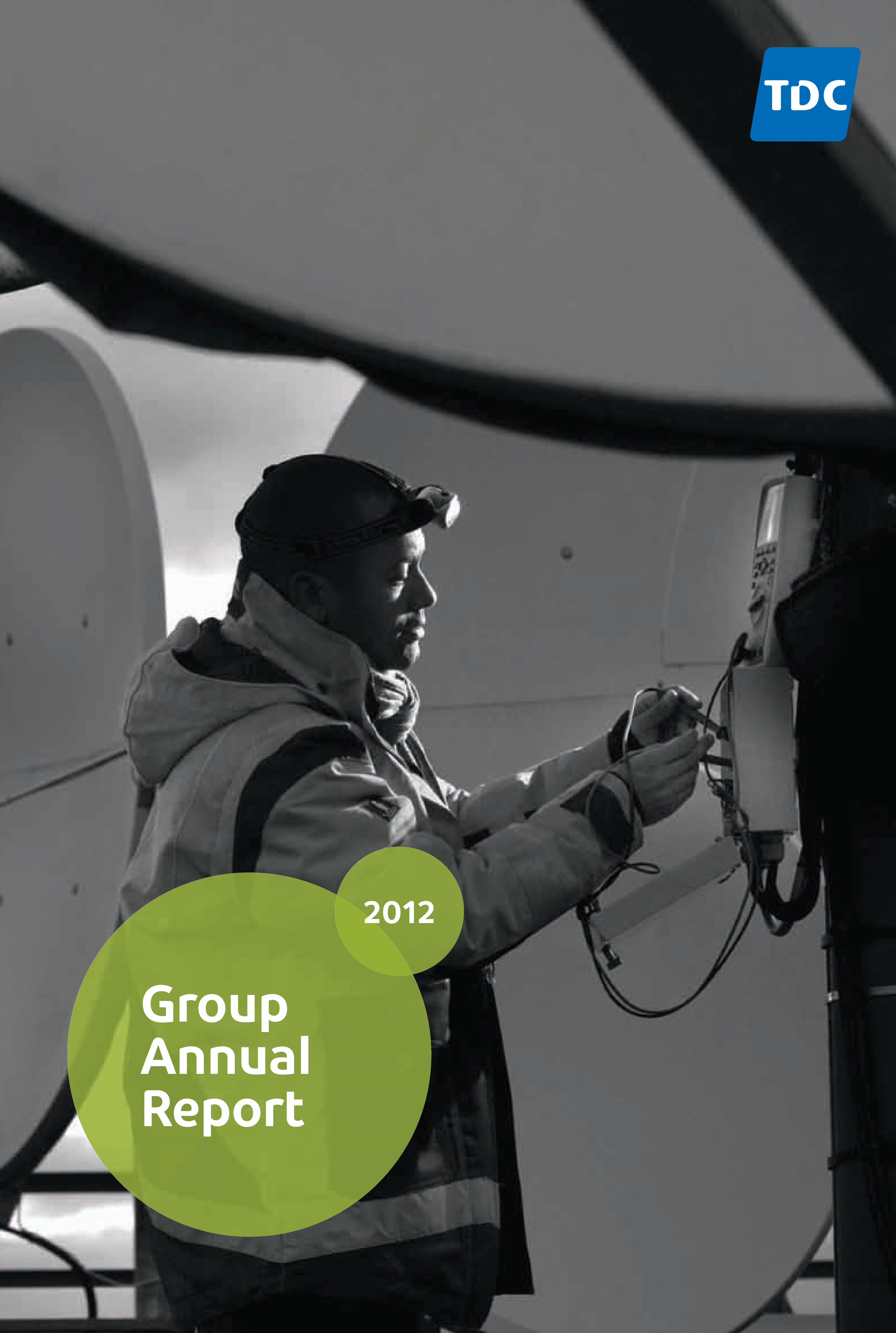


2012

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
In the interest of clarity and user-friendliness, TDC is publishing its 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 at tdc.com. Following adoption at the Annual General Meeting on 7 March 2013, the complete Annual Report will also be available from Erhvervsstyrelsen (The Danish Business Authority). The distribution of the profit for the year and dividend proposals are shown under Consolidated Statements of Changes in Equity in the Group Annual Report.

TDC Group Annual Report 2012

Letter to shareholders

2012 financial guidance met

At TDC, we again met our financial guidance on all parameters outlined, and through a strong free cash flow, succeeded in realising the expected dividend payout, which resulted in an 11.5% dividend yield for the financial year 2012. This was achieved despite a subdued Danish economic climate and intense competition in our markets.

At the same time, we improved our customer satisfaction score as well as our employee satisfaction score. Both indices reached record-high scores in 2012.

Three important factors in particular drove our success:

Firstly, we continued to launch new and innovative products and services. For example, our new platform, Mit TDC (My TDC) was launched in February 2012. This first step towards more integrated solutions in the consumer market was popular with our customers. And in December 2012, YouSee entered the developing OTT market with its premium YouBio product, offering access to an extensive library of high-quality movies and TV series.

Secondly, our persistent focus on improved customer service and operational efficiency paid off once again. Through the companywide transformation programmes (TAK and TDC 2.0), we continuously challenge existing processes and discover opportunities for improving customer experiences and cost optimisation.

Thirdly, we continued to invest in our superior landline network by bringing fibre closer to our customers, enabling up to 100 Mbps broadband speeds on copper, coax and fibre. In terms of mobile, the favourable outcome of the 800MHz auction in June 2012 has given us a strong platform for delivering the best mobile coverage possible and further reinforcing our competitive edge in both the residential and business markets.

These achievements cannot detract from the decrease in earnings from mobility services due to significant price pressure causing weaker than expected performance in the business market. However, on the positive side, the decreasing trend in earnings in our residential mobile market improved during 2012.

2015 strategy and new management

In July, Carsten Dilling was designated new CEO of TDC, and in August a new re-energised management team was presented based on the former team to ensure stability and continuity, but with new or expanded roles for six of the eight members.

A new 2013-15 strategy was presented by Management on Capital Market Day in November 2012 in extension of the strategy and ambition set for 2009-12 ahead of our IPO. This strategy shifts our focus from individual customers towards households or businesses as a whole. We will focus on integrated and bundled solutions that are more user-friendly - both for families and companies.

We will deliver this strategy by significantly increasing investments in network and customer service, while continuing to focus on cost through a radical simplification programme. Our new IT supplier, TCS, will play a key role in helping us to rejuvenate our IT platform. And finally, we will focus on developing our management and employee resources, as we appreciate that a dedicated staff is crucial for achieving our goals.

We have a strong base and momentum with which to counter upcoming challenges. The first actions defined in our new strategic plan and executed during the second half of 2012 send clear signals on both pricing strategy and sub-brand positioning. With our more clearly defined portfolio, we will pursue our ambitious course, relentlessly optimising efficiency and savings while adding value for our customers.

Carsten Dilling, CEO & President (left)
Vagn Sørensen, Board of Directors Chairman (right)

2012 at a glance

Financial

- TDC **delivered on guidance** for revenue, EBITDA and capex
- **Solid EFCF** development supported payout of the remainder of the guided dividend of DKK 4.60 per share
- **Gross profit** decline of 3% driven by challenged mobility services with decreasing ARPU levels in the Business division
- Domestic **landline business** remained in good shape and **TV gross profit** increased by 7%
- **Strong organic EBITDA growth** of 12% in Nordic
- Substantial 2012 **organic opex savings** of DKK 548m

Operational

- **Strong growth in our retail broadband RGUs** throughout the entire year. Net adds totalled 37k in 2012
- PSTN retention focus resulted in **lower PSTN churn** compared with previous years, with 163k RGUs lost in 2012 vs. 201k in 2011
- **Continued growth in our TV business** with TV subscriber net adds of 57k in 2012 and YouSee TV ARPU increase of 6%
- **Employee satisfaction** steadily increased to 83 (81 in H2 2011)
- **Customer satisfaction** rose to a record high of 76 (73 in 2011)
- **New strategy** successfully launched and execution well underway

TDC's mission

We connect Denmark with...
...friends & family
...business partners & colleagues
...the community & the world
...machines & systems
...entertainment & learning

TDC's vision

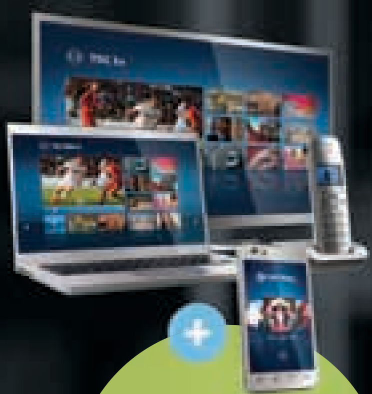
We put the customers first by...
...being accessible and open
...keeping our promises and acting fast
...delivering user-friendly and innovative products
...being honest and easy to understand

New launches

100 Mbps broadband
YouSee's broadband portfolio now includes a 100 Mbps offer

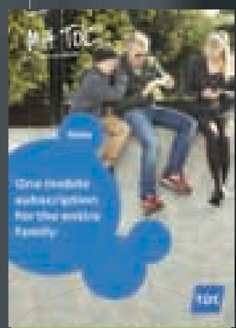
Web-TV while on the move
Access many of your YouSee TV channels while away from home

New communications platform
The focus is shifting from product scenarios to usage scenarios featuring the message that TDC suits everyone



Bundling benefits
Combine TDC HomeDuo or TDC HomeTrio with a mobile subscription and receive extra benefits

My TDC app
Gives access to many TDC services on your smart-phone



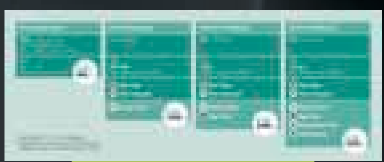
Family Mobile package
Attractive terms and fixed costs for the entire family's mobile voice and data needs

Free series
Access to hundreds of episodes of series on-demand at no extra charge with YouSee Plus and TDC TV Plus

30 HD channels
(+14 in 2012) included in the three YouSee Clear TV packages

youBio®

YouBio
With YouSee's OTT offering, anyone in Denmark with a broadband connection can subscribe to a wide range of movies and series and rent the latest blockbusters



New mobile portfolio
Improved mobile portfolio in Business targeting the SMB market, including several value-added services

TDC One

TDC One
An ideal CaaS solution for small businesses

onfone

Onfone and YouSee
Enjoy web-TV and music with an Onfone mobile subscription and get 'most out of your phone'

Signal
This mast is 99 metres tall, six metres short of an official IFAB football pitch

TDC today

Profile

TDC is the incumbent operator and leading provider of communications and entertainment solutions in Denmark with a market-leading position within landline telephony, landline broadband, mobility services, pay-TV and the multi-play segment. Hosting and system integration solutions are also offered to corporate customers.

TDC has successfully defended or 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.

Outside Denmark, TDC has significant presence in the pan-Nordic business market. With fully-owned subsidiaries in Sweden, Norway and Finland, based on a comprehensive fibre network, TDC offers pan-Nordic solutions to businesses. At the same time, TDC challenges the local incumbent operators by offering corporate customers seamlessly integrated business solutions, including hosting and systems integration.

Denmark's telecommunications market is characterised by strong competition and is among the strictest regulated in the EU, measured in terms of impact and development.

The Danish Business Authority has designated TDC as having significant market power (SMP) within landline and has therefore imposed several obligations on TDC, including price control through the LRAIC method and offering third parties access to TDC's network.

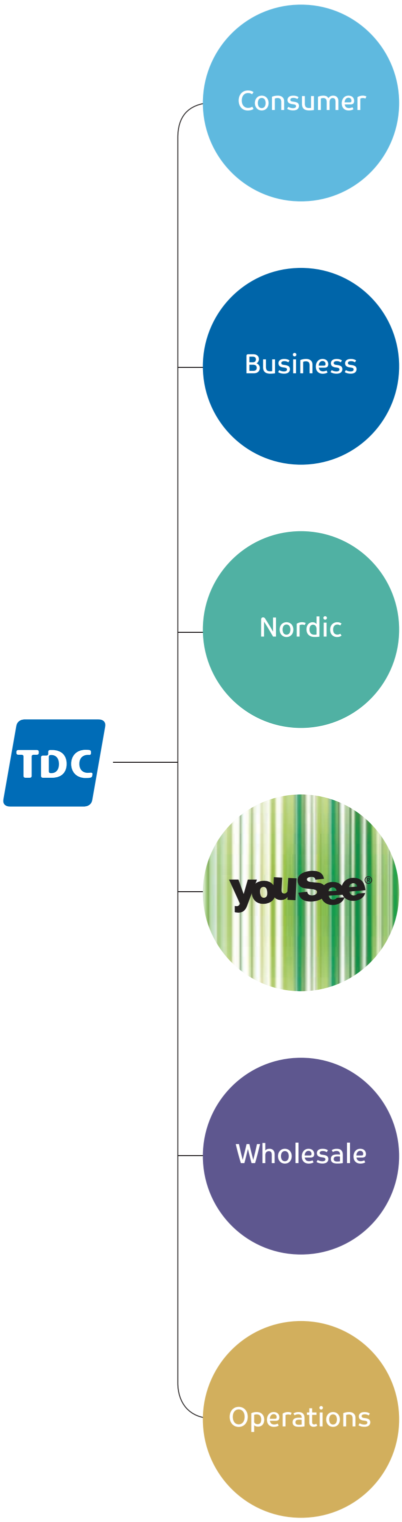
Organisation and brands

As a result of TDC's new strategy for 2013-15, minor organisational changes took place on 1 January 2013. In 2012, however, TDC was organised as follows and the figures in the report represent the 2012 structure.

TDC has a market-driven customer-centric structure with five business lines, and shared operations and headquarters functions. This structure was chosen to emphasise its focus on customer types and needs. Through a multi-brand strategy based on the differentiated brands TDC, Fullrate, Telmore, M1, Onfone, and YouSee, TDC's products span all price and value positions ranging from no-frills to premium. Strong brand recognition is achieved in each of these market segments, and TDC distributes its products through an extensive distribution network, including TDC's own shops, dealer network, direct sales, call centres and websites.

The high-yield TDC share with dedicated steady dividends is based on a highly attractive shareholder remuneration policy that commits to a high payout ratio. This translated into 11.5%[1] in dividend yield for the financial year 2012

[1] Expected dividends of DKK 4.60 per share divided by the closing share price of DKK 40.04 at 28 December 2012.



Consumer is the leading supplier of telecommunications in the residential market in Denmark, and offers a wide range of different products and services. A multi-brand strategy with differentiated brands has resulted in strong positions within especially mobility services and broadband. Consumer's ambition is to give customers access to all products and services regardless of time, place and device.

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, and is the leading telco to offer customers cloud-based services. Terminal equipment and systems integration activities are carried out by NetDesign.

Nordic provides mainly telecommunications solutions for businesses in the Nordic region outside Denmark.
In the mobile market, Nordic operates as an MVNO or service provider. Nordic also offers communications integration services and, through TDC Hosting, provides hosting solutions and IT outsourcing throughout the Nordic region.

YouSee is the leading Danish pay-TV provider, and offers individual households and organised customers home entertainment and telecommunications solutions. YouSee strives to deliver premium cable-TV and broadband, and continues its focus on adding more value for customers through its wide range of add-on products and services.

Wholesale offers and resells access to TDC's network to external partners. This includes services for service providers and brand partners, as well as national and international traffic and roaming for other network operators. Through its increased customer focus, Wholesale's strategy is to build out its position as the preferred supplier for Danish and international telephone operators.

Operations and HQ manage a number of critical support functions, such as IT, procurement, installation and network. Operations focuses on continuously improving TDC's productivity while increasing efficiency across the entire organisation and improving customer satisfaction through e.g. improved fault correction and simplified IT systems.

The new TDC brand portfolio

In the continually challenging markets for TV, broadband and mobility services, a focused brand portfolio is important. As part of the 2013-15 strategy, TDC will cement its leadership position and increase marketing efficiency through brand portfolio consolidation and strengthened differentiation of remaining brands.

TDC and YouSee, the Group's two major brands, will increase their focus on attracting individual households through integrated solutions.

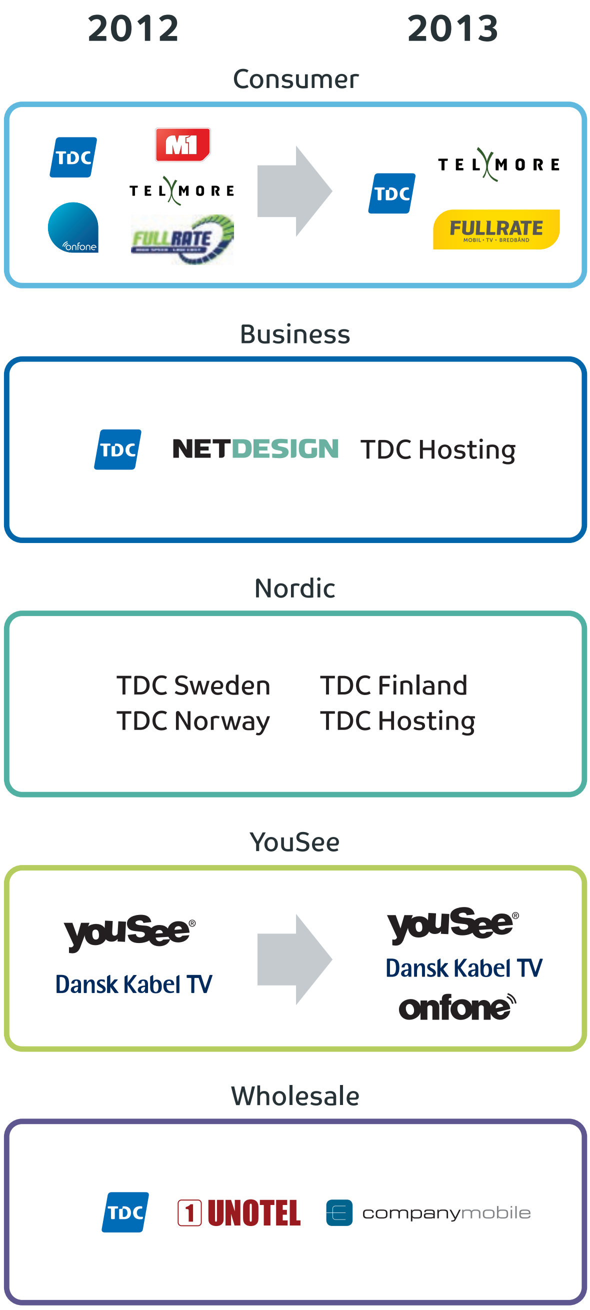
The no-frills brand M1 has been discontinued and the mobility services will become an integrated part of the Fullrate brand, which is now offering mobile, broadband and TV products. This will create a strong one-stop, no-frills company, with a unique position in the Danish market.

Telmore will utilise its stronghold as a "customer champion" brand to promote pure mobile solutions to young and urban individuals.

Business now includes Hosting, which has moved from Nordic to reflect that its sales are generated mainly in Denmark. This, combined with NetDesign's more closely integrated sales force, means that Business now offers one-stop shopping for seamlessly integrated business solutions spanning Hosting, NetDesign and Business products. Throughout the rest of the Nordic region, Hosting will continue working closely with Nordic to offer integrated solutions in these local markets.

The no-frills subsidiary Onfone has been integrated in YouSee, enabling YouSee to build and promote full quad-play solutions to both YouSee's TV customers and Onfone's mobile subscribers. In addition to a stronger product portfolio, Onfone reinforces YouSee with a dynamic sales organisation that will strengthen upselling and cross-selling within the new portfolio.

Together, these strategic changes in the TDC Group's brand portfolio will enable TDC to retain its position as market leader in the Danish telecommunications market.



Service
Our customer centre staff act on the motto "right first time"

Strategy 2013-15

Strong starting point

On 6 November 2012, at Capital Market Day, TDC presented its 2013-15 strategy, which is based on future challenges and opportunities as well as TDC's current position.

TDC is the market leader in Denmark across all major product platforms, including landline voice/broadband, mobile voice/broadband as well as pay-TV. TDC's market-leading positions secure the necessary scale to keep unit costs down while providing the scale to fund significant investments in networks and new products. In June 2012, TDC acquired 2x20MHz of unrestricted frequency in the 800MHz band. The price was favourable compared with European benchmarks, and TDC will be the only operator in Europe with such extensive 800MHz bandwidth.

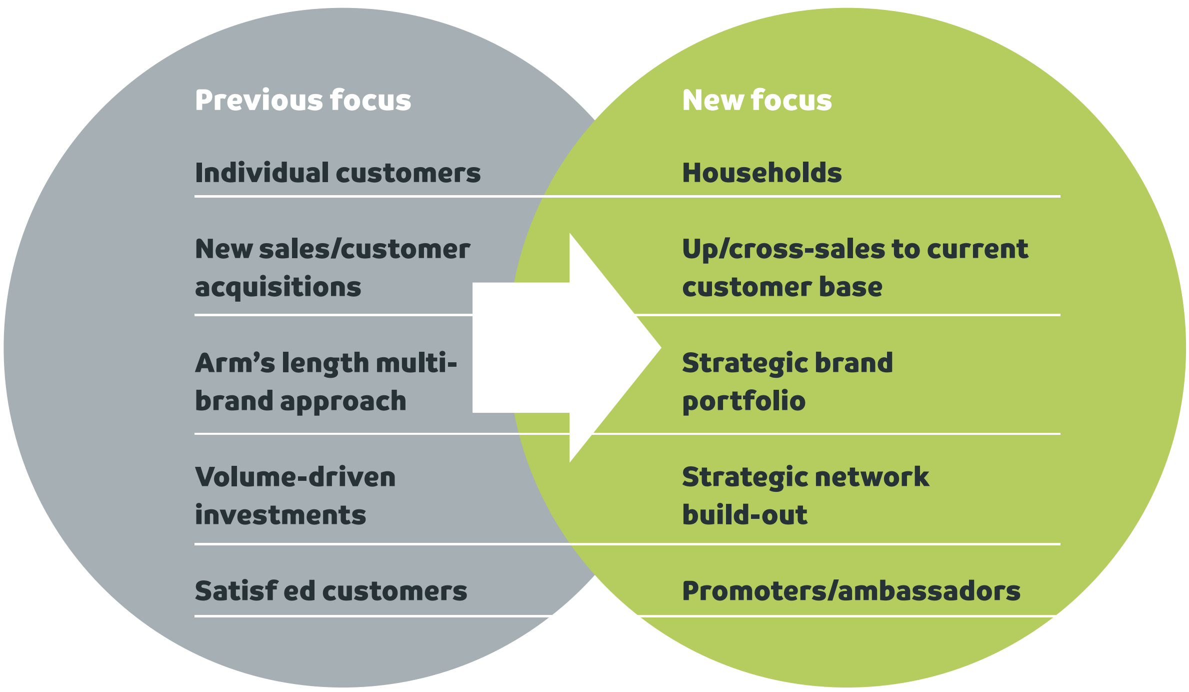
Through copper, fibre and coax, today TDC can deliver up to 100 Mbps of downstream to 45% of Danish households. A large proportion of Danish households have products from either TDC or YouSee while the TDC no-frills portfolio covers a significant share of the remaining households. This broad customer base gives TDC a strong foundation for upselling and cross-selling integrated solutions.

All in all, TDC's scale, efficient operations and strong network as well as broad and close customer relations represent a strong foundation for successfully implementing the 2013-15 strategy.

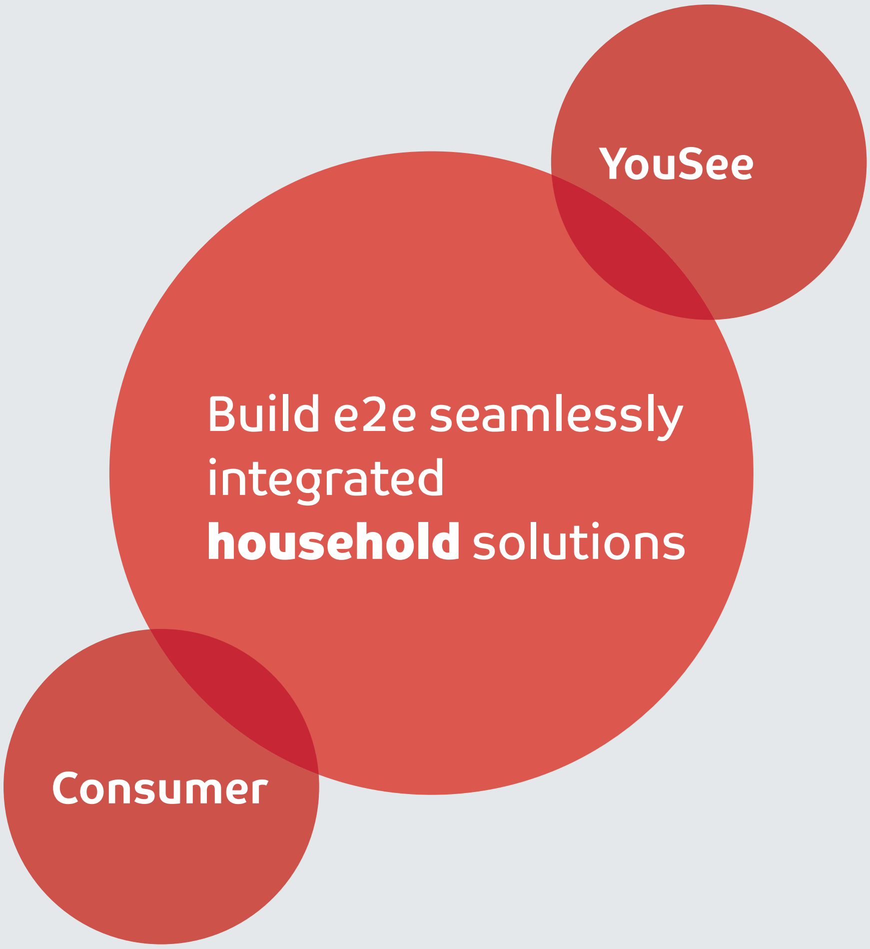
Change of focus

The 2013-15 strategy is built around a new focus on integrated household solutions - a shift away from focusing on the individual. Upselling/cross-selling and creating close customer relationships are central factors in achieving this goal.

TDC's modified brand portfolio will ensure a strong choice of brands, giving customers wider choice. At the same time, TDC is committed to ensuring a world-class network, which forms a strong base for long-term customer relationships.



TDC will deliver integrated household solutions for the TDC and YouSee brands. The unique selling points for the integrated household solutions will be voice and high-speed data access at home and away on all devices. TDC customers will have access to all content anywhere and anytime. Through TDC, customers will experience hassle-free one-stop shopping.

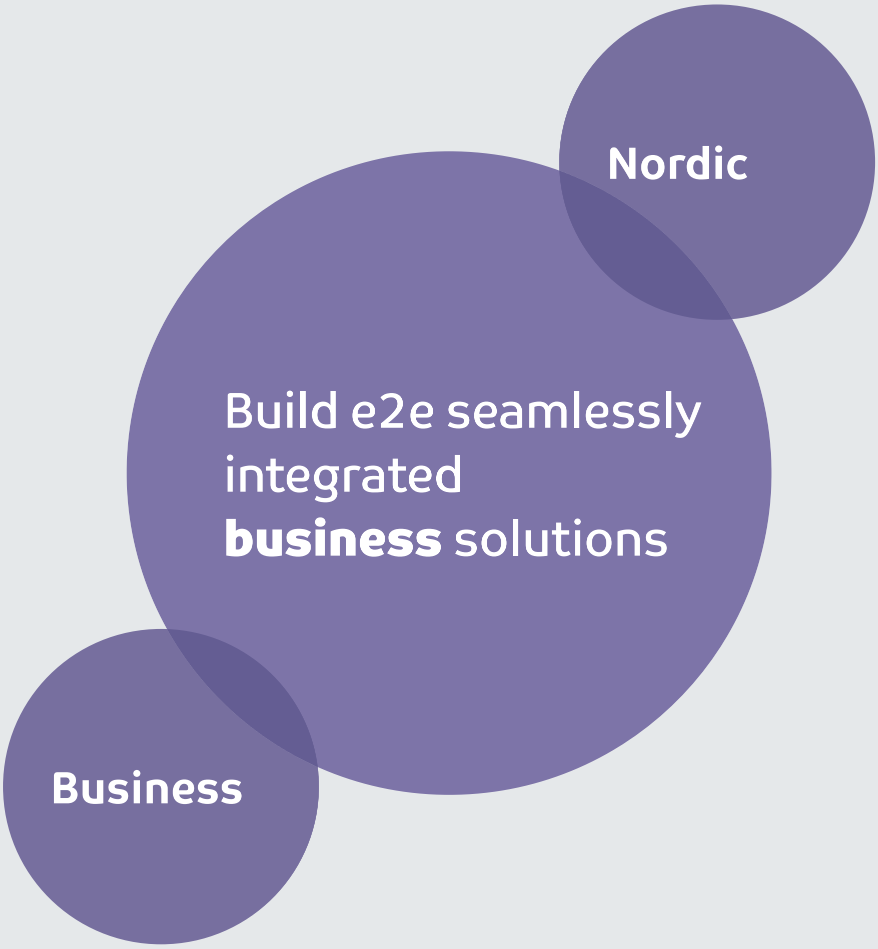


1 Expand the network with super broadband and 4G

During the strategy period, TDC will implement network investments totalling at least DKK 500m more than the 2009-12 investment level. These additional investments will concentrate mainly on access, including 4G mobile, remote DSLAMs (VDSL), and increasing capacity/speeds in the coax network. The investment will ensure higher speed broadband for Danish households and will facilitate the sale of new products.

