TDC

2010

Annual Report

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Letter from the CEO

Solid performance in 2010

2010 was another year of very solid financial performance by TDC. In a challenging market, TDC delivered revenue growth of 0.3% and EBITDA growth of 2.2%, thereby living up to the guidance provided for the year. Equity Free Cash Flow generation was very strong and reached DKK 4.5bn. Adjusted for the impact of timing of tax payments in 2009, this corresponds to 34.4% Equity Free Cash Flow growth, which bears witness to a strong underlying development in our operational efficiency.

High historical investment levels and comprehensive ongoing investment plans

As in previous years, TDC maintained a high level of investment in our infrastructure, with capex totalling DKK 3,534m (13.5% capex-to-revenue). During the year we further strengthened our fibre (FttX), cable, and mobile turbo 3G networks, which remain our investment priorities alongside the ongoing upgrade of our IT platforms. In addition, in 2010, TDC instigated the roll-out of LTE/4G initially covering the six largest cities in Denmark. This follows the successful acquisition of an LTE licence and 2x20 MHz spectrum in the 2.5 GHz range in the spring. We will launch our first 4G products and services later this year.

These recent infrastructure investments form part of TDC’s plans to invest DKK 25bn in Danish infrastructure by 2020. This comprehensive medium-term investment programme will allow us to continue to offer our Danish customers market-leading innovation and advanced, high-quality products. It will also go a long way towards supporting the ambition stated by the Danish government that all Danish households should have access to 100 Mbps broadband speeds by 2020. TDC is ready to fulfil its role as the backbone of a Danish communications society that is among the most advanced and digitalised globally.

Sustaining leading market positions

In the domestic market, price competition has continued to intensify during 2010. In this environment, TDC's strong portfolio of brands has proven its strength as we have managed to sustain our leading market positions. In mobility services, TDC grew its retail revenue-generating-unit (RGU) base by 2.7% in 2010. In the landline market, we successfully defended our base of 1.3 million retail broadband RGUs and reduced total line loss by 19% through a range of initiatives that successfully reduced PSTN churn and improved our ability to transfer PSTN churners to IP products. At the same time, we continue to see the number of RGUs per active line rising as we promote our successful multi-play IP products, HomeDuo and HomeTrio and strengthen our cross-selling efforts. At the beginning of 2009 we had 1.36 RGUs per line and by the end of 2010 this figure had risen to 1.43 RGUs per line.

Growth markets

TDC continues to fuel growth in digital TV and mobile data through investments in infrastructure, innovation, and marketing. In 2010, our combined TV business (YouSee cable TV and TDC IP-TV) grew its revenue organically by 17%. In particular, we saw a significant uptake in digital TV functionalities and on-demand services; for the full year, the number of movie rentals through our video-on-demand services had soared by 217%. In mobile data, revenue increased on the back of continued growth in mobile broadband (dongles) and smartphone data usage; in the last quarter of 2010, close to 70% of handsets sold by our Consumer division were smartphones.

In TDC Nordic, we saw strong like-for-like revenue and EBITDA growth of 6.5% and 7.4%, respectively, driven by our IP-VPN, mobile, and system integrator businesses as well as continued operational improvements. In Sweden and Finland as well as in TDC Hosting, we made significant progress towards further expanding our presence as a supplier to public-sector customers throughout the Nordic region.

Customer focus and organisational strength

Our efforts to fundamentally strengthen TDC's and YouSee's customer service continue under the TAK improvement programme. Good progress has been made in many areas, with Fullrate and Telmore continuing to enjoy the highest customer satisfaction scores in the Danish telecoms market. However considerable work remains to be done and we will continue to focus on our processes, technology platforms and products to make sure we offer our customers the experience that they should rightfully expect from us.

2010 has been a demanding year for the TDC organisation – it was a year when we delivered very solid results in a challenging market environment while achieving extensive operational improvements and financial milestones, such as our solid investment grade credit rating. TDC's employees deserve significant credit for all these achievements. It should be noted that during 2010, we have seen employee satisfaction reach the highest level recorded since the current employee survey was launched back in 2005 – and we will continue to strive to improve in this respect every year.

Reaching strategic milestones

Last but not least, in 2010 TDC successfully reached two significant strategic milestones. In October, TDC announced the divestment of its Swiss subsidiary, Sunrise, thereby completing the journey towards becoming a focused Nordic communications company. On 13 December, TDC's majority shareholder, NTC sold 210 million shares in the company in one of the largest equity transactions in Europe during 2010. This reduced NTC's stake in TDC to 59.1% and allowed several hundred institutional investors across the globe as well as thousands of domestic retail investors to invest in the Company.

For TDC, 2011 will be another year with a relentless, disciplined focus on operational improvements, continued investments in the innovation, infrastructure, brands, and the people that comprise TDC's strong foundation and, not least, achieving the results in compliance with our commitment to our shareholders.

Henrik Poulsen
CEO & President
TDC A/S

Highlights of the year

Financial highlights

Stable topline, strong earnings and excellent cash flow performance despite a challenging market

In 2010, revenue in the TDC Group increased by DKK 88m or 0.3% to DKK 26,167m compared with 2009.

The TDC Group's revenue increase in 2010 resulted primarily from growth in domestic TV and mobility services and growth in TDC Nordic. The increased TV revenue was driven by a significant increase in demand for YouSee cableTV, add-on services and the success of the TDC triple-play product, HomeTrio. The growth in mobility services related to both increased mobile voice and data traffic and more mobile broadband customers. Furthermore, revenue was positively affected by foreign exchange-rate developments and the net impact from acquisitions and divestments. This was partly offset by lower domestic landline telephony in both the residential and business segments and lower domestic internet and network revenue related to the recent economic downturn and the introduction of the Danish multimedia tax. The impact from regulation of mobile termination rates (MTR), landline interconnection and international roaming charges also affected revenue negatively.

In 2010, gross profit in the TDC Group declined by DKK 215m or 1.1% to DKK 19,420m compared with 2009. The decline, which was caused primarily by decreased gross profit in landline telephony, and internet and network, terminal equipment and regulation of international roaming and landline interconnection, was only partly offset by an increase in domestic mobility services and TV as well as growth in TDC Nordic.

Despite the challenging market, EBITDA in the TDC Group increased to DKK 10,772m, up by DKK 236m or 2.2% compared with 2009, leading to an improved EBITDA margin of 41.2% in 2010, up by 0.8 percentage points. The growth in EBITDA resulted primarily from lower wages, salaries and pension costs and lower employee-related costs due to fewer FTEs, as well as acquisitions, exchange-rate developments and a positive development in pension income related to domestic defined benefit plans.

Profit for the year from continuing operations, excluding Special items, increased to DKK 2,888m, up by 161m or 5.9% compared with 2009. This was a result of higher EBITDA, currency adjustments and fair value adjustments that were only partly offset by increased depreciation and amortisation.

In 2010, profit for the year including special items increased to DKK 3,007m, up by DKK 624m or 26.2% compared with 2009, reflecting the positive effects of improved EBITDA and currency adjustments and fair value adjustments. This was partly offset by increased amortisation of the value of customer relationships from acquisitions and higher restructuring costs under Special items.

Cash flow from operating activities in continuing operations decreased by 2.7% to DKK 7,238m resulting primarily from higher income tax payments compared with 2009, which was only in part offset by a very positive development in net working capital. Operating free cash flow increased by 15.0% to DKK 7,437m and cash conversion improved by 7.6 percentage points to 69.0% in 2010, both due mainly to lower investments in property, plant and equipment and the positive development in net working capital.

Equity free cash flow increased by DKK 89m or 2.0% to DKK 4,515m also reflecting the positive change in net working capital, and despite a DKK 1.1bn higher income tax payment in 2010.

Net interest-bearing debt totalled DKK 22.6bn at year-end 2010, down DKK 10.9bn compared with year-end 2009. The significant debt reduction was possible by using the positive net cash flow from operating and investing activities as well as the proceeds from the divestment of Sunrise that remain after the DKK 9.0bn share buy-back in December 2010.

In January 2011, TDC achieved an investment grade credit rating.

Major corporate events

General meetings and Board changes

TDC's Annual General Meeting 2010 was held on 4 March 2010. Vagn Sørensen, Pierre Danon, Kurt Björklund, Lawrence Guffey, Oliver Haarmann, Gustavo Schwed and Andrew Sillitoe were re-elected as board members. Furthermore, two new independent board members, Søren Thorup Sørensen and Lars Rasmussen, were elected.

Pursuant to proposals from the Board of Directors, the Company's Articles of Association were amended. The amendments included changing the number of board members from “three to eight” to “three to ten” , the number of alternatives for board members from “three to eight” to “three to ten” and the number of members of the Executive Committee from “two to seven” to “two to eight”. Furthermore, it was decided that the share nominal value as of 10 May 2010 is changed from DKK 5 to DKK 1.

On 25 June 2010, TDC announced that Henrik Kraft, the board alternate of Oliver Haarmann since March 2008, became an ordinary member of the Board of Directors, replacing Oliver Haarmann. Oliver Haarmann wished to resign from his position as a member of the Board of Directors.

An Extraordinary General Meeting was held on 22 November 2010.

The proposed resolutions passed included that:

- The Board of Directors was authorised to acquire treasury shares up to a total amount of DKK 9bn.

- The authorisation in the Company’s Articles of Association to issue warrants was amended with respect to certain matters of a technical nature.

- The Articles of Association were amended with regard to the denomination of the shares as a consequence of the Company's shares with effect from 10 May 2010 having changed denomination from a nominal value of DKK 5 to a nominal value of DKK 1.

- The Articles of Association were amended in accordance with the new Danish Companies Act.

- Jakob Kjellberg was elected as new alternate for board member Henrik Kraft.

Arbitration proceedings against Telekomunikacja Polska S.A.

On 3 September 2010, TDC announced that the Arbitration Tribunal in Vienna, Austria had issued a ruling in the arbitration case against Telekomunikacja Polska S.A. (TPSA), of which TDC is part through its 25% ownership in Danish Polish Telecommunications Group I/S (DPTG). The dispute concerned the determination of traffic volumes carried via the NSL fibre optical telecommunications system in Poland.

The ruling awarded DPTG DKK 2.9bn for the period from February 1994 through June 2004, of which TDC A/S will receive DKK 0.7bn. The amount corresponds to DKK 0.5bn after tax.

TPSA has not yet paid the amount awarded and DPTG therefore applied to the District Court in Warsaw for a declaration of acknowledgement of the arbitration award on 15 November 2010. Furthermore, DPTG has started enforcement in other countries. On 2 December 2010, TPSA filed an action in Austria to set aside the Partial Award. On 31 December 2010, DPTG filed its reply to TPSA’s action to set aside the Partial Award.

In addition to the claim for unaccounted traffic volumes from February 1994 through June 2004, DPTG has on 14 January 2011 filed a claim against TPSA for unaccounted traffic volumes in the period from July 2004 to January 2009. The claim including interest amounts to DKK 2.4bn, of which TDC's share amounts to DKK 0.6bn. TDC expects that it could take several years before the dispute over the unaccounted traffic revenue in the period from July 2004 to January 2009 is settled.

TDC has not yet recognised the potential income as of 31 December 2010, as the realisation of the income is currently not considered virtually certain.

Sunrise

On 9 April 2010, TDC and France Telecom announced that, following the completion of a confirmatory due diligence, they had signed a final agreement to combine their respective subsidiaries in Switzerland, Sunrise Communications S.A. and Orange Communication S.A.

However, on 22 April 2010, TDC announced that, as a consequence of the Swiss Competition Commission’s rejection of the transaction, TDC and France Telecom would assess their available options regarding potential next steps.

On 3 June 2010, TDC issued a press release stating that France Telecom and TDC had concluded a detailed analysis of their available options. As a consequence of the prohibition of the business merger, the companies had decided to terminate their agreement and withdraw the appeal submitted to the authorities.

On 17 September 2010, TDC announced that it had entered into a share purchase agreement to divest its wholly-owned Swiss subsidiary Sunrise Communications AG to funds advised by the private equity firm CVC Capital Partners for a total consideration of CHF 3.3bn on a cash- and debt-free basis.

On 28 October 2010, TDC announced that the divestment had been completed. TDC also announced that the consideration could be applied for purposes such as repaying debt and buying back shares in the Company. A buy-back programme would require a mandate from the shareholders at an ekstraordinary general meeting, which was held on 22 November 2010.

The divestment resulted in a gain of DKK 786m after tax, which was recognised under Special items related to discontinued operations in Q4 2010.

Credit rating

On 14 June 2010, TDC announced that Standard & Poor's had upgraded TDC's corporate credit rating to BB with a positive outlook from BB- with a positive outlook. Furthermore, the credit rating of TDC’s senior secured facility was upgraded to BBB- from BB+ and TDC's Euro Medium Term Notes were upgraded to BB from BB-.

On 14 December 2010, TDC announced that Fitch Ratings had upgraded TDC's Long-Term Issuer Default Rating (IDR) to BBB from BB and its Short-Term IDR to F3 from B, with a stable outlook. The credit rating of TDC's senior secured debt facilities was upgraded to BBB+ from BB+. At the same time, the credit rating of TDC's EMTN notes was upgraded to BBB from BB.

On 16 December 2010, TDC announced that Standard & Poor's had upgraded TDC's long-term corporate credit ratings to BBB from BB and its short-term rating to A-2 from B, with a stable outlook. The credit rating of TDC's senior secured debt facilities was upgraded to BBB from BBB-. At the same time, the credit rating of TDC's EMTN notes was upgraded to BBB- from BB.

On 20 January 2011, TDC announced that Moody’s had upgraded TDC's long-term issuer rating to Baa2 from a corporate family rating of Ba1 and its short-term rating to Prime-2 from Not Prime. The Outlook is stable. The credit rating of TDC's senior secured debt facilities was upgraded to Baa2 from Ba1. At the same time, the credit rating of TDC's EMTN notes was upgraded to Baa2 from Ba3.

The upgrades to investment grade followed the completion of the Sunrise divestment and the subsequent repayment of debt and the adoption of a new financial policy of a net debt to EBITDA at or below 2.1x announced in connection with the recently completed reduction of the stake of private equity firm NTC in TDC.

Debt repayment

On 3 November 2010, TDC announced that it would prepay approx. DKK 8.2bn of the outstanding debt under the Senior Facilities Agreement on 12 November 2010. The prepayment of debt was to be made with proceeds from the divestment of Sunrise Communications AG.

After the payment, the remaining debt under the Senior Facilities Agreement amounts to approx. DKK 17.8bn.

TDC's majority shareholder

On 12 October 2010, TDC announced that it had been informed by its majority shareholder, NTC S.A. (formerly Angel Lux Common S.A.), that a consortium of international and Nordic banks had been appointed to advise the majority shareholder on its continued strategic review of its ownership in TDC.

On 12 November 2010, TDC announced the intention of its majority shareholder to undertake a marketed offering of secondary shares to Danish investors and international institutional investors. The shares would be offered by NTC S.A. and NTC Holding G.P. & Cie S.C.A. (together, the ‘Selling Shareholders’ or ‘NTC’).

In addition, TDC issued a document with further information about TDC. The document was intended to give shareholders and other investors detailed information about TDC. The document stated that the Board of Directors intended to announce a pro rata share buy-back offer for an aggregate amount of up to DKK 9bn. The tender offer price in the share buy-back corresponded to the offer price in the possible marketed offering announced the same day by TDC's majority shareholder, NTC. The terms and conditions of any such share buy-back were to be determined by the Board of Directors at a later stage.

On 25 November 2010, TDC announced NTC's decision to undertake a marketed offering of 210 million existing shares (before the exercise, if any, of an overallotment option of up to an additional 31.5 million existing shares) in TDC A/S of nominally DKK 1 each to Danish investors and international institutional investors.

On 6 December 2010, TDC announced that it had been informed by NTC that the offering of TDC shares by NTC to retail investors in Denmark for individual orders up to and including DKK 3 million each would close at 4 pm CET on Monday 6 December 2010.

On 9 December 2010, TDC announced that the offer period had closed. The final offer price and other offering statistics were as follows:

- Offer Price per Offer Share DKK 51.00
- Total number of Offer Shares offered in the Offering (assuming the Overallotment Option would not be exercised) 210,000,000
- Total number of Overallotment Shares 31,500,000
- Market capitalisation of TDC at the Offer Price of DKK 41,513m
- Approximate gross proceeds receivable by TDC DKK 0
- Approximate gross proceeds receivable by the Selling Shareholders (assuming the Overallotment Option was not exercised) DKK 10,710m
- Approximate gross proceeds receivable by the Selling Shareholders (assuming the Overallotment Option was exercised in full) DKK 12,317m
- Percentage of outstanding share capital collectively owned by the Selling Shareholders following the Offering and the Share Buy-back (assuming the Overallotment Option was not exercised) 59.1%
- Percentage of outstanding share capital collectively owned by the Selling Shareholders following the Offering and the Share Buy-back (assuming the Overallotment Option was exercised in full) 55.4%

NTC currently owns 59.1% of TDC.

On 13 December 2010, TDC announced that NTC had completed their Offering of Offer Shares of TDC as described in the offering memorandum published on 25 November 2010. Payment and settlement had taken place on 13 December 2010.

On 14 January 2011, TDC announced that the stabilization period following NTC's offering of shares in TDC had expired. Morgan Stanley & Co. International plc., who had acted as stabilizing agent on behalf of the managers in connection with the offering and had carried out a number of stabilization transactions in the period starting 9 December 2010 and ending 7 Januar 2011, also informed TDC that it would not exercise its over-allotment option and 31,500,000 shares in TDC previously delivered to Morgan Stanley & Co. International plc pursuant to a stock lending agreement would therefore be returned to NTC.

Dividend Policy

The board of directors does not expect to recommend a dividend for the year ended 31 December 2010 following the share buy-back in December 2010

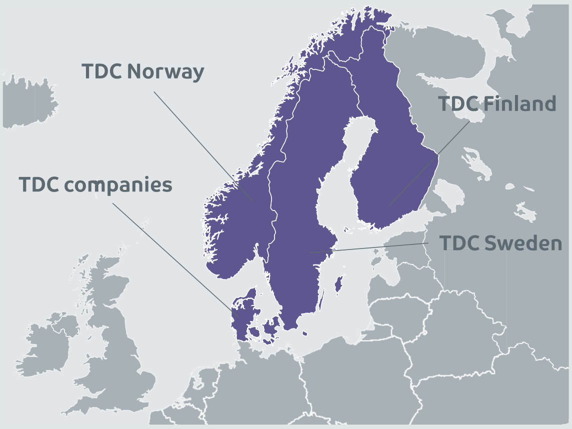
For the financial year 2011, the board of directors expects to recommend a dividend of DKK 4.35 per outstanding share, of which DKK 2.18 is expected to be distributed in August 2011 and the remainder in the first quarter of 2012.

The board of directors has adopted a dividend payout policy for subsequent years of 80% to 85% of Equity Free Cash Flow in a given 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 the year after. Dividends may be distributed in the form of ordinary or extraordinary dividends or share buy-back or a combination of those.

TDC at a glance

Profile

TDC is the leading provider of communications and entertainment solutions in Denmark with a market-leading position in each of its major segments, landline telephony, landline broadband, mobile telephony, mobile broadband and pay-TV as well as in the developing multi-play segment. TDC has successfully defended or even grown its leading market positions over the years, and has higher shares of both the pay-TV and broadband markets than its core and Nordic peers. 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 (GSM, UMTS and LTE). TDC is one of only two European incumbent operators to fully own a cable-TV network in its domestic market.



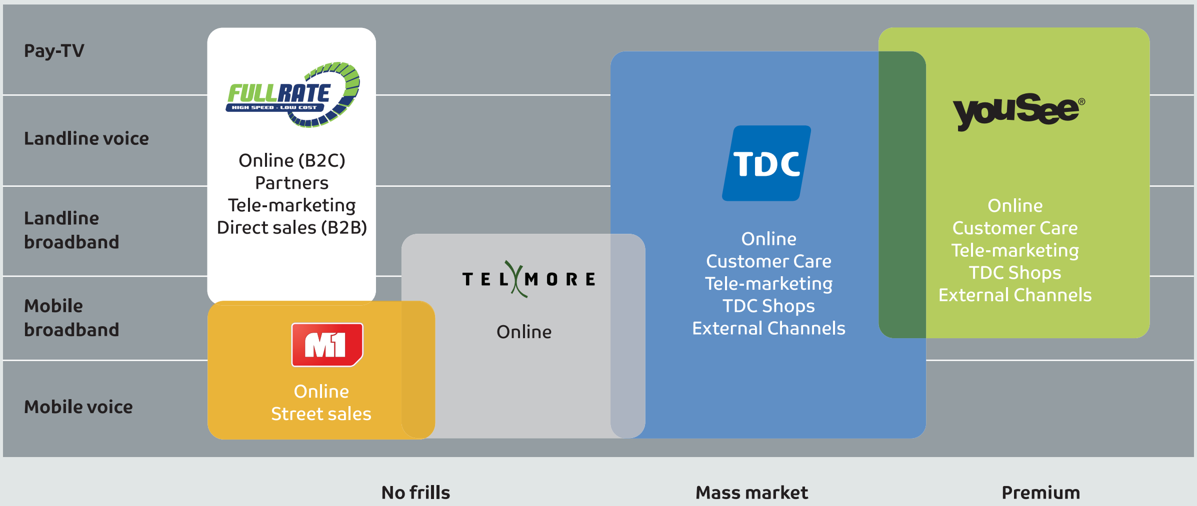
TDC

Revenue 2010:	DKK 26,167m
EBITDA 2010:	DKK 10,772m
% margin:	41.2%

	TDC Consumer	TDC Business	TDC Nordic	TDC Operations & Wholesale	YouSee	TDC HQ
Main subsidiaries	TELMORE, M1, FULLRATE	NETDESIGN	TDC Sweden, TDC Norway, TDC Finland, TDC Hosting	UNOTEL	Dansk Kabel TV	
Key products	Landline voice, landline broadband, mobile voice, mobile broadband and IPTV for Danish consumers and SoHos	Landline voice, landline broadband/data, mobile voice, mobile broadband, IPTV and systems integration for Danish public and business accounts	Landline voice, landline broadband/data, mobile voice, mobile broadband/data, systems integration and hosting for public and business accounts in Nordic countries	Network and back-office operations for TDC divisions and wholesale services to other operations	Digital and analogue Cable TV, landline broadband, mobile broadband and landline telephony for Danish consumers	HR, Communications, Strategy, Market Intelligence, Finance, Legal & Regulatory Other and Eliminations
Key financials						
Revenue 2010 (DKK m)	9,389	7,546	4,087	2,550	4,012	(1,417)
EBITDA 2010 (DKK m)	4,041	3,644	564	1,114	1,353	56
EBITDA margin (%)	43.0%	48.3%	13.8%	NM	33.7%	NM

Domestic Activities   Pan-Nordic Activities

Five strong differentiated brands covering key customer segments in the Danish retail market with targeted distribution channels



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

Organisation and brands

TDC has a customer-centric structure with five business divisions and a shared headquarters function to emphasise its focus on customer types and needs.

Through a multi-brand strategy based on differentiated brands such as TDC, Fullrate, Telmore, M1 and YouSee, TDC products span all key telecommunications product segments in Denmark, with price 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, account managers, call centres and websites.

Infrastructure

Denmark has the highest broadband penetration in the world with 74% of all households and businesses subscribing to broadband through xDSL, coax, fibre or other access technology. As the incumbent telecommunications operator in Denmark, TDC has a proud legacy of building and operating the communications infrastructure in Denmark and thereby contributing to Denmark's leading position.

TDC owns, operates and continues to consistently invest in high-quality, modern and widespread infrastructure across all key access technologies at a level surpassing its peers. TDC's landline network, including cable and fibre, enables almost all Danish households to receive broadband with download speeds of above 512 kbps as well as landline telephony. While the vast majority of households can receive broadband at download speeds of up to 20 Mbps and triple-play services (bundled telephony, internet and TV services through one access channel), speeds of up to 50 and even 100 Mbps are also widely available.

Landline network, household coverage (EoY 2010)

	Triple-play std. def.	Broadband 20 Mbps	Broadband 50 Mbps	Broadband 100 Mbps[1]
xDSL	83%	75%	25%	-
Fibre[2]	4%	4%	4%	4%
Coax	53%	53%	39%	39%
Total	90%	87%[3]	55%	41%

1 Platform speed, commercial products not launched yet.
2 Including acquisition of DONG Energy's Fibre network.
3 Flex speeds – not guaranteed speeds. Information based on number of dwellings in Denmark where a dwelling is defined as a residential building space which is registered in the Central Register of Buildings and Dwellings (BBR), irrespective of whether it is occupied by a household. Holiday homes are not included.

Currently, TDC's mobile network covers almost the entire population with GSM and EDGE, 94% of the population with 3G, and continuous HSDPA roll-out enabling download speeds of up to 42 Mbps is in progress. Moreover, TDC is using its recently acquired 2.5GHz licence to roll out 4G (LTE). By year-end 2010, 4G coverage was present in the six largest cities in Denmark with the commercial launch of products and services to follow in the first half of 2011.

Mobile network, population coverage (EoY 2010)[1]

GSM	EDGE	3G	HSDPA		LTE/4G
			14.4 Mbps	42 Mbps	
99%	99%	94%[2]	35%	15%	8%

1 Based on nominal speed installed and on estimated roll-out of TDC's mobile network.
2 Based on UMTS licence requirements.

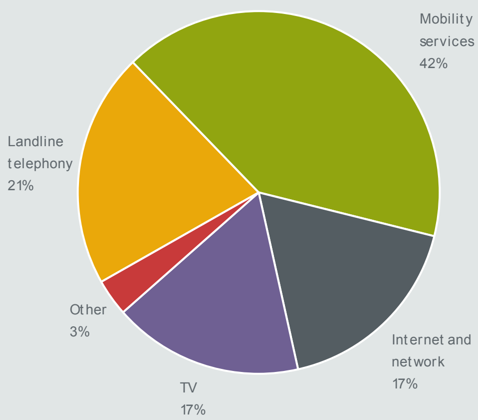
Customers

The TDC Group served 8.9m customer relationships at year-end 2010, of which 0.2m belonged to pan-Nordic activities. One customer can subscribe to several different products, e.g. through triple-play services, thereby representing several revenue generating units (RGUs).

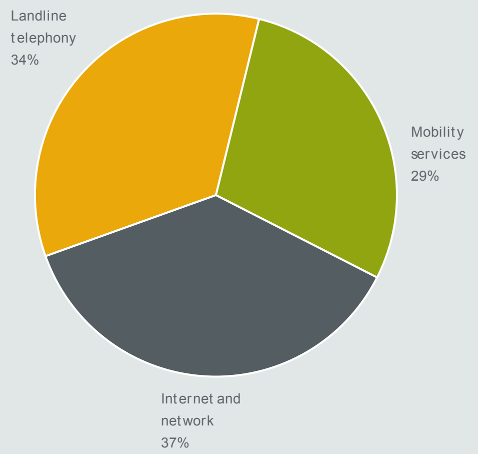
Employees

The TDC Group had 10,423 full-time employee equivalents (FTEs) at year-end 2010, with the domestic operations accounting for 9,200. In past years, TDC has significantly reduced FTE costs while enhancing employee efficiency. These reductions are possible and necessary due to copper line loss, lower fault rates – where time usage has declined by an annual compounded growth rate of 12% since 2007, fewer calls to customer centres, consolidation of locations and an increase in the general productivity.

Customer relationships, domestic



Customer relationships, Nordic



Revenue

Revenue totalled DKK 26.2bn for the TDC Group in 2010. The largest shares of revenue came from mobility services and internet and network, with landline telephony and TV as the third- and fourth-largest contributors, respectively. Across these segments, activities in the other Nordic countries generated revenue of DKK 2,086m (TDC Sweden), DKK 1,044m (TDC Norway) and DKK 727m (TDC Finland).

Market shares

TDC has successfully consolidated its domestic market leadership in the most important segments of landline broadband and mobile telephony as well as in landline telephony and mobile broadband. Equally important, TDC has proved able to steadily increase or defend its market position in growth markets, most notably in the mobile broadband market, where in 2010, TDC became market leader by offering attractive products and best-in-class infrastructure. In the Pay-TV market, TDC has further improved its leadership with innovative digital TV products. In the novel multi-play segment, TDC leads the triple-play market.

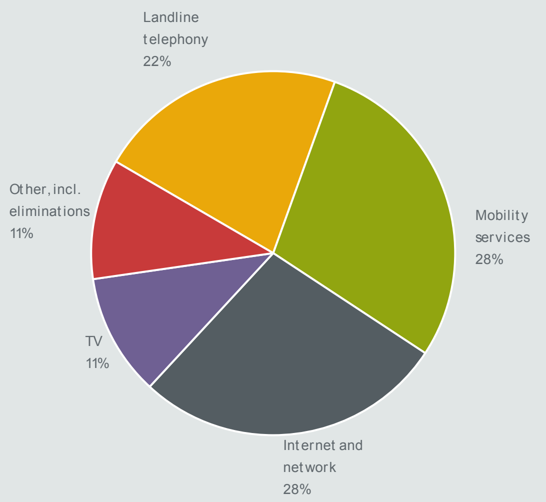
Popular, innovative products

TDC strives to innovate and anticipate customer needs, with a view to constantly expanding the Danish population's communications and entertainment options, both at mass market and niche/customised levels. TDC also increasingly utilises its current infrastructure to deliver value-added services. Recent examples of successful product launches include:

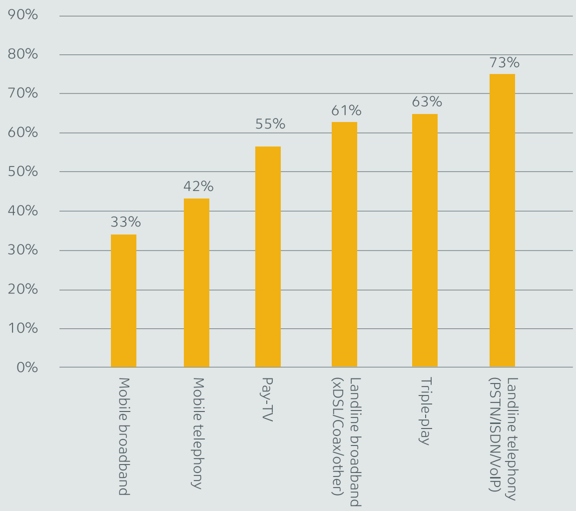
- **YouSee Plus** - adding value to digital TV with features such as pause, rewind, start-over and record functions (PVR), HDTV and TV archive with the previous 30 days of broadcasts available. The Cinema feature (video-on-demand) enables customers to rent movies (approximately 1,200 titles available and increasing) from home in cooperation with Hollywood's leading studios, covering more than 90% of revenue on the North American movie market. Movies are available via Cinema when DVDs are released or, in some instances, even in parallel with cinema releases. Releases in parallel with cinemas will be pursued increasingly in the future.

- **HomeTrio** - bundled broadband, VoIP/PSTN and digital TV. As YouSee Plus, the product offers pause, rewind, start-over and record functions, movie rental and optional extra and HDTV channels. A business version with

Revenue, TDC Group



Market shares, domestic



professional security, service and features is also available.

- **TDC Play** - a ground-breaking and award-winning service giving mobile and broadband customers access to more than 10 million music tracks at no additional charge. Currently, more than 10 million tracks are downloaded or streamed per month, amounting to more than 250 million tracks downloaded or streamed since TDC Play was introduced.

- **'TDC to TDC'** - an add-on product enabling residential mobile customers to call the 1.9 million other TDC-brand mobile customers at a flat-rate fee. The product, designed to increase retention, is immensely popular.

- **TDC HomeDisk** - a backup solution that mirrors users' local content to TDC's servers and allows remote access.

- **TDC Scale** - a professional and flexible switchboard function for businesses that handles all calls and allocates only one phone number for each employee.

- **TDC PrivatAlarm** - a surveillance and alarm service that improves security at home.

- **Web TV** - enabling customers to view TV and video-on-demand on their PCs.

Providing better customer experiences is a top priority

TDC's 'TAK' programme (take responsibility for the customer) includes all business divisions and is clearly focused to improve customer service. Since the start of its ongoing implementation, overall customer satisfaction has improved significantly to the best performance in four years and the number of complaints has been almost halved. Improvements are driven by reductions in fault rates, reductions in lead times in fault handling and delivery processes and an intensive focus on making 'first time right' for all touch points. However, customer satisfaction requires further improvement and TDC is dedicated to keeping customer satisfaction at the top of its corporate agenda in the years to come.

Profitability

Through disciplined implementation and attention to efficiency, despite the difficult economic environment, TDC has demonstrated increasing profitability in recent years. The 2010 Group EBITDA margin of 41.2% outperformed many of TDC's European peers.

Ambition and strategy

TDC aspires to become the best performing incumbent telecom player in Europe by 2012 measured on customer satisfaction, value creation, and employee pride, while remaining the backbone of a world-class Danish communications infrastructure.

This ambition will be achieved through a strategy anchored in:

- Market leadership across all segments of the domestic market
- Unmatched technology and brand platforms in the domestic market
- Strong challenger positions in the Nordic markets
- Sustained focus on the provision of telephony, internet, TV, data communications, and integration and hosting solutions as well as related contents and services

The ambition will be achieved within the context of several important opportunities and challenges.

Key opportunities:

- Growing demand for mobile broadband and smartphones is driving mobile data growth
- Strong position to benefit from continued up-selling and increasing on-demand services within Pay-TV
- Increasing move towards multi-play solutions in the consumer market
- Opportunity to benefit from the growing no-frills mobile and broadband markets through TDC's leading no-frills consumer brands
- Opportunities for improved cross-selling and customer loyalty for all customer relationships

- Increasing move from standard offerings to integrated, value-added solutions in the business market
- Opportunity to leverage TDC's strong challenger positions to grow presence in the Nordic business markets

Key challenges:

- Migration from traditional landline voice (PSTN) to VoIP and mobile
- Maturing broadband and mobile voice markets
- Increased competition and price pressure in the mobile market
- Over-the-top players challenging the traditional mobile and TV value chains
- Increased competition in the business market
- Continued price and access regulation

Strategic priorities

To achieve the ambition in 2012 and address the opportunities and challenges mentioned above, TDC has defined ten corporate strategic priorities. The first five strategic priorities are to underpin TDC's ongoing corporate transformation while the remaining five strategic priorities will further reinforce TDC's innovation and marketing efforts.

Transformation priorities

1. Customer satisfaction

TDC will continue to improve customer satisfaction through the Group-wide 'TAK' programme.

2. Revitalisation of behaviour and culture

TDC will revitalise the organisation from the bottom up through the implementation of TDC 2.0, a group-wide behavioural and cultural transformation project aimed at improving performance, productivity and employee satisfaction.

3. Flexible and efficient organisation

TDC will carry out a fundamental review of its operating model through TDC Pro, a project aimed at increasing efficiency, simplifying production, reducing lead times, strengthening cross-functional collaboration, and exploring outsourcing opportunities.

4. Better IT tools

TDC will enhance its information technology tools through a number of 'star projects' aimed at delivering improved and simplified information technology architecture.

5. Rigorous financial discipline

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

1875-1900

Telephony service is introduced in Denmark.

1897

The Danish state takes control of the sector and grants concessions to a range of companies.

1947

Three regional operators remain.

1990

A single incumbent operator is formed.

Innovation and marketing priorities

6. Landline retention
In the business market, TDC intends to reduce copper line loss by offering alternative landline network solutions such as Scale. In the residential market, TDC aims to reduce churn through flat-rate PSTN products, multi-play products, value-added services and Home Entertainment.

7. Mobility growth
In the residential market, TDC intends to strengthen its mobile broadband position by capitalising on mobile value-added services, the new 4G network, and M1 in the no-frills online market. In the business market, TDC will offer services such as mobile payment and alarm communication and will expand 4G and data coverage in cities and high-traffic areas.

8. 'TV Everywhere'
TDC will continue to innovate the YouSee TV offer and meet customer demand by increasing availability of 'a la carte' offerings and enhancing digital services, for example through improved agreements with major content providers.

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

10. Improved distribution channels
TDC will continuously improve distribution and its market and customer access through initiatives such as enhancing the functionality of our online platforms, strengthening partner channels, and opening up TDC Shops in new areas.

1994-1998

Sector liberalised by sell-off of state stock in national and international share issues.

1998-2004

Main shareholders include Ameritech (subsequently acquired by SBC in 1999).

2005-2006

Public tender offer results in new majority shareholder Nordic Telephone Company (NTC), 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.

2010

2010. NTC completes a marketed offering of existing shares, reducing its ownership percentage to 59.1.

TDC's transformation since 2006

In recent years, TDC and the telecommunications industry have undergone significant changes in terms of technology, competition, customer demand and regulation. TDC has met these changes by transforming into a geographically more focused, significantly more efficient, commercially astute operator with world-class networks, a highly diverse product portfolio, strong positive momentum and a clear strategic vision. While this transformation is still ongoing, we believe TDC is now well-equipped to seize opportunities in the coming years.

NTC's ownership of TDC

In January 2006, Nordic Telephone Company ApS (NTC), a company controlled by investment funds, acquired 87.9% of the shares in TDC. TDC's transformation then picked up speed with the launch of a range of initiatives consisting of:

- Reorganisation and management strengthening
- Geographically focused portfolio and Nordic strategy
- Operational excellence
- Commercial excellence
- World-class infrastructure
- Improved market position

In December 2010, NTC completed a marketed offering of existing shares to Danish retail and Danish and international institutional investors. With the offering completed, NTC realised a part of its investment in TDC by reducing its ownership to 59.1% and TDC broadened its shareholder base. NTC remains the majority shareholder in TDC after the offering. In connection with the offering, TDC also completed a share buy-back.

Reorganisation and management strengthening

TDC has taken a number of steps to change its business from a product/technology-centric to a customer-centric organisation, thereby optimising sales channels and enabling cross-selling and bundling. TDC's business now consists of five business divisions – Consumer, TDC Business, TDC Nordic, Operations & Wholesale and YouSee. In addition, TDC has significantly strengthened its senior management team and upgraded its focus on performance management and introduced incentive programmes to further improve performance.

A focused portfolio and Nordic strategy

While TDC's wholly or partly owned European telecommunications subsidiaries and international operations contributed approximately 50% of revenue and 29% of total EBITDA in 2005, they provided no or limited synergies in relation to the core Nordic business. Consequently, in 2006, TDC embarked on a strategy to concentrate on its core markets and become a clear and focused Nordic leader. As such, TDC initiated a process to divest its non-core assets. In parallel, TDC has strengthened its domestic position through in-market consolidation, and has acquired a series of complementary network operators and service providers in Denmark. This has provided TDC with a very strong platform from which to pursue its focused Nordic strategy. By 2010, TDC had completed this process with the divestment of Sunrise in Switzerland, further strengthening TDC's platform and ability to pursue its focused Nordic strategy.

As a result of business activities divested outside the Nordic countries from 2005 to 2010, TDC's revenue decreased to DKK 26.2bn in 2010 from DKK 47.4bn in 2006[1].

[1] Based on accounting policies applied at the time and before deconsolidations.

International divestments

- Sunrise, Switzerland (2010)
- Invitel, Hungary (2009)
- Polkomtel, Poland (2008)
- One, Austria (2007)
- Talkline, Germany (2007)
- Bité, Latvia & Lithuania (2007)

[1] In 2007, HTTC acquired Invitel and Memorex. In 2008, Invitel became the continuing entity.

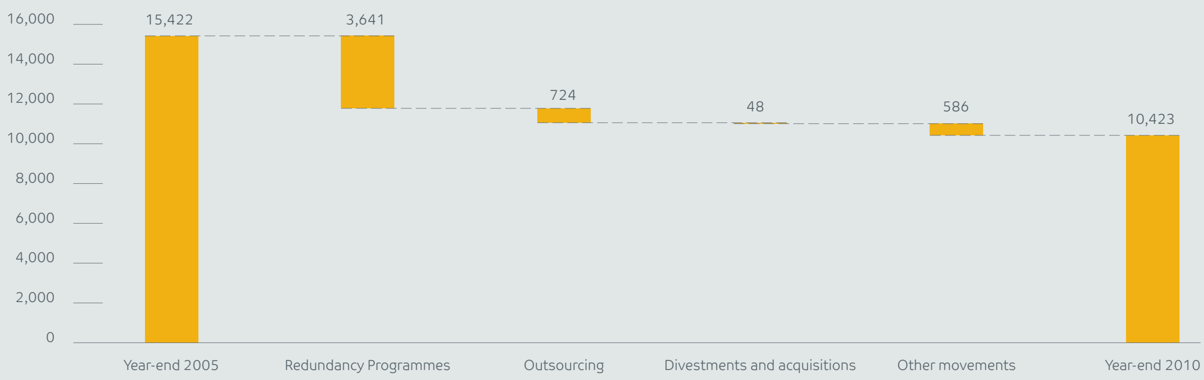
Domestic divestments of non-core assets and outsourcing

- Sale of Satellite Business (2009)
- Partial sale of Connect Partner, Denmark (2008)
- Outsourcing of terminal and CPE sales to business customers (2008)
- Sale of International Carrier Services (2008)
- Sale of TDC Produktion (2008)
- Sale of Business Phone (2008)
- Sale of Uppsala Stadsnät (2008)
- Outsourcing of mobile network operations to Ericsson (2008)
- Sale and leaseback of property (2007-2008)
- Outsourcing of IT services (2005-2007)

Domestic in-market consolidation

- Nakskov Fællesantenne (2010)
- Nordit (2010)
- AinaCom's fibre network (2010)
- Unotel (2010)
- M1 (2010)
- DONG Energy's fibre network (2009)
- A+ (2009)
- Fullrate (2009)
- Køge City Net (2008)
- Guldborgsund City Net (2008)

Number of employees, TDC Group — **Full-time employee equivalents (FTE)**

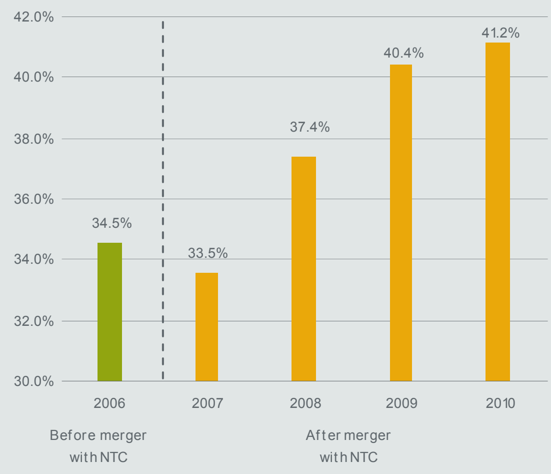


Operational excellence

As part of its strategy, TDC has implemented a detailed value-creation programme to improve operating efficiency and reduce costs. This includes removing duplicate headquarters and business division functions, consolidating call centres from 14 to 4 locations, outsourcing non-core processes such as IT as well as reducing facility costs through physical consolidation and disposal of buildings. These and other initiatives regarding staff, network, IT, marketing and customer service have lowered operating expenses from year-end 2005 to year-end 2010 by an annual compound growth rate of 3.5% and have, in combination with the strategic decision to refocus on core Nordic markets, significantly reduced the number of full-time employee equivalents. In the TDC Group, at year-end 2010, 4,999 fewer FTEs were employed compared with year-end 2005. Over the same period, employee satisfaction has increased from 67/100 to 77/100.

TDC has significantly improved its margins by enhancing high-margin areas while eliminating or de-emphasising a number of low-margin areas, and has improved its return on invested capital. Within the last five years, to further optimise its business, TDC has outsourced its IT operations and the planning, roll-out and operation of its mobile network. Despite high capital expenses governed in a strict prioritisation process, TDC has also improved its equity free cash flow considerably over the past years through EBITDA growth and improvements of net working capital through changes in billing cycles, extended supplier payment terms and improved inventory handling.

EBITDA margin, TDC Group, 2006-2010



Commercial excellence

Over the past five years, TDC has sought to reclaim commercial leadership and momentum in both the business and residential segments of the domestic market, and has constantly remained at the forefront of technological developments. This includes a shift from a single-brand to multi-brand strategy to leverage the full potential of its consumer brands: TDC, YouSee, Telmore, Fullrate and M1. TDC has also revitalised its main brand.

Through its extensive, fast and reliable infrastructure, TDC has launched innovative and successful products such as the multi-play products HomeDuo and HomeTrio and the flat-rate mobile telephony product 'TDC til TDC' ('TDC to TDC')[2], which has increased retention and is the best-selling add-on service in TDC's history. Price structures for landline telephony products have been changed to increase transparency and simplicity. The basic subscription now charges DKK 1 for calls of unlimited duration to other landline customers and with 'TDC Fastnet Max', customers can call all mobile and landline customers in Denmark at an attractive flat-rate charge. Cable network provider YouSee has introduced YouSee Clear, which supplies high-quality digital TV to its customers at no additional charge, and YouSee Plus, which gives TV customers add-on digital services. TDC Play/YouSee Play, launched in 2008, is a ground-breaking, award-winning service that gives mobile and broadband customers unlimited access to 10 million music tracks at no additional charge. Web TV, enabling TV viewing and video-on-demand on PCs, has been marketed increasingly in 2010.

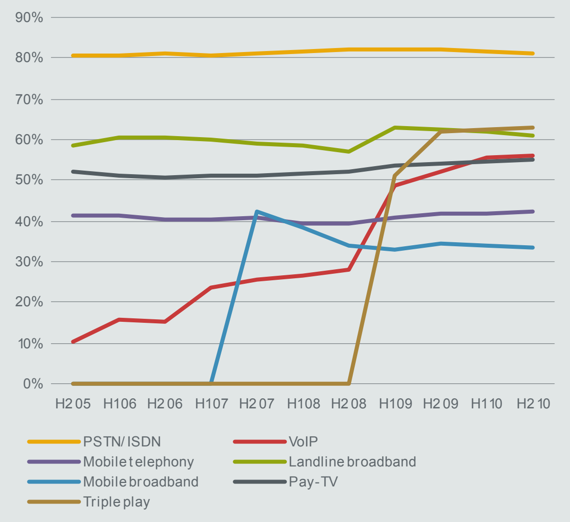
To improve its end-to-end customer experience, TDC has initiated 'TAK', a comprehensive customer-centric programme. Customer lifecycle management and churn-prevention practices have been upgraded, including special programmes to contain PSTN churn and revitalise key sales channels and the existing TDC Shops have been refurbished and accompanied by new shops, with more due to open in 2011.

World-class infrastructure

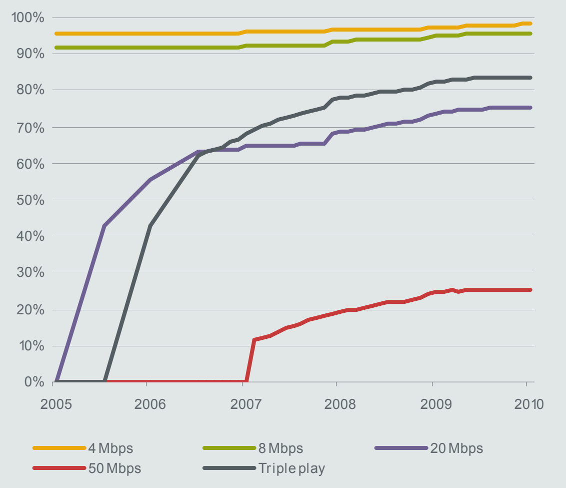
TDC's infrastructure and coverage are best in class, and within the past five years, capex has consistently been maintained at 14%-15% of revenue. TDC has also continued to expand its widespread infrastructure on all platforms – copper, coax, fibre, GSM and UMTS.

[2] 'TDC-til-TDC' allows TDC's residential customers to call all the 1.9 million other TDC-brand mobile customers for a flat-rate fee.

Market shares, domestic, 2006-2010



xDSL coverage of households, 2005-2010 (EoY)



Since 2006, TDC's copper network has been enhanced to increase coverage and expand bandwidths to deliver more advanced services such as VoIP, TV and multi-play. As a result, TDC's broadband population coverage is now the highest among European incumbents.

YouSee provided TV signals to 41% of Danish homes at the end of 2005. This penetration has increased over the past five years to 46% at year-end 2010. The coverage of the cable infrastructure has increased to 56% of Danish homes. In addition, DOCSIS 3.0 upgrade investments have improved capacity and enhanced services. By year-end 2010, 73% of homes passed by the cable network were able to receive speeds of 50 Mbps and even 100 Mbps. The cable network infrastructure is now fully upgraded and digitalised and almost all YouSee customers have transitioned to digital TV[3]. During 2010, the cable network has been strengthened considerably to accommodate increasing demand for on-demand services.

TDC operates the largest fibre network in Denmark due to heavy investment in previous years. By year-end 2010, the fibre network encompassed approximately 21,000 km of backbone fibre and 18,500 km of access fibre. This puts TDC in a very strong position to address the future high-speed broadband and data market.

Over the past five years, outdoor 2G (GSM) population coverage has been close to 100% while indoor coverage has been 86%. In order to increase coverage and expand its mobile broadband customer base, TDC has extended its mobile network roll-out in Denmark. By year-end 2010, 94% of the population had 3G (UMTS) access, allowing customers with laptops, 3G mobile phones or smartphones to surf the internet. While coverage is constantly being increased, capacity and available data speeds will be continuously upgraded to match customer expectations. Turbo 3G was launched in January 2008 and was based on HSDPA technology to provide customers with high-bandwidth broadband access via the mobile network. In May 2010, TDC acquired a 2.5GHz licence to be used for rolling out 4G (LTE), the next generation of mobile network technology. By year-end 2010, 4G was present in the six largest cities in Denmark with the commercial launch of products and services to follow in the first half of 2011.

[3] The only requirement is that customers must have a TV with a digital receiver.

Improved market position

In a rapidly changing telecommunications industry with major technological developments, TDC has maintained or improved its market-leading positions across its major product segments. 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.

Landline and mobile telephony

While the traditional landline telephony market has decreased over the past five years, this has been more than compensated for by customers migrating to VoIP and mobile telephony. However, as ARPU on mobile voice and VoIP are lower than ARPU on PSTN/ISDN, this has put pressure on revenue. TDC has managed to adapt to the changing markets, maintaining a solid approximately 81% market share of traditional landline telephony (PSTN/ISDN) from year-end 2005 to year-end 2010. With a market-leading 56% share of the VoIP market gained during the past five years, TDC's strong performance is supported by the positive impact of its multi-brand strategy featuring the TDC, Fullrate and YouSee brands. In the mobile voice market, TDC has succeeded in maintaining its leading market share at approximately 42%.

Landline broadband

The broadband market has grown significantly over the last five years but is now nearing saturation. However, TDC has increased its share of the total broadband market from 58% at year-end 2005 to 61% at year-end 2010. These market shares, which are the result of heavy infrastructure investments in xDSL, cable and fibre, allow TDC to fully benefit from further broadband market growth, both landline and mobile.

Bundled services

In 2005, multi-play was in its early stages. Today, the fast landline broadband speeds, combined with the intensifying competition in the telecommunications industry, are prompting an increasing number of providers to attract and retain customers by offering bundled services or dual-

/triple-play on TV, broadband and IP or mobile telephony. TDC introduced the attractive multi-play packages TDC HomeDuo and TDC HomeTrio on various commercial platforms in 2009 and the acquired subsidiary, Fullrate, supplies a dual-play package. Since then, the number of full-bundle TDC customers has soared from zero to 420,000. Interest in TDC Home Duo/Trio has been significant, and with a 63% share, TDC has established itself as the clear leader in the triple-play market. TDC plans to launch a quadruple-play product, also including mobile telephony, in 2011.

Mobile broadband

To match customer demand for flexibility and constant connection, TDC launched its mobile broadband offering in July 2008[4]. During 2010, TDC overtook its competitors on the Danish mobile broadband market[5] with a market-leading share of 33%. The mobile broadband market is expected to increase significantly in the future in both the business and residential segments.

TV

The Pay-TV market has grown considerably over the past five-year period, and household penetration had reached 89% in Denmark by the end of 2010. TDC offers TVoIP, Web-TV and traditional cable TV (YouSee). Over the past five years, TDC's market share of the Pay-TV market increased slightly to the current level of 55%. The number of providers and TV packages available expanded significantly. TDC's TV customers (including YouSee) have access to the most popular Danish and international channels, video-on-demand and archive functionalities, and benefit from one of the most attractive offerings and value propositions in the market. YouSee provides almost all of its TV customers with free access to digital TV in HD[6] and hosts add-on and on-demand services.

[4] TDC launched data services (mobile broadband) via the 3G network (UMTS) in 2005, enabling high-speed data services such as video telephony, internet access, live streaming and games.
[5] Data-only subscriptions.
[6] HD on selected channels. HD and digital only require that customers must have a HD-ready TV with a digital receiver.

TDC Nordic

The separate business division TDC Nordic aims to attack local incumbents on their home turf by primarily providing telecommunications solutions for businesses in the Nordic region outside Denmark. Its products include landline telephony, IP-VPN and internet access on its pan-Nordic network. In the mobile market, TDC Nordic operates as an MVNO or service provider pursuant to agreements with local mobile network operators. TDC Nordic also offers communication integration services and, through TDC Hosting, provides hosting solutions and information technology outsourcing throughout the Nordic region. TDC Nordic and TDC Business benefit from sharing customer relationships, products and services. During 2010, TDC Nordic has contributed strongly to TDC's revenue growth by recording a 16% increase in revenue compared with 2009, driven primarily, besides forex effects, by mobile voice and hosting activities. TDC Nordic has managed to attract a number of large accounts in 2010, with notable wins in e.g. the public sector and the banking industry.

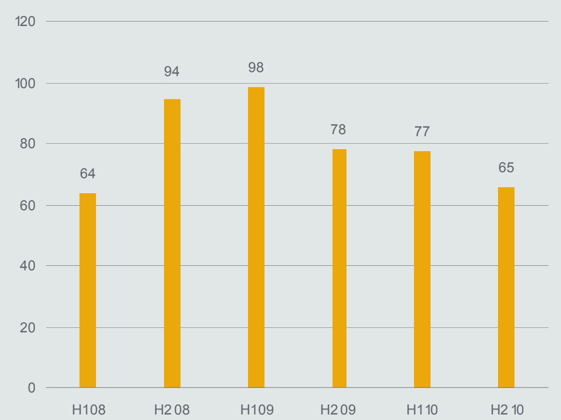
Copper line loss

During the last decade, TDC has experienced a continuous net line loss on the copper network. This has resulted from the migration from PSTN to mobile only, and the appearance of and increase in competing infrastructure such as fibre and coax. However, TDC has been a major beneficiary of the migration away from copper, due to the flow into TDC's own mobile-only customer base and YouSee's cable customer base.

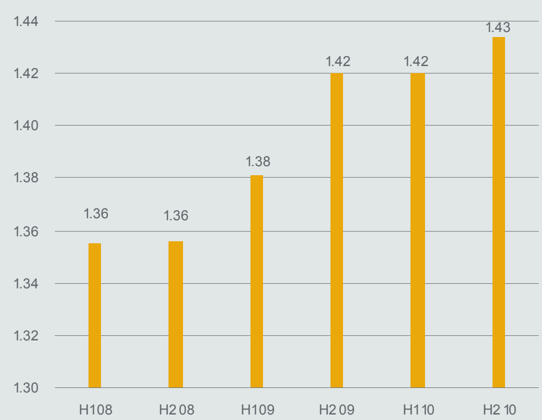
TDC's copper line losses have been decreasing since H1 2009. This has been achieved through a strengthened and continuous focus on customer retention of PSTN lines and the successful launch of the HomeDuo and HomeTrio multi-play offers specifically designed to boost customer retention.

In addition to the copper line loss, the total number of RGUs on the copper network has also decreased in recent years. However, the RGU-per-line ratio has been slightly increasing since 2008, reflecting TDC's ability to increase the number of customer relationships with the average customer, due primarily to the success of the multi-play bundles.

Copper line loss ('000)



RGUs/line



Regulation

As the leading player in most telecommunications market segments in Denmark, TDC has been subject to extensive regulation in its sector, such as the obligation to offer many wholesale products on regulated terms, including price regulation. The scope of regulation has increased extensively over time and most recently in 2009 and 2010 was expanded to include an obligation to offer wholesale access to broadband (Bit Stream Access) through TDC's cable TV network and through fibre, in addition to the existing obligation to offer wholesale access through copper.

TDC has experienced increasing pressure on its wholesale prices over the years due to the applied price regulation, including the special EU regulation of international roaming prices. Moreover, TDC's wholesale prices have been increasingly regulated over time by use of the LRAIC pricing method. The table lists a representative selection of regulated prices that have had a considerable negative impact on TDC's revenue and earnings. Further, price reductions of wholesale prices, especially prices of landline network and mobile termination (which will also encompass SMS), must be expected due to the ongoing alterations of the LRAIC model used to price the LRAIC regulated wholesale products.

Price development on regulated prices, DKK excluding VAT

	2006	2011	Change
National regulation			
Local access, landline, peak hour, per minute	0.0301	0.0164	(46%)
Local termination, landline, peak hour, per minute	0.0257	0.0140	(46%)
Raw copper, annual price per unit	770	820	6%
Bit Stream Access 2 Mbps, average per year	960	817	(15%)
Bit Stream Access 4 Mbps, average per year	1,300	896	(31%)
Bit Stream Access 8 Mbps, average per year	1,700	973	(43%)
Mobile termination, price per minute[1]	0.84	0.33	(61%)
Roaming, EU prices			
Inbound roaming voice, wholesale, per minute	5.37	1.64	(70%)
Outbound roaming voice, retail, per minute	6.75	2.90	(57%)
Outbound receiving calls, retail, per minute	2.32	1.12	(52%)

[1] From regulation's initiation in May 2006 until May 2011, TDC, Telenor and Telia have been similarly regulated to prices above level for the company Hi3G.

Selected financial and operational data 2006-2010

TDC Group		After merger with NTC[1]				Before merger with NTC[1]
		2010	2009	2008	2007	2006
Income Statements	DKKm					
Revenue		26,167	26,079	26,917	27,951	29,200
Gross profit		19,420	19,635	19,678	20,006	20,713
EBITDA		**10,772**	**10,536**	**10,054**	**9,376**	**10,080**
Depreciation, amortisation and impairment losses		(5,356)	(4,659)	(4,547)	(5,776)	(4,815)
Operating profit (EBIT), excluding special items		**5,416**	**5,877**	**5,507**	**3,600**	**5,265**
Special items		(1,347)	(1,119)	(3,212)	664	(1,128)
Operating profit (EBIT)		**4,069**	**4,758**	**2,295**	**4,264**	**4,137**
Profit from joint ventures and associates		13	76	200	266	449
Net financials		(1,496)	(2,064)	(2,048)	(2,763)	(2,921)
Profit before income taxes		**2,586**	**2,770**	**447**	**1,767**	**1,665**
Income taxes		(782)	(809)	(438)	519	(578)
Profit for the year from continuing operations		**1,804**	**1,961**	**9**	**2,286**	**1,087**
Profit for the year from discontinued operations[2]		1,203	422	548	1,346	2,358
Profit for the year		**3,007**	**2,383**	**557**	**3,632**	**3,445**
Attributable to:						
Owners of the Parent Company		3,007	2,424	708	3,912	3,448
Minority interests		-	(41)	(151)	(280)	(3)
Profit for the year, excluding special items						
Operating profit (EBIT)		**5,416**	**5,877**	**5,507**	**3,600**	**5,265**
Profit from joint ventures and associates		3	(1)	222	342	439
Net financials		(1,496)	(2,064)	(2,048)	(2,763)	(2,921)
Profit before income taxes		**3,923**	**3,812**	**3,681**	**1,179**	**2,783**
Income taxes		(1,035)	(1,085)	(722)	321	(892)
Profit for the year from continuing operations		**2,888**	**2,727**	**2,959**	**1,500**	**1,891**
Profit for the year from discontinued operations[2]		413	575	352	198	1,594
Profit for the year		**3,301**	**3,302**	**3,311**	**1,698**	**3,485**

1 The 2007-2010 figures reflect the merger of TDC and NTC (Nordic Telephone Company ApS), with TDC as the surviving company. In order to show a meaningful comparison, the 2006 figures do not reflect the merger, as TDC was not acquired by NTC until 1 February 2006. Such figures would therefore not include the operations of TDC for the full year in 2006. The 2006 figures for TDC 'before merger with NTC' represent TDC's operations on a full-year basis before the merger, i.e. excluding administrative expenses in NTC and excluding the impacts from NTC's purchase-price allocation adjustments in connection with the acquisition of TDC.

2 The operations of the following enterprises are presented as discontinued operations for the period 2006-2010: Sunrise (divested in 2010), Invitel (divested in 2009), Talkline (divested in 2007) and TDC Directories (divested in 2006). Other divestments are included in the respective accounting items during the ownership.

TDC Group		After merger with NTC[1]				Before merger with NTC[1]
		2010	2009	2008	2007	2006
Balance Sheets	DKKbn					
Total assets		64.8	86.4	100.0	106.1	79.0
Net interest-bearing debt		(22.6)	(33.5)	(34.9)	(41.5)	(55.2)
Total equity		20.9	27.1	31.7	32.2	2.0
Average number of shares outstanding (million)		981.8	990.5	990.5	990.4	990.0
Statements of Cash Flow	DKKm					
Continuing operations:						
Operating activities		7,238	7,440	5,743	5,785	n.a.
Investing activities		(3,889)	(4,811)	2,096	5,492	n.a.
Financing activities		(20,091)	(10,261)	(9,506)	(13,770)	n.a.
Total cash flow from continuing operations		**(16,742)**	**(7,632)**	**(1,667)**	**(2,493)**	**n.a.**
Total cash flow in discontinued operations		16,810	1,677	88	7,051	n.a.
Total cash flow		**68**	**(5,955)**	**(1,579)**	**4,558**	**(6,608)**
Free cash flow	DKKm					
Operating free cash flow		7,437	6,469	6,324	5,958	n.a.
Equity free cash flow		4,515	4,426	2,424	1,995	n.a.
Capital expenditure	DKKm					
Capital expenditure		(3,534)	(3,891)	(3,975)	(3,979)	(4,152)
Key financial ratios						
Earnings Per Share (EPS)	DKK	3.06	2.45	0.71	3.95	3.48
EPS from continuing operations, excl. special items	DKK	2.94	2.75	2.99	1.51	1.91
Dividend payments per share	DKK	-	7.85	0.72	0.70	44.77
Gross profit margin	%	74.2	75.3	73.1	71.6	70.9
EBITDA margin	%	41.2	40.4	37.4	33.5	34.5
Capex-to-revenue ratio	%	13.5	14.9	14.8	14.2	14.2
EBITDA - Capex	DKKm	7,238	6,645	6,079	5,397	5,928
Cash conversion	%	69.0	61.4	62.9	63.5	n.a.
Net interest-bearing debt/EBITDA	x	2.1	3.2	3.0	4.0	5.4
EBITDA/interest	x	6.8	6.8	4.7	2.8	3.4
RGUs (end-of-year)	('000)					
Landline		1,916	2,045	2,160	2,387	2,600
Mobile		3,614	3,627	3,158	2,926	4,833
Internet		1,599	1,590	1,465	1,499	1,411
Other networks and data connections		287	291	365	298	189
TV		1,464	1,395	1,245	1,187	1,115
Total RGUs		**8,880**	**8,948**	**8,393**	**8,297**	**10,148**
Domestic dual-play bundles		304	213	-	-	-
Domestic triple-play bundles		116	86	-	-	-
FTEs						
Number of FTEs (EoY)		10,423	11,277	11,772	13,939	15,220
Average number of FTEs (YTD)		10,860	11,519	13,020	14,531	15,709

[1] The 2007-2010 figures reflect the merger of TDC and NTC (Nordic Telephone Company ApS), with TDC as the surviving company. In order to show a meaningful comparison, the 2006 figures do not reflect the merger, as TDC was not acquired by NTC until 1 February 2006. Such figures would therefore not include the operations of TDC for the full year in 2006. The 2006 figures for TDC 'before merger with NTC' representTDC's operations on a full-year basis before the merger, i.e. excluding administrative expenses in NTC and excluding the impacts from NTC's purchase-price allocation adjustments in connection with the acquisition of TDC.

