which had made a positive impression on the vast majority.

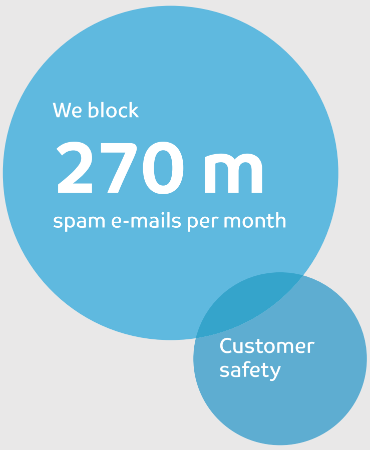
TDC also helped initiate the 'Digital mirror' project involving a large school campaign aimed at increasing pupils' awareness of the risks and dilemmas associated with the use of the internet and social media, and initiating discussions on these subjects. With this campaign, TDC contributed actively towards ensuring that young people are well-prepared to use digital media securely and safely.

Finally, in 2011, we maintained our high safety level for our internet-based and mobile services, including TDC's general spam and virus filters that stop approximately 270 million spam e-mails every month before they reach our customers' inboxes.[4] We also continued to offer advice and information on IT security to our customers through our security portal.

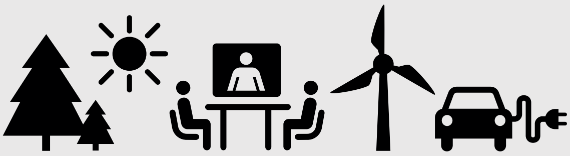
Improved customer dialogue

In 2011, we continued expanding our proactive dialogue with customers through social media such as Facebook and Twitter, where we invite customers and Danes in general to give us feedback on products, etc. The contact through these media is continuously increasing, and in 2011 the number of people posting that they 'like' TDC on Facebook increased from 2,600 to approximately 22,000. We keep these followers informed of new initiatives and products as well as providing service updates. In 2012, we will be launching new initiatives in the social media, including increased use of videos, e.g. to help customers get off to a good start with their products.

In 2011, a special initiative on customer dialogue featured more guidance in the use of smartphones under the heading 'Kom godt i gang' ('Off to a good start'). In 20 of our TDC Shops across Denmark, customers can now book a free training session. They are given a general introduction on how to set up and start using apps, e-mail and surf the internet on their phones. Since nearly three out of four mobile phones currently sold by TDC are smartphones, we thus take responsibility for ensuring our customers enjoy full use of the many functions offered by these products - with more satisfied customers as a result.



[4] Compared with 2010, TDC saw a downward trend in the number of spam mails, which is part of an international trend, most probably due to the closure of several so-called 'botnets'.



Climate and environment

TDC's ambition

At TDC, we constantly work to minimise our impact on the climate and environment, both in terms of impacts from our own activities and those of our customers when using TDC products. We do so due to our joint responsibility for the environment, and because it helps save valuable resources.

We not only work to become more environment-friendly in-house. We also use our size and business potential to help and encourage others to be better at caring for the environment and the climate. Telephony, internet and video conferencing can often replace long car and plane journeys, and our products can enable society at large to act in a more environment-friendly manner. For these reasons, environmental concerns have had high priority throughout TDC for many years.

Actions, results and objectives

In 2011, we revised our key target for reducing CO_2 emissions significantly because by the end of 2010, we were far ahead of our original target for 2014, as technological advances had far exceeded expectations in 2007.

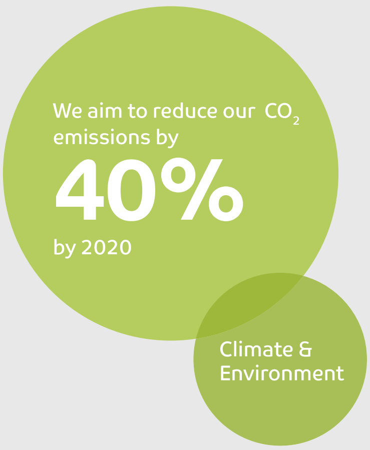
With 2010 as a baseline, we have therefore decided to aim for a 40% reduction of CO_2 emissions by 2020. This target is in line with the most recent – and ambitious - climate goals from both the EU and the Danish government. In order to achieve our ambitious target, we have implemented a number of large projects in-house. For example, we work systematically to ensure that our traditional telephony platforms are closed down and turned off as our customers migrate to other solutions.

Externally, we take responsibility for our customers by signing a number of 'Codes of Conduct' that stipulate requirements for equipment that we buy from suppliers, and which is placed at customer premises. These products may contribute to society as a whole by reducing CO_2 emissions by up to 15% by 2020. These reductions are supported by on-going technological developments.

At TDC, we continued to increase the amount of video-conferencing equipment in 2011, and now have 100 video-conference systems at our disposal. In addition, we have 500 PC licences that enable employees to connect via their own PCs and participate in video meetings no matter where they are. With this initiative, TDC has made substantial savings on transportation and therefore CO_2 emissions, and employees avoid long days spent travelling.

As an experiment, in 2011, TDC also made two electric cars available at the headquarters in Teglholmsgade for employees attending meetings in the Copenhagen area. This extremely successful initiative will probably be followed by a trial involving small vans for our technicians in 2012.

In 2011, we also gathered environmental data from our entire Group, which has provided a better overview of our resource consumption. Our ambition for 2012 is to be able to measure and thereby control the energy consumption of each business area and each platform at a more detailed level.



Employee well-being and diversity

TDC's ambition

For many years, TDC has endeavoured to be a diverse workplace that welcomes all types of employees. We focus on diversity because we value having a diverse and competent workforce irrespective of gender, ethnicity, functional capacity and sexual orientation. As TDC also has many Danish business contacts, we would like our company to reflect Danish society.

With TDC's diversity strategy, we have devised a framework for working systematically with diversity. We work strategically with diversity to exploit the scope and variation of our employees' competences and create variation and innovative thinking in day-to-day work.

At TDC, we also focus on our employees' well-being, and believe this is closely linked to our employees' health. Consequently, our health, safety and working environment policy has clear targets for minimising work-related accidents and long-term absence due to illness.

Actions, results and objectives

Diversity

TDC has defined clear targets for more women in management and is committed to working with diversity in broad terms to ensure increased diversity among both executives and employees in general at TDC. For example, at year-end 2015, 33% of the top 250 managers in TDC Denmark must be women, and we will be implementing a number of initiatives to promote diversity. During 2011, we worked together with partners on developing activities for 2012 that will focus on maximising the benefits of diversity in relation to innovation.

TDC also focuses on gender equality in relation to parental leave, for example with the 'Fars Kram' (Father's Hug) scheme, which allows all fathers to take up to 13 weeks of paternity leave – an offer that more than 70% of new fathers were happy to accept in 2009, 2010 and 2011. By supporting paternity leave, this scheme also contributes towards greater gender equality in society. Naturally, the 'Father's Hug' scheme is also available to homosexual parents, as all employees enjoy the same parental leave options.

Finally, in 2011, TDC has also continued its cooperation with the Specialists, an enterprise that employs people with autism spectrum disorders who solve special tasks for TDC with a zero error tolerance level. TDC has cooperated with the Specialists since 2004, when the enterprise was founded by a former TDC employee.

Employee well-being and motivation

Over the past five years, general employee satisfaction has increased considerably. In 2011, TDC Group achieved an overall employee satisfaction score of 79 points (80 for TDC domestic), which represented a significant increase compared with 2010. These impressive results are due to many initiatives, e.g. a focused effort to improve employee well-being through good management, and the Group's clear focus on improving customer experiences.

The targeted efforts and clear prioritisation within TDC concerning improving customer satisfaction make sense to our employees and contribute to higher levels of pride in being part of TDC's achievements. In parallel, we work determinedly on strengthening our management, e.g. through a high priority on interviews concerning how employees can further develop their competences. Competent and attentive day-to-day management is generally prioritised highly, which is of great importance to employee well-being in everyday life.

In 2011, TDC reduced the average number of sick days for employees with long-term illnesses by 8% compared with 2010. This result was achieved through our continued focus on the management's early attention to symptoms and targeted efforts to find solutions that enable faster part-time return to work. We also reduced absence due to illness from 3.0% to 2.9%. We will maintain this focus in 2012, and while reducing the number of sick days due to long-term illness, TDC also expects to focus on reducing frequent absences.

Social partnerships

TDC's ambition

TDC forms part of society and we are committed and keen to contribute positively to its development. Consequently, since 2008, TDC has established partnerships with a number of organisations and NGOs to activate our core competences and resources to address major social challenges. By investing personal engagement and the competences of our employees in these partnerships, we can contribute with what we do best, while both TDC and the organisations can benefit and learn from the cooperation.

Actions, results and objectives

The Danish Red Cross

In 2011, TDC continued its close cooperation with the Danish Red Cross that began in 2009. This partnership has focused on supporting the humanitarian efforts of the Danish Red Cross in disaster areas, and includes providing warehouse capacity at TDC for storing and maintaining emergency equipment to be sent to disaster areas around the world at short notice.

At the end of 2011, TDC renewed its partnership with the Danish Red Cross for three more years, from 2012 to the end of 2014. In future, the cooperation will be extended from supporting work in disaster areas to also including activities where TDC can contribute to efforts by the Danish

Red Cross for vulnerable population groups in Denmark. This will be implemented primarily by involving TDC's core competences and resources within communication technology to create new opportunities for contact and networks for these groups.

The Danish Cancer Society

TDC has worked with the Danish Cancer Society for several years on a campaign using SMS texting to reduce incidences of skin cancer through information on sun protection. We have also worked together concerning research into mobile radiation in the context of the COSMOS project, which collects information on the long-term effects of mobile radiation from a number of countries.

In 2011, TDC raised funds for the Danish Cancer Society by selling small 'cord controllers' for headphones and headsets shaped as the Society's logo. These practical cord controllers were sold in the TDC Shops, and the funds were donated in full in advance to the Danish Cancer Society.

Denmark's Collection

As in previous years, TDC contributed towards setting up and holding 'Danmarks Indsamling' (Denmark's Collection); a nationwide event that raises funds for specific humanitarian purposes and development projects. TDC employees volunteered and TDC technology was contributed free of charge for the fundraising event, which involves collection donations made by SMS and phone calls. In January, TDC therefore played a vital role in collecting more than DKK 87m for young people in Africa.

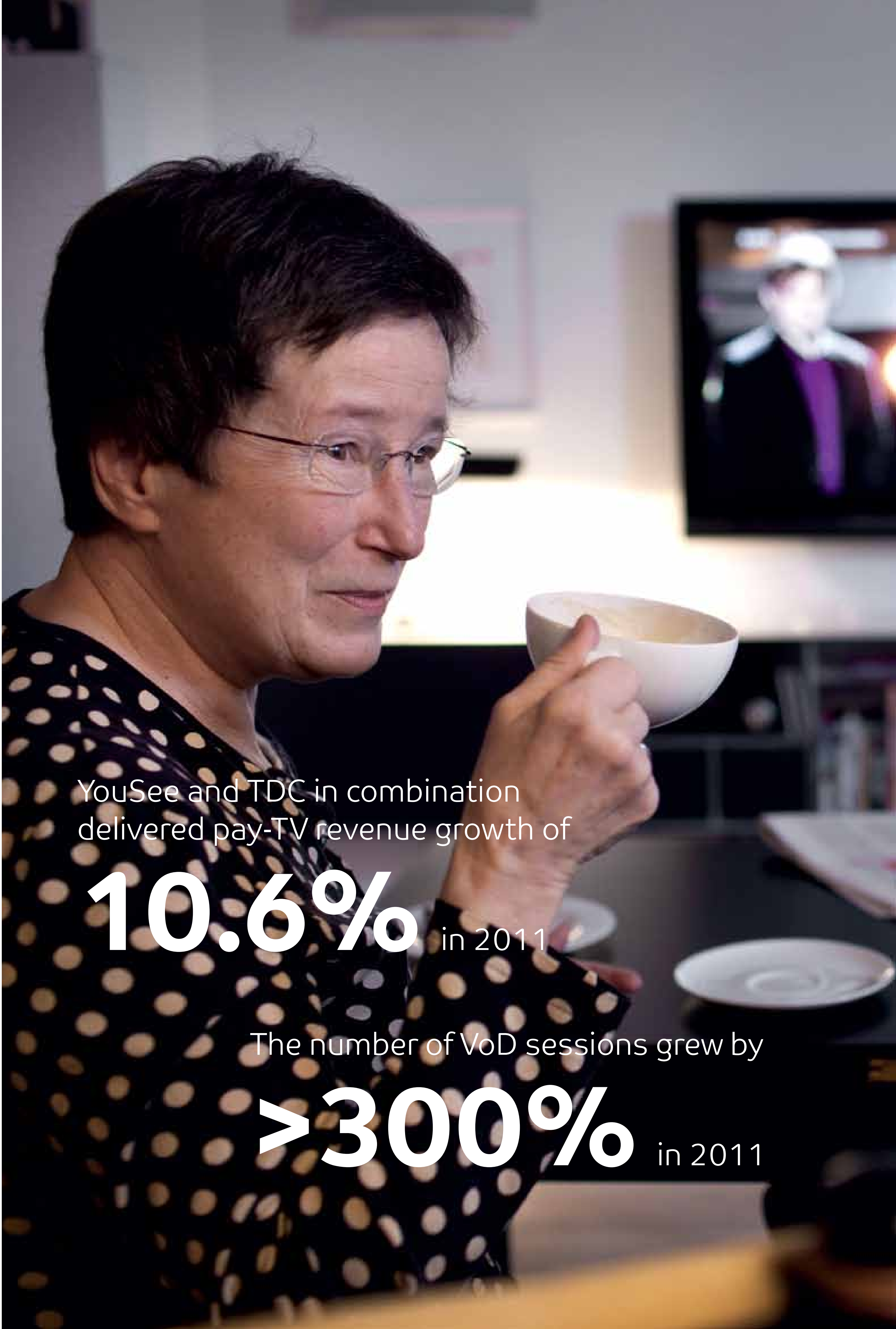
Due to the acute drought and famine affecting the Horn of Africa, an extraordinary fundraising event was held in August 2011 under the heading 'Africa Now!'. TDC supported this event with technology and volunteer employees in the same way as for 'Denmark's Collection'. A total of DKK 110m was raised for the disaster victims.

We helped collect DKK

87m

for Denmark's Collection 2011

Social partnerships



YouSee and TDC in combination delivered pay-TV revenue growth of

10.6% in 2011

The number of VoD sessions grew by

>300% in 2011

We connect Denmark

Entertainment & learning

Odense, Funen, Denmark

Corporate Governance

Recommendations from the Committee on Corporate Governance

In April 2010, the Committee on Corporate Governance issued revised recommendations on Corporate Governance. The recommendations were further revised in August 2011.

As a listed company, TDC is covered by the recommendations issued by the Committee on Corporate Governance and must – either in its annual report or on its website – publish a Corporate Governance statement based on the recommendations and with respect of the "comply-or-explain" principle. TDC's Corporate Governance Statement 2011 is available on the company's website, investor.tdc.com/governance.cfm. The recommendations are available on the Committee on Corporate Governance's website, www.corporategovernance.dk.

TDC's focus on corporate governance compliance is clearly reflected in the fact that the company complies with 74 of the 79 numbered recommendations. In 2011, the Board of Directors completed a formal self-evaluation of its performance with external assistance. This has taken TDC's compliance with the recommendations a major step forwards.

The few cases of non-compliance with the recommendations are caused primarily by TDC's ownership structure. TDC has a majority shareholder that holds more than 50% of the shares, and a number of minority shareholders. The majority shareholder's influence on selecting and nominating candidates for TDC's Board of Directors does not facilitate TDC's ability to comply with recommendations regarding the composition of the Board of Directors and board committees.

Guidelines from the Danish Venture Capital and Private Equity Association (DVCA)

In June 2011, the Danish Venture Capital and Private Equity Association issued revised guidelines for responsible ownership and good corporate governance in private equity funds in Denmark.

TDC's majority shareholder, NTC Holding GP & Cie S.C.A, is ultimately controlled by investment funds, each of which is advised or managed, directly or indirectly by Apax Partners Worldwide LLP, the Blackstone Group International Limited, Kohlberg Kravis Roberts & Co. L.P., Permira Advisers KB and Providence Equity Partners Limited.

As a listed company with a majority shareholder that is ultimately controlled by equity funds, TDC is covered by the DVCA guidelines and must – either in its annual report or on its website – publish a Corporate Governance statement based on the guidelines and with respect of the "comply-or-explain" principle.

TDC complies with all guidelines relevant to the company. TDC's compliance with the DVCA guidelines is further described in TDC's Corporate Governance Statement 2011 which is available on the company's website, investor.tdc.com/governance.cfm. The guidelines are available on DVCA's website, www.dvca.dk.

Internal control and risk management systems for financial reporting

TDC's internal control and risk management systems for financial reporting are planned to provide assurance that internal and external financial statements are prepared in accordance with the international Financial Reporting Standards (IFRS) as adopted by the European Union and in compliance with the additional Danish disclosure requirements for annual reports of listed companies, and the assurance that true and fair financial statements without material misstatements and irregularities are presented. TDC's detailed statutory reporting for 2011 on internal control and risk management systems for financial reporting in accordance with Section 107 b of the Danish Financial Statements Act is available on the company's website, investor.tdc.com/governance.cfm.

Based on recommendation from the Audit Committee, the Board of Directors has assessed and concluded that the existing control environment within TDC is adequate and that there is no basis for establishing an internal audit.

The Board of Directors

TDC's Board of Directors has 15 members, eleven elected by the General Meeting and four elected by the employees. All members of the Board of Directors act in the interest of TDC. The members of the Board of Directors who are also partners of the equity funds, which ultimately control the majority shareholder of TDC, do not represent these equity funds on the Board of Directors.

In 2011, the Board of Directors held 12 meetings and a number of strategy sessions.

The Board of Directors has an international profile and some diversification in relation to age and gender. As the Board of Directors aims to further strengthen diversification in relation to gender, an objective has been set that the proportion of independent women board members is to total 25% by the end of 2015. In 2011, the proportion of independent women board members was 17%.

The wide variety of relevant competences and experience represented in the Board of Directors can be summarised as follows: financial competency; regulatory and legal competency; fast-moving consumer goods experience; customer relationship experience combined with innovation and out-of-the box thinking; international telecommunications experience and senior executive experience from other Danish listed companies. The competences and experience of the individual board members is presented in the Management section.

As a new initiative in 2011, the Board of Directors conducted a formal self-evaluation of its performance with external assistance. The purpose – besides securing compliance with the corporate governance recommendations – was to identify any possible focus areas for the Board of Directors with regard to improving the quality of the Board of Directors' work and thereby its value creation. The Chairman was in charge of the Board of Directors' self-evaluation, which followed a three-step procedure. First, each board member completed a questionnaire about general board performance, board composition, the board members and the Chairman. The general questionnaire was followed by each board member completing an individual questionnaire in which the board member was asked to assess his or her own performance. Next, on the basis of an analysis of the replies to the questionnaires, the Chairman held an interview with each board member. Finally, the main conclusions of the questionnaires and interviews were discussed at a board meeting. The Vice Chairman was in charge of evaluating the Chairman at this meeting. The Board of Directors' self-evaluation revealed that the Board of Directors is functioning efficiently.

The Board of Directors has set up an Audit Committee, a Compensation Committee and a Nomination Committee.

The Audit Committee consists of Søren Thorup Sørensen (Chairman), Vagn Sørensen, Lawrence Guffey and Andrew Sillitoe. The Audit Committee assists the Board of Directors with activities including: (i) monitoring the financial reporting process, (ii) monitoring the efficiency of TDC's internal control system and any internal auditing and risk management systems, (iii) monitoring the statutory audit of the Annual Report, (iv) appointing TDC's independent auditors and monitoring and checking the independence of the auditors, including in particular the delivery of non-audit services to TDC. In 2011, the Audit Committee held three meetings.

The Compensation Committee consists of Vagn Sørensen (Chairman), Pierre Danon, Lars Rasmussen, Henrik Kraft and Gustavo Schwed. The Compensation Committee approves the compensation and other terms of employment for the members of TDC's Executive Committee as well as the framework of the TDC Group's incentive programme. This includes determination of targets for the annual bonus to the members of the Executive Committee and approval of payment of such bonus. The Compensation Committee also proposes to the Board of Directors the size of the Board of Directors' fee, which is approved at the Annual General Meeting. In 2011, the Compensation Committee held three meetings.

The Nomination Committee consists of the same members as the Compensation Committee and is also chaired by Vagn Sørensen. The Nomination Committee assists the Board of Directors with activities including: (i) identification of and recommendation to the Board of Directors of candidates for the Board of Directors; (ii) recommendation to the Board of Directors of candidates for the Executive Committee based on proposals made by the Chief Executive Officer, and (iii) review of and recommendation to the Board of Directors concerning adoption of TDC's position on the Recommendations for Corporate Governance issued by the Committee on Corporate Governance and the Guidelines for responsible ownership and good corporate governance issued by the Danish Venture Capital and Private Equity Association. In 2011, the Nomination Committee held three meetings.

Management

Corporate Management Team

Henrik Poulsen
President and Chief Executive Officer
Age 44. Appointed to the Corporate Management Team in 2008.
MSc in Economics (Financing and Accounting), Aarhus University - Business and Social Sciences, 1994.
Member of the Boards of Directors of Chr. Hansen Holding A/S, the Denmark-America Foundation, and Falck A/S.

Pernille Erenbjerg
Senior Executive Vice President and Chief Financial Officer
Age 44. Appointed to the Corporate Management Team in 2011.
MSc (Business Economics and Auditing), Copenhagen Business School, 1992.
Member of the Board of Directors of the Royal Danish Theatre.