2 Take customer services to the next level

TDC will increase investments in customer service by more than DKK 300m during the strategy period compared with the level in 2009-12. Investments will focus on initiatives such as stronger service monitoring and proactive fault handling as well as stronger on-boarding and product activation. A key goal is to raise our customer service to a higher level and focus on positive customer experiences.



TDC will deliver integrated business solutions both in Denmark and the Nordic countries. The unique selling points for the integrated business solutions will be cloud-based and scalable solutions with a pay per seat/location and online configuration. This will offer hassle-free one-stop shopping with predictable cost and premium service for premium business customers.

3 Drive radical simplification and IT rejuvenation

TDC will secure more lean and agile operations through a radical simplification and IT rejuvenation programme. This will dramatically simplify TDC's product portfolio, platforms and processes. The programme will deliver faster time to market and more than DKK 100m in run-rate savings. The programme will also help to significantly reduce the number of faults.

The simplification process has already triggered consolidation of TDC's product management functions, which will result in leaner processes and faster time to market.

4 Invest in talent and leadership

The correct competencies and talents are required to ensure TDC delivers on its strategy. TDC will therefore build dedicated talent and leadership programmes to support implementation of the 2013-15 strategy.

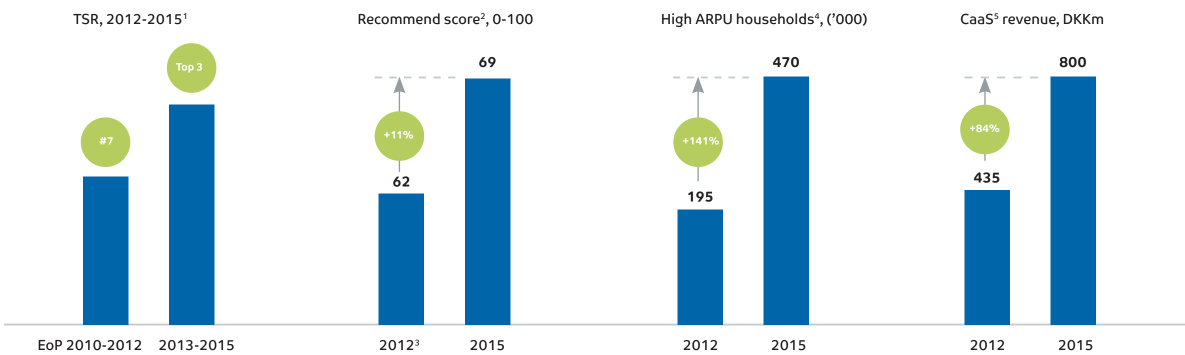
Our 2015 ambition is to:

Improve TDC gross profit performance via seamlessly integrated solutions and world-class customer experiences...

...enabled by market-leading networks, business simplification and highly engaged employees

Key targets for our 2015 ambition are:

Key targets



Continued financial discipline is key for TDC sustainability

...customer service will be key to a premium position...

... the focus will be on upselling and cross-selling household solutions...

...and business solutions

1 North- & Central European telcos, including FT, TLSN, BELG, ELISA, DT, TNOR, KPN, SCOM, BT, TA.
2 Average for customers answering on a scale from 1-100 if they would recommend TDC to their friends and family.
3 This corresponds to a Group score of 65.
4 Defined as the number of YouSee and TDC households with an ARPU above DKK 600.
5 Defined as Scale and KST revenue.

Highlights of the 2015 strategy

TDC will have
~99%
4G population coverage by 2015

YouSee aims to capture
~50%
of the Danish OTT market

By 2015,
2/3
of Danish households will have access to up to 100 Mbps broadband speeds from TDC/YouSee

TDC will invest an additional DKK
~300m
in customer/TAK initiatives during the strategy period

TDC/YouSee aim to have
~500k
high ARPU households by 2015

Group performance

Key financial data				DKKm
		2012	2011	Change in %
Income Statements	DKKm			
Revenue		26,116	26,304	(0.7)
Gross profit		18,518	19,172	(3.4)
EBITDA bpi		10,331	10,501	(1.6)
Operating profit (EBIT), excluding special items		5,349	5,713	(6.4)
Profit for the year, excluding special items		3,257	3,498	(6.9)
Profit for the year		3,593	2,808	28.0
Total comprehensive income		3,540	3,127	13.2
Capital expenditure		(3,492)	(3,421)	(2.1)
Net interest-bearing debt		(21,918)	(21,013)	(4.3)
Statements of Cash Flow				
EBITDA bpi		**10,331**	**10,501**	**(1.6)**
Change in net working capital excluding special items		130	(67)	-
Interest paid, net		(1,013)	(645)	(57.1)
Income tax paid		(1,555)	(1,715)	9.3
Cash flow from capital expenditure		(3,436)	(3,376)	(1.8)
Other		(8)	(104)	92.3
Equity free cash flow		**4,449**	**4,594**	**(3.2)**
Cash flow related to special items		(1,007)	(786)	(28.1)
Realised currency translation adjustments		8	(7)	-
Finance lease repayments		(72)	(74)	2.7
Cash flow related to mobile licences		(170)	(105)	(61.9)
Equity free cash flow post special items, etc.		**3,208**	**3,622**	**(11.4)**
Cash flow from operating activities		6,886	7,177	(4.1)
Cash flow from investing activities		(2,954)	(3,637)	18.8
Cash flow from financing activities		(4,448)	(2,815)	(58.0)
Total cash flow from continuing operations		**(516)**	**725**	**(171.2)**
Key financial ratios				
Earnings Per Share (EPS)	DKK	4.48	3.44	30.2
Adjusted EPS	DKK	5.30	5.68	(6.7)
Dividend payments per share	DKK	4.47	2.18	-
Gross profit margin	%	70.9	72.9	-
EBITDA bpi margin	%	39.6	39.9	-
Net interest-bearing debt/EBITDA bpi	x	2.1	2.0	-
RGUs (end-of-year)	('000)			
Landline		1,541	1,687	(8.7)
Mobile		3,963	3,921	1.1
Internet		1,769	1,777	(0.5)
Other networks and data connections		59	61	(3.3)
TV		2,222	2,158	3.0
Total RGUs		**9,554**	**9,604**	(0.5)
Employees				
Number of FTEs (end-of-year)		9,143	9,816	(6.9)
Number of FTEs (end-of-year), domestic		7,914	8,552	(7.5)

Revenue

In 2012, TDC saw continued strong competition in most product lines and this, combined with a subdued macroeconomic climate and regulatory effects, resulted in a revenue decline of 0.7% or DKK 188m in the TDC Group.

Revenue was negatively affected by:

- The ongoing negative impact from regulation of mobile termination rates (MTR) and international roaming charges, including the new regulation on EU retail data roaming implemented in July. To a minor degree, revenue was also negatively affected by various landline regulations (PSTN resale, ULL and leased lines).

- Decreasing organic domestic revenue from mobility services. Revenue was particularly affected by significant price pressure in Business. The extensive promotional activity in the residential market put Consumer ARPU and RGUs under pressure, but with an improving trend in the revenue loss during 2012.

- Decreasing organic domestic revenue from landline telephony as mobile services replace traditional landline telephony. In combination with successful ARPU management in Consumer and Business, an improved trend in net loss of PSTN retail RGUs positively affected revenue. As a result, the revenue loss from landline telephony was lower than in previous years.

- Decreasing organic domestic revenue from internet & network. This resulted from lower ARPUs as strong competition continued and bundling discounts affected the price level. However, TDC was very successful in increasing its retail broadband RGUs by 2.9%. In total, revenue loss from internet & network decreased compared with previous years.

Revenue was positively affected by:

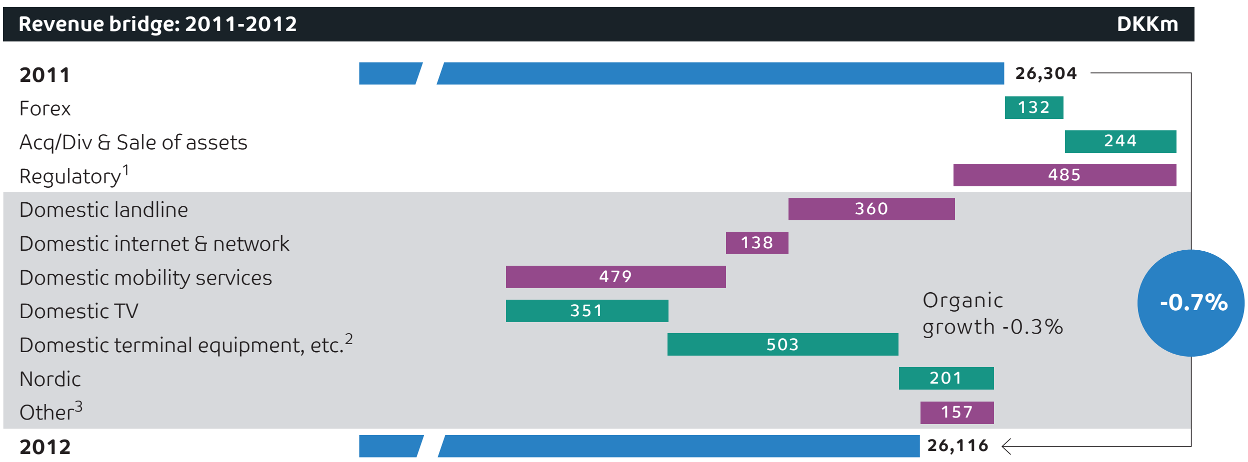
- Increasing organic domestic revenue from TV. This was achieved through an ARPU increase in YouSee following an increase in subscription fees and RGU growth in both YouSee and TDC TV.

- Increasing domestic revenue from the sale of handsets (primarily smartphones) sold without subsidies. This had almost no gross profit effect. The revenue increase was partly offset by a negative development in NetDesign, caused by a slowdown in customer demand.

- A number of acquisitions - particularly the impact from the acquisition of Onfone in May 2011.

- Continued growth in the Nordic division. TDC Sweden and TDC Hosting in particular achieved strong results.

- A favourable development in the NOK and SEK exchange rates.



[1] Regulatory includes mobile termination rates regulation (voice and SMS), international roaming regulation and various landline regulations (PSTN resale, ULL and leased lines).
[2] Terminal equipment, etc. 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 systems integration and installation work.
[3] Other contains income from operator services, service fees, rental of masts and eliminations.

Gross profit

Gross profit in the TDC Group declined by 3.4% or DKK 654m.

- Gross profit was negatively affected by increased regulation, while favourable exchange rate developments and the completed acquisitions had positive effects. The gross profit loss was larger than the revenue loss due to changes in the product mix. Areas with relatively low margins (such as Nordic, TV and especially the sale of terminal equipment) fuelled positive growth rates, which was more than offset by decreased activity in high-margin areas (such as landline telephony, mobile telephony and internet).

- As a result of the change in product mix, the gross profit margin decreased from 72.9% to 70.9% compared with 2011. The increased regulation had a positive net effect on the gross profit margin.

EBITDA bpi

EBITDA bpi in the TDC Group decreased by 1.6% or DKK 170m. A considerable part of the gross profit decline was offset by savings of DKK 548m on organic operating expenses. In particular, savings in personnel costs, marketing spending and SAC/SRC positively affected EBITDA bpi. Further details are provided in the section Operational efficiency.

Profit for the year

Profit for the year excluding special items totalled DKK 3,257m, down by DKK 241m or 6.9%. The decrease was caused primarily by the development in fair value adjustments due to one-off gains in 2011 related to interest-rate hedging of EUR denominated debt. The lower non-cash pension income in 2012, as a result of a lower expected return on pension plan assets, also affected profit for the year.

Lower amortisation costs and a decline in income taxes following a one-off adjustment (DKK 225m) of deferred tax also affected profit. The impact on future tax payments from the limitation of tax deductibility of interest expenses under Danish tax legislation has been reassessed. This resulted in a reduction of deferred tax liabilities on loans.

Special items developed positively due to the settlement in Q1 2012 of the dispute between DPTG and TPSA (DKK 760m after tax). Accordingly, profit for the year including special items amounted to DKK 3,593m up DKK 785m or 28.0%.

Comprehensive income

Total comprehensive income increased by DKK 413m. The significant growth in profit for the year (DKK 785m) was partly offset by the decrease in other comprehensive income (DKK 372m), due primarily to the negative

EBITDA bpi bridge: 2011-2012 DKKm

[1] Regulatory includes international roaming regulation and various landline regulation (ULL, leased lines and PSTN resale).
[2] Terminal equipment, etc. 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 systems integration and installation work.
[3] Other contains income from operator services, service fees, rental of masts and eliminations.

development in actuarial losses, which totalled a loss of DKK 160m in 2012 compared with a gain of DKK 276m in 2011. The actuarial losses in 2012 were due to an increasing pension obligation resulting from a decreasing discount rate, partly offset by favourable returns on the domestic pension funds' assets compared with expectations. The actuarial gains in 2011 resulted from favourable returns on the assets compared with expectations, partly offset by losses due to an increasing obligation resulting from adjusted mortality assumptions.

Cash flows

Equity free cash flow decreased by DKK 145m or 3.2% to DKK 4,449m:

- The lower level of interest payments in 2011 (DKK 368m) resulted from the refinancing and one-off gains from swaps. The refinancing in 2011 from senior bank loans to bond loans (EMTNs) prompted a changed payment profile from monthly to yearly interest payments. The one-off gains in 2011 (totalling DKK 272m) were due to realisation of fair market value gains resulting from declining interest rates on fixed-to-floating swaps entered into in connection with the refinancing (DKK 490m), partly offset by the early termination of interest-rate swaps related to the senior bank loans (DKK 218m).

- The positive development in net working capital (DKK 197m) related to a significant improvement in receivables due to changed smartphone financing (TDC Rate). As of Q2 2012 and Q4 2012, smartphone financing under the TDC brand and the remaining brands, respectively, has been provided by an external partner. In addition, a large portion of the receivables originating from earlier were sold to an external partner.

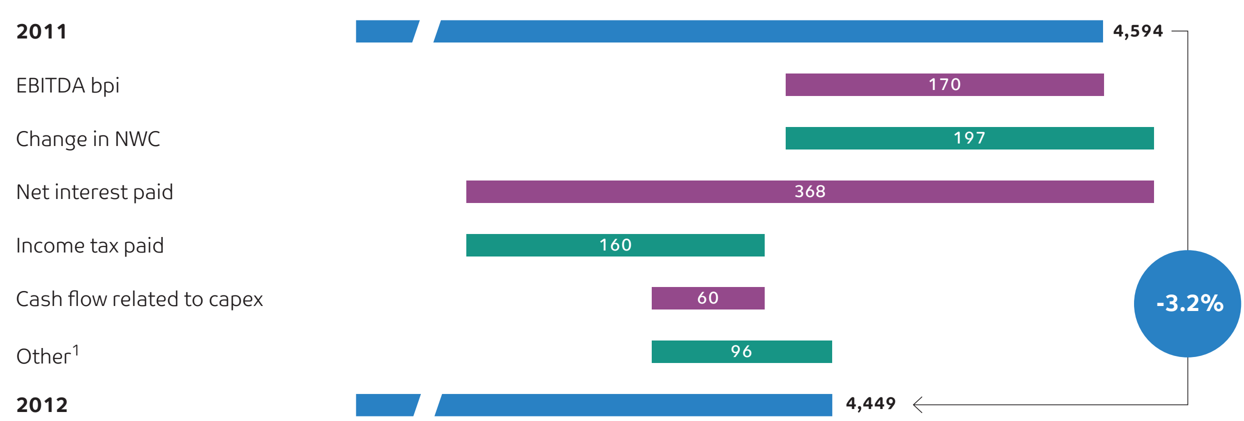
- Lower income tax was paid (DKK 160m) in 2012 than in 2011. In 2011, the one-off gains from swaps referred to above were utilised for further tax payments.

The cash outflow of DKK 2,954m from investing activities in 2012 was positively impacted by DKK 758m[1] from the settled dispute between DPTG and TPSA.

The cash outflow of DKK 4,448m from financing activities in 2012 was due to the payment of dividends in Q1 and Q3 2012 as well as the share buy-back programme, which was completed in Q2 2012.

[1] Settlement includes proceeds of DKK 1,011m, of which DKK 253m was paid as income tax in Q4 2012. The net cash inflow of DKK 758m is included in Dividends received from joint ventures and associates.

Equity free cash flow bridge: 2011-2012 DKKm



[1] Including adjustment for non-cash items, pension contributions and payments related to provisions.

Landline telephony

Competition and market trends

- TDC has a more than 80% share of the PSTN market through its retail brands and covers the remainder of the market through its wholesale activities. In VoIP, TDC has a 57% share of the market, while the utility companies have the second-largest share.
- The PSTN market is decreasing - both the number of customers and minutes of use - as customers switch to mobile-only or VoIP solutions.
- Residential mobile-only penetration continues to increase and is expected to include 50% of Danish households in 2015.
- Hosted IP voice (Scale) in the business market continues to grow.

Brands and products

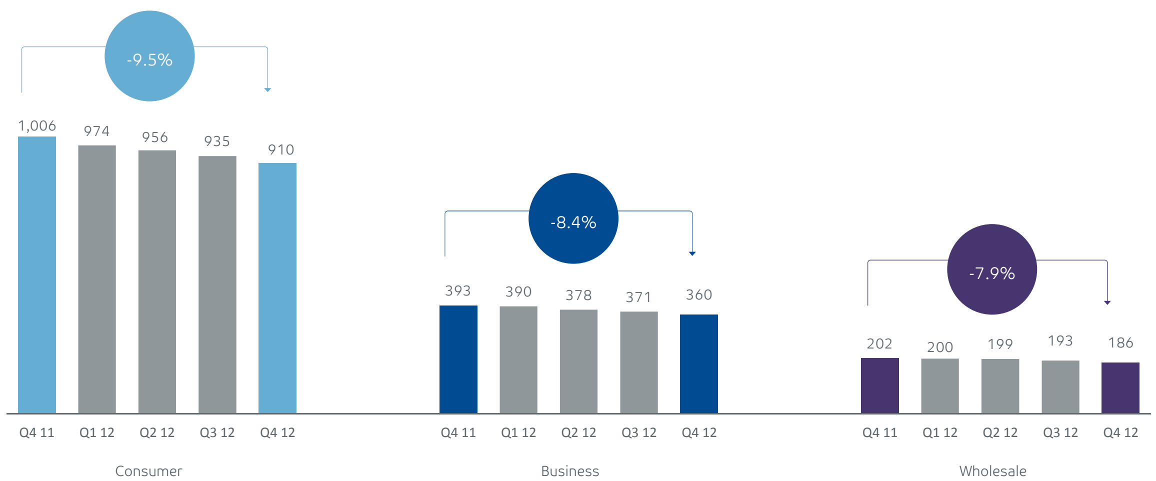
Landline telephony for business and residential customers consists of traditional PSTN telephony and VoIP, both standalone and as part of HomeDuo and HomeTrio bundles. Business also offers convergence products, such as Scale, that combine landline and mobile telephony. Through Wholesale, TDC offers resale of PSTN and VoIP.

TDC HomeDuo TDC HomeTrio

TDC's financial performance in 2012

The continued migration from traditional landline telephony to mobile, combined with fewer minutes of use, resulted in decreases of 9.0% and 7.6% in revenue and gross profit from domestic landline telephony, respectively. However, the trend in YoY gross profit loss improved as the decline in 2012 improved by 37% compared with the decline in 2011.

Landline RGUs ('000)



The net loss of both retail and wholesale PSTN RGUs was record-low in 2012, caused partly by targeted save activities. The number of VoIP RGUs rose by 3.6% from 2011 due largely to the increased demand for TDC HomeTrio bundles and the VoIP converged 'Scale' solution.

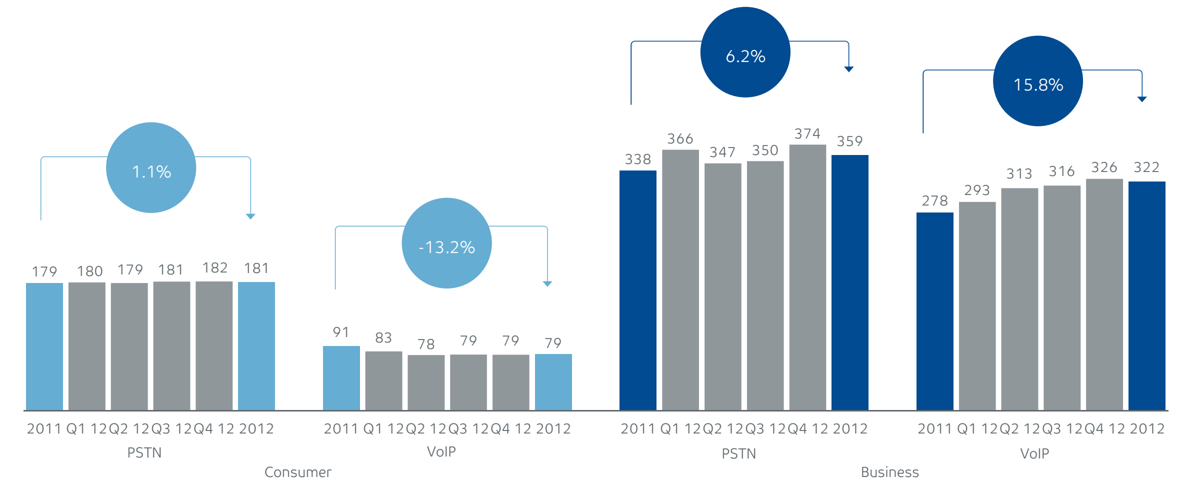
Strong ARPU management in Consumer and Business stabilised or increased ARPU despite declining PSTN MoU. Only ARPU from VoIP in Consumer declined due to increased bundling discounts, while regulatory price adjustments on subscriptions in both 2011 and 2012 led to a net decrease of 6.1% in PSTN ARPU in Wholesale.

Key financial data, landline telephony

TDC Group excl. Nordic		2012	2011	Change in %
	DKKm			
Revenue		**3,755**	**4,128**	**(9.0)**
Consumer		1,658	1,929	(14.0)
Business		1,599	1,624	(1.5)
Wholesale		399	483	(17.4)
YouSee		80	97	(17.5)
Other incl. eliminations		19	(5)	-
Gross profit		**3,379**	**3,658**	**(7.6)**
Gross profit margin	%	90.0	88.6	-
Organic revenue[1]	DKKm	3,755	4,115	(8.7)
Organic gross profit[1]	DKKm	3,379	3,645	(7.3)

[1] Reported revenue and gross profit excluding impact from regulatory price adjustments.

Landline ARPU DKK



Mobility services

Competition and market trends

- TDC is market leader in the Danish mobile voice market with a 45% network market share, including SPs on TDC's network. The remainder of the market is divided between Telenor, Telia and 3.
- Fierce competition in the residential market with extensive promotional activity and diminishing differences between brands, as no-frills providers offer 4G and premium brands compete on price.
- Spill-over effect on the business market with increased price pressure on mobile packages combined with business and public accounts continue to make very diligent investment and procurement decisions.
- Exponential growth in data usage and some operators are increasing the amount of data included in flat-rate offers without change of price.

Brands and products

TDC offers subscription and prepaid mobile telephony and mobile broadband, as well as attractive value-added services such as TDC Play. Mobility services also include Duét and telemetric solutions. TDC addresses the entire spectrum of the residential mobile market from no-frills to premium with its diversified and strong brand portfolio, while the entire business market from SMEs to large and public customers is addressed by Business. Through Wholesale, TDC offers service provider, MVNO and brand partner agreements.

TDC in the market

TDC's mobility services faced a challenging year in 2012 with profitability under pressure, as intensive campaigning activities by competitors in both the residential and business markets.

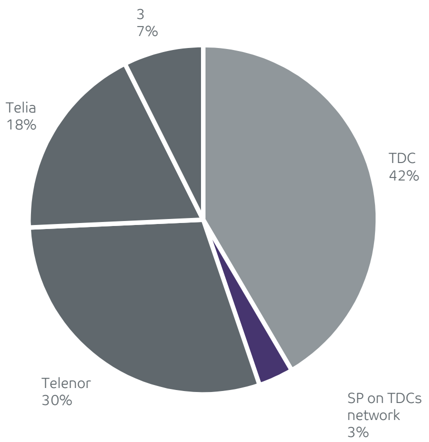
As the Danish market leader, TDC interprets market trends from a long-term perspective and uses its multi-brand strategy to set prices that support future investment in the sector. Therefore, instead of extensive promotions, TDC focuses on premium quality and content as well as bundling benefits for customers in order to avoid further price reductions.

In the residential market, this focus resulted in two new product launches in 2012: 'Mobile Family' has attractive terms and foreseeable fixed costs for the entire family's mobile voice and data needs[1] and through 'TDC Samlefordele' (bundling benefits), customers who combine HomeDuo or HomeTrio with a mobile subscription obtain extra benefits. Both products have proved successful and shown positive take-up rates combined with low churn. More than 44k Duo/Trio customers can now take advantage of 'TDC Samlefordele' benefits, and, from the introduction in August until year-end, 'Mobile Family' achieved an uptake of 34k RGUs.

Furthermore, TDC is continuing to develop its successful Play music service that to date has given unlimited access to more than 20m songs for TDC's and YouSee's business and residential customers. During H1 2013, TDC Play will be re-launched in line with the key strategic focus on integrated household solutions and to meet the increasing popularity of on-demand entertainment. TDC Play will

[1] The Mobile Family package is an integrated household subscription with free voice/SMS and 20 GB data for up to five phones. A minimum of two phones at a price of DKK 598 a month with each additional phone included for DKK 99 a month.

Market shares, mobile voice %



Source: Estimates made by TDC Market Intelligence become a single platform providing easy access to music, VoD, web-TV and personal media. With improved access to the service, customers can enjoy content across all devices, irrespective of subscription[1]. Onfone customers get 'Most out of your phone', and are offered free music and TV 'on the go' through the cooperation with YouSee[2].

In the business market, TDC repositioned its mobile portfolio targeting the SMB market in November, including several value-added services to increase the product value perception and stimulate upselling.

Furthermore, Business is capturing solid growth and upsales with 'Scale Mobile', an integrated CaaS solution for the business market that reduces customers' up-front investment and enables them to adapt and scale their communications needs. In Q4, Business launched 'TDC One', which is a CaaS solution for small businesses.

Earlier this year, TDC defied the market trend of ARPU-eroding actions, and introduced a DKK 19 subscription fee on SIM-only low-spending customers covered by the TDC brand in both the residential and business markets. This resulted in increased churn among low ARPU customers, but customer intake in other areas, e.g. Onfone, enabled TDC to maintain its market share.

[1] Trio Plus customers can also watch flow TV in and out of their homes on all devices.
[2] TV on the phone (unlimited on WiFi and up to one hour a day at no extra data charge on 3G) is only included for Onfone customers who also have a YouSee cable-TV subscription.

In line with the new 2013-15 strategy, TDC will focus even more on seamlessly integrated (household) solutions. As the share of multi-product/high-ARPU customers is still relatively low, TDC's high market share offers significant cross-selling and upselling potential in businesses and households alike.

TDC's financial performance in 2012

Revenue

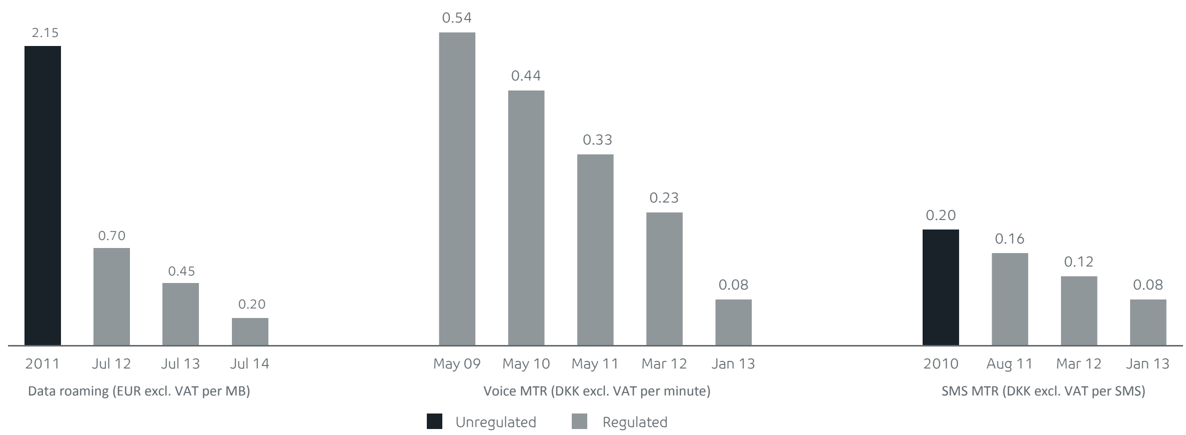
Reported revenue from mobility services decreased by DKK 700m or 9.8% to DKK 6,412m in 2012.

