

SIGNIFICANT ACCOUNTING POLICIES

The Annual Report 2002 of TDC has been prepared in accordance with the Danish Financial Statements Act, the accounting standards issued by the Danish Institute of State Authorized Public Accountants and the requirements of the Copenhagen Stock Exchange relating to the presentation of financial statements by listed companies.

Changes in accounting policies

As a consequence of the new Danish Financial Statements Act, the accounting policies have been changed as follows:

Significant changes:

- Minority passive investments and other financial assets are measured at fair value if the assets are not intended to be held to maturity, and all fair value adjustments are recognized in the Statements of Income. If the assets are held to maturity they are measured at the lower of amortized cost and recoverable amount. Previously, minority passive investments and other financial assets were measured at the lower of cost and estimated value at the balance sheet date.

- Proposed dividends are separated from retained earnings and shown as a separate item under shareholders' equity until adopted at the Annual General Meeting. Previously, proposed dividends not yet adopted by the Annual General Meeting were recognized as short-term debt.

- Derivative financial instruments are measured at fair value and recognized under other accounts receivable or other accounts payable. Previously, derivative financial instruments applied to reduce foreign currency risk were recognized at the spot rates at the balance sheet date, and premiums received or paid were recognized on a straight-line basis in the Statements of Income over the term of the derivative financial instrument.

Other minor changes:

- Development costs that meet certain criteria are capitalized as intangible assets and measured at cost including indirect production costs less accumulated amortization. Previously, development costs (except for computer software) were expensed in the Statements of Income as incurred.

- Indirect production costs associated with computer software purchased or developed for internal use are now capitalized. Previously, only direct costs were capitalized.

- Interest expenses in connection with production of property, plant and equipment and intangible assets are now capitalized. Previously, such interest expenses were expensed as incurred.

- Indirect production costs are now included in the cost of contract work in process. Previously, only direct production costs were included. Because contract work in process is measured at the selling price of the work performed, the change has no impact on net income and shareholders' equity.

- Marketable securities (current assets) are now measured at fair value. Previously, only listed securities were measured at fair value, whereas other securities were measured at the lower of cost and estimated fair value.

- On initial recognition, financial debts are now measured at cost and subsequently at amortized cost. Previously, differences between proceeds received and the redemption value were amortized on a straight-line basis over the term of the loan.

Impact on Consolidated Financial Statements

DKK m

	Previous accounting policies		Restatement due to change of accounting policies		Changed accounting policies	
	2002	2001	2002	2001	2002	2001
Earnings before interest, taxes, depreciation and amortization (EBITDA)	14,240	12,810	73	60	14,313	12,870
Depreciation, amortization and write-downs	(9,110)	(8,472)	(68)	(59)	(9,178)	(8,531)
One-time items ¹	3,055	(2,548)	(4,188)	0	(1,133)	(2,548)
Net financials ¹	(1,258)	(1,569)	3,391	782	2,133	(787)
Income before income taxes	6,927	221	(792)	783	6,135	1,004
Total income taxes	(1,620)	(1,366)	(66)	(59)	(1,686)	(1,425)
Minority interests' share of net income	98	407	(5)	0	93	407
Net income	5,405	(738)	(863)	724	4,542	(14)
Total assets	90,009	92,236	588	1,457	90,597	93,693
Deferred tax, net	3,098	2,672	172	106	3,270	2,778
Total liabilities ²	57,659	62,678	(2,368)	(2,259)	55,291	60,419
Shareowners' equity	32,350	29,558	2,956	3,716	35,306	33,274

¹ Adjustment due to change of accounting policies mainly relating to fair value adjustment of minority passive investments.

² Adjustment due to change of accounting policies mainly relating to dividends.

The accumulated effect of the changed accounting policies at the beginning of the fiscal year is recognized directly in shareowners' equity. Comparative figures and selected financial and operating data for previous years have been restated in accordance with the changed accounting policies.

Except for the changes mentioned above, accounting policies are unchanged from last year.

In addition to the changed accounting policies, certain minor changes have been made in the presentation of the Financial Statements as a consequence of the new Danish Financial Statements Act.

In addition, certain reclassifications have been made between accounting items and in the notes. These reclassifications have no effect on net income or shareowners' equity.

Consolidation policies

The Consolidated Financial Statements include the Financial Statements of the Parent Company and subsidiaries in which TDC A/S has a direct or indirect dominant influence. Furthermore, enterprises jointly owned and operated together with third parties and in which the parties have joint dominant influence are proportionally consolidated in the Consolidated Financial Statements. Other associated enterprises in which the Group has a significant influence are stated under the equity method.

The Consolidated Financial Statements have been prepared on the basis of the Financial Statements of TDC A/S and consolidated enterprises, which are drawn up in accordance with Group accounting policies combining items of a uniform nature. Proportionally consolidated enterprises are consolidated based on the Group's ownership share.

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

On acquisition of subsidiaries and associated enterprises as well as increases in the ownership shares

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herein, the purchase method is applied, and assets and liabilities acquired are measured at fair values on the date of acquisition. Provision is made for commitments concerning restructuring in acquired enterprises that have been decided and announced to the parties involved at the time of acquisition. The tax effect of the revaluation made and any provisions for restructuring costs is provided for.

Any remaining positive differences between cost and fair value of the assets and liabilities acquired, including provision for restructuring costs, are recognized in the Balance Sheets under intangible assets as goodwill and amortized on a straight-line basis over the estimated useful life not exceeding twenty years. Goodwill of less than DKK 50,000 is expensed in the year of acquisition.

Newly acquired enterprises are included in the Consolidated Financial Statements from the time of acquisition, while enterprises disposed of are included up to the time of disposal.

Comparative figures are not changed as a consequence of the acquisition or disposal of enterprises. The effect of such acquisitions and disposals on the Statements of Income is disclosed in the notes.

Minority interests

Items of subsidiaries are fully recognized in the Consolidated Financial Statements. The share of results and shareowners' equity in subsidiaries that is attributable to minority interests is recognized in separate items in the Statements of Income and Balance Sheets.

Foreign currency translation

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 payment are recognized as net financials in the Statements of Income.

Cash, marketable securities, loans and other amounts receivable or payable in foreign currencies are translated into Danish kroner at the official rates of exchange quoted at the balance sheet date. Translation adjustments are recognized as net financials in the Statements of Income.

The balance sheets and group goodwill of consolidated foreign enterprises are translated into Danish kroner at the official rates of exchange quoted at the balance sheet date, whereas the statements of income of the enterprises are translated into Danish kroner at the average rates of exchange dur-

ing the year. Translation adjustments arising from the translation into Danish kroner of shareowners' equity at the beginning of the year at the official rates of exchange quoted at the balance sheet date are recognized directly in shareowners' equity. This also applies to adjustments arising from the translation of the statements of income from the average rates of exchange during the year to the official rates of exchange quoted at the balance sheet date.

Translation adjustments of receivables from foreign consolidated enterprises that are considered to be part of the overall investment in the enterprise are recognized directly in shareowners' equity.

Translation adjustments of loans used to hedge investments in foreign subsidiaries and associated enterprises are recognized directly in shareowners' equity net of tax.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognized in the Balance Sheets at cost and subsequently remeasured at their fair values under other accounts receivable or other accounts payable.

Changes in the fair values of derivative financial instruments that qualify as

fair value hedges of a recognized asset or liability are recognized in the Statements of Income together with any changes arising in the value of the hedged asset or the hedged liability.

Changes in the fair values of derivative financial instruments that qualify as hedges of future cash flows are recognized directly in shareowners' equity until the hedged item is realized.

Translation adjustments of derivative financial instruments that qualify as net investment hedges in independent foreign subsidiaries or associated enterprises are recognized directly in shareowners' equity net of tax. Other changes in the fair value of derivative financial instruments are recognized in the Statements of Income.

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

Share options

The Group uses treasury shares to hedge its commitments under the share option scheme for the Board of Directors, the Executive Committee and other management employees. Provision is made on a current basis to cover the uncovered part of these commitments.

Commitments under the share option scheme are calculated as the difference between the market price of the Parent Company's shares on the balance sheet date and the exercise price of the options. If hedged, the commitments are calculated as the difference between the purchase price for the Group's treasury shares and the exercise price of the options.

Income recognition

Net revenues consist of goods and services provided during the year after deduction of VAT and rebates relating directly to sales. The percentage of completion method is used to determine revenues from contract work in process.

Work performed for own purposes and capitalized is recognized as income at an amount corresponding to the costs incurred. These costs are expensed.

One-time items

One-time items include significant amounts of a one-time nature that cannot be attributed to normal operations such as large divestment gains and losses, special impairment losses and provisions as well as any reversals thereof.

Research

Research costs are expensed as incurred. Contributions received from third

parties in connection with research projects are recognized as income concurrently with the incurrence of related expenses.

Intangible assets

Goodwill is recognized at cost less accumulated amortization and write-downs. Goodwill is amortized on a straight-line basis over the estimated useful life, determined on the basis of Management's experience within the individual business lines, however, not exceeding twenty years.

Rights, patents, licenses and other intellectual property are measured at cost less accumulated amortization and write-downs and amortized on a straight-line basis over their estimated useful lives not exceeding twenty years, commencing on the date of the assets' entry into service.

Development projects, including costs of computer software purchased or developed for internal use, are recognized as intangible assets if the costs can be calculated reliably and if they are expected to generate future economic benefits. Development projects are amortized after completion of the development work over a period of three to five years.

Costs of development projects include salaries, amortization and other costs

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that are directly or indirectly attributable to the development activities as well as interest expenses in the production period. Development projects that do not meet the criteria for inclusion in the Balance Sheets are expensed as incurred in the Statements of Income.

Acquisitions of individual items of intangible assets amounting to less than DKK 50,000 are expensed in the year of acquisition. Groups of minor assets acquired for collective use are capitalized and amortized over the estimated useful lives, not exceeding five years.

Intangible assets are written down to the lower of recoverable amount and carrying value.

Property, plant and equipment

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

Cost covers purchase price and costs directly attributable to the acquisition until the date on which the asset is ready for use. The cost of self-constructed assets includes direct and indirect payroll costs, materials, parts purchased and services rendered by sub-suppliers or contractors, indirect production costs as well as interest expenses in the construction period.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets commencing on the date of the assets' entry into service. The main depreciation periods are as follows:

Land and buildings

- Buildings, etc. 20 years

Telecommunications installations

- Cable installations 10-15 years
- Telephone exchange installations, etc. 8-10 years

Other installations

- Equipment on customers' premises 3-5 years
- Fixtures and fittings, motor vehicles, etc. 3-8 years

Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the lease, with a maximum of five years, and useful life.

During 2002, the estimated useful lives for certain types of telephone exchange installations have been changed from 10 years to 8 years and for motor vehicles from 5 years to 8 years. These changes have increased depreciation for 2002 by DKK 151m.

Fixed assets that have been disposed of or scrapped are eliminated from

accumulated cost and accumulated depreciation. Gains and losses arising from sale of property, plant and equipment are measured as the difference between the sales price less selling expenses and the carrying value at the time of sale. The resulting gain or loss is recognized in the Statements of Income under other operating income or other external charges.

Software which is an integral part of for example telephone exchange installations is capitalized and depreciated together with the related assets.

Installation materials are measured at the lower of weighted average cost and recoverable amount.

Other individual items of fixed assets with a cost of less than DKK 50,000 together with maintenance and repair expenses are charged directly to the Statements of Income. Groups of minor assets acquired for subleasing purposes or collective use are capitalized and depreciated over the estimated useful life of the individual asset, not exceeding five years.

Leased property, plant and equipment which qualify as capital leases are recorded as assets acquired.

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

Investments and other assets

Investments in subsidiaries and associated enterprises are recognized under the equity method in the Financial Statements of the Parent Company.

A proportional share of the enterprises' income before income taxes less amortization of goodwill is recognized under net financials in the Statements of Income. Intra-group profits and losses are eliminated. The share of the enterprises' tax charge is expensed under income taxes.

Investments in subsidiaries and associated enterprises are recognized in the Balance Sheets at the proportional share of the enterprises' equity value calculated in accordance with Group accounting policies adjusted for unrealized Group internal profits or losses and with addition of residual goodwill value. Net income and shareowners' equity of the Parent Company and the Group therefore coincide.

Subsidiaries and associated companies with negative equity value are measured at DKK 0, and any receivables from these companies are written down by the Parent Company's share

of the negative equity value. If the Parent Company has a legal or constructive obligation to cover the enterprise's negative balance, a provision for that obligation is recognized.