Business description

Overview

TDC operates in the following five business divisions (which are also its financial reporting segments):

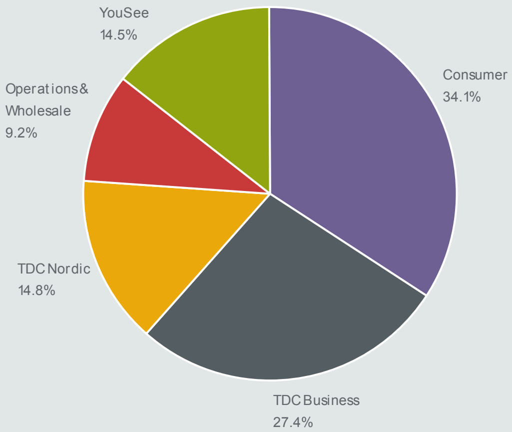
- **Consumer**: Consumer is the leading supplier of telecommunications and TVoIP solutions in the residential market in Denmark. Consumer provides landline and mobility services (including subscription and prepaid voice services, mobile broadband and content) and bundled multi-play products and landline mobile convergent products to residential and SoHo customers in Denmark. Consumer operates across the market segments, from no-frills to premium, with the brands TDC, Telmore, Fullrate and M1.

- **TDC Business**: TDC Business has a market-leading position in the Danish business market and provides telecommunications solutions for small, medium-sized and large enterprises as well as the public sector in Denmark. Its activities include broadband solutions, landline telephony, mobility services, convergence products (combined landline and mobile telephony), fibre access, terminal equipment, including systems integration services and leased lines.

- **TDC Nordic**: TDC Nordic provides primarily telecommunications solutions for businesses in the Nordic region outside Denmark. Its products include landline telephony, IP-VPN and internet access on its pan-Nordic network. In the mobile market, TDC Nordic operates as an MVNO or service provider pursuant to agreements with local mobile network operators. TDC Nordic also offers communication integration services and, through TDC Hosting, provides hosting solutions and information technology outsourcing throughout the Nordic region. TDC Nordic and TDC Business benefit from sharing customer relationships, products and services.

- **Operations & Wholesale**: Operations & Wholesale is responsible for all of TDC's Danish activities regarding landline and mobile networks, operations, infrastructure, information technology and wholesale (excluding those operated by YouSee). Operations supports TDC's other business divisions by operating support and back-office functions, managing a number of critical support functions in the organisation (such as information technology, supply chain and procurement, installation and network) and drives operational change in the Group. Wholesale, as a commercial unit, provides landline telephony, mobility services, internet and network services for other operators, service providers and brand partners, as well as national and international traffic and roaming for other network operators.

TDC Group revenue breakdown by business division



All revenue shares are calculated as each business line's share of the total revenue in the TDC Group excluding eliminations

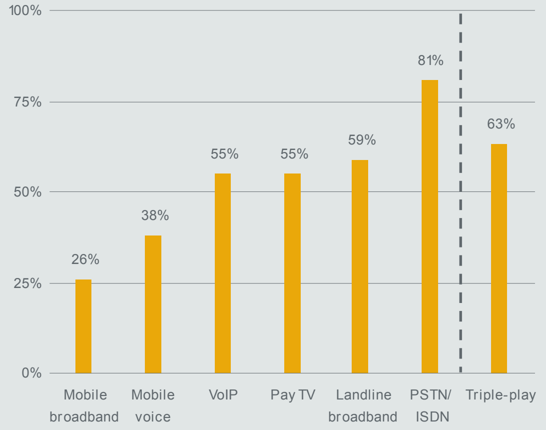
- **YouSee**: YouSee is the leading Danish cable TV provider in terms of market share, offering its customers TV, broadband and telephony services to individual households and organised customers, such as antenna and housing associations, in Denmark.

Domestic market shares

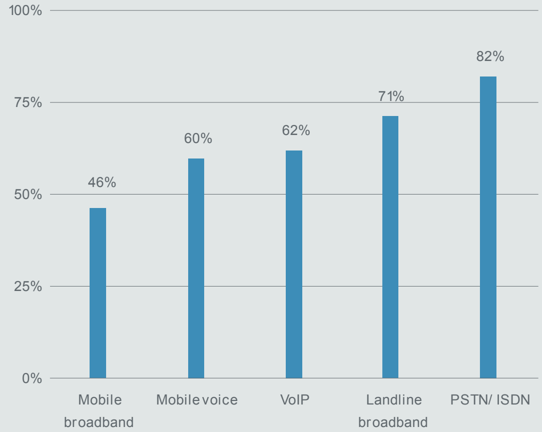
In the residential market, through its five-strong differentiated brands covering key segments of the Danish market, TDC had a market-leading position in landline telephony, mobile telephony, landline broadband and pay-TV at year-end 2010. TDC also held a leading 63% share of the triple-play market.

In the business market, TDC was number one measured in terms of market share in all market segments from landline telephony and landline broadband to mobile broadband and mobile telephony at year-end 2010.

TDC's domestic market shares of the residential market



TDC's domestic market shares of the business market



Consumer

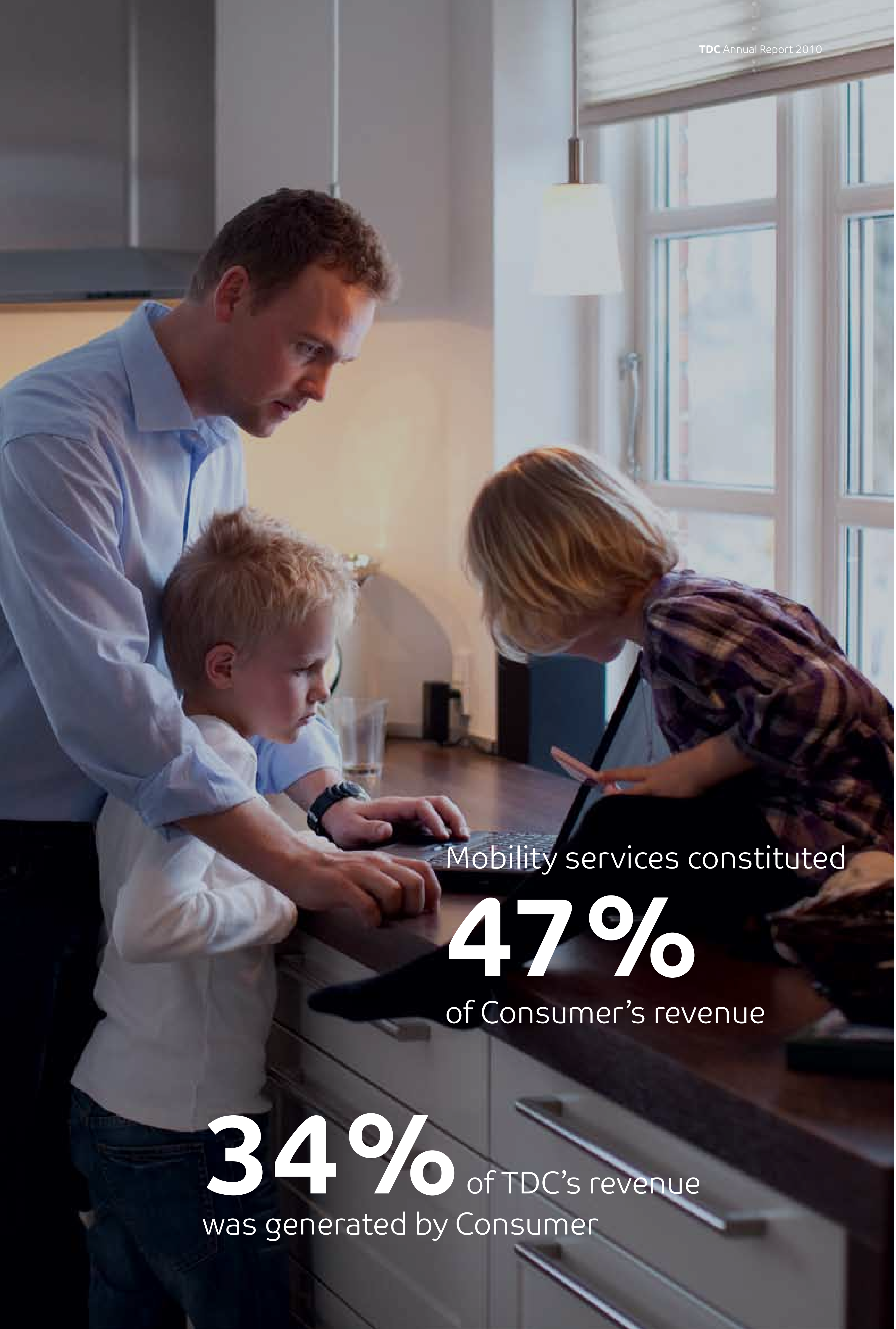
2010

Consumer had

4,164,000

customer relationships

Consumer had a triple-play market share of **61%**



Mobility services constituted

47%

of Consumer's revenue

34% of TDC's revenue

was generated by Consumer

Consumer

2010

Overview

Through a portfolio of brands, Consumer provides landline and mobility services for residential and SoHo customers in Denmark. Through the TDC brand, Consumer offers landline services including PSTN/ISDN and VoIP telephony, xDSL broadband, TVoIP, CPE and other value-added services, such as music and security services. Mobility services consist of subscription and prepaid voice and data services, mobile broadband and mobile content. The TDC brand also includes bundled multi-play products, TDC HomeDuo and TDC HomeTrio, as well as Duét, the landline mobile convergent product. Consumer addresses the market spectrum, from no frills to premium, with its TDC, Telmore, Fullrate and M1 brands.

At year-end 2010, Consumer had 4,164,000 RGUs, and 2,037 full-time employee equivalents.

Strategy

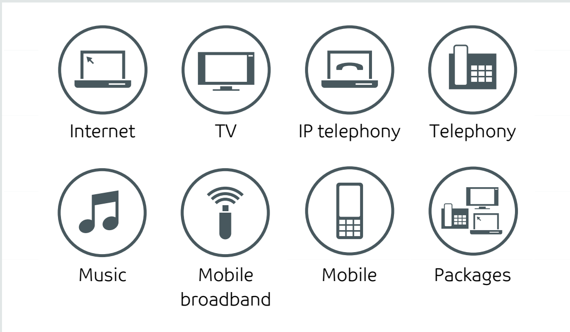
Consumer intends to build on TDC's position as the leading provider of telecommunications and Pay-TV solutions in Denmark. Consumer also seeks to develop long-lasting customer relationships through an integrated Customer Lifetime Management Programme (which involves proactive management of customer relationships across all sales channels and product categories), and attractive and innovative product combinations, such as triple-play. Consumer's sustained, broad and diversified brand appeals to retail customers in Denmark, and is available through a comprehensive network of own stores, an online shop, call centres and other distribution capabilities. In the no-frills market, Consumer seeks to continue to grow its existing market share by further developing the Fullrate, Telmore and M1 brands and continuing to use the TDC brand to address the entire spectrum from the mass to premium markets.

Consumer's key strategic initiatives include:

- Securing the relevance of PSTN and increasing its usage
- Focusing on service excellence, primarily through expanding the 'TAK' programme
- Increasing value differentiation by offering new services and providing access to content and Pay-TV
- Aiming to establish itself as the leading provider of mobile data and mobile broadband services in Denmark
- Optimising the cross-channel customer experience

Also, Consumer focuses on the availability of value-added services and products across platforms, such as M-payment and TDC Play, with an emphasis on the SoHo market and the continued focus on cost reductions while maintaining good employee satisfaction levels.

Services and products



Mobility services

Consumer's mobile telephony business consists largely of traditional voice for the residential and SoHo markets, and also includes the Duét landline mobile convergence product, and mobile broadband. Consumer had 2,204,000 mobility service RGUs at year-end 2010.

TDC expects mobile data to be an important growth area in the future, due primarily to increased sales of smartphones incl. iPhones[7] and associated data usage. During 2010, Consumer launched a number of semi and full flat-rate voice and data products (MixMedia and MaxMedia) to attract smartphone users. TDC believes that its extensive offering of smartphone-related services has strengthened its competitive positioning on the mobile market, allowing it to capture additional mobile data revenue.

Consumer first offered mobile broadband services in 2008. At year-end 2010, Consumer had 132,000 mobile broadband RGUs.

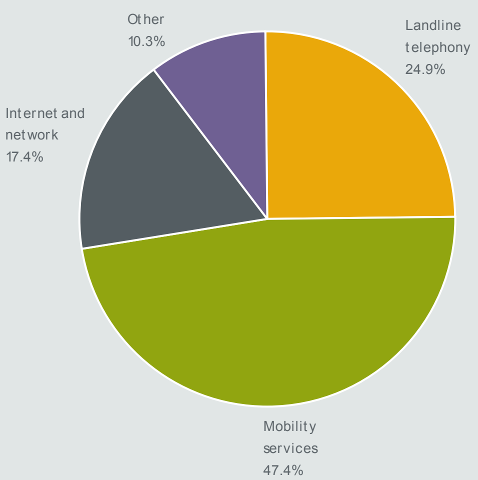
[7] TDC supplemented its smartphone offering with the introduction of iPhone as part of its portfolio as of 27 August 2010.

Landline telephony

Consumer's landline telephony business consists largely of traditional landline telephony and VoIP for the residential and SoHo markets.

Consumer had 1,137,000 landline RGUs at year-end 2010. TDC succeeded in reducing churn within the traditional landline telephony base from the first quarter of 2009 to the fourth quarter of 2010 (excluding migrations to other TDC products). This was achieved through a number of initiatives, such as targeting customers on an individual basis through telemarketing, direct mail, and its 'save team', and by introducing new flat-rate PSTN and multi-play products and continuing its proactive dialogue with customers in relation to churn triggers. For example, in the third quarter of 2010, TDC substantially repositioned its landline telephony pricing.

Consumer revenue breakdown by product



[1] Other includes terminal equipment, operator services and TV.

Internet and network

Consumer's internet and network activities consist mainly of the TDC brand's broadband subscription packages. Consumer (including Telmore and Fullrate) had 697,000 internet RGUs at year-end 2010.

Most of Consumer's landline internet connections are sold as bundles including PSTN/VoIP either through the TDC HomeDuo brand or the no-frills Fullrate brand (Telmore has ceased to offer broadband but continues to provide broadband to its pre-existing broadband customers). More than 20% of the TDC brand's xDSL customers also subscribe to TV services from TDC via the multi-play TDC HomeTrio bundle. The HomeDuo and HomeTrio bundle packages were launched in 2009. Since then, TDC has increased its share of the dual- and triple-play markets, reaching 63.1% of the total triple-play market in Denmark at year-end 2010. As part of its objective to enhance customer experience, TDC has been at the forefront of convergence between telecommunications and entertainment, providing a series of functional value-added services such as music access and downloading, mainly through its broadband subscription packages.

TDC TV

TDC TV, which is a TVoIP offering through TDC broadband, was relaunched in 2009 as part of the HomeTrio package. Since TDC TV's relaunch, TVoIP sales have increased significantly to 126,000 RGUs (including 5,000 RGUs through the TDC Business division) at year-end 2010. In addition to 37 of the most popular Danish and foreign channels included in the basic package, and the option to add up to 33 additional channels, TDC TV offers functionalities such as video-on-demand, pause and reeling functions and a recording function that enables customers to record a programme or even a whole series.

TDC TV directly benefits from YouSee's agreements with content providers and distributes all major Danish commercial broadcasters' TV channels. Consumer can provide its customers with a wide range of movies, sports and other popular content.

Functional and value-added services
TDC strives to offer customers services that integrate products and improve customer retention. For this reason, TDC has launched a music service, TDC Play, which is accessible across broadband and mobile technologies. With this service, TDC was the first provider in Denmark to offer free and unlimited music downloading, including more than 10m music tracks, to its broadband and mobile subscription customers.

In addition to convergent products, TDC has developed innovative functionalities for its mobile and broadband customers. Remote surveillance, for instance, allows customers to monitor their home using their computer or mobile, and Homedisk provides customers with safe storage and remote access to music, photos and videos. In the, 2011 Consumer expects lo launch a number of new products to build on its innovative leadership position. In first half of 2011, TDC will introduce new dual- and triple-play bundles, which will be sold in different packages together with content and services. The aim is to make all content available on all platforms. TDC will also launch new convergence products that will make Duét functionality available on all mobile subscriptions. TDC expects to launch quadruple-play services later in 2011.

Other
Consumer also offers services, including conference call services and terminal equipment such as handsets and other accessories.

Sales and marketing

Consumer uses different distribution channels to address its residential and SoHo customers:

- Online: The online platform was relaunched in the second quarter of 2010 with a new e-commerce platform. At year-end 2010, online sales totalled 7% of Consumer's TDC brand sales, 75% of its Fullrate sales, 100% of Telmore sales and 75% of M1 sales. Telmore, Fullrate and M1's products and services are sold through independent homepages.

- Call centres: The TDC brand has call centres at four locations with 951 full-time employee equivalents at 31 December 2010. Telmore, Fullrate and M1 also have their own call centres. In 2010, sales through the call centres comprised 39% of Consumer's TDC brand transactions and 25% of Consumer's Fullrate brand transactions.

- TDC Shop: During 2010, TDC Shop finalised the project of refurbishing all stores. At year end there were 65 newly refurbished stores where Consumer's products and services can be purchased. In 2010, sales through TDC Shop accounted for 45% of Consumer's TDC brand sales.

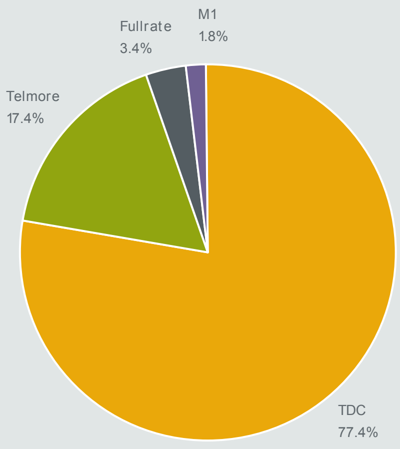
- External channels: Sales through extended channels accounted for 7% of Consumer's TDC brand sales.

TDC's marketing platform addresses the entire residential telecommunications market in Denmark.

Brands

Consumer has moved from a single-brand culture to being a multi-brand division. Each of the TDC, Telmore, Fullrate and M1 brands plays a distinct role in covering telecommunications, TV and entertainment, which are key sub-segments of the residential and SoHo markets. Consumer leverages on each of its brands, promoting the individual brand characteristics and using differentiated strategies to reach customers. See 'TDC at a Glance' for more details on the TDC brands.

Consumer revenue breakdown by brand



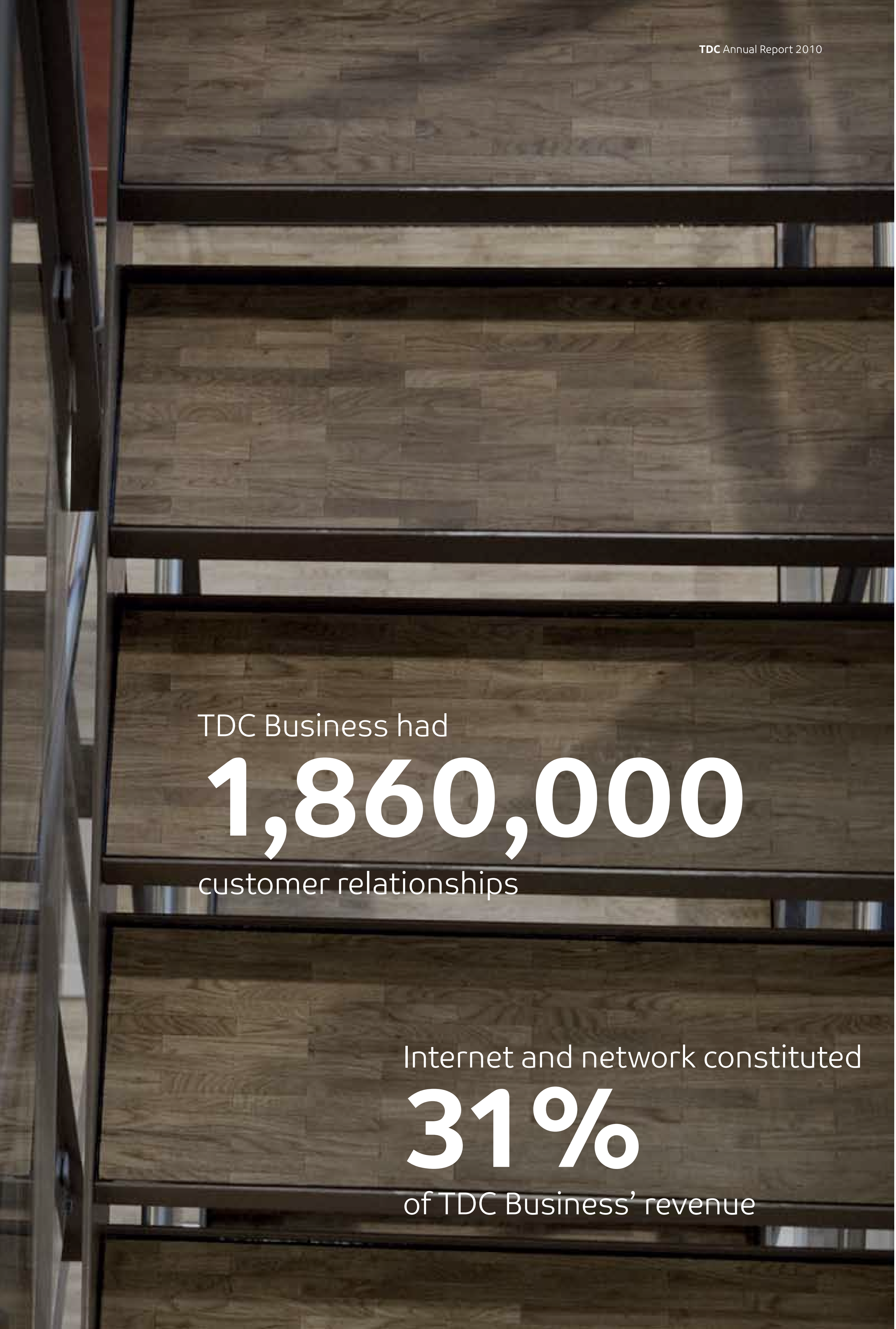
TDC Business

2010

TDC Business was

market leader

in all main business markets



TDC Business had

1,860,000

customer relationships

Internet and network constituted

31%

of TDC Business' revenue

TDC Business

2010

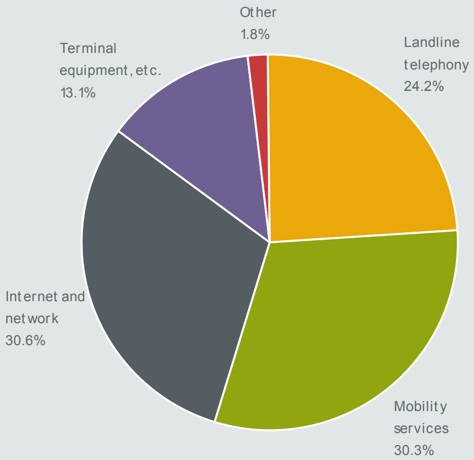
Overview

TDC Business offers a wide range of telecommunications solutions to businesses and organisations, including internet and network services, landline telephony, mobility services and terminal equipment. TDC Business also provides systems integration services through its subsidiary NetDesign, which is a Danish systems integrator of IP-based communications solutions offering networks, security, video conferencing and telephony systems tailored for business customers and other organisations.

TDC Business benefits from its extensive distribution network, which includes a large direct business-to-business sales force (405 full-time employee equivalents at 31 December 2010), a strong exclusive retailer network with 36 outlets offering nationwide coverage, and a strong partner network with approximately 235 partners at 31 December 2010.

At 31 December 2010, TDC Business had 1,860,000 RGUs and 1,476 full-time employee equivalents.

TDC Business revenue breakdown by product



Sales

TDC Business has structured its operations to focus on the following segments to attract more RGUs:

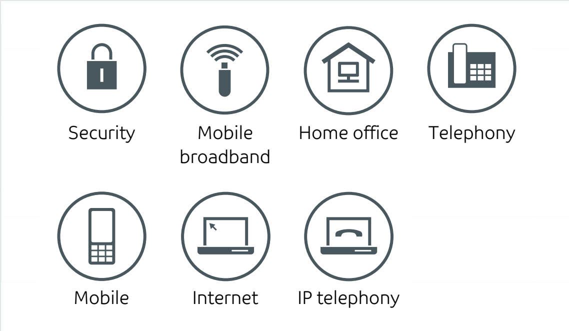
- Enterprise accounts, public-sector accounts and large accounts (high end). TDC Business offers its customers tailored, industry-specific solutions. TDC Business also offers pan-Nordic solutions for its enterprise accounts.

- Medium and small accounts (low end). TDC Business offers standard package solutions and integrated solutions covering the main telecommunications requirements of small businesses in Denmark.

Strategy

TDC Business has a number of strategic initiatives, including TDC 2.0, which is to improve efficiency within TDC Business by focusing on performance management, more transparent organisation and clearer roles within the division. Combined with TAK, TDC 2.0 aims to increase customer satisfaction while reducing costs. TDC Business also seeks to increase its presence in the low-end market by offering improved customer service through its new account team set-up (in which each team includes an account manager (or partner), sales assistance and customer care). TDC Business plans to improve its performance in the high-end market with new pricing strategies to increase the perceived value of being a TDC Business customer while providing opportunities for increased take-up of value-added services. In addition, TDC Business intends to introduce new products, such as Communication as a Service (CaaS), by combining operator and systems integration offerings.

Services and products



Internet and network services
TDC Business internet and network services consist largely of broadband subscription packages, private IP-based networks, fibre-data communications services and leased-line services, as well as service level agreements and security packages.

TDC Business had 259,000 internet RGUs at year-end 2010.

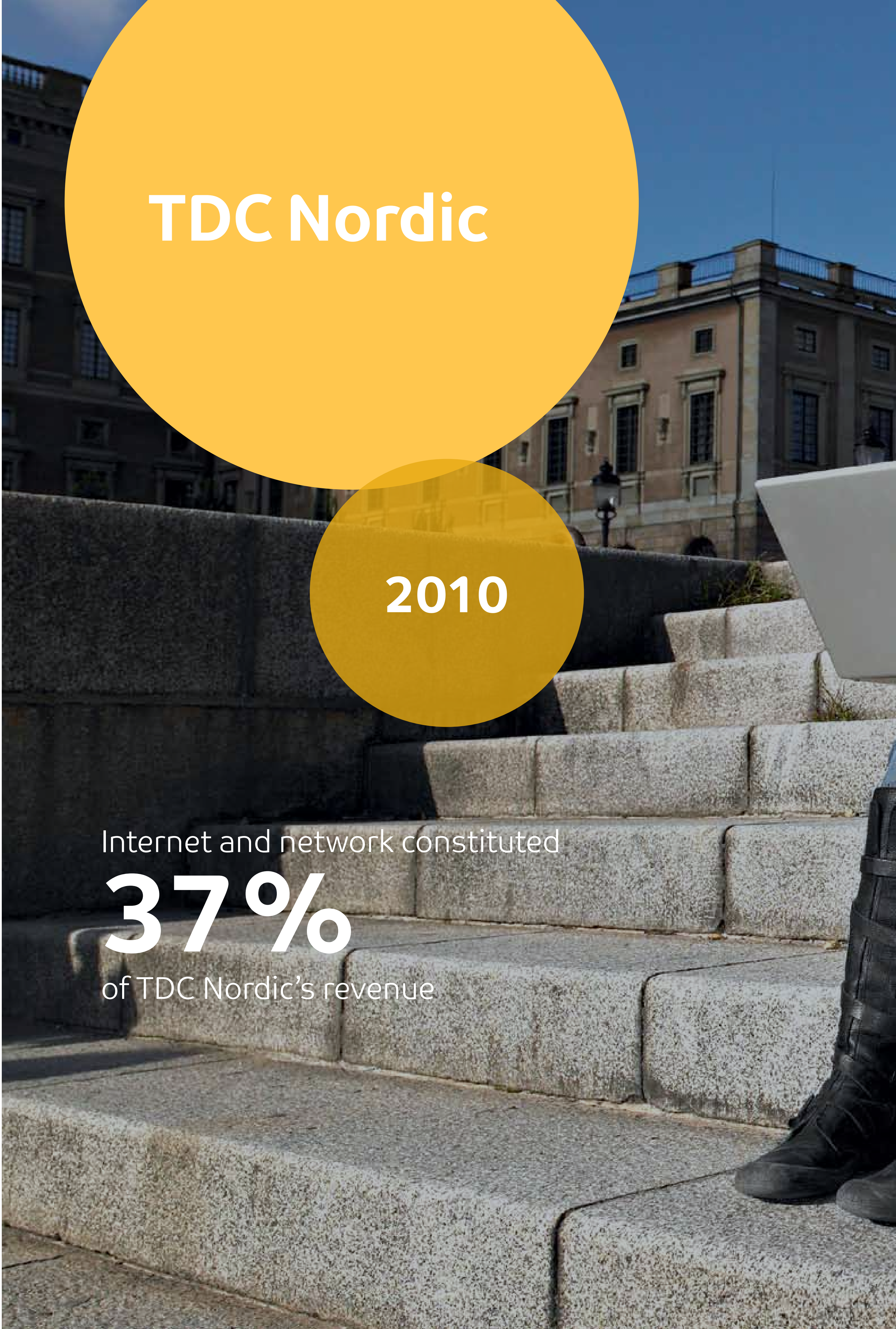
Mobility services
TDC Business mobility services consist mainly of subscription mobile voice, mobile broadband and telemetric solutions.

TDC Business had 113,000 mobile broadband RGUs and 644,000 mobile voice RGUs at year-end 2010.

TDC Business offers mobile broadband access and TDC wireless hotspots in airports, trains, cafés, petrol stations and rest areas along main roads throughout Denmark. The migration from traditional landline to mobile telephony has led to further expansion of mobile business subscriptions in recent years, although the increase in RGUs has recently stagnated due to the high penetration rates in Denmark.

Landline telephony
TDC Business landline telephony services consist of traditional landline telephony, convergence products (which combine landline, including VoIP, and mobile telephony) and stand-alone VoIP solutions. At 31 December 2010, TDC Business had 403,000 landline telephony RGUs.

Terminal equipment and system integration
TDC Business' terminal equipment and systems integration activities for enterprise and public-sector customers are carried out by TDC's subsidiary NetDesign. The solutions are typically complex, customer-specific and based at customers' premises. NetDesign offers technology consultancy, hardware/software and long-term service contracts.



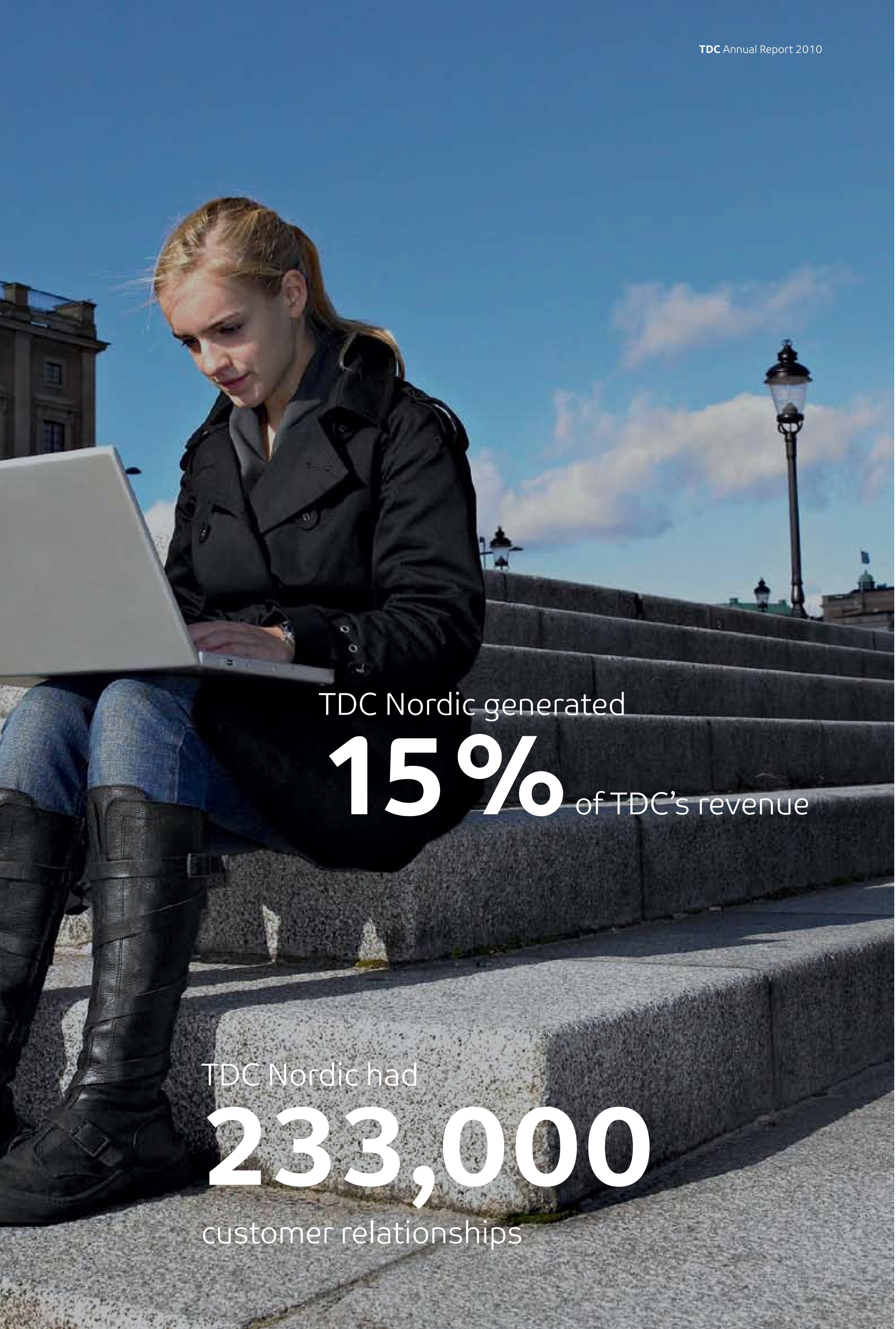
TDC Nordic

2010

Internet and network constituted

37%

of TDC Nordic's revenue


TDC Nordic generated
15% of TDC's revenue
TDC Nordic had
233,000
customer relationships

TDC Nordic

2010

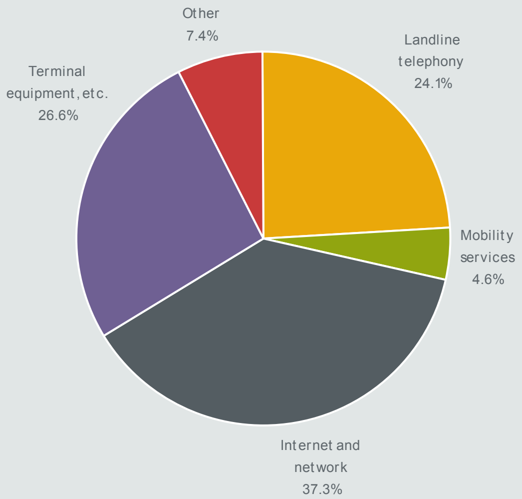
Overview

TDC Nordic provides landline telephony, mobile telephony (through MVNO and service provider agreements), internet and network (including IP-VPN services) and system integration services to the public sector and large and medium-sized enterprises in Sweden, Norway and Finland based primarily on a direct sales model. Through TDC Hosting, TDC Nordic also offers hosting and information technology operations solutions in Denmark, Sweden and Finland, with a primary focus on providing managed hosting, co-location and shared hosting for small and medium-sized enterprises. TDC Nordic's local presence in all Nordic countries combined with a high-quality integrated pan-Nordic network enables TDC Nordic to offer competitive pan-Nordic telecommunications solutions to business customers and public-sector customers across the Nordic countries.

TDC Nordic and TDC Business benefit from sharing customer relationships, products and services. At a local level, each of the four entities that make up TDC Nordic (TDC Sweden, TDC Norway, TDC Finland and TDC Hosting) translates pan-Nordic strategy into local strategy with a focus on operational execution. TDC Nordic's network covers mainly large and medium-sized towns in the Nordic region. In the mobile market, TDC Nordic operates as an MVNO or service provider through agreements with the local operators using MVNO agreements in Sweden and Norway and a service provider agreement in Finland.

At year-end 2010, TDC Nordic had 233,000 RGUs and 1,388 full-time employee equivalents.

TDC Nordic revenue breakdown by product

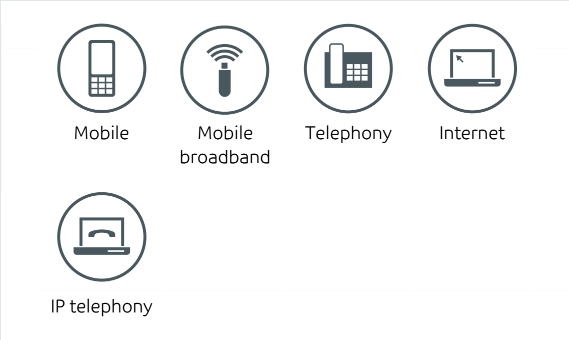


Strategy

TDC Nordic's strategy is to leverage on its challenger positions in Sweden, Norway and Finland and TDC's leading position in Denmark to offer competitive products and services on its pan-Nordic infrastructure. Further, the strategy is to leverage and share common product development, product know-how and best practices across the countries where it is present. TDC Nordic aims to increase its presence in the public-sector market in particular, and its overall market share and revenue in general. This will be achieved by leveraging on its pan-Nordic business relationships and cross-selling opportunities within each country in which it is present, and by raising sales productivity via territorial alignment, a high-performance sales culture and enhanced pipeline management. TDC Nordic also aims to expand TDC Hosting's addressable market by increasing its presence in the enterprise and public sector.

An important element in TDC Nordic's strategy is to leverage its network infrastructure, which is upgraded on an ongoing basis and includes fibre-based backbone (fibre cable and a pan-Nordic SDH network delivering landline point-to-point capacity), PSTN/ISDN and IP/Ethernet networks, to raise sales productivity and utilise cross-selling opportunities.

Services and products



TDC Sweden
TDC Sweden is an operator and systems integrator business offering solutions that integrate voice (mobile and landline), data and video conferencing to enterprises and public-sector customers. TDC Sweden is the only single-brand provider of operator and integrator capabilities in Sweden and seeks to establish itself as a leading supplier of communications solutions for business customers.

In 2010, the operator and integrator businesses contributed almost equal shares of TDC Sweden's revenue. In 2010, in the operator business, 59.0% of revenue came from landline and mobile data and 39.5% from landline and mobile telephony. At year-end 2010, TDC Sweden had 142,000 RGUs and 756 full-time employee equivalents.

TDC Norway
TDC Norway is an operator business offering total solutions integrating voice (mobile and landline) and data communications services to companies and public-sector customers, with a focus on providing bundled landline and mobile services and flat-rate products within mobile voice and mobile data. In 2010, data (including IP-VPN) contributed 46.7%, while voice contributed 51.7% to TDC Norway's revenue. At year-end 2010, TDC Norway had 61,000 RGUs and 183 full-time employee equivalents.

TDC Norway aims to grow its market share of mobile voice and VoIP services to retain RGUs and revenue, leveraging on its position within data products and cross-selling voice products to existing customers.

TDC Finland
TDC Finland has a similar business focus and product portfolio to TDC Norway. TDC Finland strives to offer superior high-end mobile extension solutions for large enterprises and public accounts as well as self-service initiatives such as customer encounter experience, quality and accuracy tools. At year-end 2010, TDC Finland had 31,000 RGUs and 255 full-time employee equivalents.

The Finnish customers rated TDC as the best operator in 2010 concerning all the aspects of the business-to business broadband market impacting customer satisfaction. Those aspects were corporate image, customer expectations, product and service quality and value-for-money ratio[8].

In 2010, TDC Finland was selected as the preferred provider and obtained the right to bid for public-sector data service contracts with Finnish governmental authorities. The agreement, which runs over the next four years, is estimated to be worth up to € 60m or around half a billion Danish kroner.

The Finnish Centre for Economic Development, Environment and Transport has already signed the first concrete order with a value of around DKK 75m.

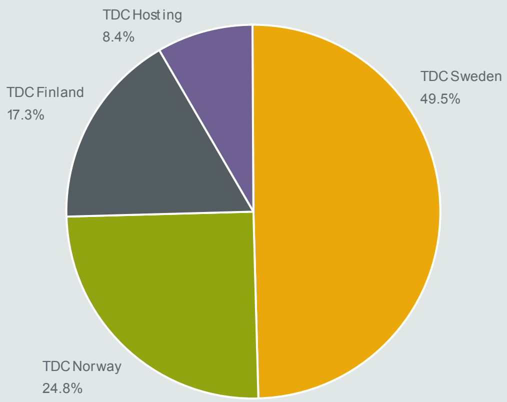
TDC Finland aims to leverage its success with mobile flat-rate offerings for large customers and lower price points in the IP-VPN market to develop its product and service offering.

[8] Based on an analysis made by EPSI Rating regarding Finnish data market customer satisfaction.

TDC Hosting
TDC Hosting provides hosting and information technology operations solutions for the Nordic market with a presence in Denmark, Sweden and Finland. At 31 December 2010, TDC Hosting had three main facilities and a total of approximately 5,000 square metres of data-centre floorage across the Nordic region and, as of that date, these facilities were not fully utilised. The solutions provided by TDC Hosting comprise primarily managed hosting, co-location and shared hosting.

TDC Hosting experienced growth in the contract value of annual new sales from 2009 to 2010 amounting to 67% growth in Denmark, 33% in hosting in Sweden and a negative growth of 31% in hosting in Finland, which was mitigated by an increase in Managed Hosting in Finland of 160%. In 2010, TDC Hosting became one of 11 Worldwide Syndication Partners delivering Microsoft Cloud Services. TDC Hosting also expanded into new services in Q4 2010 by launching end-user support, a helpdesk, and consulting services as an add-on for TDC Hosting's core business - including outsourcing. TDC Hosting is continuously cultivating new customer segments, and in 2010 became a 'SKI' supplier, thereby obtaining access to public-sector tenders and thereby the public sector segment. In addition, TDC Hosting is offering selective outsourcing for enterprise accounts, which has resulted in ongoing expansion as sub-supplier to the traditional major IT outsourcing partners such as IBM and CSC.

TDC Nordic revenue breakdown by business unit



All revenue shares are calculated as the sum of the four business areas' total revenue excluding eliminations.

Managed hosting solutions involve tailor-made information technology operation and application management. As a provider of these solutions, TDC Hosting is fully or partially responsible for individual business customers' information technology usage.

Through co-location, TDC Hosting sells data-centre space and connectivity, leaving most of the operational responsibility to the customer.

Shared hosting (branded as Webmore) consists of defining and selling standard cloud-based information technology solutions such as domains, email, web hosting and software.

In 2010, activities in Denmark accounted for 76.3% of revenue in TDC Hosting, while activities in Sweden and Finland accounted for 17.3% and 6.4%, respectively. In 2010, 57.5% of the revenue in TDC Hosting came from managed hosting. TDC Hosting aims to build on its position in the Danish market and strives to be a recognised challenger in Sweden and Finland in the market segments in which it operates. At year-end 2010, TDC Hosting had 188 full-time employee equivalents.

Operations & Wholesale

2010

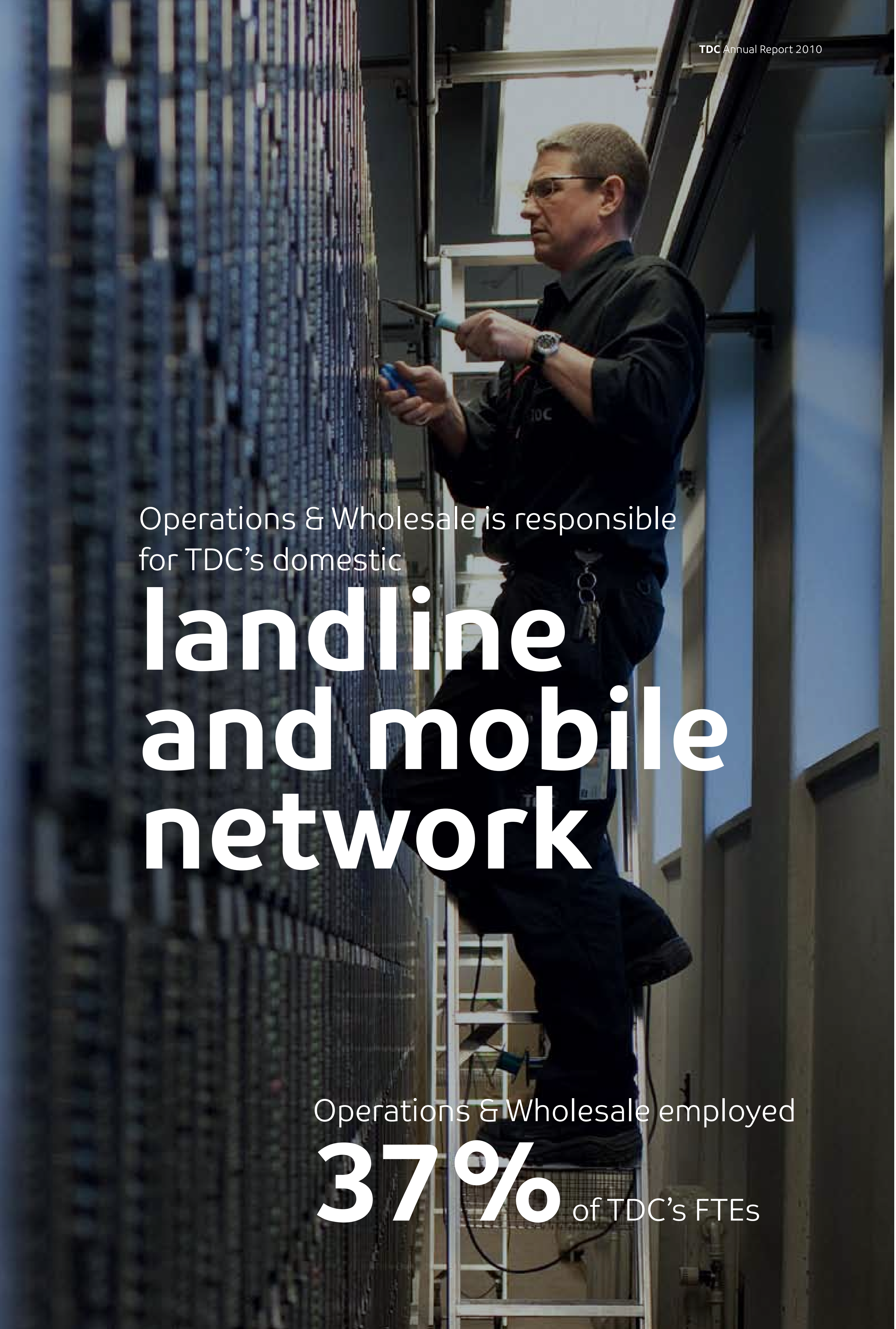
Operations & Wholesale had

805,000

customer relationships

Internet and network

constituted 37% of Operations and Wholesale's revenue



Operations & Wholesale is responsible for TDC's domestic

landline and mobile network

Operations & Wholesale employed

37% of TDC's FTEs

Operations & Wholesale

2010

Overview

Operations & Wholesale is responsible for all TDC's Danish activities regarding landline and mobile networks, operations, infrastructure, information technology and wholesale. Operations supports TDC's other business divisions by operating support and back-office functions (such as information technology management), whereas Wholesale, as a commercial unit, provides landline telephony, mobility services, internet and network services for external service providers and brand partners, as well as national and international traffic and roaming for other network operators.

At 31 December 2010, Operations & Wholesale had 805,000 RGUs, and 3,868 full-time employee equivalents.

Operations

Operations manages a number of critical support functions in the organisation (such as fault handling, information technology, supply chain and procurement, installation and network) and drives operational change in the Group while focusing on continuous efficiency and productivity improvements. It undertakes the following activities:

Network operates and maintains the Danish telecommunications network for mobile and landline. Network is also responsible for facility services including space management within TDC.

Installation is responsible for customer installations, on-site delivery and fault handling for external customers, as well as the construction and maintenance of TDC's access network.

Information Technology provides maintenance and development of information technology systems, desk-top support, systems operation, product development and billing. All information technology infrastructure operations and application development and maintenance have been outsourced to CSC.

Other activities comprise the strategic sourcing (procurement), business development and logistics (supply chain management and supply of support facilities) sub-divisions and also the central finance functions (accounts receivable and payable, payroll, etc.).

The networks and information technology platforms used by TDC Business, Consumer and Wholesale and their operations, maintenance and investments are managed by Operations. Accordingly, Operations represents a material part of the capital expenditure spent in TDC's Danish business. Capital expenditure is therefore recognised in full in Operations & Wholesale and not allocated to any particular business division.

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

Operations had 3,630 full-time employee equivalents[9] at 31 December 2010.

Strategy

Operations continuously seeks to improve TDC's cost base and is focused on a number of programmes aimed at building on its recent successes in achieving cost reductions across the organisation. Examples of such key initiatives include:

- A continued focus on achieving efficiency gains from further improvements in fault handling to improve customer experience while reducing costs.

- The launch of the TDC Pro initiative, which is a review of the operating model aimed at increasing efficiency, simplifying production, reducing lead times and waste, improving flexibility and strengthening cross-functional collaboration. In terms of scope, TDC Pro covers the review of processes, structures and interfaces as well as decisions on 'make versus buy', primarily within the Operations & Wholesale division, as well as the interactions between Operations & Wholesale and Consumer and TDC Business.

- Use of information technology as a market differentiator. TDC aims to improve its customer experience and opti-

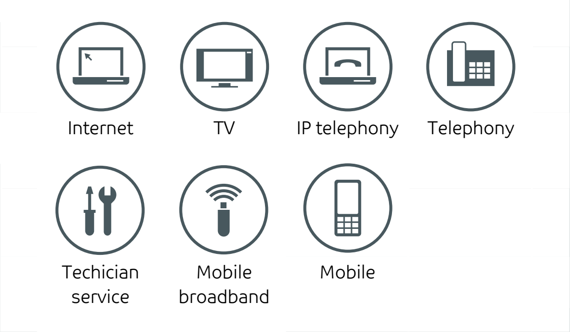
[9] Incl. 265 FTEs in Staff.

mise its information technology cost and capital expenditure by reducing the complexity of its information technology architecture.

Operations' focus on reducing fault rates and related costs is reflected in, for example, the decrease in cable faults from approximately 102,000 in 2009 to approximately 91,000 in 2010. Annualised fault rates per product decreased from 62% and 18% for TV and VoIP (excluding YouSee and TDC Nordic), respectively, in 2009 to 33% and 9%, respectively, in 2010.

In terms of network infrastructure, investment in TDC's telecommunications network is driven mainly by consumer demand and developments in technology. While continuing its commitment to expand its fibre network and mobile network investment to achieve increased capacity and speed, TDC is seeking to optimise capital expenditure management aimed at reducing costs.

Services and products



Business development and logistics
Operations' business development and logistics unit includes strategy and business development in Operations, capacity planning across TDC and supply chain management. At 31 December 2010, the business development and logistics unit had 180 full-time employee equivalents.

Information technology
Operations is responsible for TDC's information technology, which is a core function for TDC. Through Operations, TDC focuses on reducing information technology costs and increasing the efficiency of its capital expenditure, while improving the overall quality of its information technology and customer experience. A key element of this is TDC's evolution towards a consolidated and simplified architecture for its information technology system. To do this, Operations is consolidating the number of software applications required by TDC. At 31 December 2010, the information technology unit had 280 full-time employee equivalents.

Strategic sourcing
Operations is responsible for planning, sourcing and outsourcing, negotiating supplier agreements and implementing procurement contracts. Operations has outsourced to CSC maintenance and development (2008) and activities related to information technology infrastructure (2007), including data processing and distributed computing services. TDC has also outsourced the planning, roll-out and operation of its mobile network to Ericsson (2008). On the procurement side, Operations aims to increase the efficiency of capital expenditure by introducing lower cost alternatives and rigorous performance management. At 31 December 2010, the strategic sourcing unit had 39 full-time employee equivalents.

Installation
Operations' installation unit involves customer installation and on-site delivery, fault handling and construction and maintenance of TDC's access network. Operations is focused on reducing fault rates through its comprehensive monitoring model, which uses a combination of a fault hotline, remote fault correction and on-site fault correction to address faults. At 31 December 2010, the installation unit had 1,603 full-time employee equivalents.

Network

TDC owns and operates the most extensive telecommunications network in Denmark, including a high-capacity backbone network based on optical fibre, a nationwide access network based on copper cables, 2G and 3G mobile access networks and service platforms, delivering a full range of services to residential and business customers. The network is fully digitalised. While TDC supplied almost total landline infrastructure coverage at 31 December 2010, 67% of Danish households (excluding holiday homes) were not covered, or were covered only to a limited extent, by competitors of TDC. At 31 December 2010, the network unit had 1,302 full-time employee equivalents.

Landline network

Backbone. The fibre-based backbone network is a key element of Operations' landline network. The backbone network carries voice, data services (IP, Ethernet, ATM, leased lines) and TV signals between exchanges. All TDC's exchanges and nodes are connected by backbone fibre cables totalling a length of approximately 21,000 kilometres at 31 December 2010. Transmission technologies employed include wavelength division multiplex systems and SDH, which delivers fixed-capacity connection bandwidth of up to 2.5 Gbps. Ring structures are widely used in the transmission network to increase resilience to cable cuts and other network failures.

Access. The landline access network consists of copper pairs and optical fibre. The copper network, with a total of 228,500 kilometres at 31 December 2010, covers almost 100% of the population in Denmark. The network is essential for providing basic and advanced telephony services, low bandwidth leased lines and xDSL services. Optical cables in the access network, with a total length of 13,000 kilometres at 31 December 2010 (excluding the fibre network purchased from DONG Energy) provide high-capacity links to business customers and mobile base stations. Furthermore, for the past four years, TDC has been preparing the access network for a future switchover to fibre-based services through the deployment of hybrid (copper/fibre) cables in all new projects.

In December 2009, TDC acquired DONG Energy's fibre network covering the greater Copenhagen area and North Zealand, which is a densely populated area of Denmark with significant purchasing power. At 30 June 2009, this network consisted of 5,500 kilometres of optical cables in the access network, connected to 246 access sites. TDC is in the process of integrating the DONG Energy fibre network into the overall TDC network and migrating all electronics in the network to TDC standards. Major parts of the network integration were completed by the end of 2010, and migration of business and residential customers to TDC products has started, in order to be completed in the first half of 2011.

Service platforms. TDC owns and operates a full range of service platforms providing basic as well as advanced voice and data services. The telephony platform includes a PSTN/ISDN switching platform with 1,183 exchanges at 31 December 2010. The platform is characterised by high stability and low operating costs. The data platforms in Denmark and the Nordic region include TDC's ATM, Ethernet and IP networks.

The ATM network extended to 149 PoPs in Denmark at 31 December 2010 and delivers a range of data connection services including frame relay and ATM services. The ATM network's PoPs provide full coverage in Denmark and the ATM network is still a major platform for aggregated xDSL-based broadband access services, though xDSL customers are being gradually migrated to an Ethernet-based platform. The Ethernet aggregation network extended to 1,070 PoPs in Denmark at 31 December 2010 and provided xDSL-based services as well as Ethernet access services at speeds of up to 10 Gbps for the IP network.

The IP network delivers internet access services, pan-Nordic MPLS based IP-VPN services, VoIP services and content services such as TVoIP. MPLS plays a key role in delivering the necessary quality of service for VoIP. In order to prevent interruptions in the flow of traffic on the network, all PoPs are connected to the IP core network by at least two redundant connections, and with the exception of a few minor PoPs, each PoP is supported by redundant routers. The redundant connections/routers take over if the primary connection/router fails.

The current xDSL deployment in Operations focuses on Ethernet DSLAMs offering high bandwidths as well as TVoIP. At 31 December 2010, Operations had approximately 2,000 PoPs with Ethernet DSLAMs in the network. Coverage with high-speed xDSL services was increased during 2010 by deploying DSLAMs in roadside cabinets, close to customers. This process will continue in the years ahead. In addition, TDC began delivering services based on fibre access in DSLAMs in December 2010.

At 31 December 2010, TDC's network provided xDSL coverage with downstream bandwidth of 20 Mbps and 50 Mbps to 75% and 25% of households, respectively. At 31 December 2010, 99% of households were covered by 512 kbps or above of downstream speed.

Mobile network

At 31 December 2010, Operations owned a combined GSM 1800 and GSM 900 nationwide network in Denmark. The network included more than 3,200 base stations (including equipment at large customers' premises) and 24 base station controllers. At 31 December 2010, 99% of the Danish population and geography were covered by GSM (outdoor) and 86% of the population also had GSM indoor coverage. The whole GSM network has been upgraded with EDGE providing data speeds of up to 200 kbps for all EDGE-enabled user terminals.

Operations' UMTS network was launched in 2005. At 31 December 2010, it comprised a total of 2,420 base stations (including 64 indoor solutions at customers' premises) and 10 radio network controllers. With population coverage of 94%, the UMTS network exceeds the requirements of TDC's Danish UMTS licence. All TDC customers with 3G handsets or mobile broadband cards have automatic access to the UMTS network and any speed upgrades on the network. All UMTS networks are being upgraded to Turbo 3G, which is based on HSDPA technology and provides customers with high bandwidth broadband access via the mobile network both for downlink (HSDPA) and uplink (EUL). Turbo 3G and EDGE on the GSM network provide customers with a seamless nationwide mobile broadband experience with data speeds of up to 15 Mbps.

In May 2010, TDC was allocated 2x20MHz of paired spectrum in the auction of the Danish 2.5GHz frequencies, which will be used for LTE/4G. TDC is running field tests on the LTE/4G technology and will launch commercial products and services during 2011.

Operations' network includes platforms for voicemail, SMS, WAP, MMS, the mobile portal FLY and an intelligent network platform for a large number of services, including prepaid services. In cooperation with Danish State Railways, TDC offers internet access (WLAN) based on 3G/HSDPA backbone in a selection of trains between Copenhagen and Aarhus.

Operations has outsourced the planning, roll-out and operation of its mobile network to Ericsson, while TDC continues to supervise the performance of the contract and evaluate alternatives regarding network expansion and improvements.

Routine maintenance, inspections and tests are conducted daily, including network performance tests to monitor each of the technologies separately. In addition, Operations monitors all network events through a common alarm-handling system at the network operations centre in Copenhagen.

Wholesale

Wholesale provides landline telephony, mobility services and internet and network services for service providers and brand partners, as well as national and international traffic and roaming for other network operators.

In the wholesale markets, the majority of TDC's prices are regulated as TDC is designated as having Significant Market Power.

Wholesale had 805,000 RGUs and 238 full-time employee equivalents at 31 December 2010.

Strategy

Wholesale's strategy is to enable further growth of its position as the preferred network provider for Danish and international telecommunications, particularly within mobility services and capacity. TDC has increased its customer focus by implementing processes to improve its customer experience. Wholesale supports the increased focus on maintaining PSTN customers through reselling access to other landline companies and by actively controlling migration to BSA and VoIP. In addition, Wholesale intends to pursue growth opportunities by leveraging its network through the provisioning of content provider services. Wholesale can also provide landline and mobile convergence solutions due to TDC's dual network advantage, as TDC has both landline and mobile networks. Wholesale's sales approach has also been realigned as more commercially oriented and focused on proactive sales while the sales force has been upgraded. Wholesale now aims for closer cooperation with customers on products, systems and process development.

Services and products

Wholesale offers a full range of network services to Danish and international operators on landline and mobile networks.

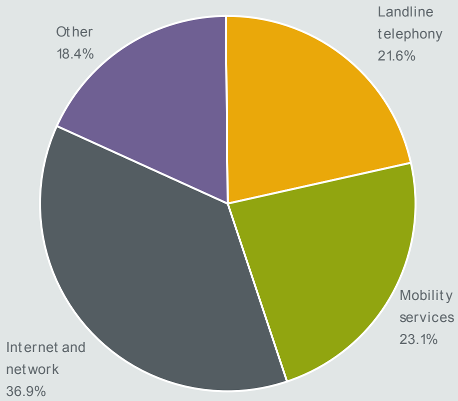
Wholesale offers a variety of access services such as full and shared unbundled access to the local loop, BSA and resale of PSTN, ISDN and xDSL services. Traffic products include termination of national and international traffic, and national transit services. Wholesale also offers infrastructure services, including traditional leased lines, IP-VPN, dedicated fibre, wavelengths and IP connectivity, and sells co-location to approximately 1,200 TDC central buildings.