Regulation

Regulation negatively affected revenue from mobility services by DKK 472m in 2012 across Consumer, Business and Wholesale.

The revenue effect was driven primarily by the ongoing reductions of regulated MTR on voice and SMS implemented gradually over the past few years, as shown below. Previously, the MTR regulation took effect as of May, however, the timing of the regulation changed to March in 2012, causing a noticeable increase in the YoY effect. In 2013, the regulation will also have a significant YoY effect, both in terms of changed timing and reductions in regulated MTR on voice. MTR reductions have counteracting effects on gross profit in landline telephony and mobility services, but no negative effect on total gross profit in the TDC Group.

Mobile regulation **EUR/DKK**



In addition, the EU regulation on roaming was adjusted on 1 July 2012, and the implementation of data regulation in particular affected TDC's revenue and had a large negative impact totalling DKK 90m on gross profit as the regulation is not fully counterbalanced in transmission costs.

Consumer

Reported revenue growth in Consumer was positively affected by the acquisition of Onfone in May 2011 (acquisition effect of DKK 229m). Since the acquisition, Onfone has succeeded in further significantly increasing its subscriber base and revenue.

Consumer saw a revenue decrease in the remaining mobile brands (TDC Brand, Telmore and M1) driven by reduced YoY ARPU and RGUs. However, ARPU stabilised as from Q2 2012. This was supported by the introduction of a DKK 19 subscription fee on our SIM-only products that resulted in a direct positive impact of DKK 35m on 2012 revenue from subscriptions, but a negative net adds impact of 73k on low or no ARPU RGUs was recorded.

Key financial data, mobility services

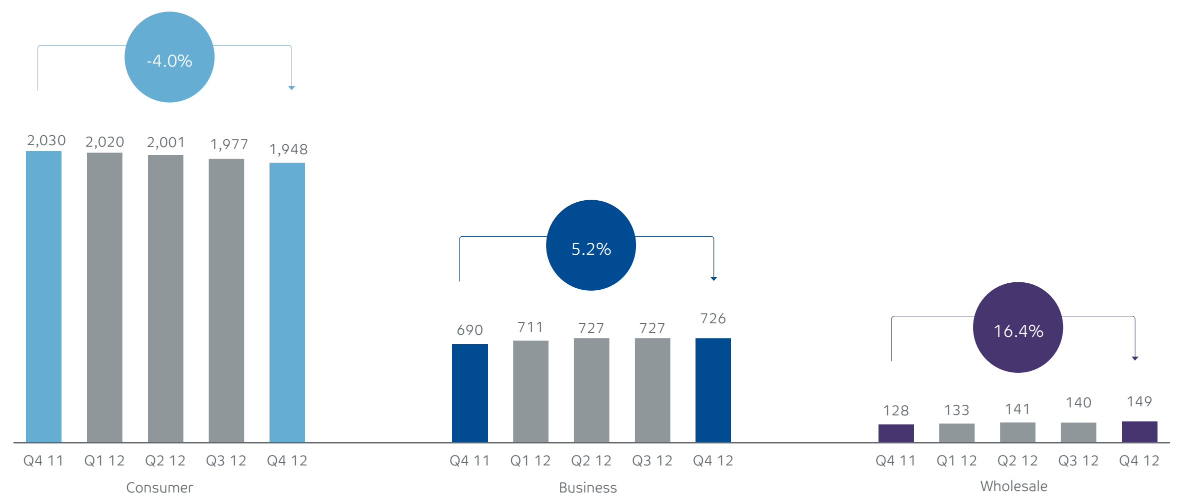
TDC Group excl. Nordic		2012	2011	Change in %
	DKKm			
Revenue		**6,412**	**7,112**	**(9.8)**
Consumer		3,878	4,225	(8.2)
Business		2,168	2,528	(14.2)
Wholesale		544	597	(8.9)
Other incl. eliminations		(178)	(238)	25.2
Gross profit		**5,169**	**5,548**	**(6.8)**
Gross profit margin	%	80.6	78.0	-
Organic revenue[1]	DKKm	6,412	6,891	(7.0)
Organic gross profit[1]	DKKm	5,169	5,608	(7.8)

[1] Reported revenue and gross profit excluding the impact from regulatory price adjustments as well as the impact from acquisitions and divestments.

Business

Business' negative revenue growth was caused by a significant YoY ARPU decline that accelerated in H2 2012, impacted by the EU regulation on data roaming. Significant price competition resulted in contracts with SKI and others being won or renegotiated at lower prices. Also, the price competition had considerable spill-over effects on the small and medium accounts via continued migration from legacy to new and lower price plans.

Mobile voice subscription RGUs ('000)



Business achieved a strong YoY mobile voice and mobile broadband RGU increase in 2012, which related mainly to many large account wins.

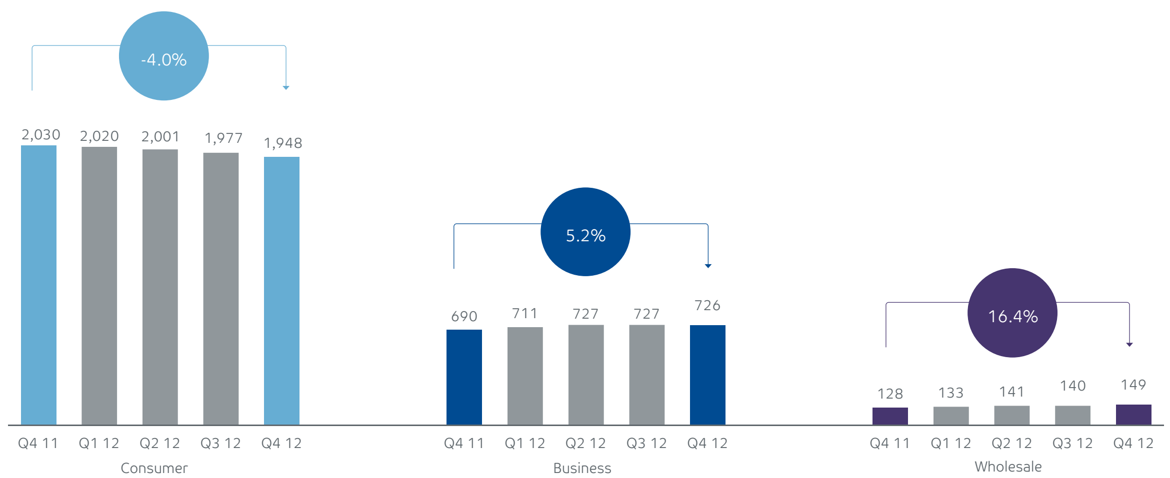
In addition, Business was positively affected in 2011 by a one-off adjustment of discounts relating to prior years (DKK 25m), which negatively affected growth in 2012.

Wholesale
Wholesale managed to increase its mobile voice subscription RGU base by 21k compared with 2011, despite difficult conditions in the domestic mobile market. This was achieved through continued growth and the inclusion of a new SP targeting the business segment.

Expansion of service providers' use of the TDC SIP MVNO platform, resulted in an increase in national MVNO minutes compared with 2011, but due to negatively affect on national MVNOs as prices declined, revenue from mobility services decreased.

Gross profit
Gross profit declined by DKK 379m or 6.8% to DKK 5,169m. Adjusted for the effects from acquisitions and regulation, organic gross profit declined by DKK 438m caused by the organic revenue decrease of DKK 479m which had almost full gross profit impact. The gross profit margin increased from 78.0% to 80.6% in 2012 driven by the gross profit neutral effects from regulatory mobile termination rate cuts. Also, the gross profit margin development was positively impacted by Onfone's only gradual transfer to TDC's network after the acquisition in 2011.

Mobile voice subscription ARPUs excl. incoming traffic DKK



Internet & network

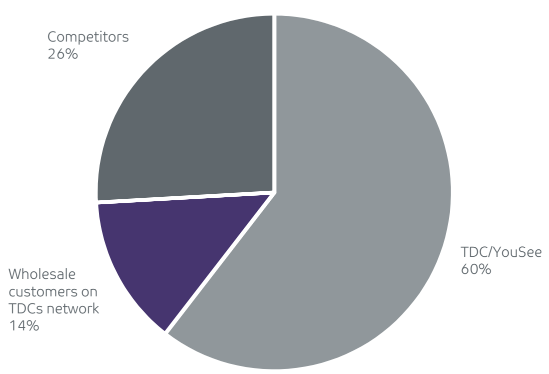
Competition and market trends

- TDC and YouSee have a combined broadband market share of 60% with an additional 14% through SPs on TDC's network, with the remainder of the market covered by other networks, including utilities' fibre networks.
- The market for landline broadband is saturated with high penetration, and a high-speed landline connection remains very important for both households and businesses.
- Integrated solutions and bundling services from one supplier are increasing in popularity.

TDC in the market

As market leaders in broadband, TDC and YouSee managed to maintain a total market share of 60% and successfully gate competition from utilities in particular, which have consolidated and made significant investments in fibre. However, the utilities increased their market share in 2012 at the expense of mainly TDC Wholesale's customer base. The continued expansion of TDC's landline network on xDSL, coax and fibre, combined with national coverage, is key to safeguarding the high market share. Through network segmentation, remote DSLAMs and pair bonding techniques, TDC can utilise its existing network more effectively to improve and increase the coverage and speeds beyond the demand of most consumers and small businesses.

Broadband market shares %



Source: Estimates made by TDC Market Intelligence

Brands and products

TDC and YouSee offer broadband with speeds of up to 100 Mbps as well as value-added services such as web-TV and on-demand entertainment. With a strong and diversified brand portfolio, both the no-frills and premium markets are accommodated. Corporate customers of all sizes are offered broadband and various network solutions, such as private IP-based network, communications services and security packages. Through Wholesale, service providers are offered access to TDC's network.

TDC HomeDuo TDC HomeTrio TDC Scale

The increased focus on integrated solutions has a positive impact on the bundled HomeDuo and HomeTrio services. The majority of TDC's broadband connections in the residential market are now sold as bundles, and in Consumer, the share of access lines with triple-play has increased from 12.7% in 2011 to 17.3% in 2012. As products increasingly converge, the provider that wins the landline connection has an advantage over competitors when trying to 'win' the customer over in other product areas. TDC's high market share on broadband, combined with premium content bundled services, therefore ensures that TDC can upsell and cross-sell various products to a large part of the Danish population.

Consumer and YouSee strengthen their content offering with subscriptions services (Movies & Series available for all TDC brand customers (broadband, mobile or bundle)[1] and the OTT service YouBio, available independent of broadband supplier) in order to meet the increasing popularity of on-demand entertainment.

[1] Available in H1 2013, when TDC Play becomes a full-scale entertainment platform covering unlimited access to music, a combined VoD rental and subscription service, web-TV and personal media, in order to provide consumers with a simple and unique media experience.

TDC has a strong position in the business market and in 2012 was ranked as having the best integrated solutions in the Danish telecoms market as well as the most stable and reliable products and business solutions[1]. Cloud-based services are offered through TDC Scale, which links data and telecommunications in one local network solution.

TDC's financial performance in 2012

Revenue

Despite intense competition in a saturated market for internet & network, only a limited negative development was recorded in terms of revenue. Reported revenue decreased to 5,148m in 2012, down by DKK 149m, or 2.8% compared with 2011.

Consumer

Consumer's revenue from internet & network decreased slightly in 2012. Despite a modest increase in churn, Consumer managed to continue its positive net adds trend fuelled by increased sale of standalone broadband, the wireless utility operator, Skylines bankruptcy and increased sales of bundles, including HomeTrio Mini[2].

[1] From the semi-annual analysis of the Danish telecommunications market for business solutions by the independent research agency Aalund.
[2] Campaign offer on HomeTrio with fewer TV channels.

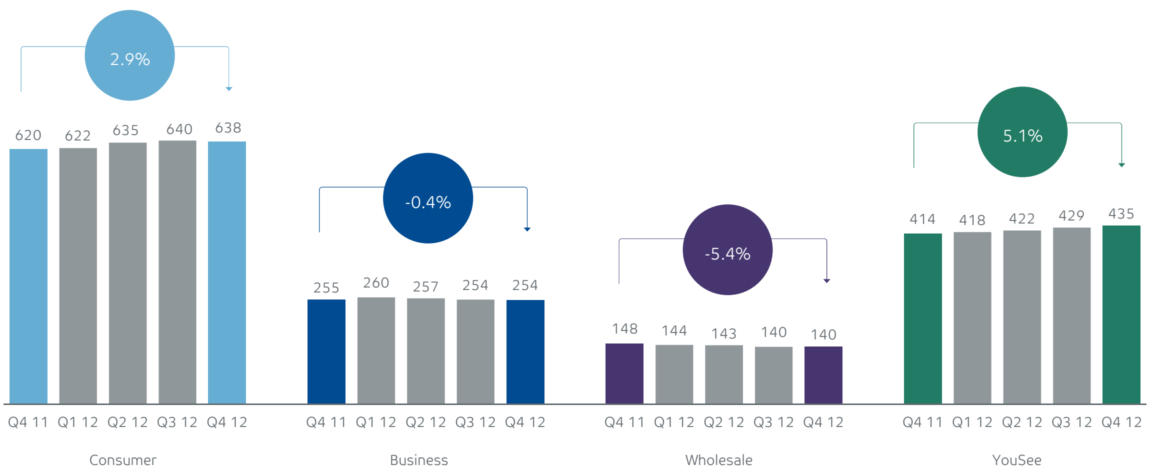
Key financial data, internet & network

TDC Group excl. Nordic		2012	2011	Change in %
	DKKm			
Revenue		**5,148**	**5,297**	**(2.8)**
Consumer		1,445	1,529	(5.5)
Business		2,105	2,191	(3.9)
Wholesale		871	886	(1.7)
YouSee		885	846	4.6
Other incl. eliminations		(158)	(155)	(1.9)
Gross profit		**4,778**	**4,960**	**(3.7)**
Gross profit margin	%	92.8	93.6	-
Organic revenue[1]	DKKm	5,148	5,286	(2.6)
Organic gross profit[1]	DKKm	4,778	4,949	(3.5)

[1] Reported revenue and gross profit excluding impact from regulatory price adjustments.

Broadband ARPU was negatively affected by bundling discounts and HomeTrio Mini campaigns due to the increased penetration of dual- and triple-play bundles, which had a positive effect on household ARPU but a negative effect on product levels. Furthermore, strong competition from utility companies resulted in increased bandwidth at unchanged or even reduced prices as well as significant competition in the market for broadband add-on services.

Broadband RGUs ('000)



Business

Revenue from internet & network declined by 3.9% in 2012 compared with 2011. As a result of customers' increased cost focus, Business' broadband RGU mix shifted towards broadband products with lower ARPU, and churn rates rose slightly compared with 2011. Price pressure in the broadband market negatively affected contract renegotiations.

Wholesale

Revenue was negatively affected by regulation, resulting in a decrease of DKK 11m in revenue with full gross profit effect.

In 2012, the regulation regarding ULL was adjusted for annual price reductions (3%), affecting the prices TDC is able to obtain for raw copper. The price reduction was implemented in Q4 2012 with retroactive effect, affecting Q4 with full-year effect. Furthermore, leased lines saw a large regulatory drop in prices (up to 30%) with effect from 1 July 2012.

Wholesale also recorded continued negative RGU development, as key customers pursued a mobile-only strategy while it has proved challenging for wholesale customers with no additional content/service on top to retain broadband customers. This was only partly offset by continued growth in international capacity.

YouSee

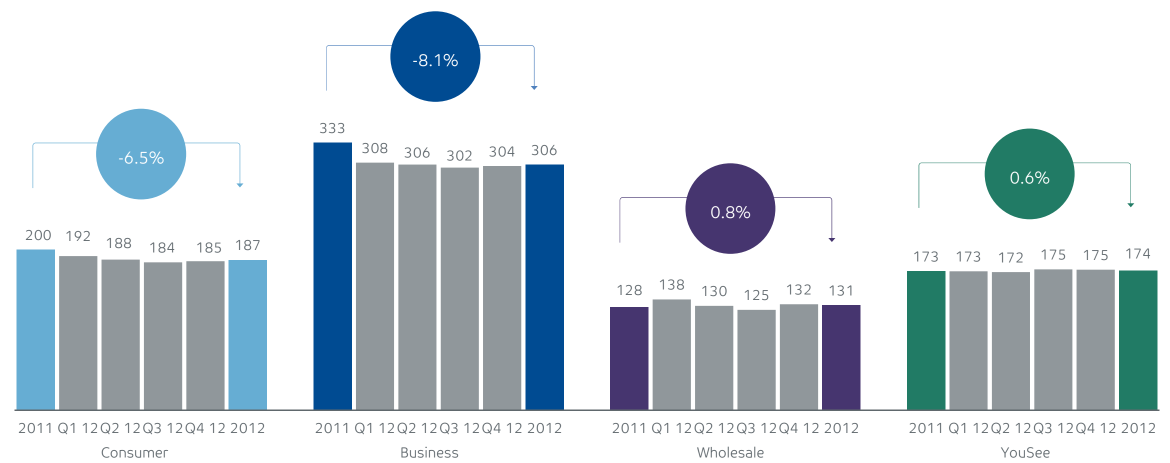
Revenue from internet & network (broadband) increased by 4.6% in 2012, continuing the positive development from previous years.

YouSee's broadband portfolio, including the opportunity to watch TV directly on smartphones, tablets and PCs, was a major success, and YouSee managed to increase its RGU base by a remarkable 21k, which led to a 36% broadband penetration rate on YouSees TV RGUs. RGU growth was also positively affected by YouSee meeting demand for increased bandwidths by offering broadband with download speeds of 100 Mbps. The RGU increase was achieved while successfully maintaining YoY broadband ARPU.

Gross profit

Gross profit from internet & network decreased by DKK 182m or 3.7% and the gross profit margin dropped slightly from 93.6% to 92.8%. The margin decrease resulted from a product mix shift with slight increases in the lower margin international capacity business and decreases in very high margin domestic broadband business.

Broadband ARPUs DKK



TV

Competition and market trends

- YouSee and TDC have a combined TV market share of more than 50%. The competing coax operator, Stofa, with 14%, is the second-largest supplier of pay-TV in Denmark.
- The TV market grew at the beginning of 2012 when TV2 became a pay-TV channel and previous free-to-air customers entered the market (primarily in the low ARPU segments).
- Flexibility, expressed through on-demand services, OTT offerings and TV-to-go on all devices, is increasing in popularity.
- In Q4 2012, subscription-based streaming offers on movies and series (OTT) were introduced in the Danish TV market, with a generally positive response from consumers.

TDC in the market

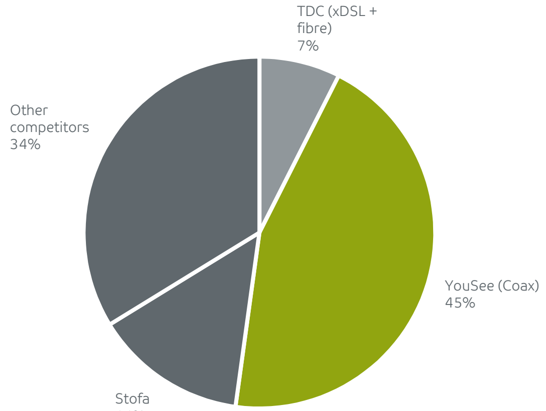
YouSee and TDC TV offer premium content and seamlessly integrated solutions that enable customers to watch TV on tablets and smartphones - on selected channels, even when away from home[1]. This helped to guard TDC's and YouSee's market share from the substantial fibre investments made by the utility companies. Value-added services continued to increase with growth in VoD users of more than 200%, including the free 'Plus Movies & Series', which also had a positive churn-reducing effect. Extra channels prompted a further increase in RGUs.

Through its recently launched OTT product YouBio, YouSee offers everyone in Denmark with a broadband connection the opportunity to subscribe to a wide range of movies and series on all devices. With the combination of the newest blockbusters and high-profile series, compared with its competitors, YouBio's content is premium[3]. The wide platform accessibility is also top of the line, and YouBio has received very positive reviews[4].

Due to a continued focus on improving products and available offers, additional TV channels were included in the packages in 2012. In combination with the regulatory defined payments for TV2, this led to increased content costs. Consequently, as both YouSee and TDC increased the prices of their packages, some consumers became more cost focused. Combined with the improved access to content with free choice products, a downward migration in TV packages was evident.

[1] Available from YouSee since Q2 2012 and through TDC TV from H1 2013.

Market shares, TV %



Source: Estimates made by TDC Market Intelligence

Brands and products

Pay-TV with multiroom access to the most popular channels, including up to 30 HD channels[2], as well as the possibility of choosing additional extra channels on top of the packages. YouSee and TDC also offer a wide range of value-added services such as VoD, TDC Play and YouSee Play, and in December 2012, YouSee launched YouBio, its versatile OTT offer.

[2] Up to 16 HD channels on TDC TV.
[3] Besides the monthly subscription, YouBio also offers the opportunity to rent the newest blockbusters.
[4] E.g. 'Godmorgen tv': http://go.tv2.dk/morgentv/id-61750776.html, and Comoyo http://www.comoyo.com/dk/filter/streamingkrigen-fortsaetter-youbio-og-hbo-nordic-krydser-klinger/.

To capture a fair share of the previous free-to-air customers and promote its integrated HomeTrio solution, TDC ran a number of promotional campaigns in the first half of 2012. TDC will continue to secure customer intake by offering Danish households integrated solutions with premium content.

TDC's financial performance in 2012

Revenue

Revenue from TV increased by DKK 351m to DKK 3,939m in 2012 due to the growth in RGUs (+64k) and subscription fees.

Consumer

Revenue from TDC TV increased by 25.4% in 2012, continuing the very positive development from previous years. The successful introduction of HomeTrio Mini and HomeTrio campaigns in the first half of 2012 increased RGUs by 26.7% from 2011 to 2012. This large intake negatively affected ARPU, but this turnaround in Q4 as price campaigns expired.

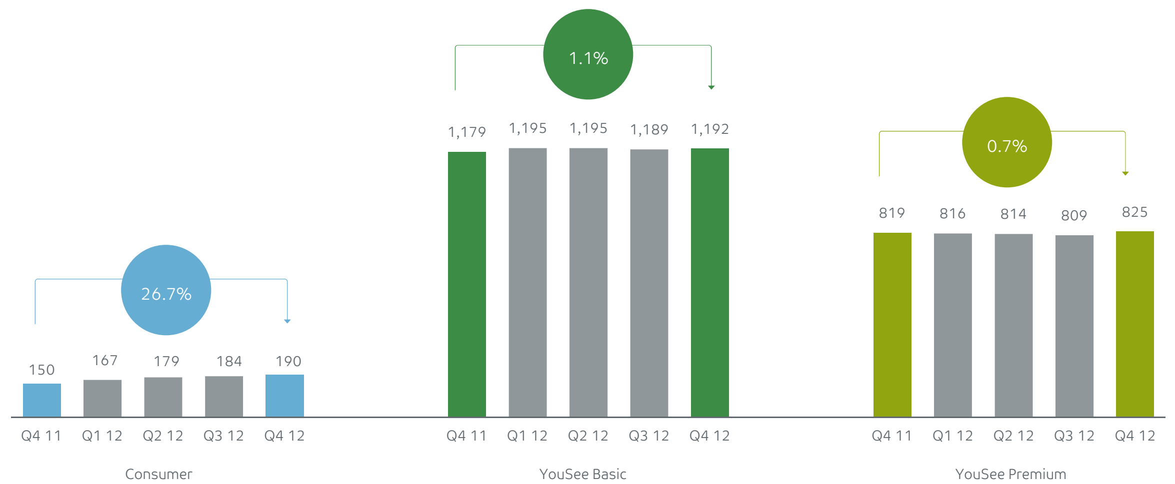
Key financial data, TV

TDC Group excl. Nordic		2012	2011	Change in %
	DKKm			
Revenue		**3,939**	**3,588**	**9.8**
Consumer TDC TV		661	527	25.4
YouSee Basic TV		1,308	1,199	9.1
YouSee Premium TV		1,925	1,835	4.9
Other incl. eliminations		45	27	66.7
Gross profit		**2,194**	**2,060**	**6.5**
Gross profit margin	%	55.7	57.4	-
Organic revenue	DKKm	3,939	3,588	9.8
Organic gross profit	DKKm	2,194	2,060	6.5

YouSee

YouSee's revenue from Basic TV rose by 9.1% compared with 2011, driven by the increase in subscription fees as of 1 January 2012. YouSee was somewhat negatively affected by more structured attacks on YouSee's organised customer base in 2012, but also achieved strong wins, and overall, Basic TV RGUs increased by 13k.

TV RGUs ('000)

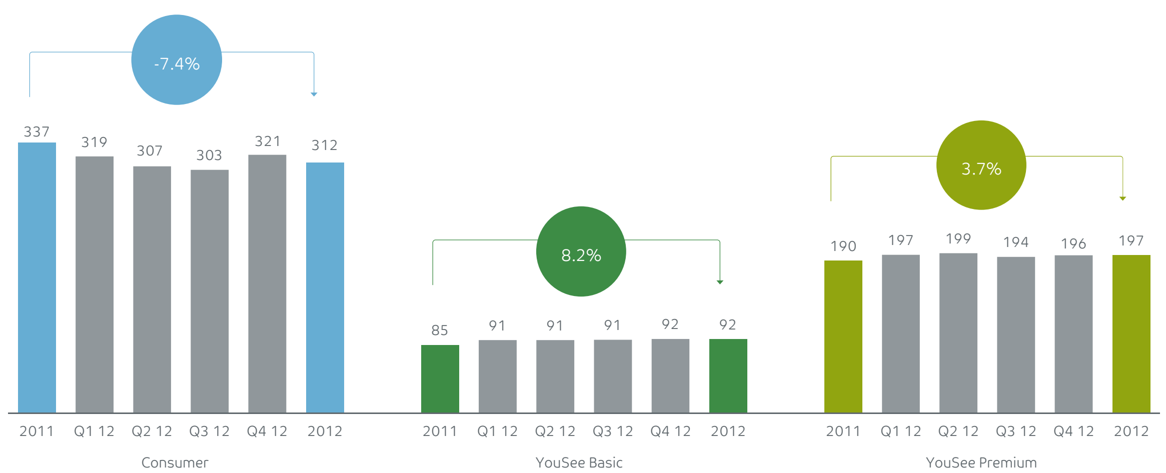


Premium TV reported a 4.9% revenue increase compared with 2011, affected by the increased subscription fees. This also drove 3.7% growth in ARPU. Despite the negative effect from consumers migrating to smaller TV packages, the RGU base increased by 6k, and value-added services continued to grow, with a 161.8% rise in VoD sessions.

Gross profit

Gross profit increased by DKK 134m or 6.5% compared with 2011 and the gross profit margin declined from 57.4% to 55.7%. The margin was negatively affected by the increased content costs (particularly the regulatory defined TV2 payments) as well as the campaign offers on TDC TV in H1 2012, while a campaigning subsidy in 2012 (DKK 29m) positively affected content costs and the gross profit margin.

TV ARPUs **DKK**



Terminal equipment

Revenue from terminal equipment, etc. increased by 29.0% in 2012 compared with 2011, while gross profit decreased by 4.6%.

Revenue from terminal equipment stems largely from the sale of mobile handsets without subsidies, which grew by 127.3% from 2011 to 2012. This is a result of the introduction of TDC Rate in May 2011 that has resulted in more smartphones being sold without subsidies, as well as a significant increase in demand for smartphones, i.e. almost 9 out of 10 phones sold by Consumer are smartphones. As terminal equipment sales have a very low margin, the gross profit effect is close to zero.

The Business subsidiary, NetDesign, is the largest IT advisor and network integrator in Denmark. NetDesign supplies Danish companies with a wide range of professional communications solutions. The declining revenue was caused mainly by a slowdown in customer demand for unified communications solutions supplemented by declining prices on hardware, and price renegotiations in the service portfolio. The DKK 133m revenue decrease was partly offset by lower costs, and gross profit decreased by DKK 45m.

Key financial data, terminal equipment, etc.

TDC Group excl. Nordic		**2012**	**2011**	**Change in %**
	DKKm			
Revenue		**2,268**	**1,758**	**29.0**
Sale of handsets		1,123	494	127.3
NetDesign		859	992	(13.4)
Other incl. eliminations		286	272	5.1
Gross profit		**624**	**654**	**(4.6)**
Gross profit margin	%	27.5	37.2	-
Organic revenue[1]	DKKm	2,268	1,765	28.5
Organic gross profit[1]	DKKm	624	661	(5.6)

[1] Reported revenue and gross profit impact from acquisitions and divestments.

Nordic

Competition and market trends

- Continued migration from traditional landline telephony towards IP-based solutions and mobile-only.
- Increasing focus on high-speed fibre-based solutions among both operators and customers, reflecting increasing demand for integrated and value-added services.
- Increasing demand for flat-rate offers, including international voice and data.
- Increase in the market for CaaS - a development that is expected to accelerate in the coming years.