The total net revaluation of investments in subsidiaries and associated enterprises is allocated to revaluation surplus under the equity method under shareowners' equity in the Financial Statements of the Parent Company.

Minority passive investments and other financial assets are measured at fair values if the assets are intended to be disposed of before maturity. If the assets are held until maturity, they are measured at amortized cost. All fair value adjustments (except principal repayments) are recognized in the Statements of Income.

Inventories

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

Accounts receivable

Accounts receivable are measured at amortized cost. Write-downs for anticipated uncollectibles are based on individual assessments of major debtors and historically experienced

write-down for anticipated losses on other accounts receivable.

Contract work in process

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

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

Payments on account are offset against the value of the individual project to the extent that such billing does not exceed the amount capitalized. Received payment on account exceeding the amount capitalized is included under prepayments from customers.

Marketable securities

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

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Bonds which have been provided as security for loans raised under repurchase agreements are included in the Balance Sheets as marketable securities.

Treasury shares

The cost of treasury shares is deducted from shareowners' equity under retained earnings on the date of acquisition. Payments received in connection with the disposal of treasury shares are similarly recognized directly in shareowners' equity.

Dividends

Dividends expected to be distributed for the year are recorded in a separate item under shareowners' equity.

Dividends are recognized as a liability at the time of adoption by the Annual General Meeting.

Pensions

Pension costs for former civil servants and current members of the Group's pension funds, which all operate defined benefit plans, are calculated on the basis of the development in the actuarially determined pension obligations and on the basis of the yield on the pension funds' assets in accordance with US GAAP (Statements of Financial Accounting Standards No. 87 and No. 88). The difference between the market value of the pension funds' assets and the actuarially determined

pension obligations is included in the Balance Sheets under prepaid expenses or pension provisions, etc.

In accordance with US GAAP, pension costs related to former civil servants are amortized and recognized as expense over the average expected remaining service lives of the employees concerned.

Pension costs relating to the pension funds, pension contributions under collective and individual labor agreements and amortization of pension costs for former civil servants are expensed in the Statements of Income.

Current and deferred corporate income taxes

The tax for the year consisting of the current tax and changes in deferred tax is recognized in the Statements of Income with the proportional share attributable to the results for the year, and is recognized in shareowners' equity with the proportional share attributable to the items recognized directly in shareowners' equity.

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

Deferred tax is measured under the balance-sheet liability method comprising all temporary differences between net carrying value and net tax value of assets and liabilities at the balance sheet date except for temporary differences arising from goodwill where amortization for tax purposes is disallowed. In cases where alternative methods may be used for computation of the tax value, deferred tax is recognized on the basis of the company's intentions regarding use of the asset or settlement of the liability, respectively. Tax computed on expected dividends from subsidiaries and associated enterprises is also recognized as deferred tax. Provision for deferred tax comprises the reversal of tax benefit arising from loss(es) in foreign enterprises considered payable upon withdrawal from joint Danish taxation.

Deferred tax assets including the tax value of tax loss carry-forwards are recognized at the value at which they are expected to be realized, either by elimination in tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

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

Deferred tax is measured on the basis of the tax rules and tax rates in the

respective countries that will be effective under the legislation at the balance sheet date when the deferred tax is expected to be realized as current tax.

Total current tax payable is allocated to the Danish companies participating in joint taxation in proportion to their respective taxable incomes.

Other provisions

Other provisions are recognized when – as a consequence of an event occurred before or on the balance sheet date – the Group has a legal or constructive obligation and it is probable that economic benefits must be sacrificed to settle the obligation.

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

Financial debts

Interest-bearing loans are recognized initially at the proceeds received net of transaction expenses incurred. In subsequent periods, loans are measured at amortized cost so that the dif-

ference between the proceeds and the nominal value is recognized in the Statements of Income over the term of the loan.

Other financial debts are measured at amortized cost.

Statements of Cash Flow

Cash flows from operating activities are presented indirectly and are based on net income for the year adjusted for non-cash operating items, changes in working capital, interest received and paid as well as income taxes paid.

Cash flows from investing activities comprise the purchase and sale of intangible assets, property, plant and equipment as well as investments and other assets. Cash flows from acquired enterprises are recognized from the time of acquisition, while cash flows from enterprises disposed of are recognized up to the time of disposal.

Cash flows from financing activities comprise changes in long-term debt, bank loans, purchase of treasury shares and dividends to shareowners.

Cash and cash equivalents cover cash and marketable securities under current assets. Marketable securities cover short-term securities that are readily convertible into cash, and that involve an insignificant risk of changes in value.

Segment reporting

Segment information is presented in respect of business segments and geographical markets. The segment information is based on the Group's accounting policies, risks, exposures and internal financial reporting system.

Fixed assets in the segments cover fixed assets used directly in the operating activities of the segments, including intangible assets as well as property, plant and equipment.

Transactions between Group segments are carried out on an arm's length basis.

Segment liabilities cover liabilities that result from the operating activities of the segments, including pension provisions, other provisions, prepayments from customers, trade accounts payable, other accounts payable and deferred income.

United States Generally Accepted Accounting Principles (US GAAP)

As a consequence of the registration of American Depositary Shares (ADSS) with the United States Securities and Exchange Commission, the Company has prepared a summary of the effect on net income and shareowners' equity as if the Financial Statements had been prepared in accordance with

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generally accepted accounting principles in the United States.

Moreover, the main items of the Statements of Income, the Balance Sheets and Statements of Cash Flow are presented as if all the associated enterprises had been accounted for under the equity method and in accordance with Danish accounting principles.

Customer and traffic data

The number of customers is calculated at the end of the year, and includes customers with a subscription.

Furthermore, customers without subscription are included according to the following general rules. Definitions vary from company to company;

- Landline customers who have generated traffic within the last 12 months.
- Mobile customers who have been active within a period lasting up to 15 months.
- Internet customers who have been active within a period lasting up to 3 months.

Service provider customers are also included in the customer base.

Customers are calculated proportionally on the basis of ownership shares.

STATEMENTS OF INCOME

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TDC A/S			Note	TDC Group	
2001	2002			2002	2001
0	0	Net revenues	1, 2	51,155	51,564
0	0	Work performed for own purposes and capitalized		1,639	1,661
1,074	919	Other operating income		683	857
1,074	919	Total revenues		53,477	54,082
0	0	Transmission costs, raw materials and supplies		(18,482)	(20,165)
(464)	(343)	Other external charges		(10,737)	(11,866)
(204)	(200)	Wages, salaries and pension costs	3	(9,945)	(9,181)
(668)	(543)	Total operating expenses		(39,164)	(41,212)
406	376	Earnings before interest, taxes, depreciation and amortization		14,313	12,870
(5)	(9)	Depreciation, amortization and write-downs		(9,178)	(8,531)
401	367	Earnings before one-time items, interest and taxes		5,135	4,339
0	42	One-time items	4	(1,133)	(2,548)
401	409	Earnings before interest and taxes		4,002	1,791
1,670	6,425	Income before income taxes from investments	11	(10)	(55)
161	115	Fair value adjustments	5	3,257	623
2,044	2,802	Interest and other financial income	6	2,448	1,880
(2,785)	(3,591)	Interest and other financial expenses	7	(3,562)	(3,235)
1,090	5,751	Net financials		2,133	(787)
1,491	6,160	Income before income taxes		6,135	1,004
(1,457)	(1,572)	Income taxes related to income excl. one-time items and fair value adjustments		(1,899)	(1,843)
0	(13)	Income taxes related to one-time items	4	238	441
(48)	(33)	Income taxes related to fair value adjustments	5	(25)	(23)
(1,505)	(1,618)	Total income taxes	8	(1,686)	(1,425)
(14)	4,542	Income before minority interests		4,449	(421)
-	-	Minority interests' share of income excl. one-time items and fair value adjustments		57	355
-	-	Minority interests' share of one-time items	4	36	52
(14)	4,542	Net income		4,542	(14)
		Distribution of income			
	4,542	Net income for the year			
	23,480	Transferred from retained earnings			
	28,022	Total			
		It is proposed that the total amount be distributed as follows:			
	2,470	Dividends			
	4,672	Revaluation surplus under the equity method			
	20,880	Retained earnings			
	28,022	Total			

BALANCE SHEETS AT DECEMBER 31

ASSETS		DKK m		
TDC A/S		Note	TDC Group	
2001	2002		2002	2001
0	0	Goodwill	22,312	23,640
21	39	Rights, etc.	5,562	5,757
21	39	Intangible assets, net	9	27,874
0	0	Land and buildings	2,415	2,584
0	0	Telecommunications installations	25,866	26,796
1	0	Other installations	2,996	3,531
0	0	Installation materials	374	465
0	0	Property, plant and equipment under construction	1,324	936
1	0	Property, plant and equipment, net	10	32,975
43,220	42,702	Investments in subsidiaries	-	-
6,406	6,460	Amounts owed by subsidiaries	-	-
6,580	7,175	Investments in proportionally consolidated associated enterprises	-	-
0	87	Amounts owed by proportionally consolidated associated enterprises	-	-
1,015	738	Investments in other associated enterprises	1,302	1,074
22	25	Minority passive investments	256	2,042
0	5	Other financial assets	227	105
57,243	57,192	Investments and other assets, net	11	1,785
57,265	57,231	Total fixed assets	62,634	66,930
0	0	Merchandise inventories	922	1,077
0	0	Total inventories	922	1,077
0	0	Trade accounts receivable	12	10,431
0	0	Contract work in process	13	84
5,255	5,187	Amounts owed by subsidiaries	-	-
0	2	Amounts owed by proportionally consolidated associated enterprises	-	-
0	11	Amounts owed by other associated enterprises	11	0
0	0	Deferred tax assets	8	1,638
1,509	1,563	Tax receivable	8	252
1,057	594	Other accounts receivable	1,511	2,671
6,643	7,049	Prepaid expenses	14	7,520
14,464	14,406	Total accounts receivable	21,447	23,148
15	889	Marketable securities	2,915	971
0	0	Treasury shares	15	0
572	1,371	Cash	16	2,679
15,051	16,666	Total current assets	27,963	26,763
72,316	73,897	Total assets	90,597	93,693

LIABILITIES AND SHAREOWNERS' EQUITY

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TDC A/S			Note	TDC Group	
2001	2002			2002	2001
1,082	1,082	Common shares		1,082	1,082
8,652	8,652	Capital in excess of par value		8,652	8,652
3,011	2,222	Revaluation surplus under the equity method		-	-
18,166	20,880	Retained earnings		23,102	21,177
2,363	2,470	Proposed dividends		2,470	2,363
33,274	35,306	Shareowners' equity	17	35,306	33,274
-	-	Minority interests	18	550	681
104	55	Pension provisions, etc.	19	2,016	1,576
2,142	2,443	Deferred tax provisions	8	4,908	4,219
60	60	Other provisions	19	621	1,434
2,306	2,558	Total provisions		7,545	7,229
14,096	22,145	Bonds and long-term bank loans		27,708	20,462
28	13	Other long-term debt		1,086	1,662
14,124	22,158	Total long-term debt	20	28,794	22,124
1,427	312	Current maturities of long-term debt	20	935	2,135
12,373	1,194	Short-term bank loans	21	1,422	12,917
0	0	Prepayments from customers		277	260
129	69	Trade accounts payable		7,492	8,445
7,072	9,653	Amounts owed to subsidiaries		-	-
0	0	Tax payable	8	196	176
1,611	2,647	Other accounts payable		5,485	4,117
0	0	Deferred income		2,595	2,335
22,612	13,875	Total short-term debt		18,402	30,385
36,736	36,033	Total debt		47,196	52,509
39,042	38,591	Total liabilities		55,291	60,419
72,316	73,897	Total liabilities and shareowners' equity		90,597	93,693

Notes not referenced in the Financial Statements:

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STATEMENTS OF CASH FLOW

	Note	DKK m TDC Group	
		2002	2001
Net income		4,542	(14)
Reversal of depreciation, amortization and write-downs		9,178	8,531
Reversal of other items without effect on cash flow	32	(996)	3,002
Change in working capital	33	1,630	(2,050)
Cash flow from operating activities before net financials		14,354	9,469
Interest received		2,378	1,412
Interest paid		(3,103)	(2,842)
Cash flow from operating activities before tax		13,629	8,039
Corporate income tax paid		(1,088)	(1,039)
Cash flow from operating activities		12,541	7,000
Investment in subsidiaries and proportionally consolidated enterprises	34	(967)	(12,034)
Investment in property, plant and equipment		(6,423)	(7,910)
Investment in intangible assets and investments and other assets		(1,477)	(2,107)
Sale of subsidiaries and proportionally consolidated enterprises	35	0	218
Sale of property, plant and equipment		186	377
Sale of intangible assets and investments and other assets		6,249	458
Dividends received from associated enterprises		372	157
Cash flow from investing activities		(2,060)	(20,841)
Proceeds from long-term loans		9,017	12,322
Repayments of long-term debt		(2,507)	(3,091)
Change in short-term bank loans, excluding loans raised under repurchase agreements		(11,494)	2,972
Change in minority interests		82	704
Dividends paid		(2,363)	(2,264)
Acquisition of treasury shares		(137)	(132)
Cash flow from financing activities		(7,402)	10,511
Increase/(decrease) in cash and cash equivalents		3,079	(3,330)
Cash and cash equivalents at January 1	36	2,515	5,868
Cash and cash equivalents at December 31	36	5,594	2,538