Eva Berneke
Senior Executive Vice President, President of Wholesale
Age 42. Appointed to the Corporate Management Team in 2007.
MSc in Mechanical Engineering, Technical University of Denmark, 1992. MBA, INSEAD, 1995.
Member of the Boards of Directors of Copenhagen Business School, LEGO A/S and Schibsted ASA. Member of the Danish Council for Technology and Innovation.

Niels Breining
Senior Executive Vice President, TDC A/S and CEO of YouSee A/S
Age 57. Appointed to the Corporate Management Team in 2008.
MSc in Economics and Business Administration, Aarhus University - Business and Social Sciences, 1979.
Chairman of the Media Council of the Confederation of Danish Industry.

Carsten Dilling
Senior Executive Vice President, Chief Operating Officer, President of Operations
Age 49. Appointed to the Corporate Management Team in 2007.
BSc in Economics and Business Administration, Copenhagen Business School, 1983. Graduate Diploma in Business Administration (International Trade), Copenhagen Business School, 1986.
Chairman of the Boards of Directors of Traen A/S and Traen Holding A/S.
Executive manager in CDI Consult ApS.

Miriam Hvidt
Executive Vice President, Stakeholder Relations
Age 47. Appointed to the Corporate Management Team in 2011.
MSc in Law, University of Copenhagen, 1989. MBA, IMD, 1994.

Anders Jensen
Senior Executive Vice President, President of Consumer
Age 42. Appointed to the Corporate Management Team in 2011.
Economics & Marketing, Tycho Brahe, Helsingborg, 1988.

Inger Ørum Kirk
Senior Executive Vice President, People & Culture
Age 46. Appointed to the Corporate Management Team in 2011.
MSc in Law, University of Copenhagen, 1991.
Chairman of the Board of Directors of the Danish Post and Tele Museum.

Martin Lippert
Senior Executive Vice President, President of Business
Age 44. Appointed to the Corporate Management Team in 2009.
MSc in Economics and Business Administration, 1992, and PhD (Economics), 1996, Aarhus University - Business and Social Sciences. INSEAD (Executive Management Training Program), 2004.
Member of the Board of Directors of Halberg A/S, including three subsidiaries thereof.

Jens Munch-Hansen
Senior Executive Vice President, President of Nordic
Age 56. Appointed to the Executive Committee in 2009.
MSc in Economics, Copenhagen Business School, 1980.
Member of the Board of Directors of Scan Jour A/S.

Board of Directors

Vagn Sørensen
Chairman
Age 52. Elected by the shareholders at the Annual General Meeting. First elected on 26 April 2006. Re-elected on 9 March 2011. Term to expire on 8 March 2012. Independent board member. Chairman of the Compensation Committee and the Nomination Committee. Member of the Audit Committee. MSc in Economics and Business Administration, Aarhus University - Business and Social Sciences, 1984. Chairman of the Boards of Directors of FLSmidth & Co. A/S, FLSmidth A/S, KMD A/S, KMD Equity Holding A/S, KMD Holding A/S, British Midland Ltd., Select Service Partner Ltd. and one subsidiary thereof, and Scandic Hotels AB. Vice Chairman of the Board of Directors of DFDS A/S. Member of the Boards of Directors of Air Canada, Braganza AS, Lufthansa Cargo AG, Royal Caribbean Cruises Ltd., C.P. Dyvig & Co. A/S, Det Rytmiske Musikhus' Fond and Koncertvirksomhedens Fond.Executive Manager in GFKJUS 611 ApS and VOS Invest ApS.Senior Advisor to Morgan Stanley and EQT Partners.

Pierre Danon
Vice Chairman
Age 56. Elected by the shareholders at an Extraordinary General Meeting. First elected on 16 May 2008. Re-elected on 9 March 2011. Term to expire on 8 March 2012. Independent board member. Member of the Compensation Committee and the Nomination Committee. Degree in Civil Engineering from Ecole Nationale des Ponts et Chaussées and law degree from Faculté de Droit Paris II Assas, 1978. MBA from HEC School of Management, Paris, 1980. Chairman of the Boards of Directors of Numericable & Completel, and Voila. Non-executive Director in Ciel Investment Limited and Standard Life plc. Senior Advisor to JP Morgan.

Stine Bosse
Age 51. Elected by the shareholders at the Annual General Meeting. First elected on 9 March 2011. Term to expire on 8 March 2012. Independent board member. Master of Law, University of Copenhagen, 1987. Strategic Agility Programme, Harvard Business School, 2008. Chairman of the Boards of Directors of Flügger A/S, The Royal Danish Theatre, BØRNEfonden (the Childrens' Fund), Copenhagen Art Festival and Concito. Member of the Boards of Directors of Nordea Bank A/S, Amlin plc, Aker ASA and Icopal A/S. Member of INSEAD Danish Council. Danish member of the ChildFund Alliance. UN member of the Millennium Development Goals Advocacy Group for the fight against global poverty, and hunger.

Angus Porter
Age 54. Elected by the shareholders at the Annual General Meeting. First elected on 9 March 2011. Term to expire on 8 March 2012. Independent board member. MA (Natural Sciences) and PhD, University of Cambridge, 1978 and 1981. Chartered Engineer. Chief Executive Officer of the Professional Cricketers' Association in England. Non-executive Director in Direct Wines Limited.

Lars Rasmussen
Age 52. Elected by the shareholders at the Annual General Meeting. First elected on 4 March 2010. Re-elected on 9 March 2011. Term to expire on 8 March 2012. Independent board member.
Member of the Compensation Committee and the Nomination Committee.
BSc, Aalborg University, 1986. EMBA, Scandinavian International Management Institute (SIMI), 1995.
President and CEO of Coloplast A/S with management assignments in six of its wholly-owned subsidiaries.
Member of the Boards of Directors of Højgaard Holding A/S and MT Højgaard A/S.
Member of the Central Board of Directors of the Confederation of Danish Industry.

Søren Thorup Sørensen
Age 46. Elected by the shareholders at the Annual General Meeting. First elected on 4 March 2010. Re-elected on 9 March 2011. Term to expire on 8 March 2012. Independent board member. Chairman of the Audit Committee. MSc in Auditing, Copenhagen Business School, 1990. State Authorised Public Accountant, 1992 (with deposited licence). Advanced Management Programme, Harvard Business School, 2009. Chairman of the Boards of Directors of K & C Holding A/S, Toginfo A/S, EP af 27. april 2006 A/S, KIPAL 2007 ApS and KIRKBI Anlæg A/S. Member of the Boards of Directors of Falck Holding A/S, Falck A/S, Falck Danmark A/S, Topdanmark A/S, Topdanmark Forsikring A/S, LEGO A/S, Koldingvej 2, Billund A/S, KIRKBI Real Estate Investment A/S, KIRKBI AG, Interlego AG, LEGO Juris A/S and KIRKBI Invest A/S.Chief Executive Officer of KIRKBI A/S and KIRKBI Invest A/S.

Kurt Björklund
Age 42. Elected by the shareholders at the Annual General Meeting. First elected on 28 February 2006. Re-elected on 9 March 2011. Term to expire on 8 March 2012. Nominated by NTC Holding GP & Cie S.C.A. Non-independent board member. MSc in Economics, SSEBA, Helsinki, 1993. MBA, INSEAD, 1996. Co-Managing Partner in Permira. Member of the Board of Directors, member of the Executive Group and member of the Investment Committee of Permira Holdings Limited.

Lawrence Guffey
Age 43. Elected by the shareholders at the Annual General Meeting. First elected on 28 February 2006. Re-elected on 9 March 2011. Term to expire on 8 March 2012. Nominated by NTC Holding GP. & Cie S.C.A. Non-independent board member. Member of the Audit Committee. BA, Rice University, 1990. Senior Managing Director in the Blackstone's Corporate Private Equity Group. Member of the Boards of Directors of Axtel SA de CV, Deutsche Telekom AG, Paris Review, the Literary Foundation and the Humanities Advisory Board at Rice University.

Henrik Kraft
Age 38. Elected alternate for Oliver Haarmann by the shareholders at the Annual General Meeting. First elected on 13 March 2008. Nominated member of the Board of Directors on 26 June 2010, on which date Oliver Haarmann retired from the Board. Re-elected on 9 March 2011. Term to expire on 8 March 2012. Nominated by NTC Holding GP & Cie S.C.A. Non-independent board member. Member of the Compensation Committee and the Nomination Committee. M.Eng., Oxford University, 1996. Partner of KKR. Manager in NTC Parent S.à.r.l. and NTC Holding GP Director in Ambea Holding AB, Ambea AB and Carema Holding AB. Chairman of the Supervisory Board of Versatel AG. Member of the Audit Committee of Versatel AG. Chairman of the Human Resources and Nomination Committee of Versatel AG.

Gustavo Schwed
Age 49. Elected by the shareholders at the Annual General Meeting. First elected on 28 February 2006. Re-elected on 9 March 2011. Term to expire on 8 March 2012. Nominated by NTC Holding GP & Cie S.C.A. Non-independent board member.Member of the Compensation Committee and the Nomination Committee. BA, Swarthmore College, 1984. MBA, Stanford University, 1988. Managing Director of Providence Equity. Member of the Boards of Directors of Decision Resources Group and Grupo TorreSur. Member of the Board of Managers of Swarthmore College.

Andrew Sillitoe
Age 39. Elected alternate for Richard Wilson by the shareholders at the Annual General Meeting. First elected on 26 April 2006. Nominated member of the Board of Directors on 14 October 2008, on which date Richard Wilson retired from the Board. Re-elected on 9 March 2011. Term to expire on 8 March 2012. Nominated by NTC Holding GP & Cie S.C.A. Non-independent board member. Member of the Audit Committee. MA, Oxford, 1993. MBA, INSEAD, 1997. Partner of Apax Partners LLP and member of the Investment Committee and the Executive Committee. Member of the Boards of Directors of Apax Europe VI No.2 Nominees Ltd., Apax Europe VI Nominees Ltd., Apax Europe VII Nominees Ltd., Apax PP Nominees Ltd., Apax WW No 2 Nominees Ltd., Apax WW Nominees Ltd. and Apax US VII Nominees Ltd.

Jan Bardino
Age 59. Elected by the employees. First elected in 2004. Re-elected in 2008. Term to expire on 8 March 2012. MSc in Computer Science. IT Project Manager at TDC A/S.

Lotte Broder Jørgensen
Age 47. Elected alternate for Leif Hartmann by the employees. First elected in 2004 as alternate for Steen M. Jacobsen. Re-elected as alternate for Leif Hartmann in 2008. Nominated member of the Board of Directors on 1 July 2011, on which date Leif Hartmann retired from the Board. Term to expire on 8 March 2012. Customer Adviser at TDC A/S.

Steen M. Jacobsen
Age 62. Elected by the employees. First elected in 1996. Re-elected in 2000, 2004 and 2008. Term to expire on 8 March 2012. Specialist Technician at TDC A/S. Member of the Boards of Directors of TDC Pensionskasse and Teglholm Park A/S.

Bo Magnussen
Age 64. Elected by the employees. First elected in 1996. Re-elected in 2000, 2004 and 2008. Term to expire on 8 March 2012. Senior Clerk at TDC A/S. Chairman of Lederforeningen at TDC (Association of Managers and Employees in Special Positions of Trust).

Terminology

2G refers to second-generation mobile networks, including GSM networks that can deliver voice and limited data communications.

2.5 GHz refers to the frequency band with frequencies in the range 2500-2690 MHz. TDC owns 20 MHz of the 2.5GHz frequency and uses it for LTE services.

3G refers to third-generation mobile networks that can deliver voice, data and multimedia content at high speed.

4G refers to fourth-generation mobile networks that can deliver voice, data and multimedia content at speeds of up to 10 times faster than 3G (see also LTE).

Access network refers to the fine-meshed and widespread part of the telecom infrastructure that connects every single customer to the network. The access network begins at the customer's premises and ends at the local exchange where traffic is exchanged with the backbone network.

ADSL refers to Asymmetric Digital Subscriber Line, based on DSL technology.

ARPU refers to Average Revenue Per User and is calculated per month. TDC calculates ARPU for a given product group as its total revenue divided by the average RGUs in the period. Average number of customers/RGUs is calculated by adding together the number of customers at the beginning of the period, the number of customers at the end of each intermediate month, the number of customers at the end of the period and dividing that figure by the number of intermediate months plus two. ARPU includes gross traffic revenue unless otherwise stated.

ATM or Asynchronous Transfer Mode refers to a dedicated connection switching technology for LANs and WANs that supports real-time voice and video as well as data.

Avoidable cost refers to a method where the pricing of a specific service is based solely on the traffic-related costs that would be avoided if the service were no longer produced. The avoidable cost method differs from the prevalent LRAIC/LRIC methods as it does not include costs that are shared between several services and do not increase in proportion to an increase in the volume of the specific service.

Backbone network refers to the part of the telecom infrastructure that interconnects various parts of networks, e.g. local access networks, different operators' networks or national networks. The backbone network capacity is very large compared with the access network capacity.

Blended ARPU refers to a weighted ARPU across segments or sub-products.

Brand partner refers to partners who sell mobility services based on TDC infrastructure under their own brands to end users. TDC owns the customer relationship.

Broadband refers to data communication forms of a certain bandwidth that, depending on the relevant context, are perceived to be significantly high or 'wide' in terms of information-carrying capacity. The most common broadband technologies are cable modem, DSL, mobile broadband and optical fibre. TDC applies the Danish Business Authority definition in which broadband implies bandwidths higher than 144 kbps.

BSA or Bitstream access refers to the situation where a provider installs a high-speed access link at the customer's premises and then makes this access link available to third parties to enable them to provide high-speed services to customers. 'Naked BSA' means BSA without a PSTN subscription delivered on the same subscription line.

CaaS or Communications-as-a-Service is an outsourcing model for business communications. Such communications can include VoIP, instant messaging, collaboration and video-conferencing applications using landline and mobile devices. The CaaS vendor is responsible for all hardware and software management. CaaS allows businesses to selectively deploy communications devices on a pay-as-you-go, as-needed basis.

Capital expenditure (capex) refers to capital expenditures excluding investments in mobile licences and share acquisitions.

Churn rate refers to yearly customer turnover expressed as a percentage. TDC calculates churn by dividing the gross decrease in the number of customers for a given period by the average number of customers for that period.

Coax refers to a technology based on coaxial cables - electrical cables with an inner conductor surrounded by a flexible, tubular insulating layer, surrounded by a tubular conducting shield. Coax is used to transmit radio frequency signals and distribute cable-TV signals, etc.

Content service refers to a service that typically includes information or entertainment, broadcast or provided on-line.

Coverage refers to the accessibility of a service expressed as a percentage. Mobile coverage is typically calculated as the share of the population who can use the service. Landline coverage is typically calculated as the share of households that can use the service.

CPE or Customer Premises Equipment refers to equipment that is implemented or installed at a customer's premises. CPE includes the hardware required to handle TV, telephony and data traffic (e.g. routers, switches, DSL modems and other equipment used to create LAN and WAN solutions).

DBA refers to the Danish Business Authority (in Danish Erhvervsstyrelsen).

Dial-up refers to an internet connection that uses a traditional landline voice call to connect to the internet.

Direct business is a business area in TDC Sweden, which handles sale of landline and mobile telephones, headsets, conference call telephones, etc.

Dongle refers to a USB stick (flash drive) containing a modem used to access mobile broadband.

DSL or Digital Subscriber Line refers to a technology that enables a local-loop copper pair to transport high-speed data between an exchange building and customers' premises.

DTH or direct-to-home refers to digital TV transmitted directly to households via satellite. Subscribers need a satellite dish to receive signals.

DTT refers to Digital Terrestrial Television, which is a digital signal broadcast to standard aerials that are utilised to replace the discontinued analogue signal.

Dual-play refers to the bundling of telephony and internet through one access channel only. In YouSee the dual-play bundles include TV and broadband. Dual-play bundles are included as two customers in the total customer figures.

EBITDA refers to profit before interest, tax, depreciation, amortisation and special items. EBITDA before pension income refers to EBITDA excluding the financial components (interest cost and expected return on assets) related to defined benefit plans.

ECSI refers to the European Customer Satisfaction Index, a standardised methodology for measuring customer satisfaction.

EDGE or Enhanced Data rates for GSM Evolution refers to the GSM network coding that enables data to be sent and received faster than over GSM. EDGE is often described as 2.5G.

Equity free cash flow or EFCF refers to EBITDA adjusted for non-cash items, pension contributions, provisions payments, changes in net working capital, net interest paid, corporate income tax paid and cash flows relating to capital expenditures (in all cases excluding special items).

Ethernet refers to a type of networking technology for LANs that is increasingly used in the IP networks.

Fault correction hours refer to the amount of hours spent correcting network faults that have occurred as a result of water damage, frost, cut cables, etc.

Fault rate refers to the share of customers experiencing a fault, recorded on an annual basis. Fault rates are calculated as the number of faults in a given period, scaled to an annual basis and divided by the number of RGUs.

Fibre Optics Communication or Fibre refers to a technology used to transmit telephone signals, internet communications and cable television signals. Due to much lower loss of intensity and interference, optical fibre has major advantages over existing copper wire in long-distance and high-demand applications.

FTE or Full-Time Equivalents refers to full-time employee equivalents, including permanent employees, outsourced civil servants, trainees and temporary employees and excluding temps.

GSM or Global System for Mobile Communications refers to a comprehensive digital network for the operation of all aspects of a mobile telephone system.

Homes passed refers to households where a particular technology (e.g. fibre or coax) has been rolled out, enabling the reception of services associated with that technology. The number of homes passed constitutes the sum of actual and potential TDC customers for a given service.

HSDPA, High Speed Downlink Packet Access or Turbo 3G refers to an enhancement of UMTS 3G technology that has increased the available download speeds.

Incumbent refers to a public telecommunications operator that – when the provision of communications services was a government monopoly – was the only operator able and allowed to offer such services.

Interconnection refers to the provision of access or availability of facilities or services for another provider for the purpose of providing electronic communications services, and exchange of traffic between communications networks used by the same or a different provider. This allows end users of one provider to communicate with end users of the same or another provider, or to access services provided by another provider.

International roaming is a means of accessing a foreign operator's mobile network that enables customers to automatically make and receive voice calls, send and receive data, or access other services, when travelling abroad. Operators in various countries enter into agreements to facilitate such roaming.

IP or Internet Protocol refers to a standard protocol whereby internet-user data is divided into packets to be sent onto the correct network pathway.

IP-VPN or IP-based Virtual Private Network refers to a VPN based on an IP protocol.

ISDN or Integrated Services Digital Network refers to a means of providing more channels of 64 kbps over the existing regular phone line, which can be used for either integrated voice and data or solely data transmission. An ISDN modem is necessary to connect to the network. The ISDN technology enables 2-30 channels on the same line.

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.

Landline telephony refers to PSTN/ISDN telephony and VoIP.

Line loss refers to the net loss of lines in the copper and fibre network in a given period in TDC's incumbent business, i.e. Consumer, Business and Wholesale. The number of lines is calculated as the sum of RGUs provided with PSTN, ISDN, VoIP, naked-BSA/xDSL, and full ULL products and services.

LRAIC (Long Run Average Incremental Cost) and LRIC (Long Run Incremental Cost) refer to the most applied pricing regulation methods used to set interconnection prices for operators with SMP status. With the LRIC method, prices are based on the costs of services provided with an increment of the regulated services. LRAIC uses an average of the costs of services. The interconnection prices that are set equal to the costs associated with producing the regulated services in a modern and fully effective telecommunications network of the same size as the SMP operator's network.

LTE or Long Term Evolution refers to a set of enhancements to UMTS designed to increase capacity and speed on mobile telephone networks. LTE is a 4G network.

LTE Licence refers to a specific licence to use the frequencies 2500–2520 MHz and 2620–2640 MHz issued on 28 May 2010 pursuant to section 6 (3) in Act No 680 of 23 June 2004 (with later amendments) cf. section 59 (1) in the Danish Radio Frequencies Act (Act No. 475 of 12 June 2009).

Market 4 refers to the market for wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location.

Market 5 refers to the market for wholesale broadband access.

Market 7 refers to the market for voice call termination on individual mobile networks.

Market share refers to TDC's share of total subscribers for a given product. The figures are based on externally available data, which may vary in accuracy. As a result, the historic data may change if we gain more accurate information.

MNO or Mobile Network Operator refers to a company that has frequency allocation(s), as opposed to an MVNO, and all the required infrastructure to run an independent mobile network.

Mobile broadband refers to broadband access over the mobile network obtained using dongles or equivalent equipment. It does not include access via mobile or smartphones.

Mobility services refer to mobile voice and mobile broadband.

*MoU or Minutes of Usag*e refers to minutes used per subscriber per month.

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.

MTR or Mobile Termination Rate refers to the price for mobile interconnection, i.e. the price paid by an operator for terminating traffic on a mobile operator's network. The Danish mobile termination rates are set by the Danish Business Authority.

MVNO or Mobile Virtual Network Operators refers to a mobile operator that does not have frequency allocation. MVNOs have business arrangements with MNOs to buy traffic and data for sale to their own customers.

No frills refers to a service or product where non-essential features, such as value-added services, have been removed to keep the price low.

OTT or Over The Top refers to online delivery of video and audio without the internet service provider being involved in the control or distribution of the content itself.

Penetration refers to the measurement, usually as a percentage, of the take-up of services. As of any date, the penetration is calculated by dividing the number of subscribers by either the population of households or the number of inhabitants to whom the service is available.

Postpaid refers to subscriptions that are paid for at the beginning of the period, whereas the usage charge, which varies depending on the tariff plan selected by the subscriber, is paid at the end of the period. TDC considers online systems with prepayment characteristics to be mobile voice subscriptions, as users create accounts and generally remain subscribers longer. As a result, customers at Telmore and M1 are considered to have mobile voice subscriptions.

Prepaid refers to customers paying for a specified amount of credit for services upfront (i.e. via a scratch card).