Nordic in the market

Nordic offers landline telephony as well as internet & network (including IP-VPN services) on its own pan-Nordic landline network in Finland, Norway and Sweden. Nordic offers competitive pan-Nordic telecommunications solutions for business customers and public-sector customers, including a common pan-Nordic video-conferencing solution. The utilisation of cross-selling opportunities triggered several strong wins in 2012. Leveraging on its pan-Nordic network, Nordic also sells a wide range of wholesale solutions. Services are also offered to global customers through partnerships.

Nordic offers mobile telephony through MVNO agreements in Sweden and Norway and a service provider agreement in Finland. A recent renegotiation of the MVNO contract in Sweden increases both the quality and competitiveness of the mobile offerings, and TDC Sweden has already seen the first significant wins following this initiative.

As the sole Nordic operator, TDC Sweden offers integrator services, including the Direct business[1], giving Nordic a significant advantage in the growing CaaS market. Leveraging on the successful experience in Sweden, the TDC Scale concept was also launched in Norway in 2012, causing increased activity levels.

TDC Hosting offers hosting and information technology solutions in Sweden, Finland and Denmark, with a primary focus on providing managed hosting, co-location and shared hosting for small and medium-sized enterprises. Hosting in Denmark won several large contracts in 2012, and continued investing in hosting infrastructure.

Completed expansion of data centre capacity in both Malmö and Helsinki will support the ambition of continued strong growth outside Denmark.

In 2012, for the third consecutive year, TDC Finland was awarded the title of 'best corporate network provider in Finland' by the independent EPSI rating study, while TDC Norway was awarded first place on data. TDC Norway also achieved an all-time high annual customer satisfaction score for all product areas.

In December 2012 a decision from Samferdselsdepartementet in Norway was upheld, resulting in a MVNO price reduction of 19.8% for TDC Norway.

Nordic's financial performance in 2012

For Nordic, 2012 proved to be a very strong year across all business units, with organic growth of 12.2% in EBITDA (reported 14.2%).

Revenue

Reported revenue in Nordic increased by DKK 328m or 7.3% in 2012 due to solid growth across all product groups except landline telephony. Revenue was positively affected by a favourable exchange-rate development in SEK and NOK, while a correction of the booking of certain types of service number revenue has negatively affected revenue growth in TDC Finland by DKK 57m.

Landline telephony

Nordic successfully maintained a stable level of connections, though the decline in minutes of use following the migration away from landline, combined with the general price erosion, resulted in a 13.7% decline in revenue, but a limited gross profit effect[2].

Mobility services

The strong intake of mobile subscriptions was maintained, particularly in TDC Sweden and TDC Finland, while TDC Norway achieved increasing revenue driven by mobile data.

[1] Direct business comprises sale of handsets, conference telephones, headsets, tablets, etc. sold online and by Nordic's sales force.

[2] Gross profit from landline decreased by only 1.1%.

In Finland, winning the City of Vantaa (fourth most populated city in Finland) account was the main driver for the increase, while the increase in Sweden resulted from several wins in the public sector. In Sweden, the strong uptake resulted from improved network stability. Overall, revenue from mobility services grew by 11.9%.

Internet & network

The IP-VPN business continued its solid performance in all three countries, with an 8.7% increase in the number of connections. In Norway and Sweden, where uptake in the number of IP-VPN connections was particularly strong, implementation of Statens Vegvesen in Norway and Posten in Sweden were the two largest contributors. However, the increase in IP-VPN subsided at the end of the year.

Though the number of internet connections was under pressure, particularly in TDC Sweden, the majority of the lost installations had a relatively low ARPU and margin.

Revenue in TDC Hosting exceeded market growth in all three countries, and TDC Hosting gained market share. Sales were strong with major wins especially in Denmark where TDC Hosting strengthened its presence at the high end of the market.

Terminal equipment

The Direct business in TDC Sweden experienced double-digit growth, and based on this success, the concept was launched in Norway in 2H 2012. In total, revenue from terminal equipment, etc. increased by 15.6%, and new product areas such as Video, Datacentre and LAN solutions contributed to this growth.

Key financial data, Nordic

Nordic		2012	2011	Change in %
	DKKm			
Revenue		**4,815**	**4,487**	**7.3**
Landline telephony		869	1,007	(13.7)
Mobility services		310	277	11.9
Internet and network		1,762	1,647	7.0
Terminal equipment, etc.		1,461	1,264	15.6
Other[1]		413	292	41.4
Gross profit		**2,024**	**1,865**	**8.5**
Gross profit margin	%	42.0	41.6	-
Organic revenue[2]	DKKm	4,815	4,614	4.4
Organic gross profit[2]	DKKm	2,024	1,911	5.9

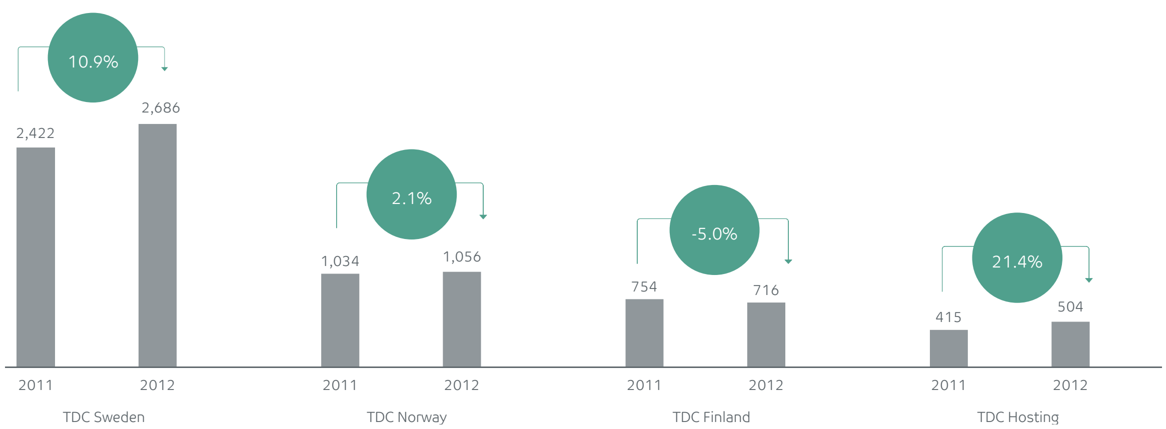
[1] Including operator services, etc.
[2] Reported revenue and gross profit excluding the impact from currency effects, impact from regulatory price adjustments as well as the impact from acquisitions and divestments.

Gross profit

Gross profit rose by 8.5% compared with 2011, and growth was achieved across all business units.

The gross profit margin increased as a result of improved operational efficiency and optimisation of the network set-up. However, this was challenged by a shift in product mix, as an increasing share of revenue came from low-margin products such as Direct and mobility services, combined with new product areas such as datacentre and video which also have low margins.

Revenue per business unit DKKm



Other including eliminations constituted DKK (138)m in 2011 and DKK (147)m in 2012.

Support
Every year, technicians in our approx. 1,600 vans cover more than 24 million km to service customers throughout Denmark

Operational efficiency

Throughout 2012, TDC continued to focus on optimising processes and increasing efficiency in all aspects of everyday work. This, combined with economies of scale, enabled TDC to achieve significant efficiency gains.

The main results stemmed from three group-wide programmes (TAK, TDC PRO and TDC 2.0), all designed to reduce overall complexity and enhance efficiency.

TAK

Customer-oriented programme designed to increase customer satisfaction through:

- better alignment of expectations in the sales situation
- fewer systems breakdowns
- fast and efficient fault handling
- better service levels

2012 results

- Historically low level of unacceptable customer experiences
- Number of fault correction hours continued to decline

TDC PRO

Programme to review the operating model aimed at:

- increasing efficiency
- simplifying production
- reducing lead times and waste
- improving flexibility
- strengthening cross-functional collaboration

2012 results

- Outsourcing of the building of fibre networks
- Outsourcing of refurbishment and disposition

These intitiatives are carried on in the new radical simplification programme, cf. section Strategy 2013-15.

TDC 2.0

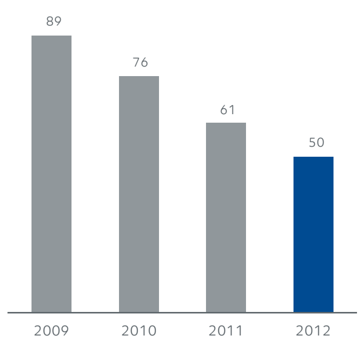
Transformation programme reviewing the daily work routines focusing on:

- better operational planning
- more effective performance management
- building a lean culture
- making management more visible to employees

2012 results

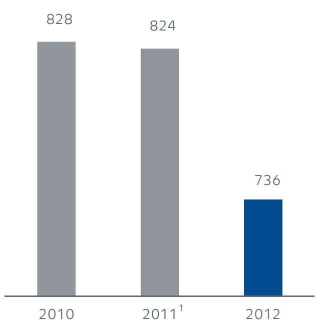
- Continued increase in productivity measured in minutes per fault

Unacceptable customer experiences — Index, Q1 2009 = 100



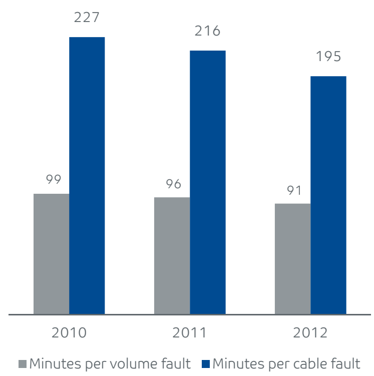
Unacceptable customer experiences

Fault correction time — Hours ('000)



Fault correction time

Volume/cable faults[2] — # ('000)



[1] In 2011, cloud bursts resulted in 26,500 fault correction hours negatively affecting the full-year figure.
[2] Volume/cable faults in Operations.

Opex performance in 2012

The companywide process optimisations and continuous cost focus resulted in a range of savings compared with 2011. As a result, organic operating expenses decreased by DKK 548m (reported DKK 484m).

- Organic personnel and personnel-related costs decreased by DKK 251m mainly as a result of a 7.6% decrease in the average number of full-time employee equivalents. These reductions stemmed from increased efficiency, fewer faults and the continued decline in the legacy landline business. Despite this reduction, the customer satisfaction score reached a record-high peak of 76 due to the introduction of the TAK programme.

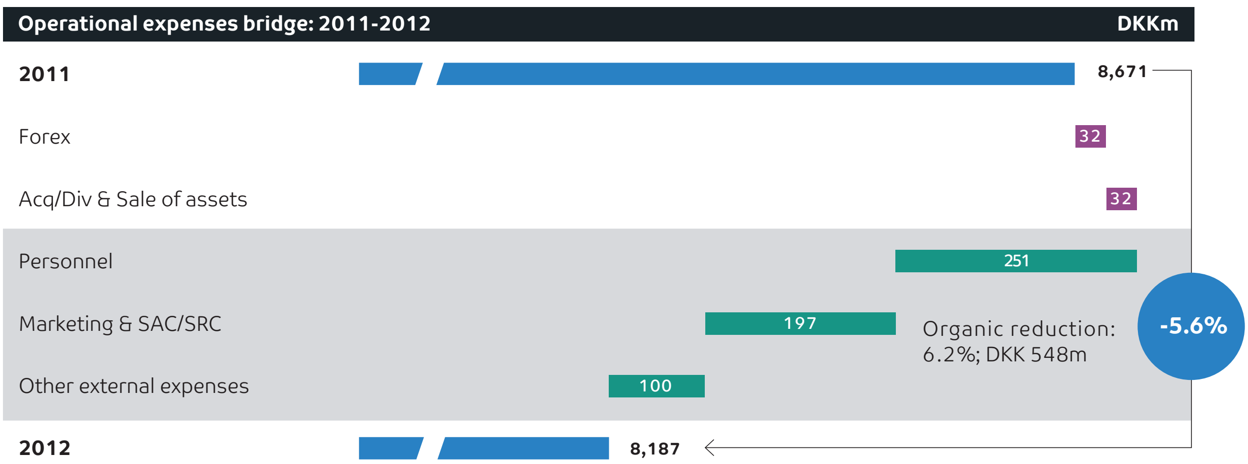
- The smartphone financing scheme, TDC Rate, was introduced in May 2011 and a new mobile portfolio was launched in July 2011. The introduction of TDC Rate changed sales from SAC-financed handsets to instalment plans, which resulted in lower costs for mobile subscriber acquisitions in the first half of 2012 in particular. At the same time, marketing spending was kept at a lower level as TDC chose to use campaign activities in the mobility services market only to a limited degree in the second half of 2012. In total, organic SAC/SRC and marketing costs decreased by DKK 197m.

- In 2012, Operations completed several initiatives that significantly improved its level of savings. The transition of TDC IT outsourcing from CSC to Tata Consultancy Services resulted in notable savings in IT costs. A number of space management projects were carried out, e.g. NetDesign and Onfone were moved to TDC's main location, Teglholmen, generating further savings. Onfone relocated at the end of 2012 and the savings will be realised in 2013.

- The completed acquisitions (primarily Onfone in 2011) negatively impacted costs. On the other hand, operating expenses were positively impacted by one-offs related to the sale of Aarhus Network and acquisition of Randers Antenna Association (negative goodwill). In total, acquisitions and divestments negatively impacted growth by DKK 32m.

- The 2012 amendment to the Telecommunications Act regarding maritime distress services assigned TDC compensation for costs related to Coastal Radio, affecting operating expenses positively by DKK 42m.

- Organic operating expenses were negatively affected by a 2012 one-off item of DKK 25m concerning a large portion of the receivables related to TDC Rate being sold to an external partner. However, this positively affected Equity free cash flow.



Capital expenditure

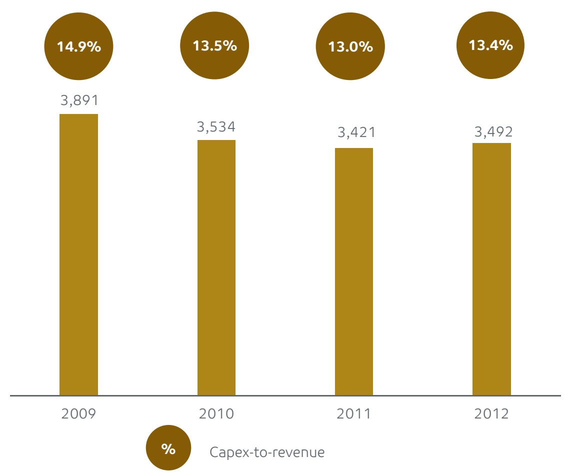
TDC's network strategy is to have the best mobile and landline network in Denmark in terms of speed, coverage and quality. To achieve this, TDC plans to invest DKK 25bn up until 2020 on primarily the network infrastructure and customer installations. In 2012, in line with our guidance, capital expenditure totalled DKK 3,492m, corresponding to 13.4% of revenue.

Network infrastructure

As the incumbent telecommunications operator in Denmark, TDC has a long history and extensive experience in building and operating the communications infrastructure throughout Denmark. In 2012, TDC invested DKK 1,896m across network technologies (copper, coax, fibre and mobile), an increase of 9.7% compared with 2011.

TDC's landline network enables more than 99% of all Danish households to receive broadband at download speeds of more than 2 Mbps as well as landline telephony. 88% of households can receive broadband at download speeds of up to 20 Mbps, and 45% of households and businesses can obtain download speeds of up to 100 Mbps.

Capital expenditure **DKKm**



With a backbone network based entirely on fibre, TDC has the largest fibre network in Denmark and is continuing its effort to bring fibre closer to customers by building out a fibre feeder network. Investments in remote DSLAMs and pair bonding techniques enable TDC to use copper for the

TDC has a superior landline network comprising an efficient combination of copper, coax and fibre access...

230,000 km copper

45% 100 Mbps broadband coverage

Households <300m from fibre point **63%**

40,000 km fibre

final stretch from fibre points to households, securing optimal utilisation of the copper network and enabling increasing speeds on the ever shorter distances where data is carried by copper lines.

TDC's continued expansion of the landline network is of great importance to the mobile network. By extending fibre to mobile masts, TDC can increase the speed of mobile broadband. TDC's mobile network spans almost the entire Danish population with 2G and 3G coverage. In 2012, TDC continued its 21 Mbps/42 Mbps 3G build-out to provide population coverage of 70% and 39% respectively.

TDC is also achieving solid progress in building a superior 4G network following the 800MHz auction in Q2 2012 at which TDC acquired 2x20MHz spectrum at a price that compares very favourably with similar European auctions.

TDC is one of only two European incumbent operators to fully own a cable-TV network in its domestic market. TDC's network infrastructure therefore represents a distinct advantage. To enhance this competitive edge, TDC continued to expand its coax network in 2012, thereby increasing capacity and broadband speeds while accommodating increasing demand for VoD.

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

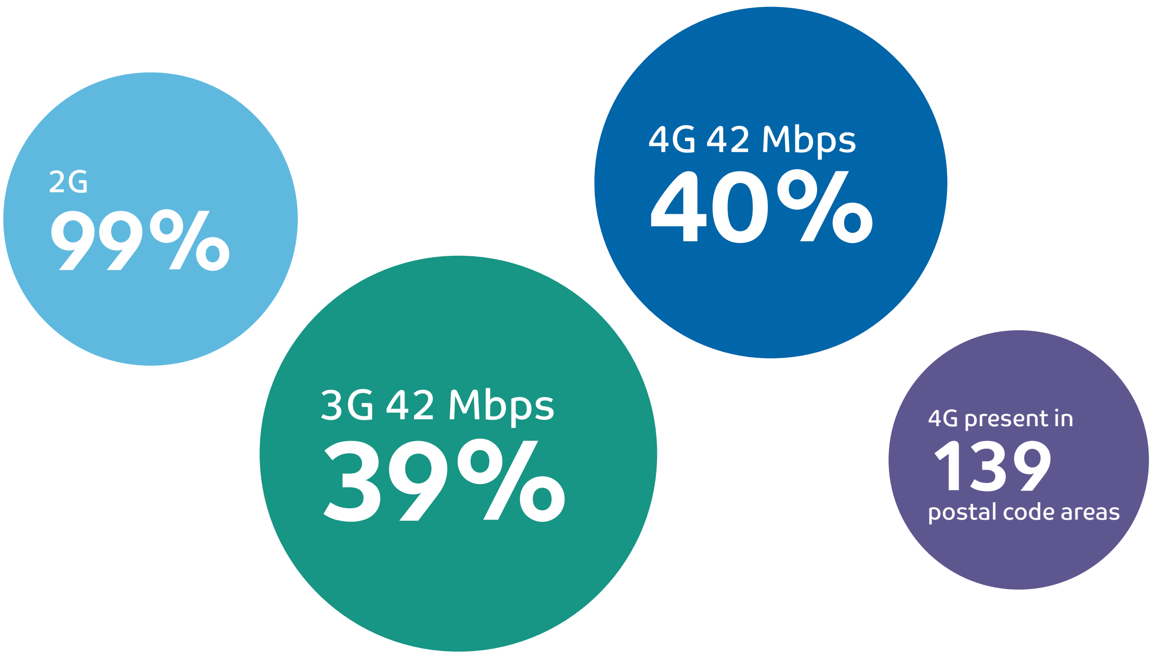
Customer installations

In 2012, TDC spent DKK 758m on customer installations, including customer premises equipment and technician hours. A decrease of 8.1% in customer installations was seen from 2011, driven mainly by lower spending in Nordic; while increased sale of HomeTrio and higher net adds in YouSee broadband generated increases in customer installations in Consumer and YouSee.

IT

With DKK 696m spent on IT investments in 2012, the development from 2011 remained on the same level. Investments related mainly to strategic investments in development projects; in Nordic, primarily the development of Scale.

...and a mobile network with competitive 2G, 3G and 4G coverage



Guidance

2012 guidance was achieved

The financial guidance for 2012 for TDC Group published in the TDC Annual Report 2011 stated a revenue interval of DKK 26.0-26.5bn, EBITDA bpi in the interval of DKK 10.3-10.5bn and a capital expenditure interval of DKK 3.4-3.5bn. At the same time, a dividend per share of DKK 4.50 was expected, which was later adjusted to DKK 4.60 following the share buy-back of 18m shares in the first half of 2012.

2012 guidance was achieved on all parameters.

However, as shown in the illustration on the right, a number of essential assumptions differed to those expected by TDC in February 2012.

The price pressure in the market for mobility services continued and the business market in particular saw heavy ARPU declines that were also affected by EU roaming regulation, which was more severe than expected. In the residential market, TDC refrained from participating in the intense campaigning and succeeded in stabilising ARPU, but with a negative impact on RGUs. Overall, this caused earnings from mobility services to decrease more than anticipated.

On the positive side, landline telephony and internet gross profit improved with a PSTN ARPU increase in Business, and a broadband RGU increase in Consumer and YouSee in an otherwise saturated market.

Better than expected

- **Opex reductions**
- **Improved landline voice and internet gross profit trend and higher than expected TV net adds**
- **Growth in Nordic across all business units**

As expected

- **Full-year impact from Onfone acquisition**
- **ARPU development in Consumer mobile voice**
- **Domestic economy with little or no spending growth**

Worse than expected

- **Continued price pressure on residential mobile market from campaign activities**
- **ARPU erosion in Business mobile voice**
- **More severe regulatory effect**

	2010 Guidance		2011 Guidance		2012 Guidance	2012 Actuals	
Revenue	Level with 2009	✓	0-1% growth	✓	DKK 26.0-26.5bn	DKK 26,116m	✓
EBITDA[1]	~2% growth	✓	~2% growth	✓	DKK 10.3-10.5bn	DKK10,331m	✓
Capex	~13.5% of revenue	✓	~13.0% of revenue	✓	DKK 3.4-3.5bn	DKK 3,492m	✓
DPS	n.a.	n.a.	DKK 4.35	✓	DKK 4.60	DKK 4.60	✓

1) In 2012, EBITDA bpi

Also, the TV business proved better than expected due to large net adds during 2012. Our Nordic business saw strong EBITDA bpi growth and outperformed our expectations. Finally, TDC managed to achieve higher than expected reductions in operating expenses throughout the entire organisation.

Guidance 2013

The guidance for 2013 for the TDC Group and the underlying assumptions are presented below.

The guidance for 2013 has been framed in accordance with the current macroeconomic situation and an expectation of little or no spending growth in the Danish economy. The regulatory impact on our earnings is expected to increase further in 2013, due primarily to the full-year impact from retail data roaming regulation. The level of opex savings is expected to decrease in 2013 as some of our operational efficiency levers are reaching full potential and we start investing in our new strategic initiatives.

We expect an improved YoY gross profit trend in mobility services as the effect of TDC not participating in ARPU eroding actions becomes clear. However, as business and public accounts continue to make very diligent investment and procurement decisions and price pressure in the business market continues, Business ARPU erosion is expected, though at a lower rate than in 2012. Gross profit growth in landline telephony and broadband is expected to be at the same level as in 2012. At the same time, continued earnings growth in TV following ARPU increases is expected. Nordic is also expected to grow its earnings, though at a lower rate than in 2012.

TDC's future EBITDA bpi will be slightly impacted by amended IFRS rules of accounting for defined benefit plans. As a consequence, TDC will cease the use of the current supplemental EBITDA, EBITDA bpi, as the interest components (currently presented as pension income) are reclassified as a financial item (interest on pension assets). For further information see note 25 to the Consolidated Financial Statements. In future TDC will apply the same EBITDA concept as in 2012, however this concept will be named EBITDA rather than EBITDA bpi.

Capital expenditure is expected to increase as our 4G network is built out and landline network capacity is further expanded.

Dividend per share of DKK 3.70 is in accordance with the revised dividend policy announcing a payout of approximately 90% of the cash flow item Equity free cash flow post special items, etc. Of this, we expect DKK 1.50 per share to be paid out in connection with the Q2 2013 earnings release.

2013 guidance assumptions

- Domestic economy with little or no spending growth
- More severe impact from regulation
- Improved YoY gross profit trend in the mobile market, but continued Business ARPU erosion
- Gross profit growth in landline telephony and broadband at level with 2012
- Continued TV gross profit growth fuelled by ARPU increases
- Continued growth in Nordic, however at a lower level than in 2012
- Continued opex savings, though at a lower level than in 2012
- Reduced licence and restructuring special items cash flow
- Higher capex following increased build-out of 4G and further capacity expansion in the landline network

2013 Guidance

Revenue	DKK 25.0-25.5bn
EBITDA	DKK 10.0-10.2bn
Capex	DKK 3.7bn
DPS	DKK 3.70

Risk factors

By their very nature, forward-looking statements involve certain risks and uncertainties. TDC is faced with both internal risks such as operational risks, and external risks such as market and regulatory risks. How TDC mitigates these risks has a significant impact on TDC's business, financial condition and results of operations. The list of risks below is not exhaustive. 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 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 or have unforeseen consequences.

Risk	Description and impact	Mitigation
Market risks	• Weekening of the weak macroeconomic development across the Nordic countries may reduce customers' usage of telecommunications products and increase their cost focus, e.g. by terminating their PSTN connection and spending more time analysing relevant offers and choosing individual suppliers for each communications need where the price is lower, rather than a bundled product. This may increase churn and reduce ARPU across products. • More businesses may go bankrupt, while others may reduce their investment levels. This may shrink the telecommunications market and reduce the contract volume. • Worsening of the macroeconomic climate may also increase the risk of incurring losses due to fraud and bad debt. • The competition in the telecommunications market may intensify further, leading to increased churn and decreasing ARPU across products and services in the consumer, business and wholesale markets in Denmark and the other Nordic countries. This may include further ARPU erosion in the mobile market.	• Focus on high spender intake – e.g. push smartphones, services requiring high broadband, and broadband value-added services, and stimulate SMS and data usage. • Launch semi-flat-rate offers in relevant markets. • Include more content VAS and build value perception to justify pricing. • Promote proactive customer contact, churn focus and improved instruments for safe teams. • Expand the product offering to lower business segments. • Strengthen the pan-Nordic product offering and focus on pan-Nordic cooperation and partner sales to expand appeal to a broader customer range. • Push CaaS/Scale, which reduces customers' investment levels and increases flexibility. • Focus on the collection process, strict credit demands/customer checks, upfront payment and sale of receivables to third parties. Change of invoicing cycle on selected products from three months to monthly to even out the impact of invoices. • Continue to focus on pipeline management and sales execution. • Analyse the market and adopt structured go-to-market approach.
	• Foreign distributors of subscription-based streaming offers on movies and series (OTT) may gain a larger than expected part of the VoD market, and their entrance on the Danish market may also have a negative impact on the market for flow TV.	• Focus on bundles and bundling benefits on seamlessly integrated household solutions and launch of YouBio, YouSee's OTT product. • Secure ongoing strengthened content on TDC TV, and YouSee, including YouBio, and expand YouBio to all relevant devices. • Continue to expand the network's upload and download capacity.

Risk	Description and impact	Mitigation
	• Operators currently relying on national roaming or MVNO agreements with TDC may fast-track their own network roll-out, which will negatively affect TDC's wholesale business.	• Compensate by selling mobile fibre backhaul and mast positions. • Provide incentives to retain use of TDC network.
Operational and technological risks	TDC may not be able to continue operational improvements. This includes failure to: • Continue to reduce operational expenses, including the ability to improve prices and conditions from third-party suppliers. • Meet changing production capacity demand. • Deliver productivity improvements in call centres (average handling time and availability) and implement call-reduction initiatives. • Reduce fault rates, e.g. backlogs building up due to cloud bursts.	• Continued cost focus in all areas of the business. • Initiate renegotiations and proceed with tender if cost reduction objectives are not met. • Continue to work on improving work-force productivity, and secure maximum production flexibility through use of external resources in peak periods. • Improve response times via better planning tools. • Continue to focus on first-call resolution. • Improve average handling time. • Boost fault-reduction programme through strategic initiatives. • Apply best-in-class fault correction with product-specific tracks.
	• TDC may be unable to continue optimising existing and future outsourcing relationships, and in the event that TDC's current outsourcing arrangements become unsatisfactory, or its obligations are not met, may be unable to find new outsourcing partners on economically attractive terms, on a timely basis or at all.	• Negotiate at all levels with outsourcing partners and explore exchanging existing sourcing set-ups. • Promote transparency regarding suppliers' activities and risks.
	Telecommunications technologies are developing rapidly, which may impact TDC's operations, including: • Fast-tracked substitution towards more advanced or cheaper alternative markets, in which TDC's market share and profitability are lower. • Reduced ability on TDC's part to supply solutions of the complexity demanded, resulting in loss of momentum versus competitors.	• Structure migration to ensure that customers remain with TDC. • Continue to focus on innovation and value creation, including launching new and/or improved products. • Continue network build-out in accordance with our 2015 strategy.
	• Increased use of OTT content from third-party suppliers adds complexity in all processes. This may increase the risk of faults, 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. • Implement all new functionality (services, platforms) using a handover process with explicit acceptance criteria. • Ensure that roles and responsibilities are fully defined and documented.
	• Popular smartphones not compatible with 800 MHz 4G, affecting the business segment in particular and further delay of 3G (and 2G) voice capability on 4G handsets.	• Align with other European operators in continued dialogue with Apple and focus on roll-out, optimisation projects with IT partner as well as necessary market projects.