NOTES

Note 1 Segment reporting, activities DKK m
TDC Group

	TDC Tele Danmark Group		TDC Mobile International Group		TDC Internet Group		TDC Cable TV Group	
	2002	2001	2002	2001	2002	2001	2002	2001
Net revenues	18,795	19,452	16,259	17,580	1,743	1,029	1,338	1,191
EBITDA ¹	6,018	6,898	3,228	2,332	48	(350)	30	(50)
EBIT ² before one-time items	3,248	4,323	1,686	798	(422)	(530)	(184)	(280)
EBIT ²	2,896	4,721	2,036	(1,963)	(1,107)	(530)	(184)	(280)
Intangible assets and property, plant and equipment	15,084	15,139	9,483	10,103	1,213	1,410	1,138	1,032
Liabilities	(12,477)	(11,037)	(6,576)	(11,552)	(2,651)	(1,707)	(819)	(656)
hereof segment liabilities ³	(5,020)	(5,256)	(3,275)	(4,179)	(1,079)	(915)	(702)	(551)
Capital expenditures excl. share acquisitions	3,072	3,629	1,645	3,529	762	631	248	252

DKK m

	TDC Directories Group		TDC Switzerland Group		Other ⁴		TDC Group	
	2002	2001	2002	2001	2002	2001	2002	2001
Net revenues	1,529	1,502	8,932	7,776	2,559	3,034	51,155	51,564
EBITDA ¹	439	503	1,269	(77)	3,281	3,614	14,313	12,870
EBIT ² before one-time items	331	413	(1,224)	(2,287)	1,700	1,902	5,135	4,339
EBIT ²	331	413	(1,224)	(2,595)	1,254	2,025	4,002	1,791
Intangible assets and property, plant and equipment	1,034	989	24,972	25,383	7,925	9,653	60,849	63,709
Liabilities	(1,084)	(915)	(10,893)	(11,075)	(20,791)	(23,477)	(55,291)	(60,419)
hereof segment liabilities ³	(239)	(256)	(3,761)	(3,988)	-	-	-	-
Capital expenditures excl. share acquisitions	29	22	1,557	1,709	386	1,417	7,699	11,189

TDC Mobile International Group, segmentation

DKK m

	Domestic operations		European network operators		Service providers (Talkline)		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
Net revenues	5,152	4,808	3,474	3,425	7,633	9,347	16,259	17,580
EBITDA ¹	1,618	1,340	1,117	878	493	114	3,228	2,332
EBIT ² before one-time items	884	807	440	233	362	(242)	1,686	798
EBIT ²	884	640	440	233	712	(2,836)	2,036	(1,963)
Intangible assets and property, plant and equipment	6,596	4,006	2,198	5,326	689	771	9,483	10,103
Liabilities	(8)	(3,511)	(3,317)	(3,972)	(3,251)	(4,069)	(6,576)	(11,552)
hereof segment liabilities ³	(1,080)	(1,216)	(758)	(845)	(1,437)	(2,118)	(3,275)	(4,179)
Capital expenditures excl. share acquisitions	704	1,933	881	1,282	60	314	1,645	3,529

¹ Earnings before interest, taxes, depreciation and amortization.

² Earnings before interest and taxes.

³ See definition under Significant Accounting Policies.

⁴ Incl. TDC A/S, TDC Services, Belgacom and eliminations. Belgacom is included with Net revenues of DKK 6,424m (2001: DKK 6,610m), EBITDA of DKK 2,564m (2001: DKK 2,465m) and EBIT of DKK 780m (2001: DKK 1,086m).

NOTES

	DKK m TDC Group							
	Domestic activities		Switzerland		Other international activities		TDC Group	
	2002	2001	2002	2001	2002	2001	2002	2001
Net revenues	22,768	22,884	8,932	7,776	19,455	20,904	51,155	51,564
EBITDA ¹	9,071	9,572	1,269	(77)	3,973	3,375	14,313	12,870
EBIT ² before one-time items	4,836	5,799	(1,224)	(2,287)	1,523	827	5,135	4,339
EBIT ²	4,836	5,861	(1,224)	(2,595)	390	(1,475)	4,002	1,791
Intangible assets and property, plant and equipment	21,575	21,621	24,972	25,383	14,302	16,705	60,849	63,709
Liabilities	(32,031)	(35,248)	(10,893)	(11,075)	(12,367)	(14,096)	(55,291)	(60,419)
hereof segment liabilities ³	(15,312)	(14,744)	(3,761)	(3,988)	(7,041)	(7,373)	-	-
Capital expenditures excl. share acquisitions	4,303	6,294	1,557	1,709	1,839	3,186	7,699	11,189

¹ Earnings before interest, taxes, depreciation and amortization.

² Earnings before interest and taxes.

³ See definition under Significant Accounting Policies.

Note 3 Wages, salaries and pension costs

DKK m

TDC A/S			TDC Group	
2001	2002		2002	2001
(182)	(179)	Wages and salaries	(9,198)	(8,682)
(19)	(18)	Pensions	(344)	(162)
(3)	(3)	Social security	(403)	(337)
(204)	(200)	Total	(9,945)	(9,181)
(17)	(12)	Remuneration for the Executive Committee ¹	(12)	(17)
(2)	(2)	Remuneration for the Board of Directors	(2)	(2)
		The average number of full-time employee equivalents is specified as follows: ²		
290	331	Total excl. of proportionally consolidated enterprises	22,497	22,167
-	-	Proportionally consolidated enterprises (TDC's share)	4,276	4,844
290	331	Total ³	26,773	27,011
-	-	Average number of full-time employee equivalents in proportionally consolidated enterprises, total	24,941	28,933

¹ Wages and salaries do not include remuneration for James N. Wilson as this is comprised in the fees for employees stationed in Denmark by SBC Communications Inc.

² Employees in acquired enterprises are included as the average number of full-time employee equivalents from the time of acquisition until December 31.

Employees in enterprises disposed of are included as the average number of full-time employee equivalents from January 1 to the time of disposal.

³ The number denotes the average number of full-time equivalents including permanent employees, trainees and temporary employees.

The definition has been changed slightly compared with 2001.

Share option program

In 1998, TDC introduced a revolving share option program comprising TDC's Danish operations and managers stationed in foreign enterprises. After the Earnings Release for the year has been published, share options are granted to participants in accordance with contracts of employment. The number of options is based on an agreed percentage of the employee's basic salary and a calculated price per option (number of options = basic salary times option percentage divided by price per option). The option percentage varies for the different employees within a range of 20–30%. In addition, share options are granted on an individual basis in special cases. The option price is calculated at the time of granting using the Black-Scholes formula. The share option exercise price is determined as TDC's share price on the Copenhagen Stock Exchange on the day of granting.

One third of the options granted for a given year may be exercised one year after the granting, another third one year later, and the last third one year after that. Options may be exercised only during four-week periods following the publication of the Earnings Releases. Share options that are not exercised within ten years of granting are canceled.

Share options are granted to the Danish members of the Executive Committee according to the above-mentioned principles.

The Chairman of the Board receives 2,500 share options a year, and other Danish members of the Board receive 500 share options annually.

Bonus program

The around 300 top managers participating in the share option program also participate in the Top Managers' Compensation Program Bonus Scheme, and around 1,870 managers and specialists participate in a bonus scheme called the Managers' Compensation Program.

The bonus program is based on specific, individual annual targets including personal, financial and operational targets. These targets depend on the organizational position of the employee within the Company and are weighted in accordance with specific rules. Naturally, all targets must support improved profitability and business development at TDC.

Bonus payments are calculated as the individual employee's basic salary times the bonus percentage times the degree of target fulfillment. The bonus percentage achieved when targets are met is called the on-target bonus percentage. For the Top Managers' Compensation Program, this percentage is fixed in the contract of employment with the individual employee and varies within a range of 10–25%. The on-target bonus percentage is somewhat lower for the Managers' Compensation Program. In 2002, the bonus could as a main rule be maximum 200% of the on-target bonus. The bonus program for the Danish members of the Executive Committee is merely based on financial targets.

NOTES

Share options

TDC Group¹

	Board of Directors (Number)	Executive Committee (Number)	Other management employees (Number)	Total (Number)	Average exercise price per option in DKK	Average market value per option in DKK ²	Total Market value in DKKm ²
Outstanding at January 1, 2001	4,500	225,083	446,675	676,258	455	103	69.4
Share options issued March 2001	0	35,462	497,363	532,825	263	78	41.7
Share options issued April 2001	5,500	0	0	5,500	309	97	0.5
Share options issued August 2001	0	13,109	0	13,109	290	85	1.1
Exercised in 2001	0	0	0	0	-	-	-
Canceled in 2001	0	0	(46,115)	(46,115)	389	97	(4.5)
Value adjustment	-	-	-	-	-	-	4.9
Outstanding at December 31, 2001	10,000	273,654	897,923	1,181,577	369	96	113.1
Change of Executive Committee	-	(95,113)	95,113	-	-	-	-
Share options issued March 2002	0	9,457	504,968	514,425	282	80	41.2
Share options issued April 2002	5,500	0	0	5,500	250	75	0.4
Share options issued September 2002	0	21,355	0	21,355	200	54	1.2
Share options issued December 2002	0	0	36,000	36,000	174	39	1.4
Exercised in 2002	0	0	0	0	-	-	-
Canceled in 2002	0	0	(106,282)	(106,282)	350	96	(10.2)
Value adjustment	-	-	-	-	-	-	(107.2)
Outstanding at December 31, 2002	15,500	209,353	1,427,722	1,652,575	336	24	39.9

¹ The number of share options for the Board of Directors and the Executive Committee is identical for TDC A/S and the TDC Group.

² Calculations of market values at issuance and at year-end have been based on the Black-Scholes option pricing model. The following assumptions have been used for the calculation at year-end 2002: a dividend per share of DKK 11.50, a volatility of 42%, a risk-free interest rate of 3.9% - 4.5% and remaining option lives of 6-10 years.

Number of share options

TDC A/S / TDC Group

	At January 1, 2002	Issued during the year	Exercised during the year	Canceled during the year	At December 31, 2002	Market value in DKKm ¹
Present Board of Directors²						
Knud Heinesen	4,000	2,500	0	0	6,500	0.16
Leif Hartmann, Niels Thomas Heering, Steen Jacobsen, Bo Stenør Larsen, Bo Magnussen and Erik Sprunk-Jansen	1,000 each	500 each	0 each	0 each	1,500 each	0.03 each
Executive Committee						
Henning Dyremose	123,490	21,355	0	0	144,845	3.16
Hans Munk Nielsen	55,051	9,457	0	0	64,508	1.39
James N. Wilson	0	0	0	0	0	-

¹ Calculations of market values at issuance and at year-end have been based on the Black-Scholes option pricing model. The following assumptions have been used for the calculation in 2002: a dividend per share of DKK 11.50, a volatility of 42%, a risk-free interest rate of 3.9% - 4.5% and remaining option lives of 6-10 years.

² The other members of the Board of Directors hold no share options in TDC A/S.