PSTN or Public Switched Telephone Network refers to the telecommunications network based on copper lines carrying analogue voice and data - traditional landline telephony.

Quadruple-play or quad-play refers to the bundling of telephony, internet and TV services with mobile telephony.

Quality of Service refers to a collective measure of the level of service delivered to the customer, and reflects the network's transmission quality and service availability.

RGU or Revenue Generating Unit refers to the total number of customer relationships generating revenue for TDC, including customers with subscriptions and customers without subscriptions calculated according to the following general principles: Landline customers who have generated revenue within the last 3 months; prepaid cards used at least once within the last 3 months; Dial-up internet customers who accessed the internet at least once within the last 3 months. TDC's RGU statement includes the number of main products sold by TDC's residential, business and wholesale segments. Customer relationships are synonymous with RGUs.

SAC refers to subscriber acquisition costs.

Service provider refers to partners providing mobility services under their own brands to external customers using TDC's mobile infrastructure. The service provider owns the customer relationship.

SKI is a procurement organisation that establishes framework contracts between the public sector in Denmark and private sector companies.

SMP or Significant Market Power refers to a designation assigned to operators with a significant market position in a specific market as determined by the Danish Business Authority due to a market decision regarding the relevant market.

SRC refers to subscriber retention costs.

Sunrise refers to Sunrise Communications AG, TDC's Swiss subsidiary disposed of in October 2010.

TAB refers to a resale landline voice product sold through the wholesale business in Nordic.

TAK (Danish for 'Thank you'), or Tag Ansvar for Kunden (Take Responsibility for the Customer) refers to a programme implemented in TDC in 2009 to improve customer service.

TDC 2.0 programme refers to a company-wide change programme that focuses on making processes simpler and more goal-oriented.

Telemetric communication between two machines or M2M (machine-to-machine) technology refers mainly to mobile communication. M2M solutions are used for 'Dankort' terminals (debit cards), GPS monitoring, distant reading, alarms, etc.

Traditional landline telephony refers to telephony over PSTN/ISDN lines, unless otherwise stated.

Triple-play refers to the bundling of telephony, internet and TV services through one access channel only. Triple-play bundles are included as three customers in the total customer figures. A triple-play subscription must entail all three services.

TSR or Total Shareholder Return is the sum of all return of a stock, e.g. capital gains and dividends.

TVoIP or TV over Internet Protocol refers to a system through which digital TV service is delivered using the internet and internet broadband access networks rather than being delivered through the traditional radio frequency broadcast, satellite signal or cable-TV formats. TVoIP can be either IPTV or Web TV.

ULL or Unbundled Local Loop refers to copper lines to which competing carriers have been granted access by the incumbent operator, allowing such alternative carriers to offer data transmission capacity and/or telephony to end users. (ULL is often referred to as raw copper.) Full ULL is used for customers without PSTN/ISDN subscriptions (wholesale or retail at TDC); shared ULL covers customers with PSTN/ISDN subscriptions.

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.

USO or Universal Source Obligations refers to obligations that can be imposed upon a dominant operator (usually the incumbent). This obligation includes a demand to meet any request for provisions of a number of basic telecommunications services to anybody within the country in question.

VDSL or VHDSL (Very High Bitrate DSL) is a DSL technology that provides faster data transmission than other DSL technologies over copper wires.

Video-on-demand or VoD refers to transmission delivery of video (films or other video content) to a single user on request.

VoIP or Voice over Internet Protocol refers to a telephone call over the internet. VoIP can offer quality of service, i.e. guarantee of call quality comparable to PSTN, achieved through prioritising the traffic.

VPN or Virtual Private Network refers to a network that enables organisations to use a private network with LAN functionality for remote sites or users, without a dedicated connection (such as a leased line).

WAN or Wide Area Network refers to a long-distance data communications network that is a geographically dispersed collection of LANs. The internet, for instance, is a WAN, but a network between a company's divisions can also be a WAN.

xDSL is a family of technologies that provides digital data transmission over copper wires, e.g. ADSL, VDSL and SHDSL.

2011

Financial Statements

Central Aarhus, Denmark

Financial Statements

Management Statement and Independent Auditor's Report

Group Annual Report

To make this report clearer and more user-friendly, this year TDC is publishing a Group Annual Report excluding the Financial Statements of the Parent Company TDC A/S. In pursuance of Section 149 of the Danish Financial Statements Act, the Group Annual Report is therefore an extract of the company's complete annual report.

The complete annual report, including the Financial Statements of the Parent Company, is available on request from the Company and may be downloaded from www.tdc.com. Following adoption at the Annual General Meeting on 8 March 2012, the complete annual report will also be available from Erhvervsstyrelsen (The Danish Business Authority). The distribution of the profit for the year and proposals on dividends are shown under Consolidated Statements of Changes in Equity in the Group Annual Report.

The complete annual report has the following Management Statement and Independent Auditor's Report:

Management Statement

Today, the Board of Directors and the Executive Committee considered and approved the Annual Report of TDC A/S for 2011.

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 listed companies.

In our opinion, the Annual Report provides a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2011 as well as their results of operations and cash flows for the financial year 2011. Furthermore, in our opinion, the Management's Review provides a fair review of the developments in the Group's and the Parent Company's activities and financial position, and describes the significant risks and uncertainties that may affect the Group and the Parent Company.

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

Copenhagen, 3 February 2012

Executive Committee

Henrik Poulsen
President and Chief Executive Officer

Eva Berneke
Senior Executive Vice President and President of Wholesale

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

Carsten Dilling
Senior Executive Vice President, Chief Operating Officer and President of Operations

Pernille Erenbjerg
Senior Executive Vice President and Chief Financial Officer

Anders Jensen
Senior Executive Vice President and President of Consumer

Martin Lippert
Senior Executive Vice President and President of Business

Jens Munch-Hansen
Senior Executive Vice President and President of Nordic

Board of Directors

Vagn Sørensen
Chairman

Pierre Danon
Vice Chairman

Stine Bosse

Angus Porter

Lars Rasmussen

Søren Thorup Sørensen

Kurt Björklund

Lawrence Guffey

Henrik Kraft

Gustavo Schwed

Andrew Sillitoe

Lotte Broder Jørgensen

Steen M. Jacobsen

Jan Bardino

Bo Magnussen

Independent Auditor's Report

To the shareholders of TDC A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of TDC A/S for the financial year 1 January to 31 December 2011, which comprise income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's Responsibility for the Consolidated Financial Statements and Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view 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 Company'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 Consolidated Financial Statements and the Parent Company Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2011 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, 3 February 2012

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Lars Holtug State Authorised Public Accountant	Jesper Hansen State Authorised Public Accountant

Consolidated Income Statements			DKKm
	Note	**2011**	**2010**
Revenue	4,5	**26,304**	**26,167**
Transmission costs and cost of goods sold		(7,132)	(6,747)
Gross profit		**19,172**	**19,420**
External expenses		(4,215)	(4,517)
Wages, salaries and pension costs	6	(4,641)	(4,762)
Other income and expenses	7	185	196
Operating profit before pension income, depreciation, amortisation and special items (EBITDA before pension income)		**10,501**	**10,337**
Pension income	27	439	435
Operating profit before depreciation, amortisation and special items (EBITDA)		**10,940**	**10,772**
Depreciation, amortisation and impairment losses	8	(5,227)	(5,356)
Operating profit excluding special items		**5,713**	**5,416**
Special items	9	(864)	(1,347)
Operating profit		**4,849**	**4,069**
Profit from joint ventures and associates	16	(25)	13
Fair value adjustments		374	115
Currency translation adjustments		51	(20)
Interest income and expenses		(1,305)	(1,591)
Net financials	**10**	**(880)**	**(1,496)**
Profit before income taxes		**3,944**	**2,586**
Income taxes	11	(1,131)	(782)
Profit for the year from continuing operations		**2,813**	**1,804**
Profit for the year from discontinued operations	12	(5)	1,203
Profit for the year		**2,808**	**3,007**
Earnings per share (EPS) (DKK)	**13**		
EPS, basic		3.44	3.06
EPS, diluted		3.44	3.06
EPS from continuing operations, basic		3.45	1.84
EPS from continuing operations, diluted		3.45	1.84
EPS from discontinued operations, basic		(0.01)	1.22
EPS from discontinued operations, diluted		(0.01)	1.22

Consolidated Statements of Comprehensive Income		**DKKm**
	2011	**2010**
Profit for the year	**2,808**	**3,007**
Currency translation adjustments, foreign enterprises	6	2,041
Currency hedging of net investments in foreign enterprises	0	(706)
Reversal of currency translation adjustment, foreign enterprises	(1)	(1,234)
Fair value adjustments of cash flow hedges	266	0
Fair value adjustments of cash flow hedges transferred to the Income Statement	(150)	0
Actuarial gains/(losses) related to defined benefit pension plans	276	(515)
Income tax relating to components of other comprehensive income	(78)	121
Reversal of income tax relating to currency hedging of net investments in foreign enterprises	0	(78)
Other comprehensive income/(loss)	**319**	**(371)**
Total comprehensive income	**3,127**	**2,636**

Assets			DKKm
	Note	**2011**	**2010**
Non-current assets			
Intangible assets	14	33,543	34,799
Property, plant and equipment	15	15,343	15,531
Investments in joint ventures and associates	16	122	137
Other investments		5	7
Deferred tax assets	11	50	66
Pension assets	27	8,060	7,487
Receivables	17	278	241
Derivative financial instruments	26	324	0
Prepaid expenses	18	305	270
Total non-current assets		**58,030**	**58,538**
Current assets			
Inventories	19	281	307
Receivables	17	4,773	4,404
Derivative financial instruments	26	13	91
Prepaid expenses	18	579	615
Cash	20	1,489	831
Total current assets		**7,135**	**6,248**
Total assets		**65,165**	**64,786**

Equity and liabilities

	Note	2011	2010
Equity			
Share capital	21	825	992
Reserve for currency translation adjustments		(616)	(621)
Reserve for cash flow hedges		116	0
Retained earnings		20,129	20,484
Proposed dividends		1,790	0
Total equity		**22,244**	**20,855**
Non-current liabilities			
Deferred tax liabilities	11	6,476	6,486
Provisions	24	858	974
Pension liabilities	27	99	73
Loans	22	19,404	23,428
Derivative financial instruments	26	38	0
Deferred income	23	871	971
Total non-current liabilities		**27,746**	**31,932**
Current liabilities			
Loans	22	3,816	216
Trade and other payables	25	6,914	6,141
Income tax payable	11	363	861
Derivative financial instruments	26	72	659
Deferred income	23	3,043	3,072
Provisions	24	967	1,050
Total current liabilities		**15,175**	**11,999**
Total liabilities		**42,921**	**43,931**
Total equity and liabilities		**65,165**	**64,786**

DKKm

Consolidated Statements of Cash Flow DKKm

	Note	2011	2010
Operating profit before pension income, depreciation, amortisation and special items (EBITDA before pension income)		10,501	10,337
Adjustment for non-cash items	28	143	217
Pension contributions		(157)	(169)
Payments related to provisions		(90)	(11)
Cash flow related to special items		(786)	(792)
Change in working capital	29	(67)	571
Cash flow from operating activities before net financials and tax		**9,544**	**10,153**
Interest received		720	339
Interest paid		(1,365)	(1,761)
Realised currency translation adjustments		(7)	7
Cash flow from operating activities before tax		**8,892**	**8,738**
Income tax paid		(1,715)	(1,500)
Cash flow from operating activities in continuing operations		**7,177**	**7,238**
Cash flow from operating activities in discontinued operations		0	1,504
Total cash flow from operating activities		**7,177**	**8,742**
Investment in enterprises	30	(267)	(286)
Investment in property, plant and equipment		(2,526)	(2,678)
Investment in intangible assets		(955)	(968)
Investment in other non-current assets		(27)	(52)
Divestment of enterprises	31	7	0
Sale of property, plant and equipment		18	39
Sale of intangible assets		0	9
Divestment of joint ventures and associates		0	1
Sale of other non-current assets		109	12
Dividends received from joint ventures and associates		4	34
Cash flow from investing activities in continuing operations		**(3,637)**	**(3,889)**
Cash flow from investing activities in discontinued operations	32	(67)	15,327
Total cash flow from investing activities		**(3,704)**	**11,438**
Proceeds from long-term loans		16,678	0
Repayments of long-term loans		(17,928)	(8,872)
Change in short-term bank loans		215	(2,149)
Dividends paid		(1,780)	(70)
Acquisition of treasury shares		0	(9,000)
Cash flow from financing activities in continuing operations		**(2,815)**	**(20,091)**
Cash flow from financing activities in discontinued operations		0	(21)
Total cash flow from financing activities		**(2,815)**	**(20,112)**
Total cash flow		**658**	**68**
Cash and cash equivalents at 1 January	33	831	763
Cash and cash equivalents at 31 December		**1,489**	**831**

Consolidated Statements of Changes in Equity **DKKm**

	Share capital	Reserve for currency translation adjustments	Reserve for cash flow hedges	Retained earnings	Proposed dividends	Total
Equity at 1 January 2010	992	(644)	0	26,730	0	27,078
Currency translation adjustments, foreign enterprises	-	2,041	-	0	-	2,041
Currency hedging of net investments in foreign enterprises	-	(706)	-	0	-	(706)
Reversal of currency translation adjustments, foreign enterprises	-	(1,234)	-	0	-	(1,234)
Actuarial gains/(losses) related to defined benefit pension plans	-	0	-	(515)	-	(515)
Income tax relating to components of other comprehensive income	-	0	0	121	-	121
Reversal of income tax relating to currency hedging of net investments in foreign enterprises	-	(78)	-	0	-	(78)
Profit for the year	-	-	-	3,007	0	3,007
Total comprehensive income	-	23		2,613	0	2,636
Acquisition of treasury shares	-	-	-	(9,000)	-	(9,000)
Share-based remuneration	-	-	-	141	-	141
Equity at 31 December 2010	**992**	**(621)**	**0**	**20,484**	**0**	**20,855**
Currency translation adjustments, foreign enterprises	-	6	-	0	-	6
Reversal of currency translation adjustments, foreign enterprises	-	(1)	-	0	0	(1)
Fair value adjustments of cash flow hedges	-	-	266	-	-	266
Fair value adjustments of cash flow hedges transferred to the Income Statement	-	-	(150)	-	-	(150)
Actuarial gains/(losses) related to defined benefit pension plans	-	-	-	276	-	276
Income tax relating to components of other comprehensive income	-	-	-	(78)	-	(78)
Profit for the year	-	-	-	1,018	1,790	2,808
Total comprehensive income	-	5	116	1,216	1,790	3,127
Distributed dividends	-	-	-	(1,799)	0	(1,799)
Dividends, treasury shares	-	-	-	19	0	19
Cancellation of treasury shares	(167)	-	-	167	-	0
Share-based remuneration	-	-	-	42	-	42
Equity at 31 December 2011	**825**	**(616)**	**116**	**20,129**	**1,790**	**22,244**

See the Parent Company Statements of Changes in Equity with respect to which reserves are available for distribution. The distributable reserves amounted to DKK 24,794m (before proposed dividends) at 31 December 2011, compared with DKK 22,461m at 31 December 2010. At the Annual General Meeting on 8 March 2012, the Board of Directors will propose a dividend of DKK 2.17 per share or DKK 1,790m in total. Including the interim dividend of DKK 2.18 per share distributed on 10 August 2011, the proposed dividend for the financial year 2011 totals DKK 4.35 per share. For the financial year 2010 no dividends were distributed.

Notes to Consolidated Financial Statements

Overview

Note 1 Significant Accounting Policies

TDC's Consolidated Financial Statements for 2011 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 TDC there are no differences between IFRS as adopted by the European Union and IFRS as issued by IASB.

The Consolidated Financial Statements are based on the historical cost convention, except that the following assets and liabilities are measured at fair value: derivatives, financial instruments held for trading, and financial instruments classified as available for sale and except that assets held for sale are measured at the lower of carrying amount at the time of the classification as held for sale and the fair value less costs to sell.

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 judgements considered material to the preparation of the Consolidated Financial Statements appear from note 2 below.

The accounting policies are unchanged from last year.

Consolidation policies

The Consolidated Financial Statements include the Financial Statements of the Parent Company and subsidiaries in which TDC A/S has direct or indirect control. Joint ventures in which the Group has joint control are recognised using the equity method. Associates in which the Group has significant influence are recognised using the equity method.

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

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

Acquisition of enterprises

On acquisition of subsidiaries, joint ventures and associates, the purchase method is applied, and acquired assets, liabilities and contingent liabilities are measured on initial recognition at fair values on the date of acquisition. Identifiable intangible assets are recognised if they can be separated and the fair value can be reliably measured. Deferred tax of the revaluation made is recognised.

Any positive differences between cost and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognised 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. Goodwill is not amortised, but is tested annually for impairment. Negative balances (negative goodwill) are recognised in the Income Statements on the date of acquisition. Positive differences on acquisition of joint ventures and associates are recognised in the Balance Sheets under Investments in joint ventures and associates.

For acquisitions prior to 1 January 2010, the cost of the acquisition includes transaction costs. For acquisitions on or after 1 January 2010, such costs are expensed as incurred.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, adjustments made within twelve months of the acquisition date to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition are adjusted to the initial goodwill. The adjustment is calculated as if it were recognised at the acquisition date and comparative figures are restated. Changes in estimates of the cost of the acquisition being contingent on future events are recognised in the Income Statement except changes in estimates regarding acquisitions prior to 1 January 2010, which are adjusted in goodwill.

For business combinations achieved in stages, the previously held equity interest in the acquiree is remeasured at its fair value when control is achieved and the resulting gain or loss is recognised in profit or loss.

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

Acquired enterprises are recognised in the Consolidated Financial Statements from the time of acquisition.

Divestment of enterprises
Gains and losses related to divestment of enterprises, joint ventures and associates are recognised as the difference between the proceeds (less divestment expenses) and the carrying amount of net assets (including goodwill), with the addition of accumulated currency translation adjustments recognised in equity at the time of divestment.

Divested enterprises are recognised up to the time of disposal. Enterprises that meet the criteria for discontinued operations are presented separately.

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 recognised as net financials in the Income Statements.

Cash, 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 recognised as net financials in the Income Statements.

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 income statements 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 recognised directly in equity under a separate reserve for currency translation adjustments. This also applies to adjustments arising from the translation of the income statements 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 recognised directly in equity.

Derivative financial instruments
On initial recognition, derivative financial instruments are recognised in the Balance Sheets on inception at fair values and subsequently remeasured at fair values. Derivate financial instruments are recognised when the Group becomes party to the contract and are derecognised when the contract expires, is settled or sold. Quoted market prices are used for derivative financial instruments traded in an active market. A number of different, recognised 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 recognised directly in Other comprehensive income net of tax. Gains and losses from hedges of future cash flows are transferred from equity and are, as a general rule, recognised in the same item as the hedged transaction when the cash flow is realised (for example when the hedged sale has been effected). If the hedged transaction results in recognition of a non-monetary asset (such as inventories) or a liability, however, gains or losses from equity are included in the cost of the asset or liability. If a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Other comprehensive income at that time remains in Other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statements.

Changes in the fair value of derivative financial instruments that qualify as hedges of fair value are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

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 recognised directly in Other comprehensive income net of tax.

Fair value changes of derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the Income Statements. This also applies for any gain or loss relating to the ineffective portion of cash flow, fair value and net investment hedges.

Revenue recognition
Revenue comprises goods and services provided during the year after deduction of VAT and rebates relating directly to sales. Services include traffic and subscription fees, interconnect and roaming fees, fees for leased lines, network services, TV distribution as well as connection and installation fees. Goods include customer premises equipment, telephony handsets, PCs, set-top boxes, etc.

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

- Revenues from telephony are recognised at the time the call is made
- Sales related to prepaid products are deferred, and revenues are recognised at the time of use
- Revenues from leased lines are recognised over the rental period
- Revenues from subscription fees and flat-rate services are recognised over the subscription period
- Revenues from non-refundable up-front connection fees are deferred and amortised over the expected term of the related customer relationship
- Revenues from the sale of equipment are recognised upon delivery. Revenues from the maintenance of equipment are recognised over the contract period.

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

Sales of handsets below cost in an arrangement, which cannot be separated from the provision of services, are not recognised as revenue.

Revenues are recognised gross when TDC acts as a principal in a transaction. For content-based services and the resale of services from content providers where TDC acts as agent, revenues are recognised net of direct costs.

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

External expenses
Subscriber acquisition and retention costs are expensed as incurred. The most common subscriber acquisition costs are handsets and dealer commissions. The cost of a handset is expensed when the handset is sold. The sale could be an individual sale or a multiple-element sale with a subscription.

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

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

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

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

Items of a similar nature for non-consolidated enterprises and discontinued operations are recognised under profit from joint ventures and associates and profit for the year from discontinued operations, respectively.

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

Intangible assets
Goodwill and brands with indefinite useful lives are recognised at cost less accumulated write-downs for impairment. The carrying amount of goodwill and brands with indefinite useful lives are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and is subsequently written down to the recoverable amount in the Income Statements if exceeded by the carrying amount. Write-downs of goodwill are not reversed. For the purpose of impairment testing in the consolidated financial statements, goodwill is allocated to the Group’s cash-generating units. The determination of cash-generating units is based on the operating segments in the Group’s internal management reporting.

Brands with finite useful lives, licences, proprietary rights, patents, etc. are measured at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over their estimated useful lives.

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

Development projects, including costs of computer software purchased or developed for internal use, are recognised as intangible assets if the cost can be calculated reliably and if they are expected to generate future economic benefits. Costs of development projects include wages, external charges, depreciation and amortisation that are directly attributable to the development activities as well as interest expenses in the production period. Development projects that do not meet the criteria for recognition in the Balance Sheets are expensed as incurred in the Income Statements.