Risk	Description and impact	Mitigation
	• 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. • The aggressive transition timeline for the new IT outsourcing partner TCS was accomplished according to plan. As expected, the transition has increased the fault rate in IT systems, but was level with the rate before the transition at the end of the year. However, this development may not continue as planned in the future.	• Freeze development on old legacy systems and develop new systems through TDC's IT rejuvenation strategy in close cooperation with the new IT supplier, which has extensive experience in this area. • Maintain strong programme to further reduce fault rates in 2013.
	• 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.	• A recent renegotiation of the MVNO contract in Sweden will increase the quality and reduce the technical challenges. • Increase cooperation with handset suppliers.
Increased regulatory pressure	New market decisions from the Danish Business Authority may result in new and/or strengthened regulatory requirements for TDC, e.g.: • Introduction of new regulatory requirements or modification or removal of the exceptions in market 5 decision regarding BSA on coax regarding (the requirements that end customers are existing tv customers and that multicast is not available). • Use of competition margin tool (showing whether competitors have a sufficient margin on broadband products to compete profitably) to drive down wholesale prices without TDC being able to lower retail prices. • New political agreement on Media for 2012-2014 due to lack of flexibility in current product structure, which requires improved access to free choice of individual TV channels, unless the market solves the problem during 2013.	• Maintain a close and proactive dialogue with the Danish Business Authority and appeal if decisions are unfavourable. • Provide input for the Danish Business Authority in cases where the competition margin tool is used. • Exert political influence to drive home the message that pressure on wholesale prices will trigger lower investment levels. • Increase awareness among regulators that market development is solving the problems with increased free choice regarding with subscription-based streaming offers (OTT). • Launch improved free-choice channel offer during 2013.
	• Nordic: Uncertainty related to the regulatory environment in the Nordic region related primarily to pricing of access fibre, and in Sweden within landline and mobile termination and copper prices. • Risk concerning the potential price squeeze from MVNO hosts.	• Continue strategic build-out of own fibre within the Nordic area where customer density is high. • Maintain dialogue with other operators and regulatory authorities, combined with court proceedings to challenge decisions that are not in line with TDC's interests. • Intensify negotiations with MVNO hosts, including benchmarking against alternative providers.

Risk	Description and impact	Mitigation
Financial risks	• TDC's EMTN bonds (excluding December 2015 bonds) and 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 in part or in full. Further, TDC's EMTN bonds and credit facilities contain cross-default provisions that, in case a default occurs, could result in lenders terminating their commitments and requiring TDC to repay its outstanding debt. Finally, if TDC is downgraded below the investment grade, the interest payments (coupon) on the EMTN bonds (excluding December 2015 bonds) will increase by 1.25 percentage points.	• Ensure that TDC complies with its contractual financial obligations to the highest possible extent.
	• 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.
	• Exchange rates and/or interest rates may develop unfavourably for TDC, resulting in a financial downside.	• Apply prudent risk management within risk tolerance limits defined in the Financial Strategy approved by the Board of Directors.
	• TDC's financial counterparties may be unable to meet their obligations to TDC due to financial distress. • Pressure on payment terms from large customers caused by the increased cash flow focus may cause longer payment days regarding debtors. • Negative liquidity impact in connection with receivables sold to financial institutions, if TDC is forced to repurchase the receivables due to termination of agreements.	• Continue monitoring counterparty risk through weekly reporting and subsequently diversify counterparty exposure. • Engage in proactive debtor follow-up on large debtors and weekly monitoring of debtor portfolio. • Ensure that TDC complies with its contractual financial obligations to the highest possible extent.
	• Any future amendment of the tax laws, including value added tax (VAT) and other direct taxes in countries where TDC conducts its 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. • Use advisers and give input to the Confederation of Danish Industry and others commenting on tax law.

Risk	Description and impact	Mitigation
	• See also the following notes to the Consolidated Financial Statements: note 23 on financial management and market risk disclosures, note 25 on pension obligations and note 32 on contingent liabilities.	
Other risks	• Negative 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.	• Focus on proactive fault prevention, fast fault correction and relevant information to customers to minimise negative impact on customers and TDC's image. • Strategic focus and increased investment in customer service.
	• Further staff reductions may result in long-term strikes among employees.	• Early discussions on reductions and process with main unions. • Collective agreements with procedures for handling potential unrest, redundancy terms and voluntary dismissal including mobilisation and outplacement.
	• TDC's equipment and networks (including critical systems such as exchanges, switches and other key network points) may be damaged or disrupted by factors such as 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.
	• Provisions are made for rent related to surplus premises, and are based on factors such as the expected timing and level of rent for sublet tenancies. The actual subletting may be impacted by changed market conditions for subletting of surplus premises.	• Continuous monitoring of the subletting of surplus premises and continuous engagement of estate agents.

Innovation
There must be time and scope for brainstorming ahead

Shareholder information

Policy
TDC strives to create and maintain an open dialogue with its investors and provide them with information relevant for making reasoned investment decisions concerning 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. TDC's ownership base, which includes Danish and international institutional investors as well as Danish retail investors and TDC employees, exceeded 48,000 shareholders at year-end 2012.

As at year-end 2012, TDC has been informed by the following shareholders that they held more than 5% of TDC A/S' ordinary shares and voting rights at the date of TDC's major shareholder announcement:

- NTC Parent S.à r.l., directly or indirectly (NTC Parent), Luxembourg: 26.09%
- KKR NTC S.à r.l., Luxembourg: 6.18%
- Bank of New York Mellon Corporation, the USA: 5.67%
- Massachusetts Financial Services Company, the USA: 5.33%
- Government of Singapore Investment Corporation Pte Ltd, Singapore: 5.00%

Through a number of holding companies, NTC Parent 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. NTC Parent has informed TDC that NTC Parent and related parties own approximately 32.8 % of the share capital and voting rights.

Dividend for 2012-2013
TDC guidance reflects a 2012 dividend payment of DKK 4.60 per share. The Board of Directors approved a dividend payment of DKK 2.30 in August 2012 and expects to distribute the remainder of the DKK 4.60 in March 2013.

For the financial year 2013, the Board of Directors expects to recommend a dividend of DKK 3.70 per outstanding share, of which DKK 1.50 is expected to be distributed in August 2013 and the remainder in the first quarter of 2014.

Dividend policy
With effect from the financial year 2013, the Board of Directors has adopted a dividend payout policy of approximately 90% of Equity Free Cash Flow (post cash flow related to special items, mobile licence payments and finance lease repayments) 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. 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).

Cancellation of shares
TDC expects to reduce the share capital by cancelling 13,000,000 shares. Following such a capital reduction, the number of issued shares would amount to 812,000,000 and the number of treasury shares would amount to 13,115,823. The expected capital reduction is subject to approval by the Annual General Meeting.

The remaining treasury shares may be used for the following purposes:

- In connection with incentive and other remuneration programmes for TDC's executive management and employees.

- As consideration for acquisitions of other businesses.

Financial calendar 2013	
15 January	Start of closed period prior to Financial Statements for 2012
23 January	Deadline for the Company's shareholders to submit a written request for inclusion of a specific item in the agenda for the Annual General Meeting on 7 March 2013
5 February	Financial Statements for 2012
8 February	Annual Report 2012 published on investor.tdc.com
7 March	Annual General Meeting
8-13 March	The shares are traded without dividend
13 March	Payment of dividend
12 April	Start of closed period prior to Interim Financial Statements January – March 2013
3 May	Interim Financial Statements January – March 2013
17 July	Start of closed period prior to Interim Financial Statements January – June 2013
7 August	Interim Financial Statements January – June 2013 including the Board of Directors' decision to distribute interim dividend
8-13 August	The shares are traded without dividend
13 August	Payment of dividend
11 October	Start of closed period prior to Interim Financial Statements January – September 2013
1 November	Interim Financial Statements January – September 2013
31 December	End of financial year 2013

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 who 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 to Articles of Association

A resolution to amend the Company's Articles of Association is subject to adoption by a qualified majority (depending on the specific amendment) 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 to articles of association.

Authorisations to the Board of Directors

Until the Annual General Meeting 2013, the Board of Directors is authorised to allow the Company to acquire its own shares up to 10% of the nominal share capital at any time in accordance with the rules of the Danish Companies Act. 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.

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

Corporate Social Responsibility

Our approach

At TDC, responsibility and sustainability are natural aspects of our business. Our approach to Corporate Social Responsibility (CSR) therefore starts in our business areas and reflects our ambition to actively use our core competencies and strengths to promote sustainable development in society.

Our focus on CSR also supports our business by ensuring awareness of the needs and expectations of our stakeholders, reducing TDC's exposure to risks, supporting innovation and enhancing the Company's reputation in society.

TDC has five CSR focus areas: Digital Denmark, Climate and environment, Customer trust and safety, Employee well-being and diversity, and Social partnerships.

TDC is also a member of the UN Global Compact and submits an annual Communication on Progress report (COP) to the UN describing our efforts within sustainability and responsibility. We also work with CSR in a number of forums at national, European and global levels.

Online CSR Report

Read more about our objectives and results in our CSR report at tdc.com/csr2012.

Our 3G mobile network provides

70%

of Danes with data at speeds of +21 Mbps

Our campaign has made

65%

of viewers more aware of the danger of texting in traffic

In 2012, we reduced our CO_2 emissions by

11.2%

We aim to have

33%

women among our top management in 2015

Digital Denmark

TDC's ambition

We wish to secure Denmark's continued development as a leading digital country. Besides ambitious investments in digital infrastructure, TDC supports the expansion of telemedicine and promotes the use of IT and communications technology in schools and educational institutions.

Selected activities in 2012

- TDC considerably expanded its mobile network and remains the company offering the widest geographical coverage for both voice and data across technologies.

- TDC continued investing in its access network (fibre, coax and DSL), and is now able to provide 88% of all Danish households and enterprises with broadband connections of 10 Mbps or faster.

- TDC participated in a number of telemedicine and welfare technology projects, including videocommunications solutions for treating patients and providing contact between citizens and home care personnel.

- We also took on an extraordinary responsibility with other parties in the industry following the bankruptcy of Skyline[1], so that its customers had an additional month during which to find a new internet provider.

Future activities

- TDC's new strategy for 2013-2015 includes investing a further DKK 500m in digital infrastructure.

- With the acquisition of the 800 MHz-licence, we have assumed an obligation to the effect that our nationwide 4G mobile network will provide coverage for more than 99% of the Danish population by 2015. This will significantly improve access to mobile broadband - particularly in parts of Denmark where internet access is not currently strong.

[1] Utility wimax based operator.

Climate and environment

TDC's ambition

At TDC, we 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. Telephony, internet and video conferencing can often replace long car and plane journeys, and our products can provide society at large with more eco-friendly solutions.

Selected activities in 2012

- TDC implemented a new and innovative in-house energy control tool, which will optimise our energy consumption. At TDC, we also use telephone and video conferences extensively, as this allows us to both optimise our time by being more efficient, and achieve increased employee satisfaction by minimising the number of days spent travelling.

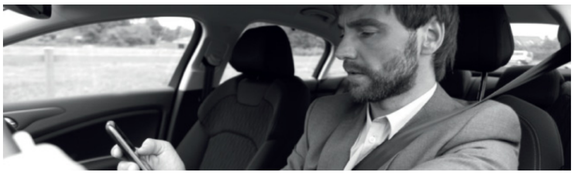
- Another particularly successful initiative concerns the electric cars made available for employees to take short journeys in the Copenhagen area. We are currently also testing an electric car that may eventually become the future work vehicle for our many technicians.

Future activities

- At TDC we have set an ambitious goal to become 40% more energy-efficient by 2020 compared with 2010, while expanding our network and increasing connection speeds to benefit customers and society.

- We will increase our efforts to collect old mobile phones for reuse, for the benefit of both the environment and users in developing countries, e.g. through the 'Byt til Nyt' ('Swap for New') initiative in TDC's shops, where customers can trade in their old mobile for a discount on a new model.

Customer trust and safety



TDC's ambition

It is vital for us that our customers trust us as a company and feel well-informed and safe using our products and services.

Selected activities in 2012

- TDC's three-year cooperation with the Danish Road Safety Council on safe use of mobile telephony while driving was supplemented by a mobile site featuring a test illustrating how long users would have driven 'blindly' while texting.
- We have regularly advised our customers on IT security issues through electronic newsletters and our online security portal. Moreover every month, TDC's spam and virus filters blocked an average of approximately 360 million unwanted spam and malicious e-mails from reaching our customers' inboxes.

Future activities

- We will strengthen the monitoring of hoax calls and internet fraud through two new websites: tdc.dk/fupopkald and tdc.dk/stopsvindel
- In collaboration with the Danish Road Safety Council, we will prepare an updated campaign on safe use of mobile phones while driving.

TDC will use its core competencies to promote sustainable development of society.

Every month we stop approx.
360 million
e-mails containing spam and viruses

We provide
88%
of Denmark's population with access to +10 Mbps broadband

TDC was Denmark's
3rd largest
taxpayer among C20 companies in 2011

Our call centres answered
5,327 calls
for Denmark's Collection 2012

TDC worked with the following organisations and projects in 2012:

BØRNENES IT-FOND

DANMARKS INDSAMLING
BØRN PÅ FLUGT

Employee satisfaction rose to a score of
83

Employee well-being and diversity

TDC's ambition

For many years, TDC has endeavoured to be a diverse workplace because we appreciate our need for a competent workforce irrespective of gender, ethnicity, sexual inclination and functional capacity. As TDC deals with all types of customers, we want our staff to reflect the society in which we operate.

At TDC, taking responsibility for our employees' well-being in its widest sense forms a natural part of our business. That applies both during day-to-day work and when developing employee competencies. We also pay great attention to the working environment and prevention of work-related accidents.

TDC also focuses on equal opportunities, for example in relation to 'Fars Kram' (Father's Hug), a scheme allowing all fathers at TDC to take up to 13 weeks of paternity leave.

Selected activities in 2012

- At year-end 2012, TDC achieved an overall employee satisfaction score of 83 points. This slight rise compared with 2011 shows our positive trend is continuing. Compared with peer enterprises, TDC is now among the "best in class".

Future activities

- TDC has signed the Ministry for Gender Equality's 'Charter for more women in management' and defined clear targets and initiatives to increase the proportion of women among our top management.

- TDC is collaborating with the Danish Metal Workers' Union on advertising up to 100 'acute jobs' in the first six months of 2013 in order to help people facing long-term unemployment.

Social partnerships

TDC's ambition

TDC has established partnerships with a number of organisations to activate our core competencies and resources in order to address major societal challenges.

Selected activities in 2012

- TDC continued working with the Danish Red Cross to support the organisation's work in disaster areas around the world, as well as with vulnerable population groups in Denmark. For example, TDC provides warehouse capacity for storing emergency equipment. In 2012, TDC also contributed towards the development of an 'IT trailer' that enables the Red Cross to set up vital internet, radio and telephone connections in disaster areas.

- TDC contributed towards setting up and holding 'Danmarks Indsamling' (Denmark's Collection, a nationwide fundraising event; in 2012 to the benefit of refugees in a range of African countries), which raises funds for humanitarian purposes and development projects. TDC employees volunteered and TDC technology was contributed free of charge for the fund-raising event, which involves collecting donations made by SMS and phone call.

- In 2012, TDC also collaborated with the Danish Cancer Society, Børnenes IT-Fond (The Children's IT Fund), Maternity Worldwide, Danske Døves Landsforbund (Danish Deaf Association), the City of Copenhagen and the Danish Heart Association. More details are available in our online CSR report.

Connections
Come rain or shine, quality checks optimise our customer experiences

Corporate Governance

Recommendations from the Committee on Corporate Governance

The Committee on Corporate Governance (CCG) issued revised recommendations in April 2010, which were further amended in August 2011.

As a listed company, TDC is covered by the recommendations issued by the CCG and must – either in its annual report or on its website – publish a Corporate Governance statement based on the recommendations in line with the "comply-or-explain" principle. TDC's Corporate Governance Statement 2012 is available on investor.tdc.com/governance.cfm. The recommendations are available on the CCG website at www.corporategovernance.dk.

TDC's focus on corporate governance compliance is clearly reflected in the Company's compliance with 75 of the 79 numbered recommendations.

Half of the four cases of non-compliance with the recommendations are due to TDC's ownership structure. During most of 2012, TDC was subject to the controlling influence of a major shareholder, which did not facilitate TDC's ability to comply with recommendations regarding the selection and nomination process and composition of the Board of Directors.

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. In the period 2008 – 2011, TDC approached the DVCA guidelines based on a "comply-or-explain" principle, in its annual reports and/or on the Company's website. TDC is no longer considered to be under the controlling interest of a shareholder ultimately controlled by equity funds. As TDC is therefore no longer covered by the DVCA guidelines, these guidelines will not be addressed in this annual report nor on the Company's website.

Internal control and risk management systems for financial reporting

TDC's internal control and risk management systems for financial reporting are designed 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. The financial statements also comply 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 2012 on internal control and risk management systems for financial reporting is included as part of TDC's Corporate Governance Statement 2012 at investor.tdc.com/governance.cfm.

The Board of Directors has considered a recommendation from the Audit Committee 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 17 members, eleven elected by the General Meeting and six 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 that ultimately control the major shareholder of TDC do not represent these equity funds on the Board of Directors. In 2012, the Board of Directors held 12 meetings and two 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 with regard to the board members elected by the General Meeting. By the end of 2015, no gender shall be represented on the Board of Directors by less than 25%. In 2012, when the objective applied to the independent board members only, the percentages of independent female and male board members were 17% and 83%, respectively.

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

In 2012 – as 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 improvement areas for the Board of Directors concerning 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 comprised four steps. First, each board and executive committee member completed a questionnaire about general board performance, board composition, the board members and the Chairman. Board members then completed an individual questionnaire on their own individual performance. Next, based on the responses to the questionnaires, the Chairman held review sessions with selected board members. Finally, the main conclusions of the questionnaires and review sessions 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, Stine Bosse, Lawrence Guffey and Andrew Sillitoe. Its duties comprise assisting 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) recommend the appointment of TDC's independent auditors to the Board of Directors, and monitoring and checking the independence of the auditors, including in particular the delivery of non-audit services to TDC. The Audit Committee held three meetings in 2012.

The Compensation Committee consists of Vagn Sørensen (Chairman), Pierre Danon, Angus Porter, Lars Rasmussen, Henrik Kraft and John Hahn. 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 defining targets for and approving payment of the annual bonus for the members of the Executive Committee. 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. The Compensation Committee held five meetings in 2012.

The Nomination Committee, which consists of the same members as the Compensation Committee and is also chaired by Vagn Sørensen, assists the Board of Directors with activities including: (i) identifying and recommending candidates for the Board of Directors; (ii) recommending candidates for the Executive Committee based on proposals made by the Chief Executive Officer, and (iii) reviewing and proposing recommendations for the Board of Directors concerning adoption of TDC's position on the Recommendations for Corporate Governance issued by the Committee on Corporate Governance. The Nomination Committee held ten meetings in 2012.

Management

Executive Committee

Carsten Dilling
President and Chief Executive Officer. Age 50. Appointed to the Corporate Management Team in 2007. Appointed CEO as of 2 July 2012.
Education: BSc in Economics and Business Administration (1983) and Graduate Diploma in Business Administration (International Trade, 1986), both Copenhagen Business School.
Management duties: Executive manager in CDI Consult ApS.

Pernille Erenbjerg
Senior Executive Vice President and Chief Financial Officer. Age 45. Appointed to the Executive Committee in 2011.
Education: MSc (Business Economics and Auditing, 1992), Copenhagen Business School and State Authorised Public Accountant (1994, with deposited licence).
Management duties: Member of the Board of Directors of the Royal Danish Theatre and member of the Committee for Fiscal Policy of the Confederation of Danish Industry.

Anders Jensen
Senior Executive Vice President, President of Consumer and Group Chief Marketing Officer (CMO). Age 43. Appointed to the Executive Committee in 2011.
Education: Economics & Marketing (1988), Tycho Brahe, Helsingborg.
Management duties: Member of the Board of Directors of Sport Danmark A/S.

Martin Lippert
Senior Executive Vice President, President of Operations and Group Chief Operating Officer (COO). Age 45. Appointed to the Executive Committee in 2009.
Education: MSc in Economics and Business Administration (1992) and PhD (Economics, 1996), Aarhus University - School of Business and Social Sciences and INSEAD Executive Management Training Programme (2004).
Management duties: Member of the Board of Directors of Halberg A/S (including three subsidiaries thereof) and the Business Ethics Council of the Confederation of Danish Industry.

Carsten Dilling Pernille Erenbjerg Anders Jensen Martin Lippert

Eva Berneke

Senior Executive Vice President, President of Business. Age 43. Appointed to the Executive Committee in 2007.
Education: MSc in Mechanical Engineering (1992), Technical University of Denmark. MBA (1995), INSEAD.
Management duties: Vice President of the Board of Directors of Copenhagen Business School and member of the Boards of Directors of LEGO A/S and Schibsted ASA as well as the Productivity Board of the Confederation of Danish Industry and the Digital Council.

Jens Munch-Hansen

Senior Executive Vice President, President of Nordic & Wholesale. Age 57. Appointed to the Executive Committee in 2009.
Education: MSc in Economics (1980), Copenhagen Business School.
Management duties: Member of the Boards of Directors of Scan Jour A/S and Azanta A/S.

Niels Breining

Senior Executive Vice President, TDC A/S and CEO of YouSee A/S. Age 58. Appointed to the Executive Committee in 2008.
Education: MSc in Economics and Business Administration (1979), Aarhus University -School of Business and Social Sciences. Management duties: Chairman of the Media Industry Political Committee of the Confederation of Danish Industry and member of branch forum Digital Media (BDM) under the Danish Consumer Electronics Association (BFE).

Miriam Hvidt

Senior Executive Vice President, HR & Stakeholder Relations. Age 48. Appointed to the Corporate Management Team in 2011 and to the Executive Committee in 2012.
Education: MSc in Law (1989), University of Copenhagen and MBA (1994), IMD.
Management duties: Member of the Boards of Directors of the Danish ICT and electronics federation for it, telecommunications, electronics and communication enterprises and the Danish IT Industry Association (ITB).

Eva Berneke **Jens Munch-Hansen** **Niels Breining** **Miriam Hvidt**

Board of Directors

Vagn Sørensen

Chairman. Chairman of the Compensation Committee and the Nomination Committee. Member of the Audit Committee.
Education: MSc in Economics and Business Administration (1984), Aarhus University - School of Business and Social Sciences.
Management duties: Chairman of the Boards of Directors of FLSmidth & Co. A/S, FLSmidth A/S, Select Service Partner Ltd. and one subsidiary thereof, Scandic Hotels AB and UC4 Software GmbH. 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, Nordic Aviation Capital A/S, 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. Member of the Compensation Committee and the Nomination Committee.
Education: Degree in Civil Engineering (1978), École Nationale des Ponts et Chaussées and law degree (1978), Faculté de Droit Paris II Assas. MBA (1980), HEC School of Management, Paris.
Management duties: Executive Chairman of the Board of Directors of Voila. Non-executive Director in Ciel Investment Limited and Standard Life plc.

Stine Bosse

Member of the Audit Committee.
Education: Master of Law (1987), University of Copenhagen. Strategic Agility Programme (2008), Harvard Business School.
Management duties: Chairman of the Boards of Directors of Flügger A/S, The Royal Danish Theatre, BØRNEfonden (the Children's Fund), Copenhagen Art Festival and Concito.
Member of the Boards of Directors of Nordea Bank A/S, Aker ASA and Allianz Group. Danish member of the ChildFund Alliance. UN member of the Millennium Development Goals Advocacy Group, which combats global poverty and hunger.

Angus Porter

Member of the Compensation Committee and the Nomination Committee.
Education: MA (Natural Sciences) and PhD (1978 and 1981), University of Cambridge. Chartered Engineer.
Management duties: Chief Executive Officer of the Professional Cricketers' Association in England. Senior Independent Director, Punch Taverns plc. Non-executive Director in Direct Wines Limited

Lars Rasmussen

Member of the Compensation Committee and the Nomination Committee.
Education: BSc (1986), Aalborg University. EMBA (1995), Scandinavian International Management Institute (SIMI).
Management duties: President and CEO of Coloplast A/S with management assignments in three of its wholly-owned subsidiaries. Member of the Boards of Directors of Højgaard Holding A/S and MT Højgaard A/S. Chairman of the Committee on labour market issues under the Confederation of Danish Industry.

Søren Thorup Sørensen

Chairman of the Audit Committee.
Education: MSc in Auditing (1990), Copenhagen Business School. State Authorised Public Accountant (1992, with deposited licence). Advanced Management Programme, Harvard Business School, 2009.
Management duties: Chairman of the Boards of Directors of K & C Holding A/S 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, Boston Holding A/S and Merlin Entertainments Group. Chief Executive Officer of KIRKBI A/S and KIRKBI Invest A/S.

Kurt Björklund

Education: MSc in Economics (1993), SSEBA, Helsinki. MBA (1996), INSEAD.
Management duties: Co-Managing Partner of Permira. Member of the Board of Directors, member of the Executive Group and member of the Investment Committee of Permira Holdings Limited.

Lawrence Guffey

Member of the Audit Committee.
Education: BA (1990), Rice University.
Management duties: 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 main Board of Trustees and the Humanities Advisory Board at Rice University.

John Hahn

Member of the Compensation Committee and the Nomination Committee
Education: BBA (1980), University of Notre Dame. MBA (1989), University of California, Los Angeles.
Management duties: Managing Director in Providence Equity. Member of the Boards of Directors of Digital Platform İletişim Hizmetleri (Digiturk), Grupo Corporativo ONO and UFO Moviez India.

Members of the Board of Directors

Name	First elected	Re-elected	Term to expire	Nationality	Age	Independence
Vagn Sørensen	26 April 2006	8 March 2012	7 March 2013	Danish	53	Independent[3]
Pierre Danon	16 May 2008	8 March 2012	7 March 2013	French	57	Independent[3]
Stine Bosse	9 March 2011	8 March 2012	7 March 2013	Danish	52	Independent[3]
Angus Porter	9 March 2011	8 March 2012	7 March 2013	English	55	Independent[3]
Lars Rasmussen	4 March 2010	8 March 2012	7 March 2013	Danish	53	Independent[3]
Søren Thorup Sørensen	4 March 2010	8 March 2012	7 March 2013	Danish	47	Independent[3]
Kurt Björklund	28 February 2006	8 March 2012	7 March 2013	Finnish	43	Non-independent[3,4]
Lawrence Guffey	28 February 2006	8 March 2012	7 March 2013	American	44	Non-independent[3,4]
John Hahn	27 June 2012	-	7 March 2013	English	54	Non-independent[3,4]
Henrik Kraft	26 June 2010[1]	8 March 2012	7 March 2013	Danish	39	Non-independent[3,4]
Andrew Sillitoe	14 October 2008[2]	8 March 2012	7 March 2013	English	40	Non-independent[3,4]
Jan Bardino	2004	8 March 2012	2016	Danish	60	Employee member[5]
Christian A. Christensen	2012	-	2016	Danish	61	Employee member[5]
Steen M. Jacobsen	1996	8 March 2012	2016	Danish	63	Employee member[5]
John Schwartzbach	2012	-	2016	Danish	53	Employee member[5]
Hanne Trebbien	2012	-	2016	Danish	56	Employee member[5]
Gert Winkelmann	2012	-	2016	Danish	58	Employee member[5]

1 First elected as alternate for Oliver Haarmann 13 March 2008.
2 First elected as alternate for Richard Wilson 26 April 2006.
3 Elected by the shareholders at an Annual or Extraordinary General Meeting.
4 Nominated by NTC Holding GP & Cie S.C.A.
5 Elected by the employees.

Henrik Kraft
Member of the Compensation Committee and the Nomination Committee.
Education: MSc in Engineering (1996), Oxford University.
Management duties: 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.

Andrew Sillitoe
Member of the Audit Committee.
Education: MA (1993), Oxford University. MBA (1997), INSEAD.
Management duties: Partner of Apax Partners LLP and member of the Investment Committee and the Executive Committee. Member of the Boards of Directors of Apax E Member Limited, Apax Europe VI No.2 Nominees Ltd., Apax Europe VI Nominees Ltd., Apax Europe VII Nominees Ltd., Apax Partners LLP, Apax WW No. 2 Nominees Ltd., Apax WW Nominees Ltd. and Apax US VII Nominees Ltd.

Jan Bardino
IT Project Manager at TDC A/S.
Education: MSc in Computer Science.

Christian A. Christensen
Specialist Technician at TDC A/S.

Steen M. Jacobsen
Specialist Technician at TDC A/S.
Management duties: Member of the Boards of Directors of TDC Pensionskasse and Teglholm Park A/S.

John Schwartzbach
Service Technician at TDC A/S.

Hanne Trebbien
Customer Adviser at TDC A/S.