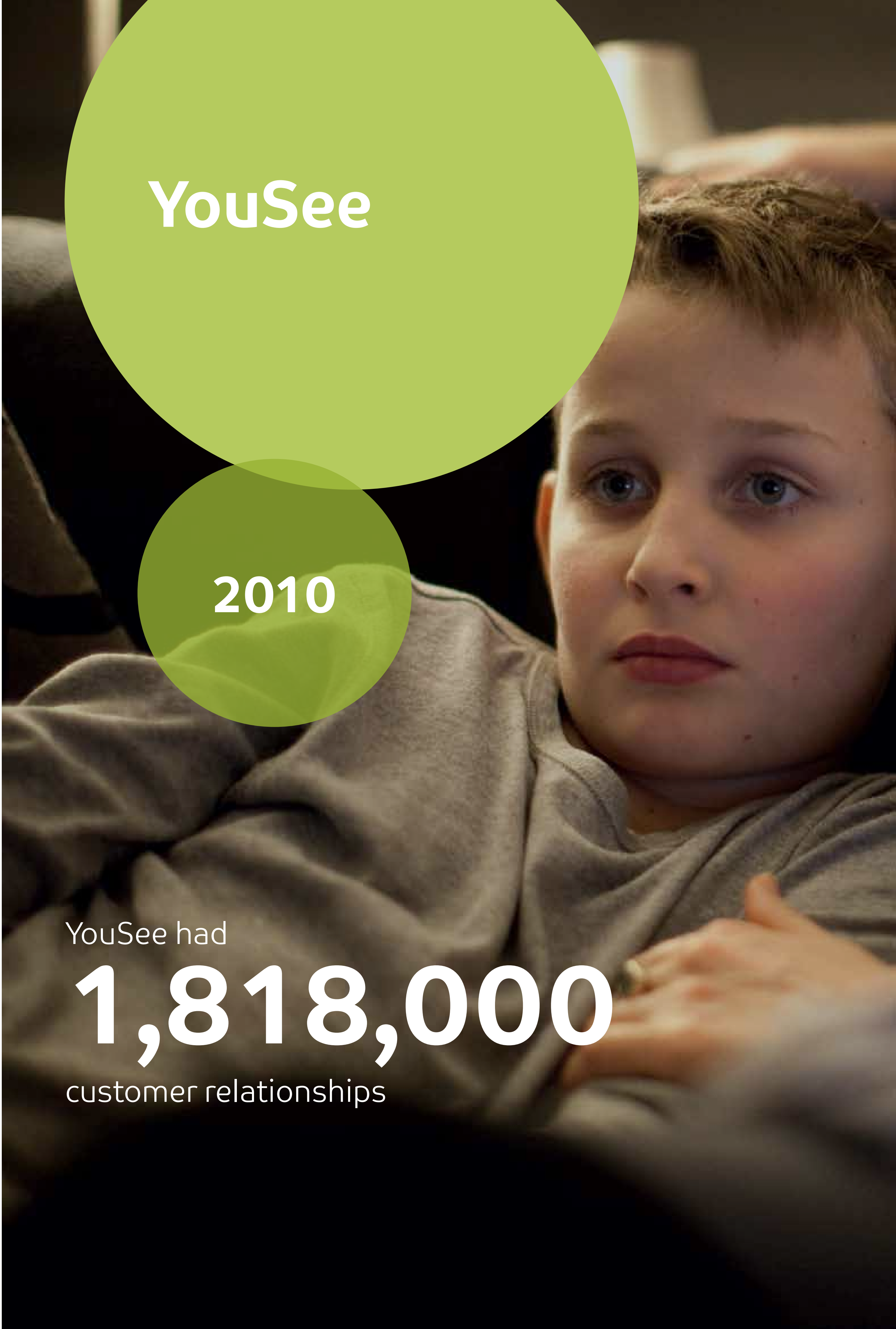
Wholesale provides national and international roaming, MVNO, resale of mobile voice and mobile broadband and landline.

Wholesale also offers a brand partner concept that allows customers with the potential for significant value-added services, such as providing access to a distribution network or media channels, to offer complete and targeted telecommunications solutions (which include products or services from Wholesale), including billing and customer service, to their customers under their own brand names.

The content provider services unit handles sales, consulting and business development within mobile data services, for example m-payment, barcodes, location services, telemetrics, mobile marketing and near field communication.

Operations & Wholesale revenue breakdown by product





YouSee

2010

YouSee had

1,818,000

customer relationships


YouSee's network covers
56%
of Danish households
YouSee is market leader on the pay-TV market
with a 50% market share

YouSee

2010

Overview

YouSee is the leading Danish Pay-TV provider in terms of market share offering its customers TV, broadband and telephony services. At year-end, 2010, YouSee had passed approximately 1,454,000 homes with coax cable and, via TDC's fibre network, has the potential to access further approximately 42,000 homes.

At year-end 2010, YouSee had 1,818,000 RGUs and 1,231 full-time employee equivalents.

Structure

YouSee is a separate legal entity within the TDC Group in compliance with the Danish legal requirement that cable TV networks owned by the landline operator must be held in a separate legal entity. YouSee is managed at arm's length and conducts its business operations independently of TDC, within a framework of governance rules. For example, TDC and YouSee coordinate strategic planning, brand segmentation and capital expenditure allocation and have a range of common headquarters functions such as legal and regulatory services, human resources and strategic purchases. TDC delivers backbone capacity and IP connectivity to YouSee through its backbone and also provides access to TDC Shop and telephony service. YouSee provides TDC with content for TDC TV and mobile TV, head-end functionalities for all TV services in the TDC Group and on-demand services such as movies. The YouSee brand is differentiated from the TDC brand and is aimed at all markets from mass to premium.

Dansk Kabel TV A/S, a wholly-owned subsidiary of YouSee, is YouSee's main contractor for establishing new local networks and connecting new customers. Dansk Kabel TV also serves its own customer base of privately owned local antenna networks with cable products (TV, broadband and VoIP) and installation services. Dansk Kabel TV accounted for 9.8% of YouSee's total revenue in 2010, excluding intra-group sales (Dansk Kabel TV revenue and RGUs are consolidated in YouSee's revenue and RGUs).

Strategy

YouSee's strategy is to seek further financial and operational growth and to increase customer satisfaction. A key element of the strategy is to consolidate the current market position by offering the best TV content, functionality and broadband bandwidth, and to increase the number of services used by YouSee customers. The strategy is built around ten key strategic initiatives, including:

- A focus on providing the best TV offering, for example, by including HD channels in YouSee Clear packages and the planned introduction of a free-choice concept (allowing customers to select their own channels on top of their package), and by capturing the growth in on-demand services by utilising existing agreements with U.S. and Nordic major studios to increase video-on-demand business.

- Expanding the addressable market, for example, by increasing penetration of homes passed and building out to new homes, and delivering services over all network types such as copper, LAN and fibre.

- Increasing ARPU and RGUs per customer through upsale of broadband, additional TV products and telephony services.

- Establishing YouSee as the gateway to customer entertainment needs by using YouSee's extensive portfolio of content rights, for example through TV-on-demand (TV archive), video-on-demand (Cinema), music-on-demand (YouSee Play) and TV channels to computers (YouSee Web TV).

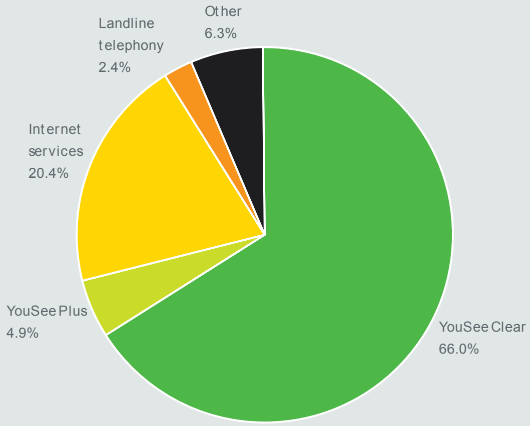
- Utilising YouSee's fully DOCSIS 3.0 upgraded hybrid fibre coaxial cable network to differentiate from competitors in terms of delivering YouSee Clear TV packages, high-speed broadband and increased capacity for on-demand services (unicast).

- Improving the focus on the individual customers and delivering quality through focusing on the whole customer service experience while increasing sales and reducing churn through pro-active customer dialogue.

Content rights

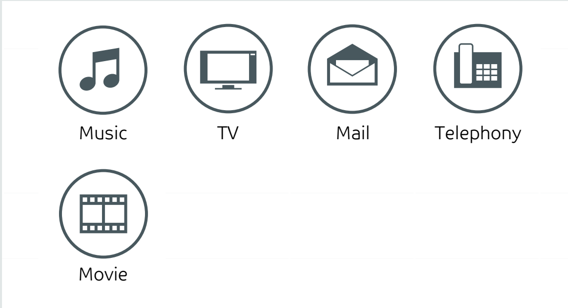
Due to its extensive network and number of customers, YouSee is a key distribution partner for all Danish commercial broadcasters as well as for international broadcasters wishing to distribute their channels in the Danish market. YouSee also sources entertainment content for TDC. Due to its scale, YouSee has been able to negotiate advantageous agreements with content providers. These agreements also allow YouSee to operate on several distribution platforms (cable, TDC TV and web-TV) and provide rights to a range of interactive functionalities, for example, TV archive for DR (the public Danish broadcaster) and pause, start-over and reeling functions. YouSee also has agreements with more than 20 movie and entertainment suppliers including major U.S. and Nordic studios, providing it with high-quality content for its video-on-demand service.

YouSee revenue breakdown by product



Other includes installation fees and TDC TV.

Services and products



YouSee offers cable TV, landline and mobile broadband and landline telephony through a fully digitalised hybrid fibre coaxial cable network that is fully upgraded with DOCSIS 3.0. YouSee also offers similar products on TDC's fibre network via D-PON technology.

YouSee's products and services are distributed through its sales force for organised customers, YouSee's online shop, YouSee call centres, TDC Shop and other selected retailers.

TV

YouSee, with TV as its core business, offers digital and analogue cable TV in three standard packages (basic, medium and full) for individual households and organised customers (antenna and housing associations), representing 36% and 64% of YouSee's TV RGUs, respectively. In September 2009, YouSee introduced YouSee Clear, which is the basic subscription where all channels contained in the subscription are unencrypted in digital. At year-end 2010, YouSee had 1,176,000 YouSee Clear RGUs. YouSee Clear offers customers unencrypted multi-room TV with no extra equipment or fees.

The channels in the cable TV packages are selected with consideration for customer preferences:

- The basic package, which had 230,000 RGUs at 31 December 2010, contains 27 channels, primarily free-to-air channels from the Danish and neighbouring countries' public service TV stations, and also three Danish commercial channels.

- The medium package, which had 146,000 RGUs at 31 December 2010, contains 36 channels, which are some of the most popular Danish pay channels as well as the channels from the basic package.

- The full package, which had 654,000 RGUs at 31 December 2010, includes 25 Danish and foreign channels in addition to those offered in the medium package.

- Some organised customers, for example large antenna associations that represent 11.3% of total TV customers (133,000 RGUs) at 31 December 2010, individually receive customised content packages from YouSee.

- In addition, at 31 December 2010, 13,000 RGUs were reached through YouSee’s subsidiary Dansk Kabel TV A/S.

The YouSee Plus add-on product provides additional digital TV consisting of extra TV packages and on-demand services. On-demand services are video-on-demand with movie rental, TV archive of the previous 30 days' broadcasting on selected channels, start-over, pause and reeling functions as well as a comprehensive TV guide. At year-end 2010, YouSee Plus had 160,000 RGUs.

YouSee develops new product functionalities and strives for an enhanced customer experience. For example, TDC’s purchase of DONG Energy’s fibre network in Copenhagen and North Zealand was, in part, to enhance YouSee’s offering of cable TV to more than 40,000 households in areas that YouSee did not previously cover. At 1 December 2010, ten of the YouSee Clear channels were HD. To further improve the customer experience in 2011, YouSee currently expects to introduce a free-choice concept in its cable TV packages, allowing customers to select their own channels on top of the basic package.

Internet services
YouSee’s broadband products are priced at a flat rate that varies based on the broadband speed provided and customers are billed for a fixed monthly subscription with unlimited data usage. YouSee’s broadband is a 'buy-through' product, i.e. only available to YouSee’s TV customers. In an effort to reduce churn and to be seen as a premium brand, YouSee is focused on value-added services such as YouSee Web TV (which gives broadband customers access to more than 42 TV channels on their computers) and YouSee Play (which is a music service giving access to more than 10m tracks at no cost) as the main differentiator from its competitors.

At 31 December 2010, YouSee had 403,000 internet RGUs (including RGUs of acquired broadband provider A+), and 3,000 mobile broadband RGUs. YouSee also increased the internet penetration rate among customers with YouSee cable TV subscription from 34.1% at 31 December 2009 to 34.3% at 31 December 2010. The triple-play penetration (VoIP as a percentage of broadband) increased from 15.8% at 31 December 2009 to 17.2% at 31 December 2010.

YouSee has recently undertaken a number of initiatives to improve its internet services. For example, in 2009, 4 Mbps was the minimum bandwidth offered to YouSee’s customers, which was increased to 8 Mbps as of September 2010. On 15 May 2009, YouSee launched downstream broadband with speed of 50 Mbps. 100 Mbps via fibre was available in December 2010, and 100 Mbps via coax is ready for introduction and is expected to be launched in the second half of 2011. More recently, broadband speeds of 300 Mbps have been successfully tested. All broadband services include email, web-disk (online storage), YouSee Play (since 2008), and YouSee Web-TV (since 2009).

Landline telephony
YouSee offers VoIP with a quality of service that ensures a voice flow of the same quality as traditional landline. Two products are offered: a combined prepaid flat-rate subscription and a consumption-based product. Some of the telephony customers are PSTN/ISDN as a result of TDC’s acquisition, in 2005, of a small company specialising in delivering telephony products to organised customers. At 31 December 2010, YouSee had 76,000 landline RGUs.

The cable network

YouSee has a fully digitalised network operated from one central head-end station in Copenhagen that provides play-out for the entire network. At 31 December 2010, it covered 56% of Danish households. A redundant passive standby head-end is located at YouSee premises elsewhere in Copenhagen.

The head-end station also serves as a base for TDC's offerings of HomeTrio and TV on mobile handsets and provides cable modem provisioning and network management control servers for all TV-based IP products, e.g. Web TV. TV is transmitted digitally through TDC's Danish backbone network to 29 remote hubs where the video streams (close to 1 Gbps) are converted into 162 digital and 34 analogue TV channels. From the remote hubs, the channels are distributed to end customers via the HFC network. For encrypted channels, set-top boxes with smart cards or digital TV sets with CAM modules and smart cards are needed to receive the channels. Where encryption is not used, customers need a TV set with a digital cable receiver or a set-top box. In many cases, the last few hundred metres of the HFC network are owned by landlords or organised customers.

High-speed broadband services are terminated to TDC's IP core network from the same 29 hubs mentioned above. The HFC networks owned by YouSee are completely return-path (DOCSIS 3.0) upgraded, and most of the customer-owned networks, where YouSee has the right to deliver broadband, have also been upgraded. In total, almost three-quarters of the customer-owned network had been upgraded at 31 December 2010. HFC networks can, in theory, carry up to 5 Gbps of digital content. The current allocation is up to 1 Gbps for digital TV, 0.5 Gbps for TV-on-demand and video-on-demand, and 2 Gbps for DOCSIS. On average, a local network is able to serve approximately 2,000 households. YouSee has rolled out the additional downstream capacity required for DOCSIS 3.0 modems. Since 1 December 2009, DOCSIS 3.0 modems have been the standard for new customers with 12 Mbps or more. At 31 December 2010, 9% of YouSee's customers were using DOCSIS 3.0 modems. Almost all modems operate according to the DOCSIS 2.0 standard.

Employees

At 31 December 2010, TDC had 10,423 full-time employee equivalents. The following table shows TDC's full-time employee equivalents as of 31 December 2010, 2009 and 2008, broken down by business line.

TDC has implemented a number of general Danish redundancy programmes in recent years. As a consequence of these programmes, in 2010, TDC reduced its domestic workforce by 691 employees (headcount).

TDC places considerable importance on employee training, and employee satisfaction is monitored in a quarterly employee survey, *TDC Kompasset* (The TDC Compass). The employee satisfaction survey engages TDC's employees in dialogue to identify ways to improve work environment processes and goal setting. According to the internal TDC survey (covering the entire workforce), employee satisfaction increased from 73/100 in 2008 to 76/100 in 2009 and 77/100 in 2010.

Labour relations

TDC estimates that, at 31 December 2010, more than 70% of its employees were union members. Almost all employees except for employees on senior management contracts are covered by collective labour agreements.

Collective labour agreements are in place with the telecommunications department of the Danish Metal Workers Union (*Dansk Metal*), the Association of Managers and Employees in Special Positions of Trust in TDC (*Lederforeningen i TDC, LTD*), the Danish Confederation of Professional Associations (*Akademikernes Centralorganisation*) and a few other unions. TDC's agreement with the Association of Managers and Employees in Special Positions of Trust in TDC does not include the right to initiate strikes and other union measures.

TDC has entered into collective truce agreements with the telecommunications department of the Danish Metal Workers Union, the Association of Managers and Employees in Special Positions of Trust in TDC, and the Danish Confederation of Professional Associations (collectively, the 'Truce Agreement Unions'). In accordance with these truce agreements TDC has agreed to follow certain procedural guidelines when implementing workforce reductions, including providing redundant employees with training that would prepare them for outplacement or reassignment within TDC under certain circumstances. Pursuant to the truce agreement with the Danish Metal Workers Union, the parties have agreed to enter into dialogue within 24 hours of any imminent conflict in order to prevent industrial action. The truce agreements will expire at the end of 2011, however they may be terminated by TDC or the unions subject to three months' notice in the event that the assumptions behind the agreements lapse or change.

FTEs (EoY)	2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
Consumer[1]	2,037	2,160	2,212	(5.7)	(2.4)
TDC Business	1,476	1,528	1,620	(3.4)	(5.7)
TDC Nordic	1,388	1,437	1,619	(3.4)	(11.2)
- of which in Denmark	168	153	155	9.8	(1.3)
Operations & Wholesale[2]	3,868	4,409	4,406	(12.3)	0.1
YouSee[3]	1,231	1,265	1,174	(2.7)	7.8
Others	423	478	741	(11.5)	(35.5)
- of which in Denmark	420	471	726	(10.8)	(35.1)
TDC Group	**10,423**	**11,277**	**11,772**	**(7.6)**	**(4.2)**
TDC Group, domestic	**9,200**	**9,986**	**10,293**	**(7.9)**	**(3.0)**

[1] Includes Fullrate as of Q2 2009 and M1 as of Q1 2010.
[2] Includes the fibre network purchased from DONG Energy as of Q4 2009 and Unotel as of Q1 2010.
[3] Includes A+ as of Q2 2009 and Nordit as of Q2 2010.

TDC has also entered into collective agreements with the truce agreement unions regarding terms and conditions that will serve to encourage voluntary resignations. These agreements may be terminated by either party, subject to two months' notice.

In TDC Nordic, a mixture of collective agreements and individual contracts are used.

Pension etc.

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

The pension terms of employees who are former civil servants are similar to those that apply to government civil servants under the Danish Civil Servants Plan. When transferred to TDC, they retained their right to acivil servant pension in accordance with the Danish Act on Pension for Civil Servants. In 1994, TDC made an agreement with the Danish State, in accordance with which the Danish State, in return for a non-recurrentpayment from TDC, is to undertake the payment of civil servant pensions to the former government civil servants leaving TDC with no further obligations to finance these pension payments. However, the agreement between the Danish State and TDC can be renegotiated if the premises on which it was based change significantly. Employees who are former civil servants have retained their right to receive tied-over allowance, which is a special severance payment, in the amount of three years' salary in the event of dismissal due to insufficient workload. TDC has an obligation to fund such tied-over allowance.

The pension terms of the members of TDC Pensionskasse are similar to those provided by the Danish Civil Servants Plan. In the event of dismissal due to insufficient workload, at31 December 2010, 93 of these employees had a right to receive severance pay in the form of tied-over allowance equal to three years' salary and 80 of these employees had a right to receive stand-off payments consisting of three months' full salary and two-thirds of the full monthly salary for four years and nine months. TDC has the obligation to fund contributions to the civil servants pension fund as well as tied-over allowance and stand-off payments.

The pension terms of the remainder of employees in Denmark are defined contribution plans without further obligations for TDC except to finance agreed contributions to the employees pension insurance providers.

TDC has also undertaken an obligation to finance add-on pension contributions to the pension insurance provider concerned for the benefit of the former civil servants and members of TDC Pensionskasse. This expansion to the civil servants pension makes up for an agreed salary freeze used as the basis for calculating pensions for the civil servants.

The table shows the number of employees (headcount) participating in each of TDC's pension plans at 31 December 2010[10].

The Nordic activities run various pension schemes that are also mainly in the form of defined contribution plans.

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

Contract types/collective agreements/pension	Ordinary pension plans	TDC Pension funds members	Former government civil servants	Total
AC	1,079	5	2	1,086
Dansk Metal	3,331	1,714	205	5,250
LTD	861	342	66	1,269
Other or non-collective agreement	303	8	2	313
TDC Group	**5,574**	**2,069**	**275**	**7,918**

Guidance

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

Guidance 2011

TDC confirms its 2011 guidance expressed in the Offering Memorandum on 25 November 2010 regarding NTC's offering of TDC shares. The guidance for 2011 for the TDC Group is:

TDC expects revenue to remain level with 2010.

TDC expects EBITDA growth of approximately 2% compared with 2010.

TDC expects a capex-to-revenue ratio of approximately 13%.

Guidance 2010

TDC published financial guidance for 2010 for the TDC Group including Sunrise in the TDC Annual Report 2009, on 9 February 2010. This guidance implied revenue growth of 1% to 3% and EBITDA growth of 3% to 4% compared with 2009. On 17 September 2010, TDC announced the divestment of its Swiss subsidiary Sunrise, and TDC provided updated guidance for 2010 for the TDC Group following the divestment of Sunrise. Revenue for 2010 was expected to be level with 2009, with EBITDA growth at a level of 2% compared with 2009. These expectations were confirmed in the third Quarter Report on 3 November 2010 and in the Offering Memorandum on 25 November 2010 regarding NTC's offering of TDC shares.

In accordance with this guidance, TDC' 2010 revenue was level with 2009, and EBITDA growth was 2.2%.

Dividend

The Board of Directors does not expect to recommend a dividend for the year ended 31 December 2010 following the share buy-back in December 2010.

For the financial year 2011, the Board of Directors expects to recommend a dividend of DKK 4.35 per outstanding share, of which DKK 2.18 is expected to be distributed in August 2011 and the remainder in the first quarter of 2012.

The Board of Directors has adopted a dividend payout policy of 80% to 85% of Equity Free Cash Flow in a given 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 may be distributed in the form of ordinary or extraordinary dividends or a share buy-back or combination hereof.

Financial Review

Key financial data **DKKm**

TDC Group	2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
DKKm					
Revenue	**26,167**	**26,079**	**26,917**	**0.3**	**(3.1)**
Transmission costs and cost of goods sold	(6,747)	(6,444)	(7,239)	(4.7)	11.0
Gross profit	**19,420**	**19,635**	**19,678**	**(1.1)**	**(0.2)**
Other external expenses	(4,517)	(4,731)	(4,909)	4.5	3.6
Wages, salaries and pension costs	(4,327)	(4,598)	(5,185)	5.9	11.3
Other income and expenses	196	230	470	(14.8)	(51.1)
EBITDA	**10,772**	**10,536**	**10,054**	**2.2**	**4.8**
Depreciation	(2,660)	(2,385)	(2,433)	(11.5)	2.0
Amortisation	(2,603)	(2,170)	(1,937)	(20.0)	(12.0)
Impairment losses	(93)	(104)	(177)	10.6	41.2
Depreciation, amortisation and impairment losses	**(5,356)**	**(4,659)**	**(4,547)**	**(15.0)**	**(2.5)**
Operating profit (EBIT), excluding special items	**5,416**	**5,877**	**5,507**	**(7.8)**	**6.7**
Special items	(1,347)	(1,119)	(3,212)	(20.4)	65.2
Profit from joint ventures and associates	13	76	200	(82.9)	(62.0)
-of which special items	10	77	(22)	(87.0)	-
Net financials	(1,496)	(2,064)	(2,048)	27.5	(0.8)
Profit before income taxes	**2,586**	**2,770**	**447**	**(6.6)**	**-**
Income taxes related to profit, excluding special items	(1,035)	(1,085)	(722)	4.6	(50.3)
Income taxes related to special items	253	276	284	(8.3)	(2.8)
Total income taxes	**(782)**	**(809)**	**(438)**	**3.3**	**(84.7)**
Profit for the year from continuing operations	**1,804**	**1,961**	**9**	**(8.0)**	**-**
Profit for the year from discontinued operations	1,203	422	548	185.1	(23.0)
- of which special items	790	(153)	196	-	(178.1)
Profit for the year	**3,007**	**2,383**	**557**	**26.2**	**-**
Profit for the year from continuing operations, excluding special items	**2,888**	**2,727**	**2,959**	**5.9**	**(7.8)**
Adjusted revenue[1]	26,167	26,316	26,400	(0.6)	(0.3)
Adjusted EBITDA[2]	10,767	10,458	9,778	3.0	7.0

[1] Revenue for 2009-2010 has been adjusted for the acquisitions of Fullrate, A+, AinaCom's fibre network, DONG Energy's fibre network, M1 and Nordit the divestment of the satellite business, currency effects, and regulation of landline interconnection, international roaming and mobile termination charges. Revenue for 2008-2009 was adjusted for the acquisitions of Fullrate, A+ and DONG Energy's fibre network; the divestments of Business Phone, Digital Signatur, Connect Partner, International Carrier Services, LG, Rejsekort, the satellite business and business customer centres as well as the divestment and outsourcing of CPE sales to business customers; currency effects; and regulation of international roaming and mobile termination charges.

[2] EBITDA for 2009-2010 has been adjusted for the acquisitions of Fullrate, A+, AinaCom's fibre network, DONG Energy's fibre network, M1 and Nordit as well as the divestment of the satellite business and the gain related to the divestment of the field force operation in TDC Sweden, sale of assets (sale of property, plant and equipment and intangible assets); currency effects and regulation of landline interconnection and international roaming charges. EBITDA for 2008-2009 was adjusted for the acquisitions of Fullrate, A+ and DONG Energy's fibre network; the divestments of Uppsala Stadsnät, Business Phone, Digital Signatur, International Carrier Services, Connect Partner, LG, the satellite business business customer centres and TDC Produktion as well as the gain related to the divestment of the field force operations in TDC Sweden, the sale of property, plants and equipment, currency effects and regulation of international roaming charges.

TDC Group		2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
	DKKm					
Net interest-bearing debt		**(22,607)**	**(33,461)**	**(34,873)**	**32.4**	**4.0**
Statements of Cash Flow						
Continuing operations:						
Operating activities		7,238	7,440	5,743	(2.7)	29.5
Investing activities		(3,889)	(4,811)	2,096	19.2	-
Financing activities		(20,091)	(10,261)	(9,506)	(95.8)	(7.9)
Total cash flow from continuing operations		**(16,742)**	**(7,632)**	**(1,667)**	**(119.4)**	**-**
Total cash flow in discontinued operations		16,810	1,677	88	-	-
Total cash flow		**68**	**(5,955)**	**(1,579)**	**101.1**	**-**
Free cash flow						
Operating free cash flow		7,437	6,469	6,324	15.0	2.3
Equity free cash flow		4,515	4,426	2,424	2.0	82.6
Capital expenditure						
Capital expenditure		(3,534)	(3,891)	(3,975)	9.2	2.1
Key financial ratios						
Earnings Per Share (EPS)	DKK	3.06	2.45	0.71	-	-
EPS from continuing operations, excl. special items	DKK	2.94	2.75	2.99	-	-
Dividend payments per share	DKK	-	7.85	0.72	-	-
Gross profit margin	%	74.2	75.3	73.1	-	-
EBITDA margin	%	41.2	40.4	37.4	-	-
Capex-to-revenue ratio	%	13.5	14.9	14.8	-	-
EBITDA - Capex	DKKm	7,238	6,645	6,079	8.9	9.3
Cash conversion	%	69.0	61.4	62.9	-	-
Net interest-bearing debt/EBITDA	x	2.1	3.2	3.0	-	-
EBITDA/interest	x	6.8	6.8	4.7	-	-

The TDC Group

RGU development

TDC had 8.9m RGUs in 2010, down 0.7% compared with 2009.

The number of domestic RGUs decreased from 8,767,000 in 2009 to 8,647,000 in 2010, corresponding to a decrease of 1.4%[11], which reflected mainly:

- 7.7% fewer landline voice RGUs due to the migration from landline to mobile. However, this was a deceleration compared with previous years[12] due to pro-active churn control on PSTN/ISDN and a 21.9% increase in the number of VoIP RGUs, which was due mainly to the popularity of multi-play bundles.

[11] When adjusted for the large decrease in low-ARPU prepaid cards, domestic RGUs increased by 0.3%

[12] The lower RGU decrease from 2008 to 2009 was a consequence of the acquisition of Fullrate in 2009.

RGU base ('000 end-of-period)	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
Domestic, retail and wholesale:					
Landline voice	1,836	1,990	2,113	(7.7)	(5.8)
PSTN/ISDN	1,407	1,638	2,002	(14.1)	(18.2)
Retail	1,196	1,397	1,705	(14.4)	(18.1)
Wholesale	211	241	297	(12.4)	(18.9)
VoIP	429	352	111	21.9	-
Mobile voice	2,903	3,038	2,792	(4.4)	8.8
Retail voice	2,716	2,726	2,590	(0.4)	5.3
Prepaid cards	229	373	338	(38.6)	10.4
Subscriptions (incl. Telmore/M1)	2,487	2,353	2,252	5.7	4.5
Wholesale voice	187	312	202	(40.1)	54.5
Telemetrics	387	345	226	12.2	52.7
Mobile broadband	257	200	116	28.5	72.4
Landline internet	1,513	1,508	1,371	0.3	10.0
Broadband, retail	1,295	1,296	1,151	(0.1)	12.6
Broadband, wholesale	154	139	124	10.8	12.1
Non-broadband	64	73	96	(12.3)	(24.0)
Other networks and data connections	287	291	365	(1.4)	(20.3)
Retail	54	51	52	5.9	(1.9)
Wholesale	233	240	313	(2.9)	(23.3)
Total TV	1,464	1,395	1,245	4.9	12.0
YouSee Clear	1,176	1,153	1,113	2.0	3.6
YouSee Plus	160	146	105	9.6	39.0
TDC TV	128	96	27	33.3	-
Domestic RGUs, total	**8,647**	**8,767**	**8,228**	**(1.4)**	**6.6**
Dual-play bundles	304	213	-	42.7	-
Triple-play bundles	116	86	-	34.9	-
TDC Nordic					
Landline	80	55	47	45.5	17.0
Mobile	67	44	24	52.3	83.3
Landline internet	86	82	94	4.9	(12.8)
TDC Nordic RGUs, total	**233**	**181**	**165**	**28.7**	**9.7**
TDC Group RGUs, total	**8,880**	**8,948**	**8,393**	**(0.8)**	**6.6**

- 4.4% fewer mobile voice RGUs due to fewer low ARPU prepaid-card RGUs, which rose at the end of 2009 following a Christmas campaign. The decrease was partly counteracted by more telemetrics, and mobile broadband RGUs, which increased by 12.2% and 28.5%, respectively. TDC's acquisitions of M1 and Unotel did not affect TDC's total number of RGUs, as these RGUs were included in wholesale's RGUs in 2009.

- 0.3% more internet RGUs as the increase in broadband RGUs in the Fullrate brand was almost offset by a decline in non-broadband RGUs. The number of business broadband RGUs decreased due to the economic downturn and the introduction of the multimedia tax in January 2010.

- 4.9% more TV RGUs due to the success of HomeTrio[13] and continued growth in YouSee, in part related to the demand for add-on services.

The number of RGUs in TDC Nordic increased by 28.7% from 181,000 in 2009 to 233,000 in 2010. The development in TDC Nordic was affected mainly by growth in both its landline and mobile RGUs.

[13] Dual-play- and triple-play bundles increased by 42.7% and 34.9%, respectively, due to the success of TDCDuo and TDCTrio.

Financial review

Revenue

2009-2010

The TDC Group’s revenue rose by 0.3% to DKK 26,167m compared with 2009.

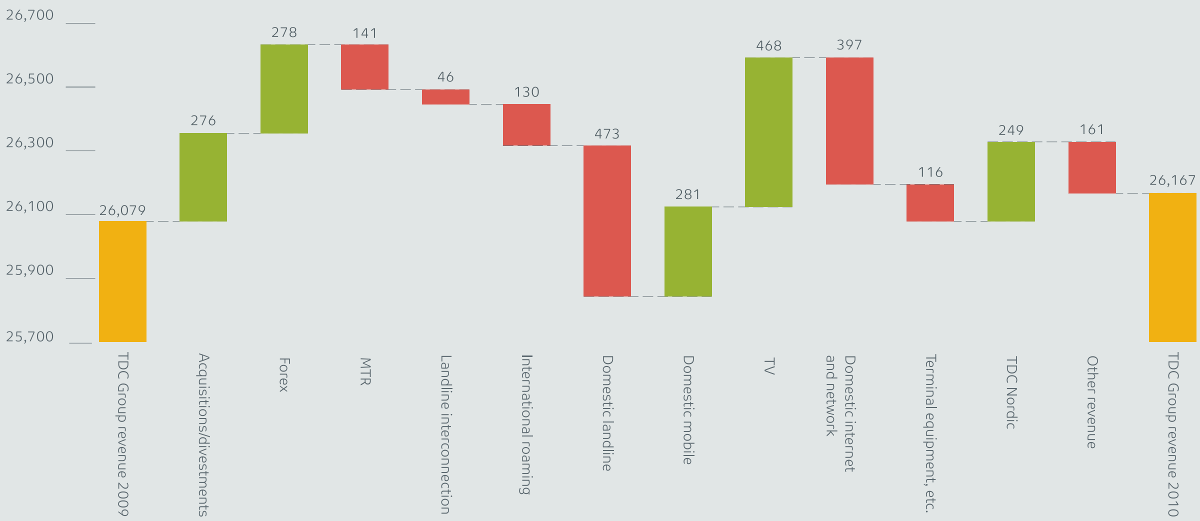
Revenue was positively affected by forex and the net impact from acquisitions and divestments, which were partly offset by negative impact from the regulation of MTR, landline interconnection charges, and international roaming charges.

- Decreasing landline revenue related to the decline in the number of PSTN/ISDN RGUs and shift towards VoIP (which generates lower ARPU).

- Increasing mobility service revenue was driven by mobile voice traffic and more mobile broadband customers.

- Decreasing domestic internet and network revenue was driven by increased market competition, the recent economic downturn and the introduction of the Danish multimedia tax in January 2010.

Revenue development 2009-2010 **DKKm**



- Decreasing terminal equipment revenue reflected fewer customers visiting TDC Shop, and lower sales in NetDesign due to reduced investment levels among business customers.

- Increasing TV revenue was driven by increased revenue from YouSee Clear and YouSee Plus, following the increased demand for add-on services. Revenue also increased following the success of the TDC TV product, due to the popularity of HomeTrio.

- Increasing revenue in TDC Nordic was due mainly to increased sales of mobility services to existing landline and data customers, and higher revenue from the integrator business, which partly recovered from the recent economic downturn.

- Decreasing revenue related to Other activities resulted primarily from increased intra-group sales.

2008-2009

In 2009, TDC's revenue was DKK 26,079m, a decrease of DKK 838m, or 3.1%, compared with 2008.

Revenue was negatively affected by forex and the negative impact from regulation of MTR and international roaming charges, which was partly counteracted by the net impact from acquisitions and divestments.

- Decreasing landline revenue related to fewer traditional domestic telephony RGUs and was somewhat mitigated by the success of the HomeTrio and HomeDuo packages.

- Increasing mobility revenue related primarily to more mobile voice subscription customers (with relatively high ARPU compared with prepaid cards), and the growing number of mobile broadband customers.

- Decreasing terminal equipment revenue related primarily to the divestment and outsourcing of CPE sales to business customers.

- Increasing TV revenue, primarily as a result of customers' increased demand for content and add-on services and the success of the HomeTrio product, was reflected in more RGUs and higher ARPU.

- Lower revenue from TDC Nordic, due to a decrease in Swedish integrator business.

Revenue **DKKm**

TDC Group	2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
Consumer	9,389	9,711	9,901	(3.3)	(1.9)
TDC Business	7,546	7,926	8,546	(4.8)	(7.3)
TDC Nordic	4,087	3,515	3,854	16.3	(8.8)
Operations & Wholesale	2,550	2,582	2,748	(1.2)	(6.0)
YouSee	4,012	3,597	3,188	11.5	12.8
Other activities	(1,417)	(1,252)	(1,320)	(13.2)	5.2
TDC Group	**26,167**	**26,079**	**26,917**	**0.3**	**(3.1)**
Adjusted revenue[1]	26,167	26,316	26,400	(0.6)	(0.3)

[1] Revenue for 2009-2010 has been adjusted for the acquisitions of Fullrate, A+, AinaCom's fibre network, DONG Energy's fibre network, M1 and Nordit, the divestment of the satellite business, currency effects, and regulation of landline interconnection, international roaming and mobile termination charges. Revenue for 2008-2009 was adjusted for the acquisitions of Fullrate, A+ and DONG Energy's fibre network; the divestments of Business Phone, Digital Signatur, Connect Partner, International Carrier Services, LG, Rejsekort, the satellite business and business customer centres as well as the divestment and outsourcing of CPE sales to business customers; currency effects; and regulation of international roaming and mobile termination charges.

Gross profit

2009-2010

TDC's gross profit was DKK 19,420m, a decrease of DKK 215m, or 1.1%, compared with 2009.

- This decrease, which was due mainly to the decline in domestic landline voice and internet and network, terminal equipment and regulation of international roaming and landline interconnection, was only partly counteracted by the acquisition of Fullrate, A+, M1, AinaCom's fibre network and DONG Energy's fibre network, increased gross profit from domestic TV and mobility services as well as growth in TDC Nordic.

- TDC's gross profit margin decreased from 75.3% in 2009 to 74.2% in 2010 This was mainly a result of product mix shift with growth in relatively lower margin areas such as the TV business and TDC Nordic as well as the activity decrease in high margin areas such as landline voice, broadband and operator services.

2008-2009

In 2009, TDC's gross profit declined by DKK 43m, or 0.2% to DKK 19,635m.

- This related mainly to lower project sales in the Swedish integrator business, lower activity in Operations & Wholesale, the divestment of Digital Signatur and Business Phone, the divestment and outsourcing of CPE and regulation of international roaming, which was only partly counteracted by increased gross profit from TV and the acquisitions of Fullrate and A+.

- TDC's gross profit margin increased from 73.1% in 2008 to 75.3% in 2009. The increased gross profit margin reflects primarily the lower MTR which have negative revenue impact but no negative gross profit impact, the divestment and outsourcing of CPE sales to business customers, the sale of other low-margin businesses by TDC Business and lower activity in the low-margin Swedish integrator business.

Gross profit — DKKm

TDC Group	2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
Consumer	6,510	6,721	6,744	(3.1)	(0.3)
TDC Business	5,198	5,338	5,387	(2.6)	(0.9)
TDC Nordic	1,694	1,609	1,726	5.3	(6.8)
Operations & Wholesale	1,985	2,061	2,191	(3.7)	(5.9)
YouSee	2,357	2,072	1,844	13.8	12.4
Other activities	1,676	1,834	1,786	(8.6)	2.7
TDC Group	**19,420**	**19,635**	**19,678**	**(1.1)**	**(0.2)**

EBITDA

2009-2010

The TDC Group's EBITDA rose by DKK 236m, or 2.2%, to DKK 10,772m. The EBITDA margin increased from 40.4% in 2009 to 41.2% in 2010.

- EBITDA was positively affected by lower wages, salaries and pension costs and lower employee-related costs due to fewer full-time employees (the number of average FTEs decreased by 5.7% from 2009 to 2010) despite the acquisition of some minor enterprises. EBITDA was also positively affected by the higher pension income related to the domestic defined benefit plans (DKK 150m) and currency movements. Savings related to lower subscriber acquisition costs, lower information technology costs and lower costs related to bad debt also had a positive influence on EBITDA.

- Besides the gross profit reduction, EBITDA was negatively affected by the accounting gains from the divestment of the satellite business and the field force operation in TDC Sweden, both in 2009.

2008-2009

TDC's EBITDA rose by DKK 482m to DKK 10,536m in 2009. The EBITDA margin increased from 37.4% in 2008 to 40.4% in 2009.

- EBITDA was positively affected by lower wages, salaries and pension costs and lower employee-related costs due to fewer full-time employees (from 2008 to 2009, the number of average FTEs decreased by 11.5%) and lower information technology costs and facility management costs.

- Besides the gross profit reduction, EBITDA was negatively affected by foreign exchange-rate developments in TDC Sweden and TDC Norway.

Depreciation, amortisation and impairment losses

2009-2010

In 2010, depreciation, amortisation and impairment losses rose by DKK 697m, or 15.0% to DKK 5,356m. This increase was due mainly to higher amortisation of the value of customer relationships, reflecting the implementation of a revised customer segmentation method for calculating the amortisation. On an isolated basis, the adjusted customer segmentation method resulted in an increase in amortisation of approximately DKK 500m compared with 2009. In addition, the increased depreciation, amortisation and impairment losses were due mainly to the acquisitions of Fullrate, A+, DONG Energy's fibre network, M1 and Unotel. On an isolated basis, these acquisitions resulted in an increase in depreciation, amortisation and impairment losses of approximately DKK 100m compared with 2009.

EBITDA — DKKm

TDC Group	2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
Consumer	4,041	3,995	3,902	1.2	2.4
TDC Business	3,644	3,721	3,659	(2.1)	1.7
TDC Nordic	564	497	458	13.5	8.5
Operations & Wholesale	1,114	1,413	1,500	(21.2)	(5.8)
YouSee	1,353	1,141	954	18.6	19.6
Other activities	56	(231)	(419)	124.2	44.9
TDC Group	**10,772**	**10,536**	**10,054**	**2.2**	**4.8**
Adjusted EBITDA[1]	10,767	10,458	9,778	3.0	7.0

[1] EBITDA for 2009-2010 has been adjusted for the acquisitions of Fullrate, A+, AinaCom's fibre network, DONG Energy's fibre network, M1 and Nordit as well as the divestment of the satellite business and the gain related to the divestment of the field force operation in TDC Sweden, sale of assets (sale of property, plant and equipment and intangible assets); currency effects and regulation of landline interconnection and international roaming charges. EBITDA for 2008-2009 was adjusted for the acquisitions of Fullrate, A+ and DONG Energy's fibre network; the divestments of Uppsala Stadsnät, Business Phone, Digital Signatur, International Carrier Services, Connect Partner, LG, the satellite business customer centres and TDC Produktion as well as the gain related to the divestment of the field force operations in TDC Sweden, the sale of property, plants and equipment, currency effects and regulation of international roaming charges.

2008-2009

In 2009, depreciation, amortisation and impairment losses rose by DKK 112m, or 2.5%, to DKK 4,659m compared with 2008. This increase reflected mainly the acquisition of Fullrate and was partly offset by lower depreciation due to certain assets relating to the landline network being fully depreciated during 2008 and the write-down of the Song and Dotcom brands in 2008. These brands were replaced by the TDC brand.

Special items

The table below shows the TDC Group's Special items for the periods indicated. Special items from continuing operations are shown together with a reconciliation of profits from continuing operations excluding and including Special items.

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

Special items from continuing operations amounted to expenses after tax of DKK 1,084m in 2010, compared with an expense after tax of DKK 766m in 2009 and DKK 2,950m in 2008.

2010

In 2010, Special items comprised primarily restructuring costs and loss from rulings related to a Swedish court ruling in an interconnect fee dispute with TeliaSonera. Restructuring costs resulted largely from redundancy programmes, including costs related to surplus office capacity following a reduction of full-time employees, as well as costs related to a one-time grant to all employees of TDC shares (DKK 145m) and accelerated amortisation of borrowing costs (DKK 106m) due to the expected refinancing of TDC's Senior Loans in early 2011.

2009

In 2009, Special items comprised primarily restructuring costs, which were due largely to redundancy programmes and the resulting costs related to surplus office capacity. Impairment losses were attributable to the write-down of software. Special items in joint ventures and associates related to an adjustment to the loss from the divestment of shares in Polkomtel in 2008.

Special items DKKm

TDC Group	2010	2009	2008
Profit for the year from continuing operations excl. special items	**2,888**	**2,727**	**2,959**
Consolidated enterprises:			
Gain/(loss) from divestments of enterprises and property, net	(38)	(18)	(2)
Impairment losses	(50)	(119)	(1,972)
Income/(loss) from rulings	(85)	0	0
Restructuring costs, etc.	(1,172)	(982)	(1,238)
Costs related to acquisition of enterprises	(2)	0	0
Special items before income taxes	**(1,347)**	**(1,119)**	**(3,212)**
Income taxes related to special items	253	276	284
Special items after income taxes in consolidated enterprises	**(1,094)**	**(843)**	**(2,928)**
Joint ventures and associates	10	77	(22)
Special items from continuing operations	**(1,084)**	**(766)**	**(2,950)**
Profit for the year from continuing operations	**1,804**	**1,961**	**9**

2008
In 2008, Special items comprised primarily impairment losses relating to goodwill and other intangible assets in TDC Sweden and TDC Finland. These impairments resulted primarily from reduced cash flow expectations for these businesses. Restructuring costs related largely to the restructuring of TDC's information technology activities, including a write-down of software, as well as redundancy programmes and the resulting costs related to surplus office capacity. Special items in joint ventures and associates related mainly to a loss from the divestment of shares in Polkomtel.

Profit from joint ventures and associates

2009-2010
In 2010, Profit from joint ventures and associates was DKK 13m compared with DKK 76m in 2009. The profit in both 2010 and 2009 comprised primarily special items due to adjustment of gains from the divestment Polkomtel and One, respectively.

2008-2009
Profit from joint ventures and associates was DKK 76m, a decrease of DKK 124m compared with 2008. In 2009, loss from joint ventures and associates, excluding Special items, was DKK 1m in 2009, a decrease of DKK 223m compared with 2008. The decrease reflected lower profit following the divestment of TDC's shares in Polkomtel.

Net financials

2009-2010
Net financials represented an expense of DKK 1,496m, a decrease of DKK 568m compared with 2009, driven by:

- A positive development of DKK 368m in fair value adjustments of derivative financial instruments related to hedging of EUR denominated Senior Facilities.

- A positive development of DKK 237m in currency translation adjustments, reflecting gains on intra-group debt denominated in SEK, partly offset by losses on long-term EUR debt (Senior Facilities and EMTNs) and hedging arrangements.

- An increase in net financial expenses of DKK 37m, reflecting lower interest income from lower cash positions, which were partly offset by lower interest expenses on the Senior Facilities, due mainly to lower interest rates.

2008-2009
In 2009, TDC's net financials rose by DKK 16m compared with 2008 to an expense of DKK 2,064m. This increased expense was due mainly to:

- A negative development of DKK 1,027m in foreign currency adjustments due to currency movements of intra-group loans denominated in NOK and SEK.

- A positive development of DKK 433m in fair value adjustments of variable interest-rate hedging arrangements entered into in connection with the Senior Facilities Agreement.

- A DKK 578m decrease in net financial expenses reflecting lower interest expenses due to redemptions of long-term debt and lower applicable interest rates on long-term debt.

Income taxes
Income taxes related to profit for the year, excluding Special items, represented an expense of DKK 1,035m in 2010, compared with DKK 1,085m in 2009 and DKK 722m in 2008.

The effective tax rate, excluding Special items, was 26.4% in 2010 compared with 28.5% in 2009 and 19.6% in 2008. The development in both years was due largely to the impact from the limitation of tax deductibility of interest expenses under Danish tax legislation.

Total income taxes amounted to an expense of DKK 782m in 2010, compared with DKK 809m in 2009 and DKK 438m in 2008.

Profit for the year from discontinued operations

The following table shows the profit from discontinued operations, which comprises profit from operations as well as Special items.

Profit for the year from discontinued operations was DKK 1,203m in 2010, compared with DKK 422m in 2009 and DKK 548m in 2008.

2010

In 2010, profit for the year from discontinued operations related largely to operations in Sunrise (including hedging activities) and a gain resulting from the divestment of Sunrise in October 2010.

2009

Profit for 2009 reflected mainly the results from operations in Sunrise (including hedging activities) and Invitel, partly offset by a loss resulting from the divestment of Invitel in November 2009.

2008

Profit for 2008 comprised primarily the results of operations in Sunrise (including hedging activities) and Invitel, as well as Special items in Sunrise relating largely to the divestment of Sunrise Business Communications in July 2008.

Profit for the year

2009-2010

Profit for the year from continuing operations, excluding Special items, amounted to DKK 2,888m in 2010, up by DKK 161m, or 5.9%, compared with 2009. The increase was due largely to improved EBITDA and the positive development in currency adjustments and fair value adjustments, which was only partly offset by increased depreciation and amortisation.

In 2010, Profit for the year, including Special items, increased by DKK 624m to DKK 3,007m from DKK 2,383m in 2009. This increase related mainly to improved EBITDA and the positive development in currency adjustments and fair value adjustments, which were partly offset by increased amortisation of the value of customer relationships from acquisitions (due mainly to adjusted customer segmentation for calculating amortisation), and Special items relating to higher restructuring costs.

2008-2009

Profit from continuing operations, excluding Special items, amounted to DKK 2,727m in 2009, down by DKK 232m, or 7.8%, compared with 2008. The decrease reflected higher income taxes in 2009, lower profit from joint ventures and associates relating to the divestment of Polkomtel in December 2008, and increased expenses from net financials due to the negative impacts of foreign currency movements. This was partly offset by increased EBITDA.

Profit from discontinued operations DKKm

TDC Group	2010	2009	2008
Profit/(loss) from operations:			
Sunrise	413	839	778
Invitel	0	(264)	(426)
Talkline	0	0	0
Profit/(loss) from operations	**413**	**575**	**352**
Special items:			
Sunrise	762	(53)	137
Invitel	0	(119)	0
Talkline	0	0	0
Adjustments regarding earlier divestments in previous years	28	19	59
Total Special items related to discontinued operations	**790**	**(153)**	**196**
Profit from discontinued operations	**1,203**	**422**	**548**

In 2009, Profit for the year, including Special items, increased by DKK 1,826m, from DKK 557m in 2008, reflecting primarily lower expenses related to Special items.

Comprehensive income
Total comprehensive income amounted to DKK 2,636m compared with DKK 3,458m in 2009, and a loss of DKK 108m in 2008.

2009-2010
The decrease of DKK 822m from 2009 to 2010 reflected mainly a negative development in actuarial gains and losses, which totalled a loss of DKK 515m in 2010 compared with a gain of DKK 588m in 2009, in particular as a result of a decreasing discount rate[14]. In addition, currency translation adjustments of foreign enterprises developed negatively, although this was partly offset by higher Profit for the year.

2008-2009
The DKK 3,566m increase from 2008 to 2009 reflected mainly a positive development related to currency translation adjustments of foreign enterprises (before tax). Such adjustments resulted in a gain of DKK 631m in 2009 and a loss of DKK 2,111m in 2008. In addition, profit for the year increased whereas actuarial gains from defined benefit pension plans decreased.

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[14] The discount rate, which is applied to TDC's domestic defined benefits plans, decreased from 5.00% at 31 December 2009, to 4.95% at 31 December 2010.

Equity

2009-2010
Equity aggregated DKK 20,855m at year-end 2010, down by DKK 6,223m compared with DKK 27,078m at year-end 2009. The decrease reflected largely the acquisition of treasury shares, DKK 9,000m, which more than offset Total comprehensive income of DKK 2,636m.

2008-2009
In 2009, equity was down by 4,602m compared with DKK 31,680m at year-end 2008. Dividend payments of DKK 8,060m more than offset total comprehensive income of DKK 3,458m.

Net interest-bearing debt

The Senior Facilities Agreement (SFA) and the Euro Medium Term Notes (EMTN) are TDC's main debt-financing instruments representing 75% and 23%, respectively, of the total loans (in terms of net carrying value).

TDC may occasionally continue to make buy-backs and prepay its debt, including the Senior Facilities and EMTNs.

TDC expects to refinance the Senior Facilities Agreement in early 2011 provided terms and conditions are deemed favourable.

2009-2010

Net interest-bearing debt totalled DKK 22,607m at year-end 2010, down DKK 10,854m compared with year-end 2009. The decline is attributable mainly to the proceeds from the divestment of Sunrise and the positive net cash flow from operating and investing activities, which were partly offset by the DKK 9.0bn share buy-back in December 2010.

2008-2009

Net interest-bearing debt totalled DKK 33,461m at year-end 2009, down DKK 1,412m compared with year-end 2008. The divestment of Invitel had a positive impact of approximately DKK 5bn. However, the payment of dividends more than offset the positive net cash flow from operating and investing activities in 2009.

Net interest-bearing debt[1] DKKm

TDC Group	2010	2009	2008
Senior loans	17,737	26,173	28,415
Euro Medium Term Notes (EMTN)	5,342	5,325	7,316
Other loans	565	2,900	6,019
Loans	**23,644**	**34,398**	**41,750**
Interest-bearing payables	2	-	-
Gross interest-bearing debt	**23,646**	**34,398**	**41,750**
Interest-bearing receivables	(208)	(174)	(159)
Cash and cash equivalents	(831)	(763)	(6,718)
Net interest-bearing debt	**22,607**	**33,461**	**34,873**

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

Senior Facilities		Facilities			
		A	B	C	Total
Maturity		31 Dec 2011	30 Jan 2014	30 Jan 2015	
Fixed/Floating rate		Floating	Floating	Floating	
Margin		-	1.750%	2.375%	
Outstanding amount[1] 1 January 2010	EURm	497	1,401	1,670	3,568
Mandatory prepayment 30 June 2010	EURm	(75)			(75)
Mandatory prepayment 12 November 2010	EURm	(211)	(46)	(49)	(306)
Voluntary prepayment 12 November 2010	EURm	(211)		(581)	(792)
Outstanding amount[1] 31 December 2010	**EURm**	**-**	**1,355**	**1,040**	**2,395**
Outstanding amount[1] 31 December 2010	**DKKm**	**-**	**10,099**	**7,753**	**17,852**

Euro Medium Term Notes (EMTN)		Bonds		
		2012	2015	Total
Maturity		19 Apr 2012	16 Dec 2015	
Fixed/Floating rate		Fixed	Fixed	
Coupon		6.500%	5.875%	
Outstanding amount[1] 1 January 2010	EURm	457	274	731
Outstanding amount[1] 31 December 2010	**EURm**	**457**	**274**	**731**
Outstanding amount[1] 31 December 2010	**DKKm**	**3,410**	**2,039**	**5,449**

[1] Nominal value.

Capital expenditure

2009-2010

In 2010, capital expenditure fell by DKK 357m compared with 2009 to DKK 3,534m. This decrease resulted primarily from lower investments in information technology and network infrastructure, the latter due mostly to postponement of work as a result of adverse weather conditions at the beginning of 2010. In 2010, network investments (excluding cable) represented 65.4% of total capital expenditure.

The capital expenditure-to-revenue ratio decreased to 13.5% in 2010, from 14.9% in 2009.

2008-2009

In 2009, compared with 2008, capital expenditure decreased by DKK 84m to DKK 3,891m. Investments in Danish landline networks increased due to the popularity of TDC HomeDuo and TDC HomeTrio, which were only partly offset by lower information technology investments. Network investments (excluding cable) represented 66.9% of total capital expenditure in 2009.

The capital expenditure-to-revenue ratio increased to 14.9% in 2009 from 14.8% in 2008.

Capital expenditure — DKKm

TDC Group	2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
TDC Group excl. TDC Nordic and YouSee[1]	2,667	3,036	3,212	12.2	5.5
TDC Nordic	401	375	411	(6.9)	8.8
YouSee	466	480	352	2.9	(36.4)
Capital expenditure	**3,534**	**3,891**	**3,975**	**9.2**	**2.1**

[1] As domestic infrastructure (excl. YouSee) is based in Operations & Wholesale, domestic capex cannot be allocated to the separate domestic business divisions apart from YouSee.

Statements of Cash Flows

2009-2010

- In continuing operations, Cash flow from operating activities decreased by 2.7%, to DKK 7,238m in 2010, which reflected primarily higher income tax payments in 2010 compared with 2009. Danish corporate tax is paid on account on a current year basis in two on account instalments on 20 March and 20 November during the tax year, with a final settlement due on 20 November following the end of the tax year. Accordingly, a substantial part of the taxes have been paid in Q4 in the year following the tax year. In 2010, the payment for the previous year was higher than in 2009. In addition the on account payment for the current year in 2010 was higher than in 2009.The higher tax payments were partly counterbalanced by a positive change in net working capital, due mainly to optimisation of billing cycles, which included billing mobile subscription in advance and other billing cycle optimisations, and improved creditor payment terms. Increased EBITDA and lower net interest payments also contributed positively to the cash flow development.

- Cash outflow from investing activities in continuing operations decreased by DKK 922m or 19.2% from 2009 to 2010. The improvement reflected primarily the acquisitions of DONG Energy's fibre network, Fullrate and A+ in 2009 and lower investments in property, plant and equipment.

- Cash outflow from financing activities in continuing operations amounted to DKK 20,091m, reflecting a higher outflow of DKK 9,830m or 95.8%. The higher outflow was due largely to the buy-back of shares in 2010 and higher net repayments of the principal of long-term loans and short-term bank loans. This was only partly counterbalanced by dividend payments made in 2009.

- Operating free cash flow increased by 15.0% and cash conversion improved by 7.6 percentage points to 69.0% in 2010, both due mainly to the lower investments in property, plant and equipment and the positive development in net working capital.

- Equity Free Cash Flow increased by 2.0%, to DKK 4,515m driven by the positive development in change in net working capital as well as the lower investments in property, plant and equipment and net interest payments. The increase was partly offset by higher income tax payments.

- Total cash flow from discontinued operations increased by DKK 15,133m, to DKK 16,810m and related mainly to Sunrise.

2008-2009

- In 2009, cash flow from operating activities in continuing operations increased by DKK 1,697m, or 29.5%, compared with 2008. The increase was due mainly to lower taxes paid, higher EBITDA, lower pension contributions and lower net interest paid. This was partly offset by higher cost related to special items concerning mainly redundancy and vacant office space. Also, cash flow was further negatively affected by the DKK 147m improvement in working capital in 2009, which was lower than the DKK 847m improvement in 2008.

- In 2009, cash flow from investing activities in continuing operations constituted an outflow of DKK 4,811m, compared with an inflow of DKK 2,096m in 2008. The decrease reflected primarily the divestment of TDC's shares in Polkomtel in 2008 and, to a lesser extent, the acquisitions of Fullrate, A+ and DONG Energy's fibre network in 2009.

- In 2009, cash outflow from financing activities in continuing operations increased by DKK 755m compared with 2008, to DKK 10,261m. The higher outflow was due primarily to higher dividends paid, partly offset by lower loan repayments.

- The lower increase in operating free cash flow than in EBITDA was driven mainly by the lower working capital increases in 2009. TDC's cash conversion decreased from 62.9% in 2008 to 61.4% in 2009.

- Equity Free Cash Flow increased by 82.6%, to DKK 4,426m driven mainly by higher EBITDA, lower pension contributions and lower income tax and net interest payments. The increase was partly offset by the more limited improvement in net working capital in 2009 than in 2008.

- Total cash flow from discontinued operations increased by DKK 1,589, to DKK 1,677m and related mainly to Sunrise and Invitel.

Cash flow key figures DKKm

TDC Group	2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
Cash flow from operating activities	7,238	7,440	5,743	(2.7)	29.5
Cash flow from investing activities	(3,889)	(4,811)	2,096	19.2	-
Cash flow from financing activities	(20,091)	(10,261)	(9,506)	(95.8)	(7.9)
Total cash flow from continuing operations	**(16,742)**	**(7,632)**	**(1,667)**	**(119.4)**	**-**
Total cash flow from discontinued operations	16,810	1,677	88	-	-
Operating free cash flow	7,437	6,469	6,324	15.0	2.3
Equity free cash flow	4,515	4,426	2,424	2.0	82.6
Cash conversion (%)	**69.0**	**61.4**	**62.9**	**7.6**	**(1.5)**

Consumer

Operating review

Consumer was affected by increased price competition in mobility services in 2010. However, the acquisition of M1 in January 2010 made it possible to react faster to market developments. In the mobility service segment, the continued focus on customer retention has enabled Consumer to maintain its mobile voice market share and increase its penetration of the smartphone market and its share of the mobile data segment. The competition in the mobile broadband market has also increased further in 2010, which has led Consumer's market share to decrease slightly even though there has been significant growth in RGUs in both the TDC and the Telmore brands.

Consumer also succeeded in reducing landline loss in 2010, due to lower PSTN churn resulting from the launch of new price schemes, active churn control and increased customer satisfaction. Significant cost reductions in call centres were achieved due to optimised processes and transfer of customer enquiries from call centres to online.

KPI development 2009-2010

Consumer had 4,164,000 RGUs at the end of 2010, down 1.0% compared with the end of 2009.

- Mobile voice RGUs decreased by 0.2% due to a decrease in prepaid-card RGUs, as a consequence of a Christmas campaign that boosted RGUs at the end of 2009. This was partly offset by the acquisition of M1 and an increase in Duét RGUs as a result of an intensified marketing focus on landline customers. Blended ARPU decreased as a result of increased price competition, MTR and international roaming regulation, which was partly offset by an increase in smartphone RGUs that tend to generate higher ARPU.

- Mobile broadband RGUs increased by 41.9% due to a general increase in the market and TDC's effort in this segment.

- TV RGUs increased by 31.3% due to the continued success of the HomeTrio product - partly as a result of marketing campaigns.

- Landline voice RGUs decreased by 8.2% due to the migration from landline to mobile. However, the decrease decelerated compared with previous years due to proactive churn control and the introduction of new price schemes. PSTN ARPU remained level at DKK 185 (compared with DKK 186 per month in 2009) despite the negative impact from lower landline interconnection charges due to regulation.

- The number of internet RGUs decreased by 1.1% as the decline in non-broadband RGUs was offset primarily by more broadband RGUs in the Fullrate brand. Due to increased competition, xDSL ARPU decreased from DKK 221 per month in 2009 to DKK 203 in 2010.

Financial review

Revenue

2009-2010

Consumer's revenue in 2010 was DKK 9,389m, a decline of DKK 322m, or 3.3%.

- Landline telephony revenue decreased by DKK 334m, or 12.5%, due mainly to fewer RGUs.

- Mobility services revenue rose by DKK 31m, or 0.7%, due mainly to more RGUs in mobile broadband and mobile voice (subscription), which was only partly offset by the decrease in blended mobile voice ARPU and also lower mobile broadband ARPU.

- Internet and network revenue decreased by DKK 102m, or 5.9%, due mainly to the decrease in broadband ARPU.

- Revenue from terminal equipment (handsets and accessories) decreased by DKK 59m, or 15.5%, mainly as a result of lower sales of data equipment, which was party offset by increased sales of mobile terminals.

- Operator services revenue decreased by DKK 56m or 24.6%, compared with 2009, due mainly to the revised allocation of certain operator service revenue between business divisions as well as lower activity in directory services.

- TDC TV revenue increased by DKK 208m or 125.3%, mainly as a result of more RGUs and higher ARPU.

2008-2009

In 2009, Consumer's revenue was DKK 9,711m, a decrease of DKK 190m or 1.9%.

- Landline telephony revenue declined by DKK 419m, or 13.5% as a result of the 3.8% RGU decrease.

- Mobility services revenue increased by DKK 211m, or 5.0%, despite the negative impact from the reduction in MTR and international roaming charges. This reflected mainly an increase in the number of mobile voice subscription and mobile broadband RGUs.

- Internet and network revenue increased by DKK 113m, or 7.0% due to the acquisition of Fullrate and a higher number of RGUs in Telmore, which was only partly offset by fewer xDSL RGUs and lower ARPU generated under the TDC brand resulting primarily from competitive pressures in the broadband market.