The main amortisation periods are as follows:

Brands	2-10 years
Mobile licences	16-20 years
Other licences	1-19 years
Other rights, etc.	2-5 years
Development projects	3-5 years

Development projects in process and intangible assets of indefinite useful lives are tested for impairment at least annually and written down to recoverable amount in the Income Statements if exceeded by the carrying amount.

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

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and write-downs for impairment.

Cost comprises purchase price and costs directly attributable to the acquisition until the date on which the asset is ready for use. The cost of self-constructed assets includes directly attributable payroll costs, materials, parts purchased and services rendered by sub-suppliers or contractors as well as interest expenses in the construction period. Cost also includes estimated decommissioning costs if the related obligation meets the conditions for recognition as a provision.

Directly attributable costs comprise 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	3-20 years
Other installations	3-15 years

The assets' useful lives and residual values are reviewed regularly. If the residual value exceeds the asset's carrying amount, 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 amount at the time of sale. The resulting gain or loss is recognised in the Income Statements 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.

Customer-placed equipment (e.g. set-top boxes) are capitalised and depreciated over the estimated useful life of the individual asset, not exceeding five years.

Leased property, plant and equipment that qualify as finance leases are recognised as assets acquired.

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

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

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

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

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

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

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

Receivables
Receivables are measured at amortised cost. Write-downs for anticipated doubtful debts 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 progress
Contract work in progress is measured at the selling price of the work performed and recognised under receivables. The selling price is measured at cost of own labour, materials, etc., and the addition of a share of the profit based on the stage of completion. The stage of completion is measured by comparing costs incurred to date with the estimated total costs for each contract.

Write-downs are made for anticipated losses on work in progress 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 invoicing does not exceed the amount capitalised. Received payments on account exceeding the amount capitalised are recognised as a liability under prepayments from customers.

Treasury shares
The cost of treasury shares is deducted from equity under retained earnings on the date of acquisition. Similarly, payments received in connection with the disposal of treasury shares and dividends are recognised directly in equity.

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

Currency translation reserve
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 recognised in the Income Statements when the net investment is realised.

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

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

Deferred tax is measured under the balance-sheet liability method on the basis of all temporary differences between the carrying amounts and the tax bases of assets and liabilities at the balance sheet date except for temporary differences arising from goodwill on initial recognition and other items where amortisation 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 TDC and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Adjustment of deferred tax is made concerning elimination of unrealised intra-group profit and losses.

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

Provisions
Provisions are recognised 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 recognised when a final decision thereon has been made before or on the balance sheet date and has been announced to the parties involved, provided that the amount can be measured reliably. Provisions for restructuring are based on a defined plan, which means that the restructuring 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 recognised and an equal amount is capitalised as part of the initial carrying amount of the asset. Subsequent changes in such a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognised for the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognised in profit or loss for the year.

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

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

The Group has an obligation to pay a specific benefit to defined benefit plans at the time of retirement. A pension asset or pension obligation corresponding to the present value of the obligations less the defined pension plans' assets at fair value is recognised for these benefit plans.

The obligations are determined annually by independent actuaries using the 'Projected Unit Credit Method' assuming that each year of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to build up the final obligations. Estimation of future obligations is based on the Group's projected future developments in mortality, early retirement, future wages, salaries and benefit levels, interest rate, etc. The defined pension plans' assets are estimated at fair value at the balance sheet date.

Differences between the projected and realised developments in pension assets and pension obligations are referred to as actuarial gains and losses and are recognised in Other comprehensive income when gains and losses occur.

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

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 recognised immediately if the employees have acquired a final right to the changed benefits. If not, the change is recognised over the period in which the employees become entitled to the changed benefit.

Net periodic pension income/(cost) from defined benefit plans consists of the items: service cost, interest cost and expected return on assets. Service cost is recognised in wages, salaries and pension costs. Interest cost and expected return on assets, net, are recognised in pension income.

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

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

Other financial liabilities are measured at amortised cost.

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

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the lease.

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. The cost of finance leases is measured at the lower of the assets' fair value and the present value of future minimum lease payments. The corresponding rental obligations are included in loans. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the finance balance outstanding. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful lives of the assets and the lease term.

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

Assets or disposal groups classified as held for sale are measured at the lower of carrying amount at the time of the classification as held for sale and the fair value less costs to sell. No depreciation or amortisation is charged on assets from the date when they are classified as assets held for sale. Furthermore, recognition of income under the equity method ceases when joint ventures and associates are classified as assets held for sale.

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

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

Profit/loss after tax of discontinued operations is presented in a separate line in the Income Statements 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 profit before interest, taxes, pension income, depreciation, amortisation and special items adjusted for non-cash operating items, cash flow related to special items, changes in working capital, interest received and paid, realised currency translation adjustments as well as income taxes paid. Interest received and paid include settlement of interest hedging instruments.

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 recognised as cash and cash equivalents. Cash flows from acquired enterprises are recognised from the time of acquisition, while cash flows from enterprises divested are recognised up to the time of divestment.

Cash flow from 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. Profit before depreciation, amortisation and special items (EBITDA) represents the profit earned by each segment without allocation of depreciation, amortisation and impairment losses, special items, profit 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.

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

Note 2 Critical accounting estimates and judgements

The preparation of TDC's Annual Report requires Management to make assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the financial period. Estimates and judgements used in the determination of reported results are continuously evaluated, and 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. The following estimates and judgements are considered important when portraying our financial position.

Useful lives

Useful lives for intangible assets and property, plant and equipment as shown in notes 14 and 15, respectively, are assigned based on periodic studies of customer churns or 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 amount of the asset may not be recoverable and should therefore be tested for impairment. Any change in customer churn or the estimated useful lives of these assets is recognised in the Financial Statements as soon as any such change is determined.

Impairment test on intangible assets

Intangible assets comprise a significant portion of TDC's 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 amount may not be recoverable. The measurement of intangibles is a complex process that requires significant Management judgement 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 14.

Defined benefit plans

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 27, the assumed discount rate and the expected return on plan assets may fluctuate significantly. We believe the actuarial assumptions illustrate current market conditions and expectations for market returns in the long term. With these changed assumptions, TDC's Pension costs from the Domestic defined benefit plan is expected to amount to DKK 64m in 2012 compared with an income of DKK 304m in 2011, assuming all other factors remain unchanged. See also note 27 for the impact on the defined benefit obligation of sensitivities to discount rate, inflation and mortality.

Contingent assets and liabilities

The determination of the treatment of contingent assets and liabilities in the Financial Statements, as shown in note 38, 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 recognised if the likelihood of a positive outcome is virtually certain. A liability is recognised 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 realised gains or losses deviating from the amounts recognised.

Revenue recognition

Revenue, as shown in note 5, is recognised when realised or realisable and earned. Revenues from non-refundable up-front connection fees are deferred and recognised 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 31 December 2011, IASB and the EU have approved the following new accounting standards (IFRSs and IASs) and interpretations (IFRICs) that become effective for 2012 or later, and are judged relevant for TDC:

- IFRS 7 (Amended 2010) *Financial instruments Disclosures* will be effective for financial years starting on or after 1 July 2011. The Amendment changes the disclosure requirements on derecognition of financial instruments. The Group will apply IFRS 7 (Amendment) from 1 January 2012.

IASB has published the following new accounting standards (IFRSs) and interpretations (IFRICs) that become effective for 2012 or later, and are judged relevant for TDC, but have not yet been approved by the EU:

- IAS 12 (Amended 2010) *Income Taxes* will be effective for financial years starting on or after 1 January 2012. The change means that investment properties, measured at fair value according to IAS 40, are only considered to be recovered through sale. The Group will apply IAS 12 (Amended 2010) from 1 January 2012. The change has no impact on the Group's Financial Statements as the Group does not hold investment properties.

- IAS 1 (Amended 2011) *Financial statement presentation* will be effective from financial years starting on or after 1 July 2012. The main change is a requirement to group items presented in Other Comprehensive Income on the basis of whether they are potentially recycled to profit or loss subsequently. The Group will apply IAS 1 (Amendment) from 1 January 2013.

- IAS 19 (Amended 2011) *Employee benefits* will be effective from financial years starting on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The Group will apply IAS 19 (Amendment) from 1 January 2013. The Group does not use the corridor approach but calculating finance costs/income on a net funding basis will have an impact on future earnings.

- IFRS *10 Consolidated financial statements* will be effective for financial years starting on or after 1 January 2013. IFRS 10 defines the principle of control and set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. The Group will apply IFRS 10 from 1 January 2013 but the amendment is not expected to have any material impact.

- IFRS 11 *Joint arrangements* will be effective for financial years starting on or after 1 January 2013. IFRS 11 defines joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group will apply IFRS 11 from 1 January 2013 but the amendment is not expected to have any material impact.

- IFRS *12 Disclosures of interests in other entities* will be effective for financial years starting on or after 1 January 2013. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will apply IFRS 12 from 1 January 2013.

- IFRS 13 *Fair value measurement* will be effective for financial years starting on or after 1 January 2013. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group will apply IFRS 13 from 1 January 2013.

- IAS 32 (Amended 2011) *Financial instruments Presentation* and IFRS 7 (Amended 2011) *Financial instruments Disclosures* will be effective for financial years starting on or after 1 January 2014 and 1 January 2013 respectively. IAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet and IFRS 7 enhance current offsetting disclosures. The Group will apply IAS 32 (Amendment) and IFRS 7 (Amended) from 1 January 2014 and 1 January 2013 respectively.

- IFRS 9 *Financial Instruments* will be effective for financial years starting on or after 1 January 2015. IFRS 9 improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. It applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The Group will apply IFRS 9 from 1 January 2015 at the latest, but the amendment is not expected to have any material impact.

- As part of the annual improvement project, IASB has approved changes to several of the existing standards. The adjustments are effective from 1 January 2012 at the earliest, but are expected to have no material impact on the Group's financial statements.

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 lines'.

In 2011, Wholesale became a separate business unit. Wholesale provides external operators with access to TDC's network. Previously, Wholesale was part of the Operations & Wholesale business unit. As a consequence, Wholesale is now a separate reportable segment and Operations is now part of Operations & HQ (Headquarters). In addition, a reallocation of SoHo customers between Consumer and Business has been carried out. Comparative figures for 2010 have been restated accordingly.

Domestic mobile and landline networks are based in Operations & HQ. Operating expenses in Operations & HQ related to Consumer's, Business' and Wholesale's use of the network infrastructure in Operations & HQ are allocated to the respective segments based on a unit cost. The calculations of the unit cost are based on network costs from the previous year in Operations & HQ.

The costs are allocated to Consumer, Business and Wholesale based on their expected proportionate use of the network.

The cost allocation for Consumer's, Business' and Wholesale's use of networks does not include relevant depreciation or cost of tied-up capital and is therefore not comparable with the prices that Wholesale charges wholesale customers.

Capital expenditure related to the domestic mobile and landline networks is not allocated to Consumer, Business and Wholesale.

Interconnect payments and income concerning TDC customers are allocated to the relevant segments.

IT services from Operations & HQ to Consumer, Business and Wholesale are allocated with a fixed fee based on the expected share of total resources allocated to each business line. The cost is allocated using a range of different allocation formulas. Facility management services are allocated with a variable fee based on the use of square metres for the locations (e.g. shops, administrative locations, basements and technical buildings). Invoicing services are allocated with a variable fee based on the actual usage (e.g. mailing and direct debit). The basis for the allocation of remaining services, such as cars, supply chain management and sourcing varies between fixed and variable fees. Operations & HQ's supply of staff-function services, i.e. HR, legal, finance, etc., is not allocated to other segments.

Cost allocations from Operations & HQ to other segments are recognised as 'Operating expenses allocated to other business lines' in Operations & HQ and as 'Operating expenses' in the other segments.

The coaxial-cable network including related operating expenses and capital expenditure is based in YouSee. YouSee's use of the landline network and other services from Operations & HQ is invoiced on an arm's length basis and accounted for as revenue in Operations & HQ and as Operating expenses in YouSee.

Operations & HQ has assumed all pension obligations for the members of the Danish pension fund. Accordingly, net periodic pension cost/income and the plan assets for the Danish pension fund are related to Operations & HQ. Segments employing members pay contributions to Operations & HQ, and these contributions are included in the operating expenses of the respective segments.

Activities						**DKKm**
	Consumer		**Business**		**Nordic**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
External revenue	8,853	8,920	7,335	7,574	4,240	3,829
Revenue across segments	171	210	182	230	247	258
Revenue	**9,024**	**9,130**	**7,517**	**7,804**	**4,487**	**4,087**
Total operating expenses excl. depreciation, etc.	(5,341)	(5,270)	(3,614)	(3,983)	(3,851)	(3,527)
Other income and expenses	1	4	0	0	13	4
EBITDA	**3,684**	**3,864**	**3,903**	**3,821**	**649**	**564**
	Wholesale		**YouSee**		**Operations & HQ**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
External revenue	1,726	1,898	4,062	3,822	88	124
Revenue across segments	427	336	197	190	199	199
Revenue	**2,153**	**2,234**	**4,259**	**4,012**	**287**	**323**
Total operating expenses excl. depreciation, etc.	(1,123)	(1,239)	(2,741)	(2,660)	(317)	(355)
Other income and expenses	1	0	3	1	174	193
EBITDA	**1,031**	**995**	**1,521**	**1,353**	**144**	**161**
					Total	
					2011	**2010**
External revenue					26,304	26,167
Revenue across segments					1,423	1,423
Revenue					**27,727**	**27,590**
Total operating expenses excl. depreciation, etc.					(16,987)	(17,034)
Other income and expenses					192	202
EBITDA					**10,932**	**10,758**

Reconciliation of revenue		**DKKm**
	2011	**2010**
Revenue from reportable segments	27,727	27,590
Elimination of revenue across segment items	(1,423)	(1,423)
Consolidated external revenue	**26,304**	**26,167**

Reconciliation of Profit before depreciation, amortisation and special items (EBITDA)		**DKKm**
	2011	**2010**
EBITDA from reportable segments	10,932	10,758
Elimination of EBITDA	8	14
Unallocated:		
Depreciation, amortisation and impairment losses	(5,227)	(5,356)
Special items	(864)	(1,347)
Profit from associates and joint ventures	(25)	13
Net financials	(880)	(1,496)
Consolidated profit before income taxes	**3,944**	**2,586**

Geographical markets DKKm

	Domestic operations		International operations		Total	
	2011	2010	2011	2010	2011	2010
External revenue[1]	22,325	22,557	3,979	3,610	26,304	26,167
Non-current assets allocated[2]	46,576	48,316	2,310	2,014	48,886	50,330

[1] The revenue of the former 100% owned subsidiary Sunrise is included in Profit for the year from discontinued operations, cf. note 12.
[2] Non-current assets other than Investments in joint ventures and associates, financial instruments, deferred tax assets and pension assets.

Note 5 Revenue

DKKm

	2011	2010
Sales of goods	1,759	1,373
Sales of services	24,545	24,794
Total	**26,304**	**26,167**

External revenue from products and services DKKm

	2011	2010
Landline telephony	5,046	5,683
Mobile telephony	7,267	7,175
Internet and network	6,870	7,021
Terminal equipment, etc.	3,015	2,428
Cable TV	3,588	3,298
Other	518	562
Total	**26,304**	**26,167**

No customer comprises more than 10% of revenue.

Note 6 Wages, salaries and pension costs

DKKm

	2011	2010
Wages and salaries	(4,431)	(4,635)
Pensions (see note 27 for further information)	(547)	(558)
Share-based remuneration	(58)	0
Social security	(258)	(243)
Total	**(5,294)**	**(5,436)**
Of which capitalised as non-current assets	653	674
Total wages, salaries and pension costs recognised in the Income Statements	**(4,641)**	**(4,762)**

Number of full-time employee equivalents[1]

	2011	2010
1 January	10,423	11,277
Redundancy programmes	(783)	(841)
Outsourcing	(7)	0
Acquisitions and divestments	142	28
Hirings and resignations	41	(41)
31 December[2]	**9,816**	**10,423**
Hereof domestic operations	**8,552**	**9,200**
Average number of full-time employee equivalents, TDC Group[3, 4]	**10,106**	**10,860**

1 Denotes the number of full-time employee equivalents including permanent employees and trainees.
2 At 31 December 2011,156 (2010: 178) employees who are entitled to pensions on conditions similar to those provided for Danish civil servants were seconded to external parties in connection with outsourcing of tasks or divestment of operations.
3 The figure covers only continuing operations. Calculated including discontinued operations, the average number of full-time employee equivalents amounted to 10,106 in 2011 and 12,149 in 2010. Employees in acquired enterprises are included as the average number of full-time employee equivalents from the time of acquisition until 31 December. Employees in divested enterprises are included as the average number of full-time employee equivalents from 1 January to the time of divestment.
4 The average number of full-time employee equivalents includes 167 (2010: 186) TDC employees who have been seconded to external parties in connection with outsourcing of tasks or divestment of operations and who are entitled to pensions on conditions similar to those provided for Danish civil servants.

Remuneration principles

TDC aims to be an attractive workplace for the foremost talents, experts and executives in Denmark and the Nordic countries. To maintain and develop TDC's market position, remuneration is designed to be competitive in all relevant areas. The objective is to secure the right balance between rewarding short-term as well as long-term performance while at all times securing alignment of employee interests with those of shareholders to the extent possible.

TDC's approach to the total compensation packages is as follows:

- Remuneration is viewed in a broader context than simply financial remuneration packages. Pensions, incentives and benefits, health insurance, competency development and career progression are important parts of the attraction of working at TDC.

- As being competitive in the relevant markets is a main objective, salaries, incentives and benefits are designed accordingly. However, TDC´s market-leading position is taken into consideration.

- TDC aims at using performance-based pay in all relevant areas and at all levels. The aim is to secure a clear and direct link between individual employee remuneration and day-to-day performance.

- Main employee groups are covered by collective agreements and annual agreements with the unions, which may contain elements of general pay adjustment (equal pay adjustment for groups of employees).

TDC's executive remuneration is characterised by:

- TDC's executive remuneration is closely linked to company performance and shareholder value creation. The executive remuneration comprises a mix of a fixed base salary and incentive programmes that are measurable, controllable, well defined and aligned with shareholder interests.

- The remuneration varies by level and consists of a base salary, pension contribution, a cash-based incentive and share performance programmes based on Total Shareholder Return, company performance and peer group performance. The split between fixed salary and variable remuneration is set to ensure a clear focus on short-term performance and achievement of our long-term business objectives.

- TDC's executive remuneration is assessed against a benchmark of large Danish companies – some also including international activities, to ensure competitiveness.

- Executive remuneration is decided by the Compensation Committee.

Remuneration for the Board of Directors[1] — DKK thousands

	2011	2010
Vagn Sørensen (Chairman, Compensation Committee chairman and Audit Committee member)	1,300	1,250
Pierre Danon (Vice chairman and Compensation Committee member)	750	662
Stine Bosse[2]	325	-
Angus Porter[2]	325	-
Lars Rasmussen (Compensation Committee member)	450	371
Søren Thorup Sørensen (Audit Committee chairman)	600	494
Leif Hartmann[2]	200	369
Lotte Broder Jørgensen[2]	200	-
Steen M. Jacobsen	400	369
Jan Bardino	400	369
Bo Magnussen	400	369
Total	**5,350**	**4,253**

[1] The other members of the Board of Directors do not receive remuneration.
[2] The remuneration for 2011 for these members does not comprise remuneration for the full year.

Remuneration for the Corporate Management Team — DKKm

	2011				2010
	CEO Henrik Poulsen	CFO Pernille Erenbjerg[1]	Other members	Total[2]	Total[2]
Fixed base salary (incl. benefits)	7.1	3.5	26.4	35.8	32.9
Bonus (incl. deferred bonus)	4.0	1.9	14.3	19.6	17.9
Pensions	0.0	0.3	0.1	0.3	0.4
Performance share remuneration[3]	2.0	1.0	7.4	10.1	-
Sign-on bonus	-	-	1.0	1.0	-
Sunrise divestment bonus	-	-	-	.	9.8
Redundancy compensation	-	-	11.5	11.5	-
Total	**13.1**	**6.7**	**60.7**	**78.3**	**61.0**

[1] Comprises remuneration as if Pernille Erenbjerg had been a Corporate Management Team member for the full year 2011. The total remuneration for 2011 for the Corporate Management Team includes only remuneration for the period after Pernille Erenbjerg's appointment as Corporate Management Team member, i.e. May-December 2011.
[2] For further information about the Corporate Management Team members, see "Management". Inger Ørum Kirk and Miriam Igelsø Hvidt are not members of the Executive Committee. From 1 January, 1 April and 1 November 2011, the remuneration for the Corporate Management Team members comprises remuneration for eight, nine and ten members, respectively. During 2010, the remuneration for the Corporate Management Team members comprises remuneration for eight members.
[3] Fair value of performance share units granted.

The Corporate Management Team members' service contracts include 12 months' notice in the event of termination by the Company, except for one member who is entitled to 15 months' notice. Five members are entitled to receive severance payment equal to three to twelve months' base salary (and for two members plus on-target bonus) on retirement from his or her position as Corporate Management Team member, except if terminated for misconduct.

Bonus programmes

Approximately 300 TDC top managers participate in a short-term bonus programme called the Top Managers' Compensation Programme, and around 1,400 TDC managers and specialists participate in a short-term bonus programme called the Managers' Compensation Programme.

The short-term bonus programmes are based on specific, individual annual targets including personal, financial and operational targets. These targets depend on the organisational 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 fulfilment. The bonus percentage achieved when targets are met is called the on-target bonus percentage. For the Top Managers' Compensation Programme, this percentage is fixed in the contract of employment with the individual employee and usually varies within a range of 10%-33% of basic salary. The on-target bonus percentage is somewhat lower for the Managers' Compensation Programme. The bonus percentage achieved can be maximum 200% of the on-target bonus.