Gert Winkelmann
Consultant in TDC A/S.
Management duties: Chairman of the Association of Managers and Employees in Special Positions of Trust (Lederforeningen).

Terminology

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

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.

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. The 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.

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.

Brand partner refers to partners who sell mobility services based on TDC's 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 Communication 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 expenditure 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, distribute cable-TV signals, etc.

Content service refers to a service that typically includes information or entertainment, either broadcast or provided online.

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).

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 that 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.

DPS refers to dividend per share.

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.

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 Earnings before interest, tax, depreciation, amortisation and special items. EBITDA before pension income (bpi) 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.

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 expenditure (in all cases excluding special items).

Fault correction hours refers 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.

Flow TV refers to a television service that enables viewers to watch a scheduled TV programme at the particular time it is offered and on the particular channel it is presented. This is the opposite of e.g. Video-on-Demand.

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

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.

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 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, 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 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.

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 Usage refers to minutes used per subscriber per month.

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 Operator refers to a mobile operator with no 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.

Opex refers to operating expenses and includes external expenses, wages, salaries and pension costs, and other income and expenses.

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.

Pair bonding technique refers to increasing the broadband DSL bit rate using advanced multiplexing techniques on several copper pairs between access node (DSLAM) and customer premises

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.

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. PSTN includes ISDN as well.

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.

Remote DSLAM refers to a DSL-based access node in a street cabinet placed closer to the end user than current central office locations to reduce attenuation in copper cables and thereby increase the broadband speed.

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 services under their own brands to external customers using TDC's 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.

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.

TDC PRO refers to a company-wide programme that focuses on process optimisation, restructuring and outsourcing.

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

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 shows the total return on a share to an investor over a given period, i.e. dividends and capital gains.

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, often referred to as raw copper, 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. Full ULL is used for customers without PSTN subscriptions (wholesale or retail at TDC), whereas shared ULL covers customers with PSTN 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.

Video-on-demand or VoD refers to transmission delivery of video (movies 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.

Financial statements

Management Statement and Independent Auditor's Report

Group Annual Report

In the interest of clarity and user-friendliness, TDC is publishing its 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 at tdc.com. Following adoption at the Annual General Meeting on 7 March 2013, the complete Annual Report will also be available from Erhvervsstyrelsen (The Danish Business Authority). The distribution of the profit for the year and dividend proposals are shown under Consolidated Statements of Changes in Equity in the Group Annual Report.

The complete Annual Report includes 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 2012.

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 2012 as well as their results of operations and cash flows for the financial year 2012. 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, 5 February 2013

Executive Committee

Carsten Dilling
President and Chief Executive Officer

Pernille Erenbjerg
Senior Executive Vice President
and Chief Financial Officer

Anders Jensen
Senior Executive Vice President,
President of Consumer and
Group Chief Marketing Officer

Martin Lippert
Senior Executive Vice President,
President of Operations and
Group Chief Operating Officer

Eva Berneke
Senior Executive Vice President
and President of Business

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

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

Miriam Igelsø Hvidt
Senior Executive Vice President,
HR and Stakeholder Relations

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

John Hahn

Andrew Sillitoe

Jan Bardino

Christian A. Christensen

Steen M. Jacobsen

John Schwartzbach

Hanne Trebbien

Gert Winkelmann

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 2012, 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 the 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 judgment, 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 2012 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 2012 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, 5 February 2013

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Lars Holtug
State Authorised Public Accountant

Jesper Hansen
State Authorised Public Accountant

Consolidated Income Statements	Note	2012	2011
			DKKm
Revenue	3,4	**26,116**	**26,304**
Transmission costs and cost of goods sold		(7,598)	(7,132)
Gross profit		**18,518**	**19,172**
External expenses	5	(3,893)	(4,215)
Wages, salaries and pension costs	6	(4,412)	(4,641)
Other income	4	118	185
Operating profit before pension income, depreciation, amortisation and special items (EBITDA before pension income)		**10,331**	**10,501**
Pension income	25	80	439
Operating profit before depreciation, amortisation and special items (EBITDA)		**10,411**	**10,940**
Depreciation, amortisation and impairment losses	7	(5,062)	(5,227)
Operating profit excluding special items		**5,349**	**5,713**
Special items	8	(753)	(864)
Operating profit (EBIT)		**4,596**	**4,849**
Profit from joint ventures and associates	14	763	(25)
Interest income and expenses		(1,112)	(1,305)
Currency translation adjustments		(51)	51
Fair value adjustments		(65)	374
Net financials	9	**(1,228)**	**(880)**
Profit before income taxes		**4,131**	**3,944**
Income taxes	10	(538)	(1,131)
Profit for the year from continuing operations		**3,593**	**2,813**
Profit for the year from discontinued operations		0	(5)
Profit for the year		**3,593**	**2,808**
Earnings per share (EPS) (DKK)	11		
EPS, basic		4.48	3.44
EPS, diluted		4.47	3.44
Adjusted EPS		5.30	5.68

Consolidated Statements of Comprehensive Income	Note	2012	2011
			DKKm
Profit for the year		**3,593**	**2,808**
Currency translation adjustments, foreign enterprises		74	6
Reversal of currency translation adjustment, foreign enterprises		0	(1)
Fair value adjustments of cash flow hedges		(140)	266
Fair value adjustments of cash flow hedges transferred to the Income Statement	9	134	(150)
Actuarial gains/(losses) related to defined benefit pension plans	25	(160)	276
Income tax relating to actuarial gains/(losses) related to defined benefit pension plans	10	39	(78)
Other comprehensive income/(loss)		**(53)**	**319**
Total comprehensive income		**3,540**	**3,127**

Consolidated Balance Sheets

Assets			DKKm
	Note	2012	2011
Non-current assets			
Intangible assets	12	32,762	33,543
Property, plant and equipment	13	15,337	15,343
Joint ventures, associates and other investments	14	127	127
Deferred tax assets	10	80	50
Pension assets	25	7,918	8,060
Receivables	15	251	278
Derivative financial instruments	24	466	324
Prepaid expenses	16	244	305
Total non-current assets		**57,185**	**58,030**
Current assets			
Inventories	17	317	281
Receivables	15	4,430	4,773
Derivative financial instruments	24	20	13
Prepaid expenses	16	591	579
Cash		973	1,489
Total current assets		**6,331**	**7,135**
Total assets		**63,516**	**65,165**

Equity and liabilities			DKKm
	Note	2012	2011
Equity			
Share capital	18	825	825
Reserve for currency translation adjustments		(542)	(616)
Reserve for cash flow hedges		110	116
Retained earnings		19,222	20,129
Proposed dividends		1,898	1,790
Total equity		**21,513**	**22,244**
Non-current liabilities			
Deferred tax liabilities	10	5,449	6,476
Provisions	21	733	858
Pension liabilities	25	99	99
Loans	19	23,774	19,404
Derivative financial instruments	24	43	38
Deferred income	20	780	871
Total non-current liabilities		**30,878**	**27,746**
Current liabilities			
Loans	19	170	3,816
Trade and other payables	22	6,977	6,914
Income tax payable	10	379	363
Derivative financial instruments	24	74	72
Deferred income	20	2,937	3,043
Provisions	21	588	967
Total current liabilities		**11,125**	**15,175**
Total liabilities		**42,003**	**42,921**
Total equity and liabilities		**63,516**	**65,165**

Consolidated Statements of Cash Flow	Note	2012	2011
			DKKm
Operating profit before pension income, depreciation, amortisation and special items (EBITDA before pension income)		10,331	10,501
Adjustment for non-cash items	26	157	143
Pension contributions		(154)	(157)
Payments related to provisions		(11)	(90)
Cash flow related to special items	8	(1,007)	(786)
Change in working capital	27	130	(67)
Cash flow from operating activities before net financials and tax		**9,446**	**9,544**
Interest received		831	720
Interest paid		(1,844)	(1,365)
Realised currency translation adjustments		8	(7)
Cash flow from operating activities before tax		**8,441**	**8,892**
Income tax paid	10	(1,555)	(1,715)
Cash flow from operating activities in continuing operations		**6,886**	**7,177**
Cash flow from operating activities in discontinued operations		0	0
Total cash flow from operating activities		**6,886**	**7,177**
Investment in enterprises	28	(167)	(267)
Investment in property, plant and equipment		(2,568)	(2,526)
Investment in intangible assets		(1,038)	(955)
Investment in other non-current assets		(8)	(27)
Divestment of enterprises		2	7
Sale of non-current assets		60	127
Dividends received from joint ventures and associates, net of tax	10,14	765	4
Cash flow from investing activities in continuing operations		**(2,954)**	**(3,637)**
Cash flow from investing activities in discontinued operations		0	(67)
Total cash flow from investing activities		**(2,954)**	**(3,704)**
Proceeds from long-term loans		3,672	16,678
Repayments on long-term loans		(3,403)	(17,854)
Finance lease repayment		(72)	(74)
Change in short-term bank loans		(302)	215
Change in interest-bearing debt and receivables		(1)	0
Dividends paid		(3,592)	(1,780)
Acquisition of treasury shares		(750)	0
Cash flow from financing activities in continuing operations		**(4,448)**	**(2,815)**
Cash flow from financing activities in discontinued operations		0	0
Total cash flow from financing activities		**(4,448)**	**(2,815)**
Total cash flow		**(516)**	**658**
Cash and cash equivalents at 1 January		1,489	831
Cash and cash equivalents at 31 December		**973**	**1,489**

Equity free cash flow	2012	2011
		DKKm
EBITDA before pension income	10,331	10,501
Change in working capital	130	(67)
Interest paid, net	(1,013)	(645)
Income tax paid	(1,555)	(1,715)
Cash flow from capital expenditures (excluding mobile licences)	(3,436)	(3,376)
Other	(8)	(104)
Equity free cash flow	**4,449**	**4,594**
Cash flow related to special items	(1,007)	(786)
Realised currency translation adjustments	8	(7)
Finance lease repayments	(72)	(74)
Cash flow related to mobile licences	(170)	(105)
Equity free cash flow post special items, etc.	**3,208**	**3,622**

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 2011	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	-	(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 actuarial gains/(losses) related to defined benefit pension plans	-	-	-	(78)	-	(78)
Profit for the year	-	-	-	1,018	1,790	2,808
Total comprehensive income	-	5	116	1,216	1,790	3,127
Transactions with shareholders:						
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**
Currency translation adjustments, foreign enterprises	-	74	-	0	-	74
Fair value adjustments of cash flow hedges	-	-	(140)	-	-	(140)
Fair value adjustments of cash flow hedges transferred to the Income Statement	-	-	134	-	-	134
Actuarial gains/(losses) related to defined benefit pension plans	-	-	-	(160)	-	(160)
Income tax relating to actuarial gains/(losses) related to defined benefit pension plans	-	-	-	39	-	39
Profit for the year	-	-	-	1,695	1,898	3,593
Total comprehensive income	-	74	(6)	1,574	1,898	3,540
Transactions with shareholders:						
Distributed dividends	-	0	0	(1,898)	(1,790)	(3,688)
Dividends, treasury shares	-	-	-	96	-	96
Acquisition of treasury shares	-	-	-	(750)	-	(750)
Share-based remuneration	-	-	-	71	-	71
Equity at 31 December 2012	**825**	**(542)**	**110**	**19,222**	**1,898**	**21,513**

See the Parent Company Statements of Changes in Equity with respect to which reserves are available for distribution. The distributable reserves amounted to DKK 25,003m (before proposed dividends) at 31 December 2012 (2011: DKK 24,794m). At the Annual General Meeting on 7 March 2013, the Board of Directors will propose a dividend of DKK 2.30 per share or DKK 1,898m in total. Including the interim dividend of DKK 2.30 per share distributed on 14 August 2012, the proposed dividend for the financial year 2012 totals DKK 4.60 per share. For the financial year 2011 a dividend of DKK 4.35 per share was distributed.

Notes to Consolidated Financial Statements

Overview

Note 1 General Accounting Policies

This note sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

TDC's Consolidated Financial Statements for 2012 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the additional disclosure requirements issued by the IFRS Executive Order issued by the Danish Business Authority in pursuance of the Danish Financial Statements Act. For TDC there are no differences between IFRS as adopted by the EU and IFRS as issued by IASB.

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

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

The accounting policies are unchanged from last year.

Changed accounting presentation

TDC has changed its accounting presentation concerning 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. TDC pays the wages, etc. for the employees in question, and the payment is subsequently refunded by the outsourcing partner.

With effect from 1 January 2012, wages, etc. for the employees in question are not reflected in TDC's Income Statements. Previously, wages, etc. were recognised in Wages, salaries and pension costs and the corresponding refund was recognised in Other income.

Also, the employees in question are no longer included in the number of full-time employee equivalents as was previously the case.

The comparative figures for previous years have not been restated. Wages, salaries and pension costs for 2011 included DKK 83m regarding seconded employees, and the number of full-time employee equivalents at 31 December 2011 included 156 seconded employees.

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 and 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.

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.

Note 1 General Accounting Policies (continued)

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 includes 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.

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.

Revenue recognition
Revenue, as shown in note 4, 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.

Useful lives
Useful lives for intangible assets and property, plant and equipment as shown in notes 12 and 13, respectively, are assigned based on periodic studies of 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, i.e. when events or circumstances occur that indicate 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 ascertained.

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 12.

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 25, 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 pensions from the Domestic defined benefit plan are expected to amount to an income of DKK 82m in 2013 compared with costs of DKK 64m in 2012, assuming all

other factors remain unchanged. However, the amended IAS 19 *Employee benefits*, effective from the financial year 2013, will impact TDC's future pension costs. See note 25 for the impact of the amended IAS 19 as well as the impact on the defined benefit obligation of sensitivities to discount rate, inflation and mortality.

Contingent assets and liabilities

The treatment of contingent assets and liabilities in the Financial Statements, as shown in note 32, is determined 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, the matter is disclosed. Resolution of such matters in future periods may result in realised gains or losses deviating from the amounts recognised.

Note 3 Segment reporting

ACCOUNTING POLICIES
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 pension income, depreciation, amortisation and special items (EBITDA bpi) represents the profit earned by each segment without allocation of pension income, depreciation, amortisation and impairment losses, special items, profit from joint ventures and associates, net financials and income taxes. EBITDA bpi is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

In 2012, the principles for allocating revenues to the respective segments were adjusted. All revenue generated by the segments' customer relationships is now allocated to the segment responsible for the customer relationship (with few exceptions, e.g. revenue in shops). Previously, revenue generated by using certain services and products from other segments was allocated to the segment offering the services and products. Comparative figures for previous periods have been restated accordingly.

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 markets, segment revenue is based on the geographical location of the enterprise where the sale originates.

COST ALLOCATION
For a description of reportable segments and the types of products and services from which each reportable segment derives its revenue, see 'About TDC'.

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 their expected proportionate use of the network. The cost allocation 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 corporate pension fund. Accordingly, net periodic pension cost/income and the plan assets for the Danish corporate 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.

Note 3 Segment reporting (continued)

Activities — DKKm

	Consumer		Business		Nordic	
	2012	2011	2012	2011	2012	2011
External revenue	8,933	8,813	6,753	7,334	4,466	4,240
Revenue across segments	99	171	173	182	349	247
Revenue	**9,032**	**8,984**	**6,926**	**7,516**	**4,815**	**4,487**
Total operating expenses excl. depreciation, etc.	(5,425)	(5,341)	(3,216)	(3,614)	(4,085)	(3,852)
Other income and expenses	(1)	1	26	0	10	13
EBITDA before pension income	**3,606**	**3,644**	**3,736**	**3,902**	**740**	**648**

	Wholesale		YouSee		Operations & HQ	
	2012	2011	2012	2011	2012	2011
External revenue	1,563	1,767	4,315	4,062	86	88
Revenue across segments	438	427	257	197	207	199
Revenue	**2,001**	**2,194**	**4,572**	**4,259**	**293**	**287**
Total operating expenses excl. depreciation, etc.	(1,080)	(1,123)	(2,911)	(2,741)	(736)	(755)
Other income and expenses	0	1	7	3	106	174
EBITDA before pension income	**921**	**1,072**	**1,668**	**1,521**	**(337)**	**(294)**

	Total	
	2012	2011
External revenue	26,116	26,304
Revenue across segments	1,523	1,423
Revenue	**27,639**	**27,727**
Total operating expenses excl. depreciation, etc.	(17,453)	(17,426)
Other income and expenses	148	192
EBITDA before pension income	**10,334**	**10,493**

Reconciliation of revenue — DKKm

	2012	2011
Revenue from reportable segments	27,639	27,727
Elimination of revenue across segment items	(1,523)	(1,423)
Consolidated external revenue	**26,116**	**26,304**

Reconciliation of Profit before pension income, depreciation, amortisation and special items (EBITDA before pension income) — DKKm

	2012	2011
EBITDA before pension income from reportable segments	10,334	10,493
Elimination of EBITDA	(3)	8
Unallocated:		
Pension income	80	439
Depreciation, amortisation and impairment losses	(5,062)	(5,227)
Special items	(753)	(864)
Profit from associates and joint ventures	763	(25)
Net financials	(1,228)	(880)
Consolidated profit before income taxes	**4,131**	**3,944**

Geographical markets — DKKm

	Domestic operations		International operations		Total	
	2012	2011	2012	2011	2012	2011
External revenue	21,930	22,325	4,186	3,979	26,116	26,304
Non-current assets allocated[1]	46,132	46,576	1,967	2,310	48,099	48,886

[1] Non-current assets other than Investments in joint ventures and associates, financial instruments, deferred tax assets and pension assets.

Note 4 Revenue

ACCOUNTING POLICIES

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.

Revenue		DKKm
	2012	**2011**
Sales of goods	2,284	1,759
Sales of services	23,832	24,545
Total	**26,116**	**26,304**

External revenue from products and services		DKKm
	2012	**2011**
Landline telephony	4,542	5,046
Mobile telephony	6,601	7,267
Internet and network	6,837	6,870
Terminal equipment, etc.	3,723	3,015
TV	3,939	3,588
Other	474	518
Total	**26,116**	**26,304**

Other income comprises mainly compensation for cable breakages, investment advisory fees from the related pension fund as well as profit relating to divestment of property, plant and equipment.

Note 5 External expenses

ACCOUNTING POLICIES

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.

Operating 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.

Remuneration to Auditors elected by the Annual General Meeting		DKKm
	2012	**2011**
Statutory audit	**13**	**14**
Non-statutory audit services:		
Other assurance engagements	1	1
Tax advisory services	1	1
Other services	6	6
Total non-statutory audit services	**8**	**8**
Total	**21**	**22**

Note 6 Wages, salaries and pension costs

ACCOUNTING POLICIES

Pension costs

See note 25.

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.

Wages, salaries and pension costs		DKKm
	2012	**2011**
Wages and salaries	(4,176)	(4,431)
Pensions:		
• Defined benefit plans	(164)	(152)
• Defined contribution plans	(387)	(395)
Share-based remuneration	(71)	(58)
Social security	(260)	(258)
Total	**(5,058)**	**(5,294)**
Of which capitalised as non-current assets	646	653
Total wages, salaries and pension costs recognised in the Income Statements	**(4,412)**	**(4,641)**

Note 6 Wages, salaries and pension costs (continued)

Number of full-time employee equivalents[1]

	2012	2011
1 January	9,816	10,423
Change in reporting of seconded civil servants	(156)	0
Redundancy programmes	(502)	(783)
Outsourcing	(128)	(7)
Acquisitions and divestments	8	142
Hirings and resignations	105	41
31 December	**9,143**	**9,816**
Hereof domestic operations	**7,914**	**8,552**
Average number of full-time employee equivalents, TDC Group [2,3]	**9,340**	**10,106**

1 Denotes the number of full-time employee equivalents including permanent employees and trainees. As from 2012, 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 are not included in reported numbers (2011: 156).
2 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.
3 As from 2012, the average number of full-time employee equivalents seconded to external parties in connection with outsourcing of tasks or divestment of operations and entitled to pensions on conditions similar to those provided for Danish civil servants are no longer included in reported figures (2012: 217 and 2011: 167).

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 motivations for 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.
- 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 closely linked to company performance and shareholder value creation. The executive remuneration comprises a mix of base salary and incentive programmes that are measurable, controllable, well defined and aligned with shareholder interests.
- 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 base salary and variable remuneration is set to ensure a clear focus on short-term performance and achievement of our long-term business objectives.
- is assessed against a benchmark of large Danish companies – some include international activities to ensure competitiveness.
- is decided by the Compensation Committee.

The Executive Committee members' service contracts include 12 months' notice in the event of termination by the Company. Four members are entitled to receive severance payment equal to six to twelve months' base salary (and for two members, plus on-target bonus) on retirement from his or her position as Executive Committee member, unless terminated on grounds of misconduct.

INCENTIVE PROGRAMMES

Bonus programmes

Approximately 300 TDC top managers participate in a short-term bonus programme called the Top Managers' Compensation Programme, and around 1,200 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 annual targets including personal, financial and operational targets. These targets 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.

Note 6 Wages, salaries and pension costs (continued)

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 Executive Committee is based on the same principles as those for other managers, with an on-target bonus percentage of 50.

For the Executive Committee and approximately 50 other executives reporting directly to the Executive Committee, a deferral element applies. The Executive Committee 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

Approximately 300 TDC managers, including the Executive Committee, participate in a Performance Share Programme that rewards long-term performance.

All eligible participants are granted performance share units annually. Vested performance share units are converted into shares in TDC. The value of performance share units granted is calculated as a percentage of participants' base salary depending on tier level and individual performance. The number of performance share units granted is determined by the fair value per unit on the basis of a Monte Carlo simulation. For the Executive Committee this corresponds 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 the 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 Executive Committee, 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 Executive Committee member's base salary and the share price at the time of implementation and for new Executive Committee members at the time of hire/promotion. The number of shares required to be owned by Executive Committee members can be changed by a Board decision if the share value or salary level changes significantly. For both new and existing Executive Committee members, the ownership can be built up over a maximum of three years.

Deferred bonus

The value of the bonus which the Executive Committee members are obliged to defer at the beginning of 2013 amounted to DKK 9.1m (beginning of 2012: DKK 8.6m). The value of the bonus which the Executive Committee members and other executives can defer at the beginning of 2013 amounted to DKK 18.1m (beginning of 2012: DKK 15.4m). The value of potential matching shares amounted to DKK 10.1m (2011: DKK 9.8m).

Liabilities arising from share-based remuneration amounted to DKK 18m (2011: DKK 15m).

Note 6 Wages, salaries and pension costs (continued)

Performance share units

	2012					
	Outstanding at 1 January	Granted	Transferred	Exercised	Forfeited	Outstanding at 31 December
2012 grant to the Executive Committee	-	345,847	0	0	(69,687)	276,160
2012 grant to other managers	-	1,436,984	0	0	(71,058)	1,365,926
2011 grant to the Executive Committee	331,949	-	(16,938)	0	(64,639)	250,372
2011 grant to other managers	970,051	-	16,938	0	(48,421)	938,568

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

None of the outstanding performance share units at 31 December 2012 were exercisable. The fair value at grant was DKK 29.57 per unit for the 2012 grant (DKK 31.88 per unit for the 2011 grant). The fair value of the 2012 grant is calculated using a Monte Carlo simulation model with an interest rate of 0.10%, a volatility of 20.4% for TDC, an average correlation between TDC and peers of 53.1% and a share price at the time of grant of DKK 46.06.The fair value of the 2011 grant was calculated using a Monte Carlo simulation model with an interest rate of 1.38%, a volatility of 20.3% for TDC , an average correlation between TDC and peers of 49.1% and a share price at the time of grant of DKK 48.45.

Deferred bonus units

	2012					
	Outstanding at 1 January	Granted	Transferred	Exercised	Forfeited	Outstanding at 31 December
2012 grant to the Executive Committee	-	190,855	(28,170)	0	0	162,685
2012 grant to other managers	-	115,152	28,170	0	0	143,322

REMUNERATION FOR THE MANAGEMENT

Remuneration for the Board of Directors[1]

DKK thousands	2012	2011
Vagn Sørensen (Chairman)[2]	1,341	1,300
Pierre Danon (Vice chairman)[2]	771	750
Stine Bosse[2]	481	325
Angus Porter[2]	461	325
Lars Rasmussen[2]	470	450
Søren Thorup Sørensen	600	600
Jan Bardino	400	400
Christian A. Christensen[2]	326	0
Leif Hartmann[2]	0	200
Lotte Broder Jørgensen[2]	75	200
Steen M. Jacobsen	400	400
Bo Magnussen[2]	75	400
John Schwartzbach[2]	326	0
Hanne Trebbien[2]	326	0
Gert Winkelmann[2]	326	0
Total	**6,378**	**5,350**

1 The other members of the Board of Directors do not receive remuneration. For further information about the members of the Board of Directors including duties related to the Compensation, Nomination and Audit Committees, see "Management".
2 The remuneration for 2012 for these members does not comprise remuneration for the full year for all duties.

Note 6 Wages, salaries and pension costs (continued)

Remuneration rates for the Board of Directors

DKK thousands	2012	2011
Chairman of the Board	1,100	1,100
Vice chairman of the Board	700	700
Other members of the Board	400	400
Chairman of the Audit Committee	200	200
Member of the Audit Committee	100	100
Chairman of the Compensation Committee	100	100
Member of the Compensation Committee	50	50
Chairman of the Nomination Committee	50	0
Member of the Nomination Committee	25	0

Remuneration for the Executive Committee[1]

DKKm	2012				2011
	CEO Carsten Dilling[2]	CFO Pernille Erenbjerg	Other members[2]	Total	Total
Base salary (incl. benefits)	5.9	3.8	27.3	37.0	35.8
Bonus (incl. deferred bonus)	1.7	1.1	12.4	15.2	19.6
Pensions	0.6	0.4	2.2	3.2	0.3
Performance share remuneration[3]	1.3	1.0	4.1	6.4	10.1
Sign-on bonus	-	-	0.0	0.0	1.0
Redundancy compensation	-	-	4.0	4.0	11.5
Total	**9.5**	**6.3**	**50.0**	**65.8**	**78.3**

1 For the period from 1 January 2011 to 7 August 2012, the remuneration comprises the Corporate Management Team, i.e. also Miriam Igelsø Hvidt and Inger Ørum Kirk, who were not members of the Executive Committee. During 2012, the remuneration for the Executive Committee (excluding redundancy remuneration) comprises 9.2 members on average (2011: 8.9 members). For further information on the Executive Committee members, see “Management”.

2 The remuneration for CEO Carsten Dilling includes his remuneration before appointment to CEO. The remuneration for Other members includes the remuneration for his predecessor.

3 Fair value of performance share units granted. The Performance share remuneration for 2012 is reduced by DKK 2.1m due to cancellation of performance share units granted in 2011.

Number of shares in TDC A/S

	1 January 2012	Additions	Divestments	31 December 2012
Present Board of Directors[1]				
Vagn Sørensen	325,392	0	0	325,392
Pierre Danon	117,085	0	0	117,085
Stine Bosse	2,310	0	0	2,310
Lars Rasmussen	0	46,000	0	46,000
Søren Thorup Sørensen	3,074	0	0	3,074
Henrik Kraft	65,000	0	0	65,000
Steen M. Jacobsen	740	0	0	740
Jan Bardino	1,790	0	0	1,790
Christian A. Christensen	2,704	1,313	0	4,017
John Schwartzbach	740	0	0	740
Hanne Trebbien	1,040	0	0	1,040
Gert Winkelmann	750	0	0	750
Total	**520,625**	**47,313**	**0**	**567,938**
Present Executive Committee				
Carsten Dilling	685,078	0	0	685,078
Pernille Erenbjerg	85,580	0	0	85,580
Anders Jensen	0	0	0	0
Martin Lippert	163,610	10,000	0	173,610
Eva Berneke	233,653	0	(80,000)	153,653
Jens Munch-Hansen	482,014	20,000	(130,000)	372,014
Niels Breining	161,831	0	0	161,831
Miriam Igelsø Hvidt	80,786	0	0	80,786
Total	**1,892,552**	**30,000**	**(210,000)**	**1,712,552**

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

Note 7 Depreciation, amortisation and impairment losses

ACCOUNTING POLICIES

See notes 12 and 13.

Depreciation, amortisation and impairment losses DKKm	2012	2011
Depreciation	(2,707)	(2,703)
Amortisation	(2,317)	(2,471)
Impairment losses	(38)	(53)
Total	**(5,062)**	**(5,227)**

The decline in Depreciation, amortisation and impairment losses from 2011 to 2012 reflect primarily lower amortisation of the value of customer relationships according to the diminishing balance method.

Note 8 Special items

ACCOUNTING POLICIES

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.

Special items DKKm	2012	2011
Costs related to redundancy programmes and surplus office capacity	(493)	(664)
Other restructuring costs, etc.	(320)	(221)
Gain from divestments of enterprises and property	1	88
Loss from divestments of enterprises and property	0	(4)
Impairment losses	(24)	4
Income from rulings	117	0
Loss from rulings	(32)	(58)
Costs related to acquisition of enterprises	(2)	(13)
Adjustment of purchase price of enterprises	0	4
Special items before income taxes	**(753)**	**(864)**
Income taxes related to special items	329	179
Special items after income taxes	**(424)**	**(685)**

In 2012, Other restructuring costs, etc. included primarily costs due to the new IT outsourcing agreement with Tata Consultancy Services and the termination of the former contract with CSC, i.e. termination, transition and transformation costs (DKK 273m). The total payments related to the change of vendor are expected to amount to DKK 329m. Of this amount, DKK 102m impacted 2012, while the remaining payments of DKK 227m are expected to be paid in the period 2013-2016. Income from rulings comprised primarily a VAT refund for the period 1997-2009.

