

Presentation of TDC's Annual Report by Henning Dyremose, President and CEO, at TDC's annual general meeting on March 17, 2005

Slide 1 - Front page

2004 was in many ways a strong year for TDC. It was so, even though 2004 was a year in which tough competition in the telecom sector became even tougher. Anyone following the daily press has been able to see for themselves that Denmark is a very difficult country in which to operate a telecom business. Several companies in the sector have displayed declining or negative earnings.

On this background, I am very pleased to be able to inform you that, seen from a financial perspective, 2004 has been a good year for TDC with increases in both revenues and earnings. As such it has been a year in which our financial development contributed to strengthening TDC as a company. We went into 2005 with a strong financial foundation, which gives us a good chance to deliver solid financial results also in 2005.

Slide 2 – Last year's challenges – We must win the mobile war in the Danish market

At last year's general meeting, I pointed to the four major challenges for TDC in 2004. They were:

1. winning the mobile war in the Danish market;
2. creating increased growth in revenues;
3. continuing our growth in earnings;

and

4. being at the forefront of the technological leap.

My reason for pointing out these four challenges was clear:

We were in the middle of the mobile war and envisaged that it was bound to lead to consolidation in the sector.

We had been lucky and skillful enough to reduce expenses in the previous years to such an extent that these savings contributed to ensuring our growth in earnings, but now it was necessary to support these savings with growth in revenues if we were to see continued growth in earnings.

And furthermore, we could see a year ahead of us in which new technologies would influence the telecom market, with third generation mobile telephony and Internet-based telephony solutions as the most obvious examples.

I will base my presentation of TDC's development in 2004 on these four challenges. And I want to illustrate that we have faced these challenges and responded to them in a way that has benefited customers, employees, and shareholders.

First let me take a look at the mobile war.

Slide 3 – Mobile war in the Danish market – Net revenues in the mobile business in Denmark

The tough competition in the Danish mobile market taken into consideration, we are pleased that we managed to increase net revenues by 16 percent from DKK 5.6bn in 2003 to DKK 6.5bn in 2004. This is a stronger increase than the 6 percent we achieved from 2002 to 2003.

This is a very strong indication of the company's excellent health. We have every reason to be pleased about our significant growth, because our growth in revenues makes it possible for us to continue our growth in earnings.

Slide 4 – Mobile war in the Danish market – EBITDA in the mobile business in Denmark

EBITDA is earnings before interest, tax, depreciation and amortization. In our sector, earnings at EBITDA level is a decisive factor. Therefore, EBITDA is earnings target I will use in my presentation today.

If we look at it from a historical point of view, we experienced an increase in EBITDA of 3 percent to DKK 1,672m from 2002 to 2003.

In 2004, we increased earnings with an impressive 22 percent to DKK 2,041m. This is very satisfactory and has been an important step toward strengthening our mobile business during the hard elimination race that is taking place these years in the Danish mobile market.

When we look at this development where we have experienced impressive growth both in net revenues and earnings, one could ask: What ever happened to the tough competition?

I would like to point out that these impressive results have been achieved in a particularly competitive market. This becomes very clear if we turn our attention for a minute to the development in our market share in the Danish mobile market.

Slide 5 – Mobile war in the Danish market – the war continues

This slide shows the development in market share in the Danish mobile market in two key areas: Customers and traffic minutes.

These are up-to-the minute figures. They come from the National IT and Telecom Agency's telecom statistics for the second half of 2004, which were published on March 1.

If we start by taking a look at the development in our market share of mobile customers, we see a decreasing trend. We have seen that our share of the Danish mobile customers has decreased from 48.0 percent in 2003 to 45.1 percent in 2004. This is a decrease that can hardly be ignored – it is the lowest market share we have had in years.

This development becomes even more significant when we consider the development in our share of the total traffic volume in the Danish mobile market. Here, we see a decrease in our market share from 47.9 percent in 2003 to 44.5 percent in 2004. However, the decrease looks even more significant, because we experienced a small increase in our market share during the first half of 2004 from the 47.9 percent to 48.2 percent.