The short-term bonus programme for the members of the Corporate Management Team is based on the same principles as those for other managers.

For the Corporate Management Team and approximately 50 other executives reporting directly to the Corporate Management Team, a deferral element applies. The Corporate Management Team members are obliged to defer 50% of their short-term bonus for three years with an option to defer an additional 50% of their bonus for three years. The other eligible executives have the opportunity to defer up to 50% of their bonus for three years. Deferred bonus will immediately be converted into deferred share units in TDC with a corresponding value. Deferred share units will vest and be converted into shares in TDC after three years, provided that TDC's Equity Free Cash Flow (EFCF) per share, excluding income tax paid, lives up to the base case in TDC's business plan. Participants will receive the following shares:

EFCF[1] compared with base case business plan	**Deferred share units**	**Matching share units[2]**	**Total Share Units[3]**
2.5% higher	100%	100%	200%
Equal to	100%	75%	175%
2.5% lower	100%	62.5%	162.5%
5% lower	100%	50%	150%
5.01-15% lower	100%	0%	100%
15.01% lower	0%	0%	0%

1 Per share excluding income tax paid.
2 Linear calculation of matching share units between 75%-100% and 50%-75%.
3 Dividends paid out on shares in the deferral period will result in corresponding increases of each participant's number of share units. A participant who terminates employment during the vesting period for reasons of voluntary resignation or misconduct will receive no matching shares. Participants who terminate employment for other reasons will receive matching shares as if their employment had continued throughout the vesting period.

Performance Share Programme

With effect from 1 January 2011, a new Performance Share Programme to reward long-term performance was implemented. Approximately 300 TDC managers, including the Corporate Management Team, participate in the Performance Share Programme.

All eligible participants will annually be granted performance share units. Vested performance share units will be converted into shares in TDC. The value of performance share units granted will be calculated as a percentage of participants' base salary depending on tier level and individual performance. The number of performance share units granted will have a value, determined as the fair market value on the basis of a Monte Carlo simulation. For the Corporate Management Team this will correspond to 30% of base salary and, for other TDC managers, up to 30% of their base salary.

Ownership of shares will only pass to participants provided the performance share units vest. Performance share units vest three years from the date of grant subject to TDC's performance as measured by Total Shareholder Return (calculated as share price movements plus dividends received over a stated period divided by share price at the beginning of such period) (TSR) relative to a peer group of 14 telecommunications companies (excluding TDC):

TSR performance relative to peer group	**Vesting share units[1]**
No. 1-2	150%
No. 3-4	100%
No. 5-10	20-85%
No. 11-15	0%

1 Dividends paid out on shares in the vesting period will result in annual corresponding increases of each participant's number of performance share units. A participant who terminates employment during the vesting period for reasons of voluntary resignation or misconduct will not vest any performance share units. Participants who terminate employment for other reasons will vest performance share units as if their employment had continued throughout the vesting period.

For the Corporate Management Team a mandatory perpetual share ownership representing a value equivalent to two years' annual base salary, net of taxes, was implemented with effect from 1 January 2011. The required share ownership will be set as a fixed number of shares based on the individual Corporate Management Team member's base salary and the share price at the time of implementation and for new Corporate Management Team members at the time of hire/promotion. The number of shares required to be owned by Corporate Management Team members can be changed by a Board decision if the share value or salary level changes significantly. For both new and existing Corporate Management Team members, the ownership can be built up over a maximum of three years.

Deferred bonus
The value of the bonus which the Corporate Management Team members are obliged to defer at the beginning of 2012 amounted to DKK 8.6m. The value of the bonus which the Corporate Management Team members and other executives have the opportunity to defer at the beginning of 2012 amounted to DKK 15.4m. The value of potential matching shares amounted to DKK 9.8m.

Liabilities arising from share-based remuneration amounted to DKK 15m at 31 December 2011, compared with DKK 0m at 31 December 2010.

Performance share units

	2011					
	Outstanding at 1 January	Granted	Transferred	Exercised	Forfeited	Outstanding at 31 December
2011 grant to the Corporate Management Team	0	318,195	13,754	0	0	331,949
2011 grant to other managers	0	1,035,363	(13,754)	0	(51,558)	970,051

None of the outstanding performance share units at 31 December 2011 were exercisable. The fair value at grant were DKK 31.88 per unit for the 2011 grant. The fair value of the 2011 grant is calculated using a Monte Carlo simulation model with an interest rate of 1.38%, a volatility for TDC of 20.3%, an average correlation between TDC and peers of 49.1% and a share price at the time of grant of DKK 48.45.

Share options for certain employees in Danish enterprises
TDC had a revolving share-option programme for employees in TDC's domestic enterprises. The programme ceased in 2006 and was replaced by another long-term incentive programme. At 31 December 2011, there were no outstanding share options, compared with 5,595 at 31 December 2010. No share options were exercised in 2011 or 2010.

No expenses resulted from the Danish share-option programme in 2011 or 2010.

Employee Share Grant
In December 2010, TDC made a one-time grant for free of shares in TDC to all TDC employees, representing a value for each employee of DKK 12,000. The grant resulted in a total cost of DKK 145m, which was recognised as a special item in 2010. For Danish employees, the granted shares are locked up for a seven-year period in order for the shares to be exempt from income tax for the employees.

Number of shares in TDC A/S

	1 January 2011	Additions	Divestments	31 December 2011
Present Board of Directors[1]				
Vagn Sørensen	322,653	2,739	0	325,392
Pierre Danon	113,151	3,934	0	117,085
Stine Bosse	0	2,310	0	2,310
Søren Thorup Sørensen	3,074	0	0	3,074
Henrik Kraft	0	65,000	0	65,000
Lotte Broder Jørgensen	1,490	0	0	1,490
Steen M. Jacobsen	740	0	0	740
Jan Bardino	1,040	750	0	1,790
Bo Magnussen	740	0	0	740
Total	**442,888**	**74,733**	**0**	**517,621**
Present Corporate Management Team				
Henrik Poulsen	963,457	0	0	963,457
Eva Berneke	322,653	0	(89,000)	233,653
Niels Breining	161,831	0	0	161,831
Carsten Dilling	685,078	0	0	685,078
Pernille Erenbjerg	85,580	0	0	85,580
Miriam Igelsø Hvidt	80,786	0	0	80,786
Anders Jensen	0	0	0	0
Inger Ørum Kirk	0	0	0	0
Martin Lippert	243,610	0	(80,000)	163,610
Jens Munch-Hansen	562,014	0	(80,000)	482,014
Total	**3,105,009**	**0**	**(249,000)**	**2,856,009**

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

In connection with NTC's offering of shares in TDC A/S in November 2010, the participants in the former Management Investment Programme received shares in TDC A/S. The shares received in connection with the offering are covered by a lock-up. For Executive Committee members, the management lock-up applies to 50% of the shares for 12 months and 50% of the shares for 18 months from 25 November 2010. The members of the Executive Committee have also agreed with NTC that the lock-up will apply to all shares that are owned or acquired by them other than in connection with the Management Investment Programme reorganisation and buyout for a period of 18 months from 25 November 2010.

Note 7 Other income, other expenses and government grants

DKKm	2011	2010
Other income	187	200
Other expenses	(2)	(4)
Total	**185**	**196**

Other income comprises mainly income from seconded civil servants, leases, compensation for cable breakages as well as profit relating to divestment of intangible assets and property, plant and equipment.

Government grants recognised as income during 2011 amounted to DKK 26m compared with DKK 22m in 2010.

Note 8 Depreciation, amortisation and impairment losses

DKKm	2011	2010
Depreciation	(2,703)	(2,660)
Amortisation	(2,471)	(2,603)
Impairment losses	(53)	(93)
Total	**(5,227)**	**(5,356)**

The decline in Depreciation, amortisation and impairment losses from 2010 to 2011 reflected primarily lower amortisation of the value of customer relationships according to the diminishing balance method.

Note 9 Special items

DKKm	2011	2010
Gain from divestments of enterprises and property	88	31
Loss from divestments of enterprises and property	(4)	(69)
Impairment losses	4	(50)
Loss from rulings	(58)	(85)
Costs related to redundancy programmes and surplus office capacity	(664)	(705)
Other restructuring costs, etc.	(221)	(467)
Costs related to acquisition of enterprises	(13)	(2)
Adjustment of purchase price of enterprises	4	0
Special items before income taxes	**(864)**	**(1,347)**
Income taxes related to special items	179	253
Special items after income taxes	**(685)**	**(1,094)**

In 2011, Other restructuring cost, etc. included accelerated amortisation of borrowing costs (DKK 106m). Gain from divestments of enterprises and property comprised primarily the divestment of shares in Nawras. Loss from rulings comprised a provision relating to a Swedish court ruling in a dispute over interconnect fees.

In 2010, Other restructuring costs, etc. included costs related to a one-time grant to all employees of TDC shares (DKK 145m) and accelerated amortisation of borrowing costs (DKK 106m) due to the refinancing of TDC's Senior Loans in early 2011. Loss from rulings related to a Swedish court ruling in a dispute over interconnect fees[1]. Loss from divestments of enterprises and property comprised primarily the divestment of holiday cottages.

[1] This dispute is not identical with the dispute which resulted in a provision in 2011.

Note 10 Net financials

DKKm

	2011			
	Interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs) (incl. hedges)	(897)	57	144	(696)
Senior loans (incl. hedges)	(292)	(2)	229	(65)
Other	(116)	(4)	1	(119)
Net financials	**(1,305)**	**51**	**374**	**(880)**

Interest of DKK (1,305)m is specified as follows: Interest income, DKK 872m and interest expenses, DKK (2,177)m.

	2010			
	Interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs) (incl. hedges)	(352)	(7)	0	(359)
Senior loans (incl. hedges)	(1,163)	(33)	115	(1,081)
Other	(76)	20	0	(56)
Net financials	**(1,591)**	**(20)**	**115**	**(1,496)**

Interest of DKK (1,591)m is specified as follows: Interest income, DKK 401m and interest expenses, DKK (1,992)m.

Net financials represented an expense of DKK 880m in 2011, a decrease of DKK 616m compared with 2010, driven by:

- A decrease of DKK 286m in net interest expenses, reflecting lower interest expenses on long-term debt, due mainly to lower debt.
- A positive development of DKK 259m in fair value adjustments of derivative financial instruments related primarily to hedging of EUR denominated debt.
- A positive development of DKK 71m in currency translation adjustments related primarily to long-term EUR denominated debt and hedging hereof.

Subsequent to the refinancing of TDC's debt, approximately 40% of the issued fixed interest-rate EMTN bonds were swapped to floating interest-rates. In addition, the EMTN GBP bonds were swapped to fixed EUR interest-rates. Both types of derivatives are treated as hedge accounting.

Net financials specified by category DKKm

	2011					
	Interest	Currency translation adjustments	Fair value adjustments: Derivatives treated as fair-value hedges	Fair value adjustments: Loans, fair-value hedged	Fair value adjustments: Other derivatives	Total
Income						
Financial assets and liabilities measured at fair value through profit or loss	825	11	540	0	573	1,949
Loans and receivables	37	2	0	0	0	39
Financial liabilities measured at amortised cost	0	62	0	0	0	62
Non-financial assets or liabilities	10	0	0	0	0	10
Total	**872**	**75**	**540**	**0**	**573**	**2,060**
Expenses						
Financial assets and liabilities measured at fair value through profit or loss	(929)	(9)	(51)	(484)	(204)	(1,677)
Loans and receivables	0	(8)	0	0	0	(8)
Financial liabilities measured at amortised cost	(1,204)	(7)	0	0	0	(1,211)
Non-financial assets or liabilities	(44)	0	0	0	0	(44)
Total	**(2,177)**	**(24)**	**(51)**	**(484)**	**(204)**	**(2,940)**
Net financials	**(1,305)**	**51**	**489**	**(484)**	**369**	**(880)**

	2010			
	Interest	Currency translation adjustments	Fair value adjustments	Total
Income				
Financial assets and liabilities measured at fair value through profit or loss	312	58	321	691
Loans and receivables	55	29	0	84
Financial liabilities measured at amortised cost	0	2	0	2
Non-financial assets or liabilities	34	0	0	34
Total	**401**	**89**	**321**	**811**
Expenses				
Financial assets and liabilities measured at fair value through profit or loss	(714)	(38)	(206)	(958)
Loans and receivables	0	(7)	0	(7)
Financial liabilities measured at amortised cost	(1,225)	(64)	0	(1,289)
Non-financial assets or liabilities	(53)	0	0	(53)
Total	**(1,992)**	**(109)**	**(206)**	**(2,307)**
Net financials	**(1,591)**	**(20)**	**115**	**(1,496)**

Note 11 Income taxes

DKKm

	2011		
	Income taxes cf. the Income Statements	**Income tax payable/ (receivable)**	**Deferred tax liabilities /(assets)**
At 1 January	-	861	6,420
Additions relating to acquisition of enterprises	-	2	12
Income taxes	(1,157)	1,284	(127)
Adjustment of tax for previous years	26	(69)	43
Tax related to other comprehensive income	-	0	78
Tax paid	-	(1,715)	-
Total	**(1,131)**	**363**	**6,426**
which can be specified as follows:			
Tax payable/deferred tax liabilities	-	363	6,476
Tax receivable/deferred tax assets	-	0	(50)
Total	**-**	**363**	**6,426**
Income taxes are specified as follows:			
Income excluding special items	(1,310)	-	-
Special items	179	-	-
Total	**(1,131)**	**-**	**-**

	2010		
	Income taxes cf. the Income Statements	**Income tax payable/ (receivable)**	**Deferred tax liabilities /(assets)**
At 1 January	-	1,268	7,261
Transferred to discontinued operations	-	(137)	(380)
Currency translation adjustments, net	-	1	(1)
Additions relating to acquisition of enterprises	-	1	20
Income taxes	(823)	1,237	(414)
Adjustment of tax for previous years	32	(9)	(23)
Tax related to other comprehensive income	-	0	(43)
Tax paid	-	(1,500)	-
Transferred to discontinued operations	9	-	-
Total	**(782)**	**861**	**6,420**
which can be specified as follows:			
Tax payable/deferred tax liabilities	-	861	6,486
Tax receivable/deferred tax assets	-	0	(66)
Total	**-**	**861**	**6,420**
Income taxes are specified as follows:			
Income excluding special items	(1,035)	-	-
Special items	253	-	-
Total	**(782)**	**-**	**-**

Reconciliation of effective tax rate

	2011	2010
Danish income tax rate	25.0	25.0
Joint ventures and associates	0.1	0.0
Other non-taxable income and non-tax deductible expenses	0.2	0.1
Tax value of non-capitalised tax losses and utilised tax losses, net	0.2	(0.5)
Adjustment of tax for previous years	(0.5)	(0.8)
Limitation on the tax deductibility of interest expenses	2.2	2.6
Other	0.0	0.0
Effective tax rate excluding special items	**27.2**	**26.4**
Special items	1.5	3.8
Effective tax rate including special items	**28.7**	**30.2**

Specification of deferred tax DKKm

	2011			2010
	Deferred tax assets	Deferred tax liabilities	Total	
Receivables	(3)	0	(3)	(4)
Provisions	(30)	0	(30)	(96)
Current	**(33)**	**0**	**(33)**	**(100)**
Intangible assets	0	3,985	3,985	4,321
Property, plant and equipment	0	562	562	711
Pension assets and pension liabilities	0	2,015	2,015	1,872
Tax value of tax-loss carryforwards	(4)	0	(4)	0
Other	(99)	0	(99)	(384)
Non-current	**(103)**	**6,562**	**6,459**	**6,520**
Deferred tax liabilities at 31 December	**(136)**	**6,562**	**6,426**	**6,420**
Recognised as follows in the Balance Sheets:				
Deferred tax assets			(50)	(66)
Deferred tax liabilities			6,476	6,486

The Group has tax losses and other tax values (temporary differences) to carry forward against future taxable income that have not been recognised in these Financial Statements due to uncertainty of their recoverability: These tax values amount to:

DKKm

	2011	2010
Tax losses	688	690
Other tax values (temporary differences)	232	236
Total	**920**	**926**

All the Danish Group companies participate in joint taxation with TDC A/S as management company.

Note 12 Discontinued operations

	2011	2010
		DKKm
Revenue	**0**	**9,082**
Total operating costs	**0**	**(6,681)**
Income taxes	**0**	**(259)**
Profit from discontinued operations excluding gain from divestment	0	413
Gain/loss from divestment of discontinued operations (special items)	(5)	696
Tax relating to gain/loss from divestment of discontinued operations (special items)	0	78
Other special items relating to discontinued operations	0	16
Profit for the year from discontinued operations	**(5)**	**1,203**

Discontinued operations comprise primarily the former 100% owned subsidiary Sunrise Communications AG, the second-largest integrated telecommunications provider in Switzerland.

The loss from discontinued operations of DKK 5m in 2011 represented adjustments of the transaction costs relating to the divestment of Sunrise in 2010 and TDC Directories in 2005. The profit of DKK 413m in 2010 consisted largely of profit from business activities in Sunrise, which was partly offset by a loss from net investment hedging relating to Sunrise amounting to DKK 474m.

Note 13 Earnings per share (EPS)

	2011	2010
Profit for the year (DKKm)	**2,808**	**3,007**
Average number of shares	855,632,012	991,875,885
Average number of treasury shares	(38,963,957)	(10,094,645)
Average number of outstanding shares	**816,668,055**	**981,781,240**
Average dilutive effect of outstanding share-based instruments (number)	602,543	0
Average number of diluted outstanding shares	**817,270,598**	**981,781,240**
EPS (DKK)		
EPS, basic	3.44	3.06
EPS, diluted	3.44	3.06
EPS from continuing operations, basic	3.45	1.84
EPS from continuing operations, diluted	3.45	1.84
EPS from discontinued operations, basic	(0.01)	1.22
EPS from discontinued operations, diluted	(0.01)	1.22

As a result of the share split at 10 May 2010, the nominal share value changed from DKK 5 to DKK 1. The number of shares increased proportionately. Comparative figures were restated.

Note 14 Intangible assets

DKKm

	2011				
	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total
Accumulated cost at 1 January	17,228	18,593	5,762	7,210	48,793
Transfers (to)/from other items	0	25	0	(25)	0
Additions relating to the acquisition of enterprises	247	86	21	7	361
Additions	0	1	0	850	851
Disposals relating to the divestment of enterprises	(3)	(4)	0	0	(7)
Assets disposed of or fully amortised	0	0	0	(68)	(68)
Currency translation adjustments	7	3	1	4	15
Accumulated cost at 31 December	**17,479**	**18,704**	**5,784**	**7,978**	**49,945**
Accumulated amortisation and write-downs for impairment at 1 January	(1,254)	(8,116)	(73)	(4,551)	(13,994)
Transfers (to)/from other items	0	(25)	0	25	0
Amortisation	0	(1,623)	(17)	(831)	(2,471)
Write-downs for impairment	0	0	0	(7)	(7)
Reversal of write-downs	0	11	0	0	11
Disposals relating to the divestment of enterprises	0	1	0	0	1
Assets disposed of or fully amortised	0	0	0	67	67
Currency translation adjustments	(5)	(3)	0	(1)	(9)
Accumulated amortisation and write-downs for impairment at 31 December	**(1,259)**	**(9,755)**	**(90)**	**(5,298)**	**(16,402)**
Carrying amount at 31 December	**16,220**	**8,949**	**5,694**	**2,680**	**33,543**
Carrying amount of capitalised interest at 31 December	**-**	**0**	**0**	**1**	**1**

	2010				
	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total
Accumulated cost at 1 January	26,425	23,651	7,287	7,920	65,283
Transferred to discontinued operations	(9,526)	(5,211)	(1,538)	(1,521)	(17,796)
Transfers (to)/from other items	0	(32)	0	32	0
Additions relating to the acquisition of enterprises	231	96	2	9	338
Additions	0	25	0	1,102	1,127
Assets disposed of or fully amortised	(17)	(4)	0	(353)	(374)
Currency translation adjustments	115	68	11	21	215
Accumulated cost at 31 December	**17,228**	**18,593**	**5,762**	**7,210**	**48,793**
Accumulated amortisation and write-downs for impairment at 1 January	(1,299)	(9,151)	(658)	(4,625)	(15,733)
Transferred to discontinued operations	123	2,852	604	588	4,167
Transfers (to)/from other items	0	19	0	(19)	0
Amortisation	0	(1,783)	(19)	(801)	(2,603)
Write-downs for impairment	0	(3)	0	(34)	(37)
Assets disposed of or fully amortised	17	4	0	351	372
Currency translation adjustments	(95)	(54)	0	(11)	(160)
Accumulated amortisation and write-downs for impairment at 31 December	**(1,254)**	**(8,116)**	**(73)**	**(4,551)**	**(13,994)**
Carrying amount at 31 December	**15,974**	**10,477**	**5,689**	**2,659**	**34,799**
Carrying amount of capitalised interest at 31 December	**-**	**0**	**0**	**1**	**1**

In 2011, write-downs for impairment of rights, software, etc. totalled DKK 7m. Of this, DKK 5m related to assets jointly operated by Consumer, Business, Wholesale and Operations & HQ. The write-downs are due to termination of various software projects.

In 2010, write-downs for impairment of rights, software, etc. totalled DKK 37m. Of this, DKK 34m related to assets jointly operated by Consumer, Business, Wholesale and Operations & HQ. The write-downs were due to termination of various software projects.

The carrying amount of software amounted to DKK 1,475m, compared with DKK 1,342m in 2010. In 2011, the addition of internally developed software totalled DKK 139m, compared with DKK 99m in 2010. The carrying amount of Danish mobile licenses included in Other rights, software etc. amounted to DKK 1,019m, compared with DKK 1,106m in 2010.

Interest capitalised during 2011 amounted to DKK 0m, compared with DKK 1m in 2010.