- Terminal equipment revenue decreased by DKK 112m, or 22.7%. This related mainly to lower CPE sales in TDC Shop, reflecting a strategy of limiting the range of CPEs to focus on services.

- Operator services revenue decreased by DKK 71m, or 23.7%, due to fewer calls to directory services.

- TDC TV revenue increased by DKK 111m, or 201.8%, reflecting primarily an increase in the number of TVoIP RGUs related to the successful sale of the TDC HomeTrio package and the analogue switch-off in November 2009.

Gross profit

2009-2010

Consumer's gross profit in 2010 declined by DKK 211m, or 3.1%, to DKK 6,510m.

- This decrease was due mainly to the decline in landline voice, and internet and network (despite the positive impact from Fullrate), which was partly counteracted by growth in TV and mobility services (due to organic growth in Telmore and the acquisition of M1 in January 2010). Consumer's gross profit was also positively affected by allocation of fewer costs from Operations & Wholesale in 2010 than in 2009 due to efficiency improvements.

- Consumer's gross profit margin remained almost stable in 2010 at 69.3% compared with 69.2% in 2009.

2008-2009

In 2009, Consumer's gross profit was DKK 6,721m, a decrease of DKK 23m, or 0.3%.

- This decline resulted from a decrease in landline voice and terminal equipment, which was only partly counteracted by the increases in both mobile voice and mobile broadband RGUs and growth in internet and network related to the acquisition of Fullrate.

- Consumer's gross profit margin increased from 68.1% in 2008 to 69.2% in 2009. The increase in gross profit margin reflected that declining revenue from MTR and international roaming were fully offset by lower transmission costs, and lower sales of low margin terminal equipment in TDC Shop.

EBITDA

2009-2010

EBITDA in 2010 rose by DKK 46m, or 1.2%, to DKK 4,041m, and the EBITDA margin increased from 41.1% in 2009 to 43.0% in 2010.

- Lower subscriber acquisition costs and lower costs related to information technology, consultancy and billing, as well as lower wages, salaries and pension costs more than offset the gross profit decrease.

2008-2009

In 2009, Consumer's EBITDA increased by DKK 93m, or 2.4%, to DKK 3,995m, and the EBITDA margin rose from 39.4% in 2008 to 41.1% in 2009.

- Lower wages, salaries and pension costs, and lower FTE-related costs, in spite of the Fullrate acquisition, more than offset the gross profit decrease.

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

Consumer		2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
	DKKm					
Revenue		**9,389**	**9,711**	**9,901**	**(3.3)**	**(1.9)**
Landline telephony		2,341	2,675	3,094	(12.5)	(13.5)
Mobility services		4,449	4,418	4,207	0.7	5.0
Internet and network		1,632	1,734	1,621	(5.9)	7.0
Terminal equipment, etc.		322	381	493	(15.5)	(22.7)
Operator services		172	228	299	(24.6)	(23.7)
TV		374	166	55	125.3	-
Other		99	109	132	(9.2)	(17.4)
Transmission costs and cost of goods sold		(2,879)	(2,990)	(3,157)	3.7	5.3
Gross profit		**6,510**	**6,721**	**6,744**	**(3.1)**	**(0.3)**
Other external expenses		(1,671)	(1,899)	(1,943)	12.0	2.3
Wages, salaries and pension costs		(802)	(837)	(901)	4.2	7.1
Other income and expenses		4	10	2	(60.0)	-
EBITDA		**4,041**	**3,995**	**3,902**	**1.2**	**2.4**
Gross profit margin	%	69.3	69.2	68.1	-	-
EBITDA margin	%	43.0	41.1	39.4	-	-
Adjusted revenue[1]	DKKm	9,389	9,728	9,989	(3.5)	(2.6)
Adjusted EBITDA[2]	DKKm	4,041	4,050	4,084	(0.2)	(0.8)
RGU base	('000)					
Landline		1,137	1,238	1,287	(8.2)	(3.8)
Mobile voice		2,072	2,076	1,938	(0.2)	7.1
Prepaid cards		229	373	338	(38.6)	10.4
Subscriptions (incl. Telmore/M1)		1,843	1,703	1,600	8.2	6.4
Mobile broadband		132	93	31	41.9	-
Internet		697	705	624	(1.1)	13.0
TDC TV		126	96	27	31.3	-
RGU base, total		**4,164**	**4,208**	**3,907**	**(1.0)**	**7.7**
Dual-play bundles		304	213	-	42.7	-
Triple-play bundles		116	86	-	34.9	-
ARPU (year-average)	DKK / month					
PSTN/ISDN		185	186	188	(0.5)	(1.1)
Mobile voice, blended		172	183	189	(6.0)	(3.2)
Prepaid cards		51	66	63	(22.7)	4.8
Subscriptions (incl. Telmore/M1)		189	204	214	(7.4)	(4.7)
IP[3]		306	290	259	5.5	12.0
FTEs						
Number of FTEs (EoY)		2,037	2,160	2,212	(5.7)	(2.4)
Average number of FTEs (YTD)		2,110	2,239	2,426	(5.8)	(7.7)

1 Revenue for 2009-2010 has been adjusted for the acquisitions of M1 and Fullrate; and regulation of landline interconnection, mobile termination and international roaming charges. Fullrate was included in Consumer's reporting from March 2009. Revenue for 2008-2009 was adjusted for the acquisition of Fullrate as well as regulation of mobile termination and international roaming charges.
2 EBITDA for 2009-2010 was adjusted for the acquisitions of Fullrate and M1, sale of property, plant and equipment and regulation of landline interconnection charges. EBITDA for 2008-2009 was adjusted for the acquisition of Fullrate.
3 Broadband, VoIP and TV per broadband RGU.

TDC Business

Operating review

In 2010, TDC Business experienced the negative impact of the multimedia tax both on internet and mobility services. This negative effect was increased by the impact of the economic downturn that affected customer investment levels primarily in terminal equipment. This was partly offset by increased use of mobility services driven by mobile broadband and increased smartphone sales. The decrease in traditional landline was partly mitigated by increased sales of VoIP, which have recently been boosted by a significant increase in demand for the Scale product offers. Both landline and mobile recorded a large increase in business-customer demand for flat-rate products. In the mobile voice market this, combined with the increased competition, led to lower ARPUs.

KPI development 2009-2010

TDC Business had 1,860,000 RGUs at the end of 2010, up 0.3% compared with the end of 2009.

- The number of PSTN/ISDN RGUs decreased by 11.7%, reflecting the migration from traditional landline telephony to mobile telephony and VoIP. This was only partly offset by the 61.9% increase in VoIP RGUs. PSTN/ISDN ARPU rose slightly from DKK 364 per month in 2009 to DKK 368 in 2010.

- The number of mobile voice RGUs decreased by 0.9%, while the number of mobile broadband RGUs increased by 16.5%, and the number of telemetrics RGUs increased by 12.2%, in all cases reflecting increased demand for such services. Mobile voice ARPU was almost stable despite the impact from MTR and international roaming regulation (DKK 274 per month in 2009 vs. DKK 271 in 2010).

- The average number of broadband RGUs decreased by 4.8%, which related to an increased churn-rate in the first half of 2010, due to the recent economic downturn and the introduction of the new Danish multimedia tax. Broadband ARPU declined from DKK 365 per month in 2009 to DKK 356 in 2010 due to price competition.

Financial review

Revenue

2009-2010

Revenue in TDC Business declined by DKK 380m, or 4.8%, to DKK 7,546m.

- Revenue from landline telephony declined by DKK 142m, or 7.2%, reflecting mainly the fewer RGUs.

- Revenue from mobility services rose by DKK 39m, or 1.7%, driven mainly by the increase in mobile broadband RGUs.

- Revenue from internet and network decreased by DKK 219m, or 8.7%, reflecting primarily a decline in revenue from broadband due mainly to fewer RGUs. Customer churn from leased lines, which was only partly offset by migration to substituting technologies, also had a negative impact on revenue development.

- Revenue from the sale of terminal equipment decreased by DKK 57m, or 5.4%, due mainly to lower sales as a result of business customers' reduced investment levels following the recent economic downturn and TDC Business' increased focus on selling services rather than low-margin terminal equipment.

2008-2009

In 2009, TDC Business' revenue was DKK 7,926m, a decline of DKK 620m, or 7.3%.

- Revenue from landline telephony declined by DKK 104m, or 5.0%, reflecting a 10.3% decrease in the number of PSTN/ISDN RGUs.

- Revenue from mobility services decreased by DKK 95m, or 4.0%, due primarily to lower ARPU from mobile voice as a result of more flat-rate subscribers and less incoming traffic from landline telephony, as well as lower MTR and international roaming charges. The revenue decrease was partly offset by increased revenue from mobile broadband and telemetrics, as a result of increased demand for such services.

- Revenue from internet and network decreased by DKK 43m, or 1.7%, due mainly to lower broadband ARPU, primarily as a result of price competition, and, to a lesser extent, a lower average number of broadband RGUs.

- Revenue from the sale of terminal equipment and systems integration (NetDesign) decreased by DKK 348m, or 24.9%, due mainly to the divestment and outsourcing of CPE sales to business customers and lower sales volume in NetDesign, which reflected primarily the recent economic downturn.

Gross profit

2009-2010
Gross profit was DKK 5,198m, a decrease of DKK 140m, or 2.6%.

- This was largely a result of the decreased activity in internet and network and landline voice, which was partly compensated for by more activity in mobility services. TDC Business' gross profit was also positively affected by allocation of fewer costs from Operations & Wholesale in 2010 than in 2009 due to efficiency improvements.

- The gross profit margin increased from 67.3% in 2009 to 68.9% in 2010, reflecting primarily the reduction in MTR and international roaming charges.

2008-2009
TDC Business' gross profit was DKK 5,338m, a decrease of DKK 49m, or 0.9%.

- This was the result of the divestment and outsourcing of CPE sales and a decrease in landline voice.

- TDC Business' gross profit margin increased from 63.0% in 2008 to 67.3% in 2009. The increase in gross profit margin reflected primarily the divestment of low margin businesses, as well as the effect of lower MTR and international roaming charges.

EBITDA

2009-2010
TDC Business' EBITDA was DKK 3,644m, a decrease of DKK 77m, or 2.1%. As a consequence of the increased gross profit margin and the significant cost reductions, TDC Business' EBITDA margin increased from 46.9% in 2009 to 48.3% in 2010.

- EBITDA decreased due to the negative gross profit development, which was only partly offset by a positive impact from the acquisition of DONG Energy's fibre network and cost savings on billing and contractual services as well as wages, salaries and pension costs.

2008-2009
In 2009, TDC Business' EBITDA was DKK 3,721m, an increase of DKK 62m, or 1.7%. The EBITDA margin increased from 42.8% in 2008 to 46.9% in 2009.

- EBITDA growth was positively affected by lower costs due to the divestment and outsourcing of CPE sales to business customers, the divestments of Digital Signatur, LG Nortel and Rejsekort and the sale of business customer centres, as well as lower wages, salaries and pension costs due to fewer full-time employee equivalents. This was only partly offset by the accounting gains related to the divestment of Business Phone and Digital Signatur that were recorded in 2008, and the negative gross profit development.

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

TDC Business		2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
	DKKm					
Revenue		**7,546**	**7,926**	**8,546**	**(4.8)**	**(7.3)**
Landline telephony		1,826	1,968	2,072	(7.2)	(5.0)
Mobility services		2,290	2,251	2,346	1.7	(4.0)
Internet and network		2,307	2,526	2,569	(8.7)	(1.7)
Terminal equipment, etc.		990	1,047	1,395	(5.4)	(24.9)
Other[1]		133	134	164	(0.7)	(18.3)
Transmission costs and cost of goods sold		(2,348)	(2,588)	(3,159)	9.3	18.1
Gross profit		**5,198**	**5,338**	**5,387**	**(2.6)**	**(0.9)**
Other external expenses		(703)	(744)	(850)	5.5	12.5
Wages, salaries and pension costs		(851)	(875)	(1,000)	2.7	12.5
Other income and expenses		-	2	122	-	(98.4)
EBITDA		**3,644**	**3,721**	**3,659**	**(2.1)**	**1.7**
Gross profit margin	%	68.9	67.3	63.0	-	-
EBITDA margin	%	48.3	46.9	42.8	-	-
Adjusted revenue[2]	DKKm	7,546	7,856	8,108	(3.9)	(3.1)
Adjusted EBITDA[3]	DKKm	3,644	3,737	3,600	(2.5)	3.8
RGU base	('000)					
Landline		403	439	482	(8.2)	(8.9)
Mobile voice		644	650	652	(0.9)	(0.3)
Telemetrics		387	345	226	12.2	52.7
Mobile broadband		113	97	83	16.5	16.9
Internet		259	272	300	(4.8)	(9.3)
Other networks and data connections		54	51	52	5.9	(1.9)
RGU base, total		**1,860**	**1,854**	**1,795**	**0.3**	**3.3**
ARPU (year-average)	DKK / month					
PSTN/ISDN		368	364	354	1.1	2.8
Mobile voice		271	274	308	(1.1)	(11.0)
Broadband		356	365	372	(2.5)	(1.9)
FTEs						
Number of FTEs (EoY)		1,476	1,528	1,620	(3.4)	(5.7)
Average number of FTEs (YTD)		1,535	1,594	1,978	(3.7)	(19.4)

1 Includes operator services, etc.
2 Revenue for 2009-2010 has been adjusted for the acquisition of DONG Energy's fibre network and regulation of landline interconnection, mobile termination and international roaming charges. Revenue for 2008-2009 was adjusted for the acquisition of DONG Energy's fibre network, the divestments of Business Phone Digital Signatur, LG, Rejsekort and business customer centres and the divestment and outsourcing of CPE sales to business customers as well as regulation of international roaming and mobile termination charges.
3 EBITDA in 2009-2010 was adjusted for the acquisition of DONG Energy's fibre network; and regulation of landline interconnection charges. EBITDA in 2008-2009 was adjusted for the divestments of Digital Signatur and Business Phone.

TDC Nordic

Operating review

The exchange-rate development in 2010 had a favourable influence on TDC Nordic's revenue and EBITDA in DKK (related to TDC Sweden and TDC Norway). Revenue in TDC Norway and TDC Sweden was also positively affected by a general increase in mobile RGU throughout 2010, as well as more landline voice and IP-VPN RGUs. Despite significant market competition, TDC Sweden experienced growth in the Integrator Business in 2010 compared with 2009. The acquisition of AinaCom's fibre network led to a positive development in data and voice revenue in TDC Finland. TDC Hosting experienced growth in 2010 by winning a number of new contracts with major customers, and simultaneously reducing churn significantly.

KPI development 2009-2010

TDC Nordic had 233,000 RGUs at the end of 2010, up 28.7% compared with the end of 2009.

- The number of landline telephony RGUs increased by 45.5%, due primarily to an increase in TDC Sweden's wholesale segment.
- The number of TDC Nordic mobile RGUs increased by 52.3%, due to relatively successful sales in TDC Norway and TDC Sweden.
- Broadband RGUs increased by 4.9%, due primarily to a large customer case in TDC Norway.

Financial review

Revenue

2009-2010

Revenue in TDC Nordic rose by DKK 572m, or 16.3%, to DKK 4,087m with increasing growth in each quarter of 2010.

- Revenue in TDC Sweden increased by DKK 360m, or 20.9% and was positively affected by the currency development. In local currency, TDC Sweden's revenue rose by 8.4%, and related primarily to a number of new customer contracts and the recovery from the recent economic downturn in the integrator business.
- TDC Norway's revenue increased by DKK 165m, or 18.8% and was positively affected by the currency development. In local currency, the rise was 8.9%, which was due mainly to a revenue increase in mobile voice, and a number of new IP-VPN customer contracts that were partly offset by a decrease in revenue from traditional landline telephony due mainly to migration to mobile telephony and lower prices resulting from price competition.
- TDC Finland's revenue increased by DKK 41m, or 6.0%, due mainly to the acquisition of AinaCom's fibre network, which affected revenue from both landline voice and IP-VPN.
- TDC Hosting's revenue increased by DKK 25m, or 7.6%, which reflected primarily increased revenue in Sweden and Finland, due mainly to an increased focus on the value-added business area of managed hosting.

2008-2009

In 2009, TDC Nordic's revenue decreased by DKK 339m, or 8.8%, to DKK 3,515m.

- Revenue in TDC Sweden decreased by DKK 338m, or 16.4%, which resulted primarily from the unfavourable exchange-rate developments. In local currency, revenue in TDC Sweden declined by 7.2%, due mainly to lower project sales in the integration business, which was only partly offset by an increase in revenue from IP-VPN.
- Revenue in TDC Norway decreased by DKK 26m, or 2.9%, which resulted primarily from unfavourable exchange-rate developments. In local currency, revenue in TDC Norway increased by 3.5%, which was due primarily to higher sales of IP-VPN services to public-sector and international customers and more mobile voice RGUs.
- Revenue in TDC Finland increased by DKK 13m, or 1.9%, due mainly to the number of new RGUs in the IP-VPN and data business resulting from increased demand, which was partly offset by a decrease in TDC Finland's traditional landline telephony revenue.

- Revenue in TDC Hosting increased by DKK 22m, or 7.1%, driven primarily by increased sales in Denmark (incl. the hosting of TDC's own servers), and revenue growth in Sweden and Finland as a result of a dedicated sales focus and expanded product range.

Gross profit

2009-2010
Gross profit in TDC Nordic rose by DKK 85m, or 5.3%, to DKK 1,694m.

- This was due to the higher activity and the acquisition of AinaCom's fibre network in TDC Finland, but was partly offset by an unfavourable impact on transmission costs and cost of goods sold from divestment of the field force in TDC Sweden, as this led to a shift in costs from wages to transmission costs.

- The gross profit margin decreased from 45.8% in 2009 to 41.4% in 2010, due mainly to the higher share of revenue generated by low-margin products and the impact from the divestment of the field force operation in TDC Sweden.

2008-2009
In 2009, TDC Nordic's gross profit was DKK 1,609m, a decrease of DKK 117m, or 6.8%.

- This related mainly to lower project sales in the integrator business.

- TDC Nordic's gross profit margin increased from 44.8% in 2008 to 45.8% in 2009, reflecting primarily reduced activities in the low-margin integration business in TDC Sweden.

EBITDA

2009-2010
EBITDA in TDC Nordic rose by DKK 67m, or 13.5%, to DKK 564m, while the EBITDA margin declined slightly, from 14.1% in 2009 to 13.8% in 2010, following the decrease in the gross profit margin.

- EBITDA was positively affected by the gross profit increase, the implementation of a cost reduction programme and lower employee-related costs due to fewer full-time employee equivalents, which was partly offset by an accounting gain recorded in 2009 resulting from the divestment of the field force operation in TDC Sweden.

2008-2009
In 2009, TDC Nordic's EBITDA was DKK 497m, an increase of DKK 39m, or 8.5%. The EBITDA margin increased from 11.9% in 2008 to 14.1% in 2009.

- The EBITDA increase was related to a reduction in wages, salaries and pension costs, reflecting fewer full-time employee equivalents, as well as cost reduction programmes (incl. fewer consultants and facility costs). EBITDA growth was also positively impacted by an accounting gain related to the divestment of the field force operation in 2009. The positive development was partly offset by the negative gross profit development.

Selected financial and operational data

Excluding special items

TDC Nordic		2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
	DKKm					
Revenue		**4,087**	**3,515**	**3,854**	**16.3**	**(8.8)**
TDC Sweden		2,086	1,726	2,064	20.9	(16.4)
TDC Norway		1,044	879	905	18.8	(2.9)
TDC Finland		727	686	673	6.0	1.9
TDC Hosting		355	330	308	7.6	7.1
Other, incl. eliminations		(125)	(106)	(96)	(17.9)	(10.4)
Landline telephony		984	852	937	15.5	(9.1)
Mobility services		190	106	62	79.2	71.0
Internet and network		1,523	1,385	1,424	10.0	(2.7)
Terminal equipment, etc.		1,086	912	1,153	19.1	(20.9)
Other[1]		304	260	278	16.9	(6.5)
Transmission costs and cost of goods sold		(2,393)	(1,906)	(2,128)	(25.6)	10.4
Gross profit		**1,694**	**1,609**	**1,726**	**5.3**	**(6.8)**
Other external expenses		(282)	(296)	(361)	4.7	18.0
Wages, salaries and pension costs		(852)	(851)	(937)	(0.1)	9.2
Other income and expenses		4	35	30	(88.6)	16.7
EBITDA		**564**	**497**	**458**	**13.5**	**8.5**
Gross profit margin	%	41.4	45.8	44.8	-	-
EBITDA margin	%	13.8	14.1	11.9	-	-
Adjusted revenue[2]	DKKm	4,087	3,838	3,928	6.5	(2.3)
Adjusted EBITDA[3]	DKKm	564	525	459	7.4	14.4
RGU base	('000)					
Landline		80	55	47	45.5	17.0
Mobile		67	44	24	52.3	83.3
Internet		86	82	94	4.9	(12.8)
RGU base, total		**233**	**181**	**165**	**28.7**	**9.7**
ARPU (year-average)	DKK / month					
Mobile voice		279	275	258	1.5	6.6
FTEs						
Number of FTEs (EoY)		1,388	1,437	1,619	(3.4)	(11.2)
Average number of FTEs (YTD)		1,412	1,556	1,616	(9.3)	(3.7)

[1] Includes operator services, etc.
[2] Revenue for 2009-2010 has been adjusted for exchange-rate effects the acquisition of AinaCom's fibre network; and regulation of international roaming charges. Revenue for 2008-2009 was adjusted for exchange-rate effects and regulation of international roaming charges.
[3] EBITDA for 2009-2010 has been adjusted for exchange-rate effects the acquisition of AinaCom's fibre network and the gain resulting from the divestment of the field force operation in TDC Sweden as well as the sale of property, plant and equipment. EBITDA for 2008-2009 was adjusted for exchange-rate effects, the divestment of Upsala Stadsnät, gain related to the divestment of the field force operations in TDC Sweden and the sale of property, plant and equipment.

Operations & Wholesale

Operating review

In 2010, Operations & Wholesale successfully migrated customers up the value chain, from ULL to broadband solutions, resulting in higher ARPU. Operations & Wholesale has also managed to reduce churn-rates on landline telephony, while MVNO revenue has continued to grow.

Optimisation of operations continued, with further consolidation of locations and improved space management. In 2010, TDC completed the two largest space-management initiatives so far. Fault rates were reduced further, resulting in both savings on fault corrections and improved customer satisfaction. However, customer satisfaction remains an area of improvement.

In 2010, Operations & Wholesale was challenged by increased price competition in the mobile segment as well as stagnation in the capacity markets.

KPI development 2009-2010

Operations & Wholesale had 805,000 RGUs at the end of 2010, down 14.5% compared with the end of 2009.

- The decrease was driven primarily by 40,1% fewer mobile voice RGUs, due to TDC's acquisition of M1 in January 2010, which resulted in a transfer of RGUs from Wholesale to Consumer, and fewer brand partner RGUs. Service provider ARPU was almost unchanged (DKK 121 per month in 2009 and DKK 122 in 2010).

- The number of landline RGUs decreased by 9.1% due to the migration from traditional landline to mobile and VoIP. PSTN/ISDN ARPU was unchanged at DKK 100 per month from 2009 to 2010. VoIP RGUs grew throughout 2010 as Wholesale managed to switch service providers from providing their own solution, to buying from Wholesale.

- The number of landline broadband RGUs increased by 10.8%, due to more BSA/xDSL RGUs, while BSA/xDSL ARPU decreased from DKK 159 per month in 2009 to DKK 149 in 2010, due to price regulation.

Financial review

Revenue

2009-2010

Revenue from Operations & Wholesale declined by DKK 32m, or 1.2%, to DKK 2,550m.

Wholesale's revenue rose by DKK 18m, or 0.8%, to DKK 2,253m.

- Landline telephony revenue declined due mainly to fewer RGUs, which was partly offset by an increase in revenue from international traffic.

- Mobility services revenue declined due mainly to the decrease in RGUs and lower revenue from inbound international roaming due to regulation, but was partly offset by increased MVNO traffic on TDC's mobile network.

- Revenue from internet and network was positively affected by the acquisition of DONG Energy's fibre network and increased revenue from BSA/xDSL. This was offset by Consumer's acquisition of Fullrate which had a negative impact on internet and network revenue in Wholesale.

- Other revenue increased due to the transfer of mobile sites from Operations, an impact from a change in the allocation of revenue regarding services telephony between business divisions (no Group impact) and a change in disclosure of incoming mobile and landline traffic. The increase in Other revenue was partly offset by the divestment of the satellite business.

Operations' revenue was DKK 297m, a decrease of DKK 50m, or 14.4%.

- This was due mainly to lower external revenues from mobile sites which was moved to Wholesale in 2010, as well as reduced internal revenue from information technology services, which was partly offset by increased revenues from facility management.

2008-2009

In 2009, revenue from Operations & Wholesale was DKK 2,582m, a decline of DKK 166m, or 6.0%.

Wholesale's revenue was DKK 2,235m, a decrease of DKK 155m, or 6.5%.

- Revenue from landline telephony decreased due mainly to fewer service provider landline RGUs and, to a lesser extent, lower transit traffic volumes following the divestment of International Carrier Services.

- Revenue from mobility services increased primarily as a result of more service provider RGUs and higher ARPU. This was only partly offset by a decline in roaming revenue resulting from a 12% decrease in international roaming traffic on TDC's mobile network in Denmark following the economic recession, and the regulation of MTR and international roaming charges.

- Revenue from internet and network decreased mainly due to Consumer's acquisition of Fullrate (which moved RGUs from Wholesale to Consumer).

- Wholesale's revenue was positively impacted by Other revenue, due mainly to the changed disclosure of incoming traffic as well as the impact from service telephony, resulting largely from changed internal transfer practice and mobile sites. This was partly offset by the divestment of the satellite business.

Operations' revenue was DKK 347m, a decrease of DKK 11m, or 3.1%.

- This reflected mainly lower intra-group sales.

Gross profit

2009-2010

Gross profit in Operations & Wholesale was DKK 1,985m, a decline of DKK 76m, or 3.7%.

- The decrease was due to lower roaming charges, as inbound roaming charge reductions have full gross profit impact in Operations, and lower landline and mobile activity. The decrease was partly offset by the acquisition of DONG Energy's fibre network.

- The gross profit margin decreased from 79.8% to 77.8%, primarily as a result of the reduced international roaming charges and changed product mix towards lower margin products (e.g. MVNO).

2008-2009

Gross profit from Operations & Wholesale was DKK 2,061m, a decrease of DKK 130m, or 5.9%.

- The decline resulted from lower landline telephony and internet and network activity as well as the international roaming regulation.

- Despite a decrease in gross profits, the gross profit margin remained stable from 2008 to 2009 (79.7% in 2008 and 79.8% in 2009). This reflected primarily the divestment of the low margin satellite business and declining MTR, which was almost offset by a reduction in international roaming charges.

EBITDA

2009-2010

EBITDA in Operations & Wholesale was DKK 1,114m, a decline of DKK 299m, or 21.2%. Over the same period, the EBITDA margin decreased from 54.7% in 2009 to 43.7% in 2010.

- The decline in EBITDA reflected the decline in gross profit. In addition, Operations & Wholesale's reductions in other external expenses and wages, salaries and pension costs (related primarily to fewer average full-time employee equivalents and strong cost focus) were more than offset by a reduction in the costs that were allocated to TDC's other business divisions.

2008-2009

EBITDA from Operations & Wholesale was DKK 1,413m, a decrease of DKK 87m, or 5.8%.The EBITDA margin was stable, increasing slightly from 54.6% in 2008 to 54.7% in 2009, which was due to the divestment of low margin International Carrier Services and the satellite business.

- The decreased EBITDA related primarily to the lower gross profit as well as a decline in Other income resulting from lower accounting gains from divestments and lower cable damage compensation from third-party contractors. This was only partly offset by lower fault handling costs (caused mainly by improved fault rates), as well as lower property costs, wages, salaries and pension costs and employee-related costs (all due primarily to fewer full-time employee equivalents).

Selected financial and operational data

Excluding special items

Operations & Wholesale		2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
	DKKm					
Revenue		**2,550**	**2,582**	**2,748**	**(1.2)**	**(6.0)**
Wholesale		2,253	2,235	2,390	0.8	(6.5)
Other		297	347	358	(14.4)	(3.1)
Landline telephony		550	599	990	(8.2)	(39.5)
Mobility services		590	658	551	(10.3)	19.4
Internet and network		941	945	982	(0.4)	(3.8)
Other		469	380	225	23.4	68.9
Transmission costs and cost of goods sold		(565)	(521)	(557)	(8.4)	6.5
Gross profit		**1,985**	**2,061**	**2,191**	**(3.7)**	**(5.9)**
Other external expenses		(2,219)	(2,343)	(2,599)	5.3	9.8
Wages, salaries and pension costs		(1,346)	(1,414)	(1,647)	4.8	14.1
Operating expenses allocated to other business divisions		2,630	3,009	3,341	(12.6)	(9.9)
Other income and expenses		64	100	214	(36.0)	(53.3)
EBITDA		**1,114**	**1,413**	**1,500**	**(21.2)**	**(5.8)**
Gross profit margin	%	77.8	79.8	79.7	-	-
EBITDA margin	%	43.7	54.7	54.6	-	-
Adjusted revenue[1]	DKKm	2,550	2,400	2,290	6.3	4.8
Adjusted EBITDA[2]	DKKm	1,109	1,211	1,132	(8.4)	7.0
RGU base	('000)					
Landline		220	242	297	(9.1)	(18.5)
Mobile voice		187	312	202	(40.1)	54.5
Mobile broadband		9	7	2	28.6	-
Internet		154	139	124	10.8	12.1
Other networks and data connections		233	240	313	(2.9)	(23.3)
TDC TV		2	1	0	100.0	-
RGU base, total		**805**	**941**	**938**	**(14.5)**	**0.3**
ARPU (year-average)	DKK / month					
PSTN/ISDN		100	100	100	-	-
Mobile voice, Service Provider		122	121	92	0.8	31.5
FTEs						
Number of FTEs (EoY)		3,868	4,409	4,406	(12.3)	0.1
Average number of FTEs (YTD)		4,106	4,363	5,056	(5.9)	(13.7)

1 Revenue for 2009-2010 has been adjusted for the acquisition of DONG Energy's fibre network, Consumer's acquisitions of M1 and Fullrate, the divestment of the satellite business; and regulation of landline interconnection, mobile termination and international roaming charges. Revenue for 2008-2009 was adjusted for the acquisition of DONG Energy's fibre network, Consumer's acquisition of Fullrate, the divestments of International Carrier Services and the satellite business, as well as regulation of mobile termination and international roaming charges.

2 EBITDA for 2009-2010 has been adjusted for the acquisition of DONG Energy's fibre network, Consumer's acquisitions of M1 and Fullrate, the divestment of the satellite business,the sale of property, plant and equipment and regulation of landline interconnection and international roaming charges. EBITDA for 2008-2009 was adjusted for the acquisition of DONG Energy's fibre network, Consumer's acquisition of Fullrate, the divestments of International Carrier Services, the satellite business and TDC Produktion, the sale of property, plant and equipment as well as regulation of international roaming charges.

YouSee

Operating review

YouSee continued its strong performance with double-digit growth rates in revenue and EBITDA of 11.5% and 18.6%, respectively. This was achieved primarily through an increased number of RGUs within all product groups in 2010 – TV, broadband and telephony – and increased ARPU in most product groups, while costs were contained.

The increased ARPU for YouSee Clear is due to higher prices, while increased broadband ARPU is due to customers subscribing to higher bandwidths on average. The overall ARPU was significantly affected by customers' increased access to digital add-on services through the products YouSee Plus and Web-TV which has led to strong growth in usage of add-on TV services (e.g. video-on-demand). More than 420,000 movies were rented by YouSee's customers in 2010, five times more than in 2009.

KPI development 2009-2010

YouSee had 1,818,000 RGUs at the end of 2010, up 3.0% compared with the end of 2009[15].

- The number of Pay-TV RGUs increased by 2.8%, while ARPU from YouSee Clear and YouSee Plus increased from DKK 177 to DKK 188 per month and DKK 100 to DKK 103 per month from 2009 to 2010, respectively, due mainly to customers' increased demand for content offered and add-on products.

- Landline voice RGUs grew by 7.0%, due mainly to customers migrating from traditional landline telephony to VoIP. Since 91% of YouSee's landline voice RGUs subscribe to VoIP and only 9% to PSTN, the migration trend results in RGU growth in YouSee.

- Broadband RGUs grew by 2.5%, resulting from both organic growth and the acquisition of Nordit, while ARPU increased slightly from DKK 167 per month in 2009 to DKK 169 in 2010.

[15] At the end of 2010, YouSee's subsidiary, FastTV, and a total of 10,000 RGUs, were transferred to Consumer.

Financial review

Revenue

2009-2010

Revenue in YouSee rose by DKK 415m, or 11.5%, to DKK 4,012m.

- Revenue from YouSee Clear increased by DKK 213m, or 8.8%, while revenue from YouSee Plus rose by DKK 47m, or 31.3%. Both related primarily to more RGUs and higher ARPU.

- Revenue from internet services and landline telephony soared by DKK 92m, or 12.7% and DKK 26m, or 36.1%, respectively, as a consequence of more RGUs.

- Other revenue in YouSee increased by DKK 37m, or 17.1%, primarily as a result of increased intra-group revenue from Consumer due to the popularity of TDC TV, which was only partly offset by decreased revenue from YouSee's installation services.

2008-2009

In 2009, YouSee's revenue rose by DKK 409m, or 12.8%, to DKK 3,597m.

- Revenue from YouSee Clear increased by DKK 222m or 10.0%, while revenue from YouSee Plus increased by DKK 50m, or 50.0%. Both related primarily to more RGUs and higher ARPU. The partial divestment of Connect Partner affected revenue negatively.

- Revenue from internet services and landline telephony increased by DKK 85m, or 13.3% and DKK 18m, or 33.3%, respectively, which resulted primarily from more RGUs, which was due mainly to the acquisition of A+.

- YouSee's Other revenue increased by DKK 34m, or 18.6%, which was due to increased intra-group revenue related to TDC TV that was partly offset by decreased revenue from YouSee's installation services.

Gross profit

2009-2010
Gross profit in YouSee was DKK 2,357m, up by DKK 285m, or 13.8%.

- The growth related primarily to the increased activity in all product areas including the acquisition of A+, as well as the higher margin per YouSee Clear customer.

- The gross profit margin in YouSee increased from 57.6% in 2009 to 58.7% in 2010.

2008-2009
In 2009, YouSee's gross profit rose by DKK 228m, or 12.4%, to DKK 2,072m.

- The increase was due to increased activity in all product areas, incl. the acquisition of A+, and a higher margin per YouSee Clear customer.

- YouSee's gross profit margin remained stable (at 57.8% in 2008 compared with 57.6% in 2009), reflecting the increase in revenue being offset by higher programme content costs.

EBITDA

2009-2010
EBITDA in YouSee rose by DKK 212m, or 18.6%, to DKK 1,353m. The EBITDA margin increased from 31.7% in 2009 to 33.7% in 2010.

- The EBITDA increase was due mainly to the increase in gross profit, which was only partly offset by increased wages, salaries and pension costs related to a rise in the average wage per full-time employee equivalent, as well as higher property costs, increased marketing spending and higher provisions for bad debts.

2008-2009
In 2009, YouSee's EBITDA increased by DKK 187m, or 19.6%, to DKK 1,141m. YouSee's EBITDA margin increased from 29.9% in 2008 to 31.7% in 2009.

- The increase in EBITDA reflected the rise in gross profit, but was partly offset by higher wages salaries and pension costs resulting from the acquisition of A+.

Selected financial and operational data

Excluding special items

YouSee		2010	2009	2008	Change in % 2010 vs. 2009	Change in % 2009 vs. 2008
	DKKm					
Revenue		**4,012**	**3,597**	**3,188**	**11.5**	**12.8**
YouSee Clear		2,646	2,433	2,211	8.8	10.0
YouSee Plus		197	150	100	31.3	50.0
Internet services		817	725	640	12.7	13.3
Landline telephony		98	72	54	36.1	33.3
Other[1]		254	217	183	17.1	18.6
Transmission costs and cost of goods sold		(1,655)	(1,525)	(1,344)	(8.5)	(13.5)
Gross profit		**2,357**	**2,072**	**1,844**	**13.8**	**12.4**
Other external expenses		(467)	(429)	(430)	(8.9)	0.2
Wages, salaries and pension costs		(538)	(503)	(467)	(7.0)	(7.7)
Other income and expenses		1	1	7	-	(85.7)
EBITDA		**1,353**	**1,141**	**954**	**18.6**	**19.6**
Gross profit margin	%	58.7	57.6	57.8	-	-
EBITDA margin	%	33.7	31.7	29.9	-	-
Adjusted revenue[2]	DKKm	4,012	3,685	3,338	8.9	10.4
Adjusted EBITDA[3]	DKKm	1,353	1,149	957	17.8	20.1
RGU base	('000)					
TV		1,336	1,299	1,218	2.8	6.7
- YouSee Clear		1,176	1,153	1,113	2.0	3.6
- YouSee Plus[4]		160	146	105	9.6	39.0
Internet		403	393	323	2.5	21.7
Landline		76	71	47	7.0	51.1
Mobile broadband		3	2	-	50.0	-
RGU base, total		**1,818**	**1,765**	**1,588**	**3.0**	**11.1**
ARPU (year-average)	DKK / month					
Landline internet		169	167	168	1.2	(0.6)
TV, total		202	188	173	7.4	8.7
YouSee Clear		188	177	166	6.2	6.6
YouSee Plus		103	100	89	3.0	12.4
Total ARPU		268	248	227	8.1	9.3
Other KPIs						
Homes passed	('000)	1,454	1,401	1,333	3.8	5.1
Penetration	%	81	81	84	-	-
RGU per subscriber	#	1.54	1.53	1.43	-	-
FTEs						
Number of FTEs (EoY)		1,231	1,265	1,174	(2.7)	7.8
Average number of FTEs (YTD)		1,245	1,217	1,158	2.3	5.1

1 Includes installation fees and TDC TV.
2 Revenue for 2009-2010 has been adjusted for the acquisitions of A+ and Nordit. Revenue for 2008-2009 was adjusted for the acquisition of A+ and the partial divestment of Connect Partners.
3 EBITDA for 2009-2010 has been adjusted for the acquisition of A+. EBITDA for 2008-2009 was adjusted for the acquisitions of A+ and Køge City Net and the partial divestment of Connect Partners.
4 Digital add-on product

Risk management

Operational risk management

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

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

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

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

Maturity profile of gross debt, nominal value, year-end 2010[1] **DKKbn**

[1] Nominal value of Senior Facilities and EMTN as of 31 December 2010

Financial management and market risk disclosures

TDC is exposed to financial market and credit risks when buying and selling goods and services in foreign denominated currencies as well as due to its investing and financing activities. As a consequence of TDC's capital structure and financing, TDC faces interest and exchange-rate risks. Furthermore, the Senior Facilities Agreement includes several financial covenants and undertakings related to selected financial ratios to which TDC must adhere. 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 daily (credit risks) or twice weekly (interest and exchange-rate risks). All risk measures are reported to the Group Chief Financial Officer on a weekly basis.

Group Treasury is responsible for the treasury management system and methodologies used to calculate and estimate risk positions. Further, TDC's independent accountants review Group Treasury's procedures and methodologies on a regular basis to ensure compliance with regulations and internal guidelines and procedures. Group Treasury uses derivatives for hedging interest and exchange-rate exposure. The derivatives are used for hedging purposes only and not for taking speculative positions.

The general policies and procedures for TDC's financial risk management are set out in the financial strategy, which is reviewed and 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 2008 and defines maxima for interest and exchange-rate value at risk (VaR) as well as maxima/minima for a range of other risk variables. However, in December 2010, the Board of Directors approved a new financial strategy with maxima/minima supporting TDC's new financial policy targets.

Refinancing and liquidity risk

To reduce refinancing risk, the maturity profile of the debt portfolio is spread over several years. Further, voluntary prepayments and buy-backs of debt have reduced debt redemption hurdles. Therefore, TDC has no significant debt positions that are required to be refinanced in the near future. The committed Revolving Credit Facility of up to EUR 700m (or DKK 5,200m) and cash generated by the business activities are deemed sufficient to handle upcoming redemption of debt.

TDC continuously monitors the international capital markets and expects to refinance the Senior Facilities Agreement in early 2011 provided terms and conditions are deemed favourable.

Interest-rate risks

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

Throughout 2010, TDC monitored and managed its interest-rate risks using several variables in accordance with TDC's financial strategy. These variables protect primarily TDC's retained earnings, financial covenants and undertakings, which TDC must adhere to according to the Senior Facilities Agreement. The following variables are monitored (for TDC and NTCH ApS in combination):

- Interest-rate value at risk ('VaR') on gross debt (including related derivatives) should not exceed DKK 2,500m
- Interest-rate VaR on the derivatives portfolio and marketable securities should not exceed DKK 1,000m
- Floating interest-rate debt should not exceed 60% of the total gross debt (including related derivatives)
- Duration of gross debt (including related derivatives) should exceed one and a half years
- Duration of cash accounts, marketable securities and deposits should not exceed half a year

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

	Maxima/ minima	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Interval 2010	Average 2010	Average 2009	Average 2008
Interest-rate VaR on gross debt	Max. 2,500	920	1,096	1,141	1,211	586	586-1,288	1,114	861	1,067
Interest-rate VaR on the derivatives portfolio and marketable securities	Max. 1,000	272	441	529	630	423	236-662	517	300	417
Share of floating interest-rate debt	Max. 60%	43%	40%	35%	30%	24%	20%-43%	34%	43%	38%
Duration of gross debt (years)	Min. 1.5	1.81	2.26	2.39	2.58	2.18	1.79-3.11	2.44	1.91	2.24
Duration of cash accounts, marketable securities and deposits (years)	Max. 0.5	0.00	0.00	0.00	0.00	0.00	0.00-0.03	0.00	0.01	0.01
The maximum share of fixed interest-rate gross debt to be reset within one year for the next 5 years	Max. 25%	25%	25%	20%	15%	32%	15%-32%	21%	28%	18%

- The maximum share of fixed-rate gross debt to be reset within one year should not exceed 25% for the next five years (the Chief Financial Officer can approve breaches of the 25% limit for up to three 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 25%).

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

Going forward, TDC will monitor and manage the interest-rate risk in accordance with TDC's financial strategy for 2011 to protect TDC's financial policy targets. Therefore, the following variables have been monitored as of January 2011:

- 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

- Duration of TDC's gross debt (including related derivatives) shall exceed 1.75 years but shall not exceed 3.75 years[16]

[16] Group Treasury is currently in the process of replacing its treasury management system (to be implemented during 2011). When the new treasury management system has been implemented, BPV (Basis Point Value) is to replace duration as the interest-risk measurement. A minimum duration of 1.75 years is equivalent to a minimum BPV of DKK 2.2m. A maximum duration of 3.75 years is equivalent to a maximum BPV of DKK 9.7m.

- Duration of TDC's financial assets (cash accounts, marketable securities and deposits) shall not exceed 0.25 years

Exchange-rate risks

TDC is exposed primarily to exchange-rate risks from EUR, SEK and NOK. The exchange-rate exposure from TDC's business activities relates principally to profits for the year generated in foreign subsidiaries, as income and expenses generated in these entities are denominated in primarily local currencies. As the exposure is relatively insignificant, to date it has not been hedged.

For Danish companies, the net exchange-rate exposure arising from accounts payable and receivable has, as a guiding rule, been hedged on the date on which it is recognised. Such exposure arises mainly from roaming and interconnection agreements with foreign operators and equipment suppliers.

Due to TDC's capital structure, the exposure from financial activities in EUR is significant, as 97% of the nominal gross debt (including derivatives) is denominated in EUR. 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.

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

Maxima	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Interval 2010	Average 2010	Average 2009	Average 2008
Exchange-rate VaR on equity investments and intra-group loans[1]	1,238	626	858	514	307	290-1,266	768	890	577
Exchange-rate VaR on the financial portfolio[1,2,3]	125	119	87	86	65	49-126	108	113	134

[1] The reduced exchange rate-VaR on equity investments and intra-group loans and exchange-rate VaR on the financial portfolio in Q4 2010 compared with the preceding quarters is caused by the divestment of Sunrise during this quarter and the resulting reduced exchange-rate exposure
[2] Gross debt, other hedging instruments, loans to associates, cash accounts, marketable securities and accounts payable and receivable.
[3] The average figures for 2008 cannot be compared with the figures for 2009 and 2010. Before 2009, the portfolio was divided between a EUR denominated portfolio and non-EUR denominated portfolio. Thus, the 2008 average figures are the sum of these two portfolios with no correlation effects taken into account.

TDC has not hedged its investments in foreign entities.

Throughout 2010, TDC monitored and managed exchange-rate risk using several variables in accordance with TDC's financial strategy. These variables primarily protect retained earnings, financial covenants and undertakings to which TDC must adhere according to the Senior Facilities Agreement. The following variables are monitored (for TDC):

- Exchange-rate VaR on equity investments and intra-group loans (both including related hedging instruments) shall not exceed DKK 2,000m

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

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

In addition to the above variables, the financial strategy includes a range of exchange-rate hedging policies that e.g. stipulate that as a guiding rule, investments in non-core businesses should be hedged, investments in core businesses should not be hedged, and all Group accounts payable and receivable should be hedged against local currencies. Further, exchange-rate VaR on EBITDA or Consolidated Cash Flow (as defined in the Senior Facilities Agreement) shall not exceed 3% of EBITDA or Consolidated Cash Flow.

Going forward, TDC will monitor and manage the exchange-rate rate risk in accordance with TDC's financial strategy for 2011 to protect TDC's financial policy targets. Therefore the following variables have been monitored as of January 2011:

- Total open gross position (including accounts payable & receivable, cash accounts, financing (including derivatives) and marketable securities) in other currencies than DKK and EUR shall not exceed DKK 750m

- EFCF in other currencies than EUR and DKK in the coming year shall be hedged if foreign currencies constitute a risk to EFCF of more than 1.25% of total EFCF

In addition to the above variables, the new financial strategy includes a range of exchange-rate hedging policies that e.g. stipulate that, as a guiding rule, EUR positions of TDC companies with local currencies in DKK or EUR are not to be hedged and that currency holdings in foreign subsidiaries in other currencies than DKK and EUR to the largest extent possible are paid out as dividend to TDC A/S subject to maintaining an appropriate capitalisation and liquidity position of the subsidiary.

Further, as a guiding rule, TDC does not hedge exchange-rate exposure arising from foreign investments in the Nordic countries as these are regarded as long-term investments.

Credit risks

TDC is exposed to credit risks principally as a supplier of telecommunications services in Denmark and abroad, and as a counterparty in financial contracts. The credit risk arising from supplying telecommunications services is handled by the individual business lines, whereas the credit risk in relation to financial contracts is handled centrally by Group Treasury. Credit risk arising in relation to financial contracts is governed by the financial strategy that defines a maximum exposure for each counterparty. The maxima are based primarily on the lowest credit ratings of the counterparties from either Standard & Poor's (S&P) or Moody's Investor Services (Moody's). This policy acts to diversify counterparty exposure and reduce exposure to single counterparties. However, should one of TDC's counterparties default, TDC might incur a loss. Credit risk is monitored on a daily basis.

Credit rating

TDC has adopted a leverage and rating policy under which TDC aims to achieve a net debt-to-EBITDA ratio at or below 2.1x and to seek to obtain and maintain a stable investment grade rating, with the ambition of maintaining a rating of BBB with S&P and Baa2 with Moody's. No assurance can be given that the aims of such a policy will be achieved at all times.

TDC is rated by three international rating agencies – S&P's, Moody's and Fitch Ratings.

TDC's Company Ratings

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

During 2010, both TDC's outlook and company rating were upgraded.

On 14 June 2010, S&P upgraded TDC's company rating to BB (positive outlook) from BB - (positive outlook). Further, the credit rating of TDC's Senior Facilities was upgraded to BBB- from BB+ and the credit rating of TDC's Euro Medium Term Notes (EMTNs) was upgraded to BB from BB-.

On 15 December 2010 S&P upgraded TDC's company rating to BBB (stable outlook) from BB (positive outlook). Further, the credit rating of TDC's Senior Facilities was upgraded to BBB from BBB- and the credit rating of TDC's Euro Medium Term Notes (EMTNs) was upgraded to BBB- from BB.

On 20 September 2010, Moody's placed all ratings of TDC A/S under review for possible upgrade, following TDC's announcement of an agreement to sell its Swiss subsidiary Sunrise to CVC Capital Partners. The review for upgrade affected TDC's Ba2 company rating as well as the Ba1 credit rating for TDC's Senior Facilities and the Ba3 credit rating for TDC's Euro Medium Term Notes (EMTN).

On 20 January 2011, Moody's upgraded TDC's long-term issuer rating to Baa2 from a corporate family rating of Ba2, and its short-term rating to Prime-2 from Not Prime. The Outlook is stable. The credit rating of TDC's senior secured debt facilities was upgraded to Baa2 from Ba1. At the same time, the credit rating of TDC's EMTN notes was upgraded to Baa2 from Ba3.

On 14 December 2010, Fitch upgraded TDC's company rating to BBB (stable outlook) from BB (positive). At the same time, the credit rating of TDC's Senior Facilities was upgraded to BBB+ from BB+ and the credit rating of TDC's Euro Medium Term Notes (EMTN) was upgraded to BBB from BB.

Shares

TDC has issued 991,875,885 shares as of year-end 2010 of which 175,117,518 were held as treasury shares.

TDC expects to reduce the share capital by cancelling 166,875,885 shares. Following such a capital reduction, the number of issued shares would amount to 825,000,000 and the number of treasury shares would amount to 8,241,633. 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 the TDC's executive management and employees

- as consideration for acquisitions of other businesses.

TDC has no significant shareholdings other than shares held in its subsidiaries and associates.

TDC's related pension funds

The pension funds related to TDC invest in a wide variety of marketable securities (predominantly fixed income and equities) and property. The rate of return on the investments has implications for TDC's financial results and pension-plan funding requirements, as TDC is obliged to cover any shortfall in the pension funds' ability to comply with the capital adequacy requirements under the Danish Act on Company Pension Funds.

TDC continuously monitors the pension fund investments and the related risks.

The Danish Financial Supervisory Authority (Finanstilsynet) has introduced a mortality benchmark for members of company pension funds, which will be implemented at 1 January 2011. The Financial Supervisory Authority now also requires that TDC Pensionskasse analyses whether the mortality of the members of the pension fund deviates from the benchmark and submits a report on this matter to the Authority on 1 July 2011 at the latest. Deviation from FSA's benchmark shall be allowed only if the pension fund can provide adequate documentation that there is a significant and justifiable reason for the difference in mortality between that of the pension fund and the benchmark. In TDC Pensionskasse's opinion, the mortality of the members of the pension fund deviates from that of the FSA benchmark in Denmark. If the FSA disagrees, and the pension fund has to apply the benchmark, it will result in higher pension provisions in TDC Pensionskasse and will possibly require the injection of funds by TDC to comply with the statutory solvency requirements.

Financial position

At year-end 2010, cash and interest-bearing receivables amounted to DKK 1,039m compared with DKK 937m at year-end 2009, while short-term interest-bearing debt and interest-bearing payables amounted to DKK 218m at year-end 2010, leaving net liquid assets at DKK 821m. The corresponding short-term interest-bearing debt and net liquid assets for year-end 2009 were DKK 3,787m and DKK (2,850)m, respectively.

Long-term interest-bearing debt totalled DKK 23,428m at year-end 2010 compared with DKK 30,611m at year-end 2009. Net interest-bearing debt was DKK 22,607m at year-end 2010, a decrease of DKK 10,854m compared with year-end 2009.

TDC's total cash, marketable securities, net interest-bearing receivables and undrawn credit lines totalled DKK 5,940m at year-end 2010, an increase of DKK 1,679m compared with year-end 2009.

Net interest-bearing debt was DKK 33,461m at year-end 2009, a decrease of DKK 1,412m compared with year-end 2008. TDC's total cash, marketable securities, net interest-bearing receivables and undrawn credit lines totalled DKK 4,261m at year-end 2009, a decrease of DKK 7,332m compared with year-end 2008.

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

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

TDC Group	2010	2009	2008
Cash and interest-bearing receivables	1,039	937	6,877
Short-term interest-bearing debt and interest-bearing payables	(218)	(3,787)	(4,713)
Net liquid assets	821	(2,850)	2,164
Long-term interest-bearing debt	(23,428)	(30,611)	(37,037)
Net interest-bearing debt	**(22,607)**	**(33,461)**	**(34,873)**
Cash and interest-bearing receivables	1,039	937	6,877
Undrawn committed short- and long-term credit lines	4,901	3,324	4,716
Total cash, net interest-bearing receivables and undrawn credit lines	**5,940**	**4,261**	**11,593**

Regulation

Overview

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

The regulatory framework

European Union

Regulatory framework

The revised European regulatory framework (the '2003 Framework') requires EU Member States to impose certain obligations on providers designated as having Significant Market Power. These obligations are intended to be proportionate to the market failure found in a market where one participant (or more) has Significant Market Power. The legislative instruments constituting the 2003 Framework were supplemented by the European Commission (the 'EU Commission') Recommendation (C(2003)497) of 11 February 2003 on relevant product and service markets within the electronic communications sector (the '2003 Significant Market Power Recommendation'). The 2003 Significant Market Power Recommendation defines eighteen specific markets and concerns the identification of product and service markets in which regulatory obligations can be imposed on providers designated as having Significant Market Power. The 2003 Significant Market Power Recommendation was amended and replaced by a new Commission Recommendation (C(2007)5406) of 17 December 2007 (the '2007 Significant Market Power Recommendation'). The 2007 Significant Market Power Recommendation reduces the number of markets from the eighteen original markets to seven new markets. Currently, NITA (the National IT and Telecom Agency) is in the process of assessing the new markets and reassessing its previous decisions regarding the original eighteen markets where operators with Significant Market Power are under Significant Market Power obligations. Until decisions have been made in relation to the relevant new markets and original markets, the decisions regarding the relevant original markets continue to apply.

On 4 November 2009 the European Parliament and Council of Ministers entered into an agreement regarding a revised regulatory framework (the 'EU Telecoms Reform'). The EU Telecoms Reform is to be implemented in national legislation in the EU Member States by 25 May 2011. Some of the most prominent elements in the EU Telecoms Reform are (i) the right of European consumers who have concluded an agreement to port a number to a new operator, to have that number activated within one working day (number portability), (ii) the goal of an open and more "neutral" internet, and (iii) functional separation as a way to overcome imperfect competition. Functional separation entails an obligation imposed on a provider with Significant Market Power to establish operationally separate business units for the wholesale and retail business segments of the provider in order to secure a provision of fully equivalent net access products to all retail providers, including the provider's own vertically integrated retail business.

International roaming

International roaming is regulated by the EU Roaming Regulation. The EU Roaming Regulation imposes a number of obligations on EU mobile providers, such as maximum charges relating to wholesale and retail prices for voice, SMS and data. The EU Roaming Regulation has reduced the level of the roaming charges, which in some areas, has had a negative impact on TDC's revenue and earnings.

Denmark

Denmark has fully implemented the 2003 Framework. The EU Telecoms Reform is expected to be implemented by 25 May 2011. On 17 November 2010, a bill for an amended act on electronic communication network and services (the 'Tele Act Bill') was introduced by the Minister of Science, Technology and Innovation. One purpose of this act is to implement the EU Telecoms Reform. The Tele Act Bill also proposes several other changes to the Danish Tele Act. For example, a proposal has been made to grant NITA more scope for discretion in its decisions regarding Significant Market Power obligations. From TDC's perspective, the changes regarding price control, stand-still periods and number portability are the most important.

Regulatory framework

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

Regulation of providers with Significant Market Power

Danish Tele Act regulation

The Danish Tele Act contains several provisions placing obligations on providers designated as having Significant Market Power in an identified market. The designation of Significant Market Power in a particular market segment is based on a market decision by NITA (see 'Market Analysis' below).

NITA is required to impose on providers with Significant Market Power one or more of the following obligations with regard to interconnection:

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

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

The Tele Act Bill will grant NITA increased flexibility regarding obligations to be imposed on providers with Significant Market Power. The content and scope of such obligations will no longer be stated directly in the legislation but will be decided by NITA in the market decisions. This will allow NITA to tailor the design of the Significant Market Power obligations, including the content and scope, with the aim of solving any competition problems it may identify. Further, as part of the implementation of the EU Telecoms Reform, the Tele Act Bill will - under particular exceptional circumstances - allow NITA to impose a functional separation obligation on providers with Significant Market Power. TDC does not expect to be subject to obligations of functional separation. In addition, as part of the non-discrimination obligation, the Tele Act Bill will introduce an obligation of stand-still periods, where in a market decision and subject to a transparency obligation, NITA can require Significant Market Power providers to apply a stand-still period when the provider is introducing new or amended wholesale products.

Market analyses

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

NITA has performed market analyses and made market decisions on the eighteen markets defined in the 2003 Significant Market Power Recommendation. Following the 2007 Significant Market Power Recommendation, the eighteen original markets have been reduced to seven new markets, and NITA is currently in the process of reassessing its previously made decisions regarding those of the eighteen original markets that are comprised by the seven new markets in the 2007 Significant Market Power Recommendation. In addition, NITA is currently in the process of assessing the wholesale market for SMS termination.

Markets where TDC has Significant Market Power and is subject to Significant Market Power obligations

NITA has designated TDC as Significant Market Power provider in a number of the original markets and has designated TDC as Significant Market Power provider in the seven new markets. In addition, the draft for the market decision regarding the wholesale market for SMS termination published by NITA on 1 July 2010 suggests designating TDC as Significant Market Power provider in the market and imposing a number of Significant Market Power obligations on TDC, including regulating the prices using a long-run average incremental cost (LRAIC) model. The price regulation is expected to reduce TDC's prices for SMS termination. The draft also suggests designating Telia, Telenor and Hi3G as Significant Market Power providers with Significant Market Power obligations in the market.

In the majority of the markets where TDC is designated as Significant Market Power provider, including the seven new markets, TDC is subject to the Significant Market Power obligations listed above. Where TDC is subject to the Significant Market Power obligation of price control, the pricing method generally used is the LRAIC method. The Tele Act Bill proposes a change of the current price control regulation. The current Danish Tele Act includes exhaustive lists of possible price control methods, whereas the Tele Act Bill does not include such lists but provides a definition of the considerations to be regarded and the legal framework applicable to NITA when exercising price control. As a result, the LRAIC method may not be the preferred price regulation method in the future. On 7 May 2009, the Commission recommended changing the long-run incremental cost method for wholesale termination rates in both landline and mobile networks. According to this recommendation, incremental costs should be defined as avoidable costs. The application of such an avoidable cost method will lead to a significant reduction in the wholesale prices that TDC will be able to charge. This recommendation was implemented in Denmark through a revised Executive Order on the LRAIC model, but the principles have not yet been implemented in the applied LRAIC models.

NITA's market decision at 22 December 2010, regarding the new market 1 – the market for access to the public telephone network at a fixed location for residential and non-residential customers – imposes a number of Significant Market Power obligations on TDC in respect of wholesale purchase of PSTN and ISDN subscriptions, including the use of a historical-cost pricing method and not the LRAIC method. Wholesale purchase of PSTN and ISDN subscriptions was regulated in the original market 8, where TDC was subject to the pricing method ‘end-user price adjusted for saved costs’.

The most important market decisions for TDC’s business are the new wholesale markets 4, 5 and 7, where TDC is subject to Significant Market Power obligations. Each of these markets is described below.

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

NITA’s market decision at 1 May 2009 regulates access to the local loop in Denmark. This market includes only copper and not fibre or other access infrastructures. TDC is designated as Significant Market Power provider in this market and is under Significant Market Power obligations such as price control. As a general rule, the prices for access are set using an LRAIC model.

Market 5 – the market for wholesale broadband access

Pursuant to NITA’s market decision regarding this market, at 22 December 2009, the market definition includes access to broadband via copper, coax and fibre. According to the market decision, TDC has Significant Market Power in this market and is under Significant Market Power obligations regarding access to BSA via copper and coax but not via fibre. The pricing is set using an LRAIC model. The requirement regarding offering wholesale BSA to broadband via coax will come into effect when the following two conditions are fulfilled: (i) an LRAIC model for wholesale BSA via coax has been developed and comes into effect, and (ii) a competitor has formally requested BSA to broadband via coax. After the two conditions have been met, TDC has six months to implement and start offering BSA via coax at prices set according to the LRAIC model.

TDC has appealed the 22 December 2009 decision made by NITA to the ordinary courts with respect to the obligation to offer wholesale BSA to broadband via coax not owned by TDC but where TDC supplies broadband services to the households connected to the network and controls the frequencies necessary for broadband distribution. In TDC’s opinion, TDC is not required to offer wholesale BSA to broadband via coax not owned by TDC unless this is explicitly provided for in an agreement between the owner of the network and TDC, but the decision is unclear in relation to these obligations.

On 3 November 2010, NITA issued a supplementary decision requiring TDC to offer wholesale BSA to broadband via its fibre network. The decision imposes a number of obligations on TDC including establishment of fibre access to households. The prices will be determined based on an LRAIC model. However, until the LRAIC model has been developed and implemented, the pricing will be based on the historical cost method. The decision came into effect on 3 December 2010. TDC has appealed part of the decision to the Telecommunications Complaints Board.

Market 7 – the market for voice call termination on individual mobile networks
NITA's market decision at 8 March 2010 designated TDC as Significant Market Power provider in this market and imposes a number of obligations on TDC, including price control. Telia, Telenor and Hi3G have also been designated as Significant Market Power providers in this market and are under Significant Market Power obligations. The mobile termination prices of TDC, Telia, Telenor, and Hi3G are set using an LRAIC mobile model.

Number portability
Pursuant to the Danish Tele Act, a provider of electronic communications networks or services shall ensure that its end-users are able to retain their subscriber numbers when changing from one provider to another provider (number portability). Accordingly, end-users shall be able to retain their subscriber numbers when changing between providers. Service providers are not required to provide 'cross-number portability', for example, from a landline number to a mobile phone number, but only mobile to mobile or landline to landline. As part of the implementation of the EU Telecoms Reform in Denmark, the Tele Act Bill requires providers to ensure that end-users may have their numbers ported within one day in contrast to the EU Telecoms Reform which only requires activation of the number within one day.

Universal service obligations
At 1 January 2009, TDC was designated as the universal service provider in Denmark, in line with the Universal Service Directive and Danish Executive Order regarding Universal Service Obligations. This regulation implies that regardless of their geographical location, all customers have a right to be offered a number of basic telecommunications services such as landline telephony, ISDN networks and services, a certain minimum set of leased lines, special universal services for disabled persons, directory enquiry services, an electronic directory, and certain radio-based maritime distress and safety services. TDC must deliver the services covered by the universal service obligation on reasonable terms to anyone requesting such services. The universal service provider appointment expires in 31 December 2014 with an option for NITA to extend the period by up to two years.