In 2011, Other restructuring costs, 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.

Cash flow from special items DKKm	2012	2011
Redundancy programmes and surplus office capacity	(624)	(615)
Rulings	(228)	0
Other	(155)	(171)
Total	**(1,007)**	**(786)**

Note 9 Net financials DKKm

	2012			
	Interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs) (incl. hedges)	(982)	(76)	(106)	(1,164)
Other hedges	(26)	14	41	29
Other	(104)	11	-	(93)
Net financials	**(1,112)[1]**	**(51)**	**(65)**	**(1,228)**

	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 hedges	(1)	2	1	2
Other	(115)	(6)	0	(121)
Net financials	**(1,305)[2]**	**51**	**374**	**(880)**

1 Interest of DKK (1,112)m is specified as follows: Interest income, DKK 172m and interest expenses, DKK (1,284)m.
2 Interest of DKK (1,305)m is specified as follows: Interest income, DKK 408m and interest expenses, DKK (1,713)m.

Specification of Fair value adjustments DKKm

	2012		
	Derivatives	Loans	Total
Cash flow hedge[1]	(134)	-	(134)
Fair value hedge[2]	251	(207)	44
Other derivatives	25	-	25
Total	**142**	**(207)**	**(65)**

	2011		
	Derivatives	Loans	Total
Cash flow hedge[1]	150	-	150
Fair value hedge[2]	489	(484)	5
Other derivatives	219	-	219
Total	**858**	**(484)**	**374**

1 GBP EMTN loan is hedged to fixed EUR interest rate. The effective part of the hedge is recognised in Other Comprehensive Income and the ineffective part in net financials. The test of efficiency is comparing the GBP/EUR hedge with a theoretical GBP/DKK hedge.
2 EUR EMTN loans are partly hedged to floating interest rates. The test of efficiency includes a comparison the fair value of the fixed interest rate on the loans with the fixed-interest legs of the hedges. The ineffective part recognised in net financials is due to termination and resetting of derivatives.

Interest income excluding interest on financial assets and liabilities measured at fair value through profit or loss amounted to DKK 44m (2011: DKK 47m). Interest expenses excluding interest on financial assets and liabilities measured at fair value through profit or loss amounted to DKK 1,213m (2011: DKK 1,248m).

Net financials represented an expense of DKK 1,228m in 2012, up DKK 348m compared with 2011, driven by:

- A negative development of DKK 439m in fair value adjustments of derivative financial instruments related primarily to debt hedging. Gains of 229m in 2011 were due primarily to derivative financial instruments related to the interest-rate hedging of EUR denominated Senior Loans[1], that were not treated as hedge accounting. Losses of DKK 134m in 2012 (2011: gains of DKK 150m) were due to cross-currency swaps related to the EMTN GBP bonds. The swaps are treated as hedge accounting. Accordingly, the effective part of the changes in the fair value of the derivatives is recognised directly in other comprehensive income, whereas the ineffective part is recognised in the Income Statements.

- A negative development of DKK 102m in currency translation adjustments related primarily to long-term debt and hedging hereof.

- A DKK 193m decrease in net interest expenses. Interest expenses in 2011 were negatively impacted by interest on interest-rate swaps related to hedging of the Senior Loans, which were not terminated upon repayment of the Senior Loans in February 2011.

1 Not all interest-rate swaps related to hedging of the Senior Loans were terminated in connection with the refinancing in Q1 2011, but matured or were terminated in Q4 2011 at the latest.

Note 10 Income taxes

ACCOUNTING POLICIES
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.

Income taxes DKKm

	2012			2011		
	Income taxes cf. the Income Statements	Income tax payable/ (receivable)	Deferred tax liabilities /(assets)	Income taxes cf. the Income Statements	Income tax payable/ (receivable)	Deferred tax liabilities /(assets)
At 1 January	-	363	6,426	-	861	6,420
Additions relating to acquisition of enterprises	-	1	15	-	2	12
Income taxes	(903)	1,225	(322)	(1,157)	1,284	(127)
Adjustment of tax for previous years	377	345	(722)	26	(69)	43
Change in tax rate	(12)	0	12	0	0	0
Tax relating to actuarial gains/(losses) related to defined benefit pension plans	-	0	(39)	-	0	78
Income tax paid	-	(1,555)	-	-	(1,715)	-
Currency translation adjustment	-	0	(1)	-	0	0
Total	**(538)**	**379**	**5,369**	**(1,131)**	**363**	**6,426**
which is shown in the Balance Sheet as:						
Tax payable/deferred tax liabilities		379	5,449	-	363	6,476
Tax receivable/deferred tax assets		0	(80)	-	0	(50)
Total		**379**	**5,369**	**-**	**363**	**6,426**
Income taxes are specified as follows:						
Income excluding special items	(867)	-	-	(1,310)	-	-
Special items	329	-	-	179	-	-
Total	**(538)**	**-**	**-**	**(1,131)**	**-**	**-**

Adjustment of tax for previous years of DKK 377m includes a one-off adjustment of DKK 225m from a reassessment of the impact from the limitation of tax deductibility of interest expenses under Danish tax legislation. This results in a reduction of deferred tax liabilities on loans.

The Group has paid an additional tax of DKK 253m related to income in DPTG I/S. In the Cash Flow Statements, this payment has reduced dividends received from joint ventures and associates. Total taxes paid amounted to DKK 1,808m.

Note 10 Income taxes (continued)

Reconciliation of effective tax rate

%	2012	2011
Danish income tax rate	25.0	25.0
Joint ventures and associates	0.0	0.1
Other non-taxable income and non-tax deductible expenses	0.4	0.2
Tax value of non-capitalised tax losses and utilised tax losses, net	(1.9)	0.2
Change in tax rates	0.3	0.0
Adjustment of tax for previous years	(0.6)	(0.5)
Limitation on the tax deductibility of interest expenses	3.2	2.2
Change in recognition of deferred tax on long term loans	(5.4)	0.0
Effective tax rate excluding special items	**21.0**	**27.2**
Special items	(3.4)	1.5
Special items related to joint ventures	(4.6)	0.0
Effective tax rate including special items	**13.0**	**28.7**

Specification of deferred tax

DKKm	2012			2011
	Deferred tax assets	Deferred tax liabilities	Total	
Receivables	(8)	0	(8)	(3)
Provisions	(94)	0	(94)	(115)
Current	**(102)**	**0**	**(102)**	**(118)**
Intangible assets	0	3,775	3,775	3,985
Property, plant and equipment	(80)	53	(27)	562
Pension assets and pension liabilities	0	1,979	1,979	2,015
Tax value of tax-loss carryforwards	0	0	0	(4)
Other	(256)	0	(256)	(14)
Non-current	**(336)**	**5,807**	**5,471**	**6,544**
Deferred tax liabilities at 31 December	**(438)**	**5,807**	**5,369**	**6,426**
Recognised as follows in the Balance Sheets:				
Deferred tax assets			(80)	(50)
Deferred tax liabilities			5,449	6,476

Deferred tax assets and liabilities are offset in the Consolidated statement of financial position if the Group has a legally enforceable right to set off and the deferred tax assets and liabilities relate to the same legal tax entity.

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	2012	2011
Tax losses	752	688
Other tax values (temporary differences)	183	232
Total	**935**	**920**

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

Note 11 Earnings per share (EPS)

	2012	2011
Profit for the year (DKKm)	**3,593**	**2,808**
Profit for the year from continuing operations	3,593	2,813
Reversal of special items after income taxes (cf. note 8)	424	685
Reversal of special items related to joint ventures and associates (cf. note 14)	(760)	0
Reversal of amortisation of brands and customer relationships stemming from the merger of TDC and NTC ApS (net of tax)	992	1,143
Adjusted profit for the year (DKKm)	**4,249**	**4,641**
Average number of shares	825,000,000	855,632,012
Average number of treasury shares	(22,710,626)	(38,963,957)
Average number of outstanding shares	**802,289,374**	**816,668,055**
Average dilutive effect of outstanding share-based instruments (number)	1,183,353	602,543
Average number of diluted outstanding shares	**803,472,727**	**817,270,598**
EPS (DKK)		
EPS, basic	4.48	3.44
EPS, diluted	4.47	3.44
Adjusted EPS	5.30	5.68
EPS from continuing operations, basic	4.48	3.45
EPS from continuing operations, diluted	4.47	3.45
EPS from discontinued operations, basic	0.00	(0.01)
EPS from discontinued operations, diluted	0.00	(0.01)

Note 12 Intangible assets

ACCOUNTING POLICIES

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 is 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 the percentage of 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	1-5 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.

Note 12 Intangible assets (continued)

Intangible assets — DKKm

	2012				
	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total
Accumulated cost at 1 January	17,479	18,704	5,784	7,978	49,945
Transfers (to)/from other items	0	(1)	(3)	4	0
Additions relating to the acquisition of enterprises	1	73	0	8	82
Additions	0	1	0	1,426	1,427
Assets disposed of or fully amortised	0	(31)	0	(157)	(188)
Currency translation adjustments	57	28	10	14	109
Accumulated cost at 31 December	**17,537**	**18,774**	**5,791**	**9,273**	**51,375**
Accumulated amortisation and write-downs for impairment at 1 January	(1,259)	(9,755)	(90)	(5,298)	(16,402)
Transfers (to)/from other items	0	0	0	0	0
Amortisation	0	(1,407)	(17)	(893)	(2,317)
Write-downs for impairment	0	0	0	(14)	(14)
Assets disposed of or fully amortised	0	31	0	157	188
Currency translation adjustments	(38)	(21)	0	(9)	(68)
Accumulated amortisation and write-downs for impairment at 31 December	**(1,297)**	**(11,152)**	**(107)**	**(6,057)**	**(18,613)**
Carrying amount at 31 December	**16,240**	**7,622**	**5,684**	**3,216**	**32,762**

	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**

Write-downs for impairment of rights, software, etc. totalled DKK 14m (2011: DKK 7m). Of this, DKK 11m (2011: 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.

The carrying amount of software amounted to DKK 1,547m (2011: DKK 1,475m). The addition of internally developed software totalled DKK 135m (2011: DKK 139m). The carrying amount of Danish mobile licences included in Other rights, software etc. amounted to DKK 1,487m (2011: DKK 1,019m). Of this, DKK 558m related to the 800 MHz licence acquired in 2012, of which interest capitalised amounted to DKK 3m.

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 October 2012 and 1 July 2011, respectively.

The test at 1 October2012 did not identify any impairment.

The impairment test is an integral part of the Group's budget and planning process, which 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

Note 12 Intangible assets (continued)

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 5,615m, (2011: DKK 5,604m). The most significant amounts were Brands DKK 3,299m related to Consumer and Brands DKK 2,040m related to Business. These carrying amounts were unchanged compared with 31 December 2011.

Projections for the terminal period are based on general expectations and risks taking into account the general growth expectations for the telecoms industry in the relevant countries. The growth rates have been reduced relative to previous years to reflect expectations of relatively saturated markets as well as low GDP growth in Denmark. The valuation impact of the changes in growth rate is minimal.

The three-year business plans are based on historic trends. The budget period includes cash flow effects from completed restructurings combined with effects of strategic initiatives, aimed at improving or maintaining trendlines. The terminal period does not include additional effects.

For the impairment testing of goodwill, TDC uses a pre-tax discount rate for each cash-generating unit. In determining the discount rate, a risk premium on the risk-free interest rate is fixed at a level reflecting management's expectations of the spread for future borrowings. The valuations are relatively sensitive to changes in the discount rate. The reduction of the discount rates compared with 2011 reflects a significant reduction in the risk-free interest rate, which is slightly offset by an increase in the risk premium.

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

	Consumer	Business	YouSee
Carrying amount of goodwill at 31 December 2012 (DKKm)	4,649	8,135	2,086
Carrying amount of goodwill at 31 December 2011 (DKKm)	4,649	8,135	2,085
Market-based growth rate applied to extrapolated projected future cash flowsfor the period following 2015	0.0%	0.0%	1.0%
Applied pre-tax discount rate at 1 October 2012	6.9%	7.7%	7.3%
Applied pre-tax discount rate at 1 July 2011	7.9%	8.1%	8.5%

Assumptions regarding recoverable amounts and projected earnings

Consumer
Projections are based on assumptions of market repair in mobility services, as well as declining pressure from roaming regulation, a reduced gross profit loss on broadband and a continued slowdown in gross profit loss from landline telephony, driven by investment in customer service. Growth in TV gross profit is assumed to continue. For the budget period, reductions of operating expenses are trending down relative to 2009-2012, due to investment in improved customer service and some historical levers reaching full potential. Overall, the earnings are projected to decline slightly due to landline (voice and to a lesser degree broadband). Mobility services earnings are projected to stabilise while TV revenues maintain a growth path. Opex reductions compensate for some of the landline gross profit loss.

Business
Projections are based on assumptions of market repair in mobility services, as well as declining pressure from roaming regulation. Investments in customer services drive stabilisation in internet & network gross profit, while maintaining growth in landline voice. For the budget period, reductions of operating expenses are trending down relative to 2009-2012, due to investment in improved customer service and some historical levers reaching full potential. Overall, earnings are projected to increase slightly, driven by landline telephony, terminal equipment and TVoIP, combined with stabilisation of mobility service earnings.

Note 12 Intangible assets (continued)

YouSee
Projections are based on continued growth in earnings from TV and broadband, at a lower growth rate than in 2009-2012, combined with minor reductions of operating expenses. Overall, earnings are projected to grow significantly but at a lower growth rate, relative to 2009-2012.

Sensitivity
Consumer, Business and YouSee have significant headroom, and large changes in growth rates or discount rates will be required to generate impairment. This would also apply if discount rates had been maintained at the July 2011 level.

Note 13 Property, plant and equipment

ACCOUNTING POLICIES
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 spent 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	1-20 years
Other installations	3-15 years

The useful lives and residual values of the assets are reviewed regularly. If the residual value exceeds the carrying amount of an asset, 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 sale 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 telephone exchange installations, for example, 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) is 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.

Note 13 Property, plant and equipment

Property, plant and equipment DKKm

	2012				
	Land and buildings	Telecom-munications installations	Other installations	Property, plant and equipment under construction	Total
Accumulated cost at 1 January	602	24,241	2,327	772	27,942
Transfers (to)/from other items	0	688	63	(751)	0
Additions relating to the acquisition of enterprises	0	5	85	0	90
Additions	6	1,719	245	651	2,621
Assets disposed of	(3)	(263)	(292)	0	(558)
Currency translation adjustments	3	110	16	11	140
Accumulated cost at 31 December	**608**	**26,500**	**2,444**	**683**	**30,235**
Accumulated depreciation and write-downs for impairment at 1 January	(69)	(10,698)	(1,538)	(294)	(12,599)
Transfers to/(from) other items	0	(22)	22	0	0
Depreciation	(14)	(2,325)	(368)	0	(2,707)
Write-downs for impairment	(2)	(23)	(19)	(4)	(48)
Assets disposed of	1	262	280	0	543
Currency translation adjustments	0	(68)	(11)	(8)	(87)
Accumulated depreciation and write-downs for impairment at 31 December	**(84)**	**(12,874)**	**(1,634)**	**(306)**	**(14,898)**
Carrying amount at 31 December	**524**	**13,626**	**810**	**377**	**15,337**
Carrying amount of finance leases at 31 December	**65**	**45**	**72**	**-**	**182**

	2011				
	Land and buildings	Telecom-munications installations	Other installations	Property, plant and equipment under construction	Total
Accumulated cost at 1 January	590	23,098	2,466	693	26,847
Transfers (to)/from other items	(1)	504	106	(609)	0
Additions relating to the acquisition of enterprises	0	2	5	0	7
Additions	14	1,599	267	688	2,568
Assets disposed of	(1)	(971)	(520)	0	(1,492)
Currency translation adjustments	0	9	3	0	12
Accumulated cost at 31 December	**602**	**24,241**	**2,327**	**772**	**27,942**
Accumulated depreciation and write-downs for impairment at 1 January	(54)	(9,353)	(1,626)	(283)	(11,316)
Transfers to/(from) other items	0	(2)	2	0	0
Depreciation	(15)	(2,272)	(416)	0	(2,703)
Write-downs for impairment	0	(37)	(9)	(11)	(57)
Reversal of write-downs for impairment	0	4	0	0	4
Assets disposed of	0	968	513	0	1,481
Currency translation adjustments	0	(6)	(2)	0	(8)
Accumulated depreciation and write-downs for impairment at 31 December	**(69)**	**(10,698)**	**(1,538)**	**(294)**	**(12,599)**
Carrying amount at 31 December	**533**	**13,543**	**789**	**478**	**15,343**
Carrying amount of finance leases at 31 December	**69**	**50**	**86**	**-**	**205**

In 2012, Write-downs for impairment totalled DKK 48m. Of this, DKK 35m related to assets operated jointly by Business, Operations & HQ, Wholesale and Consumer, DKK 11m related to YouSee, and DKK 2m related to Nordic.

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.

Damages of DKK 44m received relating to property, plant and equipment were recognised as income (2011: DKK 41m).

Note 14 Joint ventures, associates and other investments

ACCOUNTING POLICIES
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 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 Other comprehensive income 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 Other comprehensive income is transferred to the Income Statements when realised.

Joint ventures, associates and other investments		DKKm
	2012	**2011**
Accumulated cost at 1 January	128	141
Additions during the year	5	11
Disposals during the year	(37)	(24)
Accumulated cost at 31 December	**96**	**128**
Accumulated write-ups and write-downs for impairment at 1 January	(1)	1
Transferred to/(from) liabilities	(3)	3
Write-ups and write-downs for the year:		
Share of profit/(loss) (excluding special items)	3	(25)
Share of special items	1,013	0
Dividends	(1,018)	(4)
Disposals during the year	37	24
Accumulated write-ups and write-downs for impairment at 31 December	**31**	**(1)**
Carrying amount at 31 December	**127**	**127**
which can be specified as follows:		
Joint ventures	5	0
Associates	117	122
Other investments	5	5
Total	**127**	**127**

Profit from joint ventures and associates		DKKm
	2012	**2011**
Share of profit/(loss) (excluding special items)	3	(25)
Share of special items	1,013	0
Tax related to joint ventures (special items)	(253)	0
Profit from joint ventures and associates	**763**	**(25)**

TDC has no significant investments in joint ventures and associates.

Note 15 Receivables

ACCOUNTING POLICIES
Receivables are measured initially at fair value and thereafter 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 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., plus 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.

Note 15 Receivables (continued)

Receivables	2012	2011
	DKKm	
Trade receivables	4,329	4,631
Allowances for doubtful debts	(339)	(268)
Trade receivables, net	**3,990**	**4,363**
Receivables from Joint ventures and associates	1	0
Contract work in progress	89	78
Other receivables	601	610
Total	**4,681**	**5,051**
Recognised as follows in the Balance Sheets:		
Non-current assets	251	278
Current assets	4,430	4,773
Total	**4,681**	**5,051**
Allowances for doubtful debts at 1 January	(268)	(245)
Additions	(164)	(164)
Deductions	93	141
Allowances for doubtful debts at 31 December	**(339)**	**(268)**
Receivables past due and impaired	577	652
Receivables past due but not impaired	675	559
Receivables past due but not impaired can be specified as follows:		
Receivables past due less than 6 months	551	435
Receivables past due between 6 and 12 months	55	74
Receivables past due more than 12 months	69	50
Total	**675**	**559**

Of the receivables classified as current assets, DKK 13m falls due after more than one year (2011: DKK 78m).

Trade receivables past due amounted to DKK 1,251m (2011: DKK 1,211m). Other receivables contain write-down for impairment of DKK 16m (2011: DKK 15m). Other classes within receivables do not contain impaired assets.

The value of contract work in progress amounted to DKK 326m (2011: DKK 328m). Invoicing on account amounting to DKK 254m (2011: DKK 276m) is off-set in this value. Of the net value, DKK 18m is recognised as prepayments from customers (2011: DKK 26m). Revenue from contract work in progress amounted to DKK 409m (2011: DKK 396m).

Note 16 Prepaid expenses

DKKm	2012	2011
Prepaid lease payments	95	84
Expenses related to non-refundable up-front connection fees	341	371
Other prepaid expenses	399	429
Total	**835**	**884**
Recognised as follows in the Balance Sheets:		
Non-current assets	244	305
Current assets	591	579
Total	**835**	**884**

Note 17 Inventories

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

Inventories	2012	2011
DKKm		
Raw materials and supplies	33	27
Work in progress	17	16
Finished goods and merchandise	267	238
Total	**317**	**281**

Inventories recognised as cost of goods sold amounted to DKK 2,363m (2011: DKK 1,796m).

Inventories expected to be sold after more than one year totalled DKK 15m (2011: DKK 15m).

Note 18 Equity

ACCOUNTING POLICIES

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 of the functional currency of foreign enterprises' financial statements into Danish kroner. Translation adjustments are recognised in the Income Statements when the net investment is realised.

Equity

Share capital	Shares (number)	Nominal value (DKK)
Holding at 1 January 2011	991,875,885	991,875,885
Capital reduction by cancellation of treasury shares	(166,875,885)	(166,875,885)
Additions	0	0
Reductions	0	0
Holding at 1 January 2012	**825,000,000**	**825,000,000**
Additions	0	0
Reductions	0	0
Holding at 31 December 2012	**825,000,000**	**825,000,000**

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 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 1 January 2012	**8,367,121**	**8,367,121**	**1.01**
Additions	17,748,702	17,748,702	2.16
Disposals	0	0	0.00
Holding at 31 December 2012	**26,115,823**	**26,115,823**	**3.17**

In 2012, 17,748,702 treasury shares were acquired in a one-off share buy-back designed to return the proceeds from the settlement of the dispute between DPTG and TPSA to the shareholders.

In March 2011,166,875,885 treasury shares were cancelled in connection with a capital reduction.

The holding of 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 share capital reduction.

Note 19 Loans

ACCOUNTING POLICIES

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.

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.

OTHER INFORMATION

In February 2012, TDC issued an unsecured BBB/Baa2-rated bond in the total amount of EUR 500m, with a maturity of 10 years under the Company's EUR 4bn EMTN Programme listed on the Luxembourg Stock Exchange. The proceeds from the bond issuance were used to fully repay the EMTN bond of EUR 457m that matured in April 2012.

Loans DKKm	2012	2011
Bank loans	0	302
Euro Medium Term Notes (EMTNs)	23,134	22,458
Debt relating to finance leases	206	248
Other loans	604	212
Total	**23,944**	**23,220**
Recognised as follows in the Balance Sheets::		
Non-current liabilities	23,774	19,404
Current liabilities	170	3,816
Total	**23,944**	**23,220**
Fair value	26,169	24,603
Nominal value	23,715	23,089
Long-term loans fall due as follows:		
1 -3 years	8,442	145
3 -5 years	176	8,169
After 5 years	15,156	11,090
Total	**23,774**	**19,404**

Approximately 43% (2011: 40%) of the issued fixed interest-rate EMTN bonds was 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	2022	2023	Total
Maturity		19 Apr 2012	23 Feb 2015	16 Dec 2015	23 Feb 2018	2 Mar 2022	23 Feb 2023	
Fixed/Floating rate		Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Coupon		6.500%	3.500%	5.875%	4.375%	3.750%	5.625%	
Swapped to floating interest rate		0%	100%	37%	25%	40%	0%	43%
Outstanding amounts (nominal value):								
1 January 2012	EURm	457	800	274	800	0	0	2,331
1 January 2012	GBPm	0	0	0	0	0	550	550
Redemption	EURm	(457)	0	0	0	0	0	(457)
Issuance March 2012	EURm	0	0	0	0	500	0	500
31 December 2012	**EURm**	**0**	**800**	**274**	**800**	**500**	**0**	**2,374**
31 December 2012	**GBPm**	**0**	**0**	**0**	**0**	**0**	**550**	**550**
31 December 2012	**DKKm**	**0**	**5,968**	**2,041**	**5,968**	**3,730**	**5,015**	**22,722**

Debts relating to finance leases DKKm	Minimum payments		Present value	
	2012	2011	2012	2011
Mature within 1 year	83	87	76	79
Mature between 1 and 3 years	68	95	54	79
Mature between 3 and 5 years	21	35	13	25
Mature after 5 years	107	113	63	65
Total	**279**	**330**	**206**	**248**

Debts relating to finance leases are related primarily to lease agreements regarding property and IT equipment.

Note 20 Deferred income

ACCOUNTING POLICIES

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

Deferred income	DKKm	
	2012	2011
Deferred income from non-refundable up-front connection fees	966	1,134
Deferred subscription revenue	2,326	2,337
Other deferred income	425	443
Total	**3,717**	**3,914**
Recognised as follows in the Balance Sheets:		
Non-current liabilities	780	871
Current liabilities	2,937	3,043
Total	**3,717**	**3,914**

Note 21 Provisions

ACCOUNTING POLICIES

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 commences 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 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.

Provisions					DKKm
	2012				2011
	Decommis-sioning obligations	Restruc-turing obligations	Other provisions	Total	
Provisions at 1 January	144	705	976	1,825	2,024
Provisions made	8	382	296	686	856
Change in present value	11	11	12	34	6
Provisions used	(2)	(548)	(563)	(1,113)	(968)
Reversal of unused provisions	(3)	(22)	(103)	(128)	(98)
Currency translation adjustments	0	5	12	17	5
Provisions at 31 December	**158**	**533**	**630**	**1,321**	**1,825**
Recognised as follows in the Balance Sheets:					
Non-current liabilities	158	212	363	733	858
Current liabilities	0	321	267	588	967
Total	**158**	**533**	**630**	**1,321**	**1,825**

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 2017.

Note 21 Provisions (continued)

Provisions for restructuring obligations relate primarily to redundancy programmes and surplus premises. The majority of these obligations are expected to result in cash outflow in the period 2013-2017. 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 for employees.

Note 22 Trade and other payables DKKm

	2012	2011
Trade payables	4,349	4,228
Prepayments from customers	256	251
Other payables	2,372	2,435
Total	**6,977**	**6,914**

Of the current liabilities DKK 149m falls due after more than one year (2011: DKK 35m).

Note 23 Financial risks

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 as a part of the audit 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 revised in December 2011 and defines maxima/minima for interest-rate, exchange-rate and counterparty risks as well as maxima/minima for a range of other variables.

In December 2012, TDC's Board of Directors approved an updated financial strategy to be implemented on 1 January 2013. The updated strategy is in line with the principles of the previous financial strategy and will not increase financial risks for TDC. The most significant changes to limits on risk metrics are:

- The limit for exchange-rate risks from operational and financing exposure has been reduced from DKK 750m to DKK 400m.
- In order to limit the risk from currency translation exposure, EFCF in other currencies than EUR are hedged partly or fully if the exchange-rate risk constitutes more than 0.65% of budgeted EFCF for the next year (previously 1.25%).

Liquidity risks

To reduce refinancing risks, the maturity profile of the debt portfolio is spread over several years. The committed Revolving Credit Facilities in the total amount of 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.

Interest-rate risks

TDC is exposed mainly to interest-rate risks in the euro area, as 75% of the nominal gross debt is denominated or swapped to EUR whereas 25% is swapped to DKK.

Note 23 Financial risks (continued)

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 2012, 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)
- BPV (basis point value representing the change in fair value of TDC's financial portfolio, incl. derivatives, from a 0.01% change in interest rates) shall not exceed DKK 14m
- 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 11	Q1 12	Q2 12	Q3 12	Q4 12	Interval 2012	Average 2012	Average 2011
Share of floating interest-rate debt	Max. 60%	49%	35%	25%	35%	33%	25%-43%	32%	46%
BPV (DKKm)	Min. 2.2 / Max. 14.0	N/A[1]	9.6	12.8	12.5	11.3	8.3-13.3	11.5	N/A
Duration of financial assets (years)	Max. 0.25	0.00	0.05	0.00	0.00	0.00	0.00-0.10	0.01	0.00
The maximum share of fixed interest-rate gross debt to be reset within one year in year two[2]	Max. 25%	0%	0%	0%	11%	11%	0%-11%	4%	9%
The maximum share of fixed interest-rate gross debt to be reset within one year in year three[2]	Max. 30%	13%	15%	15%	6%	13%	5%-20%	12%	3%
The maximum share of fixed interest-rate gross debt to be reset within one year in year four[2]	Max. 35%	21%	11%	11%	8%	0%	0%-21%	11%	20%

[1] At 31 December 2012, a +/- 1 percentage point parallel shift in the interest rate curve would impact Profit for the year by approx. DKK +/- 33m due to changes in fair value adjustments and paid interest (2011: approx. DKK +/- 41m). The impact on Equity is estimated to be immaterial in both years.
[2] Average figures for reset risk 2011 are defined as the average of maximum share of fixed interest-rate gross debt to be reset within one year for the next five years.