The exercise prices of outstanding options are specified as follows:

TDC A/S			TDC Group	
2001	2002	Share options (numbers)	2002	2001
0	36,000	Exercise price in the interval DKK 150-200	36,000	0
143,617	252,281	Exercise price in the interval DKK 200-300	1,016,327	532,817
193,995	187,994	Exercise price in the interval DKK 300-400	309,853	333,327
65,014	40,275	Exercise price in the interval DKK 400-500	113,228	126,565
9,830	9,830	Exercise price in the interval DKK 500-600	9,830	9,830
73,456	31,845	Exercise price in the interval DKK 600-700	167,337	179,038
485,912	558,225	Total	1,652,575	1,181,577

Number of shares in TDC A/S

	TDC A/S / TDC Group	
	2002	2001
Present Board of Directors¹		
Knud Heinesen	220	220
Leif Hartmann, Steen Jacobsen and Bo Stenør Larsen	155 each	153 each
Niels Thomas Heering	348	348
Bo Magnussen	5	3
Total	1,038	1,030
Executive Committee		
Henning Dyremose	31,580	31,578
Hans Munk Nielsen	155	153
James N. Wilson	0	0
Total	31,735	31,731

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

Note 4 One-time items

DKKm

TDC A/S			TDC Group	
2001	2002		2002	2001
0	0	Profit on sale of major enterprises	466	1,144
0	0	Impairment losses	(1,066)	(2,243)
0	42	Restructuring costs, etc.	(533)	(1,449)
0	42	One-time items before tax	(1,133)	(2,548)
0	(13)	Income taxes related to one-time items	238	441
0	29	One-time items after tax	(895)	(2,107)
-	-	Minority interests' share of one-time items	36	52
0	29	One-time items, net	(859)	(2,055)

NOTES

Note 5 Fair value adjustments

DKK m

TDC A/S			TDC Group	
2001	2002		2002	2001
2	113	Fair value adjustments of minority passive investments	3,119	581
159	2	Other fair value adjustments	138	42
161	115	Fair value adjustments before tax	3,257	623
(48)	(33)	Income taxes related to fair value adjustments	(25)	(23)
113	82	Fair value adjustments after tax	3,232	600

Note 6 Interest and other financial income

DKK m

TDC A/S			TDC Group	
2001	2002		2002	2001
1,454	2,127	Interest income	2,448	1,804
442	675	Interest from subsidiaries and associated enterprises	-	-
148	0	Currency translation adjustments, net	0	76
2,044	2,802	Total	2,448	1,880

Note 7 Interest and other financial expenses

DKK m

TDC A/S			TDC Group	
2001	2002		2002	2001
(2,312)	(3,237)	Interest expenses	(3,485)	(3,235)
(473)	(350)	Interest to subsidiaries and associated enterprises	-	-
0	(4)	Currency translation adjustments, net	(77)	0
(2,785)	(3,591)	Total	(3,562)	(3,235)

Note 8 Income taxes

DKK m

TDC A/S				TDC Group		
Charged to the Statements of Income	Corporate income tax payable (tax receivable)	Deferred tax provision (tax asset)		Charged to the Statements of Income	Corporate income tax payable (tax receivable)	Deferred tax provision (tax asset)
-	(1,509)	2,124	At January 1, 2002, net	-	27	2,672
-	-	18	Adjustment relating to changes in accounting policies	-	-	106
-	-	-	Currency translation adjustments, net	-	0	(13)
-	0	0	Additions and disposals relating to acquisition and sale of enterprises	-	0	5
174	(484)	310	Income taxes	(1,681)	1,190	491
(38)	47	(9)	Adjustment of tax for previous years	21	(30)	9
-	(151)	0	Tax related to changes in shareowners' equity	-	(155)	0
(1,754)	-	-	Tax on income in subsidiaries and associated enterprises	(26)	-	-
-	1,535	-	Tax refund relating to prior years	-	253	-
-	(1,001)	-	Tax paid on account relating to 2002	-	(1,341)	-
(1,618)	(1,563)	2,443	Total	(1,686)	(56)	3,270
			which can be specified as follows:			
-	0	2,443	Tax payable/deferred tax provision	-	196	4,908
-	(1,563)	0	Tax receivable/deferred tax assets	-	(252)	(1,638)
-	(1,563)	2,443	Total	-	(56)	3,270

Reconciliation of effective tax rate

	TDC Group	
	2002	2001
Danish statutory corporate income tax rate	30.0	30.0
Book amortization of goodwill disallowed for tax purposes	10.4	14.5
Other non-taxable income and non-tax deductible expenses	0.3	(0.8)
Tax value of non-capitalized tax losses	3.3	8.5
Tax rate, foreign enterprises	4.1	9.9
Other	(0.8)	0.8
Effective tax rate excluding one-time items and fair value adjustments	47.3	62.9
One-time items and fair value adjustments	(19.8)	79.0
Effective tax rate including one-time items and fair value adjustments	27.5	141.9

NOTES

Deferred tax, net	DKKm			
				TDC Group
			2002	2001
	Tax assets	Tax liabilities	Total	
Allowances for uncollectibles	(174)	0	(174)	(3)
Provisions for redundancy payments	(89)	0	(89)	(346)
Current	(263)	0	(263)	(349)
Intangible assets	(171)	212	41	79
Property, plant and equipment	(490)	3,065	2,575	2,626
Investments and other assets	0	0	0	7
Prepaid expenses	0	2,147	2,147	2,021
Tax loss carry-forwards	(1,162)	0	(1,162)	(1,121)
Pension provisions	(380)	0	(380)	(544)
Other	(73)	385	312	59
Non-current	(2,276)	5,809	3,533	3,127
Deferred tax, net at December 31	(2,539)	5,809	3,270	2,778

The Group's capitalized tax loss carry-forwards are expected to be utilized before the end of 2010.

Furthermore, the Group has tax losses to carry forward against future taxable income that have not been capitalized in these Financial Statements due to uncertainty of their recoverability. At December 31, 2002, these tax losses amounted to a tax value of DKK 521m, compared with DKK 453m at December 31, 2001.

Most of the Danish Group companies and some foreign subsidiaries participate in joint taxation. The total tax payable is allocated to the Danish companies participating in joint taxation in proportion to their respective taxable incomes.

The income tax effect related to the restructuring of Talkline in 2001 was based on an estimate. The final effect is subject to a decision by the Danish tax authorities.

Together with the other Group companies participating in joint taxation, TDC A/S assumes joint and several liability for the tax liability at any given time.

Note 9 Intangible assets

DKKm

TDC A/S		TDC Group		
Rights, etc.		Goodwill	Rights, etc.	Total
28	Accumulated cost at January 1, 2002	26,863	9,125	35,988
-	Adjustment relating to changes in accounting policies	-	303	303
-	Reclassification in accordance with the new Danish Financial Statements Act	-	(1,106)	(1,106)
0	Currency translation adjustments, net	342	(73)	269
27	Additions during the year	798	1,202	2,000
0	Additions relating to the acquisition of enterprises	0	7	7
0	Disposals relating to changed consolidation of investments	(72)	(344)	(416)
0	Assets disposed of or fully amortized during the year	(178)	(1,010)	(1,188)
55	Accumulated cost at December 31, 2002	27,753	8,104	35,857
(7)	Accumulated amortization and write-downs at January 1, 2002	(3,223)	(2,804)	(6,027)
-	Adjustment relating to changes in accounting policies	-	(110)	(110)
-	Reclassification in accordance with the new Danish Financial Statements Act	0	349	349
0	Currency translation adjustments, net	(36)	(35)	(71)
(9)	Amortization for the year	(1,443)	(1,010)	(2,453)
0	Write-downs during the year	(837)	(82)	(919)
0	Disposals relating to changed consolidation of investments	29	79	108
0	Assets disposed of or fully amortized during the year	69	1,071	1,140
(16)	Accumulated amortization and write-downs at December 31, 2002	(5,441)	(2,542)	(7,983)
39	Carrying value at December 31, 2002	22,312	5,562	27,874
21	Carrying value at December 31, 2001	23,640	5,757	29,397
0	Carrying value of capitalized interest at December 31, 2002	-	236	236
0	Carrying value of capitalized interest at December 31, 2001	-	108	108

The carrying value of UMTS licenses in countries where the UMTS network is not in operation amounts to DKK 1,761m compared with DKK 1,699m in 2001.

Interest capitalized during 2002 amounts to DKK 151m compared with DKK 108m in 2001.

NOTES

DKKkm

TDC Group

Note 10 Property, plant and equipment

	Land and buildings	Tele-communications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
Accumulated cost at January 1, 2002	4,815	58,172	6,440	495	940	70,862
Adjustment relating to changes in accounting policies	-	317	-	-	-	317
Reclassification in accordance with the new Danish Financial Statements Act	-	-	1,045	-	-	1,045
Currency translation adjustments, net	(12)	(53)	1	0	10	(54)
Transfers (to)/from other items	6	1,022	94	31	(1,153)	0
Additions relating to the acquisition of enterprises	0	32	14	0	0	46
Work performed for own purposes and capitalized	1	1,455	33	0	150	1,639
Acquisitions from third parties	158	2,202	1,000	2	1,471	4,833
Disposals relating to the divestment of enterprises	(56)	0	0	0	0	(56)
Disposals relating to changed consolidation of investments	(4)	(568)	(56)	0	(49)	(677)
Assets disposed of during the year	(945)	(3,929)	(1,143)	(56)	(6)	(6,079)
Accumulated cost at December 31, 2002	3,963	58,650	7,428	472	1,363	71,876
Accumulated depreciation and write-downs at January 1, 2002	(2,231)	(31,557)	(3,605)	(30)	(4)	(37,427)
Adjustment relating to changes in accounting policies	-	(136)	-	-	-	(136)
Reclassification in accordance with the new Danish Financial Statements Act	-	-	(349)	-	-	(349)
Currency translation adjustments, net	1	36	3	0	0	40
Transfers to/(from) other items	(8)	4	44	(30)	(10)	0
Additions relating to the acquisition of enterprises	0	0	(5)	0	0	(5)
Disposals relating to the divestment of enterprises	12	0	0	0	0	12
Disposals relating to changed consolidation of investments	1	214	14	0	0	229
Assets disposed of during the year	895	3,669	1,058	0	6	5,628
Depreciation for the year	(217)	(4,711)	(1,456)	0	(13)	(6,397)
Write-downs during the year	(1)	(303)	(136)	(38)	(18)	(496)
Accumulated depreciation and write-downs at December 31, 2002	(1,548)	(32,784)	(4,432)	(98)	(39)	(38,901)
Carrying value at December 31, 2002	2,415	25,866	2,996	374	1,324	32,975
Carrying value at December 31, 2001	2,584	26,796	3,531	465	936	34,312
Carrying value of capital leases at December 31, 2002	0	1,973	2	-	-	1,975
Carrying value of capital leases at December 31, 2001	23	2,398	6	-	-	2,427
Carrying value of capitalized interest at December 31, 2002	0	152	0	-	59	211
Carrying value of capitalized interest at December 31, 2001	0	158	0	-	23	181

Interest capitalized during 2002 amounts to DKK 36m compared with DKK 47m in 2001.

At January 1, 2002, the value of land and buildings assessed for Danish tax purposes amounted to DKK 3,027m, compared with DKK 2,826m at January 1, 2001.

At December 31, 2002, the carrying value of land and buildings, unassessed for Danish tax purposes, amounted to DKK 967m, compared with DKK 1,314m at December 31, 2001.

The TDC Group has recourse guarantee obligations of payment and performance in connection with lease contracts. Reference is made to note 27 Contingent liabilities.

The carrying value of mortgaged assets amounted to DKK 929m at December 31, 2002, compared with DKK 929m at December 31, 2001.

NOTES

Note 11 Investments and other assets

DKKm

	TDC Group			
	Investments in other associated enterprises	Minority passive investments	Other financial assets	Total
Accumulated cost at January 1, 2002	929	595	96	1,620
Reclassification in accordance with the new Danish Financial Statements Act	0	52	9	61
Currency translation adjustments, net	1	(1)	(1)	(1)
Additions during the year	218	10	12	240
Additions relating to changed consolidation of investments	306	164	142	612
Disposals during the year	(37)	(577)	(31)	(645)
Accumulated cost at December 31, 2002	1,417	243	227	1,887
Accumulated write-ups and write-downs at January 1, 2002	145	299	0	444
Adjustment relating to changes in accounting policies	0	1,096	0	1,096
Currency translation adjustments, net	(21)	1	0	(20)
Additions relating to changed consolidation of investments	213	0	0	213
Write-ups and write-downs for the year:				
• Income before income taxes (net)	(10)	-	-	(10)
• One-time items	(28)	-	-	(28)
• Income taxes	(27)	-	-	(27)
• Dividends received	(372)	-	-	(372)
• Fair value adjustments	-	3,119	0	3,119
Disposals during the year	(15)	(4,502)	0	(4,517)
Accumulated write-ups and write-downs at December 31, 2002	(115)	13	0	(102)
Carrying value at December 31, 2002	1,302	256	227	1,785
Carrying value at December 31, 2001	1,074	2,042	105	3,221

The carrying value of associated enterprises includes goodwill of DKK 231m at December 31, 2002 compared with DKK 182m at December 31, 2001. Additions during the year amounted to DKK 93m. Amortization for the year aggregated DKK 56m.