If we go behind these figures, we can see that this decrease in market share covers the fact that we lost a little more than 60,000 customers in 2004. We did, on the other hand, increase our volume of traffic minutes by 17 percent, but growth in the market was even higher, which meant that our market share decreased.

What do these figures tell us?

They tell us exactly what I started out by telling you: Competition in the Danish mobile market is very tough indeed.

In the years to come, we must continue to pay attention to the mobile war in the Danish market in order to be able to deliver satisfactory results in this business area.

Slide 6 – Last year’s challenges – Creating increased growth in revenues

Now I would like for a minute to address the second challenge that we set out to face in 2004: Revenue growth in our total business.

Slide 7 - Development in TDC’s net revenues

Here, it is satisfactory that we – after a decrease of 1.4 percent in 2003 – have been capable of increasing revenues by 5.2 percent to DKK 43.6bn.

Last year, revenues in our Danish activities grew by 2.8 percent, whereas growth in revenues in our international activities was 8.1 percent. This means that presently, 47 percent of our revenues stem from TDC’s international activities. This is a reflection of TDC’s strategy: That we are working to maintain our position in the Danish market, while increasing our activities outside Denmark.

We are therefore seeing a clear – and expected – trend toward TDC having to stake on its international business to maintain and expand growth in our revenues.

Slide 8 – Last year’s challenge – Continued growth in earnings

This trend toward increased internationalization is also a factor when we take a look at the third challenge for 2004: Continued growth in earnings.

Slide 9 – Increasing EBITDA at TDC

In 2004, we succeeded in increasing EBITDA by 6.7 percent to DKK 12.4bn.

EBITDA from the Danish part of our business increased by 5.5 percent, whereas EBITDA from our international activities increased by 10.2 percent. I consider this growth very satisfactory. As mentioned earlier, these figures reflect the fact that a continuously increasing part of our earnings – now 25 percent of EBITDA – stems from our international activities.

I would like to take a closer look at these figures. They reflect great robustness at TDC. We have thus for the first time since 2001 experienced growth in earnings in all our business units. As can be seen from this slide, we are talking about increases ranging from TDC Solutions’ 3.2 percent to a doubling in the earnings at TDC Cable TV.

This is an expression that some business units have experienced growth in revenues and that all business units have managed to display the necessary attention as regards the development in costs.

A significant element of this adjustment of costs has been the reduction of the number of employees at TDC.

Slide 10 – Reduction in the number of employees in Denmark

During 2003, we reduced the number of employees by 5.4 percent and we decided that it was necessary to continue this development in 2004. This led to a reduction in 2004 of the number of full-time positions by 6.3 percent which meant that as at December 31, there were 14,998 full-time positions in Denmark.

Unfortunately - for our skillful employees - this development is absolutely necessary. When we invest increasingly in new high-tech solutions, the need for manual labor is reduced. In line with the intensification of this development, it is of vital importance that we adjust the workforce to suit the actual need. This development can be illustrated by comparing the composition of expenses at TDC Solutions and TDC Mobile.

Wages, salaries and pension costs at TDC Solutions total 31 percent of total expenses, whereas the corresponding figure for TDC Mobile's Danish business is 12 percent. There is nothing peculiar about this: TDC Mobile is a more technology-based business in which the need for manual labor is not as significant.

Even though it is a tough decision to reduce the number of employees, it is of vital importance that we display due diligence in order to maintain the health of our company. We owe this both to our customers, our shareholders and the employees who, also in future, will work in a company that is a healthy and strong place of work.

Slide 11 – Net income

This healthy financial development and tight cost control can also be seen in our net income. Last year we experienced an increase in net income excluding one-time items and fair value adjustments of 15.6 percent. This year we have not achieved net income growth and thus net income is unchanged at DKK 2,411m. Corrected for the sale of Belgacom, we can, however, recognize the healthy financial situation as net income excluding one-time items and fair value adjustments increased by 27.4 percent. And this is the most reliable basis of comparison.