Impairment tests of goodwill and intangible assets with indefinite useful lives

The carrying amount of goodwill is tested for impairment annually and if events or changes in circumstances indicate impairment. The annual tests were carried out at 1 July 2011 and 1 July 2010, respectively. The annual test in 2012 is expected to be carried out at 1 October 2012 due to a change in the Group's budget and planning process.

The test at 1 July 2011 did not identify any impairment.

The impairment test is an integral part of the Group's budget and planning process that is based on three-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 three-year business plans approved by Management.

Goodwill and intangible assets with indefinite useful lives relate primarily to Consumer, Business and YouSee. 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 amount of goodwill to exceed the recoverable value.

The carrying amount of assets with indefinite useful lives other than goodwill amounted to DKK 5,604m at 31 December 2011, compared with DKK 5,603m in 2010. The most significant amounts were Brands DKK 3,299m related to Consumer and Brands DKK 2,040m related to Business. The carrying amounts were unchanged at 31 December 2011 compared with 31 December 2010.

Assumptions for calculating the value in use for the most significant goodwill amounts

	Consumer	Business	YouSee
Carrying amount of goodwill at 31 December 2011 (DKKm)	4,649	8,135	2,085
Carrying amount of goodwill at 31 December 2010 (DKKm)	4,649	8,133	2,089
The recoverable amount is primarily sensitive to	Growth in Mobile data, TVoIP and VoIP offset by decline within traditional landline telephony	Growth in Mobile data and VoIP offset by decline within traditional landline telephony	Continued growth in earnings from TV usage (both YouSee Clear and YouSee Plus)
Projected earnings	Slight decline due to landline (both voice and broadband). Growth areas are TVoIP, VoIP and mobile data	Stable. Slight growth in VoIP, terminal sales, Data & fibre solutions and mobile broadband. Decline in PSTN, mobile voice and landline broadband	Growth driven by TV (both YouSee Clear and YouSee Plus) and broadband
Market-based growth rate applied to extrapolated projected future cash flows for the period following 2014	2.5%	2.5%	2.0%
Applied pre-tax discount rate at 1 July 2011	7.9%	8.1%	8.5%
Applied pre-tax discount rate at 1 July 2010	8.1%	8.5%	8.7%

Note 15 Property, plant and equipment DKKm

	2011					
	Land and buildings	Telecom-munications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
Accumulated cost at 1 January	590	23,098	2,466	433	260	26,847
Transfers (to)/from other items	(1)	504	106	(312)	(297)	0
Additions relating to the acquisition of enterprises	0	2	5	0	0	7
Work performed for own purposes and capitalised	0	941	2	0	25	968
Acquisitions from third parties	14	658	265	322	341	1,600
Assets disposed of	(1)	(971)	(520)	0	0	(1,492)
Currency translation adjustments	0	9	3	0	0	12
Accumulated cost at 31 December	**602**	**24,241**	**2,327**	**443**	**329**	**27,942**
Accumulated depreciation and write-downs for impairment at 1 January	(54)	(9,353)	(1,626)	(283)	0	(11,316)
Transfers to/(from) other items	0	(2)	2	0	0	0
Depreciation	(15)	(2,272)	(416)	0	0	(2,703)
Write-downs for impairment	0	(37)	(9)	(11)	0	(57)
Reversal of write-downs for impairment	0	4	0	0	0	4
Assets disposed of	0	968	513	0	0	1,481
Currency translation adjustments	0	(6)	(2)	0	0	(8)
Accumulated depreciation and write-downs for impairment at 31 December	**(69)**	**(10,698)**	**(1,538)**	**(294)**	**0**	**(12,599)**
Carrying amount at 31 December	**533**	**13,543**	**789**	**149**	**329**	**15,343**
Carrying amount of finance leases at 31 December	**69**	**50**	**86**	**-**	**-**	**205**
Carrying amount of capitalised interest at 31 December	**0**	**0**	**0**	**-**	**0**	**0**

	2010					
	Land and buildings	**Telecommunications installations**	**Other installations**	**Installation materials**	**Property, plant and equipment under construction**	**Total**
Accumulated cost at 1 January	686	27,066	3,374	458	1,036	32,620
Transferred to discontinued operations	0	(5,884)	(901)	0	(531)	(7,316)
Transfers (to)/from other items	(2)	915	22	(310)	(625)	0
Additions relating to the acquisition of enterprises	0	73	4	0	0	77
Work performed for own purposes and capitalised	0	996	3	1	16	1,016
Acquisitions from third parties	14	762	284	278	360	1,698
Assets disposed of	(109)	(982)	(353)	0	0	(1,444)
Currency translation adjustments	1	152	33	6	4	196
Accumulated cost at 31 December	**590**	**23,098**	**2,466**	**433**	**260**	**26,847**
Accumulated depreciation and write-downs for impairment at 1 January	(39)	(10,105)	(2,228)	(250)	0	(12,622)
Transferred to discontinued operations	0	2,242	625	0	0	2,867
Transfers to/(from) other items	5	(100)	89	6	0	0
Depreciation	(8)	(2,249)	(432)	0	0	(2,689)
Write-downs for impairment	(17)	(44)	(10)	(35)	0	(106)
Assets disposed of	5	959	347	0	0	1,311
Currency translation adjustments	0	(56)	(17)	(4)	0	(77)
Accumulated depreciation and write-downs for impairment at 31 December	**(54)**	**(9,353)**	**(1,626)**	**(283)**	**0**	**(11,316)**
Carrying amount at 31 December	**536**	**13,745**	**840**	**150**	**260**	**15,531**
Carrying amount of finance leases at 31 December	**74**	**53**	**69**	**-**	**-**	**196**
Carrying amount of capitalised interest at 31 December	**0**	**0**	**0**	**-**	**0**	**0**

In 2011, write-downs for impairment totalled DKK 57m. Of this, DKK 42m related to assets operated jointly by Business, Operations & HQ and Consumer, DKK 13m related to YouSee, and DKK 2m related to Nordic.

In 2010, write-downs for impairment totalled DKK 106m. Of this, DKK 93m related to assets operated jointly by Business, Operations & HQ and Consumer, DKK 12m related to Nordic, and DKK 1m related to YouSee.

Interest capitalised during 2011 amounted to DKK 0m compared with DKK 0m in 2010.

The carrying amount of mortgaged property, plant and equipment amounted to DKK 2m at 31 December 2011 compared with DKK 2m at 31 December 2010.

In 2011, damages of DKK 41m received relating to property, plant and equipment were recognised as income compared with DKK 42m in 2010.

Note 16 Investments in joint ventures and associates

DKKm	2011	2010
Accumulated cost at 1 January	115	108
Additions during the year	11	19
Disposals relating to increased ownership shares of enterprises	0	(12)
Disposals during the year	(24)	0
Accumulated cost at 31 December	**102**	**115**
Accumulated write-ups and write-downs for impairment at 1 January	22	60
Transferred (to)/from liabilities	3	(9)
Disposals relating to increased ownership shares of enterprises	0	2
Write-ups and write-downs for the year:		
Share of profit/(loss)	(25)	3
Dividends	(4)	(34)
Disposals during the year	24	0
Accumulated write-ups and write-downs for impairment at 31 December	**20**	**22**
Carrying amount at 31 December	**122**	**137**
which can be specified as follows:		
Joint ventures	0	5
Associates	122	132
Total	**122**	**137**

Profit from joint ventures and associates

DKKm	2011	2010
Share of profit/loss	(25)	3
Gain/loss relating to divestment of joint ventures and associates (special items)	0	10
Profit from joint ventures and associates	**(25)**	**13**

Joint ventures

TDC has no significant investments in joint ventures.

Associates

TDC has no significant investments in associates.

Note 17 Receivables

DKKm	2011	2010
Trade receivables	4,631	4,379
Allowances for doubtful debts	(268)	(245)
Trade receivables, net	**4,363**	**4,134**
Receivables from group enterprises	0	31
Contract work in progress (see table below for details)	78	90
Other receivables	610	390
Total	**5,051**	**4,645**
Recognised as follows in the Balance Sheets:		
Non-current assets	278	241
Current assets	4,773	4,404
Total	**5,051**	**4,645**
Allowances for doubtful debts at 1 January	(245)	(338)
Transferred to discontinued operations	0	58
Additions	(164)	(167)
Deductions	141	202
Allowances for doubtful debts at 31 December	**(268)**	**(245)**
Receivables past due and impaired	**652**	**652**
Receivables past due but not impaired	**559**	**422**
Receivables past due but not impaired can be specified as follows:		
Receivables past due less than 6 months	435	353
Receivables past due between 6 and 12 months	74	22
Receivables past due more than 12 months	50	47
Total	**559**	**422**

Of the receivables classified as current assets at 31 December 2011, DKK 78m falls due after more than one year, compared with DKK 0m at 31 December 2010.

Trade receivables past due amounted to DKK 1,211m compared with DKK 1,074m at 31 December 2010. Other receivables contain write-down for impairment of DKK 15m compared with DKK 15m at December 2010. Other classes within receivables do not contain impaired assets.

The carrying amount of charged receivables amounted to DKK0m at 31 December 2011, compared with DKK 0m at 31 December 2010.

Contract work in progress

DKKm	2011	2010
Value of contract work in progress	328	285
Invoicing on account	(276)	(210)
Total	**52**	**75**
Recognised as follows in the Balance Sheets:		
Contract work in progress (assets)	78	90
Contract work in progress (prepayments from customers)	(26)	(15)
Total	**52**	**75**
Recognised as revenue from contract work in progress	**396**	**419**

Note 18 Prepaid expenses

DKKm	2011	2010
Prepaid lease payments	84	93
Expenses related to non-refundable up-front connection fees	371	346
Other prepaid expenses	429	446
Total	**884**	**885**
Recognised as follows in the Balance Sheets:		
Non-current assets	305	270
Current assets	579	615
Total	**884**	**885**

Note 19 Inventories

DKKm	2011	2010
Raw materials and supplies	27	27
Work in progress	16	9
Finished goods and merchandise	238	271
Total	**281**	**307**

Inventories recognised as cost of goods sold amounted to DKK 1,796m in 2011, compared with DKK 1,284m in 2010.

Inventories expected to be sold after more than one year totalled DKK 15m at 31 December 2011, compared with DKK 21m at 31 December 2010.

Write-downs of inventories amounted to DKK 6m in 2011, compared with DKK 7m in 2010. Reversal of write-downs of inventories totalled DKK 3m in 2011, compared with DKK 5m in 2010.

Note 20 Cash

The carrying amount of charged cash amounted to DKK 0m at 31 December 2011, compared with DKK 780m at 31 December 2010.

Note 21 Equity

Share capital	Shares (number)	Nominal value (DKK)
Holding at 1 January 2010	198,375,177	991,875,885
Five-for-one share split	793,500,708	0
Additions	0	0
Reductions	0	0
Holding at 1 January 2011	**991,875,885**	**991,875,885**
Additions	0	0
Capital reduction by cancellation of treasury shares	(166,875,885)	(166,875,885)
Holding at 31 December 2011	**825,000,000**	**825,000,000**

At the Annual General Meeting on 4 March 2010 it was resolved to declare a five-for-one share split from DKK 5 per share to DKK 1 per share with effect as of 10 May 2010. At the Annual General Meeting on 9 March 2011 it was resolved to reduce the share capital by a nominal amount of DKK 166,875,885 by cancellation of treasury shares. After the capital reduction, the total authorised number of shares is 825,000,000 with a par value of DKK 1 per share. All issued shares have been fully paid up.

Treasury shares	**Shares (number)**	**Nominal value (DKK)**	**% of share capital**
Holding at 1 January 2010	283,821	1,419,105	0.14
Five-for-one share split	1,135,284	0	-
Additions	176,468,549	176,468,549	17.79
Disposals	(2,770,136)	(2,770,136)	(0.27)
Holding at 1 January 2011	**175,117,518**	**175,117,518**	**17.66**
Cancellation of treasury shares in connection with capital reduction	(166,875,885)	(166,875,885)	(16.67)
Additions	125,488	125,488	0.02
Disposals	0	0	0.00
Holding at 31 December 2011	**8,367,121**	**8,367,121**	**1.01**

In December 2010, TDC completed a share buy-back of 176,468,549 shares of nominally DKK 1 each for an aggregate amount of DKK 9bn. 2,770,136 of the shares acquired in the share buy-back were used for a one-time grant of shares to the employees (cf. note 6).

In March 2011,166,875,885 treasury shares were cancelled in connection with a capital reduction.

The remaining treasury shares may be used in connection with incentive and other remuneration programmes for the executive management and employees; as consideration in acquisitions of other businesses; and, subject to the necessary approval of the General Meeting, to complete a reduction of the share capital.

Note 22 Loans

		DKKm
	2011	**2010**
Specification of long-term loans:		
Senior loans	0	17,737
Euro Medium Term Notes (EMTNs)	19,056	5,342
Debt relating to finance leases	169	150
Other loans	179	199
Total	**19,404**	**23,428**
Specification of short-term loans:		
Bank loans	302	55
Euro Medium Term Notes (EMTNs)	3,402	0
Debt relating to finance leases	79	59
Other loans	33	102
Total	**3,816**	**216**
Total long-term and short-term loans	**23,220**	**23,644**
Fair value	24,603	24,215
Nominal value	23,089	23,903
Long-term loans fall due as follows:		
1 -3 years	145	3,531
3 -5 years	8,169	19,742
After 5 years	11,090	155
Total	**19,404**	**23,428**

In February 2011, TDC issued 3 unsecured BBB/Baa2-rated EUR/GBP bonds with maturities of 4, 7 and 12 years under the Company's new EUR 4bn EMTN Programme listed on the Luxembourg Stock Exchange. TDC has also negotiated and signed new committed credit facilities of EUR 700m with an average maturity of 4.4 years with TDC's core banking group. The proceeds from the bond issuance were used to fully repay the secured senior loans.

Approximately 40% of the issued fixed interest-rate EMTN bonds were swapped to floating interest rates. In addition, the EMTN GBP bonds were swapped to fixed EUR interest rates. Both types of derivatives are treated as hedge accounting.

Euro Medium Term Notes (EMTNs)

							Bonds
		2012	**2015**	**2015**	**2018**	**2023**	**Total**
		19 Apr	23 Feb	16 Dec	23 Feb	23 Feb	
Maturity		2012	2015	2015	2018	2023	
Fixed/Floating rate		Fixed	Fixed	Fixed	Fixed	Fixed	
Coupon		6.500%	3.500%	5.875%	4.375%	5.625%	
Outstanding amounts (nominal value):							
1 January 2011	EURm	457	0	274	0	0	731
Issuance February 2011	EURm	0	800	0	800	0	1,600
Issuance February 2011	GBPm	0	0	0	0	550	550
31 December 2011	**EURm**	**457**	**800**	**274**	**800**	**0**	**2,331**
31 December 2011	**GBPm**	**0**	**0**	**0**	**0**	**550**	**550**
31 December 2011	**DKKm**	**3,400**	**5,947**	**2,033**	**5,947**	**4,892**	**22,219**

Debts relating to finance leases DKKm

	Minimum payments		**Present value**	
	2011	**2010**	**2011**	**2010**
Mature within 1 year	87	70	79	59
Mature between 1 and 3 years	95	68	79	50
Mature between 3 and 5 years	35	35	25	25
Mature after 5 years	113	127	65	75
Total	**330**	**300**	**248**	**209**

Debts relating to finance leases are related primarily to lease agreements regarding property and IT equipment.

Note 23 Deferred income DKKm

	2011	**2010**
Accrued revenue from non-refundable up-front connection fees	1,134	1,291
Deferred subscription revenue	2,337	2,264
Other deferred income	443	488
Total	**3,914**	**4,043**
Recognised as follows in the Balance Sheets:		
Non-current liabilities	871	971
Current liabilities	3,043	3,072
Total	**3,914**	**4,043**

Note 24 Provisions

DKKm

	2011				2010
	Decommissioning obligations	Restructuring obligations	Other provisions	Total	
Provisions at 1 January	156	822	1,046	2,024	2,483
Transferred to discontinued operations	0	0	0	0	(640)
Provisions made	7	477	372	856	1,087
Change in present value	(15)	9	12	6	18
Provisions used	(3)	(590)	(375)	(968)	(886)
Reversal of unused provisions	(1)	(14)	(83)	(98)	(76)
Currency translation adjustments	0	1	4	5	38
Provisions at 31 December	**144**	**705**	**976**	**1,825**	**2,024**
Recognised as follows in the Balance Sheets:					
Non-current liabilities	144	334	380	858	974
Current liabilities	0	371	596	967	1,050
Total	**144**	**705**	**976**	**1,825**	**2,024**

Provisions for decommissioning obligations relate to the future dismantling of mobile stations and restoration of property owned by third parties. The uncertainties relate primarily to the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflow until after 2016.

Provisions for restructuring obligations relate primarily to redundancy programmes. The majority of these obligations are expected to result in cash outflow in the period 2012-2016. The uncertainties relate primarily to the estimated amounts.

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

Note 25 Trade and other payables

DKKm

	2011	2010
Trade payables	4,228	4,018
Prepayments from customers	251	306
Other payables	2,435	1,817
Total	**6,914**	**6,141**

DKK 35m of the current liabilities at 31 December 2011 falls due after more than one year compared with DKK 61m at 31 December 2010.

Note 26 Financial instruments, etc.

TDC is exposed to financial market and credit risks when buying and selling goods and services in foreign denominated currencies and when investing in and financing activities. Analyses of such risks are disclosed below.

A: Foreign-currency exposures DKKm

Financial assets and liabilities in foreign currencies at 31 December are specified below:

Currency		2011				2010
		Financial assets and liabilities				
	Maturities	Assets	Liabilities	Derivatives[1]	Net position	
EUR	< 1 year	216	(4,302)	371	(3,715)	(983)
	1-3 years	1	0	1	2	(2,969)
	3-5 years	0	(8,086)	2,441	(5,645)	(19,736)
	> 5 years	0	(6,136)	(1,572)	(7,708)	(115)
Total EUR		**217**	**(18,524)**	**1,241**	**(17,066)**	**(23,803)**
GBP	< 1 year	242	(235)	0	7	0
	1-3 years	0	0	0	0	0
	3-5 years	0	0	0	0	0
	> 5 years	0	(4,835)	6,448	1,613[2]	0
Total GBP		**242**	**(5,070)**	**6,448**	**1,620**	**0**
Others	< 1 year	1,139	(419)	0	720	361
	1-3 years	1	(38)	0	(37)	(25)
	3-5 years	0	(4)	0	(4)	(4)
	> 5 years	0	0	0	0	0
Total others		**1,140**	**(461)**	**0**	**679**	**332**
Foreign currencies total		**1,599**	**(24,055)**	**7,689**	**(14,767)**	**(23,471)**
DKK	< 1 year	4,118	(3,069)	(371)	678	1,671
	1-3 years	46	(107)	0	(61)	(807)
	3-5 years	12	(79)	(2,388)	(2,455)	(74)
	> 5 years	166	(119)	(4,703)	(4,656)	13
Total DKK		**4,342**	**(3,374)**	**(7,462)**	**(6,494)**	**803**
Total		**5,941**	**(27,429)**	**227**	**(21,261)**	**(22,668)**

[1] The financial instruments used in 2011 are currency swaps.
[2] The nominal value of the liability is fully hedged. The net position is due to different recognition methods. The liability is measured at amortised cost and the derivative is measured at fair value.

Net investments in foreign enterprises **DKKm**

Net investments in foreign subsidiaries, joint ventures and associates:

	2011 Net investments, carrying amount	2010 Net investments, carrying amount
SEK	456	270
EUR	596	869
NOK	873	908
Total at 31 December	**1,925**	**2,047**

B: Liquidity risk **DKKm**

The maturity analysis of financial assets and liabilities is disclosed by category and class and is allocated according to maturity period. All interest payments and repayments of financial assets and liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined using zero-coupon rates.

Financial assets and liabilities measured at fair value relates to derivatives. The calculation of fair value of these derivatives is based on observable inputs such as forward interest rates, etc. (Level 2 in the fair value hierarchy).