Income before income taxes from investments

DKKm

TDC A/S			TDC Group	
2001	2002		2002	2001
(15)	5,368	Subsidiaries	-	-
897	1,099	Proportionally consolidated enterprises	-	-
788	(42)	Other associated enterprises	(10)	(55)
1,670	6,425	Total	(10)	(55)

TDC A/S

	Invest- ments in subsidiaries	Amounts owed by subsidiaries	Invest- ments in proportionally consolidated associated enterprises	Amounts owed by proportionally consolidated associated enterprises	Invest- ments in other associated enterprises	Minority passive invest- ments	Other financial assets	Total
Accumulated cost at January 1, 2002	42,443	6,406	4,501	0	860	12	0	54,222
Currency translation adjustments, net	371	99	0	0	0	0	0	470
Transfers (to)/from other items	(21)	(58)	(25)	48	46	0	10	0
Additions during the year	413	6,870	0	39	130	0	5	7,457
Disposals during the year	(325)	(6,857)	0	0	0	0	(10)	(7,192)
Accumulated cost at December 31, 2002	42,881	6,460	4,476	87	1,036	12	5	54,957
Write-ups and write-downs at January 1, 2002	(527)	0	2,082	0	155	0	0	1,710
Adjustment relating to changes in accounting policies	1,304	0	(3)	0	0	10	0	1,311
Currency translation adjustments, net	(234)	0	3	0	(4)	0	0	(235)
Transfers to/(from) other items	15	0	7	0	(22)	0	0	0
Write-ups and write-downs for the year:								
• Income before income taxes (net)	5,368	-	1,099	-	(42)	-	-	6,425
• Income taxes	(1,552)	-	(188)	-	(13)	-	-	(1,753)
• Dividends received	(4,900)	-	(301)	-	(372)	-	-	(5,573)
• Fair value adjustments	-	-	-	0	-	3	0	3
Disposals during the year	347	0	0	0	0	0	0	347
Write-ups and write-downs at December 31, 2002	(179)	0	2,699	0	(298)	13	0	2,235
Carrying value at December 31, 2002	42,702	6,460	7,175	87	738	25	5	57,192
Carrying value at December 31, 2001	43,220	6,406	6,580	0	1,015	22	0	57,243

The carrying value of investments in subsidiaries includes goodwill of DKK 16,813m at December 31, 2002 compared with DKK 17,116m at December 31, 2001. Additions during the year amounted to DKK 327m and amortization for the year aggregated DKK 908m.

The carrying value of investments in proportionally consolidated enterprises includes goodwill of DKK 2,858m at December 31, 2002 compared with DKK 3,085m at December 31, 2001. There were no additions during the year, while amortization for the year aggregated DKK 216m.

The carrying value of investments in other associated enterprises includes goodwill of DKK 231m at December 31, 2002 compared with DKK 194m at December 31, 2001. Additions during the year amounted to DKK 93m and amortization for the year aggregated DKK 54m.

NOTES

Note 12 Trade accounts receivable

DKK m

	TDC Group	
	2002	2001
Trade accounts receivable	12,493	13,255
Allowances for uncollectibles	(2,062)	(1,635)
Total	10,431	11,620

Note 13 Contract work in process

DKK m

	TDC Group	
	2002	2001
Value of contract work in process	331	289
Billing on account	(247)	(155)
Total	84	134
Profit included in the carrying value	50	45
Total revenues for the year	1,039	1,248

Note 14 Prepaid expenses

DKK m

TDC A/S			TDC Group	
2001	2002		2002	2001
6,110	6,599	Pension assets relating to the three Danish pension funds (see note 25 for details)	6,599	6,110
413	358	Prepayment regarding former civil servants	444	518
120	92	Other prepaid expenses	477	505
6,643	7,049	Total	7,520	7,133

Note 15 Treasury shares

DKK m

TDC A/S			TDC Group	
2001	2002		2002	2001
0	0	Carrying value at January 1	0	0
132	137	Additions	137	132
0	0	Disposals	0	0
(132)	(137)	The year's net movement transferred to shareowners' equity	(137)	(132)
0	0	Carrying value at December 31	0	0

	Shares	Nominal value	% of share capital
Holding at January 1, 2002	1,206,059	6,030,295	0.56
Additions	500,000	2,500,000	0.23
Disposals	(34,588)	(172,940)	(0.02)
Holding at December 31, 2002	1,671,471	8,357,355	0.77

Purchase of the Group's treasury shares is primarily used to hedge the Group's commitments under the share option scheme for the Board of Directors, the Executive Committee and other management employees. Of this year's addition, 34,492 shares have been donated to the employees.

Note 16 Cash

DKK m

TDC A/S			TDC Group	
2001	2002		2002	2001
572	1,371	Cash at bank and in hand	1,899	1,567
0	0	Short-term bank deposits	780	0
572	1,371	Total	2,679	1,567

Note 17 Shareowners' equity

DKK m

	TDC Group				
	Common shares	Capital in excess of par value	Retained earnings	Proposed dividends	Total
Shareowners' equity at January 1, 2001	1,082	8,652	22,902	-	32,636
Adjustment relating to changes in accounting policies	-	-	646	2,264	2,910
Adjusted shareowners' equity at January 1, 2001	1,082	8,652	23,548	2,264	35,546
Distributed dividends	-	-	-	(2,264)	(2,264)
Currency translation adjustments, net	-	-	138	-	138
Write-offs on treasury shares	-	-	(132)	-	(132)
Net income for the year	-	-	(14)	-	(14)
Proposed dividends ¹	-	-	(2,363)	2,363	0
Shareowners' equity at December 31, 2001	1,082	8,652	21,177	2,363	33,274
Distributed dividends	-	-	-	(2,363)	(2,363)
Currency translation adjustments, net	-	-	(60)	-	(60)
Tax adjustment regarding employee shares in 1994	-	-	50	-	50
Write-offs on treasury shares	-	-	(137)	-	(137)
Net income for the year	-	-	4,542	-	4,542
Proposed dividends ¹	-	-	(2,470)	2,470	0
Shareowners' equity at December 31, 2002	1,082	8,652	23,102	2,470	35,306

¹ Net of dividends related to treasury shares amounting to DKK 19m in 2002 and DKK 18m in 2001.

NOTES

TDC A/S

DKKm

	Common shares	Capital in excess of par value	Revaluation surplus under the equity method	Retained earnings	Proposed dividends	Total
Shareowners' equity at January 1, 2001	1,082	8,652	8,265	14,637	-	32,636
Adjustment relating to changes in accounting policies	-	-	686	(40)	2,264	2,910
Adjusted shareowners' equity at January 1, 2001	1,082	8,652	8,951	14,597	2,264	35,546
Distributed dividends	-	-	-	-	(2,264)	(2,264)
Currency translation adjustments, net	-	-	21	117	-	138
Dividends received	-	-	(6,131)	6,131	-	-
Write-offs on treasury shares	-	-	-	(132)	-	(132)
Sale of investments	-	-	19	(19)	-	-
Transferred to distribution of income	-	-	-	(20,694)	-	(20,694)
Transferred from distribution of income	-	-	151	18,166	2,363	20,680
Shareowners' equity at December 31, 2001	1,082	8,652	3,011	18,166	2,363	33,274
Distributed dividends	-	-	-	-	(2,363)	(2,363)
Currency translation adjustments, net	-	-	(235)	175	-	(60)
Dividends received	-	-	(5,573)	5,573	-	-
Tax adjustment regarding employee shares in 1994	-	-	-	50	-	50
Write-offs on treasury shares	-	-	-	(137)	-	(137)
Sale of investments	-	-	347	(347)	-	-
Transferred to distribution of income	-	-	-	(23,480)	-	(23,480)
Transferred from distribution of income	-	-	4,672	20,880	2,470	28,022
Shareowners' equity at December 31, 2002	1,082	8,652	2,222	20,880	2,470	35,306

At December 31, 2002, common shares were made up of 216,459,540 shares of nominal value DKK 5 each.

A buy-back of shares in 1998 reduced common shares by DKK 228m from DKK 1,310m to DKK 1,082m. There have not been other changes in common shares during the last five years.

Note 18 Minority interests

DKKm

	TDC Group	
	2002	2001
Minority interests at January 1	681	204
Currency translation adjustments, net	2	(4)
Minority interests' share of net income	(93)	(407)
Dividend to minority interests	0	(80)
Additions relating to the acquisition of enterprises	(13)	184
Additions during the year	82	784
Disposals during the year	(109)	0
Minority interests at December 31	550	681

Note 19 Provisions

DKKkM

TDC A/S			TDC Group	
Pension provisions, etc.	Other provisions		Pension provisions etc.	Other provisions
104	60	Provisions at January 1, 2002	1,576	1,434
0	0	Currency translation adjustments, net	0	(3)
0	0	Provisions made during the year	930	154
0	0	Reductions relating to changed consolidation of investments	0	(21)
23	0	Change in present value	23	0
(30)	0	Provisions used during the year	(471)	(616)
(42)	0	Unused provisions reversed during the year	(42)	(327)
55	60	Provisions at December 31, 2002	2,016	621

Pension provisions, etc. are mainly provisions for pension costs related to foreign pension funds and other similar payments relating to the reduction in the number of employees. Other provisions are related mainly to the reduction in the number of employees and restructuring costs.

Note 20 Long-term debt

DKKkM

TDC A/S			TDC Group	
2001	2002		2002	2001
15,509	22,443	Bonds and long-term bank loans	28,494	22,372
42	27	Other long-term debt	1,235	1,887
15,551	22,470	Total	29,729	24,259
(1,427)	(312)	Due within twelve months	(935)	(2,135)
14,124	22,158	Total long-term debt at December 31	28,794	22,124
		Long-term debt is due as follows:		
321	2,008	1-2 years	3,576	1,734
11,987	10,143	2-5 years	14,184	15,845
1,816	10,007	After 5 years	11,034	4,545
14,124	22,158	Total	28,794	22,124
15,971	23,789	Fair value	31,188	24,833
15,542	22,601	Nominal value	29,844	24,446

The effective interest rates, maturities and interest types are specified as follows:

TDC A/S						TDC Group			
Effective interest rate (%)		Carrying value (DKKkM)		Maturities	Interest type	Effective interest rate (%)		Carrying value (DKKkM)	
2001	2002	December 31, 2001	December 31, 2002			2002	2001	December 31, 2002	December 31, 2001
3.44	0.05	1,396	298	< 1 year	Fixed	1.17	4.42	372	1,852
-	-	0	0	< 1 year	Floating	1.43	4.22	462	15
4.29	5.93	12,247	11,794	1-5 years	Fixed	5.93	4.44	12,323	13,687
-	3.77	0	371	1-5 years	Floating	3.07	2.45	4,250	2,549
4.43	5.93	1,908	10,007	> 5 years	Fixed	6.04	5.64	11,564	3,597
-	-	0	0	> 5 years	Floating	3.72	3.49	758	2,559
4.24	5.82	15,551	22,470			5.38	4.31	29,729	24,259

NOTES

Note 21 Short-term bank loans

DKK m

TDC A/S			TDC Group	
2001	2002		2002	2001
462	181	Repayable in DKK	184	568
11,911	1,013	Repayable in foreign currencies	1,238	12,349
12,373	1,194	Total	1,422	12,917
12,218	7,424	Quarter-end average amount outstanding	7,709	12,857

At December 31, 2002, the Group maintained various undrawn credit lines, aggregating DKK 14,017m compared with DKK 7,158m at December 31, 2001. Of the undrawn credit lines, DKK 4,746m expires beyond one year compared with DKK 2,725m at December 31, 2001.

Note 22 Acquisition of enterprises

DKK m

TDC A/S			TDC Group	
Date of entry in financial statements	Percentage of voting shares acquired		Date of entry in financial statements	Percentage of voting shares acquired
-	-	NESA Kabel TV A/S	01.01.02	100.0
-	-	Tele Danmark InterNordia AS	01.01.02	3.7
-	-	Tele Office AB	01.01.02	100.0
01.02.02	17.6	Pine Tree Systems A/S	01.02.02	17.6
-	-	TDC Hakemistot OY	27.03.02	100.0
01.05.02	73.5	CBAS Holding A/S	01.05.02	73.5
-	-	Esbjerg Telefonnøgle ApS	28.06.02	100.0
-	-	Tele Danmark InterNordia AS	30.06.02	41.8
10.07.02	53.6	KaiSai A/S	10.07.02	53.6
01.08.02	10.5	Hungarian Telephone and Cable Corp.	01.08.02	10.5
01.11.02	1.0	TDC Switzerland AG	01.11.02	1.0
-	-	TDC Internet Polska S.A.	30.11.02	49.0
01.12.02	17.8	e-Structure.net A/S	01.12.02	17.8
01.12.02	12.9	Enologic A/S	01.12.02	12.9
-	-	Dan Net MEA	22.12.02	28.0
-	-	Service Hosting A/S	31.12.02	75.0

Enterprises acquired in 2002 and 2001 are included in the Consolidated Statements of Income for 2002 and 2001 with the key figures shown below. Due to subsequent mergers, it is not possible to separately calculate the impact of the acquisitions of diAx and FöretagsFakta AB at the beginning of 2001 and they are therefore not included in the figures.