Anti-terror measures
As part of the anti-terrorism action plan issued in 2005, the Danish parliament has passed an act requiring telecommunications providers to provide communications interception services without compensation of costs for associated investments. In addition, an executive order regarding registration and retention of information on telecommunications traffic (the 'Danish Retention Order') was issued. The Danish Tele Act contains regulations regarding how providers must assist the police with intervention in the secrecy of communications in the form of, e.g., interception, and how providers shall set up and arrange their technical equipment and their technical systems such that the police may have access to intervene in the secrecy of communications. The Danish Tele Act is supplemented by the Danish Administration of Justice Act, which also contains regulations regarding how providers shall assist the police with intervention and access to data, including data contained under the Danish Retention Order. Under the Danish Retention Order, a provider of an electronic communications network and services to end-users must retain telecommunications traffic generated and processed in the provider's network for such data to be used in criminal proceedings. The retained data must be stored by the provider for one year. The obligation of retention of telecommunications traffic does not apply to the content of such traffic.

Risk factors

This section addresses both general risks associated with the economic environment and the industry in which TDC operates and the specific risks associated with its business. If any such risks were to materialise, TDC's business, financial condition and results of operations could be adversely affected and the value of TDC could decline.

The risks and uncertainties described below are not the only risks and uncertainties TDC faces. Additional risks and uncertainties not currently known to TDC, or that TDC currently deem to be immaterial may also adversely affect TDC's business, financial condition and results of operations.

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

Risks related to the economic environment

TDC generates most of its revenue in Denmark and a portion of its revenue in Sweden, Norway and Finland, and is therefore exposed to the general market environment, levels of economic activity and general economic conditions in Denmark and, to a lesser extent, Sweden, Norway and Finland.

TDC's business depends on the market environment, levels of economic activity, and general economic developments in Denmark and, to a lesser extent, Sweden, Norway and Finland. In particular, negative developments in, and a general weakness of, the Danish economy in recent years, including a period of increasing levels of unemployment, have negatively impacted the spending patterns of TDC's business and, to a lesser extent, residential customers in Denmark, both in terms of the products they subscribe for and usage levels. In the business markets, some of TDC's current and potential customers have reduced investment levels. Residential markets have been affected by a higher unemployment rate and a general decrease in consumer spending, while bad debts have increased. These factors have resulted, and may in the future result in, among other things, an increased focus on the basic telecommunications services and low cost services, fewer mobile broadband customers than anticipated, lower ARPU than expected for both mobile broadband and landline broadband, and increased churn rates.

Negative or very low economic growth, unemployment levels and other general economic developments in Denmark, Sweden, Norway or Finland could have an adverse effect on TDC's business, financial condition and results of operations.

Risks related to competition in the telecommunications industry

TDC is subject to significant competition from new and established competitors in Denmark, Sweden, Norway and Finland and to changing market conditions.

The Danish telecommunications sector is highly competitive, and a number of the main product markets in which TDC is present are either approaching maturity (broadband and mobile telephony) or declining (landline telephony). TDC faces significant competition from well-established, pan-Nordic and national telecommunications companies, including utilities companies that offer fibre-based solutions in a number of product categories, and TV distributors. Some of these competitors are subject to fewer regulatory requirements in Denmark than TDC. In many of TDC's markets, future success will depend on TDC's ability to maintain or achieve economies of scale that are sufficient for its operations to be profitable.

In the Danish mobile voice and mobile data market, TDC competes with other MNOs and a number of MVNOs and service providers. Price competition in this market segment is strong and may increase in the future. This market segment has recently experienced intensified marketing of and price reductions on semi-flat rate products by SIM-only competitors. Should price competition intensify further, TDC may be forced to lower its prices for certain of its mobile voice products or offer other incentives in order to retain and/or gain customers. If such price reductions or incentives are not accompanied by cost reductions or by an increase in its customer base, usage or services sold, TDC's business, financial condition and results of operations may be adversely affected.

In the landline telephony market, TDC competes with, among others, TeliaSonera (operating under the name Telia), Telenor, utilities companies, Stofa and providers of VoIP, such as Skype. The Danish landline telephony market has been adversely affected mainly by customer migration from traditional landline telephony products to mobile voice and VoIP. The risks relating to the landline telephony market are discussed in more detail below.

In the Danish landline broadband market, increased competition for broadband customers among existing and new competitors, such as utilities companies, has resulted in increased bandwidth at unchanged, or even reduced, prices as well as significant competition for broadband add-on services. TDC's landline broadband business may also experience increased competition from mobile broadband. While the Danish mobile broadband market has experienced strong growth in recent years, TDC's market share in mobile broadband is considerably lower than in landline broadband. The risks posed by a migration of customers from landline to mobile broadband are discussed in more detail below.

In the pan-Nordic market, TDC competes primarily with TeliaSonera in Sweden and Finland and Telenor in Norway, both of which are long-established incumbent operators in their respective domestic markets with significant presences in other countries (including in Denmark). Some of TDC's business customers are increasingly demanding pan-Nordic solutions covering cross-border landline and mobile voice, broadband and data communications. Competition is intense and TDC's primary competitors for pan-Nordic solutions offer full product suites of landline and mobile voice, broadband and data communications. Some of TDC's competitors in these markets may have more comprehensive product offerings, greater economies of scale, greater brand-name recognition and longer-established relationships with certain business customers. If TDC is unable to provide competitive cross-border solutions for TDC's Nordic business customers, an important segment of TDC's customer base could be lost, which could have an adverse effect on TDC's business, financial condition and results of operations.

TDC's TV business faces competition from other cable TV operators as well as providers of alternative TV platforms, such as digital terrestrial TV (DTT), direct-to-home satellite (DTH) and TVoIP.

TDC is exposed to the migration of customers from traditional landline telephony to mobile voice and VoIP and from landline broadband to mobile broadband. In these market segments, TDC's market shares are smaller and margins are lower than in the landline telephony and broadband market.

The customer base for traditional landline telephony (PSTN/ISDN) has been decreasing due to migration to mobile voice and VoIP as mobile prices have decreased and as broadband providers have offered VoIP at significantly reduced prices compared with traditional landline telephony. Antenna and housing associations have used their cable networks, and utilities companies have used their fibre infrastructure to provide customers with telephony services alongside Pay-TV and broadband services. As a result of such developments, TDC risks losing its traditional landline customers faster than currently anticipated. TDC has smaller shares of the mobile voice market, the VoIP market and the fibre infrastructure market in Denmark compared with its share of the traditional landline market, which means that migration has adversely affected, and may in future adversely affect, TDC's customer base, business, financial condition and results of operations.

Some customers who have migrated from TDC's traditional landline telephony products have subscribed for other TDC products, such as TDC's VoIP, mobile voice and broadband products. Even if TDC could manage to retain all the customer migration from traditional landline telephony to the substitution products, its total business may still experience decreasing profit, as margins for these substitution products are generally lower than the margins for traditional landline telephony.

As prices have decreased while bandwidth and coverage have increased, mobile broadband appears for certain customers to have become an alternative to, instead of merely complementing, landline broadband. TDC's market share in mobile broadband is significantly smaller than in landline broadband, and therefore such migration has had, and may continue to have, an adverse effect on TDC's business, financial condition and results of operation. This market segment is experiencing continued price decreases due to intense competition. Failure by TDC to increase its mobile broadband market share could have an adverse effect on TDC's business, financial condition and results of operations.

The Danish landline telephony and broadband markets have experienced price discounting and expansion of flat-rate products.
The landline telephony and broadband markets have, in recent years, experienced price discounting and, more significantly, an expansion of flat-rate products. A continuation of this trend to other markets may adversely affect TDC's business, financial condition and results of operations.

The introduction of mobile handsets with VoIP functionality may adversely affect TDC's pricing structures and market share in its voice business.
The introduction of mobile handsets with VoIP functionality may adversely affect TDC's pricing structures and market share in its landline and mobile voice business. VoIP over mobile telephony networks is an emerging technology influenced by large, global companies some of which have greater resources than TDC, such as Apple, Google, Microsoft and Skype, and there can be no assurance that TDC will be able to develop product offerings and price plans that will prevent erosion of revenue or profitability from TDC's voice business. If TDC is unable to achieve this, its business, financial condition and results of operations may be adversely affected.

TDC is exposed to competition from alternative telecommunications platforms.
Substitutions to a number of TDC's telecommunications technologies exist by means of alternative technology to satisfy customer demand. Any significant migration from TDC's technology to an alternative could have an adverse affect on its business, financial condition and results of operations.

In recent years, a number of regional Danish utilities companies have rolled out fibre networks to offer landline telephony, broadband and TV products primarily targeted at residential customers. At the date of this Annual Report, the utilities companies have not attracted a large share of the markets for such products, but if they are successful in the future, for example as a result of recent efforts by certain utilities companies to jointly market their product offerings under the Waoo! brand, or otherwise attract substantial residential or business customers, this may result in increased pressure on prices for landline telephony, broadband and Pay-TV. Such price pressure could have an adverse effect on TDC's customer base, market shares and price levels, which could adversely affect its business, financial condition and results of operations.

YouSee and TDC TV have faced competition from cable-TV operators, and from providers that offer Pay-TV services on other platforms, such as utilities companies, DTH satellite distributors, DTT providers and operators offering TVoIP. Competition has been driven by price, the range of channels offered, the ability to offer digital TV services such as personal video recording (PVR), video-on-demand and high definition TV (HDTV) and customer service. TDC believes that the number of channels in the generally accessible terrestrial network, as well as the supply of TV through the utilities companies' roll-out of a fibre-to-the-home ('FTTH') network, may increase significantly during the coming years, which could adversely affect TDC's TV business, including YouSee. Increased competition in the Danish TV-distribution market may also arise from internet-based content providers such as media and communications companies such as YouTube and Google, which could create significant price pressure. Failure by TDC to respond adequately to these challenges may have an adverse effect on TDC's customer base and its share of the Danish TV-distribution market, which could adversely affect TDC's business, financial condition and results of operations.

Risk related to public tender of framework agreement with National Procurement (SKI - Statens og Kommunernes Indkøbs Service A/S)
SKI has announced that the current framework agreement concerning telephony and data will be terminated as a result of an opinion from the Danish Competition and Consumer Authority questioning the legality of specific terms in one of the framework agreements SKI has concluded, which is also of relevance for the framework agreement concerning telephony and data. The framework agreement concerning telephony and data will be subject to a new public tender later in 2011. TDC is a party to the current framework agreement. No assurance can be given that TDC will win the tender for a new framework agreement or that the prices in

the framework agreement will be at the same level as the prices in the current framework agreement.

Risks related to TDC's business activities

TDC may not be successful in adapting to product and technological developments and a failure to do so, or the cost of doing so, may adversely affect TDC's business, financial condition and results of operations.
Technologies in many of the product markets in which TDC competes change rapidly. TDC needs to anticipate and react to these changes by developing new and enhanced products and services quickly, for example. In addition, new technologies could become dominant in the future, rendering TDC's current technologies and systems obsolete. TDC's ability to adapt successfully to changes in technology in its industry and provide new or enhanced services in a timely and cost-effective manner will be important factors that will determine whether TDC can increase or maintain its customer and revenue base. If TDC is unable to do so, TDC's business, financial condition and results of operations could be adversely affected.

Costs associated with future product offerings, new technological developments and the operation of TDC's existing and future networks and technologies may also increase, due to many factors, some of which are outside TDC's control, including additional requirements for bandwidth, complexity of new solutions, potential incompatibility with TDC's current systems and the cost of content. The level and timing of future operating expenses and capital requirements may differ materially from current estimates due to various factors, many of which are beyond TDC's control. If TDC is not able to fund these costs, or if it chooses not to fund these costs, then its business, financial condition and results of operations could be adversely affected.

TDC relies on its network infrastructure and other critical systems that are vulnerable to disruptive events and a substantial part of which are not covered by insurance.
TDC's equipment and networks may be damaged or disrupted by events such as fire, power outages and equipment or system failures, including those caused by terrorist attacks, unauthorised access or computer viruses. In recent years, parts of TDC's fibre and landline networks have been affected by severe weather and have been damaged as a result of works undertaken by construction and installation companies. Major damage or disruptions could result in failure of TDC's networks or systems or of the third-party-owned local and long-distance networks on which TDC relies to provide its subscribers with interconnection and roaming services. This could affect the quality of TDC's services or cause service interruptions, which could result in customer dissatisfaction, regulatory penalties and reduced revenue. Network or system failures could also harm TDC's reputation or impair TDC's ability to retain and attract new customers, which could have an adverse effect on TDC's business, financial condition and results of operations. TDC's business continuity plans, network security policies and monitoring activities may not mitigate the impact of or prevent such disruptive events.

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

Based on its risk analyses, TDC's policy has been not to insure its underground, air and sea cables. If these network elements were disrupted as described above, TDC may not have sufficient resources to make necessary repairs or replacements, and such repairs and replacements may entail significant costs.

Also, if repairs or replacements of TDC's telecommunications network (or substantial parts of it) were required, TDC may not be able to complete such repairs or replacements, or may not be able to do so in a timely manner. This could adversely affect TDC's ability to provide services to its customers or the quality of its services, which could result in customer dissatisfaction and regulatory penalties, and could adversely affect TDC's business, financial condition and results of operations.

TDC competes in part by offering complex converged and bundled products, and may not succeed in developing such products or may be unsuccessful in marketing such products.

The Danish telecommunications market has been, and TDC expects that it will continue to be, influenced by providers offering residential customers converged products and bundles of services such as multi-play packages. Similarly, in recent years, business customers have favoured converged and bundled products. Since 1997, TDC has offered Duet, a converged landline and mobile product, which it has sold to a substantial portion of its customer base. Early in 2009, TDC launched the bundled multi-play products TDC HomeDuo (telephony and broadband) and TDC HomeTrio (telephony, broadband and TV). In addition, TDC plans to launch a quadruple-play product in 2011. TDC believes that its ability to offer new converged and bundled products, either by enhancing existing products or developing new products, will continue to be an important factor in its business. However, such types of bundled products can be complex due to the technological, logistical and pricing complexities of combining two or more services as a single product offering. If TDC fails to continue to offer attractive new bundled products in the future, or to successfully market such offerings to customers, TDC's customer base and market shares could decline, and its business, financial position and results of operations could be adversely affected.

TDC relies on key management and other personnel and its ability to attract and retain qualified employees.

TDC's success relies heavily on the skills, experience and efforts of its management. In addition, as TDC's business develops in a highly competitive market, TDC believes that its future success will depend on its continued ability to attract and retain highly skilled and qualified personnel. This may be difficult, especially as Denmark's labour market is still characterised by low unemployment and bottlenecks for highly skilled personnel.

TDC relies on its information technology systems for the operation of its business, which may be disrupted by hacking or systems failure.

TDC's information technology system comprises numerous intra-linked systems that are periodically updated, upgraded, enhanced and integrated with new systems. If these systems cannot be maintained adequately, or if the systems cannot provide a basis to support new or expanded products or services, TDC's ability to service its customers may be adversely affected.

As the telecommunications sector has become increasingly digitalised, automated and online-based, TDC has become exposed to increased risks of hacking and general information technology system failures. Unanticipated information technology problems, system failures, computer viruses, hacker attacks or unauthorised access to TDC's server could affect the quality of TDC's services, compromise the confidentiality of TDC's customer data or cause service interruptions, which could harm TDC's reputation and adversely impact TDC's market share, business, financial condition or results of operations.

TDC depends on third-party suppliers and operators who may fail to deliver or may discontinue their products or services, terminate their contractual relationship or seek to charge TDC prices that are not competitive.

TDC relies on third parties for the supply of equipment and certain critical systems, such as exchanges, switches, handsets, such as smartphones and other hardware. TDC also depends on MVNO and roaming agreements outside Denmark and interconnection agreements with other operators, some of which are TDC's competitors. Failure to perform by such suppliers and operators or difficulties or delays in interconnecting with other networks and services may delay or prevent TDC from providing products and services to its customers, which may adversely impact TDC's business, financial condition and results of operations. If this occurs, TDC cannot provide assurance that it will be able to, or have the right to, recover payments made to such suppliers or operators for their products or to obtain damages or other remedies.

Any price increases introduced by suppliers may adversely affect TDC's business, financial position and results of operations, to the extent that TDC is unable to pass on such price increases to its customers. TDC and its suppliers may also disagree on their contractual relationship which may lead to commercial disputes or escalate to legal proceedings, the outcome of which is uncertain. TDC and its suppliers may terminate their contractual relationship and no assurance can be given that TDC will be able to find alternative suppliers on terms acceptable to TDC or in a timely manner or at all. Switching to alternative suppliers could also cause difficulty or delays in the provision of support and maintenance, new products and upgrades and operational services. This is particularly the case in relation to agreements relating to the maintenance, development and operation of functions which have been outsourced, including several of TDC's information technology activities and its mobile network.

TDC has outsourced substantial parts of its information technology operations and development to CSC Consulting Group A/S (CSC) and the operation and build-out of its Danish mobile network to Ericsson Danmark A/S (Ericsson). This has exposed TDC to additional operational dependency and risks, as TDC relies on these and other suppliers to maintain and upgrade its hardware, software and mobile network. Any discontinuance of these supply agreements or failure by TDC's suppliers to comply with their obligations under these agreements could lead to the delay of upgrades and new products and features from suppliers. In the event that TDC's current outsourcing arrangements become unsatisfactory, or either of CSC or Ericsson is unable or fails to fulfil its obligations, TDC may not be able to find new outsourcing partners on economically attractive terms or on a timely basis or at all. Such actions could impact TDC's ability to develop new products and its supply of existing or new products and the quality of the support services associated with the outsourced function may deteriorate. Failure by CSC or Ericsson to perform their services in a timely and effective manner at acceptable costs could have an adverse effect on TDC's operations.

TDC's potential for growth in the mobile voice and data segment is highly dependent on its ability to secure the supply of handsets, including smartphones, which meet customers' demands. If TDC fails to secure the supply of smartphones or other products to meet customers' demands, its ability to retain and attract customers may be negatively impacted, which may adversely affect its business, financial condition or results of operations.

If TDC is not able to secure the supply of sufficient and attractive content, sales of TDC's products and services with a content component, such as cable TV, broadband and mobile telephony, could be adversely affected, which may have an adverse effect on TDC's business, financial condition or results of operations. In particular, YouSee and TDC's TV business are dependent on YouSee's ability to source attractive TV content at competitive prices. If one, or more, of TDC's agreements with certain content providers, such as Viasat, TV2 Networks or SBS, is not extended or renewed upon expiry or is extended on less advantageous terms or TV content is otherwise constrained, TDC's competitive position in the TV-distribution market could be adversely affected.

In addition to its own distribution networks, TDC uses a number of retailers, sales agencies and other distributors to distribute or sell its products, and any interruption in these contractual relationships could increase TDC's costs and have an adverse affect on its business, financial condition and results of operations.
In addition to its own distribution network, TDC uses a number of retailers, sales agencies and other distributors to distribute or sell its products and services to retail and business customers. There is a risk that TDC's distributors may stop distributing TDC's products to end users for reasons beyond TDC's control. In addition, TDC's distributors have distribution agreements with some of TDC's competitors or they may enter into additional distribution agreements with TDC's competitors that may negatively affect customer intake and TDC's market share. If TDC fails to maintain these distribution relationships, or its distribution partners fail to provide sufficient customer intake for TDC, this could have an adverse effect on TDC's business, financial condition and results of operations.

TDC may not be able to successfully execute its ongoing or future initiatives to improve operating efficiency and reduce operating expenses.

In recent years, TDC has actively sought to reduce operating expenses and improve operating efficiency. For a summary of TDC's past and current restructuring and cost reduction programmes, see 'TDC's transformation since 2006'. TDC can give no assurances that its ongoing and future cost reduction initiatives will be successful in achieving their desired effect or that such initiatives will be executed as and within the time frame anticipated. The execution of restructuring and cost reduction initiatives may have adverse consequences, such as diversion of management time, customer complaints or industrial action, and may require TDC to record significant one-off costs as Special Items, such as provisions for redundancies. If TDC fails to successfully execute its ongoing or future initiatives to improve operating efficiency and reduce operating expenses, its business, financial position or results of operations may be adversely affected.

TDC may not fully recoup its infrastructure investments, including the investments currently undertaken to offer LTE services.

TDC has made and expects to continue to make significant infrastructure investments. Such investments are only recouped later, if at all, based on TDC's expectations with regard to the future developments of the markets and customer behaviour. There can be no assurance that TDC's current or future investments will generate the expected results and profits.

In particular, TDC anticipates that mobile data services and enhanced products and services, such as smartphones, higher internet speeds and add-on service offerings, will be important drivers of its future growth. In order to enable TDC to offer such services in the future, TDC has recently invested in a new licence through which it has access to 2x20 MHz of paired spectrum in the 2.5 GHz frequencies. TDC intends to use this spectrum primarily to offer LTE services to its customers in the future. In order to launch LTE services, TDC expects that it will need to make further significant investments to acquire and develop new network equipment, network software, new products and related infrastructure and services and may in addition, require further significant investments to acquire further spectrum in the future. However, a profitable market for LTE services using this spectrum may not develop in the time frame contemplated or at all, due to, for example, pricing constraints. If a profitable market fails to develop, TDC's ability to recoup its investment in such network equipment, software and products may be adversely affected. In addition to a negative impact on cash flows, this could result in significant write-downs of the value of the related investments.

Future workforce reductions may require significant redundancy costs and industrial actions

As part of its cost reduction initiatives, TDC will continue to streamline its workforce in the years ahead. Many of TDC's employees (app. 25% in Denmark) have civil servant pension rights and some of these are entitled to special severance benefits. Therefore any workforce reduction entails significant redundancy costs, which would affect TDC's earnings in the short run.

Although Danish law imposes no significant restrictions on workforce reductions, and TDC's labour unions have no right under Danish law to veto any workforce reductions, reductions may lead to strikes, work stoppages or other industrial actions. In the summer of 2010, for the first time since 2005, TDC experienced a significant strike, due to workforce reductions. TDC has entered into 'truce' agreements with the telecommunications departments of the Danish Metal Workers Union (Dansk Metal), the Association of Managers and Employees in Special Positions of Trust in TDC (Lederforeningen i TDC, LTD) and the Danish Confederation of Professional Associations (Akademikernes Centralorganisation - AC). In these agreements, TDC has agreed to follow certain procedural guidelines when reducing its workforce. The 'truce' agreements will expire at the end of 2011, but may be terminated by TDC or the unions with three months' notice if the assumptions behind the truces lapse or change.

An infringement of TDC's trademarks could adversely affect TDC's business. TDC may be prevented from using important intellectual property if a third party were to make infringement claims.
Most of TDC's products and services are marketed and sold under its brand names TDC, YouSee, Telmore, Fullrate and M1. TDC relies upon a combination of trademark laws, copyright and database protection as well as contractual arrangements to establish and protect its intellectual property rights. However, third parties may infringe TDC's trademarks and internet domain names, which could have an adverse effect on TDC's business, financial condition and results of operations. TDC cannot guarantee that any lawsuits or similar actions initiated to protect its intellectual property rights will be successful.

Third parties have claimed and may in the future claim that TDC or its suppliers are infringing third party intellectual property rights, such as patent rights. As a result of any legal action with respect to such claims, TDC may be unable to use intellectual property that is material to the operation of its business, which could prevent TDC from marketing or selling certain products or services, or require TDC to pay significant damages or higher prices for products or services due to a third party's successful intellectual property claim. In addition, legal action, regardless of outcome, could result in substantial costs to TDC and diversion of its resources.

Actual or perceived health risks or other problems relating to mobile handsets or base stations could lead to decreased mobile communications usage and litigation.
TDC is aware of public concerns that the electromagnetic signals from mobile handsets and base stations may pose health risks or interfere with the operation of electronic equipment. Actual or perceived risks associated with mobile handsets or base stations and related publicity, regulation or litigation could reduce TDC's mobile phone customer base, cause mobile telephone customers to use their mobile phones less, make it difficult to find or maintain attractive sites for base stations or potentially result in litigation costs. Any of these events could adversely affect TDC's business, financial condition or results of operations.

Risks related to TDC's regulatory environment and litigation

The Danish regulatory framework is currently undergoing a revision, the outcome of which could adversely affect TDC's financial condition and results of operations.
Denmark's regulatory telecommunications framework is based on EU regulation. The EU regulatory telecommunications framework has been revised and must be implemented in Denmark by 25 May 2011. In connection with the implementation of this framework, obligations may be imposed on TDC which may have an adverse effect on TDC's business, financial condition and results of operations.

A bill of an amended Danish Tele Act (the 'Tele Act Bill') has been introduced. The Tele Act Bill will grant NITA increased flexibility regarding obligations to be imposed on providers with Significant Market Power, such as TDC. For example, the specific content and scope of the price control obligation will be determined by NITA in each specific case. The proposed regulation and the enhanced powers of NITA may result in regulation and decisions which may have an adverse effect on TDC's business, financial conditions and results of operations.

A revision of the political agreement on the guidelines for Danish telecommunications policy has been recommended by the Ministry of Science, Technology and Innovation's High Speed Committee and several of the Danish political parties behind the political agreement, including the governing Danish Liberal Party, have stated their intention to revise the ten-year old agreement. The recommendations in the High Speed Committee's report are likely to set the agenda for a possible revision which may entail changes to the legal and regulatory framework under which TDC operates. Any such changes may have an adverse effect on TDC's business, financial condition and results of operations.

TDC has been designated as having Significant Market Power in several Danish telecommunications markets and is, therefore, subject to substantial restrictions and obligations that have an adverse effect on TDC's business, financial condition and results of operations, the effects of which could be further intensified if signifi-

cant changes to such restrictions and obligations were to occur.
TDC has been designated as having Significant Market Power in a number of wholesale markets where the majority of TDC's prices are regulated and the prices are set using predominantly an LRAIC model. The landline LRAIC model is based on a hypothetical 'all-internet protocol network', whereby cost is calculated assuming that all the services are produced based on packet-switched, as opposed to circuit-switched technology, using an IP protocol. This has led to significant reductions in the LRAIC regulated prices, which took effect on 1 January 2010. As a result, from 1 January 2010, TDC has only been allowed to charge the reduced LRAIC regulated prices to other providers in the market for landline interconnection and this has had, and will continue to have, an adverse effect on TDC's results of operations. The change to price regulation may benefit TDC's competitors in Denmark and may, therefore, adversely affect TDC's competitiveness, and this trend could intensify in the future.

On 7 May 2009, the Commission made a recommendation regarding change of the LRAIC-method regarding both wholesale termination rates in landline and mobile networks. According to this recommendation, incremental costs should be defined as avoidable costs. The application of such an avoidable cost method will lead to a significant reduction in the wholesale prices TDC can charge. The changes have not yet been implemented in the applied LRAIC models, but are expected to be implemented in the first half of 2011.

On 22 December 2009, NITA issued a revised market analysis and decision on the market for broadband access (market 5) followed by a supplementary decision on 3 November 2010. Currently, TDC is considering whether to appeal the supplementary decision regarding BSA via fibre to the Telecommunications Complaints Board. According to these decisions, TDC is required to offer wholesale BSA to broadband via fibre and via coax in addition to the long existing requirement to offer wholesale BSA to broadband via copper. The pricing is set using a LRAIC model. The requirement regarding fibre came into effect on 3 December 2010. However, until a new LRAIC model for wholesale BSA to broadband via fibre has been developed, the prices will be set according to the historic cost method, and on 3 January 2011, NITA decided that this entails that existing prices can be maintained until the LRAIC decision is reached. The requirement regarding coax comes into effect when (i) a LRAIC model for wholesale BSA via coax has been developed and comes into effect, and (ii) a competitor has formally asked for BSA to broadband via coax. The outcome of any revisions to the LRAIC models is uncertain.

The requirement to provide wholesale BSA to broadband via coax and via fibre could have an adverse effect on TDC's business, financial condition and results of operations, in part by adversely impacting its geographic coverage advantage and ability to offer high-speed broadband as a differentiating competitive factor, and may result in favourable conditions for TDC's competitors in Denmark and thus could adversely affect TDC's competitiveness. Furthermore, no assurance can be provided that such requirements will not be extended in the future.

TDC has appealed the 22 December 2009 decision to the ordinary courts of Denmark with respect to the obligation to offer wholesale BSA to broadband via coax not owned by TDC but where TDC supplies broadband services to the households connected to the network and controls the frequencies necessary for the broadband distribution. In the opinion of TDC, TDC is not required to offer wholesale BSA to broadband via coax not owned by TDC unless this is explicitly provided for in an agreement between the owner of the network and TDC, but the decision is unclear in relation to these obligations.

Reintroduction of a price cap on TDC's USO products could adversely affect TDC's results of operations.
TDC is designated as the universal service provider (USP) in Denmark, in line with the EU USO Directive and Danish USO Regulation which are designed to ensure that all end users have access to certain basic affordable telecommunications services regardless of their geographical location. In the past, NITA fixed the prices that TDC could charge its Danish USO customers for using PSTN services, but these price caps were lifted at the end of 2005. However, if NITA reintroduced a price cap on TDC's USO products and services at any point in the future, this could have an adverse effect on TDC's results of operations.

The licences for the key technologies underlying TDC's offerings have finite terms and the failure to renew any of these licences upon expiration, or TDC's inability to

obtain new licences for new technologies, could adversely affect its business, financial condition and results of operations.
The use of certain key technologies in Denmark and other countries is subject to the grant of licences from public regulators, in Denmark NITA. TDC is dependent upon such licences in order to provide many of its products and services.

TDC is licenced to provide mobile telecommunications services in Denmark. TDC has one UMTS licence to provide 3G services in Denmark, which expires on 31 October 2021. In addition, TDC has three GSM licences in Denmark: DCS 1800 (expiring on 12 June 2017), DSC6 (expiring on 12 June 2017) and GSM1 (expiring on 31 December 2019). On 10 May 2010, TDC acquired a licence through which it has access to 2x20MHz of paired spectrum in the 2.5 GHz frequencies (expiring on 31 May 2030). NITA 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. After the expiration dates, TDC will have to reapply for, or reacquire, new licences which may entail significant costs for TDC. There can be no assurances that TDC will be successful in any such application or in any future applications for further licences. In the event that TDC is unable to renew a licence or obtain a new 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, financial position and results of operations could be adversely affected.

TDC is subject to risks from legal and arbitration proceedings that could cause it to incur substantial costs, pay substantial damages or prohibit it from selling its products.
TDC is involved and may in the future become involved in commercial disputes as well as legal and arbitration disputes, with public authorities or private parties, which involve substantial claims for damages or other sanctions, for instance arising out of acquisitions or disposals or subsidiaries or other material assets made over the past years or out of other material contracts entered into by TDC. The outcome of these and any potential future proceedings is difficult to predict with certainty. In the event of a negative outcome of any material proceeding, whether based on a judgement or a settlement agreement, TDC could be obligated to make substantial payments or accept other sanctions, which could have an adverse effect on its business, financial condition and results of operations. In addition, the costs related to litigation and arbitration proceedings may be significant. Furthermore, TDC has undertaken representations and warranties in agreements to divest certain enterprises, which is in line with common practice. Such representations and warranties may lead to payments that may or may not be provided for in the Financial Statements.

TDC is subject to Danish and European competition law regulation.
TDC is subject to Danish and European competition law regulation. Both of these prohibit agreements and practices, the purpose or result of which is to restrict competition as well as behaviour that constitute an abuse of a dominant position. Furthermore, both Danish and European laws contain merger control regulation. The Danish Competition Act was recently amended so that the threshold for notifiable mergers was lowered significantly. Pursuant to the Danish Competition Act, a merger must be notified to the Danish Competition and Consumer Authority if the businesses concerned have a total aggregate annual revenue in Denmark of at least DKK 900m and at least two of the businesses concerned have a total annual revenue in Denmark of at least DKK 100m each, or at least one of the businesses concerned has a total annual turnover in Denmark of at least DKK 3.8bn and at least one of the other businesses concerned has a total worldwide annual turnover of at least DKK 3.8bn.

Given TDC's size and market positions, competition regulation significantly restricts TDC's ability to operate. In particular, the potential for further acquisitions in the Danish market has been restricted by the recent amendment of the Danish merger control regulation. Likewise, TDC's Danish practices and agreements have been and are likely to continue to be subject to review by the Danish Competition and Consumer Authority for possible infringements of the Danish Competition Act. While TDC pays significant attention to its agreements and practices compliance with the Competition Act, it is often difficult to assess whether a practice or agreement is compliant with the Danish Competition Act and no assurance can be given that the relevant authorities will agree with TDC's interpretation of such regulation.

On 30 September 2010, the Danish Competition and Consumer Authority announced that it had undertaken an investigation of the TV-distribution market in Denmark. The Authority's assumption is that there is currently not a sufficiently effective competition in the market given the low number of distributors and the fact that certain TV-channels can only be obtained via particular distributors. The Authority expects to announce the results of the investigation before the summer of 2011. No assurance can be given as to the outcome of the investigation or its possible impact on TDC's (including YouSee's) business, financial position or results of operation.

Financial and taxation risks

Risks regarding borrowing facilities

At 31 December 2010, the Company had DKK 22,607m in net interest-bearing debt outstanding, of which DKK 17,852m was outstanding under its Senior Facilities Agreement. TDC will in the future remain subject to significant obligations with regard to servicing and repayment of the Senior Facilities Agreement and other facilities.

The Senior Facilities Agreement contains certain restrictive covenants, such as limitations on acquisitions and joint ventures, incurring financial indebtedness, providing guarantees, granting security and asset disposals. The restrictions on acquisitions and joint ventures, incurring financial indebtedness and providing guarantees are suspended as long as the Company maintains a leverage ratio of less than 3.5x (calculated in accordance with the Senior Facilities Agreement) at the end of each of the most recent two quarters or a long-term corporate credit rating of BBB− and Baa3 from S&P and Moody's (the 'Release Condition'). Failure by TDC to satisfy the Release Condition will significantly limit its flexibility in operating its business, which may adversely affect TDC's business, financial conditions and results of operations.

TDC's existing borrowing facilities require it to comply with financial ratios and satisfy specified financial tests. Events beyond TDC's control may affect its ability to do so and, as a result, TDC cannot assure stakeholders that these ratios and tests will be met. If a default occurs under such agreements, the lenders could terminate their commitments and upon acceleration declare all amounts owed to them due and payable. Acceleration of the debt under the Senior Facilities Agreement could cause a default under the terms of certain debt agreements that contain a cross-default (i.e., the EMTNs and interest-rate hedging arrangements), causing all such other debt under these agreements to be accelerated. If this were to occur, the Company may not have sufficient assets to repay its debt. Further, a breach by NTC of certain provisions under the Senior Facilities Agreement (or other finance documents relating thereto) may constitute an event of default under the Senior Facilities Agreement allowing the lenders to terminate their commitments and declare all amounts owed to them by TDC due and payable (with the same consequences as considered above).

At 31 December 2010, NTC had no outstanding debt, i.e. no debt under the Senior Facilities Agreement, no High Yield Bond debt or debt under other loan agreements.

TDC's ability to generate the significant amount of cash needed to service its debt depends on many factors beyond its control. TDC's ability to pay and refinance its debt and fund working capital and capital expenditures will depend on its future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond TDC's control, as well as the other factors discussed in this section. Stakeholders cannot be sure that the TDC Group's business will generate sufficient cash flows from operations or that sufficient future debt and equity financing will be available for TDC to pay its debts when due or to fund its liquidity needs. If TDC's future cash flows from operations and other capital resources (including its existing borrowing facilities) are insufficient to pay its debts as they mature or to fund its liquidity needs, TDC may be forced to reduce or delay its business activities and capital expenditures, sell assets, raise additional debt or equity capital or restructure or refinance all or a portion of TDC's debt on or before maturity.

Stakeholders cannot be certain that any of these alternatives will be accomplished on a timely basis or on satisfactory terms. In addition, the terms of TDC's debt, and that of its parent company and any future debt, may limit TDC's ability to pursue any of these alternatives.

Interest-rate risk
TDC's debt and derivatives bear interest at variable rates. As a result, an increase in market interest rates could increase the Company's interest expense and its debt service obligations, which would exacerbate the risks associated with its capital structure and would have an adverse effect on TDC's business, financial conditions and results of operations. Hedging may also be expensive to maintain and may inadequately protect TDC against adverse movements in interest rates.

At 31 December 2010, the interest-rate risk relating to 76% of TDC's gross debt was hedged. The portion of the gross debt that is hedged may vary in the future.

Exchange-rate risk
TDC is subject to exchange-rate risk owing to revenue originating in Sweden and Norway, where TDC conducts its business operations and prepares its financial statements in currencies other than Danish kroner (DKK) or euro (EUR). Any loss in the value of these currencies against the Danish krone will reduce, from TDC's perspective, the value of TDC's investments in the relevant business activities and the income derived from them.

Further, TDC is exposed to exchange-rate risk arising from financing activities in other currencies than DKK. Adverse fluctuations in exchange rates between DKK and these currencies may adversely affect TDC's business, financial condition and results of operation.

At 31 December 2010, 97% of TDC's nominal gross debt (including derivatives) was denominated in EUR.

Credit rating
A downgrade of TDC's credit ratings could increase its financing costs and limit its access to financing sources.

TDC's credit ratings are subject to periodic review by the rating agencies. If TDC's results of operations deteriorate for any reason, any or all of TDC's ratings may be downgraded. A credit rating downgrade could increase TDC's financing costs, limit its access to financing sources and impede TDC's ability to refinance all or a portion of its outstanding debt.

TDC may have to contribute assets to its pension funds
Some of TDC's present and former employees are entitled to a pension from TDC Pensionskasse, the fund related to TDC. The pension fund invests in a variety of marketable securities and real estate, including fixed income and equities. The rate of return on these investments has implications for TDC's financial results and pension plan funding requirements. TDC also operates defined benefit plans that cover employees of TDC Norway.

If TDC Pensionskasse is not able to meet the capital adequacy requirements under the Danish Act on Company Pension Funds, TDC is immediately required to make contributions to cover the shortfall. TDC is not expected to be able to withdraw funds from the pension fund if it has a surplus of assets.

At 31 December 2010, for accounting purposes only, TDC's balance sheet shows a net positive pension asset related to its Danish defined benefit plans, but no assurance can be given that TDC will not in the future have to make contributions to cover any shortfall in meeting the capital adequacy requirements under the Danish Act on Company Pension Funds.

The Danish Financial Supervisory Authority (Finanstilsynet) has introduced a mortality benchmark for members of company pension funds, which will be implemented at 1 January 2011. The Financial Supervisory Authority now also requires that TDC Pensionskasse analyses whether the mortality of the members of the pension fund deviates from the benchmark and submits a report on this matter to the Authority on 1 July 2011 at the latest. Deviation from FSA's benchmark shall be allowed only if the pension fund can provide adequate documentation that there is a significant and justifiable reason for the difference in mortality between that of the pension fund and the benchmark. In TDC Pensionskasse's opinion, the mortality of the members of the pension fund deviates from that of the FSA benchmark in Denmark. If the FSA disagrees, and the pension fund has to apply the benchmark, it will result in higher pension provisions in TDC Pensionskasse and will possibly require the injection of funds by TDC to comply with the statutory solvency requirements.

TDC's tax position can be challenged by local tax authorities, and is subject to potential adverse changes in tax laws.
TDC is subject to the tax legislation in effect in the countries where it conducts business. Tax laws have been amended in the past in ways that have had an adverse effect on TDC. Any future amendment of the tax rules including value added tax (VAT) in the countries where TDC conducts business may adversely affect TDC's payable corporate tax and VAT and its future results of operations.
TDC aims at ensuring correct and timely reporting and payment of direct and indirect taxes.

TDC pursues an active tax policy to optimise its tax expenses and to ensure tax risk management with a low margin of unidentified risks. This tax policy implies a risk for TDC's tax position to be challenged by local tax authorities. TDC evaluates the tax risks associated with this tax policy and makes financial provisions for these risks when required. However, due to the inherent uncertainty related to these tax risks, the provisions made may not be sufficient to cover the actual taxes and related costs payable by TDC. If the actual taxes and related costs payable by TDC exceed the provisions made, it will have an adverse effect on TDC's financial condition and results of operations, and may also adversely affect TDC's cash flow.

Forward-looking statement

The following cautionary statements identify important factors that could cause the actual results to differ materially from those projected in the forward-looking statements made in this annual report.

Any statements about TDC's expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases, such as "will likely 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 which 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 annual report. Among the key factors that may have a direct bearing on TDC's results of operations are:

- reduced flexibility in planning for, or reacting to, changes in TDC's business;
- 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 market, including marketing and customer-acquisition costs;
- developments in the market for multimedia services;
- ability to recoup the UMTS investments and ability to control costs;
- research regarding the impact of mobile phones on health;
- changes in applicable Danish, Swedish, Norwegian, Finnish and EU legislation, including but not limited to tax and telecommunications legislation and anti-terror measures;
- decisions by the Danish National IT and Telecom Agency ("NITA") whereby the regulatory obligations of TDC are extended;
- the possibility of being awarded licenses;
- increases in interest rates that would affect the cost of TDC's interest-bearing debt which carries floating interest rates;
- status of important intellectual property rights;
- exchange rate movements;
- global and local economic conditions;
- investments in and divestitures 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 you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and TDC undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as may be required by law or the rules of NASDAQ OMX Copenhagen. New factors will emerge in the future, and it is not possible for TDC to predict which factors they will be. 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.

Corporate Responsibility

2010

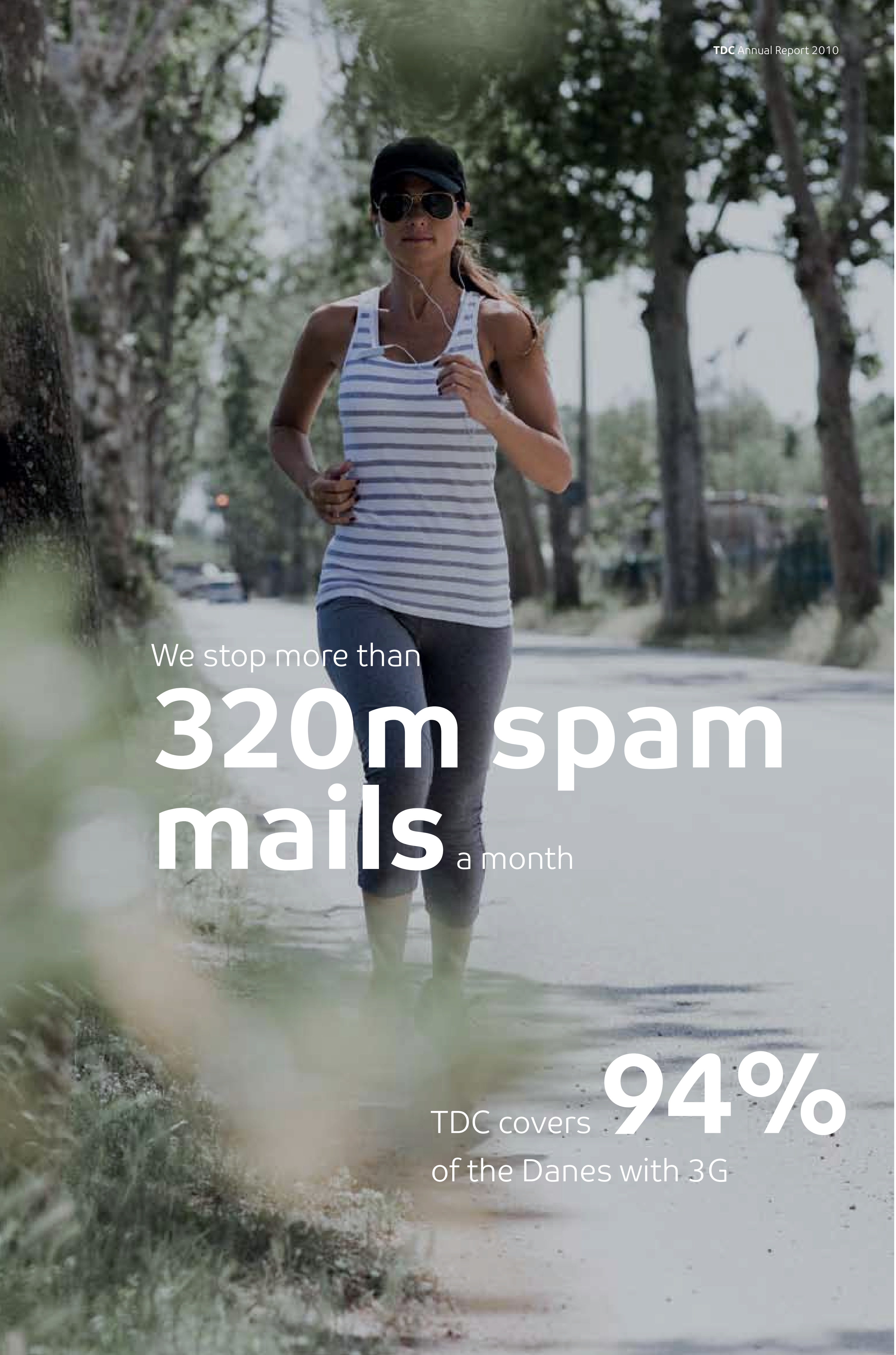
We have reduced our CO_2 emissions by

8,110 tons

this year

By 2015, our senior executive team must comprise

33% women


We stop more than
320m spam mails a month
TDC covers 94%
of the Danes with 3G

Corporate Responsibility

2010

The following constitutes TDC's statutory reporting on Corporate Responsibility in accordance with Section 99a of the Danish Financial Statements Act.

As in 2009, and as a supplement to the statutory reporting on social responsibility, TDC has prepared a CR report, which is available at www.tdc.com/csr. The CR report has been prepared in accordance with the Global Reporting Initiative's sustainability reporting guidelines (G3).

As a member of the UN Global Compact, TDC will also submit a Communication on Progress (COP) to the UN for the financial year 2010. The COP will constitute TDC's CR report prepared in accordance with the abovementioned G3 guidelines. TDC could therefore have chosen to omit a report on social responsibility from the Management's Review, but with its focus on clarity and transparency, has decided not to apply the exemption provision.

Corporate Responsibility supports TDC's business

In 2010, TDC's Corporate Management Team (CMT) and TDC's Board of Directors approved and adopted a new Corporate Responsibility (CR) strategy. This new strategy applies to the entire TDC Group, including Nordic and Danish subsidiaries. The strategy supports TDC's ambition to be the best of the comparable European telecommunications in 2012 in relation to earnings as well as customer and employee satisfaction, while remaining the backbone of Denmark's IT society.

More specifically, TDC has chosen five focus areas, with a number of people responsible for securing progress and fulfilment of the objections set for each area. With one exception, the people responsible are all members of TDC's top management team.

The five focus areas are:

- Digital Denmark
- Customer security and confidence
- Climate and environment
- Employee health and diversity
- Social partnerships

The concrete policies of the five focus areas and how action will be converted into results are described below with the results for the year.

Responsibility systematised

The new strategy defines a number of ambitious Corporate Responsibility objectives and enables the Group to build on the results achieved in recent years while strengthening a number of areas.

All objectives and results are reported every three months to the CR Board, which we have set up to support and secure that the strategy is implemented across the TDC Group. The CR Board comprises TDC's Chief HR and Strategy Officer, Head of Communications, Head of Legal & Regulatory Affairs, Head of Marketing and Public Account Manager in TDC Business and reports directly to the Executive Committee.

All objectives and results are also reported to the CMT every three months, and every six months to TDC's Board of Directors. Objectives and a more detailed review of TDC's Corporate Responsibility can be found in the CR report, which is available at www.tdc.com/csr.

Digital Denmark

TDC's objective

With its new CR strategy, TDC is focusing on the digitalisation of Denmark.

For many years, Denmark has been featured at the top of many international surveys on the penetration of broadband and digital solutions. This position is based largely on TDC's intensive roll-out of both landline and mobile networks. However, at TDC, we want to secure continuous development of Denmark as a leading digital country. We have therefore decided to invest DKK 25bn in Danish IT infrastructure over the next ten years.

In addition, we want to focus specifically on extending IT to Danish schools and supporting the expansion of telemedicine and other welfare services that we regard as prerequisites for maintaining and developing the high level of welfare expected by the Danish population.

Actions, results and objectives

In 2010, we increased the bandwidth of our mobile broadband network by up to 42 Mbps, and with the roll-out of the Long Term Evolution (LTE) network in 2011 we can now offer our customers an even better mobile data experience in the future. We also increased our share of customers who can receive up to 20 Mbps via cable, fibre or the copper network to approximately 85% of the Danish population in 2010.

The ever-increasing speeds of both mobile and landline broadband are opening up new opportunities for digitalising our public services.

In 2010, TDC promoted the extended use of IT-based teaching materials. Specifically, we supplied smartphones to schools in Ganløse and Vinderslev and signed an agreement with the Danish e-Learning Centre promoting Mingoville mobile-based teaching material, which enables pupils to use their mobile phones as integral elements of English lessons.

IT-based teaching enables schools to differentiate the teaching of individual pupils more clearly. It also facilitates teaching across classes, schools and age groups. The goal is to raise teaching standards and ensure that costs at the schools are reduced to a minimum.

TDC expects to further invest in IT-based projects in Danish schools over the next three years.

TDC also envisages great opportunities for extending telemedicine solutions across Denmark. These are expected to reduce the number of hospitalisation days for several groups of patients, enabling tele-examinations of so-called chronic patients. This will improve the life quality of the individual patients and significantly reduce National Health Service costs.

TDC expects to supply minimum 1,000 new data lines for telemedicine purposes in 2011 and 5,000 in 2012.

Customer security and confidence

TDC's objective

Since mid-2009, TDC has worked on developing the ‘TAK’ concept, which promotes taking responsibility for our customers and thereby ensuring improved customer satisfaction – another element of TDC’s general ambition.

Customer dialogue is a top priority among our many initiatives. In 2010, we initiated a proactive dialogue with our customers through social media such as Facebook and Twitter, where we invite our customers and Danes in general to give us feedback on products, suggest improvements or express their happiness with TDC, etc. We also established TDC Forum – a customer-to-customer forum on www.tdc.dk, which helps customers seek assistance from each other and come closer to TDC and our products.

Actions, results and objectives

In 2010, TDC gained more than 2,600 Facebook friends, generating over 2,500 postings a month. We asked our friends on Facebook hundreds of questions and engaged in dialogues on various social media more than 600 times. We also set up a taskforce, which meets on a regular basis to solve the problems revealed in dialogue with our customers. The results include a new top limit on mobile data for private customers and the introduction of direct dialogue with customers via SMS texting in connection with installations, repairs and fault corrections.

TDC is also focusing on reducing customer insecurity when using our media. As a result, TDC takes part in the Danish National IT and Telcom Agency’s annual campaign ‘Netsikker Nu’ (Netsafe Now) via the website www.opdaterdinpc.dk, which was set up in cooperation with Microsoft, the Danish Bankers’ Association and DK-Cert.

We also launched a new security package to provide extensive protection for our customers’ PCs. This is an addition to TDC’s general spam and virus filter, which stops more than 320m spam mails a month before they reach our customers’ inboxes.

Employee health and diversity

TDC's objective

In 2010, TDC adopted a new diversity strategy for its employees. For many years, TDC has endeavoured to be a diverse workplace that welcomes all types of employees. We focus on diversity because we need all types of competent employees irrespective of gender, ethnicity, functional capacity and sexual inclination. As TDC is also a company that many Danes trade with, we would like our company to reflect Danish society.

With our new diversity strategy, which is also valid for YouSee, we have established a framework for systematic diversity efforts.

At TDC, we also believe that our employees' well-being is closely linked to their health. Consequently, we have a health, safety and working environment policy with clear targets for reducing work-related accidents and long-term absence due to illness.

Actions, results and objectives

TDC has defined clear targets for more women in management and for managers with different ethnic backgrounds. For example, at year-end 2015, 33% of the top 250 managers in TDC Denmark must be women, and 3.8% of all managers must have an ethnic background other than Danish.

In 2010, TDC also signed the Danish Ministry of Gender Equality's 'Operation Kædereaktion' (Operation Chain Reaction), in which TDC commits to work to recruit more female managers onto the Board of Directors.

TDC also improved the conditions of homosexual parents in 2010 by giving them the same parental leave options as our other employees. For example, the 'Fars Kram' (Father's Hug) scheme allows fathers to take up to 13 weeks of paternity leave – an offer that 71% of new fathers made use of in 2009 and 2010.

TDC also cooperates with the Specialists, an enterprise that employs people with autism spectrum disorders who solve special tasks offering TDC a zero tolerance of errors. TDC has cooperated with the Specialists since a former TDC employee, Thorkil Sonne, founded the enterprise in 2004.

TDC succeeded in reducing absence due to long-term illness by 2.33% in 2010 – a result achieved through TDC's health insurance, which enables all employees to contact e.g. a chiropractor or physiotherapist on TDC's account. The achievement was also due to management's early attention to stress symptoms and the opportunity of preventive treatment of physical injuries. TDC expects to reduce the number of sick days by 12% in 2011 among employees suffering from long-term illnesses.

Climate and environment

TDC's objective

TDC adopted a climate plan in 2008 and has since been deeply involved in promoting a better environment. In 2010, TDC once again signed the EU's Code of Conduct for broadband equipment and the Code of Conduct for data centres, which lay down strict requirements on power consumption for many of our products.

Actions, results and objectives

TDC's climate plan outlines a 5% reduction of the Group's CO_2 emissions by 2014 in the form of concrete energy reductions. Over the past two years, TDC has already managed to reduce its impact on the climate by 20.3% due mainly to energy savings in networks and buildings, reduced vehicle fuel consumption and use of video conferencing equipment. Consequently, in 2011 we will decide whether to change our target.

New travelling rules were adopted in 2010 to reduce motoring between Danish locations by encouraging employees to take the train instead of their car and by increased opportunities for video conferencing. For that purpose, TDC has invested in new video conferencing rooms, which means that we now have more than 60 video conferencing options in the TDC Group, including the Nordic subsidiaries. All in all, it has reduced CO_2 emissions due to work-related driving and travelling activities by 1,050 tons.

TDC also worked intensively on improving the collection of data, which means that we are now able to make a consolidated environmental account for the entire Group, including the Nordic subsidiaries. In 2011, we will step up our environmental efforts so that TDC's environmental system will cover the entire Group, including our Nordic subsidiaries.

Social partnerships

TDC's objective

Since 2008, TDC has established partnerships with a number of NGOs in the belief that through partnerships we can learn most about NGOs, while contributing most to the relevant work by investing personal engagement and the competences of our employees in the partnership.

Actions, results and objectives

The most outstanding achievement is our cooperation with the Danish Red Cross. In 2010, TDC added a new dimension to the collaboration, which had previously been limited to helping set up their disaster preparedness within IT and telecommunications in connection with disasters. When the earthquake hit Haiti, TDC sent two employees to the country as part of the Red Cross team in connection with reconstructing the island after the earthquake destroyed most of the digital infrastructure in one of the world's poorest countries. It is TDC's goal to increase the number of employees stationed abroad to a minimum of five before the end of 2012.

TDC also achieved impressive results both for the national fundraising campaigns of the Danish Red Cross in October 2010 and 'Danmarks Indsamlingen' (the national emergency relief show) in January 2010.

During the Danish Red Cross national fundraising campaign, TDC employees collected a grand total of approximately DKK 600,000.

At the same time, TDC changed its policy for donations in connection with fundraising campaigns so that in future we will charge no fees for either SMS donations or calls to surcharged services for collections approved by the police for organisations approved to receive donations under Section 8a of the Tax Assessment Act. In 2010, we donated more than DKK 1.3m to fundraising campaigns run by organisations with Section 8a approval.

Corporate governance

Internal control and risk management systems for financial reporting

Introduction

The following constitutes TDC's statutory reporting on corporate governance in accordance with Section 107 b of the Danish Financial Statements Act.

TDC's internal control and risk management systems for financial reporting are planned to provide assurance that internal and external financial statements are prepared in accordance with the international Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies, and assurance that true and fair financial statements without material misstatements and irregularities are presented.

Internal control and risk management systems are updated regularly and are designed to detect and eliminate errors and inconsistencies in the financial statements. Due to an inherent risk of misappropriation of assets, unexpected losses, etc., the established internal control and risk management systems provide only reasonable and not absolute assurance that material misstatements and irregularities in the financial reporting will be detected and corrected.

Control environment

The Board of Directors has set up an Audit Committee mainly to assist the Board of Directors in monitoring financial reporting and the efficiency of TDC's internal control and risk management systems.

The Audit Committee has a supervising responsibility and reports to the entire Board of Directors.

The Executive Committee is responsible for keeping efficient internal control and risk management systems in connection with financial reporting. Powers and responsibilities are defined in policies and procedures.

The Board of Directors and the Executive Committee define policies and procedures in significant areas concerning the financial reporting process. Relevant responsible functions define other guidelines and control, and supervise that policies and procedures are applied, including required separation of incompatible functions.

The Audit Committee has assessed and concluded that the existing control environment within TDC is adequate and that there is no basis for establishing an internal audit. The Audit Committee has reported this to the entire Board of Directors.

Risk assessment

The Board of Directors and the Executive Committee continuously assess the risks incumbent on TDC, including risks that affect financial reporting. The risk of errors for items in the financial statements based on estimates and complex processes is relatively higher than for other items.

The section 'Critical accounting estimates and judgements' in the Consolidated Financial Statements includes a description of the most significant identified risks concerning financial reporting. Such matters are subject to specific review and evaluation by the Audit Committee and the Board of Directors.

Control activities

Control activities are based on risk assessments. The purpose of the activities is to ensure that policies, procedures, guidelines, manuals, etc. are complied with, and that any errors and inconsistencies are prevented, detected and corrected on a timely basis. The control activities are an integral part of TDC's accounting and financial reporting procedure and cover, e.g. authorisation, approval, reconciliation, performance analyses, performance assessment and fulfilment of agreed targets (Key Performance Indicators, etc.), control of IT applications and general IT control.

Information and communication

TDC keeps and maintains information and communication systems to ensure correct financial reporting. The accounting manual and other reporting instructions, including budgeting and monthly closing procedures, are updated regularly and when required. These and other policies, procedures and descriptions of business procedures concerning financial reporting are available for relevant employees.

Changes in procedures, etc. are reported and explained to the business lines in the relevant forums.
Information systems are designed to regularly identify, collect and communicate relevant information at relevant levels in compliance with the prescribed confidentiality for listed companies.

Surveillance

TDC uses an extensive financial control system to monitor performance, which facilitates detection and correction of any errors and irregularities in the financial reporting at an early stage, including weaknesses found in the internal control system and non-compliance with policies and procedures.

The Group reporting process covers budget reporting and monthly reporting of actual results, including variance reports with regular estimates for the year. In addition to the Income Statements, Balance Sheets and Statements of Cash Flow, notes and supplementary financial and operational data and analyses are also part of the financial reporting.

The detailed reports from all Group companies are analysed and monitored at Group and business line levels as well as at relevant management levels in the organisation. The auditors elected by the Annual General Meeting report any significant weaknesses in the internal control systems in long-form audit reports to the Board of Directors in connection with the financial reporting process. Less material matters are reported in management letters to the Executive Committee. The Audit Committee follows up on weaknesses in internal controls detected and reported by the auditors elected by the Annual General Meeting to assure that such are corrected.

Recommendations from the Committee on Corporate Governance

Introduction

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

In 2005, the Nørby Committee recommendations on corporate governance from 2001 were revised by what was then called the Copenhagen Stock Exchange Committee on Corporate Governance. In 2008, the recommendations were revised again, this time by the Committee on Corporate Governance - a continuation of the Copenhagen Stock Exchange Committee, but no longer under the auspices of this stock exchange.
In April 2010, the Committee on Corporate Governance published new and revised recommendations. TDC A/S' review of the recommendations on corporate governance is made available to the public on the TDC Investor relations website, tdc.com/investor.

TDC complies with the majority of the recommendations. Of the 78 numbered recommendations, divided into nine main categories, TDC fully complies with 67 recommendations, whereas eleven are not complied with. TDC's non-compliance is further described below. Further information on TDC's compliance is presented in the above-mentioned corporate governance review. The complete recommendations are available at the Committee on Corporate Governance's website, www.corporategovernance.dk as well as on the TDC Investor relations website.

The role of the shareholders and their interaction with the management of the company

Takeover bids

TDC has a majority shareholder that holds more than 50% of the outstanding shares as well as a series of minority shareholders. Because of the ownership structure, the Board of Directors cannot establish in advance how to act in case of a takeover bid. The Board will consider the interests of both the company and the shareholders in case of a takeover bid. Thus, the Board of Directors does not comply with recommendations 1.4.1 and 1.4.2 on the duties of the Board of Directors and the rights of the shareholders in the event of a takeover bid.

TDC complies with all other recommendations on the role of the shareholders and their interaction with the Management of the Company.

Composition and organisation of the supreme governing body

Composition

The Company has approved the establishment of a nomination committee and recommendation 5.1.2 is complied with concerning the independent Board members. The recommendation is not complied with today in relation to the non-independent Board members as a result of the ownership structure of TDC. Similarly, and for the same reason, recommendation 5.1.1. is not complied with. The majority shareholder of TDC selects and nominates candidates for TDC's Board of Directors and the candidates are elected solely on the basis of the majority shareholder's votes. TDC's ownership structure is the reason why TDC does not fully comply with the recommendation. The nomination of new independent candidates to the Board of Directors is based on a thorough process carried out by members of the Compensation Committee who also become members of the Nomination Committee, and it is ensured that the need for innovation and diversity is taken into account to the fullest possible extent. The recruitment and selection criteria for new independent members of the Board of Directors have been identified after discussions between the above Compensation Committee members and top management and with extensive assistance from external advisors regarding the range of skills necessary among the Board members to serve the Company's interests and assist Management going forward.

Further, TDC has adopted 'Operation Kædereaktion' ('Operation Chain Reaction') – an initiative devised by the Danish Ministry for Gender Equality to increase the number of female executives, including female board members. As a consequence, TDC monitors, evaluates and follows up on the development in the number of female Board members. At present, there are no female members of the Board of Directors.

Training of members of the supreme governing body

The Company does not follow recommendation 5.2.2 as a result of the ownership structure of TDC. The Board of Directors evaluates the need for updating the skills and expertise of its members on an ongoing basis but no formal annual evaluation is carried out.

The independence of the supreme governing body

TDC's ownership structure affects the composition of the Board of Directors and is the reason why TDC does not comply with recommendation 5.4.1, stating that at least half of the members of the supreme governing body elected by the general meeting be independent.

Board committees

TDC's ownership structure affects the composition of its Board and is also the reason why TDC does not comply with recommendation 5.10.2, which recommends that a majority of the members of a board committee be non-independent members.

The Board has formed a Compensation Committee. The Compensation Committee determines the remuneration and other employment terms for members of the Executive Committee and Board members, and annually approves the overall principals for the Group's bonus and other short- or long-term incentive or retention programmes. The Board of Directors considers it appropriate for the Compensation Committee to have this limited decision-making competence and has therefore chosen not to comply with recommendation 5.10.8.