Maturity profiles[1] — DKKm

	2011						
	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial assets and liabilities measured at fair value through profit or loss and net investment hedges							
Derivatives, assets							
Derivatives treated as Cash Flow hedges	83	45	47	65	240	224	224
Derivatives treated as Fair Value hedges	(8)	117	113	43	265	113	113
Total derivatives, assets	**75**	**162**	**160**	**108**	**505**	**337**	**337**
Derivatives, liabilities							
Derivatives treated as Cash Flow hedges	17	4	1	(15)	7	(14)	(14)
Interest-rate derivatives	1	(14)	(7)	(7)	(27)	(95)	(95)
Currency swaps	1	0	0	0	1	0	0
Other	1	0	0	0	1	(1)	(1)
Total derivatives, liabilities	**20**	**(10)**	**(6)**	**(22)**	**(18)**	**(110)**	**(110)**
Loans and receivables							
Cash	1,489	0	0	0	1,489	1,489	1,489
Trade receivables and other receivables	4,174	11	13	334	4,532	4,452	4,452
Total loans and receivables	**5,663**	**11**	**13**	**334**	**6,021**	**5,941**	**5,941**
Financial liabilities measured at amortised cost							
Bank loans	(302)	0	0	0	(302)	(302)	(302)
Euro Medium Term Notes (EMTNs)	(4,484)	(1,726)	(9,378)	(13,286)	(28,874)	(23,841)	(22,458)
Debt relating to finance leases	(87)	(95)	(35)	(113)	(330)	(248)	(248)
Trade and other payables	(4,242)	(71)	(67)	(67)	(4,447)	(4,421)	(4,421)
Total financial liabilities measured at amortised cost	**(9,115)**	**(1,892)**	**(9,480)**	**(13,466)**	**(33,953)**	**(28,812)**	**(27,429)**
Total	**(3,357)**	**(1,729)**	**(9,313)**	**(13,046)**	**(27,445)**	**(22,644)**	**(21,261)**

[1] All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories — DKKm

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Non-financial assets and liabilities, and equity	Total balance
Assets	337	5,941	0	0	58,887	65,165
Equity and liabilities	(110)	0	0	(27,429)	(37,626)	(65,165)

Maturity profiles[1]

DKKm

	2010						
	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial assets and liabilities measured at fair value through profit or loss and net investment hedges							
Derivatives, assets							
Interest-rate derivatives	39	30	4	7	80	89	89
Currency swaps	(2)	(2)	0	0	(4)	2	2
Total derivatives, assets	**37**	**28**	**4**	**7**	**76**	**91**	**91**
Derivatives, liabilities							
Interest-rate derivatives	(347)	(260)	12	6	(589)	(659)	(659)
Total derivatives, liabilities	**(347)**	**(260)**	**12**	**6**	**(589)**	**(659)**	**(659)**
Loans and receivables							
Cash	831	0	0	0	831	831	831
Trade receivables and other receivables	3,744	31	18	473	4,266	3,919	3,919
Total loans and receivables	**4,575**	**31**	**18**	**473**	**5,097**	**4,750**	**4,750**
Financial liabilities measured at amortised cost							
Bank loans[2]	(570)	(1,429)	(18,452)	0	(20,451)	(17,907)	(17,792)
Euro Medium Term Notes (EMTNs)	(341)	(3,869)	(2,278)	0	(6,488)	(5,798)	(5,342)
Debt relating to finance leases	(70)	(68)	(35)	(127)	(300)	(209)	(209)
Trade and other payables	(3,311)	(67)	(67)	(100)	(3,545)	(3,507)	(3,507)
Total financial liabilities measured at amortised cost	**(4,292)**	**(5,433)**	**(20,832)**	**(227)**	**(30,784)**	**(27,421)**	**(26,850)**
Total	**(27)**	**(5,634)**	**(20,798)**	**259**	**(26,200)**	**(23,239)**	**(22,668)**

[1] All cash flows are undiscounted.
[2] TDC refinanced the Senior Facilities Agreement in February 2011

Reconciliation of assets, equity and liabilities on categories

DKKm

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Non-financial assets and liabilities, and equity	Total balance
Assets	91	4,750	0	0	59,945	64,786
Equity and liabilities	(659)	0	0	(26,850)	(37,277)	(64,786)

C: Undrawn credit lines

The undrawn credit lines at 31 December 2011 are specified as follows:

Maturities | **DKKm**

	Committed credit lines	Committed syndicated credit lines	Total
< 1 year	0	0	0
> 1 year	1,253	3,717	4,970
Total	**1,253**	**3,717**	**4,970**

D: Financial management and market risk disclosures

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

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

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

TDC's financial strategy was approved in December 2010 and defines maxima/minima for interest-rate, exchange-rate and counterparty risks as well as maxima/minima for a range of other variables.

Liquidity risk
To reduce refinancing risk, the maturity profile of the debt portfolio is spread over several years. The committed Revolving Credit Facility of up to EUR 700m (or DKK 5,200m) and cash generated by the business activities are deemed sufficient to handle upcoming redemption of debt.

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

TDC continuously monitors the international capital markets and expects to refinance the EMTN bond of EUR 457m maturing in April 2012 in the bond market provided that terms and conditions are deemed favourable.

Interest rate risks
TDC is exposed mainly to interest-rate risks in the euro area, as 71% the nominal gross debt is denominated or swapped into EUR whereas 29% is swapped to DKK. The interest-rate risk emerges from fluctuations in market interest rates, which affect the market value of financial instruments and financial income and expenses.

Throughout 2011, TDC monitored and managed its interest-rate risks using several variables in accordance with TDC's financial strategy to protect primarily TDC's financial policy targets. The following variables are monitored:

- Floating interest-rate debt shall not exceed 60% of the total gross debt (including related derivatives)

- The maximum share of TDC's fixed-rate debt (including related derivatives) to be reset within one year shall not exceed 25% in year two, 30% in year three and 35% in year four, respectively (The Chief Financial Officer can approve breaches of the limit for up to 3 months during which Group Treasury must take action or have plans approved by the Chief Financial Officer to reduce the interest resetting risk to below the limit)

- Duration of TDC's gross debt (including related derivatives) shall exceed 1.75 years, but shall not exceed 3.75 years
- Duration of TDC's financial assets (bank accounts, marketable securities and deposits) shall not exceed 0.25 years.

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

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

	Maxima/ minima	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Interval 2011	Average 2011	Average 2010
Share of floating interest-rate debt	Max. 60%	24%	43%	59%	44%	49%	24%-59%	46%	34%
Duration of gross debt (years)	Min. 1.75 / Max. 3.75	2.18	3.45	3.31	3.55	3.11[1]	1.92-3.61	3.23	2.44
Duration of financial assets (years)	Max. 0.25	0.00	0.00	0.00	0.00	0.00	0.00-0.13	0.00	0.00
The maximum share of fixed interest-rate gross debt to be reset within one year in year two[2]	Max. 25%	32%	22%	0%	0%	0%	0%-33%	9%	21%
The maximum share of fixed interest-rate gross debt to be reset within one year in year three[2]	Max. 30%	0%	0%	0%	11%	13%	0%-13%	3%	21%
The maximum share of fixed interest-rate gross debt to be reset within one year in year four[2]	Max. 35%	25%	19%	24%	13%	21%	6%-28%	20%	21%

1 At 31 December 2011, a +/- 1 percentage point parallel shift in the interest rate curve would impact Profit for the year with approx. DKK +/- 41m due to changes in fair value adjustments and paid interests (2010: approx. DKK +/- 535m). The impact on Equity is estimated to be immaterial in both years.
2 Average figures for reset risk 2010 is defined as the average of maximum share of fixed interest-rate gross debt to be reset within one year for the next 5 years.

Exchange-rate risks

TDC is exposed primarily to exchange-rate risks from EUR, SEK and NOK. The exchange-rate exposure from TDC's business activities relates principally to profits for the year generated in foreign subsidiaries, as income and expenses generated in these entities are denominated in primarily local currencies. As the exposure is relatively insignificant, to date it has not been hedged.

For Danish companies, the net exchange-rate exposure arising from accounts payable and receivable has, as a guiding rule, been hedged on the date on which it is recognised. Such exposure arises mainly from roaming and interconnection agreements with foreign operators and equipment suppliers.

Due to TDC's capital structure, the exposure from financial activities in EUR is significant, as 71% of the nominal gross debt (including derivatives) is denominated in EUR (29% in DKK). However, due to the fixed EUR/DKK exchange-rate policy of Danmarks Nationalbank (the Danish central bank), TDC does not consider its positions in EUR to constitute a significant risk.

TDC has not hedged its investments in foreign entities.

Throughout 2011, TDC monitored and managed its exchange-rate risks using several variables in accordance with TDC's financial strategy to protect primarily TDC's financial policy targets. The following variables are monitored:

- Total open gross position (including accounts payable & receivable, cash accounts, financing (including derivatives) and marketable securities) in other currencies than DKK and EUR shall not exceed DKK 750m

- EFCF in other currencies than EUR and DKK in the coming year shall be hedged if foreign currencies constitute a risk to EFCF of more than 1.25% of total EFCF (is measured and tested on an annual basis)

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

In addition to the above variables, the financial strategy includes a range of exchange-rate hedging policies that e.g. stipulate that, as a guiding rule, EUR positions of TDC companies with local currencies in DKK or EUR are not to be hedged. Further, foreign subsidiaries with other reporting currencies than DKK or EUR are to hedge foreign net cash holdings in other currencies than DKK and EUR to local currency and to the largest extent possible pay out net cash holdings as dividend to TDC A/S subject to maintaining an appropriate capitalisation and liquidity position of the subsidiary.

Further, as a guiding rule, TDC does not hedge exchange-rate exposure arising from foreign investments in the Nordic countries as these are regarded as long-term investments.

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

	Maxima	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Interval 2011	Average 2011	Average 2010
Total open gross position in other currencies than DKK and EUR[1]	750	na	115	94	201	387[2]	55-387	138	n.a.

[1] Including accounts payable & receivable, cash accounts, financing (including derivatives) and marketable securities.
[2] At 31 December 2011, foreign currencies constitutes a maximum translation risk in relation to EFCF of approx. DKK 18m (with 95% certainty within a time frame of one year) (2010: approx. DKK 22m).

Credit risks

TDC is exposed to credit risks principally as a supplier of telecommunications services in Denmark and abroad, and as a counterparty in financial contracts. The credit risk arising from supplying telecommunications services is handled by the individual business lines, whereas the credit risk in relation to financial contracts is handled centrally by Group Treasury. Credit risk arising in relation to financial contracts is governed by the financial strategy that defines a maximum exposure for each counterparty. The maxima are based primarily on the lowest credit ratings of the counterparties from either Standard & Poor's (S&P) or Moody's Investor Services (Moody's). This policy acts to diversify counterparty exposure and reduce exposure to single counterparties. However, should one of TDC's counterparties default, TDC might incur a loss. Credit risk is monitored on a weekly basis.

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

TDC's maximum credit risk is the sum of the financial assets listed in note 26A amounting to DKK 5,941m at 31 December 2011.

Credit rating

TDC has adopted a leverage and rating policy under which TDC aims to achieve a net debt-to-EBITDA before pension income ratio at or below 2.2x measured as an average over the financial year. Further, TDC seeks to obtain and maintain a stable investment grade rating, with the ambition of maintaining a rating of BBB with S&P and Baa2 with Moody's. No assurance can be given that the aims of such a policy will be achieved at all times.

TDC is rated by three international rating agencies – S&P's, Moody's and Fitch Ratings.

TDC's Company Ratings at 31 December, 2011

Rating	Short-term	Long-term	Outlook
S&P	A-2	BBB	Stable
Moody's	P2	Baa2	Stable
Fitch	F3	BBB	Stable

Note 27 Pension assets and pension obligations

Specification of pension costs recognised in the Income Statements		DKKm
	2011	**2010**
Defined benefit plans:		
Pension income from the domestic defined benefit plan (Operations & HQ)	304	291
Pension cost from the Norwegian defined benefit plans (Nordic)	(17)	(15)
Net periodic pension income/(costs) from defined benefit plans	**287**	**276**
Defined contribution plans	(395)	(399)
Total pension costs recognised in the Income Statements	**(108)**	**(123)**
Net periodic pension income/(costs) from defined benefit plans is recognised as follows in the Income Statements:		
Service cost[1] recognised in Wages, salaries and pension costs	**(152)**	**(159)**
Interest cost[2]	(851)	(828)
Expected return on plan assets[3]	1,290	1,263
Net interest recognised in Pension income	**439**	**435**
Total net periodic pension income/(costs) from defined benefit plans	**287**	**276**

1 The increase in the present value of the defined benefit obligation resulting from employees' services in the current period.
2 The increase in the present value of the defined benefit obligation arising because the benefits are one period closer to settlement. The interest cost represents the unwinding of the discounting of the pension liabilities.
3 Interest, dividends and other revenue derived from the pension fund assets. The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the entire life of the related pension obligation.

A: Domestic defined benefit plan

At 31 December 2011, 1,790 of TDC's employees (2010: 2,069) were entitled to a pension from the pension fund related to TDC under conditions similar to those provided by the Danish Civil Servants' Pension Plan. Of these, 156 (2010:178) employees were seconded to external parties in connection with outsourcing tasks or divesting operations. In addition, 8,362 (2010: 8,270) members of the pension fund receive or are entitled to receive pension benefits. Future pension benefits are based primarily on years of credited service and on participants' compensation at the time of retirement. Since 1990, no new members have joined the pension fund plans, and the pension fund is prevented from admitting new members in the future due to the articles of association.

The pension fund operates defined benefit plans via a separate legal entity supervised by the Danish Financial Supervisory Authority (FSA). In accordance with existing legislation, articles of association and the pension regulations, TDC is required to make contributions to meet the capital adequacy requirements. Distribution of funds from the pension fund to TDC is not possible until all pension obligations have been met.

Ordinary monthly contributions to the pension fund are made corresponding to a percentage of wages. Extraordinary contributions are made in connection with redundancy programmes and other retirements. Overall, the risk of additional capital contributions to the pension fund can be categorised as investment, longevity and regulatory risks.

Investment risk is managed within risk tolerance limits to mitigate excessive risk that could lead to contribution. The fund invests in a wide variety of marketable securities (predominantly fixed-income securities) and the return on the investments has implications for TDC's financial results. Uncompensated risk related to nominal interest rates and inflation has been fully hedged.

Following the introduction of the longevity benchmark by the Danish FSA, the fund's actuary has conducted a detailed longevity statistical analysis which has underpinned the fund's assumptions regarding observed current longevity. However, in line with the sector, the fund has increased its provision for future expected improvements to longevity.

Other risks of capital contributions in excess of the planned ordinary contributions and extraordinary contributions in connection with redundancies going forward relate primarily to future changes to pension regulation and benefits concerning which TDC does not have full control.

The surplus under the Danish FSA pension regulation amounted to approx. DKK 2.5bn at 31 December 2011 (2010: DKK 1.9bn).

Specification of pension (costs)/income			**DKKm**
	Expected 2012	**2011**	**2010**
Service cost recognised in Wages, salaries and pension costs	**(144)**	**(134)**	**(144)**
Interest cost	(843)	(840)	(818)
Expected return on plan assets	923	1,278	1,253
Net interest recognised in Pension income	**80**	**438**	**435**
Net periodic pension (costs)/income	**(64)**	**304**	**291**
Domestic redundancy programmes recognised in special items		(230)	(193)
Pension (costs)/income recognised in the Income Statements		**74**	**98**

Assets and obligations		**DKKm**
	2011	**2010**
Specification of pension assets		
Fair value of plan assets	28,400	24,976
Projected benefit obligations	(20,340)	(17,489)
Pension assets recognised in the Balance Sheets	**8,060**	**7,487**
Change in present value of benefit obligations		
Projected benefit obligations at 1 January	(17,489)	(16,865)
Service cost	(134)	(144)
Interest cost	(840)	(818)
Special termination benefit	(230)	(193)
Actuarial gain/(loss)	(2,676)	(487)
Benefit paid	1,029	1,018
Projected benefit obligations at 31 December	**(20,340)**	**(17,489)**
Change in fair value of plan assets		
Fair value of plan assets at 1 January	24,976	24,471
Actual return on plan assets	4,266	1,309
TDC's contribution	187	214
Benefit paid	(1,029)	(1,018)
Fair value of plan assets at 31 December	**28,400**	**24,976**
Change in pension assets recognised in the Balance Sheets		
Pension assets recognised in the Balance Sheets at 1 January	7,487	7,606
Pension (costs)/income recognised in the Income Statements	74	98
Actuarial gain/(loss) on projected benefit obligations and plan assets recognised in other comprehensive income	312	(431)
TDC's contribution	187	214
Pension assets recognised in the Balance Sheets 31 at December	**8,060**	**7,487**

Plan assets include property used by Group companies with a fair value of DKK 140m at 31 December 2011, compared with DKK 502m at 31 December 2010.

Weighted-average asset allocation by asset categories at 31 December			**%**
	Strategic asset allocation	**2011**	**2010**
Government and mortgage bonds (incl. hedges and repos)	61.0	58.2	46.6
High-yield bonds	9.0	7.0	7.8
Investment grade bonds	13.5	13.8	15.6
Emerging markets debt	6.0	6.3	6.0
Property	6.5	6.7	13.6
Alternatives	2.5	2.6	2.4
Equities	1.5	1.5	6.8
Cash	0.0	3.9	1.2
Total	**100.0**	**100.0**	**100.0**

Weighted-average assumptions used to determine benefit obligations		**%**
	2011	**2010**
Discount rate	4.25	4.95
General wage inflation	2.25	2.25
General price inflation	2.25	2.25

Weighted-average assumptions used to determine net periodic pension cost			**%**
	2012	**2011**	**2010**
Discount rate	4.25	4.95	5.00
Expected return on plan assets	3.30	5.20	5.20
General wage inflation	2.25	2.25	2.25
General price inflation	2.25	2.25	2.25

The basis for determining the overall expected rate of return is the pension fund's strategic asset allocation. The overall expected rate of return is based on the average long-term yields on the plan assets invested or to be invested.

In 2011, the assumed discount rate was decreased from 5.00% to 4.95% to reflect changes in market conditions. The assumptions for 2012 reflect a decrease of the discount rate to 4.25% and a decrease in the expected return on plan assets from 5.20% to 3.30% as well as unchanged assumptions with respect to general inflation. The changed assumptions have resulted in increased pension benefit obligations at year-end 2011 compared with 2010.

In 2012, with these changed assumptions, pension costs from the domestic defined benefit plan are expected to amount to DKK 64m compared with an income of DKK 304m in 2011, assuming all other factors remain unchanged. The pension costs from the domestic defined benefit plan in 2012 consist of a service cost of DKK 144m, interest cost of DKK 843m and expected return on plan assets of DKK 923m.

The mortality assumptions are based on regular mortality studies. In 2011, the latest study for IAS 19 purposes was completed, which analysed the actual mortality experience of the TDC Pension fund plan, found a best fit for a variety of adjusted standard tables, and also took into consideration broader factors impacting mortality globally. The mortality assumptions that were adopted use the best fit for TDC's recent experience plus an allowance for future improvement. We assume the life expectancy for males at age 60 to be 23.0 (21.6 before allowance for future improvement) and 24.6 (23.0 before allowance for future improvement) for females at age 60. These adjusted assumptions resulted in an increase of approximately DKK 1.3bn in the defined benefit obligation.

Sensitivity analysis

The table below shows the estimated impact of some of the risks that TDC is exposed to due to the defined benefit obligation. TDC is also exposed to fluctuations in the market value of assets. For some of these risks, if the defined benefit obligation rises or falls, the market value of assets may move in the opposite direction, thereby eliminating part of the risk.

Projected defined benefit obligation at 31 December 2011	**DKKm**
Reported defined benefit obligation	20,340
Discount rate sensitivity	
3.75% (assumption -0.5%)	21,707
4.75% (assumption +0.5%)	19,110
General price inflation sensitivity	
2.50% (assumption +0.25%)	21,031
2.00% (assumption –0.25%)	19,651
Mortality sensitivity	
Assumption +1 year longevity	21,143
Assumption -1 year longevity	19,636

Experience gains and losses — **DKKm**

	2011	**2010**	**2009**	**2008**	**2007**
Gain/(loss) on plan assets					
Gain/(loss) on plan assets, DKKm	2,988	65	1,246	(62)	(892)
% of fair value of plan assets at 31 December	10.5%	0.26%	5.09%	(0.27%)	(4.02%)
Demographic experience gain/(loss) on projected benefit Obligations					
Gain/(loss) on projected benefit obligations, DKKm	230	570)	337	321	499
% of projected benefit obligations at 31 December	1.13%	(3.26%)	2.00%	2.03%	2.95%
Pension assets recognised in the Balance Sheets, DKKm					
Fair value of plan assets at 31 December	28,400	24,976	24,471	22,876	22,178
Projected benefit obligations at 31 December	(20,340)	(17,489)	(16,865)	(15,846)	(16,908)
Pension assets recognised in the Balance Sheets at 31 December	**8,060**	**7,487**	**7,606**	**7,030**	**5,270**

Cash flows

DKKm	Expected 2012	2011	2010
Ordinary contributions	130	135	150
Extraordinary contributions in connection with retirements	55	52	64
Capital contributions	0	0	0
Total	**185**	**187**	**214**

The future benefit payments are estimated as follows based on the actuarial assumptions at 31 December 2011: DKK 1,013m in 2012, DKK 1,075m in 2013, DKK 1,089m in 2014, DKK 1,105m in 2015, DKK 1,125m in 2016 and DKK 5,915m for the years 2017-2021.

Other information

561 members of the defined benefit plans will ultimately have part of their pension payment reimbursed by the Danish government. The related benefit obligations of DKK 459m (2010: DKK 412m) have been deducted, resulting in the projected benefit obligation.

B: Foreign defined benefit plans

TDC's foreign defined benefit plans concern TDC Norway and Sunrise (until the divestment in 2010). The difference between the actuarially determined pension obligations and the fair value of the pension funds' assets is recognised in the Balance Sheets under pension liabilities, etc.

Pension liabilities, etc. related to foreign defined benefit plans amounted to DKK 99m at 31 December 2011 compared with DKK 73m at 31 December 2010.

C: Pensions for former Danish civil servants

TDC has employees who as civil servants have retained their rights to defined pension benefits from the Danish government due to previous employment agreements. In 1994, TDC reached an agreement with the Danish government to make a non-recurring payment of DKK 1,210m in respect of TDC's pension obligation to employees who participated in the Danish civil servants' pension plan. Under the agreement, TDC's pension contributions to the Danish Government ceased at 1 July 1994. Previously, TDC paid annual pension contributions to the Danish government. The agreed non-recurring payment was treated as a prepaid expense, which was amortised and expensed over the period 1994 to 2008.

In connection with the reduction in the number of employees in 2011 and previous years, some retired employees have retained their rights to civil servant pensions from the Danish government. It is deemed that the retirements will not cause further payments.

Note 28 Adjustment for non-cash items

DKKm	2011	2010
Pension income	152	160
Share-based remuneration	43	0
(Gain)/loss on disposal of enterprises and property, plant and equipment, net	(6)	(4)
Other adjustments	(46)	61
Total	**143**	**217**

Note 29 Change in working capital

DKKm	2011	2010
Change in inventories	25	(42)
Change in receivables	(185)	805
Change in trade payables	196	340
Change in other items, net	(103)	(532)
Total	**(67)**	**571**

Note 30 Investment in enterprises

2011

In 2011, TDC made the following acquisitions:

In March 2011, TDC Hosting A/S acquired 100% of the shares in the hosting service provider DIR A/S. The acquisition is expected to improve TDC's market position in the hosting segment.