DKK m

	TDC Group	
	2002	2001
Net revenues	331	104
Total operating expenses	(449)	(228)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(118)	(122)
Earnings before one-time items, interest and taxes	(227)	(204)
Net income excluding one-time items	(270)	(235)
Net income	(929)	(130)

Note 23 Disposal of enterprises

During the year, the TDC Group disposed of its shares in Ejendomsadministrationen Jenagade 22 A/S and finalized the closure of the landline and Internet activities in Talkline. Furthermore, the proportional consolidation of the TDC Group's ownership share in Ukrainian Mobile Communications was discontinued at October 1, 2002, as TDC's joint dominant influence over the company's operations ceased from that date.

The enterprises disposed of or deconsolidated in 2002 and 2001 are included in the Consolidated Financial Statements for 2002 and 2001 with the following key figures:

	DKKm	
	TDC Group	
	2002	2001
Net revenues	529	3,594
Total operating expenses	(387)	(3,868)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	142	(258)
Earnings before one-time items, interest and taxes	105	(657)
Net income excluding one-time items	(3)	(873)
Net income	242	(2,985)

None of the disposals qualify as a discontinuing operation (as defined in the Danish Financial Statements Act).

NOTES

Note 24 Financial instruments, etc.**A: Foreign currency exposure**

The TDC Group has entered into a number of financial contracts in order to reduce the exposures to foreign currency. The financial contracts used are currency swaps and forward-exchange contracts.

Foreign currency exposures

Financial assets and liabilities in foreign currencies and foreign currency derivative financial instruments at December 31, 2002 are specified below:

DKKm
TDC Group

Financial assets and liabilities						
Currency and year-end currency rate	Maturities	Monetary assets	Liabilities	Net primary instruments	Foreign currency derivatives	Net position
EUR 7.4243	< 1 year	2,376	(1,008)	1,368	6,470	7,838
	1 - 5 years	2	(12,249)	(12,247)	12,161	(86)
	> 5 years	4	(10,076)	(10,072)	1,038	(9,034)
Total		2,382	(23,333)	(20,951)	19,669	(1,282)
CHF 5.1068	< 1 year	1,980	(2,788)	(808)	(9,897)	(10,075)
	1 - 5 years	122	(212)	(90)	(14,395)	(14,485)
	> 5 years	1	(358)	(357)	0	(357)
Total		2,103	(3,358)	(1,255)	(24,292)	(25,547)
USD 7.0822	< 1 year	206	(595)	(389)	2,430	2,041
	1 - 5 years	0	(4,307)	(4,307)	2,336	(1,971)
	> 5 years	0	(11)	(11)	0	(11)
Total		206	(4,913)	(4,707)	4,766	59
GBP 11.3992	< 1 year	62	(27)	35	0	35
	1 - 5 years	0	(73)	(73)	0	(73)
	> 5 years	0	0	0	0	0
Total		62	(100)	(38)	0	(38)
JPY 0.0597	< 1 year	4	(317)	(313)	299	(14)
	1 - 5 years	0	(210)	(210)	182	(28)
	> 5 years	0	(443)	(443)	188	(255)
Total		4	(970)	(966)	669	(297)
Other (DKK incl.)	< 1 year	2,034	(2,309)	(275)	340	65
	1 - 5 years	895	(576)	319	(465)	(146)
	> 5 years	56	(392)	(336)	(1,276)	(1,612)
Total		2,985	(3,277)	(292)	(1,401)	(1,693)
Total		7,742	(35,951)	(28,209)	(589)	(28,798)

TDC A/S

DKKkm

Financial assets and liabilities

Currency and year-end currency rate	Maturities	Monetary assets	Liabilities	Net primary instruments	Foreign currency derivatives	Net position
EUR 7.4243	< 1 year	115	(952)	(837)	6,650	5,813
	1 - 5 years	0	(10,335)	(10,335)	12,155	1,820
	> 5 years	0	(9,829)	(9,829)	1,038	(8,791)
Total		115	(21,116)	(21,001)	19,843	(1,158)
CHF 5.1068	< 1 year	6,460	(206)	6,254	(9,897)	(3,643)
	1 - 5 years	0	0	0	(14,395)	(14,395)
	> 5 years	0	0	0	0	0
Total		6,460	(206)	6,254	(24,292)¹	(18,038)
USD 7.0822	< 1 year	94	(35)	59	(80)	(21)
	1 - 5 years	0	(1,623)	(1,623)	1,767	144
	> 5 years	0	0	0	0	0
Total		94	(1,658)	(1,564)	1,687	123
GBP 11.3992	< 1 year	55	(28)	27	0	27
	1 - 5 years	0	0	0	0	0
	> 5 years	0	0	0	0	0
Total		55	(28)	27	0	27
JPY 0.0597	< 1 year	0	(318)	(318)	299	(19)
	1 - 5 years	0	(179)	(179)	182	3
	> 5 years	0	(179)	(179)	188	9
Total		0	(676)	(676)	669	(7)
Other (DKK incl.)	< 1 year	1,215	(438)	777	2,863	3,640
	1 - 5 years	887	(13)	874	215	1,089
	> 5 years	1	0	1	(1,276)	(1,275)
Total		2,103	(451)	1,652	1,802	3,454
Total		8,827	(24,135)	(15,308)	(291)	(15,599)

¹ Includes derivatives applied to hedge net investments, cf. table below.

In a number of transactions, the currency swaps also include an interest-rate swap. Combined currency and interest-rate swaps are included both under section A and section B.

Hedging of net investments in foreign enterprises

The Parent Company's hedged net investments in foreign enterprises and the related hedging positions are specified as follows:

TDC A/S

DKKkm

	Value	
	December 31, 2002	December 31, 2001
Net investments, carrying value	18,011	18,431
Hedging, nominal value	(18,011)	(18,431)
Total	0	0

Net investments in foreign enterprises include goodwill.

NOTES

B: Interest-rate exposure

Interest-rate swap agreements have been used to restructure financial assets and liabilities in order to achieve the intended duration and reduce interest-rate exposure of the total portfolio.

The maturity profile and interest rates of financial assets and liabilities at December 31, 2002 are specified as follows:

DKKm
TDC Group

Maturities		Financial assets and liabilities						Derivatives				Financial Position
		Market-able securities, cash and cash equivalents	Bank loans and other short-term debt, floating interest rate	Loans and issued bond loans, floating interest rate	Bank loans and other short-term debt, fixed interest rate	Loans and issued bond loans, fixed interest rate	Net financial assets and liabilities, total	Assets		Liabilities		
Interest-rate swaps, floating interest rate	Interest-rate swaps, fixed interest rate							Interest-rate swaps, floating interest rate	Interest-rate swaps, fixed interest rate			
< 1 year	DKKm	6,549	(3,657)	(605)	(877)	(440)	970	946	298	(371)	(957)	886
< 1 year	Effective interest rate	0.3-15.4%	2.9-9.0%	2.7-10.0%	2.9-9.4%	0.5-8.3%		2.9-3.0%	0.1-3.5%	3.1-3.5%	3.3-5.2%	
1-5 years	DKKm	1,019	(119)	(4,795)	0	(12,716)	(16,611)	7,176	10,790	(10,364)	(7,534)	(16,543)
1-5 years	Effective interest rate	4.3-22.9%	-	2.7-10.0%	-	5.0-8.3%		2.9-3.3%	5.4%	3.9%	5.1%	
> 5 years	DKKm	61	(5)	(518)	0	(10,760)	(11,222)	2,618	400	(382)	(2,793)	(11,379)
> 5 years	Effective interest rate	-	-	2.7-15.5%	-	5.4-15.5%		4.1%	4.6%	3.5%	5.5%	
Total	Fixed interest rate	1,728	-	-	(877)	(23,916)	(23,065)	-	11,488	-	(11,284)	(22,861)
Total	Floating interest rate	5,901	(3,781)	(5,918)	-	-	(3,798)	10,740	-	(11,117)	-	(4,175)
Total		7,629	(3,781)	(5,918)	(877)	(23,916)	(26,863)	10,740	11,488	(11,117)	(11,284)	(27,036)

TDC A/S

DKKm

Maturities	Financial assets and liabilities							Derivatives				Financial Position
	Assets			Liabilities				Assets		Liabilities		
	Market-able securities, cash and cash equivalents	Bank loans and other short-term debt, floating interest rate	Loans and other issued bond loans, floating interest rate	Bank loans and other short-term debt, fixed interest rate	Loans and other issued bond loans, fixed interest rate	Net financial assets and liabilities, total	Interest-rate swaps, floating interest rate	Interest-rate swaps, fixed interest rate	Interest-rate swaps, floating interest rate	Interest-rate swaps, fixed interest rate		
< 1 year	DKKm	7,919	(537)	0	(1,105)	(312)	5,965	914	865	(928)	(925)	5,891
< 1 year	Effective interest rate	2.7-4.3%	2.9-4.4%	-	2.9-4.4%	0.5%	-	3.0%	3.5%	3.1%	-	-
1 - 5 years	DKKm	887	0	(371)	0	(11,780)	(11,264)	7,415	13,819	(13,176)	(7,808)	(11,014)
1 - 5 years	Effective interest rate	4.3%	-	3.8%	-	5.9%	-	3.2%	5.4%	3.9%	5.1%	-
> 5 years	DKKm	1	0	0	0	(10,008)	(10,007)	2,617	400	(382)	(2,793)	(10,165)
> 5 years	Effective interest rate	0%	-	-	-	6.0%	-	4.1%	4.6%	3.5%	5.5%	-
Total	Fixed interest rate	888	-	-	(1,105)	(22,100)	(22,317)	-	15,084	-	(11,526)	(18,759)
Total	Floating interest rate	7,919	(537)	(371)	-	-	7,011	10,946	-	(14,486)	-	3,471
Total		8,807	(537)	(371)	(1,105)	(22,100)	(15,306)	10,946	15,084	(14,486)	(11,526)	(15,288)

Unrealized loss on foreign currency derivatives and interest-rate swaps at December 31, 2002 amounted to DKK 614m that has been recognized in the Statements of Income (unrealized loss at December 31, 2001 amounted to DKK 3m).

Undrawn credit lines

The undrawn credit lines at December 31, 2002 are specified as follows:

DKKm

TDC Group

Maturities	Committed credit lines	Committed syndicated credit lines	Other committed facilities	Unutilized part of CP program	Unutilized part of bond program	Other non-committed facilities	Total
< 1 year	5,524	520	3,227	4,757	0	0	14,028
> 1 year	20	4,726	0	0	23,120	0	27,866
Total	5,544	5,246	3,227	4,757	23,120	0	41,894

TDC A/S

DKKm

Maturities	Committed credit lines	Committed syndicated credit lines	Other committed facilities	Unutilized part of CP program	Unutilized part of bond program	Other non-committed facilities	Total
< 1 year	4,619	0	3,227	4,757	0	0	12,603
> 1 year	0	2,479	0	0	22,530	0	25,009
Total	4,619	2,479	3,227	4,757	22,530	0	37,612

C: Credit risk exposure

All financial instruments are agreements entered into with major banks. The counterparty risk is considered to be minimal.

NOTES

Note 25 Pension obligations

At December 31, 2002 approximately 5,100 of the TDC Group's employees were entitled to a pension from the three pension funds related to TDC under conditions similar to those provided by the Danish Civil Servants' Pension Plan. Since 1990, no new members have joined the pension fund schemes, and the pension funds are prevented from admitting new members in the future due to the bylaws. Certain civil servants continue to participate in the Danish Civil Servants' Pension Plan.

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

Plan assets consist principally of fixed-income securities and investments in shares. Plan assets also include some real property. At the end of 2002, fair values of securities and shares held by the Defined Benefit Plans amounted to DKK 16,777m or 82% of the total assets at fair value.

Ordinary contributions in 2002 were DKK 80m, against 75m in 2001.