Evaluation of the performance of the supreme governing body and the executive board

The majority shareholder of TDC can elect the candidates that the majority shareholder nominates for TDC's Board of Directors based on the major shareholders' votes alone. As a result of TDC's ownership structure and its impact on the composition of the Board, the Board of Directors has not found it necessary to have formal procedures for evaluating the work of the Board of Directors. Once a year, the Board of Directors informally discusses its work and cooperation within the Board of Directors. Consequently, the Annual Report does not include information regarding the procedure for evaluation of the Board of Directors. Thus TDC does not comply with recommendation 5.11.1 and 5.11.2.

TDC complies with all other recommendations on the composition and organisation of the supreme governing body.

Remuneration of governing body members

Disclosure of the remuneration policy
TDC shall present its revised remuneration policy for approval by the shareholders at the general meeting in March 2011. TDC's annual report includes details of the aggregated remuneration provided to the Board of Directors and to the Executive Committee, respectively. This information is considered adequate by the Company and the remuneration to the individual members will not be disclosed. Thus TDC does not comply with recommendation 6.2.3.

TDC complies with all other recommendations on the remuneration of members of governing bodies.

Guidelines from the Danish Venture Capital and Private Equity Association

In 2008, the Danish Venture Capital and Private Equity Association (DVCA) published new guidelines for responsible ownership and good corporate governance in private equity funds in Denmark.

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

TDC A/S is covered by the DVCA guidelines and complies with all DVCA guidelines of relevance to TDC. The shareholders, customers, employees and society are TDC's primary stakeholders. The entire Annual Report reflects how TDC's Management accommodates these stakeholders. Any other information requested by the DVCA guidelines has been included in the appropriate sections of the Annual Report. The guidelines are available at DVCA's website, www.dvca.dk.

The Board of Directors
TDC's Board of Directors has 13 members, nine elected by the Annual General Meeting and four elected by the employees. All members of the Board of Directors act in the interests of TDC. The members of the Board of Directors who are also partners of the equity funds, which ultimately control the controlling shareholder of TDC, do not represent these equity funds on the Board of Directors. In 2010, the Board of Directors held 16 meetings and one strategy session.

Currently, the Board of Directors has set up two committees – the Compensation Committee and the Audit Committee – and decided in principle to set up a nomination committee consisting of the same members as the Compensation Committee.

The Compensation Committee consists of Vagn Sørensen, Pierre Danon, Gustavo Schwed, Henrik Kraft and Lars Rasmussen. The Compensation Committee approves the compensation and other terms of employment for the members of the Group's Executive Committee. It also approves the framework of the Group's incentive programme and proposes to the Board the size of the Board of Directors' fee, which is approved at the General Meeting. The Compensation Committee held six meetings in 2010.

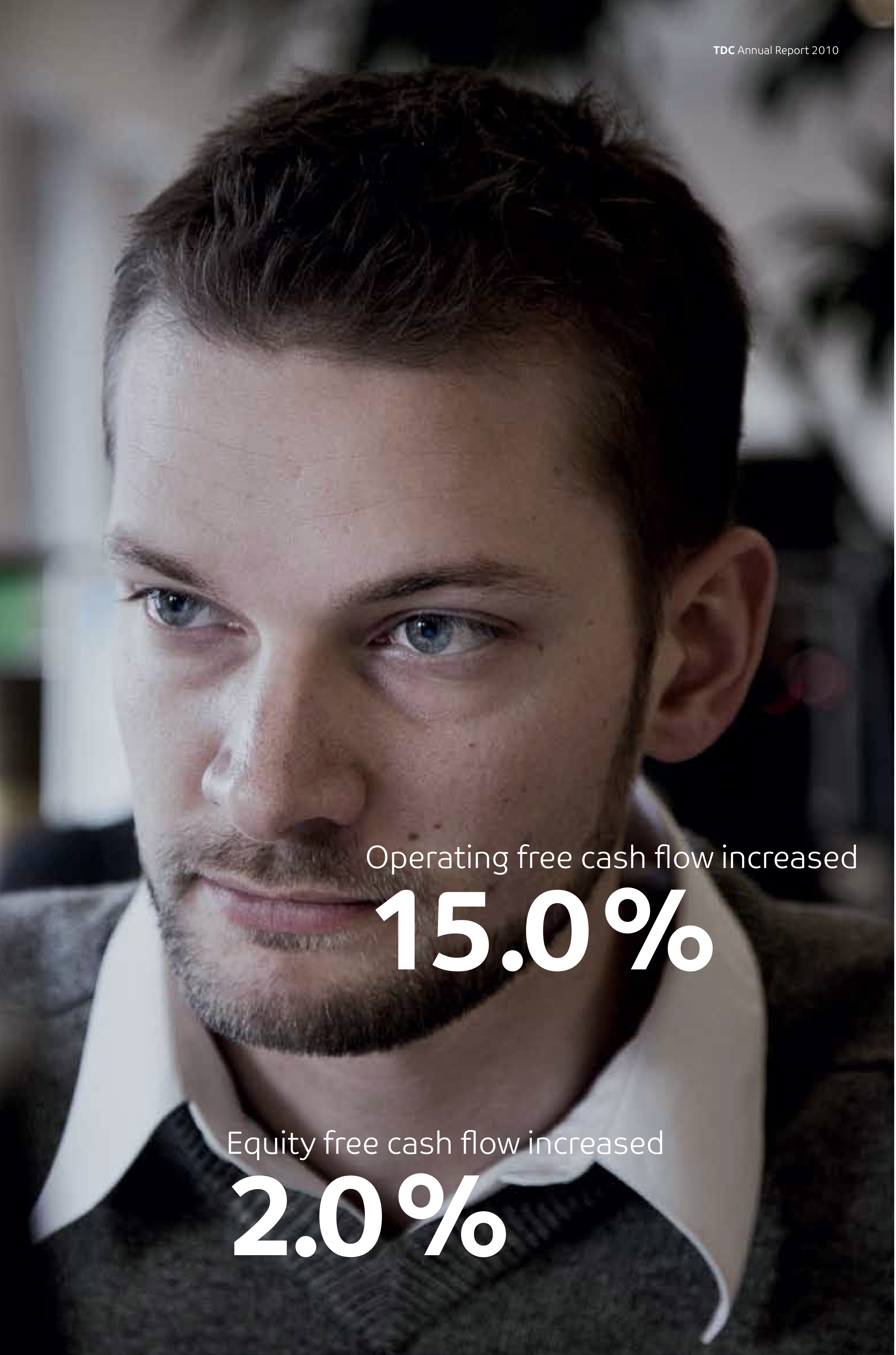
The Audit Committee consists of Søren Thorup Sørensen, Lawrence Guffey, Vagn Sørensen and Andrew Sillitoe. The Audit Committee assists the Board of Directors with activities including: (i) monitoring the financial reporting process, (ii) monitoring the efficiency of TDC's internal control system and any internal auditing and risk management systems, (iii) monitoring the statutory audit of the Annual Report, (iv) appointing TDC's independent auditors and monitoring and checking the independence of the auditors, including in particular the delivery of non-audit services to TDC. The Audit Committee held six meetings in 2010.

Financial Statements

2010

Revenue increased **0.3%**

EBITDA increased **2.2%**


Operating free cash flow increased
15.0%
Equity free cash flow increased
2.0%

Financial Statements

Consolidated Financial Statements

Parent Company Financial Statements

Consolidated Income Statements DKKm

	Note	2010	2009	2008
Revenue	4,5	**26,167**	**26,079**	**26,917**
Transmission costs and cost of goods sold		(6,747)	(6,444)	(7,239)
Gross profit		**19,420**	**19,635**	**19,678**
Other external expenses		(4,517)	(4,731)	(4,909)
Wages, salaries and pension costs	6	(4,327)	(4,598)	(5,185)
Other income and expenses	7	196	230	470
Profit before depreciation, amortisation and special items (EBITDA)		**10,772**	**10,536**	**10,054**
Depreciation, amortisation and impairment losses	8	(5,356)	(4,659)	(4,547)
Operating profit excluding special items		**5,416**	**5,877**	**5,507**
Special items	9	(1,347)	(1,119)	(3,212)
Operating profit		**4,069**	**4,758**	**2,295**
Profit from joint ventures and associates	16	13	76	200
Fair value adjustments		115	(253)	(686)
Currency translation adjustments		(20)	(257)	770
Financial income		401	825	2,160
Financial expenses		(1,992)	(2,379)	(4,292)
Net financials	**10**	**(1,496)**	**(2,064)**	**(2,048)**
Profit before income taxes		**2,586**	**2,770**	**447**
Income taxes	11	(782)	(809)	(438)
Profit for the year from continuing operations		**1,804**	**1,961**	**9**
Profit for the year from discontinued operations	12	1,203	422	548
Profit for the year		**3,007**	**2,383**	**557**
Attributable to:				
Owners of the Parent Company		3,007	2,424	708
Minority interests		0	(41)	(151)
Total		**3,007**	**2,383**	**557**
EPS (DKK)	**13**			
Earnings per share, basic		3.06	2.45	0.71
Earnings per share, diluted		3.06	2.45	0.71
Earnings per share from continuing operations, basic		1.84	1.98	0.01
Earnings per share from continuing operations, diluted		1.84	1.98	0.01
Earnings per share from discontinued operations, basic		1.22	0.47	0.70
Earnings per share from discontinued operations, diluted		1.22	0.47	0.70

Consolidated Statements of Comprehensive Income			**DKKm**
	2010	**2009**	**2008**
Profit for the year	**3,007**	**2,383**	**557**
Currency translation adjustments, foreign enterprises	2,041	460	90
Currency hedging of net investments in foreign enterprises	(706)	0	(2,304)
Reversal of currency translation adjustment, foreign enterprises	(1,234)	171	103
Actuarial gains/(losses) related to defined benefit pension plans	(515)	588	1,166
Income tax relating to components of other comprehensive income	121	(144)	280
Reversal of income tax relating to currency hedging of net investments in foreign enterprises	(78)	0	0
Other comprehensive income/(loss)	**(371)**	**1,075**	**(665)**
Total comprehensive income/(loss)	**2,636**	**3,458**	**(108)**
Attributable to:			
Owners of the Parent Company	2,636	3,519	20
Minority interests	0	(61)	(128)
Total	**2,636**	**3,458**	**(108)**

Assets				**DKKm**
	Note	**2010**	**2009**	**2008**
Non-current assets				
Intangible assets	14	34,799	49,550	53,361
Property, plant and equipment	15	15,531	19,998	22,396
Investments in joint ventures and associates	16	137	168	171
Other investments		7	7	9
Deferred tax assets	11	66	52	65
Pension assets	27	7,487	7,606	7,030
Receivables	17	241	231	96
Derivative financial instruments	26	0	0	11
Prepaid expenses	18	270	243	211
Total non-current assets		**58,538**	**77,855**	**83,350**
Current assets				
Inventories	19	307	323	489
Receivables	17	4,404	6,758	8,282
Income tax receivable	11	0	2	9
Derivative financial instruments	26	91	49	372
Prepaid expenses	18	615	673	785
Cash	20	831	763	6,718
Total current assets		**6,248**	**8,568**	**16,655**
Total assets		**64,786**	**86,423**	**100,005**

Equity and liabilities				DKKm
	Note	2010	2009	2008
Equity				
Share capital	21	992	992	992
Reserve for currency translation adjustments		(621)	(644)	(1,295)
Retained earnings		20,484	26,730	29,887
Proposed dividends		0	0	2,035
Equity attributable to owners of the Parent Company		**20,855**	**27,078**	**31,619**
Minority interests		0	0	61
Total equity		**20,855**	**27,078**	**31,680**
Non-current liabilities				
Deferred tax liabilities	11	6,486	7,313	7,430
Provisions	24	974	1,519	1,355
Pension liabilities	27	73	244	365
Loans	22	23,428	30,611	37,037
Derivative financial instruments	26	0	0	23
Deferred income	23	971	1,245	1,350
Total non-current liabilities		**31,932**	**40,932**	**47,560**
Current liabilities				
Loans	22	216	3,787	4,713
Trade and other payables	25	6,141	8,004	8,691
Income tax payable	11	861	1,270	820
Derivative financial instruments	26	659	1,205	2,007
Deferred income	23	3,072	3,183	3,449
Provisions	24	1,050	964	1,085
Total current liabilities		**11,999**	**18,413**	**20,765**
Total liabilities		**43,931**	**59,345**	**68,325**
Total equity and liabilities		**64,786**	**86,423**	**100,005**

Consolidated Statements of Cash Flow				DKKm
	Note	2010	2009	2008
Profit before depreciation, amortisation and special items (EBITDA)		10,772	10,536	10,054
Reversal of items without cash flow effect	28	(218)	(143)	(228)
Pension contributions		(169)	(165)	(401)
Payments related to provisions		(11)	(49)	(164)
Cash flow related to special items		(792)	(793)	(394)
Change in working capital	29	571	147	847
Cash flow from operating activities before net financials and tax		**10,153**	**9,533**	**9,714**
Interest received		339	820	2,188
Interest paid		(1,761)	(2,429)	(4,488)
Realised currency translation adjustments		7	(50)	(71)
Cash flow from operating activities before tax		**8,738**	**7,874**	**7,343**
Income tax paid		(1,500)	(434)	(1,600)
Cash flow from operating activities in continuing operations		**7,238**	**7,440**	**5,743**
Cash flow from operating activities in discontinued operations		1,504	3,179	1,420
Total cash flow from operating activities		**8,742**	**10,619**	**7,163**
Investment in enterprises	30	(286)	(921)	(164)
Investment in property, plant and equipment		(2,678)	(3,061)	(2,922)
Investment in intangible assets		(968)	(867)	(933)
Investment in other non-current assets		(52)	(4)	(6)
Investment in marketable securities		0	0	(1,264)
Divestment of enterprises	31	0	35	223
Sale of property, plant and equipment		39	26	85
Sale of intangible assets		9	2	41
Divestment of joint ventures and associates		1	(37)	5,383
Sale of other non-current assets		12	9	0
Sale of marketable securities		0	0	1,266
Dividends received from joint ventures and associates		34	7	387
Cash flow from investing activities in continuing operations		**(3,889)**	**(4,811)**	**2,096**
Cash flow from investing activities in discontinued operations	32	15,327	(1,503)	(1,496)
Total cash flow from investing activities		**11,438**	**(6,314)**	**600**
Proceeds from long-term loans		0	0	1
Repayments of long-term loans		(8,872)	(4,427)	(9,004)
Change in short-term bank loans		(2,149)	2,156	(1)
Change in interest-bearing receivables		0	0	(80)
Capital contribution		0	0	213
Dividends paid		(70)	(7,990)	(635)
Acquisition of treasury shares		(9,000)	0	0
Cash flow from financing activities in continuing operations		**(20,091)**	**(10,261)**	**(9,506)**
Cash flow from financing activities in discontinued operations		(21)	1	164
Total cash flow from financing activities		**(20,112)**	**(10,260)**	**(9,342)**
Total cash flow		**68**	**(5,955)**	**(1,579)**
Cash and cash equivalents at 1 January	33	763	6,718	8,297
Cash and cash equivalents at 31 December		**831**	**763**	**6,718**

Consolidated Statements of Changes in Equity

DKKm

	Equity attributable to owners of the Parent Company					Minority interests	Total
	Share capital	Reserve for currency translation adjustments	Retained earnings	Proposed dividends	Total		
Equity at 1 January 2008	992	263	30,130	636	32,021	189	32,210
Currency translation adjustments, foreign enterprises	-	67	0	-	67	23	90
Currency hedging of net investments in foreign enterprises	-	(2,304)	0	-	(2,304)	0	(2,304)
Reversal of currency translation adjustments, foreign enterprises	-	103	0	-	103	0	103
Actuarial gains/(losses) related to defined benefit pension plans	-	-	1,166	-	1,166	0	1,166
Income tax relating to components of other comprehensive income	-	576	(296)	-	280	0	280
Profit for the year	-	-	(1,327)	2,035	708	(151)	557
Total comprehensive income/(loss)	-	(1,558)	(457)	2,035	20	(128)	(108)
Distributed dividends	-	-	0	(636)	(636)	-	(636)
Dividends, treasury shares	-	-	1	0	1	-	1
Capital contribution	0	-	213	0	213	-	213
Equity at 31 December 2008	**992**	**(1,295)**	**29,887**	**2,035**	**31,619**	**61**	**31,680**
Currency translation adjustments, foreign enterprises	-	480	0	-	480	(20)	460
Reversal of currency translation adjustments, foreign enterprises	-	171	0	-	171	0	171
Actuarial gains/(losses) related to defined benefit pension plans	-	-	588	-	588	0	588
Income tax relating to components of other comprehensive income	-	0	(144)	-	(144)	0	(144)
Profit for the year	-	-	2,424	0	2,424	(41)	2,383
Total comprehensive income/(loss)	-	651	2,868	0	3,519	(61)	3,458
Distributed dividends	-	-	(6,036)	(2,035)	(8,071)	-	(8,071)
Dividends, treasury shares	-	-	11	0	11	-	11
Equity at 31 December 2009	**992**	**(644)**	**26,730**	**0**	**27,078**	**0**	**27,078**

	Equity attributable to owners of the Parent Company					Minority interests	Total
	Share capital	Reserve for currency translation adjustments	Retained earnings	Proposed dividends	Total		
Equity at 31 December 2009	**992**	**(644)**	**26,730**	**0**	**27,078**	**0**	**27,078**
Currency translation adjustments, foreign enterprises	-	2,041	0	-	2,041	0	2,041
Currency hedging of net investments in foreign enterprises	-	(706)	0	-	(706)	0	(706)
Reversal of currency translation adjustments, foreign enterprises	-	(1,234)	0	-	(1,234)	0	(1,234)
Actuarial gains/(losses) related to defined benefit pension plans	-	0	(515)	-	(515)	0	(515)
Income tax relating to components of other comprehensive income	-	0	121	-	121	0	121
Reversal of income tax relating to currency hedging of net investments in foreign enterprises	-	(78)	0	-	(78)	0	(78)
Profit for the year	-	-	3,007	0	3,007	0	3,007
Total comprehensive income/(loss)	-	23	2,613	0	2,636	0	2,636
Acquisition of treasury shares	-	-	(9,000)	-	(9,000)	0	(9,000)
Share-based payments	-	-	141	-	141	0	141
Equity at 31 December 2010	**992**	**(621)**	**20,484**	**0**	**20,855**	**0**	**20,855**

The dividends paid in 2010, 2009 and 2008 were DKK 0.00 per share, DKK 7.85 per share and DKK 0.72 per share, respectively. No dividend will be proposed for the financial year 2010 at the Annual General Meeting on 9 March 2011.

Notes to Consolidated Financial Statements

Overview

Note 1 Significant Accounting Policies

TDC's Consolidated Financial Statements for 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional disclosure requirements issued by the IFRS Executive Order issued by the Danish Commerce and Companies Agency in pursuance of the Danish Financial Statements Act. For TDC there are no differences between IFRS as adopted by the European Union and IFRS as issued by IASB.

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

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

Changes to accounting policies
The accounting policies have been changed in relation to business combinations.

The revised standard for business combinations (IFRS 3R) continues to apply the purchase method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recognised at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. The non-controlling interest (the minority interests) in the acquiree can be measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The changed accounting policies have been applied prospectively to all business combinations from 1 January 2010. These changes have not impacted Profit for the year, Total comprehensive income and Equity.

For business combinations achieved in stages, the previously held equity interest in the acquiree is now remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss. Previously, such equity interests were not remeasured. The changed accounting policy has been applied prospectively from 1 January 2010. This change of accounting policy has impacted Profit for the year, Total comprehensive income and Equity positively by DKK 9m.

All costs related to business combinations are now expensed. Previously, such costs were capitalised. The changed accounting policy has been applied prospectively from 1 January 2010. Profit for the year, Total comprehensive income and Equity were negatively impacted by DKK 2m.

Except for the changes mentioned above, accounting policies are unchanged from last year.

Consolidation policies
The Consolidated Financial Statements include the Financial Statements of the Parent Company and subsidiaries in which TDC A/S has direct or indirect control. Joint ventures in which the Group has joint control are recognised using the equity method. Associates in which the Group has significant influence are recognised using the equity method.
The Consolidated Financial Statements have been prepared on the basis of the Financial Statements of TDC A/S and its consolidated enterprises, which have been restated to Group accounting policies combining items of a uniform nature.

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

Acquisition of enterprises
On acquisition of subsidiaries, joint ventures and associates, the purchase method is applied, and acquired assets, liabilities and contingent liabilities are measured on initial recognition at fair values on the date of acquisition. Identifi-

able intangible assets are recognised if they can be separated and the fair value can be reliably measured. Deferred tax of the revaluation made is recognised.

Any remaining positive differences between cost and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognised as goodwill in the Balance Sheets under Intangible assets. The cost is stated at the fair value of submitted shares, debt instruments as well as cash and cash equivalents. Positive differences on acquisition of joint ventures and associates are recognised in the Balance Sheets under Investments in joint ventures and associates. 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.

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. Subsequent to this period, goodwill related to acquisitions prior to 1 January 2010 is adjusted only for changes in estimates of the cost of the acquisition being contingent on future events.

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

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

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

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

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

Foreign currency translation
A functional currency is determined for each of the Group's enterprises. The functional currency is the currency applied in the primary economic environment of each enterprise's operations. Transactions in currencies other than the functional currency are transactions in foreign currencies. The Consolidated Financial Statements are presented in Danish kroner (DKK), which is the Parent Company's functional and presentation currency.

Transactions in foreign currencies are translated at the transaction-date rates of exchange. Foreign exchange gains and losses arising from differences between the transaction-date rates and the rates at the date of settlement are recognised as net financials in the Income Statements.
Cash, marketable securities, loans and other amounts receivable or payable in foreign currencies are translated into the functional currency at the official rates of exchange quoted at the balance sheet date. Currency translation adjustments are recognised as net financials in the Income Statements.

The balance sheets and goodwill of consolidated foreign enterprises are translated into Danish kroner at the official rates of exchange quoted at the balance sheet date, whereas the income statements of the enterprises are translated into Danish kroner at monthly average rates of exchange. Currency translation adjustments arising from the translation of equity at the beginning of the year into Danish kroner at the official rates of exchange quoted at the balance sheet date are recognised directly in equity under a separate reserve for currency translation adjustments. This also applies to adjustments arising from the translation of the income statements from the monthly average rates of exchange to the rates of exchange quoted at the balance sheet date.

Currency translation adjustments of receivables from foreign subsidiaries, joint ventures and associates that are considered to be part of the overall investment in the enterprise are recognised directly in equity.

Derivative financial instruments
On initial recognition, derivative financial instruments are recognised in the Balance Sheets on inception at fair values and subsequently remeasured at fair values. Derivate financial instruments are recognised when the Group becomes party to the contract and are derecognised when the contract expires, is settled or sold. Quoted market prices are used for derivative financial instruments traded in an active market. A number of different, recognised measurement methods, depending on the type of instrument, are applied for derivative financial instruments not traded in an active market. Measurement of financial assets is based on bid prices, and offer prices are applied for financial liabilities.
Changes in the fair values of derivative financial instruments that qualify as hedges of future cash flows are recognised directly in Other comprehensive income net of tax. Gains and losses from hedges of future cash flows are transferred from equity and are, as a general rule, recognised in the same item as the hedged transaction when the cash flow is realised (for example when the hedged sale has been effected). If the hedged transaction results in recognition of a non-monetary asset (such as inventories) or a liability, however, gains or losses from equity are included in the cost of the asset or liability.

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

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

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

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

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

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

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

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

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

Share options
The value of services received from employees in return for share options is measured at the grant date at the fair value of the share options granted and is 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 options, the number of options to which employees are expected to be entitled is based on an estimate. Changes in the estimated number of legally acquired options are subsequently adjusted so that the total recognition is based on the actual number of legally acquired options.

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

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

Special items
Special items include significant amounts that cannot be attributed to normal operations such as special write-downs for impairment of intangible assets and property, plant and equipment as well as provisions for restructuring, etc. and any reversals of such. Special items also include gains and losses related to divestment of enterprises as well as transaction costs relating to the acquisition of enterprises.
Items of a similar nature for non-consolidated enterprises and discontinued operations are recognised under profit from joint ventures and associates and profit for the year from discontinued operations, respectively.

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

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

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

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

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

Balance Sheets are expensed as incurred in the Income Statements.

The main amortisation periods are as follows:

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

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

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

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

Cost comprises purchase price and costs directly attributable to the acquisition until the date on which the asset is ready for use. The cost of self-constructed assets includes directly attributable payroll costs, materials, parts purchased and services rendered by sub-suppliers or contractors as well as interest expenses in the construction period. Cost also includes estimated decommissioning costs if the related obligation meets the conditions for recognition as a provision.
Directly attributable costs comprise wages, salaries and pension costs together with other external expenses calculated in terms of time consumed on self-constructed assets in the relevant departments.

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

Buildings	20 years
Telecommunications installations	3-20 years
Other installations	3-15 years

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

Property, plant and equipment that have been disposed of or scrapped are eliminated from accumulated cost and accumulated depreciation. Gains and losses arising from sale of property, plant and equipment are measured as the difference between the sales price less selling expenses and the carrying amount at the time of sale. The resulting gain or loss is recognised in the Income Statements under Other income and expenses.

Software that is an integral part of for example telephone exchange installations is presented together with the related assets. Useful lives are estimated individually.

Installation materials are measured at the lower of weighted average cost and recoverable amount.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Currency translation reserve
Currency translation reserve comprises exchange rate differences arising from translation into Danish kroner of the functional currency of foreign enterprises' financial statements. Translation adjustments are recognised in the Income Statements when the net investment is realised.

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

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

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

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

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

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

Provisions

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

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

When the Group is under an obligation to demolish an asset or re-establish the site where the asset was used, a liability corresponding to the present value of estimated future costs is recognised and an equal amount is capitalised as part of the initial carrying amount of the asset. Subsequent changes in such a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognised for the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognised in profit or loss for the year.

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

Pensions

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

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

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

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

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

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

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

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

Other financial liabilities are measured at amortised cost.

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

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

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

Assets held for sale
Assets held for sale comprise non-current assets and disposal groups. Disposal groups are groups of assets to be disposed of, by sale or otherwise, together as a group in a single transaction. Liabilities associated with assets held for sale are liabilities directly associated with those assets that will be transferred in the transaction. Assets are classified as assets held for sale when their carrying amount will be recovered principally through a sales transaction rather than through continuing use and it seems highly probable that the disposal will be effected within twelve months in accordance with a single coordinated plan.
Assets or disposal groups classified as held for sale are measured at the lower of carrying amount at the time of the classification as held for sale and the fair value less costs to sell. No depreciation or amortisation is charged on assets from the date when they are classified as assets held for sale. Furthermore, recognition of income under the equity method ceases when joint ventures and associates are classified as assets held for sale.

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

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

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

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

Statements of Cash Flow
Cash flow from operating activities is presented under the indirect method and is based on earnings before interest, taxes, 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 as well as income taxes paid.

Cash flow from investing activities comprises acquisition and divestment of enterprises, purchase and sale of intangible assets, property, plant and equipment as well as other non-current assets, and purchase and sale of securities that are not recognised as cash and cash equivalents. Cash flows from acquired enterprises are recognised from the time of acquisition, while cash flows from enterprises divested are recognised up to the time of divestment.
Cash flow from financing activities comprises changes in interest-bearing debt, purchase of treasury shares and dividends to shareholders.

Cash and cash equivalents cover cash and marketable securities with a remaining life not exceeding three months at the time of acquisition, and with an insignificant risk of changes in value.

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

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

Assets and liabilities are not allocated to operating segments in the financial and operational reports reviewed by the Board of Directors, as the review focuses on the development in net working capital for the Group and for each segment.

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

Note 2 Critical accounting estimates and judgements

The preparation of TDC’s Annual Report requires Management to make assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the financial period. Estimates and judgements used in the determination of reported results are continuously evaluated.

Estimates and judgements are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Our Significant Accounting Policies are set out in note 1. The following estimates and judgements are considered important when portraying our financial position:

- Useful lives for intangible assets and property, plant and equipment as shown in notes 14 and 15, respectively, are assigned based on periodic studies of customer churns or actual useful lives and the intended use for those assets. Such studies are completed or updated when new events occur that have the potential to impact the determination of the useful life of the asset, such as when events or circumstances have occurred which indicate that the carrying amount of the asset may not be recoverable and should therefore be tested for impairment. Any change in customer churn or the estimated useful lives of these assets is recognised in the Financial Statements as soon as any such change is determined.
- Intangible assets comprise a significant portion of TDC's total assets. Impairment tests on goodwill and other intangible assets with indefinite lives are performed at least annually and, if necessary, when events or changes in circumstances indicate that their carrying amount may not be recoverable. The measurement of intangibles is a complex process that requires significant Management judgement in determining various assumptions, such as cash-flow projections, discount rate and terminal growth rates. The sensitivity of the estimated measurement to these assumptions, combined or individually, can be significant. Furthermore, the use of different estimates or assumptions when determining the fair value of such assets may result in different values and could result in impairment charges in future periods. The assumptions for significant goodwill amounts are set out in note 14.
- Net periodic pension cost for defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to returns on plan assets, discount rate, wage inflation and demography (mortality, disability, etc.). As shown in note 27, the assumed discount rate was decreased from 5.60% in 2009 to 5.00% in 2010 to reflect changes in market conditions, and the expected return on plan assets has been reduced to reflect changes in market conditions and in the mix of assets held by our pension funds. Our assumptions for 2011 reflect a decrease in the discount rate from 5.00% to 4.95%, unchanged expected return on plan assets of 5.20%, and unchanged assumptions for inflation. We believe these assumptions illustrate current market conditions and expectations for market returns in the long term. With these changed assumptions, TDC’s Pension income from the Domestic defined benefit plan is expected to increase by approximately DKK 10m in 2011 compared with 2010, assuming all other factors remain unchanged.

- The determination of the treatment of contingent assets and liabilities in the Financial Statements, as shown in note 37, is based on the expected outcome of the applicable contingency. Legal counsel and other experts are consulted both within and outside the Company. An asset is recognised if the likelihood of a positive outcome is virtually certain. A liability is recognised if the likelihood of an adverse outcome is probable and the amount is estimable. If not, we disclose the matter. Resolution of such matters in future periods may result in realised gains or losses deviating from the amounts recognised.

- Revenue, as shown in note 5, is recognised when realised or realisable and earned. Revenues from non-refundable up-front connection fees are deferred and recognised as income over the expected term of the related customer relationship. The term is estimated using historical customer churn rates. Change of Management estimates may have a significant impact on the amount and timing of our revenues for any period.

Note 3 New accounting standards

At 31 December 2010, IASB and the EU have approved the following new accounting standards (IFRSs and IASs) and interpretations (IFRICs) that become effective for 2011 or later, and are judged relevant for TDC:

- IAS 24 (Amended 2009) *Related Party Disclosures* will be effective for financial years starting on or after 1 January 2011. The amended standard provides a partial exemption from the disclosure requirements for government-related entities and simplifies the definition of a related party, clarifies its intended meaning and eliminates inconsistencies from the definition. The Group will apply IAS 24 (Amended 2009) from 1 January 2011, but the amendment is not expected to have any impact.

- IAS 32 (Amended 2009) *Financial Instruments: Presentation - Classification of Rights Issues* will be effective for financial years starting on or after 1 February 2010. The amended standard changes the classification between equity and liabilities in very specific situations where equity instruments are offered in a currency different from the functional currency of the entity. The Group will apply IAS 32 (Amended) from 1 January 2011, but the amendment is not expected to have any impact.

- IFRIC 14 (Amended 2009) *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* will be effective for financial years starting on or after 1 January 2011. The amendment applies in limited circumstances: when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The Group will apply IFRIC 14 (Amended) from 1 January 2011, but the amendment is not expected to have any impact.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* will be effective for financial years starting on or after 1 July 2010. The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. The Group will apply IFRIC 19 from 1 January 2011, but the change is unlikely to have any impact.

IASB has published the following new accounting standards (IFRSs) and interpretations (IFRICs) that become effective for 2011 or later, and are judged relevant for TDC, but have not yet been approved by the EU:

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

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

- IFRS 9 *Financial Instruments* will be effective for financial years starting on or after 1 January 2013. IFRS 9 improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. It applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The Group will apply IFRS 9 from 1 January 2013 at the latest, but the amendment is not expected to have any material impact.

- As part of the annual improvement project, IASB has approved changes to several of the existing standards. The adjustments are effective from 1 January 2011 at the earliest, but are expected to have no material impact on the Group's financial statements.

Note 4 Segment reporting

For a description of reportable segments and the types of products and services from which each reportable segment derives its revenue, see 'Business description' under 'Segment reporting'.

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

The fixed fee relates to network costs in Operations & Wholesale which do not vary with volume increases or decreases on the short and medium term. The fixed fee is allocated to Consumer and TDC Business based on their proportionate use of the network in the previous year.

The variable fee is based on volume (subscribers and traffic) multiplied by a price. The price is based on variable unit costs from the previous year in Operations & Wholesale and concerns costs that are variable in the short or medium term.

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

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

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

IT services from Operations & Wholesale to Consumer, TDC Business and Headquarters 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). Billing 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. From 2010, certain cost categories (such as costs related to strategic sourcing and personal computers) are no longer allocated to the other segments.

Cost allocations from Operations & Wholesale to other segments are recognised as 'Operating expenses allocated to other business lines' in Operations & Wholesale 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 & Wholesale is billed on an arm's length basis and accounted for as revenue in Operations & Wholesale and as Transmission costs in YouSee.

Headquarters' supply of staff-function services, i.e. HR, legal, finance, etc., is not allocated to other segments.

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

Activities

DKKm

	Consumer			TDC Business		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
External revenue	9,163	9,464	9,600	7,332	7,683	8,189
Revenue across segments	226	247	301	214	243	357
Revenue	**9,389**	**9,711**	**9,901**	**7,546**	**7,926**	**8,546**
Total operating expenses excl. depreciation, etc.	(5,352)	(5,726)	(6,001)	(3,902)	(4,207)	(5,009)
Other income and expenses	4	10	2	0	2	122
EBITDA	**4,041**	**3,995**	**3,902**	**3,644**	**3,721**	**3,659**
	TDC Nordic			**Operations & Wholesale**		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
External revenue	3,829	3,286	3,620	2,018	2,136	2,340
Revenue across segments	258	229	234	532	446	408
Revenue	**4,087**	**3,515**	**3,854**	**2,550**	**2,582**	**2,748**
Total operating expenses excl. depreciation, etc.	(3,527)	(3,053)	(3,426)	(1,500)	(1,269)	(1,462)
Other income and expenses	4	35	30	64	100	214
EBITDA	**564**	**497**	**458**	**1,114**	**1,413**	**1,500**
	YouSee			**Other activities[1]**		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
External revenue	3,822	3,483	3,142	3	27	26
Revenue across segments	190	114	46	3	2	5
Revenue	**4,012**	**3,597**	**3,188**	**6**	**29**	**31**
Total operating expenses excl. depreciation, etc.	(2,660)	(2,457)	(2,241)	(75)	(340)	(541)
Other income and expenses	1	1	7	123	82	95
EBITDA	**1,353**	**1,141**	**954**	**54**	**(229)**	**(415)**
				Total		
				2010	**2009**	**2008**
External revenue				26,167	26,079	26,917
Revenue across segments				1,423	1,281	1,351
Revenue				**27,590**	**27,360**	**28,268**
Total operating expenses excl. depreciation, etc.				(17,016)	(17,052)	(18,680)
Other income and expenses				196	230	470
EBITDA				**10,770**	**10,538**	**10,058**

[1] Includes Headquarters.

Reconciliation of revenue

DKKm	2010	2009	2008
Revenue from reportable segments	27,590	27,360	28,268
Elimination of revenue across segment items	(1,423)	(1,281)	(1,351)
Consolidated external revenue	**26,167**	**26,079**	**26,917**

Reconciliation of Profit before depreciation, amortisation and special items (EBITDA)

DKKm	2010	2009	2008
EBITDA from reportable segments	10,770	10,538	10,058
Elimination of EBITDA	2	(2)	(4)
Unallocated:			
Depreciation, amortisation and impairment losses	(5,356)	(4,659)	(4,547)
Special items	(1,347)	(1,119)	(3,212)
Profit from associates and joint ventures	13	76	200
Net financials	(1,496)	(2,064)	(2,048)
Consolidated profit before income taxes	**2,586**	**2,770**	**447**

Geographical markets

DKKm	Domestic operations			Switzerland		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
External revenue[1]	22,557	23,003	23,501	0	0	0
Non-current assets allocated[2]	48,316	49,254	48,874	0	18,077	18,604

	Other international operations			Total		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
External revenue	3,610	3,076	3,416	26,167	26,079	26,917
Non-current assets allocated[2]	2,014	2,217	8,279	50,330	69,548	75,757

[1] The revenue of the former 100% owned subsidiary Sunrise is included in Profit for the year from discontinued operations, cf. note 12.
[2] Non-current assets other than Investments in joint ventures and associates, financial instruments, deferred tax assets and post-employment benefit assets including pension assets. Other international operations include Invitel in 2008.

Note 5 Revenue

DKKm	2010	2009	2008
Sales of goods	1,373	1,941	2,401
Sales of services	24,794	24,138	24,516
Total	**26,167**	**26,079**	**26,917**

External revenue from products and services			DKKm
	2010	2009	2008
Landline telephony	5,683	6,087	6,929
Mobile telephony	7,175	7,061	6,635
Internet and network	7,021	7,114	7,073
Terminal equipment, etc.	2,428	2,360	3,026
Cable TV	3,298	2,822	2,480
Other	562	635	774
External revenue	**26,167**	**26,079**	**26,917**

No customer comprises more than 10% of revenue.

Note 6 Wages, salaries and pension costs

			DKKm
	2010	2009	2008
Wages and salaries	(4,635)	(4,777)	(5,362)
Pensions (see note 27 for further information)	(123)	(274)	(292)
Social security	(243)	(240)	(284)
Total	**(5,001)**	**(5,291)**	**(5,938)**
Of which capitalised as non-current assets	674	693	753
Total	**(4,327)**	**(4,598)**	**(5,185)**
Average number of full-time employee equivalents [1, 2]	10,860	11,519	13,020

[1] Denotes the average number of full-time employee equivalents including permanent employees and trainees. 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.

[2] The figure covers only continuing operations. Calculated including discontinued operations, the average number of full-time employee equivalents amounted to 12,149 in 2010, 14,520 in 2009 and 16,193 in 2008.

The average number of full-time employee equivalents includes 186 TDC employees who have been seconded to external parties in connection with outsourcing of tasks or divestment of operations and who are entitled to pensions on conditions similar to those provided for Danish civil servants. At 31 December 2010, 178 employees were seconded to external parties in connection with outsourcing of tasks or divestment of operations.

Remuneration for the Board of Directors and the Executive Committee						DKKm
	Board of Directors			Executive Committee		
	2010	2009	2008	2010	2009	2008
Wages and salaries	4	3	3	61	68	62
Pensions	0	0	0	0	0	0
Total	**4**	**3**	**3**	**61**	**68**	**62**

Remuneration for the Executive Committee for 2010 includes a bonus of DKK 10m in connection with the completion of the divestment of Sunrise. Non-recurring remuneration amounted to DKK 20m in 2009 and DKK 17m in 2008 and consisted of redundancy costs.

With effect from 1 September and 2 December 2008, the remuneration for the Executive Committee comprises remuneration for six members and seven members, respectively. With effect from 1 October 2009, the remuneration for the Executive Committee comprises remuneration for eight members.

The Executive Committee members' service contracts include 12 months' notice in the event of termination by the Company, except for one member who is entitled to 15 months' notice. One Executive Committee member's service contract contains a change-of-control clause including 24 months' notice in the event of termination by the Company. Three members of the Executive Committee are entitled to receive remuneration on retirement from his or her position as Executive Committee member. One member is entitled to severance payment equal to 12 months' base salary, except if terminated for misconduct. Two members are entitled to severance payment equal to six months' base salary and on-target bonus.

Bonus programmes in 2010

Approximately 275 TDC top managers participate in a short-term bonus programme called the Top Managers' Compensation Programme, and around 1,400 TDC managers and specialists participate in a short-term bonus programme called the Managers' Compensation Programme. Around 120 Danish and Nordic TDC top managers participate in a long-term bonus programme called the Long-Term Incentive Programme.

The short-term bonus programmes are based on specific, individual annual targets including personal, financial and operational targets. These targets depend on the organisational position within the Group and are weighted in accordance with specific rules. All targets must support improved profitability and business development at TDC.

Bonus payments are calculated as the individual employee's basic salary times the bonus percentage times the degree of target fulfilment. The bonus percentage achieved when targets are met is called the on-target bonus percentage. For the Top Managers' Compensation Programme, this percentage is fixed in the contract of employment with the individual employee and usually varies within a range of 10%-33% of basic salary. The on-target bonus percentage is somewhat lower for the Managers' Compensation Programme. The bonus percentage achieved can be maximum 200% of the on-target bonus.

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

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

Bonus programmes and other incentive schemes from 2011

The Board of Directors has decided to redesign bonus programmes and incentive schemes with effect from 1 January 2011, however in respect of the Executive Committee, subject to approval by the Annual General Meeting on 9 March 2011.

The short-term bonus programmes will generally remain unchanged with regard to targets and basis for payment. However, for the Executive Committee and approximately 53 other executives reporting directly to the Executive Committee, a deferral element will be introduced. Under the new bonus programmes, the Executive Committee members will be 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 will be offered 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. Dividends paid out on shares in the deferral period will result in annual corresponding increases of each participant's number of share units. Deferred share units will vest and be converted into shares in TDC after three years, provided, however, that TDC's Equity Free Cash Flow per Share, excluding income tax paid, is not lower than minus 15% of the base case in TDC's business plan. If this threshold is not met, the deferred share units will lapse without any compensation payable to eligible executives.
Participants will receive additional shares corresponding to 50%, 75% and 100% of the deferred share units ("matching") if TDC's Equity Free Cash Flow per Share excluding in-

come tax paid is minus 5%, equal to or plus 2.5% or higher, respectively, compared with the base case in TDC's business plan. Participants will receive matching shares based on a linear correlation between Equity Free Cash Flow per Share, excluding income tax paid, and the matching percentages in intervals of 50% to 100%. Dividends paid on shares in the vesting period will result in annual corresponding increases of each participant's number of deferred share units and possible matching shares. 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.

The current Long-Term Incentive Programme will, with effect from 1 January 2011, be replaced by a new Performance Share Programme to reward long-term performance. The Performance Share Programme is expected to be offered to approximately 275 TDC managers, including the Executive Committee (subject to approval of new guidelines for incentive pay by a general meeting).

All eligible participants will annually be granted performance share units. Vested performance share units will be converted into shares in TDC. The value of performance share units granted will be calculated as a percentage of participants' base salary depending on tier level and individual performance. The number of performance share units granted will have a value, determined as the fair market value on the basis of a Monte Carlo simulation. For the Executive Committee this will correspond to 30% of base salary and, for other TDC managers, up to 30% of their base salary. At the discretion of the chief executive officer, additional performance share units can be awarded until the next annual grant.

Ownership of shares will only pass to participants provided the performance share units vest. Performance share units vest three years from the date of grant subject to TDC's performance as measured by total shareholder return (calculated as Share price movements plus dividends received over a stated period divided by Share price at the beginning of such period) relative to a peer group of 14 telecommunications companies (excluding TDC). No performance share units will vest if TDC's performance is not among the best ten of the peer group, and all performance share units will vest if TDC's performance is among the best three to four of the peer group. Vesting is 150% if performance is among the best one to two of the peer group. Performance as number five to ten of the peer group results in between 20% and 85% of performance share units vesting.

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. Dividends paid out on shares in the vesting period will result in annual corresponding increases of each participant's number of performance share units.

For the Executive Committee a mandatory perpetual share ownership representing a value equivalent to two years' annual base salary, net of taxes, will be implemented with effect from 1 January 2011, subject to approval of new guidelines for incentive pay by a general meeting. 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.

Share options for certain employees in Danish enterprises
TDC had a revolving share-option programme for employees in TDC's domestic enterprises. The programme ceased in 2006 and was replaced by the Long-Term Incentive Programme. At 31 December 2010, there were 5,595 outstanding share options, compared with 17,320 at 31 December 2009 and 211,080 at 31 December 2008. No share options were exercised in 2010, 2009 or 2008.

No expenses resulted from the Danish share-option programme in 2010, 2009 or 2008.

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

Number of shares in TDC A/S

	2010	2009	2008
Present Board of Directors[1]			
Vagn Sørensen	322,653	0	0
Pierre Danon	113,151	0	0
Søren Thorup Sørensen	3,074	0	0
Leif Hartmann	740	505	505
Steen M. Jacobsen	740	505	505
Jan Bardino	1,040	805	805
Bo Magnussen	740	505	505
Total	**442,138**	**2,320**	**2,320**
Present Executive Committee			
Henrik Poulsen	963,457	0	0
Eva Berneke	322,653	0	0
Niels Breining	161,831	505	505
Carsten Dilling	685,078	0	0
Jesper Theill Eriksen	483,286	55	55
Martin Lippert	243,610	495	495
Jens Munch-Hansen	562,014	0	0
Jesper Ovesen	967,965	0	0
Total	**4,389,894**	**1,055**	**1,055**

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

Prior to NTC's offering of shares in TDC A/S, members of the TDC Board of Directors and TDC Executive Committee, as well as TDC senior executives and other TDC management employees were invited to invest in NTC. In connection with the offering of shares in TDC A/S, the participants in the Management Investment Programme received shares in TDC A/S and/or cash. The shares received in connection with the offering are covered by a lock-up:

- For participants in the Management Investment Programme who are Executive Committee members, the management lock-up applies to 50% of the shares for 12 months and 50% of the shares for 18 months from 25 November 2010

- For other participants in the Management Investment Programme who are currently employed by TDC, the management lock-up applies to all the shares for 12 months except if such participant's consideration with respect to the B shares of NTC included shares only, then the management lock-up applies to 50% of the shares for 12 months.

The members of the Executive Committee have also agreed with NTC that the lock-up will apply to all shares that are owned or acquired by them other than in connection with the Management Investment Programme reorganisation and buyout for a period of 18 months from 25 November 2010. For participants in the Management Investment Programme who are no longer employed by TDC, there is no lock-up.

Note 7 Other income, other expenses and government grants

DKKm	2010	2009	2008
Other income	200	243	479
Other expenses	(4)	(13)	(9)
Total	**196**	**230**	**470**

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

Government grants recognised as income during 2010 amounted to DKK 22m compared with DKK 18m in 2009 and DKK 19m in 2008.

Note 8 Depreciation, amortisation and impairment losses

DKKm	2010	2009	2008
Depreciation	(2,660)	(2,385)	(2,433)
Amortisation	(2,603)	(2,170)	(1,937)
Impairment losses	(93)	(104)	(177)
Total	**(5,356)**	**(4,659)**	**(4,547)**

Note 9 Special items

DKKm	2010	2009	2008
Gain/(loss) from divestments of enterprises and property, net	(38)	(18)	(2)
Impairment losses	(50)	(119)	(1,972)
Income/(loss) from rulings	(85)	0	0
Restructuring costs, etc.	(1,172)	(982)	(1,238)
Costs related to acquisition of enterprises	(2)	-	-
Special items before income taxes	**(1,347)**	**(1,119)**	**(3,212)**
Income taxes related to special items	253	276	284
Special items after income taxes	**(1,094)**	**(843)**	**(2,928)**

Note 10 Net financials

DKKm

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

	2009			
	Interest	Currency translation adjustments	Fair value adjustments	Total
Income				
Financial assets and liabilities measured at fair value through profit or loss	649	54	59	762
Loans and receivables	164	93	0	257
Financial liabilities measured at amortised cost	0	60	0	60
Non-financial assets or liabilities	12	4	0	16
Total	**825**	**211**	**59**	**1,095**
Expenses				
Financial assets and liabilities measured at fair value through profit or loss	(1,013)	(2)	(312)	(1,327)
Loans and receivables	0	(102)	0	(102)
Financial liabilities measured at amortised cost	(1,311)	(364)	0	(1,675)
Non-financial assets or liabilities	(55)	0	0	(55)
Total	**(2,379)**	**(468)**	**(312)**	**(3,159)**
Net financials	**(1,554)**	**(257)**	**(253)**	**(2,064)**

	2008			
	Interest	**Currency translation adjustments**	**Fair value adjustments**	**Total**
Income				
Financial assets and liabilities measured at fair value through profit or loss	1,813	47	74	1,934
Loans and receivables	299	174	0	473
Financial liabilities measured at amortised cost	0	677	0	677
Non-financial assets or liabilities	48	0	0	48
Total	**2,160**	**898**	**74**	**3,132**
Expenses				
Financial assets and liabilities measured at fair value through profit or loss	(1,579)	(43)	(760)	(2,382)
Loans and receivables	0	(65)	0	(65)
Financial liabilities measured at amortised cost[1]	(2,619)	(20)	0	(2,639)
Non-financial assets or liabilities	(94)	0	0	(94)
Total	**(4,292)**	**(128)**	**(760)**	**(5,180)**
Net financials	**(2,132)**	**770**	**(686)**	**(2,048)**

[1] Interest includes DKK 148m as an effect of early redemption.

Note 11 Income taxes

DKKm

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

	2009		
	Income taxes cf. the Income Statements	**Income tax payable/ (receivable)**	**Deferred tax liabilities /(assets)**
At 1 January	-	811	7,365
Transferred to discontinued operations	-	(86)	(116)
Currency translation adjustments, net	-	0	1
Additions relating to acquisition of enterprises	-	1	93
Income taxes	(1,169)	1,380	(211)
Adjustment of tax for previous years	182	(167)	(15)
Tax related to other comprehensive income	-	0	144
Tax paid	-	(671)	-
Transferred to discontinued operations	178	-	-
Total	**(809)**	**1,268**	**7,261**
which can be specified as follows:			
Tax payable/deferred tax liabilities	-	1,270	7,313
Tax receivable/deferred tax assets	-	(2)	(52)
Total	**-**	**1,268**	**7,261**
Income taxes are specified as follows:			
Income excluding special items	(1,085)	-	-
Special items	276	-	-
Total	**(809)**	**-**	**-**

	2008		
	Income taxes cf. the Income Statements	**Income tax payable/ (receivable)**	**Deferred tax liabilities /(assets)**
At 1 January	-	1,842	7,541
Currency translation adjustments, net	-	(5)	20
Additions relating to acquisition of enterprises	-	15	49
Disposals relating to divestment of enterprises	-	4	1
Income taxes	(889)	1,488	(599)
Adjustment of tax for previous years	154	(211)	57
Tax related to other comprehensive income	-	(576)	296
Tax paid	-	(1,746)	-
Transferred to discontinued operations	297	-	-
Total	**(438)**	**811**	**7,365**
which can be specified as follows:			
Tax payable/deferred tax liabilities	-	820	7,430
Tax receivable/deferred tax assets	-	(9)	(65)
Total	**-**	**811**	**7,365**
Income taxes are specified as follows:			
Income excluding special items	(722)	-	-
Special items	284	-	-
Total	**(438)**	**-**	**-**

Reconciliation of effective tax rate

	2010	2009	2008
Danish income tax rate	25.0	25.0	25.0
Joint ventures and associates	0.0	0.0	(1.4)
Other non-taxable income and non-tax deductible expenses	0.1	0.1	0.8
Tax value of non-capitalised tax losses and utilised tax losses, net	(0.5)	(2.8)	(2.6)
Different tax rates in foreign subsidiaries	0.0	0.2	0.3
Adjustment of tax for previous years	(0.8)	(3.8)	(4.9)
Limitation on the tax deductibility of interest expenses	2.6	9.8	2.3
Other	0.0	0.0	0.1
Effective tax rate excluding special items	**26.4**	**28.5**	**19.6**
Special items	3.8	0.7	78.4
Effective tax rate including special items	**30.2**	**29.2**	**98.0**

Specification of deferred tax **DKKm**

	2010			2009	2008
	Deferred tax assets	Deferred tax liabilities	Total		
Allowances for doubtful debts	(4)	0	(4)	(4)	(1)
Provisions for redundancy payments	(96)	0	(96)	(95)	(106)
Current	**(100)**	**0**	**(100)**	**(99)**	**(107)**
Intangible assets	0	4,321	4,321	5,530	6,069
Property, plant and equipment	(90)	801	711	518	464
Pension assets and pension liabilities	0	1,872	1,872	1,858	1,735
Tax value of tax-loss carryforwards	0	0	0	(12)	(30)
Other	(540)	156	(384)	(534)	(766)
Non-current	**(630)**	**7,150**	**6,520**	**7,360**	**7,472**
Deferred tax liabilities at 31 December	**(730)**	**7,150**	**6,420**	**7,261**	**7,365**
Recognised as follows in the Balance Sheets:					
Deferred tax assets			(66)	(52)	(65)
Deferred tax liabilities			6,486	7,313	7,430

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

	2010	2009	2008
Tax losses	690	655	699
Other tax values (temporary differences)	236	247	250
Total	**926**	**902**	**949**

All the Danish Group companies participate in joint taxation with the management company, which in 2010 changed from Nordic Telephone Company Administration ApS to TDC A/S. Subsequently, the jointly taxed companies in the TDC Group are liable only for the part of the income tax, taxes paid on account and outstanding residual tax (with additional payments and interest) that relates to the part of the income allocated to the companies. When the management company has received payment from the jointly taxed Group companies, the management company assumes liability for this payment.

Note 12 Discontinued operations

DKKm

	2010	2009	2008
Revenue	**9,082**	**11,907**	**11,499**
Total operating costs	**(6,681)**	**(8,625)**	**(8,388)**
Income taxes	**(259)**	**(222)**	**(292)**
Results from discontinued operations excluding gain/loss from divestment	413	575	352
Gain/loss from divestment of discontinued operations (special items)	696	(100)	59
Tax relating to gain/loss from divestment of discontinued operations (special items)	78	0	0
Other special items relating to discontinued operations	16	(53)	137
Profit for the year from discontinued operations	**1,203**	**422**	**548**
Profit from discontinued operations attributable to owners of the Parent Company	**1,203**	**463**	**699**
Profit from continuing operations attributable to owners of the Parent Company	**1,804**	**1,961**	**9**

Discontinued operations comprise the former 64.6% owned subsidiary Invitel Holdings A/S and the former 100% owned subsidiary Sunrise Communications AG. Invitel was formerly known as Hungarian Telephone and Cable Corp. (HTCC), and is a Hungarian-based landline operator with wholesale operations in Eastern Europe. Sunrise is the second-largest integrated telecommunications provider in Switzerland.

Note 13 Earnings per share

	2010	2009	2008
Profit for the year (DKKm)	3,007	2,383	557
Minority interests' share of consolidated income (DKKm)	0	41	151
Shareholders' share of profit for the year (DKKm)	**3,007**	**2,424**	**708**
Average number of shares	991,875,885	991,875,885	991,875,885
Average number of treasury shares	(10,094,645)	(1,419,105)	(1,419,105)
Average number of outstanding shares	**981,781,240**	**990,456,780**	**990,456,780**
Average dilutive effect of outstanding share options (number)	0	0	26,459
Average number of diluted outstanding shares	**981,781,240**	**990,456,780**	**990,483,239**
EPS (DKK)			
Earnings per share, basic	3.06	2.45	0.71
Earnings per share, diluted	3.06	2.45	0.71
Earnings per share from continuing operations, basic	1.84	1.98	0.01
Earnings per share from continuing operations, diluted	1.84	1.98	0.01
Earnings per share from discontinued operations, basic	1.22	0.47	0.70
Earnings per share from discontinued operations, diluted	1.22	0.47	0.70

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

Note 14 Intangible assets

DKKm

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

	2009				
	Goodwill	**Customer relationships**	**Brands**	**Other rights, software, etc.**	**Total**
Accumulated cost at 1 January	26,606	24,158	8,101	8,000	66,865
Transferred to discontinued operations	(633)	(895)	(138)	(790)	(2,456)
Additions relating to the acquisition of subsidiaries	318	241	24	38	621
Additions during the year	0	62	0	885	947
Currency translation adjustments	134	100	47	(13)	268
Disposals relating to the divestment of subsidiaries	0	0	0	0	0
Assets disposed of or fully amortised during the year	0	(15)	(747)	(200)	(962)
Accumulated cost at 31 December	**26,425**	**23,651**	**7,287**	**7,920**	**65,283**
Accumulated amortisation and write-downs for impairment at 1 January	(1,227)	(7,190)	(1,216)	(3,871)	(13,504)
Transferred to discontinued operations	(3)	94	1	116	208
Currency translation adjustments	(42)	(78)	(20)	20	(120)
Amortisation for the year	0	(1,966)	(170)	(949)	(3,085)
Write-downs for impairment during the year	(27)	(26)	0	(141)	(194)
Disposals relating to the divestment of subsidiaries	0	0	0	0	0
Assets disposed of or fully amortised during the year	0	15	747	200	962
Accumulated amortisation and write-downs for impairment at 31 December	**(1,299)**	**(9,151)**	**(658)**	**(4,625)**	**(15,733)**
Carrying amount at 31 December	**25,126**	**14,500**	**6,629**	**3,295**	**49,550**
Carrying amount of capitalised interest at 31 December	**-**	**0**	**0**	**3**	**3**

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

In 2009, write-downs for impairment of rights, software, etc. totalled DKK 167m. Of this, DKK 137m related to assets jointly operated by Consumer, TDC Business and Operations & Wholesale, DKK 23m related to TDC Nordic, and DKK 7m related to YouSee.

The carrying amount of software amounted to DKK 1,342m, compared with DKK 1,515m in 2009. In 2010, the addition of internally developed software totalled DKK 99m, compared with DKK 123m in 2009.

Interest capitalised during 2010 amounted to DKK 1m, compared with DKK 0m in 2009.

Impairment tests of goodwill and intangible assets with indefinite useful lives

The carrying amount of goodwill is tested for impairment annually and if events or changes in circumstances indicate impairment. The annual tests were carried out at 1 July 2010 and 1 July 2009, respectively.

The test at 1 July 2010 did not identify any impairment.

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

Goodwill and intangible assets with indefinite useful lives relate primarily to Consumer, TDC 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 5,603m at 31 December 2010, compared with DKK 5,592m in 2009.

Consumer

The carrying amount of goodwill relating to Consumer amounted to DKK 4,649m at 31 December 2010 compared with DKK 4,649m at 31 December 2009. The recoverable amount is primarily sensitive to the applied assumptions regarding growth of mobile data, TVoIP and VoIP. The projected earnings are relatively stable with growth stemming from mobile data, TVoIP and VoIP, partly offset by a decline within PSTN. The growth rate applied to extrapolate projected future cash flows for the period following 2013 equals an expected market-based rate of 2.5%. A pre-tax discount rate of 8.1% (1 July 2009: 8.4%) has been applied.

TDC Business

The carrying amount of goodwill relating to TDC Business amounted to DKK 8,133m at 31 December 2010 compared with DKK 8,133m at 31 December 2009. The recoverable amount is primarily sensitive to the applied assumptions regarding the growth within mobile data and VoIP offset by decline within traditional landline telephony. The projected earnings are stable with a minor projected decline stemming mainly from PTSN and internet & network, offset by growth in mobile broadband and mobile telephony. The growth rate applied to extrapolate projected future cash flows for the period following 2013 equals an expected market-based rate of 2.5%. A pre-tax discount rate of 8.5% (1 July 2009: 8.6%) has been applied.

YouSee

The carrying amount of goodwill relating to YouSee amounted to DKK 2,089m at 31 December 2010 compared with DKK 2,089m at 31 December 2009. The recoverable amount is primarily sensitive to continued growth in earnings from TV usage, both the basic TV product YouSee Clear and add-on YouSee Plus. The projected growth in earnings is driven by growth in TV (both YouSee Clear and YouSee Plus) and broadband. The growth rate applied to extrapolate projected future cash flows for the period following 2013 equals an expected market-based rate of 2.0%. A pre-tax discount rate of 8.7% (1 July 2009: 8.9%) has been applied.

Note 15 Property, plant and equipment

DKKm

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

	2009					
	Land and buildings	**Telecommunications installations**	**Other installations**	**Installation materials**	**Property, plant and equipment under construction**	**Total**
Accumulated cost at 1 January	752	29,627	3,295	201	1,019	34,894
Transferred to discontinued operations	(35)	(4,485)	(133)	0	(155)	(4,808)
Currency translation adjustments	2	240	38	3	9	292
Transfers (to)/from other items	2	1,201	210	(226)	(1,187)	0
Additions relating to the acquisition of subsidiaries	0	467	62	8	78	615
Work performed for own purposes and capitalised	0	1,000	0	9	7	1,016
Acquisitions from third parties	5	938	305	473	1,265	2,986
Disposals relating to the divestment of subsidiaries	0	(110)	(3)	0	0	(113)
Assets disposed of during the year	(40)	(1,812)	(400)	(10)	0	(2,262)
Accumulated cost at 31 December	**686**	**27,066**	**3,374**	**458**	**1,036**	**32,620**
Accumulated depreciation and write-downs for impairment at 1 January	(32)	(10,353)	(2,044)	(68)	(1)	(12,498)
Transferred to discontinued operations	0	892	23	0	1	916
Currency translation adjustments	0	(135)	(28)	0	0	(163)
Transfers to/(from) other items	0	178	(1)	(177)	0	0
Depreciation for the year	(14)	(2,539)	(554)	0	0	(3,107)
Write-downs for impairment during the year	(4)	(57)	(16)	(15)	0	(92)
Disposals relating to the divestment of subsidiaries	0	104	1	0	0	105
Assets disposed of during the year	11	1,805	391	10	0	2,217
Accumulated depreciation and write-downs for impairment at 31 December	**(39)**	**(10,105)**	**(2,228)**	**(250)**	**0**	**(12,622)**
Carrying amount at 31 December	**647**	**16,961**	**1,146**	**208**	**1,036**	**19,998**
Carrying amount of finance leases at 31 December	**81**	**263**	**95**	**-**	**-**	**439**
Carrying amount of capitalised interest at 31 December	**0**	**43**	**0**	**-**	**0**	**43**

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

In 2009, write-downs for impairment totalled DKK 92m. Of this, DKK 36m related to assets operated jointly by TDC Business, Operations & Wholesale and Consumer, DKK 4m related to TDC Nordic, DKK 49m related to Sunrise and DKK 3m related to Other activities.

Interest capitalised during 2010 amounted to DKK 0m compared with DKK 18m in 2009 and DKK 18m in 2008.

The carrying amount of mortgaged property, plant and equipment amounted to DKK 2m at 31 December 2010 compared with DKK 2m at 31 December 2009 and DKK 2,790m at 31 December 2008.

In 2010, damages of DKK 42m received relating to property, plant and equipment were recognised as income compared with DKK 47m in 2009 and DKK 65m in 2008.