Exchange-rate risks

TDC is exposed primarily to exchange-rate risks from EUR, USD, 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.

For Danish companies, the net exchange-rate exposure relates to accounts payable and receivable 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 75% of the nominal gross debt (including derivatives) is denominated in EUR (25% 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 2012, 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 must not exceed DKK 750m
- EFCF in other currencies than EUR and DKK in the coming year must 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.

Note 23 Financial risks (continued)

In addition to the above variables, the financial strategy includes a range of exchange-rate hedging policies that e.g. stipulate the guiding rule that, 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 as a guiding rule to hedge payables/receivables in other currencies than DKK and EUR to local currency. Finally, to the largest extent possible, foreign subsidiaries should pay out net cash holdings as dividend to TDC A/S subject to maintaining an appropriate capitalisation and liquidity position for 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 11	Q1 12	Q2 12	Q3 12	Q4 12	Interval 2012	Average 2012	Average 2011
Total open gross position in other currencies than DKK and EUR[1]	750	387[2]	502	475	555	179	179-755	410	138

[1] Including accounts payable & receivable, cash accounts and financing (including derivatives).
[2] At 31 December 2012, foreign currencies constituted a maximum translation risk of approx. DKK 19m(with 95% certainty within a time frame of one year) (2011: approx. DKK 18m). in relation to EFCF.

Credit risks

TDC is exposed to credit risks principally as a supplier of telecommunications services in Denmark and abroad, and as 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 diversifies 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 counter-parties holding the long-term credit rating of at least BBB+ from Standard & Poor's or Baa1 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 24 amounting to DKK 5,266m at 31 December 2012.

Credit rating

TDC has adopted a leverage and rating policy through which TDC aims to achieve a net interest-bearing 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. 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, 2012

Rating	Short-term	Long-term	Outlook
S&P	A-2	BBB	Positive
Moody's	P2	Baa2	Stable
Fitch	F3	BBB	Stable

Note 24 Financial instruments, etc.

WORTH NOTING

A derivative financial instrument is used to manage risks. Its value changes over time in response to underlying variables such as exchange rates or interest rates and is for a fixed period. In accordance with the financial strategy approved by TDC's Board of Directors, the Group uses derivative financial instruments to manage its exposure to fluctuations in interest rate on its borrowings and foreign exchange rates. This strategy is described in note 23. Analyses of these derivative financial instruments are detailed in the following.

Note 24 Financial instruments, etc. (continued)

ACCOUNTING POLICIES

On initial recognition, derivative financial instruments are recognised in the Balance Sheets on inception at fair values and subsequently remeasured at fair values. Quoted market prices are used for derivative financial instruments traded in an active market. Depending on the type of instrument, a number of different recognised measurement methods 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.

Fair value changes of derivative financial instruments are recognised in the Income Statements. However, changes in the fair values of derivative financial instruments designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in Other comprehensive income. Any ineffective portion of the hedge is recognised in 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.

RISK ANALYSIS

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.

Foreign-currency exposures DKKm

Currency	2012				2011
	Financial assets and liabilities				
	Assets	Liabilities	Derivatives[1]	Net position	
EUR	235	(19,110)	(490)	(19,365)	(17,066)
GBP	245	(5,061)	6,767	1,951[2]	1,620
Others	1,121	(748)	(95)	278	679
Foreign currencies total[3]	**1,601**	**(24,919)**	**6,182**	**(17,136)**	**(14,767)**
DKK	3,665	(3,036)	(5,813)	(5,184)	(6,494)
Total	**5,266**	**(27,955)**	**369**	**(22,320)**	**(21,261)**

1 The financial instruments used in 2012 are primarily 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.
3 The maturity profile of the derivatives match the maturity profile of the loan disclosed in note 19.

Net investments in foreign subsidiaries, joint ventures and associates DKKm

	2012 Net investments, carrying amount	2011 Net investments, carrying amount
SEK	437	456
EUR	625	596
NOK	985	873
Total at 31 December	**2,047**	**1,925**

Note 24 Financial instruments, etc. (continued)

Liquidity risk

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 relate 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

	2012						
	< 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	3	52	51	257	363	151	151
Derivatives treated as fair value hedges	(97)	303	48	43	297	301	301
Currency swaps	4	(3)	1	6	8	30	30
Other	0	0	0	0	0	4	4
Total derivatives, assets	**(90)**	**352**	**100**	**306**	**668**	**486**	**486**
Derivatives, liabilities							
Interest-rate derivatives	(9)	(34)	(22)	6	(59)	(106)	(106)
Currency swaps	0	0	12	(35)	(23)	(8)	(8)
Other	5	0	0	0	5	(3)	(3)
Total derivatives, liabilities	**(4)**	**(34)**	**(10)**	**(29)**	**(77)**	**(117)**	**(117)**
Loans and receivables							
Cash	973	0	0	0	973	973	973
Trade receivables and other receivables	4,070	55	12	338	4,475	4,293	4,293
Total loans and receivables	**5,043**	**55**	**12**	**338**	**5,448**	**5,266**	**5,266**
Financial liabilities measured at amortised cost							
Euro Medium Term Notes (EMTNs)	(1,012)	(10,032)	(1,366)	(17,366)	(29,776)	(25,359)	(23,134)
Debt relating to finance leases	(83)	(68)	(21)	(107)	(279)	(206)	(206)
Other loans	(96)	(195)	(192)	(222)	(705)	(604)	(604)
Trade and other payables	(3,863)	(86)	(60)	(2)	(4,011)	(4,011)	(4,011)
Total financial liabilities measured at amortised cost	**(5,054)**	**(10,381)**	**(1,639)**	**(17,697)**	**(34,771)**	**(30,180)**	**(27,955)**
Total	**(105)**	**(10,008)**	**(1,537)**	**(17,082)**	**(28,732)**	**(24,545)**	**(22,320)**

[1] All cash flows are undiscounted.

Note 24 Financial instruments, etc. (continued)

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)
Other loans	(33)	(71)	(67)	(67)	(238)	(212)	(212)
Trade and other payables	(4,209)	0	0	0	(4,209)	(4,209)	(4,209)
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.

Undrawn credit lines DKKm

Maturities	Committed credit lines	Committed syndicated credit lines	Total
< 1 year	-	-	-
> 1 year	1,316	3,730	5,046
Total	**1,316**	**3,730**	**5,046**

Note 25 Pension assets and pension obligations

WORTH NOTING

In a defined contribution plan, TDC pays fixed contributions to a third party on behalf of the employees and has no further obligations towards the employees. The benefits for the employees ultimately depend upon the third party's ability to generate returns.

In a defined benefit plan, members receive cash payments on retirement, the value of which depends on factors such as salary and length of service. TDC underwrites investment, mortality and inflation risks necessary to meet these obligations. In the event of poor returns, TDC needs to address this through increased levels of contribution. TDC has defined benefit plans in Denmark (TDC Pension Fund) and in Norway.

TDC makes contributions to its separate pension funds, which are not consolidated in these financial statements, but are reflected on the Balance Sheet in Pension assets and Pension liabilities. TDC's pension assets and pension obligations are outlined in more detail in the following.

ACCOUNTING POLICIES

In a defined benefit plan, TDC is obliged 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 expenses and expected return on assets. Service cost is recognised in Wages, salaries and pension costs. Interest expenses 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.

Pension assets and pension obligations

Specification of pension income/(costs) recognised in the Income Statements	DKKm	
	2012	**2011**
Pension income from the domestic defined benefit plan (Operations & HQ)	(64)	304
Pension cost from the Norwegian defined benefit plans (Nordic)	(20)	(17)
Net periodic pension income/(costs) from defined benefit plans	**(84)**	**287**
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	**(164)**	**(152)**
Interest expenses[2]	(853)	(851)
Expected return on plan assets[3]	933	1,290
Net interest recognised in Pension income	**80**	**439**
Total net periodic pension income/(costs) from defined benefit plans	**(84)**	**287**

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. Interest expenses represent 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.

Note 25 Pension assets and pension obligations (continued)

Domestic defined benefit plan

Under conditions similar to those provided by the Danish Civil Servants' Pension Plan, 1,629 of TDC's employees (2011: 1,790) were entitled to a pension from the pension fund related to TDC. Of these, 216 (2011:156) employees were seconded to external parties in connection with outsourcing tasks or divesting operations. In addition, 8,316 (2011: 8,362) 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.

Since the Danish FSA introduced the longevity benchmark in 2011, the fund's actuary has conducted a detailed longevity statistical analysis, which overall underpinned the fund's assumptions regarding observed current longevity. In line with the sector, however, the fund has increased its provisions for future expected improvements to longevity corresponding to the updated Danish FSA benchmark.

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 3.0bn (2011: DKK 2.5bn).

Plan assets include property with a fair value of DKK 117m used by Group companies (2011: DKK 140m).

Specification of pension (costs)/income — DKKm

	Expected 2013	2012	2011
Service cost recognised in Wages, salaries and pension costs	**(155)**	**(144)**	**(134)**
Interest expenses	(741)	(843)	(840)
Expected return on plan assets	978	923	1,278
Net interest recognised in Pension income	**237**	**80**	**438**
Net periodic pension (costs)/income	**82**	**(64)**	**304**
Domestic redundancy programmes recognised in special items		(122)	(230)
Pension (costs)/income recognised in the Income Statements		**(186)**	**74**

Assets and obligations — DKKm

	2012	2011
Specification of pension assets		
Fair value of plan assets	30,543	28,400
Projected benefit obligations	(22,625)	(20,340)
Pension assets recognised in the Balance Sheets	**7,918**	**8,060**
Change in present value of benefit obligations		
Projected benefit obligations at 1 January	(20,340)	(17,489)
Service cost	(144)	(134)
Interest expenses	(843)	(840)
Special termination benefit	(122)	(230)
Actuarial gain/(loss)	(2,228)	(2,676)
Benefit paid	1,052	1,029
Projected benefit obligations at 31 December	**(22,625)**	**(20,340)**
Change in fair value of plan assets		
Fair value of plan assets at 1 January	28,400	24,976
Actual return on plan assets	2,994	4,266
TDC's contribution	201	187
Benefit paid	(1,052)	(1,029)
Fair value of plan assets at 31 December	**30,543**	**28,400**
Change in pension assets recognised in the Balance Sheets		
Pension assets recognised in the Balance Sheets at 1 January	8,060	7,487
Pension (costs)/income recognised in the Income Statements	(186)	74
Actuarial gain/(loss) on projected benefit obligations and plan assets recognised in other comprehensive income	(157)	312
TDC's contribution	201	187
Pension assets recognised in the Balance Sheets at 31 December	**7,918**	**8,060**

Note 25 Pension assets and pension obligations (continued)

Weighted-average asset allocation by asset categories at 31 December %	Strategic asset allocation	2012	2011
Government and mortgage bonds (incl. hedges and repos)	38.3	46.3	58.2
High-yield bonds	8.9	5.8	7.0
Investment grade bonds	30.1	25.5	13.8
Emerging markets debt	8.8	6.0	6.3
Property	10.0	6.0	6.7
Alternatives	2.5	3.2	2.6
Equities	1.4	2.1	1.5
Cash	0.0	5.1	3.9
Total	**100.0**	**100.0**	**100.0**

Weighted-average assumptions used to determine benefit obligations %	2012	2011
Discount rate	3.35	4.25
General wage inflation	2.25	2.25
General price inflation	2.25	2.25

Weighted-average assumptions used to determine net periodic pension cost %	2013	2012	2011
Discount rate	3.35	4.25	4.95
Expected return on plan assets	3.25	3.30	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 2012, the assumed discount rate was reduced from 4.95% to 4.25% to reflect changes in market conditions. The assumptions for 2013 reflect a decrease of the discount rate to 3.35% and a decrease in the expected return on plan assets from 3.30% to 3.25% as well as unchanged assumptions with respect to general inflation. The changed assumptions have resulted in increased pension benefit obligations compared with 2011.

In 2013, with these changed assumptions, pension costs from the domestic defined benefit plan are expected to amount to DKK 82m (2012: DKK 64m), assuming all other factors remain unchanged.

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 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.

Changed accounting for pensions

The amended IAS Employee Benefits, effective from 2013, will impact TDC's future non-cash pension costs:

- the pension funds' administrative expenses will be included in pension costs. Currently, they are implicitly included in the expected long-term return on assets

- finance costs will be calculated on a net basis using the discount rate. Currently, it is calculated as the net of the pension liability multiplied with the discount rate and the fair value of the pension funds' assets multiplied by the expected long-term rate of return

- TDC will cease using of the current supplementary EBITDA, EBITDA bpi, as the interest components (currently presented as 'Pension income') are now reclassified to an item in Net Financials ('interest on pension assets').

Impact from the amended IAS 19 DKKm	Expected 2013	2012	2011
Amended IAS19			
Service cost	(155)	(144)	(134)
Administrative expenses	(11)	(11)	(13)
Pension costs, recognised in Wages, salaries and pension costs	**(166)**	**(155)**	**(147)**
Interest on net pension assets, recognised in financials	**269**	**346**	**376**
Total pension (costs)/income[1]	**103**	**191**	**229**
Impact from changed accounting policy			
Wages, salaries and pension costs	(11)	(11)	(13)
Net interest (expenses)/income	32	266	(62)
Profit before tax	**21**	**255**	**(75)**

[1] Excluding Domestic redundancy programmes recognised in Special items.

Sensitivity analysis

The table below shows the estimated impact of some of the risks that TDC is exposed to. 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.

Note 25 Pension assets and pension obligations (continued)

Projected defined benefit obligation at 31 December 2012

	DKKm
Reported defined benefit obligation	22,625
Discount rate sensitivity	
2.85% (assumption -0.5%)	24,261
3.85% (assumption +0.5%)	21,160
General price inflation sensitivity	
2.50% (assumption +0.25%)	23,420
2.00% (assumption –0.25%)	21,873
Mortality sensitivity	
Assumption +1 year longevity	23,585
Assumption -1 year longevity	21,786

Experience gains and losses

DKKm

	2012	2011	2010	2009	2008
Gain/(loss) on plan assets					
Gain/(loss) on plan assets, DKKm	2,070	2,988	65	1,246	(62)
% of fair value of plan assets at 31 December	6.78%	10.52%	0.26%	5.09%	(0.27%)
Demographic experience gain/(loss) on projected benefit Obligations					
Gain/(loss) on projected benefit obligations, DKKm	276	230	(570)	337	321
% of projected benefit obligations at 31 December	1.22%	1.13%	(3.26%)	2.00%	2.03%
Pension assets recognised in the Balance Sheets, DKKm					
Fair value of plan assets at 31 December	30,543	28,400	24,976	24,471	22,876
Projected benefit obligations at 31 December	(22,625)	(20,340)	(17,489)	(16,865)	(15,846)
Pension assets recognised in the Balance Sheets at 31 December	**7,918**	**8,060**	**7,487**	**7,606**	**7,030**

Cash flows

DKKm

	Expected 2013	2012	2011
Ordinary contributions	124	136	135
Extraordinary contributions in connection with retirements	17	65	52
Capital contributions	0	0	0
Total	**141**	**201**	**187**

The future benefit payments are estimated as follows based on the actuarial assumptions: DKK 1,037m in 2013, DKK 1,093m in 2014, DKK 1,107m in 2015, DKK 1,125m in 2016, DKK 1,145m in 2017 and DKK 5,980m for the years 2018-2022.

Other information

Ultimately, 553 members of the defined benefit plans will have part of their pension payment reimbursed by the Danish government. The related benefit obligations of DKK481m (2011: DKK 459m) have been deducted, resulting in the projected benefit obligation.

Foreign defined benefit plans

TDC's foreign defined benefit plans concern TDC Norway. 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.

Pension liabilities related to foreign defined benefit plans amounted to DKK 99m (2011: DKK 99m).

Pensions for former Danish civil servants

TDC has employees who 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

Note 25 Pension assets and pension obligations (continued)

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 2012 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 from TDC.

Note 26 Adjustment for non-cash items DKKm

	2012	2011
Pension costs regarding defined benefit plans	164	152
Share-based remuneration	71	43
(Gain)/loss on disposal of enterprises and property, plant and equipment, net	(34)	(6)
Other adjustments	(44)	(46)
Total	**157**	**143**

Note 27 Change in working capital DKKm

	2012	2011
Change in inventories	(35)	25
Change in receivables	347	(185)
Change in trade payables	(9)	196
Change in other items, net	(173)	(103)
Total	**130**	**(67)**

Note 28 Investment in enterprises

ACCOUNTING POLICIES

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 on 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 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.

Note 28 Investment in enterprises (continued)

Acquisitions in 2012

Enterprises and activities acquired	Segment	Date of recognition	Proportion acquired
Blue Position ApS	Business	20 January 2012	100%
IT activities from CSC	Operations	1 April 2012	100%
TV and internet activities from Randersegnens Boligforening	YouSee	1 October 2012	100%
I-connect ApS	YouSee	1 November 2012	100%
Telephony activities from Relacom AB	Nordic	28 December 2012	100%

At the date of acquisition, the cost of the assets and liabilities acquired was DKK 149m net of cash in acquired enterprises of DKK 6m. Following adjustment of net assets to fair value, goodwill was measured at DKK 1m. Goodwill represents the value of current employees and know-how as well as expected synergies arising from the business combinations. In addition to the amount mentioned above, DKK18m has been paid in relation to acquisitions in prior years.

The acquisitions had no significant impact on the income statement in 2012.

Acquisitions in 2011

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.

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.

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.

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 was DKK 17m and allowances for doubtful debts amounted to DKK 4m.In 2011, transaction 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.

Note 29 Net interest-bearing debt

Compared with year-end 2011, Net interest-bearing debt increased by DKK 905m due largely to distribution in the form of dividends and share buy-backs and debt related to the acquired 800 MHz licence, which was partly offset by the positive net cash flows from operating and investing activities including proceeds from the TPSA settlement.

DKKm	2012	2011
Interest-bearing receivables	(201)	(226)
Cash	(973)	(1,489)
Long-term loans	23,774	19,404
Short-term loans	170	3,816
Interest-bearing payables	2	2
Derivative financial instruments hedging fair value and currency on loans	(854)	(494)
Total	**21,918**	**21,013**

Note 30 Related parties

Name of related party	**Nature of relationship**	**Domicile**
NTC Parent Sà.r.l.	Indirect ownership	Luxembourg
NTC Holding G.P.	Indirect ownership	Luxembourg
NTC Holding GP & Cie S.C.A.	Ownership	Luxembourg
TDC Pensionskasse	Pension fund	Copenhagen, Denmark

Danish Group companies have one lease contract with the pension fund, TDC Pensionskasse. The lease contract is interminable until 2022 at the latest. In addition, annual contributions are paid to the pension fund, see note 25 Pension obligations. TDC A/S has issued a subordinated loan to the pension fund
Remuneration for the Board of Directors and the Executive Committee is described in note 6.

The Group has the following additional transactions and balances with related parties; income/(expenses), receivables/(debt):

DKKm	2012	2011
TDC Pensionskasse		
Rental expense	(3)	(7)
Investment advisory fees	16	15
Interest income of subordinated loan	4	4
Debt regarding lease agreements and other payables	(67)	(61)
Subordinated loan	149	149
Joint ventures and associates		
Income	3	4
Receivables	1	0

Note 31 Other financial commitments

DKKm	2012	2011
Lease commitments for all operating leases		
Rental expense relating to properties and mobile sites in the period of interminability	7,321	7,714
Rental expense relating to machinery, equipment, computers, etc. in the period of interminability	657	724
Total	**7,978**	**8,438**
which can be specified as follows:		
Due not later than 1 year	735	807
Due later than 1 year and not later than 5 years	2,032	2,101
Due later than 5 years	5,211	5,530
Total	**7,978**	**8,438**
Total rental expense for the year for all operating leases		
Lease payments	1,214	1,129
Sublease payments	(115)	(36)
Total	**1,099**	**1,093**
Capital and purchase commitments		
Investments in intangible assets	127	20
Investments in property, plant and equipment	110	154
Commitments related to outsourcing agreements	931	518
Other purchase commitments	461	393

Note 31 Other financial commitments (continued)

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 2041 at the latest.

Total future minimum sublease payments expected for interminable subleases on balance sheet dates amounted to DKK 181m (2011: DKK 85m).

Note 32 Contingencies

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 fund. 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. The average redundancy cost per full-time employee equivalent, calculated as the total cost divided by the number of full-time employee equivalents included in the redundancy programmes during this period, was:

Average redundancy cost per full-time employee equivalent	DKK thousands	
	2012	**2011**
Non-civil servants	357	395
Former Danish civil servants	1,156	1,377
Employees with civil-servant status	1,194	1,330
Weighted average per full-time employee equivalent	634	780

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'.

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), one licence through which it has access to 2x20MHz of paired spectrum in the 2.5 GHz frequencies and in 2012, TDC achieved 2x20 MHz in the 800 MHz band. 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 other contracts with third parties include change-of-control clauses too. 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 33 Events after the balance sheet date

None.

Note 34 New accounting standards

At 31 December 2012, IASB had approved the following new accounting standards (IFRSs and IASs) and interpretations (IFRICs) that are effective for 2013 or later, and are judged relevant for TDC:

- IAS 1 (Amended 2011) *Presentation* of *Financial Statements* - 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

- IAS 19 (Amended 2011) *Employee Benefits* - these amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The Group does not use the corridor approach yet calculating finance costs/income on a net funding basis will impact on future earnings. See also note 25

- IFRS 10 *Consolidated Financial Statements* - 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. IFRS 10 will have no effect on the application of control in TDC's financial statements

- IFRS 11 *Joint Arrangements* - defines joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. Joint arrangements are arrangements where joint control over a business activity exists and comprise two types: Joint operations and joint ventures. IFRS 11 will have no effect on TDC's financial statements

- IFRS 12 *Disclosures of Interests in Other Entities* - 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

- IFRS 13 *Fair Value Measurement* - 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

- IAS 32 (Amended 2011) *Financial Instruments: Presentation* and IFRS 7 (Amended 2011) *Financial instruments: Disclosures* - provides further guidance as regards offsetting and related disclosures

- IFRS 9 *Financial Instruments* - reduces the number of categories of financial assets to two: amortised cost and fair value. The effect of changes in other credit risk on financial liabilities is recognised at fair value in Other comprehensive income[1].

- as part of the annual improvement project, IASB has approved changes to several of the existing standards[1].

- IASB has approved further new standards and interpretations that are not relevant to TDC and will have no effect on the financial statements.

[1] Not yet endorsed by the EU.

Note 35 Overview of Group companies at 31 December 2012

Company name	Domicile	Currency	TDC ownership share (%)	Number of subsidiaries, joint ventures and associates not listed here[1]
Consumer				
Fullrate A/S	Taastrup, 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				
NetDesign A/S	Copenhagen, Denmark	DKK	100.0	
TDC Mobil Center A/S	Odense, Denmark	DKK	100.0	
BluePosition ApS	Lyngby, Denmark	DKK	100.0	
Onfone Erhverv ApS	Copenhagen, Denmark	DKK	100.0	
Nordic				
TDC AS	Oslo, Norway	NOK	100.0	2
TDC Nordic 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	
Wholesale				**1**
OCH A/S[2]	Copenhagen, Denmark	DKK	33.3	
Companymobile A/S	Aarhus, Denmark	DKK	100.0	
YouSee				
YouSee A/S	Copenhagen, Denmark	DKK	100.0	
Dansk Kabel TV A/S	Albertslund, Denmark	DKK	100.0	1
Other				**10**
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 and TDCT V ApS.

2 The enterprise is included under the equity method.

Five-year overview

TDC Group					DKKm
	2012	2011	2010	2009	2008
Income Statements DKKm					
Revenue	26,116	26,304	26,167	26,079	26,917
Gross profit	18,518	19,172	19,420	19,635	19,678
EBITDA bpi	**10,331**	**10,501**	**10,337**	**10,249**	**9,669**
Depreciation, amortisation and impairment losses	(5,062)	(5,227)	(5,356)	(4,659)	(4,547)
Operating profit (EBIT), excluding special items	**5,349**	**5,713**	**5,416**	**5,877**	**5,507**
Special items	(753)	(864)	(1,347)	(1,119)	(3,212)
Operating profit (EBIT)	**4,596**	**4,849**	**4,069**	**4,758**	**2,295**
Profit from joint ventures and associates	763	(25)	13	76	200
Net financials	(1,228)	(880)	(1,496)	(2,064)	(2,048)
Profit before income taxes	**4,131**	**3,944**	**2,586**	**2,770**	**447**
Income taxes	(538)	(1,131)	(782)	(809)	(438)
Profit for the year from continuing operations	**3,593**	**2,813**	**1,804**	**1,961**	**9**
Profit for the year from discontinued operations[1]	-	(5)	1,203	422	548
Profit for the year	**3,593**	**2,808**	**3,007**	**2,383**	**557**
Attributable to:					
Owners of the Parent Company	3,593	2,808	3,007	2,424	708
Minority interests	-	-	-	(41)	(151)
Profit for the year, excluding special items					
Operating profit (EBIT)	**5,349**	**5,713**	**5,416**	**5,877**	**5,507**
Profit from joint ventures and associates	3	(25)	3	(1)	222
Net financials	(1,228)	(880)	(1,496)	(2,064)	(2,048)
Profit before income taxes	**4,124**	**4,808**	**3,923**	**3,812**	**3,681**
Income taxes	(867)	(1,310)	(1,035)	(1,085)	(722)
Profit for the year from continuing operations	**3,257**	**3,498**	**2,888**	**2,727**	**2,959**
Profit for the year from discontinued operations[1]	-	-	413	575	352
Profit for the year	**3,257**	**3,498**	**3,301**	**3,302**	**3,311**

TDC Group

		2012	2011	2010	2009	2008
Balance Sheets	DKKbn					
Total assets		63.5	65.2	64.8	86.4	100.0
Net interest-bearing debt		(21.9)	(21.0)	(22.6)	(33.5)	(34.9)
Total equity		21.5	22.2	20.9	27.1	31.7
Average number of shares outstanding (million)		802.3	816.7	981.8	990.5	990.5
Statements of Cash Flow	DKKm					
Continuing operations:						
Operating activities		6,886	7,177	7,238	7,440	5,743
Investing activities		(2,954)	(3,637)	(3,889)	(4,811)	2,096
Financing activities		(4,448)	(2,815)	(20,091)	(10,261)	(9,506)
Total cash flow from continuing operations		**(516)**	**725**	**(16,742)**	**(7,632)**	**(1,667)**
Total cash flow in discontinued operations[1]		-	(67)	16,810	1,677	88
Total cash flow		**(516)**	**658**	**68**	**(5,955)**	**(1,579)**
Equity free cash flow		4,449	4,594	4,515	4,426	2,424
Capital expenditure		(3,492)	(3,421)	(3,534)	(3,891)	(3,975)
Key financial ratios						
Earnings Per Share (EPS)	DKK	4.48	3.44	3.06	2.45	0.71
EPS from continuing operations, excl. special items	DKK	4.06	4.28	2.94	2.75	2.99
Adjusted EPS	DKK	5.30	5.68	4.24	3.74	3.90
Dividend payments per share	DKK	4.47	2.18	-	7.85	0.72
Gross profit margin	%	70.9	72.9	74.2	75.3	73.1
EBITDA bpi margin	%	39.6	39.9	39.5	39.3	35.9
Capex-to-revenue ratio	%	13.4	13.0	13.5	14.9	14.8
Net interest-bearing debt/EBITDA bpi	x	2.1	2.0	2.2	3.3	3.1
RGUs (end-of-year)	('000)					
Landline		1,541	1,687	1,840	1,995	2,160
Mobile		3,963	3,921	3,627	3,611	3,156
Internet		1,769	1,777	1,807	1,814	1,765
Other networks and data connections		59	61	64	64	63
TV		2,222	2,158	2,109	2,009	1,876
Total RGUs		**9,554**	**9,604**	**9,447**	**9,493**	**9,020**
Domestic dual-play bundles		395	366	304	213	-
Domestic triple-play bundles		193	145	116	86	-
Employees[2]						
Number of FTEs (end-of-year)		9,143	9,816	10,423	11,277	11,772
Average number of FTEs		9,340	10,106	10,860	11,519	13,020

[1] The operations of the following enterprises are presented as discontinued operations: Sunrise (divested in 2010) and Invitel (divested in 2009). Other divestments are included in the respective accounting items during the ownership.
[2] From Q1 2012, Danish civil servants seconded to external parties are excluded in the calculation of FTEs. 156 seconded civil servants were included in FTE figures EOP 2011.

Did you know that...

...in 2012, TDC's foreign and domestic investors received dividends of DKK

3.6bn

to the benefit of e.g. pension funds

...TDC paid DKK

1.8bn

in corporate taxes in 2012

...TDC paid DKK

5.2bn

in VAT and taxes on behalf of the employees to the state in 2012

... TDC had

9,143

full-time employees and paid DKK **4.5bn** in wages and pensions in 2012

...in 2012, TDC invested DKK

2.7bn

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

... in 2012, TDC invested DKK

1.0bn

in innovation and development projects

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