The net periodic pension cost for the Defined Benefit Plans consists of the following:

	DKK m	
	2002	2001
Service cost	206	197
Interest cost	743	716
Expected return on plan assets	(1,529)	(1,510)
Recognized net actuarial (gain)/loss	(109)	(183)
Amortization of transition obligation	295	295
Amortization of prior service cost	(16)	(16)
Net periodic pension cost	(410)	(501)

The weighted average actuarial assumptions used for each of the years for the Defined Benefit Plans were as follows:

	%	
	2002	2001
Discount rate	5.50	5.80
Compensation increase	2.25	2.50
Rate of pension increase	2.25	2.50
Long-term rate of return	7.00	7.25

The average remaining service period of active plan participants expected to receive benefits was estimated to be 11.6 years at December 31, 2002 compared with 12.4 years at December 31, 2001.

The following table sets forth a reconciliation of beginning and ending balances of the benefit obligation, a reconciliation of beginning and ending balances of the fair value of plan assets, the Defined Benefit Plans' funded status and amounts recognized in the Group's Balance Sheet at December 31, 2002 and December 31, 2001 for its Danish pension plans.

	DKKm	
	2002	2001
Change in benefit obligations		
Benefit obligation (PBO) at January 1	13,880	12,719
Service cost	206	197
Interest cost	743	716
Actuarial (gain)/loss	374	924
Benefit paid	(682)	(676)
Benefit obligation (PBO) at December 31	14,521	13,880
Change in plan assets		
Fair value of plan assets at beginning of year	21,151	21,916
Actual return on plan assets	(492)	(164)
Employer contribution	80	75
Benefit paid	(682)	(676)
Fair value of plan assets at December 31	20,057	21,151
Funded status	5,536	7,271
Unrecognized net actuarial (gain)/loss	(34)	(2,537)
Unrecognized net transition obligation	1,282	1,577
Unrecognized prior service cost	(185)	(201)
Prepaid benefit cost (pension asset)	6,599	6,110

Five hundred members of the Defined Benefit Plans will ultimately have part of their pension payment reimbursed by the Danish Government. The related obligations have been deducted, arriving at the pension entries shown above, as those obligations will be fully reimbursed by the Danish Government. The overall projected benefit obligation concerned is, in any event, unlikely to exceed DKK 500m.

Pension costs for members of foreign Group companies that operate 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 included in the Balance Sheets under pension provisions, etc.

NOTES

TDC A/S owns a 33% stake in a consortium owning 50% less one share of Belgacom, which operates a defined benefit plan. The weighted average actuarial assumptions used for each of the years can be summarized as follows:

	%	
	2002	2001
Discount rate	6.50	6.70
Compensation increase	3.55	3.75
Rate of pension increase	2.80	3.00
Long-term rate of return	8.00	8.00

Selected items in the Defined Benefit Plans in Belgacom (TDC A/S's share only):

	DKKm	
	2002	2001
Projected benefit obligation (PBO)	6,381	5,478
Assets at fair value	4,067	4,055
Funded status	(2,314)	(1,423)
Unrecognized net actuarial (gain)/loss	642	80
Accrued pension cost	(1,672)	(1,343)
Company service cost (at year-end)	55	71
Net periodic pension cost	123	81

In addition to the Defined Benefit Plans, the Group has paid annual pension contributions to the Danish Government. The pension contributions were paid for employees who, due to previous employment agreements, have retained their rights as civil servants to defined pension benefits from the Danish Government.

In 1994, the Group reached an agreement with the Danish Government to make a one-time payment of DKK 1,210m of which DKK 108m was considered as interest compensation for the period July 1, 1994, to August 1, 1995. This agreement was in respect of the Group's pension obligation to employees who participated in the Danish Civil Servants' Pension Plan. Under the agreement, the Group's pension contributions to the Danish Government ceased at July 1, 1994. The agreed non-recurring payment is treated as a prepayment, which will be expensed over the average expected remaining service lives of the employees concerned. For 2002, DKK 74m has been expensed, compared with DKK 74m in 2001. DKK 444m remains to be amortized in future years.

In connection with the reduction in the number of employees in 1997, some of the retired employees have retained their rights to civil servant pensions from the Danish Government. The Company judges that the retirements will not cause further payments on the part of the Company.

Note 26 Other financial commitments

DKKm

TDC A/S			TDC Group	
2001	2002		2002	2001
		Lease commitments:		
0	0	Rental expense relating to properties in the period of interminability	4,628	2,720
0	0	Accumulated lease commitments for machinery, equipment, computers, etc.	897	1,313
0	0	Total	5,525	4,033
		which can be specified as follows:		
0	0	Not later than 1 year	771	773
0	0	Later than 1 year and not later than 5 years	2,120	1,544
0	0	Later than 5 years	2,634	1,716
0	0	Total	5,525	4,033
13	0	Total rental expense for the year for all operating leases	1,048	1,136
		Capital commitments:		
0	0	Real estate, major telecommunications installations, mobile telephone licenses and certain other capital expenditures	229	212
2	1	Loan commitments to associated enterprises	1	739
0	0	Investments in enterprises	38	94

Furthermore, the Group participates as a partner in contracts for the establishment abroad of telecommunications installations. At December 31, 2002, no commitments were outstanding under the contracts. The total external debt of the partnerships amounted to DKK 0m at December 31, 2002 compared with DKK 40m at December 31, 2001.

NOTES

Note 27 Contingent assets and contingent liabilities**Contingent assets**

The TDC Group is a party to certain arbitration cases brought against other telecommunications companies. A favorable outcome for TDC of these arbitration cases could potentially result in substantial income. Due to the nature of the arbitration cases it is not possible for TDC to disclose further information.

Contingent liabilities

The TDC Group is a party to certain pending lawsuits in Denmark and other countries and to certain pending cases with Danish authorities and complaints boards. The Management is of the opinion that, even if the outcome of these cases is not in the TDC Group's favor, there will be no significant adverse effect on the TDC Group's financial position.

In connection with capital sale and leaseback agreements, the Group has provided guarantees covering intermediary leasing companies' payment of the total lease rentals. The Group has made legally releasing non-recurring payments to the intermediary lessors of an amount corresponding to the total lease charges. At December 31, 2002, the guarantees amounted to DKK 5,078m compared with DKK 6,251m at December 31, 2001. The guarantees provided by the TDC Group are economically defeased by means of payment instruments issued by creditworthy obligors unrelated to the TDC Group that secure or otherwise provide for payment of the regular lease payments and purchase-option prices due from the intermediary leasing companies. These instruments are lodged as security for payment of the regular lease payments by the intermediary leasing companies. TDC A/S's share of the guarantees amounted to DKK 4,305m at December 31, 2002, compared with DKK 5,295m at December 31, 2001.

In accordance with Section 32 of the Danish Civil Servants Act, the Group has a redundancy payment obligation for former civil servants and for employees with civil servant status who were hired before April 1, 1970, and who are members of the related Danish pension funds.

The Group has provided the usual guarantees in favor of suppliers and partners. These guarantees amounted to DKK 877m at December 31, 2002 compared with DKK 717m at December 31, 2001. TDC A/S' share of the guarantees amounted to DKK 810m at December 31, 2002 compared with DKK 676m at December 31, 2001.

Recourse guarantees provided by TDC A/S for its subsidiaries amounted to DKK 4,267m at December 31, 2002 compared with DKK 4,819 at December 31, 2001. TDC A/S has committed to contributing, if necessary, additional capital to TDC Switzerland in order to generate taxable income sufficient to utilize the accumulated tax loss carry-forwards prior to their expiration. Further, TDC A/S has issued letters of support and undertaken investment commitments for some of its subsidiaries.

TDC A/S has signed an option agreement under which the other shareowners in TDC Switzerland may sell their shares in the company to TDC A/S. The options are exercised in 2003 and the shares are transferred at the end of February 2003. The acquisition price amounts to CHF 1,553m.

Note 28 Related parties

Name of related party	Nature of relationship	Domicile
SBC Communications Inc.	Ownership	Texas, USA
KTAS Pensionskasse	Pension fund	Copenhagen, Denmark
Jydsk Telefons Pensionskasse	Pension fund	Århus, Denmark
Fyns Telefons Pensionskasse	Pension fund	Odense, Denmark

In 2001, the TDC Group disposed of property to the related Danish pension funds resulting in a gain of DKK 128m. There have been no disposals of property to the related Danish pension funds in 2002.

Danish Group companies have entered into certain lease transactions with the related Danish pension funds. The lease contracts are interminable before 2020. The aggregate amount payable under such agreements amounted to DKK 1,498m at December 31, 2002 compared with DKK 727m at 31 December, 2001. The rental expense was DKK 131m for 2002 compared with DKK 157m in 2001. The lease contracts are regarded as operating leases. In addition, annual contributions are paid to the pension funds, see note 25 Pension obligations.

The TDC Group incurs the expenses for a small number of employees stationed in Denmark by SBC Communications Inc. The total expenses amounted to DKK 11m compared with DKK 8m in 2001.

The Group has no other transactions with related parties.

TDC A/S has related party transactions with a number of Group companies (see notes 1 and 29). All the transactions are made on an arm's length basis.

Note 29 Overview of Group companies at December 31, 2002

Company name	Domicile	Currency	Common shares (amount) million	TDC Group ownership share (%)	Number of subsidiaries and associated enterprises not listed here ¹
TDC Tele Danmark Group					
TDC Tele Danmark A/S	Copenhagen, Denmark	DKK	1,100.0	100.0	4
TDC Tele Danmark Call Center Europe A/S	Sønderborg, Denmark	DKK	1.0	100.0	
Tele Danmark InterNordia AS	Oslo, Norway	NOK	124.8	100.0	
Tele Danmark Produktion A/S	Odense, Denmark	DKK	0.5	100.0	
Internordia Communications AB	Solna, Sweden	SEK	62.3	100.0	1
Operators Clearing House A/S ³	Copenhagen, Denmark	DKK	1.0	25.0	
TDC Switzerland AG ³	Zürich, Switzerland	CHF	923.6	17.4 ⁵	
Tele Danmark Finans A/S	Copenhagen, Denmark	DKK	20.0	100.0	
Tele Denmark USA Inc.	New York, USA	USD	0.0	100.0	
Telecom Erhverv A/S	Odense, Denmark	DKK	0.5	100.0	
Telecom Invest A/S	Copenhagen, Denmark	DKK	10.0	100.0	3
TDC Mobile International Group					
TDC Mobile International A/S	Copenhagen, Denmark	DKK	600.0	100.0	3
TDC Mobil A/S	Copenhagen, Denmark	DKK	1.0	100.0	
Bité GSM	Vilnius, Lithuania	EUR	85.0	100.0	1
Tele Danmark Connect 1 A/S	Copenhagen, Denmark	DKK	7.0	100.0	
• Connect Austria ²	Vienna, Austria			15.0	
Polkomtel S.A. ²	Warsaw, Poland	PLN	2,050.0	19.6	
Talkline Management und Finance Holding GmbH	Elmshorn, Germany	EUR	6.1	100.0	1
• Talkline GmbH & Co. KG	Elmshorn, Germany			100.0	
• Talkline InfoDienste GmbH	Elmshorn, Germany			100.0	
Tele Danmark Consult A/S	Aabenraa, Denmark	DKK	9.0	100.0	
Ukrainian Mobile Communications ⁴	Kiev, Ukraine	USD	15.0	16.3	
TDC Mobil Center A/S (previously VicCenter A/S)	Odense, Denmark	DKK	2.5	76.9	
MIGway A/S ²	Copenhagen, Denmark	DKK	1.0	50.0	
TDC Internet Group					
TDC Internet A/S	Copenhagen, Denmark	DKK	40.0	100.0	
Contactel s.r.o. ²	Prague, Czech Republic	CZK	3,375.0	50.0	
Dan Net A/S	Birkerød, Denmark	DKK	102.0	100.0	2
TDC Internet Polska S.A.	Warsaw, Poland	PLN	174.3	100.0	
Service Hosting A/S	Brøndby, Denmark	DKK	0.5	75.0	
TDC Cable TV Group					
TDC Cable TV A/S	Copenhagen, Denmark	DKK	140.0	100.0	
Dansk Kabel TV A/S	Taastrup, Denmark	DKK	21.4	100.0	