In May 2011, TDC A/S acquired 100% of the shares in the mobile service provider Onfone ApS. The acquisition is expected to improve TDC's market position in the mobile discount segment.

Assets and liabilities at the time of acquisition[1]	DKKm
	Fair value at the time of acquisition
Intangible assets	114
Property, plant and equipment	7
Other non-current assets	1
Receivables	11
Cash	12
Deferred tax assets/(liabilities), net	(12)
Income tax receivable/(payable), net	(2)
Short-term debt	(119)
Acquired net assets	**12**
Goodwill	247
Acquisition cost	**259**
Cash in acquired subsidiaries	(12)
Change in unpaid share of acquisition cost	20
Net cash flow on acquisitions	**267**

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

The acquired enterprises contributed DKK 245m to revenue and DKK (92)m to Profit for the year (incl. Special items) in 2011.

Calculated as though the acquisitions took place at 1 January 2011, the acquired enterprises would have contributed DKK 352m to revenue and DKK (131)m to Profit for the year (incl. Special items).

In acquired enterprises, trade receivables from customers are recognised at fair value. At the time of acquisition the contract amount were DKK 17m and allowances for doubtful debts amounted to DKK 4m.

In 2011, transactions costs related to acquisition of enterprises amounted to less than DKK 1m. Such costs are recognised as special items.

Goodwill related to acquisitions was calculated at DKK 247m 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 TDC.

2010

In 2010, TDC made the following acquisitions:

In January 2010, TDC A/S acquired the remaining 80% of the shares in Unotel A/S. Unotel A/S is a mobile service provider. The acquisition is expected to improve TDC's market position in the mobile service provider segment. The previously held ownership share was remeasured at its acquisition date fair value and the resulting gain of DKK 9m was recognised as Profit from joint ventures and associates in the Income Statement.

In January 2010, Telmore A/S acquired 100% of the shares in the mobile service provider M1 A/S. The acquisition is expected to improve TDC's market position in the mobile discount segment.

In February 2010, TDC Oy Finland acquired AinaCom's fibre network. The acquisition is expected to improve TDC's market conditions in the Helsinki area.

In March 2010, YouSee A/S acquired 100% of the shares in the broadband applications provider Nordit A/S. The acquisition increased YouSee's customer base.

In April 2010, YouSee A/S acquired the municipal cable-TV operator Nakskov Fællesantenne. The acquisition increased YouSee's customer base.

Assets and liabilities at the time of acquisition[1]	DKKm
	Fair value at the time of acquisition
Intangible assets	107
Property, plant and equipment	77
Inventories	1
Cash	17
Deferred tax assets/(liabilities), net	(20)
Income tax receivable/(payable), net	(1)
Short-term debt	(34)
Acquired net assets	**147**
Goodwill	231
Acquisition cost	**378**
Cash in acquired subsidiaries	(17)
Fair value of previously held equity interests	(19)
Change in unpaid share of acquisition cost	(56)
Net cash flow on acquisitions	**286**

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

The acquired enterprises contributed DKK 344m to revenue and DKK 6m to Profit for the year in 2010.

Calculated as though the acquisitions took place at 1 January 2010, the acquired enterprises would have contributed DKK 359m to revenue and DKK 6m to Profit for the year.

Goodwill related to acquisitions was calculated at DKK 231m 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 TDC.

Note 31 Divestment of enterprises

DKKm

	2011	2010
The carrying amount of assets and liabilities consists of the following at the time of divestment:		
Intangible assets	6	0
Net assets	**6**	**0**
Gain/(loss) on divestment of subsidiaries	(4)	0
Received prepayments relating to divestment of subsidiaries	5	0
Net cash flow on divestment	**7**	**0**

In 2010, TDC divested Sunrise. The divestment of Sunrise is presented as discontinued operations. See note 12 for further information.

Note 32 Cash flow from investing activities in discontinued operations

	2011	2010
		DKKm
The carrying amount of assets and liabilities in discontinued operations consists of the following at the time of divestment:		
Intangible assets	0	14,406
Property, plant and equipment	0	4,546
Inventories	0	88
Receivables	0	2,697
Cash	0	633
Deferred tax assets/(liabilities), net	0	(268)
Provisions	0	(869)
Long-term debt	0	(428)
Income tax receivable/(payable), net	0	(242)
Deferred income	0	(154)
Short-term debt	0	(3,521)
Net assets	**0**	**16,888**
Profit/(loss) relating to divestment of discontinued operations including tax	0	774
This includes reversal of currency adjustments recognised in equity including tax	0	(1,312)
Sales proceeds not received and sales costs not paid, net	(67)	10
Cash in discontinued operations	0	(633)
Net cash flow on divestment	**(67)**	**15,727**
Cash flow from investing activities in discontinued operations excluding divestments	0	(400)
Net cash flow from investing activities in discontinued operations	**(67)**	**15,327**

Note 33 Cash and cash equivalents at 1 January

	2011	2010
		DKKm
Cash and cash equivalents at 1 January	831	763
Unrealised currency translation adjustments	0	0
Adjusted cash and cash equivalents at 1 January	**831**	**763**

Note 34 Net interest-bearing debt

	2011	2010
		DKKm
Interest-bearing receivables	226	208
Cash	1,489	831
Long-term loans	(19,404)	(23,428)
Short-term loans	(3,816)	(216)
Interest-bearing payables	(2)	(2)
Derivative financial instruments hedging fair value and currency on loans	494	0
Total	**(21,013)**	**(22,607)**

Compared with year-end 2010, Net interest-bearing debt declined by DKK 1,594m due largely to the positive net cash flows from operating and investing activities, partly offset by the DKK 1.8bn dividend paid in August 2011.

Note 35 Overview of Group companies at 31 December 2011

Company name	Domicile	Currency	TDC ownership share (%)	Number of subsidiaries, joint ventures and associates not listed here[1]
Consumer				
Fullrate A/S	Copenhagen, Denmark	DKK	100.0	
Onfone ApS	Copenhagen, Denmark	DKK	100.0	
TDC Contact Center Europe A/S	Sønderborg, Denmark	DKK	100.0	
Telmore A/S	Taastrup, Denmark	DKK	100.0	
M1 A/S	Aalborg, Denmark	DKK	100.0	
FASTTV NET A/S	Copenhagen, Denmark	DKK	100.0	
Business				**1**
NetDesign A/S	Farum, Denmark	DKK	100.0	
TDC Mobil Center A/S	Odense, Denmark	DKK	100.0	
Nordic				
TDC AS	Oslo, Norway	NOK	100.0	2
TDC Con SQOV AB	Stockholm, Sweden	SEK	100.0	1
TDC Sverige AB	Stockholm, Sweden	SEK	100.0	2
TDC Hosting AB	Stockholm, Sweden	SEK	100.0	
TDC Oy Finland	Helsinki, Finland	EUR	100.0	3
TDC Hosting Oy	Helsinki, Finland	EUR	100.0	
TDC Hosting A/S	Aarhus, Denmark	DKK	100.0	
TDC Song Danmark A/S	Copenhagen, Denmark	DKK	100.0	
Wholesale				**1**
OCH A/S[2]	Copenhagen, Denmark	DKK	33.3	
Companymobile A/S	Skanderborg, Denmark	DKK	100.0	
YouSee				
YouSee A/S	Copenhagen, Denmark	DKK	100.0	1
Dansk Kabel TV A/S	Albertslund, Denmark	DKK	100.0	
Other				**13**
ADSB Telecommunications B.V.[2]	Amsterdam, the Netherlands	EUR	34.7	
TDC Reinsurance A/S	Copenhagen, Denmark	DKK	100.0	

[1] In order to give the reader a clear presentation, some minor enterprises are not listed separately in the overview. In pursuance of Section 6 of the Danish Financial Statements Act, the following subsidiaries have chosen not to prepare an annual report: Kaisai A/S, Anpartsselskabet af 28. august 2000, Jydsk Tele A/S, TDCH I ApS, TDCH II ApS, TDCH III ApS, TDCT IV ApS, TDCT V ApS, TDCT VI ApS and TDCKT XII ApS.

[2] The enterprise is included under the equity method.

Note 36 Related parties

Name of related party	Nature of relationship	Domicile
NTC Parent S.àr.l.	Indirect ownership	Luxembourg
NTC Holding G.P.	Indirect ownership	Luxembourg
NTC Holding GP & Cie S.C.A.	Ownership	Luxembourg
Nordic Telephone Management Holding ApS (liquidated in 2011)	Group company	Aarhus, Denmark
NTC S.A. (liquidated in 2011)	Group company	Luxembourg
TDC Pensionskasse	Pension fund	Copenhagen, Denmark

Danish Group companies have entered into certain lease contracts with the pension fund, TDC Pensionskasse. The lease contracts are interminable until 2016 at the latest. The aggregate amount payable under such agreements amounted to DKK 2m at 31 December 2011 (2010: DKK 1,486m). The rental expense was DKK 3m for 2011 (2010: DKK 93m). In addition, annual contributions are paid to the pension fund, see note 27 Pension obligations. The Danish Group companies have also entered into three lease contracts with the pension fund that qualify as finance leases. The debt relating to these contracts amounted to DKK 34m at 31 December 2011 (2010: DKK 40m). The related interest expense amounted to DKK 1m for 2011 (2010: DKK 2m). TDC A/S has issued a subordinated loan to the pension fund of DKK 149m (unchanged from 2010). The related interest income amounted to DKK 4m for 2011 (2010: DKK 4m). TDC A/S has other payables to the pension fund of DKK 24m (2010: DKK 27m). Finally, TDC A/S charged the pension fund DKK 15m in 2011 (2010: DKK 14m) for investment advice.

Remuneration for the Board of Directors and the Corporate Management Team is described in note 6.

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

DKKm

	2011			
	Parent company	Joint ventures and associates	Other related parties	Total
Income	0	4	0	4
Costs	0	0	0	0
Receivables	0	0	0	0
Debt	0	0	0	0

	2010			
	Parent company	Joint ventures and associates	Other related parties	Total
Income	9	0	10	19
Costs	0	0	0	0
Receivables	21	0	10	31
Debt	0	0	0	0

Note 37 Other financial commitments

DKKm	2011	2010
Lease commitments for all operating leases		
Rental expense relating to properties and mobile sites in the period of interminability	7,714	7,835
Rental expense relating to machinery, equipment, computers, etc. in the period of interminability	724	796
Total	**8,438**	**8,631**
which can be specified as follows:		
Due not later than 1 year	807	831
Due later than 1 year and not later than 5 years	2,101	2,152
Due later than 5 years	5,530	5,648
Total	**8,438**	**8,631**
Total rental expense for the year for all operating leases		
Lease payments	1,129	1,117
Sublease payments	(36)	(18)
Total	**1,093**	**1,099**
Capital and purchase commitments		
Investments in intangible assets	20	67
Investments in property, plant and equipment	154	131
Commitments related to outsourcing agreements	518	1,289
Other purchase commitments	393	330

Operating leases, for which TDC is the lessee, are related primarily to agreements on fibre networks, sea cables, cars and agreements on property leases and mobile sites. 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 85m at 31 December 2011, compared with DKK 33m at 31 December 2010.

Note 38 Contingencies

Contingent assets

In June 2001, the Danish partnership DPTG I/S, which is owned by GN Store Nord A/S (with 75%) and TDC (with 25%), initiated arbitration proceedings against Telekomunikacja Polska S.A. (TPSA) claiming that DPTG is entitled to receive a revenue share of 14.8% of all traffic routed via the North South Link (NSL), an optical fibre cable delivered to TPSA in 1994. DPTG was claiming approximately DKK 5,000m including interest for unaccounted traffic revenue from February 1994 to June 2004. On 3 September 2010, DPTG I/S was awarded DKK 2,941m including interest by an arbitration court in Vienna. At 31 December 2011 TPSA had still not yet paid the amount awarded and DPTG therefore applied for declaration of acknowledgement of the arbitration award to the District Court in Warsaw and started enforcement in other countries. TPSA filed an action in Austria to set aside the arbitration award.

In addition to the claim for unaccounted traffic revenue from February 1994 to June 2004, on 14 January 2011, DPTG filed a claim against TPSA for unaccounted traffic revenue in the period from July 2004 to January 2009. The claim including interest amounts to DKK 2,386m.

TDC had not yet recognised the potential income at 31 December 2011 as the realisation of the income was not considered virtually certain.

On 12 January 2012, DPTG entered into a settlement agreement with TPSA. According to the settlement agreement, TPSA pays EUR 550m equivalent to DKK 4.1bn as full and final settlement of all claims under the dispute. Of these TDC receives DKK 1.0bn. After tax the amount is equivalent to approximately DKK 770m.

The settlement amount was received with EUR 275m on 13 January 2012 and EUR 275m on 19 January 2012.

The effect of the settlement will be recognised in the statement of income under special items related to income from joint ventures and associates in Q1 2012.

Contingent liabilities

TDC is party to certain pending lawsuits and cases pending with public authorities and complaints boards. Based on a legal assessment of the possible outcome of each of these lawsuits and cases, Management is of the opinion that these will have no significant adverse effect on TDC's financial position.

In pursuance of Section 32 of the Danish Civil Servants Act, the Group has a termination benefit obligation to former Danish civil servants and to employees with civil-servant status hired before 1 April 1970 who are members of the related Danish pension funds. In the event of termination, such employees have a right to special termination benefits in the amount of three years' salary (tied-over allowance) or three months' full salary and two-thirds of their full monthly salary for four years and nine months (stand-off pay).

TDC's total termination benefits include wages during the notice period, severance pay, stand-off pay, payments pursuant to the Danish Salaried Employees Act, special termination benefits (in accordance with IAS 19 *Employee Benefits*), social security contributions and outplacement costs. During 2011, the average redundancy cost per full-time employee equivalent was DKK 395 (2010: DKK 384) thousand for non-civil servants, DKK 1,377 (2010: DKK 1,285) thousand for former Danish civil servants, DKK 1,330 (2010: DKK 1,321) thousand for employees with civil-servant status or a weighted average of DKK 780 (2010: DKK 761) thousand per full-time employee equivalent. The average redundancy cost is calculated as the total cost in 2011 divided by the number of full-time employee equivalents included in the redundancy programmes during this period.

Change of control

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

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

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

TDC is licensed to provide mobile telecommunications services in Denmark. TDC has one UMTS licence to provide 3G services three GSM licences (DCS 1800, DSC6 and GSM1) and one licence through which it has access to 2x20MHz of paired spectrum in the 2.5 GHz frequencies. The Danish Business Authority may withdraw existing licences if TDC does not meet the licence conditions, which include obtaining the regulator's consent in the event of a change of control. In the event of a withdrawal of a licence 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 business, revenue and earnings could be adversely affected.

Certain of TDC's contracts with third parties include change-of-control clauses. A change of control could lead to termination of such contracts. Termination of such contracts would not individually or combined have a material adverse effect on TDC's revenue and earnings.

Note 39 Research and development costs

Research and development costs for the year recognised in the Income Statements amounted to DKK 166m in 2011, compared with DKK 178m in 2010.

Note 40 Auditors' remuneration[1]

DKKm

	2011	2010
Statutory audit	**14**	**16**
Non-statutory audit services:		
Other assurance engagements	1	2
Tax advisory services	1	3
Other services	6	12
Total non-statutory audit services	**8**	**17**
Total	**22**	**33**

[1] Remuneration to Auditors elected by the Annual General Meeting.

Note 41 Events after the balance sheet date

Settlement of dispute between DPTG and TPSA

On 12 January 2012, TDC A/S announced that a settlement agreement has been entered into in the dispute, which since 2001 has been ongoing between Danish Polish Telecommunication Group I/S (DPTG) and Telekomunikacja Polska S.A. (TPSA). TDC holds a 25% ownership interest in DPTG and GN Great Nordic A/S holds 75%. TPSA is a Polish telecommunications group in which France Telecom has a controlling ownership interest.

The dispute concerns determination of traffic volumes, which during the period February 1994 through January 2009 were transmitted through the fibre optic telecommunication system (NSL) in Poland, and of which DPTG was entitled to receive 14.8% of the net profits until January 2009.

According to the settlement agreement, TPSA pays EUR 550m equivalent to DKK 4.1bn as full and final settlement of all claims under the dispute. Of these TDC receives DKK 1.0bn. After tax the amount is equivalent to approximately DKK 770 m.

The settlement amount was received with EUR 275 million on 13 January 2012 and EUR 275 million on 19 January 2012.

The effect of the settlement will be recognised in the statement of income under special items related to income from joint ventures and associates in Q1 2012.

Five year overview

TDC Group		2011	2010	2009	2008	2007
Income Statements	DKKm					
Revenue		26,304	26,167	26,079	26,917	27,951
Gross profit		19,172	19,420	19,635	19,678	20,006
EBITDA before pension income		**10,501**	**10,337**	**10,249**	**9,669**	**8,911**
EBITDA		**10,940**	**10,772**	**10,536**	**10,054**	**9,376**
Depreciation, amortisation and impairment losses		(5,227)	(5,356)	(4,659)	(4,547)	(5,776)
Operating profit (EBIT), excluding special items		**5,713**	**5,416**	**5,877**	**5,507**	**3,600**
Special items		(864)	(1,347)	(1,119)	(3,212)	664
Operating profit (EBIT)		**4,849**	**4,069**	**4,758**	**2,295**	**4,264**
Profit from joint ventures and associates		(25)	13	76	200	266
Net financials		(880)	(1,496)	(2,064)	(2,048)	(2,763)
Profit before income taxes		**3,944**	**2,586**	**2,770**	**447**	**1,767**
Income taxes		(1,131)	(782)	(809)	(438)	519
Profit for the year from continuing operations		**2,813**	**1,804**	**1,961**	**9**	**2,286**
Profit for the year from discontinued operations[1]		(5)	1,203	422	548	1,346
Profit for the year		**2,808**	**3,007**	**2,383**	**557**	**3,632**
Attributable to:						
Owners of the Parent Company		2,808	3,007	2,424	708	3,912
Minority interests		-	-	(41)	(151)	(280)
Profit for the year, excluding special items						
Operating profit (EBIT)		**5,713**	**5,416**	**5,877**	**5,507**	**3,600**
Profit from joint ventures and associates		(25)	3	(1)	222	342
Net financials		(880)	(1,496)	(2,064)	(2,048)	(2,763)
Profit before income taxes		**4,808**	**3,923**	**3,812**	**3,681**	**1,179**
Income taxes		(1,310)	(1,035)	(1,085)	(722)	321
Profit for the year from continuing operations		**3,498**	**2,888**	**2,727**	**2,959**	**1,500**
Profit for the year from discontinued operations[1]		-	413	575	352	198
Profit for the year		**3,498**	**3,301**	**3,302**	**3,311**	**1,698**

TDC Group		2011	2010	2009	2008	2007
Balance Sheets	DKKbn					
Total assets		65.2	64.8	86.4	100.0	106.1
Net interest-bearing debt		(21.0)	(22.6)	(33.5)	(34.9)	(41.5)
Total equity		22.2	20.9	27.1	31.7	32.2
Average number of shares outstanding (million)		816.7	981.8	990.5	990.5	990.4
Statements of Cash Flow	DKKm					
Continuing operations:						
Operating activities		7,177	7,238	7,440	5,743	5,785
Investing activities		(3,637)	(3,889)	(4,811)	2,096	5,492
Financing activities		(2,815)	(20,091)	(10,261)	(9,506)	(13,770)
Total cash flow from continuing operations		**725**	**(16,742)**	**(7,632)**	**(1,667)**	**(2,493)**
Total cash flow in discontinued operations[1]		(67)	16,810	1,677	88	7,051
Total cash flow		**658**	**68**	**(5,955)**	**(1,579)**	**4,558**
Equity free cash flow	DKKm	4,594	4,515	4,426	2,424	1,995
Capital expenditure	DKKm					
Capital expenditure		(3,421)	(3,534)	(3,891)	(3,975)	(3,979)
Key financial ratios						
Earnings Per Share (EPS)	DKK	3.44	3.06	2.45	0.71	3.95
EPS from continuing operations, excl. special items	DKK	4.28	2.94	2.75	2.99	1.51
Dividend payments per share	DKK	2.18	-	7.85	0.72	0.70
Gross profit margin	%	72.9	74.2	75.3	73.1	71.6
EBITDA margin before pension income	%	39.9	39.5	39.3	35.9	31.9
EBITDA margin	%	41.6	41.2	40.4	37.4	33.5
Capex-to-revenue ratio	%	13.0	13.5	14.9	14.8	14.2
Net interest-bearing debt/EBITDA before pension income	x	2.0	2.2	3.3	3.1	4.2
Net interest-bearing debt/EBITDA	x	1.9	2.1	3.2	3.0	4.0
RGUs (end-of-year)	('000)					
Landline		1,775	1,915	2,045	2,160	2,387
Mobile		3,894	3,607	3,621	3,156	2,926
Internet		1,777	1,807	1,814	1,765	1,737
Other networks and data connections		62	64	64	63	60
TV		1,496	1,464	1,395	1,245	1,187
Total RGUs		**9,004**	**8,857**	**8,939**	**8,389**	**8,297**
Domestic dual-play bundles		366	304	213	-	-
Domestic triple-play bundles		145	116	86	-	-
FTEs						
Number of FTEs (EoY)		9,816	10,423	11,277	11,772	13,939
Average number of FTEs		10,106	10,860	11,519	13,020	14,531

[1] The operations of the following enterprises are presented as discontinued operations: Sunrise (divested in 2010), Invitel (divested in 2009) and Talkline (divested in 2007). Other divestments are included in the respective accounting items during the ownership.

Cover photo: NW Copenhagen

Translation: Access Translations
Designconcept and illustrations: Bysted A/S
Design implementation and layout: SkabelonDesign A/S
Photo: Joachim Ladefoged and Getty Images
Printed by: Scanprint A/S


OF