Slide 12 - EBITDA compared with investments

When we look at EBITDA less investments, we have a target for the most important part of cash flow from operating activities. This cash flow tells us how many funds we are generating to finance future investments and/or to pay back to our owners. This slide behind me shows the difference between EBITDA and our capital expenditures over the last three years.

We have increased our earnings and reduced our capital expenditures, which has created a solid foundation to improve our cash flow. The difference between EBITDA and capital investments has increased from DKK 4.4bn in 2002 to DKK 6.2bn in 2003 and this growth continued in 2004 where the difference reached DKK 7.1bn. So in 2004, we have once again increased cash flow from operating activities.

This is very important as it gives us the financial freedom to make the right investments in the technology and the products that are the future of our company.

Slide 13 – Last year’s challenges – We must be at the forefront of the technological leap

My presentation of our satisfactory financial development in 2004 brings me to the last challenge for 2004: We must be at the forefront of the technological leap.

Slide 14 – The technological leap

Two of the aspects I mentioned last year were Internet-based telephony and third generation mobile telephony. In 2004, we have become ready to provide these new services to our customers.

With the acquisition of Song, we now have an expanded Nordic network, which makes it possible for us to offer Internet-based telephony and data solutions of a very high quality. This is of great importance to our customers where primarily our large customers with activities in several countries demand connected solutions. We are now able to deliver just that.

This year, TDC will also introduce a package with television, telephony and Internet via broadband. This brings us closer to those customers, who only wants one point of entry to the three services.

Finally, we have in 2004 prepared third generation mobile telephony, so that in 2005 we can offer third generation services now that both the market and the quality are about ready.

Slide 15 – Last year's challenges - Conclusion

When considering how TDC has met the four challenges in 2004, I look forward to 2005 optimistically. We have engaged in the mobile war and we have done well financially. However, with a slightly decreasing number of customers and market share, the mobile area will be a challenge for TDC in 2005 as well.

We have experienced satisfactory growth both in revenues and earnings. And we have prepared the leap to new technologies so that we are ready in 2005 in the markets that are ready for new solutions.

We have faced the challenges. And that has contributed to giving us a strong foundation for continued progress in 2005.

There are two other factors that also contribute to this foundation. And I would like to take a closer look at them.

Slide 16 – Strong foundation from 2004

This has to do with:

- Our general growth in the number of customers, but particularly the number of customers in the growth areas mobile and broadband.
- The significant reduction in our debt in 2004, which increases our independence and freedom of choice.

Both aspects contribute significantly to our expectations for continued growth in revenues and earnings in 2005.

Slide 17 – We are getting more and more customers

In 2004, TDC's total number of customers increased by 955,000 or 7.7 percent to 13.4m customers. This is a result of the fact that TDC's total number of customers in Denmark has increased by 0.4 percent, whereas the number of customers in our international activities has increased by an impressive 18.3 percent. Once again we see the strongest development outside Denmark.

This growth in the customer base is important. It is our customers who generate our revenues.

It does, however, not suffice to have many customers. They should preferably be satisfied and thereby loyal customers who are pleased with the service we provide. TDC must be known as the telecom company from which you may rightly expect more. As the company that is prepared to go the extra mile for our customers. We strive toward this every single day.

Slide 18 – Mobile and broadband customers

We have every reason to focus on mobile and broadband customers as they make up two potential future growth markets. Already today, we are experiencing how the lines between traditional services are disappearing – just think of telephony, which is transmitted via broadband connections or new services for mobile phones. We also see television, which is transmitted over broadband, and many other products that are based on the high speeds offered by different broadband solutions. This puts emphasis on the importance of having a strong position in the broadband market. New products will appear as customers and thus also the markets are ready for them.

From 2003 to 2004 alone, the number of mobile customers increased by 15 percent to 7.1m. This means that last year, we got more than 900,000 new mobile customers at TDC. The figure covers a small decrease in the number of Danish mobile customers, whereas we have increased the number of international customers.