Note 16 Investments in joint ventures and associates

DKKm	2010	2009
Accumulated cost at 1 January	108	108
Currency translation adjustments	0	0
Additions during the year	19	0
Disposals relating to increased ownership shares of enterprises	(12)	0
Disposals during the year	0	0
Accumulated cost at 31 December	**115**	**108**
Accumulated write-ups and write-downs for impairment at 1 January	60	63
Currency translation adjustments	0	0
Transferred (to)/from liabilities	(9)	5
Disposals relating to increased ownership shares of enterprises	2	0
Write-ups and write-downs for the year:		
Share of income/(loss)	3	(1)
Special items	0	0
Dividends	(34)	(7)
Disposals during the year	0	0
Accumulated write-ups and write-downs for impairment at 31 December	**22**	**60**
Carrying amount at 31 December	**137**	**168**
which can be specified as follows:		
Joint ventures	5	1
Associates	132	167
Total	**137**	**168**

At 1 January 2009, the carrying amount of joint ventures and of associates amounted to DKK 1m and DKK 170m, respectively.

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

	2010	2009	2008
Share of profit/loss	3	(1)	222
Special items	0	0	0
Gain/loss relating to divestment of joint ventures and associates classified as special items	10	77	(22)
Other gains/losses relating to disposals	0	0	0
Profit from joint ventures and associates	**13**	**76**	**200**

Joint ventures

TDC has no significant investments in joint ventures.

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

Financial summary for joint ventures (TDC's share)			DKKm
	2010	**2009**	**2008**
Revenue	0	0	2,911
Total operating expenses before depreciation, etc.	3	4	(1,790)
Total non-current assets	0	0	0
Total current assets	8	9	9
Total non-current liabilities	0	0	0
Total current liabilities	(3)	(18)	(14)

Associates

TDC has no significant investments in associates.

Note 17 Receivables

			DKKm
	2010	**2009**	**2008**
Trade receivables	4,379	6,763	7,667
Allowances for doubtful debts	(245)	(338)	(548)
Trade receivables, net	**4,134**	**6,425**	**7,119**
Receivables from group enterprises	31	2	2
Contract work in progress (see table below for details)	90	96	182
Other receivables	390	466	1,075
Total	**4,645**	**6,989**	**8,378**
Recognised as follows:			
Non-current assets	241	231	96
Current assets	4,404	6,758	8,282
Total	**4,645**	**6,989**	**8,378**
Allowances for doubtful debts at 1 January	(338)	(548)	(548)
Transferred to discontinued operations	58	113	0
Additions	(167)	(169)	(346)
Deductions relating to divestment of subsidiaries	0	0	20
Deductions	202	266	326
Allowances for doubtful debts at 31 December	**(245)**	**(338)**	**(548)**
Receivables past due and impaired	**652**	**926**	**1,067**
Receivables past due but not impaired	**422**	**625**	**1,239**
Receivables past due but not impaired can be specified as follows:			
Receivables past due less than 6 months	353	500	888
Receivables past due between 6 and 12 months	22	59	57
Receivables past due more than 12 months	47	66	294
Total	**422**	**625**	**1,239**

Of the receivables classified as current assets at 31 December 2010, DKK 0m falls due after more than one year, compared with DKK 0m at 31 December 2009 and DKK 179m at 31 December 2008.

Trade receivables past due amounted to DKK 1,074m compared with DKK 1,486m at 31 December 2009 and DKK 1,901m at 31 December 2008. Other receivables contain write-down for impairment of DKK 15m. Other classes within receivables do not contain impaired assets.

The carrying amount of charged receivables amounted to DKK 0m at 31 December 2010, compared with DKK 0m at 31 December 2009 and DKK 347m at 31 December 2008.

Contract work in progress — DKKm

	2010	2009	2008
Value of contract work in progress	285	347	323
Billing on account	(210)	(255)	(141)
Total	**75**	**92**	**182**
Recognised as follows:			
Contract work in progress (assets)	90	96	182
Contract work in progress (prepayments from customers)	(15)	(4)	0
Total	**75**	**92**	**182**
Recognised as revenue from contract work in progress	**242**	**328**	**502**

Note 18 Prepaid expenses

DKKm

	2010	2009	2008
Prepaid lease payments	93	163	176
Expenses related to non-refundable up-front connection fees	346	325	259
Other prepaid expenses	446	428	561
Total	**885**	**916**	**996**
Recognised as follows:			
Non-current assets	270	243	211
Current assets	615	673	785
Total	**885**	**916**	**996**

Note 19 Inventories

DKKm

	2010	2009	2008
Raw materials and supplies	27	26	68
Work in progress	9	8	0
Finished goods and merchandise	271	289	421
Total	**307**	**323**	**489**

Inventories recognised as cost of goods sold amounted to DKK 1,284m in 2010, compared with DKK 1,474m in 2009 and DKK 2,119m in 2008.

Inventories expected to be sold after more than one year totalled DKK 21m at 31 December 2010, compared with DKK 8m at 31 December 2009 and DKK 11m at 31 December 2008.

Write-downs of inventories amounted to DKK 7m in 2010, compared with DKK 23m in 2009 and DKK 39m in 2008. Reversal of write-downs of inventories totalled DKK 5m in 2010, compared with DKK 5m in 2009 and DKK 11m in 2008.

Note 20 Cash

The carrying amount of charged cash amounted to DKK 780m at 31 December 2010, compared with DKK 719m at 31 December 2009 and DKK 6,279m at 31 December 2008.

Note 21 Equity

Share capital	Shares (number)	Nominal value (DKK)
Holding at 1 January 2009	198,375,177	991,875,885
Additions	0	0
Reductions	0	0
Holding at 1 January 2010	**198,375,177**	**991,875,885**
Five-for-one share split	793,500,708	0
Additions	0	0
Reductions	0	0
Holding at 31 December 2010	**991,875,885**	**991,875,885**

At the Annual General Meeting on 4 March 2010 it was resolved to declare a five-for-one share split from DKK 5 per share to DKK 1 per share with effect as of 10 May 2010. After the share split, the total authorised number of shares is 991,875,885 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 2009	283,821	1,419,105	0.14
Additions	0	0	-
Disposals	0	0	-
Holding at 1 January 2010	**283,821**	**1,419,105**	**0.14**
Five-for-one share split	1,135,284	0	-
Additions	176,468,549	176,468,549	17.79
Disposals	(2,770,136)	(2,770,136)	(0.27)
Holding at 31 December 2010	**175,117,518**	**175,117,518**	**17.66**

In December 2010, TDC completed a share buy-back of 176,468,549 shares of nominally DKK 1 each for an aggregate amount of DKK 9bn. 2,770,136 of the shares acquired in the share buy-back were used for a one-time grant of shares to the employees. The remaining shares acquired in the share buy-back may be used in connection with incentive and other remuneration programmes for the executive management and employees; as consideration in acquisitions of other businesses; and, subject to the necessary approval of the General Meeting, to complete a reduction of the share capital.

Note 22 Loans

DKKm

	2010	2009	2008
Bank loans	17,792	28,375	29,924
Bonds and mortgages	5,342	5,325	10,917
Debt relating to finance leases	209	554	704
Other long-term debt	301	144	205
Total	**23,644**	**34,398**	**41,750**
Of which loans expected to be paid within 12 months (current liabilities)	(216)	(3,787)	(4,713)
Long-term loans	**23,428**	**30,611**	**37,037**
Long-term loans fall due as follows:			
1 -3 years	3,531	5,813	4,375
3 -5 years	19,742	10,359	9,196
After 5 years	155	14,439	23,466
Total	**23,428**	**30,611**	**37,037**
Fair value	24,215	35,027	38,964
Nominal value	23,903	34,911	42,286

Allocation of liabilities relating to finance leases according to maturity date

DKKm

	Minimum payments			Present value		
	2010	2009	2008	2010	2009	2008
Mature within 1 year	70	156	215	59	144	204
Mature between 1 and 3 years	68	161	201	50	136	191
Mature between 3 and 5 years	35	117	113	25	83	91
Mature after 5 years	127	321	378	75	191	218
Total	**300**	**755**	**907**	**209**	**554**	**704**

Liabilities relating to finance leases are related primarily to sale and leaseback agreements regarding sale of property to the related Danish pension funds and agreements regarding IT equipment.

Note 23 Deferred income

DKKm

	2010	2009	2008
Accrued revenue from non-refundable up-front connection fees	1,291	1,449	1,526
Deferred subscription revenue	2,264	2,242	2,177
Other deferred income	488	737	1,096
Total	**4,043**	**4,428**	**4,799**
Recognised as follows:			
Non-current liabilities	971	1,245	1,350
Current liabilities	3,072	3,183	3,449
Total	**4,043**	**4,428**	**4,799**

Note 24 Provisions

DKKm

	2010				2009
	Decommissioning obligations	Restructuring obligations	Other provisions	Total	
Provisions at 1 January	705	828	950	2,483	2,440
Transferred to discontinued operations	(547)	(2)	(91)	(640)	(101)
Currency translation adjustments	0	9	29	38	19
Provisions made during the year	14	526	547	1,087	1,272
Change in present value	(15)	23	10	18	50
Provisions used during the year	(1)	(540)	(345)	(886)	(1,104)
Unused provisions reversed during the year	0	(22)	(54)	(76)	(93)
Provisions at 31 December	**156**	**822**	**1,046**	**2,024**	**2,483**
Recognised as follows:					
Non-current liabilities	154	421	399	974	1,519
Current liabilities	2	401	647	1,050	964
Total	**156**	**822**	**1,046**	**2,024**	**2,483**

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 2015.

Provisions for restructuring obligations relate primarily to redundancy programmes. The majority of these obligations are expected to result in cash outflow in the period 2011-2015. The uncertainties relate primarily to the estimated amounts.

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

Note 25 Trade and other payables

DKKm

	2010	2009	2008
Trade payables	4,018	5,349	5,687
Prepayments from customers	306	278	332
Other payables	1,817	2,377	2,672
Total	**6,141**	**8,004**	**8,691**

DKK 61m of the current liabilities at 31 December 2010 falls due after more than one year compared with DKK 70m at 31 December 2009 and DKK 96m at 31 December 2008.

Note 26 Financial instruments, etc.

TDC is exposed to financial market and credit risks when buying and selling goods and services in foreign denominated currencies and when investing in and financing activities. Analyses of such risks are disclosed below. For further disclosures, see Financial management and market risk disclosures in Risk management.

A: Foreign-currency exposures DKKm

Financial assets and liabilities in foreign currencies at 31 December are specified below:

Currency		2010				2009	2008
		Financial assets and liabilities					
	Maturities	Assets	Liabilities	Derivatives[1]	Net position		
EUR	< 1 year	274	(425)	(832)	(983)	(2,989)	1,768
	1-3 years	0	(3,424)	455	(2,969)	168	(4,169)
	3-5 years	0	(19,660)	(76)	(19,736)	(10,253)	(8,586)
	> 5 years	0	0	(115)	(115)	(14,258)	(23,205)
Total EUR		**274**	**(23,509)**	**(568)**	**(23,803)**	**(27,332)**	**(34,192)**
CHF	< 1 year	11	0	0	11	(7,641)	(25,122)
	1-3 years	0	0	0	0	(5,912)	(73)
	3-5 years	0	0	0	0	(63)	(30)
	> 5 years	0	0	0	0	(105)	(187)
Total CHF[2]		**11**	**0**	**0**	**11**	**(13,721)**	**(25,412)**
Others	< 1 year	820	(470)	0	350	280	559
	1-3 years	0	(25)	0	(25)	39	(38)
	3-5 years	0	(4)	0	(4)	(1)	(17)
	> 5 years	0	0	0	0	0	0
Total others		**820**	**(499)**	**0**	**321**	**318**	**504**
Foreign currencies total		**1,105**	**(24,008)**	**(568)**	**(23,471)**	**(40,735)**	**(59,100)**
DKK	< 1 year	3,452	(2,526)	745	1,671	8,046	25,741
	1-3 years	21	(83)	(745)	(807)	(843)	(183)
	3-5 years	4	(78)	0	(74)	1	(763)
	> 5 years	168	(155)	0	13	70	85
Total DKK		**3,645**	**(2,842)**	**0**	**803**	**7,274**	**24,880**
Total		**4,750**	**(26,850)**	**(568)**	**(22,668)**	**(33,461)**	**(34,220)**

1 The financial instruments used in 2010 are currency swaps and forward-exchange contracts.
2 Includes hedges of investment in Sunrise amounting to DKK (11,403)m in 2009 and DKK (23,114)m in 2008.

Net investments in foreign enterprises **DKKm**

Net investments in foreign subsidiaries, joint ventures and associates:

	2010 Net investments, carrying amount	2009 Net investments, carrying amount	2008 Net investments, carrying amount
CHF	0	15,100	15,111
SEK	270	269	7,320
EUR	869	813	737
NOK	908	880	736
HUF	0	0	265
Others	0	0	0
Total at 31 December	**2,047**	**17,062**	**24,169**

With the exception of Sunrise, TDC has not hedged investments in foreign subsidiaries, joint ventures and associates. Because of the significant exposure arising from the investment in Sunrise, a minimum 50% of this investment has been hedged since early 2009 until the divestment in 2010. Previously, the investment in Sunrise was fully hedged. The hedging of the investment was treated as hedge accounting until year-end 2008 and again from April 2010 until reclassification to discontinued operations. The carrying amount of net investments in foreign enterprises has been adjusted due to the merger between TDC and NTC and therefore deviates from the hedged amount in 2008.

B: Liquidity risk **DKKm**

The maturity analysis of financial assets and liabilities is disclosed by category and class and is allocated according to maturity period. All interest payments and repayments of financial assets and liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined using zero-coupon rates.

Financial assets and liabilities measured at fair value relates to derivatives. The calculation of fair value of these derivatives is based on observable inputs such as forward interest rates, etc. (Level 2 in the fair value hierarchy).

Maturity profiles[1] DKKm

	2010						
	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial assets and liabilities measured at fair value through profit or loss and net investment hedges							
Derivatives, assets							
Interest-rate derivatives	39	30	4	7	80	89	89
Currency swaps	(2)	(2)	0	0	(4)	2	2
Net investment hedges	0	0	0	0	0	0	0
Total derivatives, assets	**37**	**28**	**4**	**7**	**76**	**91**	**91**
Derivatives, liabilities							
Interest-rate derivatives	(347)	(260)	12	6	(589)	(659)	(659)
Currency swaps	0	0	0	0	0	0	0
Net investment hedges	0	0	0	0	0	0	0
Total derivatives, liabilities	**(347)**	**(260)**	**12**	**6**	**(589)**	**(659)**	**(659)**
Loans and receivables							
Cash	831	0	0	0	831	831	831
Trade receivables and other receivables	3,744	31	18	473	4,266	3,919	3,919
Total loans and receivables	**4,575**	**31**	**18**	**473**	**5,097**	**4,750**	**4,750**
Financial liabilities measured at amortised cost							
Bank loans[2]	(570)	(1,429)	(18,452)	0	(20,451)	(17,907)	(17,792)
Bond loans	(341)	(3,869)	(2,278)	0	(6,488)	(5,798)	(5,342)
Debt relating to finance leases	(70)	(68)	(35)	(127)	(300)	(209)	(209)
Trade and other payables	(3,311)	(67)	(67)	(100)	(3,545)	(3,507)	(3,507)
Total financial liabilities measured at amortised cost	**(4,292)**	**(5,433)**	**(20,832)**	**(227)**	**(30,784)**	**(27,421)**	**(26,850)**
Total	**(27)**	**(5,634)**	**(20,798)**	**259**	**(26,200)**	**(23,239)**	**(22,668)**

[1] All cash flows are undiscounted.
[2] TDC continuously monitors the international capital markets and expects to refinance the Senior Facilities Agreement in early 2011 provided terms and conditions are deemed favourable.

Reconciliation of assets, equity and liabilities on categories DKKm

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Non-financial assets and liabilities, and equity	Total balance
Assets	91	4,750	0	0	59,945	64,786
Equity and liabilities	(659)	0	0	(26,850)	(37,277)	(64,786)

Maturity profiles[1] DKKm

	2009						
	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial assets and liabilities measured at fair value through profit or loss and net investment hedges							
Derivatives, assets							
Interest-rate derivatives	52	(32)	0	1	21	47	47
Currency swaps	4	0	0	0	4	2	2
Net investment hedges	0	0	0	0	0	0	0
Total derivatives, assets	**56**	**(32)**	**0**	**1**	**25**	**49**	**49**
Derivatives, liabilities							
Interest-rate derivatives	(454)	(277)	(1)	0	(732)	(750)	(750)
Currency swaps	(316)	(209)	0	0	(525)	(455)	(455)
Net investment hedges	0	0	0	0	0	0	0
Total derivatives, liabilities	**(770)**	**(486)**	**(1)**	**0**	**(1,257)**	**(1,205)**	**(1,205)**
Loans and receivables							
Cash	763	0	0	0	763	763	763
Trade receivables and other receivables	5,337	81	27	289	5,734	5,572	5,583
Total loans and receivables	**6,100**	**81**	**27**	**289**	**6,497**	**6,335**	**6,346**
Financial liabilities measured at amortised cost							
Bank loans	(4,302)	(4,322)	(12,488)	(12,610)	(33,722)	(28,752)	(28,375)
Bond loans	(259)	(4,084)	(239)	(2,154)	(6,736)	(5,576)	(5,325)
Debt relating to finance leases	(156)	(161)	(117)	(321)	(755)	(554)	(554)
Trade and other payables	(4,324)	(84)	0	0	(4,408)	(4,397)	(4,397)
Total financial liabilities measured at amortised cost	**(9,041)**	**(8,651)**	**(12,844)**	**(15,085)**	**(45,621)**	**(39,279)**	**(38,651)**
Total	**(3,655)**	**(9,088)**	**(12,818)**	**(14,795)**	**(40,356)**	**(34,100)**	**(33,461)**

[1] All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories DKKm

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Non-financial assets and liabilities, and equity	Total balance
Assets	49	6,346	0	0	80,028	86,423
Equity and liabilities	(1,205)	0	0	(38,651)	(46,567)	(86,423)

Maturity profiles[1]

DKKm

	2008						
	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial assets and liabilities measured at fair value through profit or loss and net investment hedges							
Derivatives, assets							
Interest-rate derivatives	70	0	0	0	70	69	69
Currency swaps	220	0	1	0	221	263	263
Net investment hedges	76	0	0	0	76	51	51
Total derivatives, assets	**366**	**0**	**1**	**0**	**367**	**383**	**383**
Derivatives, liabilities							
Interest-rate derivatives	(162)	(306)	(43)	0	(511)	(530)	(530)
Currency swaps	(392)	(28)	0	0	(420)	(314)	(314)
Net investment hedges	(828)	0	0	0	(828)	(1,186)	(1,186)
Total derivatives, liabilities	**(1,382)**	**(334)**	**(43)**	**0**	**(1,759)**	**(2,030)**	**(2,030)**
Loans and receivables							
Cash	6,718	0	0	0	6,718	6,718	6,718
Trade receivables and other receivables	6,809	118	27	291	7,245	7,092	7,096
Total loans and receivables	**13,527**	**118**	**27**	**291**	**13,963**	**13,810**	**13,814**
Financial liabilities measured at amortised cost							
Bank loans	(3,013)	(7,665)	(3,015)	(24,779)	(38,472)	(30,235)	(29,924)
Bond loans	(2,713)	(1,471)	(9,770)	0	(13,954)	(7,821)	(10,917)
Debt relating to finance leases	(215)	(201)	(113)	(378)	(907)	(704)	(704)
Trade and other payables	(4,700)	(155)	(8)	0	(4,863)	(4,841)	(4,842)
Total financial liabilities measured at amortised cost	**(10,641)**	**(9,492)**	**(12,906)**	**(25,157)**	**(58,196)**	**(43,601)**	**(46,387)**
Total	**1,870**	**(9,708)**	**(12,921)**	**(24,866)**	**(45,625)**	**(31,438)**	**(34,220)**

[1] All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories

DKKm

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Non-financial assets and liabilities, and equity	Total balance
Assets	383	13,814	0	0	85,808	100,005
Equity and liabilities	(2,030)	0	0	(46,387)	(51,588)	(100,005)

C: Undrawn credit lines

The undrawn credit lines at 31 December 2010 are specified as follows:

Maturities	**Committed credit lines**	**Committed syndicated credit lines**	**Total**
			DKKm
< 1 year	0	0	0
> 1 year	2,292	2,609	4,901
Total	**2,292**	**2,609**	**4,901**

D: Credit risks

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

TDC's maximum credit risk is the sum of the financial assets listed in note 26A amounting to DKK 4,750m at 31 December 2010.

Note 27 Pension assets and pension obligations

Specification of pension costs recognised in wages, salaries and pension costs			**DKKm**
	2010	**2009**	**2008**
Defined benefit plans:			
Pension income from the Domestic defined benefit plan (Other activities)	291	141	214
Pension cost from the Norwegian defined benefit plans (TDC Nordic)	(28)	(13)	(13)
Total pension income from defined benefit plans	**263**	**128**	**201**
Defined contribution plans	(386)	(402)	(493)
Total pension costs recognised in wages, salaries and pension costs	**(123)**	**(274)**	**(292)**

A: Domestic defined benefit plans

At 31 December 2010, 2,069 of TDC's employees (2009: 2,378 and 2008: 2,620) were entitled to a pension from the pension fund related to TDC under conditions similar to those provided by the Danish Civil Servants' Pension Plan. Of these, 178 employees were seconded to external parties in connection with outsourcing tasks or divesting operations. In addition, 8,270 members of the pension fund receive or are entitled to receive pension benefits. 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. Future pension benefits are based primarily on years of credited service and on participants' compensation at the time of retirement. Distribution of funds from the pension fund to TDC is not possible until all pension obligations have been met.

Specification of pension (costs)/income DKKm

	2010	**2009**	**2008**
Service cost[1]	(144)	(146)	(171)
Interest cost[2]	(818)	(861)	(879)
Expected return on plan assets	1,253	1,148	1,264
Net periodic pension (costs)/income recognised in wages, salaries and pension costs	**291**	**141**	**214**
Domestic redundancy programmes recognised in special items	(193)	(227)	(189)
Pension (costs)/income recognised in the Income Statements	**98**	**(86)**	**25**

1 The actuarial present value of benefits attributed to services rendered by employees during the year.
2 Reflects the interest component of the increase in the projected benefit obligations during the year.

Assets and obligations DKKm

	2010	**2009**	**2008**
Specification of pension assets			
Fair value of plan assets	24,976	24,471	22,876
Projected benefit obligations	(17,489)	(16,865)	(15,846)
Pension assets recognised in the Balance Sheets	**7,487**	**7,606**	**7,030**
Change in present value of benefit obligations			
Projected benefit obligations at 1 January	(16,865)	(15,846)	(16,908)
Service cost	(144)	(146)	(171)
Interest cost	(818)	(861)	(879)
Curtailment in connection with redundancies	0	0	0
Special termination benefit	(193)	(227)	(189)
Actuarial gain/(loss)	(487)	(770)	1,355
Benefit paid	1,018	985	946
Projected benefit obligations at 31 December	**(17,489)**	**(16,865)**	**(15,846)**
Change in fair value of plan assets			
Fair value of plan assets at 1 January	24,471	22,876	22,178
Actual return on plan assets	1,309	2,386	1,202
TDC's contribution	214	194	442
Benefit paid	(1,018)	(985)	(946)
Fair value of plan assets at 31 December	**24,976**	**24,471**	**22,876**
Change in pension assets recognised in the Balance Sheets			
Pension assets recognised in the Balance Sheets at 1 January	7,606	7,030	5,270
Pension (costs)/income recognised in the Income Statements	98	(86)	25
Actuarial gain/(loss) on projected benefit obligations and plan assets recognised in other comprehensive income	(431)	468	1,293
TDC's contribution	214	194	442
Pension assets recognised in the Balance Sheets 31 at December	**7,487**	**7,606**	**7,030**

Plan assets include property used by Group companies with a fair value of DKK 502m at 31 December 2010, compared with DKK 1,971m at 31 December 2009 and DKK 2,150m at 31 December 2008.

Weighted-average asset allocation by asset categories at 31 December %

	Strategic asset allocation	2010	2009	2008
Government and mortgage bonds (incl. hedges and repos)	35.1	46.6	43.9	58.1
High Yield Bonds	8.7	7.8	8.0	4.6
Investment grade bonds	24.5	15.6	14.3	4.5
Emerging Markets Debt	8.6	6.0	5.7	4.3
Property	10.0	13.6	15.8	16.6
Alternatives	5.0	2.4	2.5	2.5
Equities	8.1	6.8	7.3	8.1
Cash	0.0	1.2	2.5	1.3
Total	**100.0**	**100.0**	**100.0**	**100.0**

Weighted-average assumptions used to determine benefit obligations %

	2010	2009	2008
Discount rate	4.95	5.00	5.60
General wage inflation	2.25	2.25	2.25
General price inflation	2.25	2.25	2.25

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

	2010	2009	2008
Discount rate	5.00	5.60	5.35
Expected return on plan assets	5.20	5.10	5.80
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 2010, the assumed discount rate was decreased from 5.60% to 5.00% to reflect changes in market conditions. The assumptions for 2011 reflect a decrease of the discount rate to 4.95% and unchanged expected return of 5.20% on plan assets as well as unchanged assumptions with respect to general inflation. The changed assumptions have resulted in increased pension benefit obligations at year-end 2010 compared with 2009. With these changed assumptions, Pension income from the Domestic defined benefit plan is expected to increase by approximately DKK 10m in 2011 compared with 2010, assuming all other factors remain unchanged.

Experience gains and losses					DKKm
	2010	**2009**	**2008**	**2007**	**2006**
Gain/(loss) on plan assets					
Gain/(loss) on plan assets, DKKm	65	1,246	(62)	(892)	(584)
% of fair value of plan assets at 31 December	0.26%	5.09%	(0.27%)	(4.02%)	(2.60%)
Demographic experience gain/(loss) on projected benefit obligations					
Gain/(loss) on projected benefit obligations, DKKm	570	337	321	499	247
% of projected benefit obligations at 31 December	3.26%	2.00%	2.03%	2.95%	1.36%
Pension assets recognised in the Balance Sheets, DKKm					
Fair value of plan assets at 31 December	24,976	24,471	22,876	22,178	22,445
Projected benefit obligations at 31 December	(17,489)	(16,865)	(15,846)	(16,908)	(18,214)
Pension assets recognised in the Balance Sheets at 31 December	**7,487**	**7,606**	**7,030**	**5,270**	**4,231**

Cash flows			DKKm
	2010	**2009**	**2008**
Ordinary contributions	150	142	158
Extraordinary contributions	64	52	84
Capital contributions	0	0	200
Total	**214**	**194**	**442**

For 2011, the projected ordinary contributions amount to DKK 137m. As in 2010, extraordinary contributions are expected to be paid in connection with retirements.

Other information

575 members of the defined benefit plans will ultimately have part of their pension payment reimbursed by the Danish government. The related benefit obligations of DKK 412m have been deducted, resulting in the projected benefit obligation.

B: Foreign defined benefit plans

Pension costs for members of foreign Group companies operating defined benefit plans are determined on the basis of the development in the actuarially determined pension obligations and on the yield on the pension funds' assets. The difference between the actuarially determined pension obligations and the fair value of the pension funds' assets is recognised in the Balance Sheets under pension liabilities, etc. Pension liabilities, etc. related to foreign defined benefit plans amounted to DKK 73m at 31 December 2010 compared with DKK 244m at 31 December 2009 and DKK 365m at 31 December 2008.

TDC's foreign defined benefit plans concern TDC Norway and Sunrise (until the divestment).

C: Pensions for former Danish civil servants

In addition to the defined benefit plans, the Group has previously paid annual pension contributions to the Danish government. The pension contributions were paid for employees who as civil servants have retained their rights to defined pension benefits from the Danish government due to previous employment agreements.
In 1994, TDC reached an agreement with the Danish government to make a non-recurring payment of DKK 1,210m, of which DKK 108m was considered interest compensation for the period 1 July 1994 to 1 August 1995. This agreement was in respect of TDC's pension obligation to employees who participated in the Danish civil servants' pension plan. Under the agreement, TDC's pension contributions to the Danish Government ceased at 1 July 1994. 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 2009 and previous years, some retired employees have retained their rights to civil servant pensions from the Danish government. It is deemed that the retirements will not cause further payments.

Note 28 Reversal of items without cash flow effect

DKKm	2010	2009	2008
Pension income	(275)	(128)	(201)
(Gain)/loss on disposal of enterprises and property, plant and equipment, net	(4)	(62)	(210)
Other adjustments	61	47	183
Total	**(218)**	**(143)**	**(228)**

Note 29 Change in working capital

DKKm	2010	2009	2008
Change in inventories	(42)	118	127
Change in receivables	805	420	(230)
Change in trade payables	340	(401)	132
Change in other items, net	(532)	10	818
Total	**571**	**147**	**847**

Note 30 Investment in enterprises

2010

In 2010, TDC made the following acquisitions:

In January 2010, TDC A/S acquired the remaining 80% of the shares in Unotel A/S. Unotel A/S is a mobile service provider. The acquisition is expected to improve TDC's market position in the mobile service provider segment. The previously held ownership share was remeasured at its acquisition date fair value and the resulting gain of DKK 9m was recognised as Profit from joint ventures and associates in the Income Statement.

In January 2010, Telmore A/S acquired 100% of the shares in the mobile service provider M1 A/S. The acquisition is expected to improve TDC's market position in the mobile discount segment.

In February 2010, TDC Oy Finland acquired AinaCom's fibre network. The acquisition is expected to improve TDC's market conditions in the Helsinki area.

In March 2010, YouSee A/S acquired 100% of the shares in the broadband applications provider Nordit A/S. The acquisition increased YouSee's customer base.

In April 2010, YouSee A/S acquired the municipal cable-TV operator Nakskov Fællesantenne. The acquisition increased YouSee's customer base.

Assets and liabilities at the time of acquisition[1]	DKKm Fair value at the time of acquisition
Intangible assets	107
Property, plant and equipment	77
Inventories	1
Cash	17
Deferred tax assets/(liabilities), net	(20)
Income tax receivable/(payable), net	(1)
Short-term debt	(34)
Acquired net assets	**147**
Goodwill (including adjustments to previous years)	231
Acquisition cost	**378**
Cash in acquired subsidiaries	(17)
Fair value of previously held equity interests	(19)
Unpaid share of acquisition cost	(56)
Net cash flow on acquisitions	**286**

[1] Including immaterial adjustments regarding previous years' acquisitions.

The acquired enterprises contributed DKK 344m to revenue and DKK 6m to Profit for the year in 2010.

Calculated as though the acquisitions took place at 1 January 2010, the acquired enterprises would have contributed DKK 359m to revenue and DKK 6m to Profit for the year.

Goodwill related to acquisitions was calculated at DKK 231m on recognition of identifiable assets, liabilities and contingent liabilities at fair value. Goodwill represents the value of current employees and know-how as well as expected synergies arising from the combination with TDC.

2009

In 2009, TDC made the following acquisitions:

At 13 March 2009, TDC A/S acquired Fullrate A/S. Fullrate A/S provides no-frill broadband solutions for Danish customers.

In June 2009, YouSee A/S acquired A+, a TV and broadband service provider.

At 1 December 2009, TDC A/S acquired Aktieselskabet af 1. december 2009, a newly established company to which DONG Energy Sales & Distribution A/S simultaneously transferred all its activities relating to the roll-out and operation of fibre network in Greater Copenhagen and Northern Zealand. The purchase price was DKK 425m on a cash and debt free basis, of which DKK 325m was paid cash on completion of the transaction, whereas the remaining sum to be paid will depend on the future performance of the acquired activities in the market for residential customers.

Assets and liabilities at the time of acquisition[1]		**DKKm**
	Fair value at the time of acquisition	**Carrying amount before acquisition**
Intangible assets	303	41
Property, plant and equipment	615	618
Other non-current assets	2	2
Receivables	91	91
Cash	28	28
Deferred tax assets/(liabilities), net	(61)	4
Long-term debt	(67)	(67)
Income tax receivable/(payable), net	(1)	(1)
Deferred income	(34)	(34)
Short-term debt	(140)	(141)
Acquired net assets	**736**	**541**
Goodwill (including adjustments to previous years)	313	
Acquisition cost	**1,049**	
Cash in acquired subsidiaries	(28)	
Unpaid share of acquisition cost	(100)	
Net cash flow on acquisition	**921**	

[1] Including immaterial adjustments regarding previous years' acquisitions.

The acquired enterprises contributed DKK 322m to revenue and DKK 12m to Profit for the year in 2009.

Calculated as though the acquisitions took place at 1 January 2009, the acquired enterprises would have contributed DKK 553m to revenue and DKK (39)m to Profit for the year in 2009.

Goodwill related to acquisitions was calculated at DKK 313m 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.

2008

In 2008, TDC made the following acquisitions:

At 1 April 2008, TDC Sverige AB acquired 100% of the share capital of Effero AB, a provider of telephony services.

At 1 August 2008, YouSee A/S acquired 100% of Guldborgsund Fællesantenne, a TV service provider.

At 1 November 2008, YouSee A/S acquired 100% of Køge Fællesantenne, a TV service provider.

Assets and liabilities at the time of acquisition[1]		DKKm
	Fair value at the time of acquisition	Carrying amount before acquisition
Intangible assets	117	0
Property, plant and equipment	40	107
Receivables	44	44
Inventories	0	0
Cash	28	28
Deferred tax assets/(liabilities), net	(7)	0
Provisions	0	0
Long-term debt	0	0
Income tax receivable/(payable), net	0	0
Deferred income	0	0
Short-term debt	(29)	(29)
Acquired net assets	**193**	**150**
Negative goodwill recognised as other income	(11)	
Goodwill (adjustments to previous years)	10	
Acquisition cost	**192**	
Cash in acquired subsidiaries	(28)	
Unpaid share of acquisition cost	0	
Net cash flow on acquisition	**164**	

[1] Including immaterial adjustments regarding previous years' acquisitions.

The acquired enterprises contributed DKK 63m to revenue and DKK 3m to Profit for the year in 2008.

Calculated as though the acquisitions took place at 1 January 2008, the acquired enterprises would have contributed DKK 133m to revenue and DKK 10m to Profit for the year in 2008.

Note 31 Divestment of enterprises

DKKm

In 2010, TDC divested Sunrise. The divestment of Sunrise is presented as discontinued operations. See note 12 for further information.

The divestment of Invitel in 2009 is presented as discontinued operations. See note 12 for further information.

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

	2010	2009	2008
The carrying amount of assets and liabilities consists of the following at the time of divestment:			
Intangible assets	0	0	20
Property, plant and equipment	0	8	32
Other non-current assets	0	0	0
Inventories	0	1	5
Prepaid expenses	0	0	2
Receivables	0	0	24
Cash	0	0	0
Deferred tax assets/(liabilities), net	0	0	(1)
Pension liabilities	0	0	0
Provisions	0	0	0
Long-term debt	0	0	(1)
Income tax receivable/(payable), net	0	0	(4)
Deferred income	0	0	(3)
Short-term debt	0	0	15
Net assets	**0**	**9**	**89**
Gain/(loss) on divestment of subsidiaries	0	37	130
Currency adjustments on divestment of subsidiaries	0	0	0
Received prepayments relating to divestment of subsidiaries	0	(11)	4
Cash in divested subsidiaries	0	0	0
Net cash flow on divestment	**0**	**35**	**223**

Note 32 Cash flow from investing activities in discontinued operations DKKm

	2010	2009	2008
The carrying amount of assets and liabilities in discontinued operations consists of the following at the time of divestment:			
Intangible assets	14,406	2,013	0
Property, plant and equipment	4,546	4,139	0
Other non-current assets	0	42	0
Inventories	88	18	0
Receivables	2,697	413	0
Cash	633	84	0
Deferred tax assets/(liabilities), net	(268)	(153)	0
Provisions	(869)	(34)	0
Long-term debt	(428)	(5,054)	0
Income tax receivable/(payable), net	(242)	(32)	0
Deferred income	(154)	(259)	0
Short-term debt	(3,521)	(1,201)	0
Net assets	**16,888**	**(24)**	**0**
Profit/(loss) relating to divestment of discontinued operations including tax	774	(100)	59
This includes reversal of currency adjustments recognised in equity including tax	(1,312)	171	0
Sales proceeds not received and sales costs not paid, net	10	(9)	(46)
Cash in discontinued operations	(633)	(84)	0
Net cash flow on divestment	**15,727**	**(46)**	**13**
Cash flow from investing activities in discontinued operations excluding divestments	(400)	(1,457)	(1,509)
Net cash flow from investing activities in discontinued operations	**15,327**	**(1,503)**	**(1,496)**

Note 33 Cash and cash equivalents at 1 January DKKm

	2010	2009	2008
Cash and cash equivalents at 1 January	763	6,718	8,297
Unrealised currency translation adjustments	0	0	0
Adjusted cash and cash equivalents at 1 January	**763**	**6,718**	**8,297**

Note 34 Overview of Group companies at 31 December 2010

Company name	Domicile	Currency	TDC ownership share (%)	Number of subsidiaries, joint ventures and associates not listed here[1]
Consumer				
Fullrate A/S	Copenhagen, Denmark	DKK	100.0	
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	
TDC Business				**1**
NetDesign A/S	Farum, Denmark	DKK	100.0	
TDC Mobil Center A/S	Odense, Denmark	DKK	100.0	
Libom ApS	Valby, Denmark	DKK	100.0	
TDC Nordic				
TDC AS	Oslo, Norway	NOK	100.0	1
TDC Con SQOV AB	Stockholm, Sweden	SEK	100.0	
TDC Nordic AB	Stockholm, Sweden	SEK	100.0	1
TDC Sverige AB	Stockholm, Sweden	SEK	100.0	4
TDC Hosting AB	Stockholm, Sweden	SEK	100.0	
TDC Oy Finland	Helsinki, Finland	EUR	100.0	3
TDC Hosting Oy	Helsinki, Finland	EUR	100.0	
TDC Hosting A/S	Aarhus, Denmark	DKK	100.0	
TDC Song Danmark A/S	Copenhagen, Denmark	DKK	100.0	
Operations & Wholesale				**3**
OCH A/S[2]	Copenhagen, Denmark	DKK	33.3	
Companymobile A/S	Skanderborg, Denmark	DKK	100.0	
YouSee				
YouSee A/S	Copenhagen, Denmark	DKK	100.0	1
Dansk Kabel TV A/S	Albertslund, Denmark	DKK	100.0	
FASTTV NET A/S	Copenhagen, Denmark	DKK	100.0	
Nordit A/S	Nørresundby, Denmark	DKK	100.0	
Other				**12**
ADSB Telecommunications B.V.[2]	Amsterdam, the Netherlands	EUR	34.7	
TDC Reinsurance A/S	Copenhagen, Denmark	DKK	100.0	
Tele Danmark Reinsurance S.A.	Luxembourg	DKK	100.0	

[1] In order to give the reader a clear presentation, some minor enterprises are not listed separately in the overview.
[2] The enterprise is included under the equity method.

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

Note 35 Related parties

Name of related party	Nature of relationship	Domicile
NTC Parent S.àr.l.	Indirect ownership	Luxembourg
NTC Holding G.P.	Indirect ownership	Luxembourg
NTC Holding GP & Cie S.C.A.	Ownership	Luxembourg
Nordic Telephone Management Holding ApS	Group company	Aarhus, Denmark
NTC S.A.	Group company	Luxembourg
TDC Pensionskasse	Pension fund	Copenhagen, Denmark

Danish Group companies have entered into certain lease contracts with the related Danish pension fund. The lease contracts are interminable until 2029 at the latest. The aggregate amount payable under such agreements amounted to DKK 1,486m at 31 December 2010, compared with DKK 457m at 31 December 2009 and DKK 580m at 31 December 2008. The rental expense was DKK 93m for 2010, compared with DKK 128m in 2009 and DKK 131m in 2008. In addition, annual contributions are paid to the pension fund, see note 27 Pension obligations. The Danish Group companies have also entered into three lease contracts with the pension fund that qualify as finance leases. The debt relating to these contracts amounted to DKK 40m at 31 December 2010, compared with DKK 46m at 31 December 2009 and DKK 52m at 31 December 2008. The related interest expense amounted to DKK 2m for 2010, compared with DKK 2m in 2009 and DKK 2m in 2008. Finally, TDC A/S charged the pension fund DKK 14m in 2010 and DKK 0 in 2009 and 2008 for investment advice.

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

DKK 0m in 2010, DKK 38m in 2009 and DKK 58m in 2008, were charged for administration and management by the investment funds, each of which is advised by or managed, directly or indirectly, by Apax, Blackstone, KKR, Permira or Providence, or by the advisory entities of these funds.

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

DKKm

	2010			
	Joint ventures	Associates	Other related parties	Total
Income	0	0	23	23
Costs	0	0	0	0
Receivables	0	0	180	180
Debt	0	0	(27)	(27)

	2009			
	Joint ventures	**Associates**	**Other related parties**	**Total**
Income	0	0	4	4
Costs	0	0	0	0
Receivables	0	0	151	151
Debt	0	0	0	0

	2008			
	Joint ventures	**Associates**	**Other related parties**	**Total**
Income	2	0	4	6
Costs	0	0	0	0
Receivables	0	0	152	152
Debt	0	0	0	0

Note 36 Other financial commitments

DKKm	2010	2009	2008
Lease commitments for all operating leases			
Rental expense relating to properties and mobile sites in the period of interminability	7,835	7,899	8,301
Rental expense relating to machinery, equipment, computers, etc. in the period of interminability	796	944	1,506
Total	**8,631**	**8,843**	**9,807**
which can be specified as follows:			
Due not later than 1 year	831	1,192	1,173
Due later than 1 year and not later than 5 years	2,152	2,874	3,218
Due later than 5 years	5,648	4,777	5,416
Total	**8,631**	**8,843**	**9,807**
Total rental expense for the year for all operating leases			
Lease payments	1,117	1,107	1,182
Sublease payments	(18)	(26)	(16)
Total	**1,099**	**1,081**	**1,166**
Capital and purchase commitments			
Investments in intangible assets	67	123	379
Investments in property, plant and equipment	131	400	602
Commitments related to outsourcing agreements	1,289	2,715	3,063
Other purchase commitments	330	289	361

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, including agreements with the related Danish pension fund. The lease agreements terminate in 2037 at the latest.

Total future minimum sublease payments expected for interminable subleases on balance sheet dates amounted to DKK 93m at 31 December 2010, compared with DKK 127m at 31 December 2009 and DKK 46m at 31 December 2008.

Note 37 Contingencies

Contingent assets

In June 2001, the Danish partnership DPTG I/S, which is owned by GN Store Nord A/S (with 75%) and TDC (with 25%), initiated arbitration proceedings against Telekomunikacja Polska S.A. (TPSA) claiming that DPTG is entitled to receive a revenue share of 14.8% of all traffic routed via the North South Link (NSL), an optical fibre cable delivered to TPSA in 1994. DPTG was claiming approximately DKK 5,000m including interest for unaccounted traffic revenue from February 1994 to June 2004. On 3 September 2010, DPTG I/S was awarded DKK 2,941m including interest by an arbitration court in Vienna, and TDC is entitled to 25% of that amount (DKK 735m) less taxes. TPSA has not yet paid the amount awarded and DPTG therefore applied for declaration of acknowledgement of the arbitration award to the District Court in Warsaw on 15 November 2010. Furthermore, DPTG has started enforcement in other countries. On 2 December 2010 TPSA filed an action in Austria to set aside the arbitration award. On 31 December 2010, DPTG filed its reply to TPSA's action to set aside the arbitration award.

In addition to the claim for unaccounted traffic revenue from February 1994 to June 2004, on 14 January 2011, DPTG filed a claim against TPSA for unaccounted traffic revenue in the period from July 2004 to January 2009. The claim including interest amounts to DKK 2,386m of which TDC's share amounts to DKK 596m. TDC expects that it could take several years before the dispute over the unaccounted traffic revenue in the period from July 2004 to January 2009 is settled.

TDC had not yet recognised the potential income at 31 December 2010 as the realisation of the income is currently not considered virtually certain.

Contingent liabilities

TDC is party to certain pending lawsuits and cases pending with public authorities and complaints boards. Based on a legal assessment of the possible outcome of each of these lawsuits and cases, Management is of the opinion that these will have no significant adverse effect on TDC's financial position.

In pursuance of Section 32 of the Danish Civil Servants Act, the Group has a termination benefit obligation to former Danish civil servants and to employees with civil-servant status hired before 1 April 1970 who are members of the related Danish pension funds. In the event of termination, such employees have a right to special termination benefits in the amount of three years' salary (tied-over allowance) or three months' full salary and two-thirds of their full monthly salary for four years and nine months (stand-off pay).

TDC's total termination benefits include wages during the notice period, severance pay, stand-off pay, payments pursuant to the Danish Salaried Employees Act, special termination benefits (in accordance with IAS 19 *Employee Benefits*), social security contributions and outplacement costs. During 2010, the average redundancy cost per full-time employee equivalent was DKK 384 thousand for non-civil servants, DKK 1,285 thousand for former Danish civil servants, DKK 1,321 thousand for employees with civil-servant status or a weighted average of DKK 761 thousand per full-time employee equivalent. The average redundancy cost is calculated as the total cost in 2010 divided by the number of full-time employee equivalents included in the redundancy programmes during this period.

Change of control

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

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

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

Under certain circumstances, a change of control could lead to termination of the Senior Facilities Agreement. On 31 December 2010, the aggregate nominal debt of the Senior Facilities Agreement amounted to DKK 17,852m. Termination of the Senior Facilities Agreement may have a material adverse effect on TDC's earnings.

For information on change-of-control clauses in relation to licences for key technologies underlying TDC's service offerings, see Risk factors cf. Risks related to TDC's regulatory environment and litigation. Under certain circumstances, a change of control could lead to termination of these licences. Termination of certain of these licences would have a material adverse effect on TDC's revenue and earnings.

Certain of TDC's contracts with third parties include change-of-control clauses. A change of control could lead to termination of such contracts. Termination of such contracts would not individually or combined have a material adverse effect on TDC's revenue and earnings.

Note 38 Research and development costs

Research and development costs for the year recognised in the Income Statements amounted to DKK 178m in 2010, compared with DKK 195m in 2009 and DKK 210m in 2008.

Note 39 Auditors' remuneration

DKKm

	2010	2009	2008
The remuneration of auditors elected by the Annual General Meeting:			
Statutory audit	**16**	**19**	**25**
Non-statutory audit services:			
Other assurance engagements	2	2	-
Tax advisory services	3	4	-
Other services	12	15	-
Total non-statutory audit services	**17**	**21**	**15**
Total	**33**	**40**	**40**

Note 40 Net interest-bearing debt

DKKm

	2010	2009	2008
Interest-bearing receivables	208	174	159
Cash	831	763	6,718
Long-term loans	(23,428)	(30,611)	(37,037)
Short-term loans	(218)	(3,787)	(4,713)
Total	**(22,607)**	**(33,461)**	**(34,873)**

Note 41 Events after the balance sheet date

Credit rating

On 20 January 2011, Moody's upgraded TDC's long-term issuer rating to Baa2 from a corporate family rating of Ba2 and its short-term rating to Prime-2 from Not Prime. The Outlook is stable. The credit rating of TDC's senior secured debt facilities is upgraded to Baa2 from Ba1. At the same time, the credit rating of TDC's EMTN notes was upgraded to Baa2 from Ba3.

Parent Company Income Statements			**DKKm**
	Note	**2010**	**2009**
Revenue	4	**17,668**	**18,718**
Transmission costs and cost of goods sold		(3,015)	(3,337)
Gross profit		**14,653**	**15,381**
Other external expenses		(3,752)	(4,043)
Wages, salaries and pension costs	5	(2,462)	(2,790)
Other income and expenses	6	266	289
Profit before depreciation, amortisation and special items (EBITDA)		**8,705**	**8,837**
Depreciation, amortisation and impairment losses		(4,111)	(3,558)
Operating profit excluding special items		**4,594**	**5,279**
Special items	7	(573)	(1,117)
Operating profit		**4,021**	**4,162**
Fair value adjustments		116	(222)
Currency adjustments		(731)	(316)
Financial income	8	2,313	**3,720**
Financial expenses	9	(2,574)	(2,722)
Net financials		**(876)**	**460**
Profit before income taxes		**3,145**	**4,622**
Income taxes	10	(527)	(768)
Profit for the year		**2,618**	**3,854**

Statements of Comprehensive Income		DKKm
	2010	**2009**
Profit for the year	**2,618**	**3,854**
Reversal of currency hedging of net investments in foreign enterprises	483	0
Actuarial gains/(losses) related to defined benefit pension plans	(431)	468
Income tax relating to components of other comprehensive income	108	(117)
Reversal of income tax relating to currency hedging of net investments in foreign enterprises	(78)	0
Other comprehensive income	**82**	**351**
Total comprehensive income	**2,700**	**4,205**

Assets				**DKKm**
	Note	**2010**	**2009**	**2008**
Non-current assets				
Intangible assets	11	27,920	29,171	30,565
Property, plant and equipment	12	12,496	12,177	11,572
Investments in subsidiaries	13	10,244	25,400	30,505
Investments in joint ventures and associates	14	37	32	32
Other investments		6	7	8
Pension assets	15	7,487	7,606	7,030
Receivables	16	234	223	102
Derivative financial instruments	25	0	0	0
Prepaid expenses	17	252	230	193
Total non-current assets		**58,676**	**74,846**	**80,007**
Current assets				
Inventories	18	150	125	159
Receivables	16	3,620	6,200	7,611
Derivative financial instruments	25	91	49	365
Prepaid expenses	17	305	311	407
Cash	19	781	100	6,360
Total current assets		**4,947**	**6,785**	**14,902**
Total assets		**63,623**	**81,631**	**94,909**

Equity and liabilities DKKm

	Note	2010	2009	2008
Equity				
Share capital	20	992	992	992
Reserve for currency translation adjustments		0	(405)	(405)
Retained earnings		22,461	29,025	30,845
Proposed dividends		0	0	2,035
Total equity		**23,453**	**29,612**	**33,467**
Non-current liabilities				
Deferred tax liabilities	10	5,763	6,222	6,089
Provisions	23	878	935	793
Loans	21	23,396	30,306	31,901
Payables to group enterprises		0	0	0
Deferred income	22	765	905	949
Total non-current liabilities		**30,802**	**38,368**	**39,732**
Current liabilities				
Loans	21	175	3,720	4,303
Trade and other payables	24	3,874	4,185	5,024
Income tax payable	10	672	1,033	615
Payables to group enterprises		1,574	1,105	7,322
Derivative financial instruments	25	659	1,205	1,945
Deferred income	22	1,785	1,829	1,845
Provisions	23	629	574	656
Total current liabilities		**9,368**	**13,651**	**21,710**
Total liabilities		**40,170**	**52,019**	**61,442**
Total equity and liabilities		**63,623**	**81,631**	**94,909**

Parent Company Statements of Cash Flow			**DKKm**
	Note	**2010**	**2009**
Profit before depreciation, amortisation and special items (EBITDA)		8,705	8,837
Reversal of items without cash flow effect	26	(288)	(85)
Pension contributions		(151)	(146)
Payments related to provisions		(7)	(23)
Cash flow related to special items		(774)	(695)
Change in working capital	27	682	(525)
Cash flow from operating activities before net financials and tax		**8,167**	**7,363**
Interest received		447	1,256
Interest paid		(1,778)	(2,755)
Realised currency translation adjustments		(1,175)	(1,043)
Cash flow from operating activities before tax		**5,661**	**4,821**
Income tax paid		(1,317)	(334)
Cash flow from operating activities		**4,344**	**4,487**
Investment in subsidiaries		(212)	(714)
Investment in property, plant and equipment		(2,473)	(2,398)
Investment in intangible assets		(771)	(624)
Investment in other non-current assets		(52)	(4)
Divestment of subsidiaries		16,187	5,737
Divestment of activities		0	16
Sale of property, plant and equipment		39	13
Sale of intangible assets		0	2
Divestment of joint ventures and associates		1	(37)
Sale of other non-current assets		12	9
Dividends received from subsidiaries, joint ventures and associates		1,648	2,430
Cash flow from investing activities		**14,379**	**4,430**
Repayments of long-term loans		(8,813)	(4,351)
Change in short-term bank loans		(2,146)	2,202
Change in interest-bearing receivables and payables		1,987	(5,038)
Acquisition of treasury shares		(9,000)	0
Dividends paid		(70)	(7,990)
Cash flow from financing activities		**(18,042)**	**(15,177)**
Total cash flow		**681**	**(6,260)**
Cash and cash equivalents at 1 January		100	6,360
Cash and cash equivalents at 31 December		**781**	**100**

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

	Share capital	Reserve for currency translation adjustments	Retained earnings	Proposed dividends	Total
Equity at 1 January 2009	**992**	**(405)**	**30,845**	**2,035**	**33,467**
Actuarial gains/(losses) related to defined benefit pension plans	-	-	468	-	468
Income tax relating to components of other comprehensive income	-	0	(117)	-	(117)
Profit for the year	-	-	3,854	0	3,854
Total comprehensive income	-	0	4,205	0	4,205
Distributed dividends	-	-	(6,036)	(2,035)	(8,071)
Dividends, treasury shares	-	-	11	0	11
Equity at 31 December 2009	**992**	**(405)**	**29,025**	**0**	**29,612**
Reversal of currency hedging of net investments in foreign enterprises	-	483	-	-	483
Actuarial gains/(losses) related to defined benefit pension plans	-	-	(431)	-	(431)
Income tax relating to components of other comprehensive income	-	0	108	-	108
Reversal of income tax relating to currency hedging of net investments in foreign enterprises	-	(78)	-	-	(78)
Profit for the year	-	-	2,618	0	2,618
Total comprehensive income	-	405	2,295	0	2,700
Distributed dividends	-	-	0	0	0
Dividends, treasury shares	-	-	0	0	0
Acquisition of treasury shares	-	-	(9,000)	0	(9,000)
Share-based payments	-	-	141	0	141
Equity at 31 December 2010	**992**	**0**	**22,461**	**0**	**23,453**

The dividends paid in 2010 and 2009 were DKK 0.00 per share and DKK 7.85 per share, respectively. No dividend will be proposed for the financial year 2010 at the Annual General Meeting on 9 March 2011.

Notes to Parent Company Financial Statements

Overview

Note 1 Significant Accounting Policies

The Financial Statements 2010 of the Parent Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies. The additional Danish disclosure requirements are provided in the IFRS Executive Order issued by the Danish Commerce and Companies Agency in pursuance of the Danish Financial Statements Act. For the Parent Company there are no differences between IFRS as adopted by the European Union and IFRS as issued by IASB.

The accounting policies are unchanged from last year.

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

Supplementary Significant Accounting Policies for the Parent Company

Dividends from investments in subsidiaries, joint ventures and associates
Dividends from investments in subsidiaries, joint ventures and associates are recognised as income in the financial year when the dividends are distributed.

Investments in subsidiaries, joint ventures and associates
Investments in subsidiaries, joint ventures and associates are measured at cost. Where cost exceeds the recoverable amount, the carrying amount is written down to the recoverable amount. Until 1 January 2009, the carrying amount was reduced to the extent that dividends distributed exceeded accumulated earnings after the time of acquisition.

Note 2 Critical accounting estimates and judgements

See note 2 to the Consolidated Financial Statements for information on critical accounting estimates and judgements.
In addition, investments in subsidiaries comprise a significant portion of TDC's total assets. Impairment tests on subsidiaries are performed if events or changes in circumstances indicate that their carrying amount may not be recoverable. The measurement of subsidiaries 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.

Note 3 New accounting standards

See note 3 to the Consolidated Financial Statements for information on new accounting standards for the Group.

Note 4 Revenue

DKKm

	2010	2009
Sales of goods	275	514
Sales of services	17,393	18,204
Total	**17,668**	**18,718**

Note 5 Wages, salaries and pension costs

DKKm

	2010	2009
Wages and salaries	(3,059)	(3,252)
Pensions	46	(110)
Social security	(76)	(85)
Total	**(3,089)**	**(3,447)**
Of which capitalised as non-current assets	627	657
Total	**(2,462)**	**(2,790)**
Average number of full-time employee equivalents[1]	7,143	7,778

1 Denotes the average number of full-time employee equivalents including permanent employees and trainees.

The average number of full-time employee equivalents includes 186 TDC employees who have been seconded to external parties in connection with outsourcing of tasks or divestment of operations and who are entitled to pensions on conditions similar to those provided for Danish civil servants.

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

Note 6 Other income and expenses

DKKm

	2010	2009
Other income	276	298
Other expenses	(10)	(9)
Total	**266**	**289**

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

Note 7 Special items

DKKm

	2010	2009
Profit/(loss) on divestment of enterprises and property, net	541	(113)
Impairment losses	(50)	(119)
Restructuring costs, etc.	(1,064)	(885)
Special items before income taxes	**(573)**	**(1,117)**
Income taxes related to special items	321	265
Special items after income taxes	**(252)**	**(852)**

Note 8 Financial income

DKKm	2010	2009
Interest income	454	1,010
Interest from group enterprises	33	148
Dividends from subsidiaries	1,647	2,430
Dividends from joint ventures and associates	1	0
Reversal of write-downs of investments in subsidiaries	178	132
Gains on divestment of subsidiaries	0	0
Total	**2,313**	**3,720**

Note 9 Financial expenses

DKKm	2010	2009
Write-downs of investments in subsidiaries	(527)	0
Write-downs of investments in joint ventures and associates	(1)	0
Interest expenses	(2,008)	(2,453)
Interest to group enterprises	(38)	(260)
Loss on divestment of subsidiaries	0	(9)
Total	**(2,574)**	**(2,722)**

Note 10 Income taxes

DKKm	2010		
	Income taxes cf. the Income Statements	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)
At 1 January	-	**1,033**	**6,222**
Income taxes	(565)	987	(422)
Adjustment of tax for previous years	38	(31)	(7)
Tax related to other comprehensive income	-	0	(30)
Tax paid	-	(1,317)	-
Total	**(527)**	**672**	**5,763**
Income taxes are specified as follows:			
Income excluding special items	(848)	-	-
Special items	321	-	-
Total	**(527)**	**-**	**-**

	2009		
	Income taxes cf. the Income Statements	**Income tax payable/ (receivable)**	**Deferred tax liabilities/ (assets)**
At 1 January	-	615	6,089
Income taxes	(928)	927	1
Adjustment of tax for previous years	160	(175)	15
Tax related to other comprehensive income	-	0	117
Tax paid	-	(334)	-
Total	**(768)**	**1,033**	**6,222**
Income taxes are specified as follows:			
Income excluding special items	(1,033)	-	-
Special items	265	-	-
Total	**(768)**	**-**	**-**

Reconciliation of effective tax rate

	2010	**2009**
Danish corporate income tax rate	25.0	25.0
Tax-free dividends from subsidiaries	(11.1)	(10.5)
Write-downs of investments in subsidiaries	2.4	(0.3)
Other non-taxable income and non-tax deductible expenses	(0.1)	(0.2)
Adjustment of tax for previous years	(1.0)	(2.5)
Limitation on the tax deductibility of interest expenses	7.6	6.5
Effective tax rate excluding special items	**22.8**	**18.0**
Special items	(6.0)	(1.4)
Effective tax rate including special items	**16.8**	**16.6**

Specification of deferred tax **DKKm**

	2010	**2009**
Provisions for redundancy payments	(95)	(94)
Current	**(95)**	**(94)**
Intangible assets	3,641	4,035
Property, plant and equipment	678	708
Pension assets	1,872	1,901
Other	(333)	(328)
Non-current	**5,858**	**6,316**
Deferred tax liabilities at 31 December	**5,763**	**6,222**

TDC A/S participates in joint taxation with all Danish subsidiaries. In 2010, TDC A/S became the management company. Subsequently, the jointly taxed companies in the TDC Group are liable only for the part of the income tax, taxes paid on account and outstanding residual tax (with additional payments and interest) that relates to the part of the income allocated to the companies. When the management company has received payment from the jointly taxed Group companies, the management company will assume liability for this payment.

Note 11 Intangible assets

DKKm

	2010				
	Goodwill	Customer relationship	Brands	Rights, software, etc.	Total
Accumulated cost at 1 January	**12,781**	**14,348**	**5,339**	**5,580**	**38,048**
Additions during the year	0	30	0	899	929
Assets disposed of or fully amortised during the year	0	(24)	0	(321)	(345)
Accumulated cost at 31 December	**12,781**	**14,354**	**5,339**	**6,158**	**38,632**
Accumulated amortisation and write-downs for impairment at 1 January	**0**	**(5,253)**	**0**	**(3,624)**	**(8,877)**
Amortisation for the year	0	(1,525)	0	(613)	(2,138)
Write-downs for impairment during the year	0	0	0	(34)	(34)
Assets disposed of or fully amortised during the year	0	16	0	321	337
Accumulated amortisation and write-downs for impairment at 31 December	**0**	**(6,762)**	**0**	**(3,950)**	**(10,712)**
Carrying amount at 31 December	**12,781**	**7,592**	**5,339**	**2,208**	**27,920**
Carrying amount of capitalised interest at 31 December	**-**	**0**	**0**	**1**	**1**

	2009				
	Goodwill	Customer relationship	Brands	Rights, software, etc.	Total
Accumulated cost at 1 January	12,781	14,336	5,339	5,240	37,696
Additions during the year	0	23	0	531	554
Assets disposed of or fully amortised during the year	0	(11)	0	(191)	(202)
Accumulated cost at 31 December	**12,781**	**14,348**	**5,339**	**5,580**	**38,048**
Accumulated amortisation and write-downs for impairment at 1 January	0	(4,096)	0	(3,035)	(7,131)
Amortisation for the year	0	(1,160)	0	(651)	(1,811)
Write-downs for impairment during the year	0	(8)	0	(129)	(137)
Assets disposed of or fully amortised during the year	0	11	0	191	202
Accumulated amortisation and write-downs for impairment at 31 December	**0**	**(5,253)**	**0**	**(3,624)**	**(8,877)**
Carrying amount at 31 December	**12,781**	**9,095**	**5,339**	**1,956**	**29,171**
Carrying amount of capitalised interest at 31 December	**-**	**0**	**0**	**3**	**3**

The carrying amount of software amounted to DKK 1,054m, compared with DKK 1,054m in 2009. In 2010, the addition of internally developed software amounted to DKK 76m compared with DKK 60m in 2009.