Within broadband, TDC is also at the forefront. The number of broadband customers increased from 2003 to 2004 by 49 percent to 843,000 customers. Thereby, TDC has a good grip on these growth areas. This gives us a good foundation for continued growth in 2005.

Slide 19 - Reduction in net interest-bearing debt

Also on the debt side we saw positive developments in 2004 contributing to TDC's strong financial foundation. We acquired Song and NetDesign, but still managed to reduce net interest-bearing debt by DKK 8.7bn. This was, among other things, due to the divestment of Belgacom at a price of DKK 11.8bn and to increasing cash flow from operating activities.

This significant reduction in debt is very important for TDC. The smaller debt burden means a smaller interest burden, which in itself strengthens our possibilities of continuing our development of TDC when the right situations arise. This has also resulted in a solid credit rating. And thereby TDC can, should it prove necessary, raise loan capital on very favorable terms. All in all it means a higher level of financial freedom of choice. Both aspects contribute to a solid foundation for continued financial progress in the years to come.

On this note, I would like to turn my attention to the future.

Slide 20 – the TDC Group – outlook for 2005

I have several times pointed to the fact that the strong development in TDC's financial basis, our technological status, and number of customers provide a strong foundation for TDC's future development. This is reflected in our expectations for the coming year.

Even if competition will be tougher than ever before, both in Denmark and internationally, we expect to be able to continue our growth both in net revenues and EBITDA.

We thus expect that net revenues will this year grow by 4.9 percent to DKK 45.7bn and that EBITDA will grow by 3.8 percent to DKK 12.9bn. Growth in EBITDA is primarily driven by growth in data communications and Internet services as well as mobile telephony.

Net income is expected to decrease to DKK 1.8bn. This is primarily due to the fact that we – according to the present accounting principles - have expensed goodwill amortization of DKK 1.7bn, among other things, as a consequence of the acquisition of TDC Song. Furthermore, the remaining amount of depreciation is expected to increase, primarily as a consequence of the expansion of the network at TDC Switzerland.

Slide 21 – Challenges for 2005

I started my presentation by addressing the challenges we outlined last year for 2004. Let me therefore end by listing the challenges we are facing in 2005:

- Integration of Song
 - In 2005, we will establish joint monitoring of the Nordic network from one central location. This means enhanced security for our customers in the Nordic region. And after the establishment in the course of 2005, we will be able to reap the financial synergies inherent in operating the financially heavy, 24-hour manned monitoring from one location.
 - We will establish a Nordic sales organization to efficiently serve our customers with activities in more than one country. They must feel confident that we know them and their overall needs for communications solutions, so we can continue to provide optimum solutions at all times.
 - We must expand our Nordic product, Nordic IP VPN, which makes it possible for companies with departments in several Nordic countries to connect all departments in one network. Nordic IP VPN must be expanded with more facilities – among other things, voice over the IP network. One of the advantages for our customers is that product specifications, service level agreements, etc. are the same across the national borders.

- The mobile war continues
 - As mentioned earlier, TDC is in the midst of sensible development in the mobile area. There was, however, a warning signal on the development in market share in the Danish market – both of customers and traffic minutes. This bears witness of the tough competition, which we will also have to face in 2005 to maintain our position. We are aiming at both increasing earnings and reaching a market share of 50 percent of Danish mobile revenues.

- And finally, we must pursue the ambitious growth targets on net revenues and EBITDA in 2005. These targets can only be realized if all business areas focus on them and do their utmost in this tough competition.

Slide 22 - Conclusion

This may sound difficult. But I am very confident. Exactly because of the many skillful, proud and committed employees we have at TDC.

I would therefore like to thank all our employees at TDC, who work every day in order to reach the results that I have had the pleasure of presenting to you today. Their performance has been decisive for making 2004 a good year for TDC. And their performance will be decisive for good results in 2005 as well. I believe in this.

On this note I am pleased to be able to hand over the Annual Report for 2004 to the Chairman of the meeting and to the Annual General Meeting for comments.