Note 12 Property, plant and equipment DKKm

	2010					
	Land and buildings	Telecommu-nications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
Accumulated cost at 1 January	**661**	**17,108**	**1,630**	**392**	**414**	**20,205**
Transfers (to)/from other items	(19)	758	72	(230)	(581)	0
Work performed for own purposes and capitalised	0	960	0	1	0	961
Acquisitions from third parties	6	812	78	219	391	1,506
Assets disposed of during the year	(109)	(951)	(332)	0	0	(1,392)
Accumulated cost at 31 December	**539**	**18,687**	**1,448**	**382**	**224**	**21,280**
Accumulated depreciation and write-downs for impairment at 1 January	**(35)**	**(6,583)**	**(1,185)**	**(225)**	**0**	**(8,028)**
Transfers (to)/from other items	5	1	(6)	0	0	0
Depreciation for the year	(5)	(1,719)	(196)	0	0	(1,920)
Write-downs for impairment during the year	(17)	(34)	(9)	(34)	0	(94)
Assets disposed of during the year	5	927	326	0	0	1,258
Accumulated depreciation and write-downs for impairment at 31 December	**(47)**	**(7,408)**	**(1,070)**	**(259)**	**0**	**(8,784)**
Carrying amount at 31 December	**492**	**11,279**	**378**	**123**	**224**	**12,496**
Carrying amount of finance leases at 31 December	**74**	**0**	**3**	**-**	**-**	**77**
Carrying amount of capitalised interest at 31 December	**0**	**0**	**0**	**-**	**0**	**0**

DKKm

	2009					
	Land and buildings	Telecommu-nications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
Accumulated cost at 1 January	694	16,238	1,684	173	423	19,212
Transfers (to)/from other items	1	492	59	(174)	(378)	0
Work performed for own purposes and capitalised	0	992	0	0	0	992
Acquisitions from third parties	5	519	105	403	369	1,401
Disposals relating to the divestment of enterprises	0	(110)	(1)	0	0	(111)
Assets disposed of during the year	(39)	(1,023)	(217)	(10)	0	(1,289)
Accumulated cost at 31 December	**661**	**17,108**	**1,630**	**392**	**414**	**20,205**
Accumulated depreciation and write-downs for impairment at 1 January	(48)	(6,355)	(1,179)	(58)	0	(7,640)
Transfers to/(from) other items	0	163	0	(163)	0	0
Depreciation for the year	(11)	(1,510)	(208)	0	0	(1,729)
Write-downs for impairment during the year	(4)	(8)	(10)	(14)	0	(36)
Disposals relating to the divestment of enterprises	0	104	1	0	0	105
Assets disposed of during the year	28	1,023	211	10	0	1,272
Accumulated depreciation and write-downs for impairment at 31 December	**(35)**	**(6,583)**	**(1,185)**	**(225)**	**0**	**(8,028)**
Carrying amount at 31 December	**626**	**10,525**	**445**	**167**	**414**	**12,177**
Carrying amount of finance leases at 31 December	**81**	**0**	**35**	**-**	**-**	**116**
Carrying amount of capitalised interest at 31 December	**0**	**0**	**0**	**-**	**0**	**0**

In 2010, damages of DKK 42m received relating to property, plant and equipment were recognised as income compared with DKK 46m in 2009.

Note 13 Investments in subsidiaries

DKKm

	2010	2009
Accumulated cost at 1 January	32,023	32,931
Additions during the year	216	648
Transferred from investments in joint ventures and associates	12	0
Disposals during the year	(15,559)	(1,556)
Accumulated cost at 31 December	**16,692**	**32,023**
Accumulated write-downs at 1 January	(6,623)	(2,426)
Write-downs for impairment during the year	(527)	(4,755)
Reversal of write-downs for impairment during the year	178	132
Disposals during the year	524	426
Accumulated write-downs at 31 December	**(6,448)**	**(6,623)**
Carrying amount at 31 December	**10,244**	**25,400**

Overview of subsidiaries at 31 December 2010

Company name	Domicile	Currency	TDC A/S' ownership share (%)[1]
YouSee A/S	Copenhagen, Denmark	DKK	100.0
Fullrate A/S	Copenhagen, Denmark	DKK	100.0
Companymobile A/S	Skanderborg, Denmark	DKK	100.0
Service Hosting A/S	Copenhagen, Denmark	DKK	100.0
TDC AS	Oslo, Norway	NOK	100.0
TDC Con SQOV AB	Stockholm, Sweden	SEK	100.0
NetDesign A/S	Farum, Denmark	DKK	100.0
Libom ApS	Valby, Denmark	DKK	100.0
TDC Mobil Center A/S	Odense, Denmark	DKK	100.0
TDC Contact Center Europe A/S	Sønderborg, Denmark	DKK	100.0
TDC Carrier Services USA, Inc.	New Jersey, USA	USD	100.0
Telmore A/S	Taastrup, Denmark	DKK	100.0
TDC Reinsurance A/S	Copenhagen, Denmark	DKK	100.0
Tele Danmark Reinsurance S.A.	Luxembourg	DKK	100.0

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

Impairment tests of subsidiaries recognised at cost

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

Note 14 Investments in joint ventures and associates

DKKm	2010	2009
Accumulated cost at 1 January	34	34
Additions during the year	19	0
Transferred to investments in subsidiaries	(12)	0
Disposals during the year	(1)	0
Accumulated cost at 31 December	**40**	**34**
Accumulated write-downs at 1 January	(2)	(2)
Write-downs for impairment during the year	(1)	0
Disposals during the year	0	0
Accumulated write-downs at 31 December	**(3)**	**(2)**
Carrying amount at 31 December	**37**	**32**

Note 15 Pension assets

See note 27 to the Consolidated Financial Statements under defined domestic benefit plans for information on pension assets.

Note 16 Receivables

DKKm	2010	2009
Trade receivables	2,638	3,552
Allowances for uncollectibles	(189)	(217)
Trade receivables, net	2,449	3,335
Receivables from group enterprises	1,078	2,757
Other receivables	327	331
Total	**3,854**	**6,423**
Recognised as follows:		
Non-current assets	234	223
Current assets	3,620	6,200
Total	**3,854**	**6,423**
Allowances for uncollectibles at 1 January	(217)	(221)
Additions	(129)	(120)
Deductions	157	124
Allowances for uncollectibles at 31 December	**(189)**	**(217)**
Receivables past due and impaired	**567**	**609**
Receivables past due but not impaired	**255**	**285**
Receivables past due but not impaired can be specified as follows:		
Receivables past due less than 6 months	180	186
Receivables past due between 6 and 12 months	20	50
Receivables past due more than 12 months	55	49
Total	**255**	**285**

Trade receivables past due amounted to DKK 822m compared with DKK 846m at 31 December 2009. Other receivables contain write-down for impairment of DKK 15m.

The carrying amount of charged receivables amounted to DKK 1,078m at 31 December 2010 compared with DKK 2,757m at 31 December 2009.

Note 17 Prepaid expenses

DKKm	2010	2009
Prepayments regarding non-refundable up-front connection fees	345	324
Other prepaid expenses	212	217
Total	**557**	**541**
Recognised as follows:		
Non-current assets	252	230
Current assets	305	311
Total	**557**	**541**

Note 18 Inventories

	2010	2009
		DKKm
Work in progress	0	0
Finished goods and merchandise	150	125
Total	**150**	**125**

Inventories recognised as cost of goods sold amounted to DKK 182m in 2010, compared with DKK 546m in 2009.

Write-downs of inventories amounted to DKK 6m in 2010, compared with DKK 12m in 2009. Reversal of write-downs of inventories amounted to DKK 1m in 2010, compared with DKK 5m in 2009.

Note 19 Cash

The carrying amount of charged cash amounted to DKK 780m at 31 December 2010, compared with DKK 98m at 31 December 2009 and DKK 6,029m at 31 December 2008.

Note 20 Equity

See note 21 to the Consolidated Financial Statements for information on ordinary shares and treasury shares.

Note 21 Loans

DKKm	2010	2009
Bank loans	17,792	28,375
Bonds and mortgages	5,342	5,325
Debt relating to finance leases	136	194
Other long-term debt	301	132
Total	**23,571**	**34,026**
Of which loans expected to be paid within 12 months (current liabilities)	(175)	(3,720)
Long-term loans	**23,396**	**30,306**
Long-term loans fall due as follows:		
1-3 years	3,504	5,678
3-5 years	19,737	10,294
After 5 years	155	14,334
Total	**23,396**	**30,306**
Fair value	24,142	34,654
Nominal value	23,830	34,538

Allocation of liabilities relating to finance leases according to maturity date DKKm

	Minimum payments		Present value	
	2010	**2009**	**2010**	**2009**
Mature within 1 year	26	66	20	58
Mature between 1 and 3 years	32	44	21	32
Mature between 3 and 5 years	29	29	20	19
Mature after 5 years	128	142	75	85
Total	**215**	**281**	**136**	**194**

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

Note 22 Deferred income

DKKm

	2010	**2009**
Accrued revenue from non-refundable up-front connection fees	1,132	1,264
Deferred subscription revenue	1,387	1,427
Other deferred income	31	43
Total	**2,550**	**2,734**
Recognised as follows:		
Non-current liabilities	765	905
Current liabilities	1,785	1,829
Total	**2,550**	**2,734**

Note 23 Provisions

DKKm

	2010				2009
	Decommissioning obligations	Restructuring obligations	Other provisions	Total	Total
Provisions at 1 January	158	727	624	1,509	1,449
Provisions made during the year	14	434	258	706	917
Change in present value	(15)	15	18	18	14
Provisions used during the year	(1)	(445)	(209)	(655)	(790)
Unused provisions reversed during the year	0	(17)	(54)	(71)	(81)
Provisions at 31 December	**156**	**714**	**637**	**1,507**	**1,509**
Recognised as follows:					
Non-current liabilities	154	355	369	878	935
Current liabilities	2	359	268	629	574
Total	**156**	**714**	**637**	**1,507**	**1,509**

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 2015.

Provisions for restructuring obligations relate primarily to redundancy programmes. The majority of these obligations are expected to result in cash outflow in the period 2011-2015. The uncertainties relate primarily to the estimated amounts.

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

Note 24 Trade and other payables

DKKm	2010	2009
Trade payables	2,635	2,520
Prepayments from customers	56	64
Other payables	1,183	1,601
Total	**3,874**	**4,185**

Of the current liabilities at 31 December 2010, DKK 54m falls due after more than one year, compared with DKK 53m at 31 December 2009.

Note 25 Financial instruments, etc.

The Parent Company is exposed to financial market and credit risks when buying and selling goods and services in foreign denominated currencies and when investing in and financing activities. Analyses of such risks are disclosed below. For further disclosures, see Financial management and market risk disclosures in Risk management.

A: Foreign-currency exposures

DKKm

Financial assets and liabilities in foreign currencies at 31 December are specified below:

		2010				2009	2008
		Financial assets and liabilities					
Currency	Maturities	Assets	Liabilities	Derivatives[1]	Net position		
EUR	< 1 year	225	(803)	(832)	(1,410)	(3,298)	1,754
	1-3 years	0	(3,420)	455	(2,965)	165	(3,862)
	3-5 years	0	(19,659)	(76)	(19,735)	(10,253)	(4,906)
	> 5 years	0	0	(115)	(115)	(14,258)	(22,474)
Total EUR		**225**	**(23,882)**	**(568)**	**(24,225)**	**(27,644)**	**(29,488)**
CHF	< 1 year	11	0	0	11	(6,345)	(23,404)
	1-3 years	0	0	0	0	(5,827)	0
	3-5 years	0	0	0	0	0	0
	> 5 years	0	0	0	0	0	0
Total CHF[2]		**11**	**0**	**0**	**11**	**(12,172)**	**(23,404)**
Others	< 1 year	798	(626)	0	172	396	(4,333)
	1-3 years	0	0	0	0	0	13
	3-5 years	0	0	0	0	0	0
	> 5 years	0	0	0	0	0	0
Total others		**798**	**(626)**	**0**	**172**	**396**	**(4,320)**
Foreign currencies total		**1,034**	**(24,508)**	**(568)**	**(24,042)**	**(39,420)**	**(57,212)**
DKK	< 1 year	2,810	(2,284)	745	1,271	7,743	23,734
	1-3 years	21	(83)	(745)	(807)	(838)	(177)
	3-5 years	4	(78)	0	(74)	2	(763)
	> 5 years	168	(155)	0	13	70	85
Total DKK		**3,003**	**(2,600)**	**0**	**403**	**6,977**	**22,879**
Total		**4,037**	**(27,108)**	**(568)**	**(23,639)**	**(32,443)**	**(34,333)**

[1] The financial instruments used in 2010 are currency swaps and forward-exchange contracts.
[2] Includes hedges of investment in Sunrise amounting to DKK (11,403)m in 2009 and DKK (23,114)m in 2008.

B: Net financials

DKKm

	2010			
	Interest	Currency translation adjustments	Fair value adjustments	Total
Income				
Financial assets and liabilities measured at fair value through profit or loss	370	58	321	749
Loans and receivables	84	29	0	113
Financial liabilities measured at amortised cost	0	2	0	2
Non-financial assets or liabilities	33	**0**	0	33
Total	**487**	**89**	**321**	**897**
Expenses				
Financial assets and liabilities measured at fair value through profit or loss	(736)	(744)	(205)	(1,685)
Loans and receivables	0	(7)	0	(7)
Financial liabilities measured at amortised cost	(1,268)	(69)	0	(1,337)
Non-financial assets or liabilities	(42)	0	0	(42)
Total	**(2,046)**	**(820)**	**(205)**	**(3,071)**
Net financials	**(1,559)**	**(731)**	**116**	**(2,174)**

	2009			
	Interest	Currency translation adjustments	Fair value adjustments	Total
Income				
Financial assets and liabilities measured at fair value through profit or loss	916	1,276	108	2,300
Loans and receivables	229	9	0	238
Financial liabilities measured at amortised cost	0	58	0	58
Non-financial assets or liabilities	13	4	0	17
Total	**1,158**	**1,347**	**108**	**2,613**
Expenses				
Financial assets and liabilities measured at fair value through profit or loss	(1,127)	(1,199)	(330)	(2,656)
Loans and receivables	0	(101)	0	(101)
Financial liabilities measured at amortised cost	(1,540)	(363)	0	(1,903)
Non-financial assets or liabilities	(46)	0	0	(46)
Total	**(2,713)**	**(1,663)**	**(330)**	**(4,706)**
Net financials	**(1,555)**	**(316)**	**(222)**	**(2,093)**

C: Liquidity risk

DKKm

The maturity analysis of financial assets and liabilities is disclosed by category and class and is allocated according to maturity period. All interest payments and repayments of financial assets and liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined using zero-coupon rates.

Financial assets and liabilities measured at fair value relates to derivatives. The calculation of fair value of these derivatives is based on observable inputs such as forward interest rates, etc. (Level 2 in the fair value hierarchy).

Maturity profiles[1]

DKKm

	2010						
	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial assets and liabilities measured at fair value through profit or loss and net investment hedges							
Derivatives, assets							
Interest-rate derivatives	39	30	4	7	80	89	89
Currency swaps	(2)	(2)	0	0	(4)	2	2
Net investment hedges	0	0	0	0	0	0	0
Total derivatives, assets	**37**	**28**	**4**	**7**	**76**	**91**	**91**
Derivatives, liabilities							
Interest-rate derivatives	(347)	(260)	12	6	(589)	(659)	(659)
Currency swaps	0	0	0	0	0	0	0
Net investment hedges	0	0	0	0	0	0	0
Total derivatives, liabilities	**(347)**	**(260)**	**12**	**6**	**(589)**	**(659)**	**(659)**
Loans and receivables							
Cash	781	0	0	0	781	781	781
Trade receivables and other receivables	3,081	31	18	473	3,603	3,256	3,256
Total loans and receivables	**3,862**	**31**	**18**	**473**	**4,384**	**4,037**	**4,037**
Financial liabilities measured at amortised cost							
Bank loans[2]	(570)	(1,429)	(18,452)	0	(20,451)	(17,907)	(17,792)
Bonds	(341)	(3,869)	(2,278)	0	(6,488)	(5,798)	(5,342)
Debt relating to finance leases	(26)	(32)	(29)	(128)	(215)	(136)	(136)
Trade and other payables	(3,642)	(67)	(67)	(100)	(3,876)	(3,838)	(3,838)
Total financial liabilities measured at amortised cost	**(4,579)**	**(5,397)**	**(20,826)**	**(228)**	**(31,030)**	**(27,679)**	**(27,108)**
Total	**(1,027)**	**(5,598)**	**(20,792)**	**258**	**(27,159)**	**(24,210)**	**(23,639)**

[1] All cash flows are undiscounted.
[2] TDC continuously monitors the international capital markets and expects to refinance the Senior Facilities Agreement in early 2011 provided terms and conditions are deemed favourable.

Reconciliation of assets, equity and liabilities on categories

DKKm

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Non-financial assets and liabilities, and equity	Total balance
Assets	91	4,037	0	0	59,495	63,623
Equity and liabilities	(659)	0	0	(27,108)	(35,856)	(63,623)

Maturity profiles[1] DKKm

	2009						
	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial assets and liabilities measured at fair value through profit or loss and net investment hedges							
Derivatives, assets							
Interest-rate derivatives	52	(32)	0	1	21	47	47
Currency swaps	4	0	0	0	4	2	2
Net investment hedges	0	0	0	0	0	0	0
Total derivatives, assets	**56**	**(32)**	**0**	**1**	**25**	**49**	**49**
Derivatives, liabilities							
Interest-rate derivatives	(454)	(277)	(1)	0	(732)	(750)	(750)
Currency swaps	(316)	(209)	0	0	(525)	(455)	(455)
Net investment hedges	0	0	0	0	0	0	0
Total derivatives, liabilities	**(770)**	**(486)**	**(1)**	**0**	**(1,257)**	**(1,205)**	**(1,205)**
Loans and receivables							
Cash	100	0	0	0	100	100	100
Trade receivables and other receivables	5,665	11	27	289	5,992	5,832	5,842
Total loans and receivables	**5,765**	**11**	**27**	**289**	**6,092**	**5,932**	**5,942**
Financial liabilities measured at amortised cost							
Bank loans	(4,302)	(4,322)	(12,488)	(12,610)	(33,722)	(28,752)	(28,375)
Bonds	(259)	(4,084)	(239)	(2,154)	(6,736)	(5,576)	(5,325)
Debt relating to finance leases	(66)	(44)	(29)	(142)	(281)	(194)	(194)
Trade and other payables	(3,275)	(71)	0	0	(3,346)	(3,335)	(3,335)
Total financial liabilities measured at amortised cost	**(7,902)**	**(8,521)**	**(12,756)**	**(14,906)**	**(44,085)**	**(37,857)**	**(37,229)**
Total	**(2,851)**	**(9,028)**	**(12,730)**	**(14,616)**	**(39,225)**	**(33,081)**	**(32,443)**

[1] All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories DKKm

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Non-financial assets and liabilities, and equity	Total balance
Assets	49	5,942	0	0	75,640	81,631
Equity and liabilities	(1,205)	0	0	(37,229)	(43,197)	(81,631)

Maturity profiles[1]

DKKm

	2008						
	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial assets and liabilities measured at fair value through profit or loss and net investment hedges							
Derivatives, assets							
Interest-rate derivatives	70	0	0	0	70	69	69
Currency swaps	220	0	1	0	221	245	245
Net investment hedges	76	0	0	0	76	51	51
Total derivatives, assets	**366**	**0**	**1**	**0**	**367**	**365**	**365**
Derivatives, liabilities							
Interest-rate derivatives	(157)	(299)	(43)	0	(499)	(528)	(528)
Currency swaps	(337)	(4)	0	0	(341)	(231)	(231)
Net investment hedges	(828)	0	0	0	(828)	(1,186)	(1,186)
Total derivatives, liabilities	**(1,322)**	**(303)**	**(43)**	**0**	**(1,668)**	**(1,945)**	**(1,945)**
Loans and receivables							
Cash	6,360	0	0	0	6,360	6,360	6,360
Trade receivables and other receivables	7,043	53	27	291	7,414	7,262	7,264
Total loans and receivables	**13,403**	**53**	**27**	**291**	**13,774**	**13,622**	**13,624**
Financial liabilities measured at amortised cost							
Bank loans	(2,542)	(7,082)	(2,780)	(23,947)	(36,351)	(28,863)	(28,415)
Bonds	(2,328)	(701)	(5,743)	0	(8,772)	(6,406)	(7,316)
Debt relating to finance leases	(102)	(94)	(29)	(157)	(382)	(281)	(281)
Trade and other payables	(10,476)	(142)	(8)	0	(10,626)	(10,365)	(10,365)
Total financial liabilities measured at amortised cost	**(15,448)**	**(8,019)**	**(8,560)**	**(24,104)**	**(56,131)**	**(45,915)**	**(46,377)**
Total	**(3,001)**	**(8,269)**	**(8,575)**	**(23,813)**	**(43,658)**	**(33,873)**	**(34,333)**

[1] All cash flows are undiscounted.

Reconciliation of assets, equity and liabilities on categories

DKKm

	Financial assets and liabilities measured at fair value through profit or loss and net investment hedges	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Non-financial assets and liabilities, and equity	Total balance
Assets	365	13,624	0	0	80,920	94,909
Equity and liabilities	(1,945)	0	0	(46,377)	(46,587)	(94,909)

D: Undrawn credit lines

The undrawn credit lines at 31 December 2010 are specified as follows:

			DKKm
Maturities	**Committed credit lines**	**Committed syndicated credit lines**	**Total**
< 1 year	0	0	0
> 1 year	2,292	2,609	4,901
Total	**2,292**	**2,609**	**4,901**

E: Credit risks

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

The Parent Company's maximum credit risk is the sum of the financial assets listed in note 25A, amounting to DKK 4,037m at 31 December 2010.

Note 26 Reversal of items without cash flow effect

		DKKm
	2010	**2009**
Pension income	(306)	(141)
(Gain)/loss on disposal of enterprises and property, plant and equipment, net	0	(32)
Other adjustments	18	88
Total	**(288)**	**(85)**

Note 27 Change in working capital

		DKKm
	2010	**2009**
Change in inventories	(25)	33
Change in receivables	1,076	87
Change in trade payables	158	(606)
Change in other items, net	(527)	(39)
Total	**682**	**(525)**

Note 28 Related parties

For information about the related parties of the Group, see note 35 to the Consolidated Financial Statements. The Parent Company has the following transactions and balances with its subsidiaries (cf. the overview of subsidiaries in note 13):

Subsidiaries		**DKKm**
	2010	**2009**
Income	2,125	7,736
Costs	(942)	(975)
Receivables	1,047	2,757
Debt	(1,576)	(1,105)

In addition to income from subsidiaries, the Parent Company received dividends as described in note 8.
The Parent Company has the following additional transactions and balances with related parties:

				DKKm
	2010			
	Joint ventures	**Associates**	**Other related parties**	**Total**
Income	0	0	23	23
Costs	0	0	0	0
Receivables	0	0	180	180
Debt	0	0	(27)	(27)

	2009			
	Joint ventures	**Associates**	**Other related parties**	**Total**
Income	0	0	4	4
Costs	0	0	0	0
Receivables	0	0	151	151
Debt	0	0	0	0

All transactions were made on an arm's length basis. Remuneration for the Board of Directors and Executive Committee is described in note 6 to the Consolidated Financial Statements. In addition, payment of contributions to the pension funds is described in note 27 to the Consolidated Financial Statements.

Note 29 Other financial commitments

	2010	2009
DKKm		
Lease commitments		
Lease expenses relating to properties in the period of interminability	7,007	6,104
Accumulated lease commitments for machinery, equipment, computers, etc.	341	374
Total	**7,348**	**6,478**
which can be specified as follows:		
Due not later than 1 year	550	549
Due later than 1 year and not later than 5 years	1,657	1,671
Due later than 5 years	5,141	4,258
Total	**7,348**	**6,478**
Total lease expense for the year for all operating leases		
Lease payments	621	632
Sublease payments	(2)	(10)
Total	**619**	**622**
Capital and purchase commitments		
Investments in property, plant and equipment	131	250
Investments in intangible assets	67	121
Commitments related to outsourcing agreements	1,288	1,488
Other purchase commitments	290	0

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

Total future minimum sublease payments expected for interminable subleases on balance sheet dates amounted to DKK 6m at 31 December 2010, compared with DKK 94m at 31 December 2009.

Note 30 Contingencies

The Parent Company has provided the usual guarantees in favour of suppliers and partners. These guarantees amounted to DKK 315m at 31 December 2010, compared with DKK 275m at 31 December 2009. Furthermore, TDC A/S has issued letters of support and undertaken loan commitments for some of its subsidiaries.

See note 37 to the Consolidated Financial Statements for information on pending lawsuits and change-of-control clauses.

Senior Facilities Agreement

On 3 March 2006, TDC A/S entered into a Senior Facilities Agreement as borrower and guarantor, originally entered into between, amongst others, Nordic Telephone Company Holding ApS as the original borrower and the original guarantor and a number of banks as lenders.

The Senior Facilities Agreement is a secured multi-currency term facility composed of three term-loan facilities and a revolving credit facility. On 31 December 2010 the aggregate nominal debt of the Senior Facilities Agreement amounted to DKK 17,852m.

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

Note 31 Research and development costs

Research and development costs for the year recognised in the Income Statements amounted to DKK 134m in 2010, compared with DKK 154m in 2009.

Note 32 Auditors' remuneration

DKKm	2010	2009
The remuneration of auditors elected by the Annual General Meeting:		
Statutory audit	9	9
Non-statutory audit services:		
Other assurance engagements	1	1
Tax advisory services	3	4
Other services	10	12
Total non-statutory audit services	14	17
Total	**23**	**26**

Note 33 Net interest-bearing debt

DKKm	2010	2009
Interest-bearing receivables	1,028	2,588
Cash	781	100
Long-term loans	(23,396)	(30,306)
Payables to group enterprises	(1,355)	(949)
Short-term loans	(175)	(3,720)
Total	**(23,117)**	**(32,287)**

Note 34 Events after the balance sheet date

See note 41 to the Consolidated Financial Statements.

Management Statement

Today, the Board of Directors and the Executive Committee considered and approved the Annual Report of TDC A/S for 2010.

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 2010 as well as their results of operations and cash flows for the financial year 2010. Furthermore, in our opinion, the Management's Review provides a fair review of the developments in the Group's and the Parent Company's activities and financial position, and describes the significant risks and uncertainties that may affect the Group and the Parent Company.

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

Copenhagen, 3 February 2011

Executive Committee

Henrik Poulsen
President and Chief Executive Officer

Eva Berneke
Senior Executive Vice President, Chief HR and Chief Strategy Officer

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

Carsten Dilling
Senior Executive Vice President and Chief Executive Officer, Operations & Wholesale

Jesper Theill Eriksen
Senior Executive Vice President and Chief Executive Officer, Consumer

Martin Lippert
Senior Executive Vice President and Chief Executive Officer, TDC Business

Jens Munch-Hansen
Senior Executive Vice President and Chief Executive Officer, TDC Nordic

Jesper Ovesen
Senior Executive Vice President and Chief Financial Officer

Board of Directors

Vagn Sørensen
Chairman

Pierre Danon
Vice Chairman

Kurt Björklund

Lawrence Guffey

Henrik Kraft

Gustavo Schwed

Andrew Sillitoe

Søren Thorup Sørensen

Lars Rasmussen

Leif Hartmann

Steen M. Jacobsen

Jan Bardino

Bo Magnussen

Independent Auditor's Report

To the shareholders of TDC A/S
We have audited the Annual Report of TDC A/S for the financial year 1 January to 31 December 2010 which comprises the Consolidated Financial Statements, the Parent Company Financial Statements ("the Financial Statements") and Management's Review. The Financial Statements comprise statements of income, statements of comprehensive income, balance sheets, statements of cash flow, statements of changes in equity and notes for both the Group and the Parent Company. The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies. Management's Review is also prepared in accordance with Danish disclosure requirements for listed companies.

Management's Responsibility
Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the above-mentioned legislation and disclosure requirements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Financial Statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Furthermore, Management is responsible for preparing a Management's Review that provides a fair review in accordance with Danish disclosure requirements for listed companies.

Auditor's Responsibility and Basis of Opinion
Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with International and Danish Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements and to the preparation of a Management's Review that provides a fair review in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the Financial Statements provide a true and fair view of the financial position at 31 December 2010 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 2010 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies. Further, in our opinion Management's Review provides a fair review in accordance with Danish disclosure requirements for listed companies.

Copenhagen, 3 February 2011

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Lars Holtug
State Authorized Public Accountant

Jesper Hansen
State Authorized Public Accountant

Management

Executive Committee

Henrik Poulsen
President and Chief Executive Officer
Age 43. Appointed to the Executive Committee in 2008.
MSc in Economics (Financing and Accounting), Aarhus School of Business and Social Sciences, University of Aarhus, 1994.
Member of the Boards of Directors of Chr. Hansen Holding A/S and the Denmark-America Foundation.
Member of the Central Board of Directors of the Confederation of Danish Industry.

Eva Berneke
Senior Executive Vice President, Head of HR and Chief Strategy Officer
Age 41. Appointed to the Executive Committee in 2007.
MSc in Mechanical Engineering Technical University of Denmark, 1992, and MBA, INSEAD, 1995.
Member of the Boards of Directors of Copenhagen Business School, the Industrialization Fund for Development and Eastern Countries (IFU, IØ) and Schibsted ASA. Member of the Danish Council for Technology and Innovation.

Carsten Dilling
Senior Executive Vice President, President of Operations & Wholesale
Age 48. Appointed to the Executive Committee in 2007.
BSc in Economics and Business Administration, Copenhagen Business School, 1983, and Graduate Diploma in Business Administration (International Trade), Copenhagen Business School, 1986.
Chairman of the Board of Directors of Traen A/S and Traen Holding A/S.
Executive Manager of CDI Consult ApS.

Jesper Theill Eriksen
Senior Executive Vice President, President of Consumer
Age 42. Appointed to the Executive Committee in 2007.
Master of Law, University of Copenhagen, 1991 and INSEAD (Executive Management Training Program), 1999.

Jesper Ovesen
Senior Executive Vice President and Chief Financial Officer
Age 53. Appointed to the Executive Committee in 2008.
MSc in Economics (Finance), Copenhagen Business School, 1984. State Authorised Public Accountant, 1987 (with deposited licence).
Member of the Boards of Directors of Danisco A/S, FLSmidth & Co. A/S and one subsidiary thereof, Orkla ASA and Skandinaviska Enskilda Banken AB.

Niels Breining
Senior Executive Vice President, TDC A/S and CEO of YouSee A/S
Age 56. Appointed to the Executive Committee in 2008.
MSc in Economics and Business Administration, Aarhus School of Business and Social Sciences, University of Aarhus, 1979.

Jens Munch-Hansen
Senior Executive Vice President, President of TDC Nordic
Age 55. Appointed to the Executive Committee in 2009.
MSc in Economics, Copenhagen Business School, 1980
Member of the Board of Directors of Scan Jour A/S.

Martin Lippert
Senior Executive Vice President, President of TDC Business
Age 43. Appointed to the Executive Committee in 2009.
MSc in Economics and Business Administration, 1992, PhD (Economics), 1996, Aarhus School of Business and Social Sciences, University of Aarhus, INSEAD (Executive Management Training Program), 2004.
Member of the Boards of Directors of Zylinc A/S and Halberg A/S, including three subsidiaries thereof.

Henrik Poulsen

Jesper Ovesen

Carsten Dilling

Jesper Theill Eriksen

Jens Munch-Hansen

Eva Berneke

Martin Lippert

Niels Breining

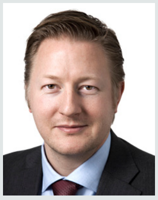
Board of Directors

Vagn Sørensen
Chairman
Age 51. Elected by the shareholders at the Annual General Meeting. First elected on 26 April 2006. Re-elected on 4 March 2010. Term to expire on 9 March 2011. Chairman of the Compensation Committee and member of the Audit Committee. MSc in Economics and Business Administration, Aarhus School of Business and Social Sciences, University of Aarhus, 1984. Chairman of the Boards of Directors of E-Force A/S, KMD A/S, KMD Equity Holding A/S, KMD Holding A/S, Select Service Partner Ltd. and one subsidiary thereof, and Scandic Hotels AB. Vice Chairman of the Board of Directors of DFDS A/S. Member of the Boards of Directors of Air Canada, Braganza AS, C.P. Dyvig & Co. A/S, Det Rytmiske Musikhus' Fond, FLSmidth & Co. A/S and one subsidiary thereof, Koncertvirksomhedens Fond, Lufthansa Cargo AG. Executive Manager of GFKJUS 611 ApS and VOS Invest ApS. Senior Advisor to Morgan Stanley and EQT Partners.

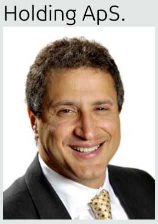
Pierre Danon
Vice Chairman
Age 54. Elected by the shareholders at an Extraordinary General Meeting. First elected on 16 May 2008. Re-elected on 4 March 2010. Term to expire on 9 March 2011. Member of the Compensation Committee. Degree in Civil Engineering from Ecole Nationale des Ponts et Chaussées and law degree from Faculté de Droit Paris II Assas, 1978. MBA from HEC School of Management, Paris, 1980. Chairman of the board of directors of Numericable and Completel. Senior Advisor to JP Morgan. Non-executive Director at Ciel Investment Limited.

Kurt Björklund
Age 41. Elected by the shareholders at the Annual General Meeting. First elected on 28 February 2006. Re-elected on 4 March 2010. Term to expire on 9 March 2011. Nominated by NTC Holding G.P. & Cie S.C.A. Non-independent Board member. MSc in Economics. SSEBA, Helsinki, 1993, and MBA, INSEAD, 1996. Managing Partner in Permira. Chairman of the Board of Directors of Nordic Telephone Management Holding ApS. Member of the Board of Directors of Permira Holdings Limited, and a member of the executive group and the investment committee.

Lawrence Guffey
Age 42. Elected by the shareholders at the Annual General Meeting. First elected on 28 February 2006. Re-elected on 4 March 2010. Term to expire on 9 March 2011. Nominated by NTC Holding G.P. & Cie S.C.A. Non-independent Board member. Member of the Audit Committee. BA, Rice University, 1990. Senior Managing Director in Blackstone's Corporate Private Equity Group. Member of the Boards of Directors of Axtel SAB de CV, Deutsche Telekom AG, Nordic Telephone. Management Holding ApS, Paris Review, the Literary Foundation and the Humanities Advisory Board at Rice University.



Henrik Kraft
Age 37. Elected alternate for Oliver Haarmann by the shareholders at the Annual General Meeting. First elected on 13 March 2008. Nominated member of the Board of Directors on 26 June 2010, at which date Oliver Haarmann retired from the Board. Term to expire on 9 March 2011. Nominated by NTC Holding G.P. & Cie S.C.A. Non-independent Board member. Member of the Compensation Committee. M.Eng., 1996, Oxford University Investment Director of KKR. Manager of NTC Parent S.à.r.l. and NTC Holding G.P. & Cie S.C.A. Director of Ambea Holding AB, Ambea AB and Carema Holding AB. Alternate Director of Nordic Telephone Management Holding ApS.



Gustavo Schwed
Age 48. Elected by the shareholders at the Annual General Meeting. First elected on 28 February 2006. Re-elected on 4 March 2010. Term to expire on 9 March 2011. Nominated by NTC Holding G.P. & Cie S.C.A. Non-independent Board member. Member of the Compensation Committee. BA, Swarthmore College, 1984. MBA, Stanford University, 1988. Managing Director of Providence Equity. Member of the Boards of Directors of Nordic Telephone Management Holding ApS and Mobileserv Ltd. Member of the Board of Managers at Swarthmore College.

Andrew Sillitoe
Age 38. Elected by the shareholders at the Annual General Meeting. First elected on 19 March 2009. Term to expire on 9 March 2011. Nominated by NTC Holding G.P. & Cie S.C.A. Non-independent Board member. Member of the Audit Committee. MA, Oxford, 1993. MBA Insead, 1997. Partner of Apax Partners LLP and member of the Investment Committee and the Executive Committee. Member of the Boards of Directors of Nordic Telephone Management Holding ApS, Apax Europe VI No.2 Nominees Ltd., Apax Europe VI Nominees Ltd., Apax Europe VII Nominees Ltd., Apax PP Nominees Ltd., Apax WW No 2 Nominees Ltd. and Apax WW Nominees Ltd.

Søren Thorup Sørensen
Age 45. Elected by the shareholders at the Annual General Meeting. First elected on 4 March 2010. Term to expire on 9 March 2011. Chairman of the Audit Committee. MSc (Audting), Copenhagen Business School, 1990. State Authorised Public Accountant, 1992 (with deposited licence). Advanced Management Programme, Harvard Business School, 2009. Chairman of the Boards of Directors of K & C Holding A/S, Toginfo A/S, EP af 27. april 2006 A/S, KIPAL 2007 ApS and KIRKBI Anlæg A/S. Member of the Boards of Directors of Topdanmark A/S, Topdanmark Forsikring A/S, LEGO A/S, Koldingvej 2, Billund A/S, KIRKBI Real Estate Investment A/S, KIRKBI AG, Interlego AG, LEGO Juris A/S and KIRKBI Invest A/S. Chief Executive Officer of KIRKBI A/S and KIRKBI Invest A/S.

Lars Rasmussen
Age 51. Elected by the shareholders at the Annual General Meeting. First elected on 4 March 2010. Term to expire on 9 March 2011. Member of the Compensation Committee. BSc, Aalborg University, 1986. EMBA, Scandinavian International Management Institute (SIMI), 1995. President and CEO of Coloplast A/S with management assignments in 25 of its wholly-owned subsidiaries. Member of the Boards of Directors of Højgaard Holding A/S and MT Højgaard A/S. Member of the Central Board of Directors of the Confederation of Danish Industry.

Leif Hartmann
Age 67. Elected by the employees. First elected in 1996. Re-elected in 2000, 2004 and 2008. Term to expire in 2012. Systems Technician at TDC A/S. Chairman of the Board of Directors of Interessekontoret for Medarbejdere i TDC F.M.B.A.

Steen M. Jacobsen
Age 61. Elected by the employees. First elected in 1996. Re-elected in 2000, 2004 and 2008. Term to expire in 2012. Specialist Technician at TDC A/S. Member of the Boards of Directors of TDC Pensionskasse and Teglholm Park A/S.

Jan Bardino
Age 58. Elected by the employees. First elected in 2004. Re-elected in 2008. Term to expire in 2012. MSc (Computer Science). IT Project Manager at TDC A/S

Bo Magnussen
Age 63. Elected by the employees. First elected in 1996. Re-elected in 2000, 2004 and 2008. Term to expire in 2012. Senior Clerk at TDC A/S. Chairman of Lederforeningen at TDC (Association of Managers and Employees in Special Positions of Trust)
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Investor information

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

Marketed offering of shares in TDC
On 13 December TDC, on behalf of its majority shareholder NTC S.A. and NTC Holding G.P. & Cie S.C.A. (together 'NTC'), companies indirectly controlled by investment funds directly or indirectly advised or managed by Apax Partners LLP, the Blackstone Group, Kohlberg Kravis Roberts & Co LP, Permira Advisers KB and Providence Equity LLP, announced the completion of a marketed offering of 210 million existing shares in TDC A/S to Danish retail and Danish and international institutional investors at a price of DKK 51 per share. With the offering completed, NTC has reduced its investment in TDC and TDC broadened its shareholder base. NTC remains the majority shareholder in TDC after the offering. TDC issued no shares as part of the offering and received no proceeds.

Share buy-back
Following the divestment of Sunrise and the repayment of certain debts and with due regard to the Company's existing credit facilities and profits from operations, TDC was viewed to be overcapitalised and it was assessed that shareholder value would be increased by returning excess cash to the shareholders. On 13 December, TDC completed a share buy-back of 176,468,549 shares for an aggregate amount of DKK 9bn at a price of DKK 51 per share, which was the same price as the offer price in the marketed offering.

As of year-end 2010 TDC held 175,117,518 treasury shares. TDC expects to reduce the share capital by cancelling 166,875,885 shares. Following such a capital reduction, the number of issued shares would amount to 825,000,000 and the number of treasury shares would amount to 8,241,633. 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 the TDC's executive management and employees
- as consideration for acquisitions of other businesses.

Shareholders
TDC is listed on NASDAQ OMX Copenhagen. At year-end 2010, TDC A/S' outstanding shares and voting rights were distributed as shown in the table.

TDC's ownership base exceeds 38,000 shareholders at year-end 2010 and includes Danish and international institutional investors as well as Danish retail investors and TDC employees.

Prior to NTC's offering of shares in TDC A/S, TDC's management were invited to invest in NTC. In connection with the offering of shares in TDC A/S, TDC's management has received shares in TDC A/S and/or cash. In addition, TDC made a one-time grant for free of shares in TDC to all TDC employees. In total TDC's management and employees received 11,626,249 shares, corresponding to 1.4% of the shares outstanding.

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

Dividend for 2010-2011

The Board of Directors does not expect to recommend a dividend for the year ended 31 December 2010.

For the financial year 2011, the Board of Directors expects to recommend a dividend of DKK 4.35 per outstanding share, of which DKK 2.18 is expected to be distributed in August 2011 and the remainder in the first quarter of 2012.

Dividend policy

The Board of Directors has adopted a dividend payout policy of 80% to 85% of Equity Free Cash Flow in a given financial year with 40% to 50% of the full-year amount to be distributed in the third quarter of the year and the remainder to be distributed following approval of the Annual Report in the first quarter of the subsequent year. Dividends may be distributed in the form of ordinary or extraordinary dividends or share buy-back or a combination of these. Dividends paid to the Company's shareholders may be subject to tax withholdings.

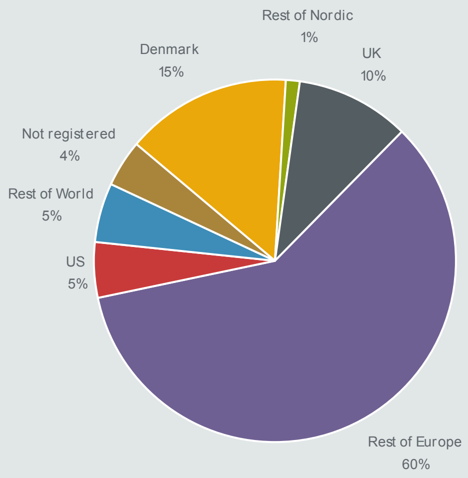
Appointment and replacement of members of the Board of Directors

According to the Company's Articles of Association, the Board of Directors shall consist of three to ten members elected by the Annual General Meeting. Board members elected by shareholders serve a one-year term and may be re-elected.

Amendments of Articles of Association

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

Shareholder geography (outstanding shares)



Authorisations to the Board of Directors

Until the Annual General Meeting 2011, the Board of Directors is authorised to decide that the Company, in accordance with the regulations of the Danish Companies Act, is permitted to acquire treasury shares at a nominal value of up to DKK 500m at a maximum price of DKK 100 per share of nominally DKK 1 and not lower than DKK 1 per share. Further, the authorisation shall be limited to a total acquisition of own shares of DKK 9bn. The authorisation has been utilised in connection with the Company's buy back of shares.

Ownership as of year-end 2010

	Number of shares	Distribution of shares
NTC (NTC Parent S.à r.l.)[1]	482,368,645	59.1%
Arbejdsmarkedets Tillægspension (ATP)	54,695,065	6.7%
Singapore Investment Corporation Pte Ltd.	42,857,463	5.3%
Other institutional shareholders	158,291,866	19.3%
Retail shareholders	45,570,535	5.6%
Not registered	32,974,793	4.0%
Total outstanding shares[2]	**816,758,367**	**100%**

Source: VP Securities and major shareholders.

1 Including 31,500,000 over-allotment shares returned to NTC pursuant to a stock lending agreement, cf. Company announcement 2/2011 of 14 January 2011.

2 The total number of shares outstanding is the total 991,875,885 shares issued minus 175,117,518 treasury shares (after the share buy-back and shares granted to employees). TDC may not vote in respect of its treasury shares at General Meetings.

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 effected by cash payment or by payment in values other than cash. Subscription of shares may disregard the pre-emption right of shareholders.

- Until 25 April 2011, the Board of Directors is authorised to issue warrants on one or more occasions to the managers of the Company or its subsidiaries as well as the Chairman and Vice Chairman of the Board of Directors to subscribe for shares in the Company at a nominal value of up to DKK 49,593,790 The subscription price cannot be lower than the listed share price on the trading day immediately prior to the Board's decision to use this authorisation. In connection with the decision to issue warrants the Board of Directors is authorised, until and including 25 April 2011, to increase the share capital of the Company on one or more occasions by a nominal amount of up to DKK 49,593,790 in total. The capital increase(s) shall be implemented by cash payment when the warrants are exercised. The shareholders shall have no pre-emption right to shares issued through the exercise of warrants. The Board of Directors is furthermore authorised to offer to those employees who are granted warrants pursuant to the abovementioned authorisation an agreement regarding taxation under article 7H of the Danish Tax Assessment Act, if the statutory prerequisites for this are otherwise met.

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

Share price

Trading activity in the TDC share was limited prior to the marketed offering of shares in TDC in December 2010. However, in the short period from the completion of the offering until year-end, the TDC share was the second most traded share on NASDAQ OMX Copenhagen.

On 10 May 2010, the Company completed a share split by which each share of nominal DKK 5 was split into five shares of nominal DKK 1. The total nominal share capital is unaffected by the share split.

Share price 2008-2010

Financial calendar 2011

13 January	Start of closed period prior to Financial Statements for 2010
25 January	Deadline for the Company's shareholders to submit a written request to have a specific business included in the agenda for the Annual General Meeting on 9 March 2011
3 February	Financial Statements for 2010
8 February	Annual Report 2010 public on investor.tdc.com
9 March	Annual General Meeting
13 April	Start of closed period prior to Interim Financial Statements January – March 2011
4 May	Interim Financial Statements January – March 2011
8 July	Start of closed period prior to Interim Financial Statements January – June 2011
29 July	Interim Financial Statements January – June 2011 including the Board of Director's decision to distribute interim dividend. The shares are being traded without dividend.
3 August	Payment of dividend
7 October	Start of closed period prior to Interim Financial Statements January – September 2011
28 October	Interim Financial Statements January – September 2011
31 December	End of financial year 2011

Financial calendar

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

TDC share information

Stock exchange	NASDAQ OMX Copenhagen
Share capital	DKK 991,875,885
Denomination	DKK 1
Number of shares	991,875,885
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.

Guidance

For the Company's guidance for 2011, please see 'Guidance' and investor.tdc.com.

Contacts

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

Flemming Jacobsen
Head of 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

Glossary and definitions

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

2.5 GHz refers to the frequency band with frequencies in the range 2500-2690 MHz. The 2.5 GHz band is well suited for launch of an LTE service, as it does not currently service any other traffic, and as the LTE equipment currently only supports 2.5 GHz frequencies.

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

Add-on service refers to any extra service that may be added to the basic offering.

ADM service or Application Development and Maintenance service refers to the development and maintenance of software applications.

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

ARPU refers to Average Revenue Per User is calculated per month. TDC calculates ARPU for a given product group as its total revenue divided by the average RGUs in the period. ARPU in Wholesale for mobility services includes inbound roaming revenue; for Pay-TV ARPU includes revenue from sale/lease of equipment.

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

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

Barcode refers to an optical machine-readable representation of data. Typically, barcodes represent data in the widths (lines) and the spacing of parallel lines, and may be referred to as linear or one-dimensional barcodes or symbolism.

Best Practice analysis refers to a pricing regulation method that implies that the interconnection price for Significant Market Power providers are equal to the prices charged by comparable operators, either domestic or international.

Blended ARPU refers to a weighted ARPU across segments or sub-products, i.e. ARPU across prepaid cards and mobile voice subscriptions or across Wholesale broadband products.

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

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

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

CAGR refers to compound annual growth rate.

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

Cash conversion refers to operating free cash flow divided by EBITDA.

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. The average number of customers for a given period 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 by the number of intermediate months plus 2. Different telecommunication companies calculate churn by using different methods.

CLV or Customer Lifetime Value, in marketing, refers to the 'present value' of future cash flows attributed to the customer relationship.

CMT refers to TDC's Corporate Management Team.

CMTS refers to a cable modem termination system.

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

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

Copper line loss refers to the net loss of copper lines in a given period in the TDC Group, including Wholesale lines. The number of copper lines is calculated as the sum of RGUs provided with PSTN, ISDN, VoIP, naked-BSA/xDSL and full ULL products and services.

Copper RGUs reflect the total number of RGU's on the copper network.

Copper RGU loss refers to the net loss of copper RGUs in a given period in the TDC Group, including Wholesale RGUs. The total number of RGUs is calculated as the sum of PSTN, ISDN, VoIP, BSA/xDSL, TV and full ULL customers.

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. Products handling telephony traffic range from large PABXs for the largest business customers, to single telephones sold to small business customers and retail customers. Products handling data traffic consist mainly of routers, switches, DSL modems and other equipment used to create LAN and WAN solutions.

CPS refers to content provider services.

CVR or Det Centrale Virksomhedsregister refers to a central registry of Danish businesses. The abbreviation, followed by an eight digit number, is used as a unique identifier of any company registered in Denmark.

DCS1 Licence refers to a specific licence to establish and operate a public mobile communications network (DCS1800) with associated basic services in Denmark, issued 12 June 1996, pursuant to section 3 and section 11(1)-(2) of Act No. 468 of 12 June 1996 on Public Mobile Communications.

DCS6 refers to a specific licence to establish and operate a public 2G mobile communications network with associated basic services in Denmark, issued December 21, 2000, pursuant to section 3 and section 11(1)-(2) of Act No. 468 of June 12, 1996 on Public Mobile Communications.

DCS1800 or Digital Cordless Standard 1800 refers to GSM operated in the 1800 MHz range.

Dial-up refers to an internet connection that uses a traditional landline connection.

DOCSIS or Data over Cable Service Interface Specification refers to communications and operation support interface requirements for a data-over-cable system. It permits the addition of high-speed data transfer to an existing cable TV (CATV) system. Three international DOCSIS standards have been adopted: DOCSIS 1.1, DOCSIS 2.0 and DOCSIS 3.0.

Dongle refers to a USB stick containing a modem used to obtain access to mobile broadband.

D-PON or DOCSIS-Passive Optical Network referes to a FTTH solution specifically designed for DOCSIS-based service providers. D-PON provides the benefits of a FTTH PON while maintaining the existing hybrid fibre-coaxial (HFC) back office systems, and thereby enables delivery of a full suite of DOCSIS 3.0 services over either HFC or fibre-based infrastructure.

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 the customers' premises.

DSLAM or Digital Subscriber Line Access Multiplexer refers to a network device, usually at a telecommunications company's exchange building or one of its nodes, that receives signals from multiple customer DSL connections and puts the signals on a high-speed backbone line using multiplexing techniques, ultimately allowing telephone lines to make faster connections to the internet.

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

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

Dual-play refers to the bundling of telephony and internet through one access channel only. Dual-play bundles are included as two customers in the total customer figures. All Fullrate xDSL customers are included as dual-play customers. A dual-play subscription must entail both services.

DWDM or Dense Wavelength Division Multiplexing refers to an optical technology used to increase bandwidth over existing fibre-optic backbone networks.

EBITDA refers to profit before interest, tax, depreciation, amortisation and special items.

EBITDA margin refers to the ratio between EBITDA and revenue.

ECSI refers to the European Customer Satisfaction Index, a standardised methodology for measuring customer satisfaction. It is based on customer telephone interviews by an external party, Rambøll; defined as a 3 months rolling average score.

EDGE or Enhanced Data rates for GSM Evolution refers to the GSM network coding that enables data to be sent and received seven times faster than over GSM, which allows interactive transmission of pictures, video postcards via email and other airborne multimedia. The coding technology has also been named 2.5G implying the inherence of some 3G like qualities although it utilises (parts of) the existing GSM infrastructure.

Employee broadband refers to services where an enterprise provides its employees with broadband for private use.

Employees (number of) refers to full-time employee equivalents, including permanent employees, trainees and temporary employees, excluding temporary staff.

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

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

EUL, Enhanced Uplink or High-Speed Uplink Packet Access (HSUPA) refers to a 3G mobile telephony protocol in the HSPA family with up-link speeds of up to 5.76 Mbps. The 3rd Generation Partnership Project (3GPP) does not support the name 'HSUPA', but instead uses the name Enhanced Uplink.

Fault rate refers to the share of customers that experience 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, divided by the number of subscribers. When looking at periods in the range of a month to a year, the average subscriber base is used, when looking at a week, the end of period number of subscribers are used.

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 highdemand applications.

Flat-rate refers to a price-structure that charges a single fixed fee for a service, regardless of usage.

Frame relay refers to a data communication service well suited for transmitting traffic between LANs or terminal points in a WAN. With frame-relay data is sent in packets of varying sizes, called frames and error corrections occur in the terminal points yielding a higher bit rate for the aggregate data transmission.

Free-to-air-TV refers to unencrypted TV, available without subscription (a licence fee is normally payable to the state).

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

FTTH or Fibre to the Home refers to the fibre-optic technology linking residential customers directly to the fibre network.

Gbps refers to gigabits per second.

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

HDTV or High-Definition Television refers to a digital television broadcasting system with a higher resolution than traditional television systems.

HFC or Hybrid Fibre Coax refers to a type of broadband network that combines optical fibre with coaxial cable hallmarked by higher data carrying capacities than the traditional DSL technology.

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

HSDPA, High Speed Downlink Packet Access or Turbo 3G refers to an enhancement of UMTS 3G technology that is expected to increase the available download speeds by a multiple of 5 or more.

HSPA or High Speed Packet Access refers to a technology comprising both HSDPA and HSUPA.

HSUPA or High Speed Uplink Packet Access is expected to improve the performance of uplink-dedicated transport channels, i.e. to increase capacity and throughput while reducing delays. HSUPA employs link adaptation methods similar to those used by HSDPA.

Hub refers to a device that splits one network cable into a set of separate cables, each connected to a different computer; used in a LAN to create a small-scale network by connecting several computers together.

IN or Intelligent Network refers to a network architecture allowing switched landline and mobile networks to provide enhanced services using service logic executed in a service layer of the network distinct from the switching layer.

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

Interconnection refers to provision of access to 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. In addition, IP gives each packet an assigned number so that the message completion can be verified. Before packets are delivered to their destination, the protocol carries unifying procedures so that they are delivered in their original form.
IP-Core refers to a network used to route and transport IP traffic between a number of major network nodes in Denmark and the other Nordic countries.

IP PBX refers to a telephone switch based on the VoIP technologies used by enterprises at the premises of a company and offers advanced applications. With an IP-PBX, the LAN is the platform for connecting IP phones over a packet network. This unifies the data applications and the voice network, but places demands on the packet prioritisation aspects of the LAN infrastructure to ensure user satisfaction with audio quality.

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

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

ISP or Internet Service Provider refers to a company that provides access to the internet.

kbps refers to kilobits per second.

LAN or Local Area Network refers to a short-distance data communications network (typically within a company) used to link computers, which allows data and printer sharing.

Landline telephony refers to PSTN/ISDN telephony and VoIP, unless otherwise indicated.

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 LRAIC method, prices are set as the average of the costs of services provided within an increment of providing regulated 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.

LRIC or Long Run Incremental Cost refers to a price regulation method where the interconnection prices are based on the costs of services provided with an increment of the regulated services.

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

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

Market share refers to TDC's share of total subscribers for a given product; Landline telephony, landline broadband, mobile voice, mobile broadband and Pay-TV market shares are estimated by reference to connections/channels. For mobile broadband and mobile voice, one connection is equal to one SIM card. For Pay-TV, one connection is equal to one subscription. Market shares as reported by TDC are based mainly on internal TDC estimates. Among other sources, TDC uses NITA’s biannual telecom statistics to estimate sizes and market shares of the total market. The numerator in the calculation of TDC market shares is not equal to the RGUs shown in the RGU base. The main differences are that market shares include internal TDC subscriptions (that are not RGUs) and landline telephony market shares are measured in proportion to the total number of channels, e.g. ISDN30 count as 30 channels but only 1 RGU. These principles are aligned with NITA’s definition.

Mbps refers to megabits per second.

MMS or Multimedia Messaging Service refers to a store and-forward messaging service that allows mobile customers to exchange multimedia messages with other mobile customers. It can be seen as an evolution of SMS, with MMS supporting the transmission of additional media types: picture, audio, video and combinations of them.

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

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

Mobile termination refers to the delivery of traffic to a mobile operator for the purpose of terminating the relevant traffic to any end-user who is connected to the operator's network. The mobile termination service covers all type of traffic to mobile handsets, including traffic from landline network, calls from other mobile networks or international traffic.

MoU or Minutes of Usage refers to minutes used per Subscriber per month.

MPLS or Multiprotocol Label Switching refers to a versatile solution for addressing the problems faced by present day networks such as speed, scalability, quality of service management and traffic engineering. The MPLS technology is used in the IP-Core.

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 NITA.

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

New market 1 refers to the market for access to the public telephone network at a fixed location for residential and business customers.

New market 2 refers to the market for call origination on the public telephone network provided at a fixed location.

New market 3 refers to the market for call termination on individual public telephone networks provided at a fixed location.

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

New market 5 refers to the market for wholesale broadband access.

New market 6 refers to the market for wholesale terminating segments of leased lines, irrespective of the technology used to provide leased or dedicated capacity.

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

NFC or Near Field Communication refers to a short-range high frequency wireless connectivity technology which enables the exchange of data between devices over a distance of about 10 cm.

NITA refers to the Danish National IT and Telecom Agency (in Danish, IT- og Telestyrelsen).

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.

Non-ionising radiation refers to any type of electromagnetic radiation that does not carry enough energy to completely remove an electron from an atom or molecule.

NRA refers to a national regulatory authority.

Operating free cash flow as defined by TDC refers to EBITDA from continuing operations adjusted for items with no cash flow effect, pension contributions, payments related to provisions, changes in net working capital and cash flow related to capital expenditure.

Original market 1 refers to the market for access to the public telephone network at a fixed location for residential customers.

Original market 2 refers to the market for access to the public telephone network at a fixed location for non-residential customers.

Original market 3 refers to the market for publicly available local and/or national telephone services provided for residential customers at a fixed location.

Original market 4 refers to the market for publicly available international telephone services provided at a fixed location for residential customers.

Original market 5 refers to the market for publicly available local and/or national telephone services provided at a fixed location for non-residential customers.

Original market 6 refers to the market for publicly available international telephone services provided at a fixed location for non-residential customers.

Original market 7 refers to the market for the minimum set of leased lines.

Original market 8 refers to the market for call origination on the public telephone network provided at a fixed location.

Original market 9 refers to the market for call termination on individual public telephone networks provided at a fixed location.

Original market 10 refers to the market for transit services in the public landline telephone network.

Original market 11 refers to the market for wholesale unbundled access (including shared access) to metallic loops and sub-loops for the purpose of providing broadband and voice services.

Original market 12 refers to the market for wholesale broadband access.

Original market 13 refers to the market for wholesale terminating segments of leased lines.

Original market 14 refers to the market for wholesale trunk segments of leased lines.

Original market 15 refers to the market for access and call origination on public mobile telephone networks.

Original market 16 refers to the market for voice call termination on individual mobile networks.

Original market 17 refers to the market for the national wholesale market for international roaming on public mobile networks.

Original market 18 refers to the market for broadcasting transmission services, i.e. to deliver broadcasting content to end users.

PABX or Private Automatic Branch Exchange is an automatic telephone switching system within a private enterprise. Originally, such systems — called private branch exchanges (PBX) — required the use of a live operator. Since almost all private branch exchanges are automatic today, the abbreviation PBX has been extended to PABX.

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

PoP or Point of Presence refers to a local access point to a communications network, e.g. the internet.

Postpaid refers to subscriptions that are paid for at the beginning of the period, whereas the usage charge, which varies depending on the tariff plan selected by the subscriber, is paid at the end of the period.

Prepaid refers to when the customer pays for a specified amount of credit for services upfront (i.e. via a scratch card). The credit diminishes as the customer uses the service. TDC considers online systems with prepayment characteristics to be mobile voice subscriptions, as users create accounts and generally remain subscribers longer. As a result, customers at Telmore and M1 are considered as mobile voice subscriptions.

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

PVR or Personal Video Recorder refers to a device that records video in a digital format to a disk drive or other memory media within a device. The term includes standalone set-top boxes, portable media players and software for personal computers that enable video capture and playback to and from disk.

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

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

RGU or Revenue Generating Unit refers to the total number of customer relationships that generate 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. The number of customers is not equal to the number of subscribers. An enterprise with 100 mobile voice subscriptions from TDC will be included as 100 RGUs in the RGU statement. As regards wholesale customers, a broadband provider with 20,000 Bit Stream Access (BSA) connections from TDC will be included as 20,000 RGUs. For other networks and data connections, the RGU category that is part of TDC's RGU base includes ULL, leased lines, fibre and data connection. Mobile broadband RGUs include mobile data cards and mobile broadband subscriptions. Dual- and triple-play bundles are included as two and three RGUs, respectively, in the total RGU figures. A YouSee TV customer subscribing to the digital TV add-on product YouSee Plus will be included as two TV RGUs. The term 'RGU' does not reflect the number of actual end-users, e.g. an ISDN30 connection counts only as one RGU in TDC's customer base even though this product may involve 30 end-users.

SDH or Synchronous Digital Hierarchy refers to a standard technology for synchronous data transmission on optical media and provides faster and less-expensive network interconnection than traditional PDH (Plesiochronous Digital Hierarchy) equipment. In digital telephone transmission, synchronous means the bits from one call are carried within one transmission frame. Plesiochronous means 'almost synchronous' or a call that must be extracted from more than one transmission frame.

SHDSL or Symmetric High-speed Digital Subscriber Line refers to DSL technology with symmetric data transmission.

SMB refers to small and medium-sized businesses.

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

SMS or Short Message Service refers to short text messages that can be sent and received on mobile phones.

SoHo or Small Office/Home Office refers to a category of businesses which is defined by, e.g. being fewer than two employees and with revenue for TDC of less than DKK 30,000 during the last year.

Special Items refers to significant amounts that cannot be attributed to normal operations such as provisions for restructuring costs and special write-downs for impairment of intangible assets and property, plant and equipment, as well as any reversals of such items. Special Items also includes large gains and losses related to divestments of enterprises and properties and adjustments to such gains and losses. A portion of Special Items has no cash flow impact.

Subscription 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.

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

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

TDC Group employee satisfaction index refers to an internal TDC survey conducted annually, covering substantially all Group employees in 2008 and 2009 and a significant portion of Group employees with respect to the nine-month period ended 30 September 2010.

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

Terrestrial Network refers to a ground-based telecommunications network.

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

Transfer pricing refers to the determination of prices concerning the transfer of goods and services between intra group entities.

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

Turbo 3G - see HSDPA.

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 instead of being delivered through the traditional radio frequency broadcast, satellite signal or cable TV formats. TVoIP can be either IPTV or Web TV.

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

UMTS or Universal Mobile Telecommunications Systems refers to a 3G network designed to provide a wide range of voice, high-speed data and multimedia services.

USO or Universal Source Obligations refers to obligations that can be imposed upon a dominant operator (usually the incumbent). This obligation includes a demand to meet any request for provisions of a number of basic telecommunications services to anybody within the country. The purpose of having an obligation is to ensure national coverage of certain basic telecommunications services also in remote rural areas, where provion of telecom service may be less profitable.

Value-at-Risk (VaR) is an estimate of the potential loss that could arise from changes in market conditions. The estimate is calculated using a probability-based approach for measuring the exposure to market risk. The calculation has a one year time horizon and a 95% confidence level.

Video-on-demand 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. Alternatively, VoIP can offer computer to computer calls, with unprioritised traffic. This traffic is generally of a lower quality and is affected by general network usage and will be interrupted by network congestion. TDC VoIP offers quality of service.

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

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

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.

WAP or Wireless Application Protocol refers to an open international standard for application layer network communications in a wireless communication environment. Its main use is to enable access to the internet from a mobile phone or PDA, but as modern handsets support full HTML, WAP is largely obsolete.

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