NOTES

Company name	Domicile	Currency	Common shares (amount) million	TDC Group ownership share (%)	Number of subsidiaries and associated enterprises not listed here ¹
TDC Directories Group					
TDC Directories A/S	Rødovre, Denmark	DKK	5.5	100.0	4
TDC Förlag AB	Halmstad, Sweden	SEK	0.2	100.0	4
Storbyguiden AS	Oslo, Norway	NOK	71.3	100.0	1
TDC Hakemistot OY	Helsinki, Finland	EUR	0.0	100.0	
Odense Telefonbog ApS ²	Odense, Denmark	DKK	4.0	25.0	
TDC Switzerland Group					
TDC Switzerland AG	Zürich, Switzerland	CHF	923.6	79.7 ⁵	8
TDC Services Group					
TDC Services A/S	Copenhagen, Denmark	DKK	170.0	100.0	
GateTrade.net A/S ²	Copenhagen, Denmark	DKK	20.0	25.0	
Tele Danmark Reinsurance S.A. ³	Luxembourg	DKK	10.0	100.0	
Other¹					
Tele Danmark ADSB Invest ApS	Copenhagen, Denmark	DKK	100.0	100.0	
• ADSB Telecommunications B.V. ²	Amsterdam, the Netherlands			33.0	
– Belgacom S.A. ²	Brussels, Belgium			16.5	25
Bivideon B.V. ³	Amsterdam, the Netherlands	EUR	2.0	25.0	
• Ceske Radiokomunikace ³	Prague, Czech Republic			18.0	
Hungarian Telephone and Cable Corp. ³	Delaware, USA	USD	0.0	31.9	5
KaiSai A/S ³	Copenhagen, Denmark	DKK	0.8	100.0	
e-Structure.net A/S ³	Århus, Denmark	DKK	4.2	43.8	
Netverk plc ³	Berkshire, England	GBP	0.6	4.0	
Incuba A/S ³	Århus, Denmark	DKK	60.1	5.0	
Hypergenic A/S ³	Århus, Denmark	DKK	1.0	29.9	
VIP-Booking A/S ³	Horsens, Denmark	DKK	1.0	40.9	
Pricerunner AB ³	Stockholm, Sweden	SEK	0.2	10.2	
Pine Tree Systems A/S ³	Vejle, Denmark	DKK	1.7	17.6	
CBAS Holding A/S ³	Copenhagen, Denmark	DKK	0.6	73.5	
Enologic A/S ³	Århus, Denmark	DKK	0.8	12.9	
Speech Ware A/S ³	Aalborg, Denmark	DKK	1.0	47.5	

¹ In order to give the reader a clear presentation, some minor enterprises owned indirectly are not listed separately in the overview.

² The enterprise is treated as a proportionally consolidated associated enterprise in the Financial Statements.

³ The enterprise is included under the equity method.

⁴ Proportional consolidation was discontinued at October 1, 2002, as joint dominant influence ceased from that date.

⁵ Total TDC Group ownership share is 79.7%.

Associated enterprises that are jointly owned and operated together with third parties, and in which the parties have joint dominant influence, are proportionally consolidated in the Consolidated Financial Statements. The cooperation between the parties is in all cases based on shareowner agreements concerning voting decisions, joint management, ownership and sale of shares, etc.

Note 30 Restatement to United States Generally Accepted Accounting Principles (US GAAP)

The Group's accounting policies have been described below where these differ significantly from accounting principles applicable in the United States (US GAAP):

Amortization of goodwill

In accordance with Danish accounting principles, goodwill is amortized on a straight-line basis over the estimated useful life, determined on the basis of Management's experience within the individual business lines, however, not exceeding twenty years. With effect from January 1, 2002 US GAAP prohibit the amortization of goodwill and require that goodwill be tested at least annually for impairment.

Development costs

In accordance with Danish accounting principles, development costs are recognized as intangible assets if the costs can be calculated reliably and are expected to generate future economic benefits. Development costs are amortized over a period of three to five years. In accordance with US GAAP, development costs are expensed as incurred, except for computer software developed for internal use.

Capitalization of software costs

According to TDC Group accounting policies, certain costs of computer software purchased or developed for internal use are capitalized and amortized. In accordance with US GAAP, only costs of computer software purchased or developed after January 1, 1999 are capitalized and amortized.

In accordance with Danish accounting principles, the cost of computer software includes indirect production costs. In accordance with US GAAP, only direct costs are included.

Depreciation in year of acquisition or construction

According to TDC Group accounting policies until year-end 1992, a full year's depreciation was charged on fixed assets in the year in which the asset was acquired or under construction. In accordance with US GAAP, such depreciation commences from the time of acquisition or from the date of the assets' entry into service.

Formation of the Group

In accordance with Danish accounting principles, certain property, plant and equipment acquired upon the formation of the Group were valued at fair value, whereas goodwill and rights were capitalized. The capitalized excess values are depreciated over the useful lives. In accordance with US GAAP, the transfer of assets between companies under joint control is accounted for using the historical carryover basis. Accordingly, any write-up of property, plant and equipment to fair value and any capitalization of goodwill and rights related to the formation of the Group are eliminated in the Group's Financial Statements.

Capital sale and leaseback agreements

In accordance with Danish accounting principles, non-recurring payments which have been made to legally extinguish future lease payments are offset against the lease obligations in the balance sheets. Under US GAAP, in certain circumstances the non-recurring payments and the corresponding lease obligations must be shown as assets and as liabilities in the balance sheet.

Write-down on property, plant and equipment

In accordance with Danish accounting principles, property, plant and equipment are written down to an estimated lower value in use. Under US GAAP, impairment losses on property, plant and equipment are determined in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

NOTES

Recognition of change in ownership interest gain

In accordance with Danish accounting principles, a gain arising from a decrease in the investor's ownership interest in an investee is taken to the statement of income. US GAAP requires in certain circumstances that such a gain be credited directly to shareowners' equity.

Revenue recognition

In accordance with Danish accounting principles, non-refundable up-front connection fees are recorded as revenue at the time the term of the related service contract begins. In addition, incremental direct costs incurred in connection with such transactions are expensed as incurred. Under US GAAP and SEC Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" such fees as well as incremental direct costs are deferred and amortized into income over the expected term of the related customer relationship.

Minority passive investments

In accordance with Danish accounting principles, minority passive investments are measured at fair values. Fair value adjustments are recognized in the statements of income. Under US GAAP, minority passive investments with no readily determinable fair value are measured at cost.

Transfer of financial assets

In accordance with Danish accounting principles, a gain arising from a sale of financial assets is recognized in the statement of income when a transfer has occurred. Under US GAAP, a transfer of financial assets is accounted for in accordance with Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" and may result in accounting for a transfer as financing until prescribed conditions are met.

Sale and leaseback of property

In accordance with Danish accounting principles, the property sale and leaseback agreements entered into with related defined benefit plans are regarded as operating leases and, accordingly, the resulting gain is recognized in the statement of income. US GAAP does not recognize sale and leaseback accounting for transactions in which the seller has continuing involvements in the property other than a normal leaseback.

The effect on Group net income and shareowners' equity is stated below as if the Financial Statements had been prepared in accordance with US GAAP:

DKK m

	Net income		Shareowners' equity	
	2002	2001	2002	2001
As reported	4,542	(14)	35,306	33,274
Reversal of amortization of goodwill	1,499	-	1,428	-
Additional impairment losses on goodwill	(71)	-	-	-
Reversal of depreciation of any write-up to fair value of property, plant and equipment arising on formation of the Group:				
Additions during the year/accumulated cost	-	-	(1,211)	(1,211)
Depreciation for the year/accumulated depreciation	31	31	1,148	1,117
Reversal of amortization of software costs purchased/ developed before January 1, 1999	0	46	0	0
Reversal of capitalized indirect production costs in relation to software costs	(23)	(28)	(108)	(85)
Reversal of capitalization of development costs	(10)	0	(10)	0
Depreciation in year of acquisition or construction	(132)	(153)	49	181
Write-downs on property, plant and equipment	0	(45)	0	0
Revenue recognition	(121)	(95)	(922)	(801)
Adjustment relating to sale and leaseback of property to pension funds	9	(128)	(119)	(128)
Changes to fair value of minority passive investments	1,057	(581)	(42)	(1,096)
Timing of gain regarding transfer of financial assets	257	(257)	0	(257)
Other	(4)	11	31	35
Deferred tax ¹	106	92	306	250
Cumulative effect of change in accounting policy regarding derivatives at January 1, 2001, net of tax	-	(23)	-	-
Net income/shareowners' equity in accordance with US GAAP	7,140	(1,144)	35,856	31,279

Financial ratios	2002	2001
Earnings per share of nominal value DKK 5 in accordance with US GAAP (basic):		
Income before cumulative effect of change in accounting policies	33.23	(5.20)
Cumulative effect of change in accounting policies, after tax	-	(0.11)
Net income	33.23	(5.31)
Earnings per share of nominal value DKK 5 in accordance with US GAAP (diluted):		
Income before cumulative effect of change in accounting policies	33.23	(5.20)
Cumulative effect of change in accounting policies, after tax	-	(0.11)
Net income	33.23	(5.31)

¹ The tax amount for 2002 includes the effect of the tax deduction of DKK 50m on the 1994 Employee Share Issue allowed by the Danish Supreme Court in 2002.

NOTES

Balance sheet items from the Consolidated Balance Sheets and as adjusted in accordance with US GAAP

DKKm

	As reported in the Consolidated Balance Sheets at December 31		Approximate amounts as adjusted to conform with US GAAP at December 31	
	2002	2001	2002	2001
Intangible assets	27,874	29,397	29,196	29,312
Property, plant and equipment	32,975	34,312	32,962	34,399
Investments and other assets	1,785	3,221	1,799	2,125
Other accounts receivable	1,522	2,671	4,353	6,638
Prepaid expenses	7,520	7,133	7,683	7,274
Deferred tax, net:				
• Current	(263)	(349)	(539)	(582)
• Non-current	3,533	3,127	3,503	3,110
Long-term debt	28,794	22,124	31,625	26,063
Deferred income	2,595	2,335	3,837	3,662
Other short-term debt	15,807	28,050	15,807	28,043
Shareowners' equity	35,306	33,274	35,856	31,279

In accordance with Danish accounting principles, enterprises that are jointly owned and operated together with third parties, and in which the parties have joint dominant influence, are proportionally consolidated in the Consolidated Financial Statements. In accordance with US GAAP, these enterprises are stated under the equity method.

Below, the main items in the Consolidated Statements of Income, the Balance Sheets and the Statements of Cash Flow are presented as if all the associated enterprises were stated under the equity method and in accordance with Danish accounting principles:

DKK m

Statements of income	TDC Group, adjusted	
	2002	2001
Total revenues	43,896	44,034
Total operating expenses	(33,074)	(34,307)
Earnings before interest, taxes, depreciation and amortization	10,822	9,727
Depreciation, amortization and write-downs	(7,342)	(6,719)
Earnings before one-time items, interest and taxes	3,480	3,008
One-time items	(1,133)	(2,548)
Earnings before interest and taxes	2,347	460
Net financials	3,564	417
Income before income taxes	5,911	877
Income taxes	(1,596)	(1,425)
Income before minority interests	4,315	(548)
Minority interests' share of net income	227	534
Net income	4,542	(14)
	December	December
Balance Sheets	31, 2002	31, 2001
Assets		
Intangible assets	23,161	23,723
Property, plant and equipment	27,093	27,504
Investments and other assets	9,985	10,808
Inventories	744	868
Accounts receivable	19,007	22,091
Marketable securities	944	33
Cash	2,429	1,404
Total assets	83,363	86,431
Liabilities and shareowners' equity		
Shareowners' equity	35,306	33,274
Minority interests	204	467
Provisions	5,466	5,473
Long-term debt	27,025	20,150
Short-term debt	15,362	27,067
Total liabilities and shareowners' equity	83,363	86,431

NOTES

DKK m

Statements of Cash Flow	TDC Group, adjusted	
	2002	2001
Net income	4,542	(14)
Reversal of depreciation, amortization and write-downs	7,342	6,719
Reversal of other items without effect on cash flow	(1,942)	1,895
Change in working capital	1,332	(2,915)
Cash flow from operating activities before net financials	11,274	5,685
Interest received	2,143	1,467
Interest paid	(2,855)	(2,489)
Cash flow from operating activities before tax	10,562	4,663
Corporate income tax paid	(612)	(601)
Cash flow from operating activities	9,950	4,062
Investment in subsidiaries	(958)	(11,859)
Investment in property, plant and equipment	(5,342)	(6,200)
Investment in intangible assets and investments and other assets	(1,465)	(2,240)
Sale of subsidiaries	0	218
Sale of property, plant and equipment	99	164
Sale of intangible assets and investments and other assets	5,039	512
Dividends received from associated enterprises	1,373	442
Cash flow from investing activities	(1,254)	(18,963)
Proceeds from long-term loans	8,867	11,998
Repayments of long-term debt	(1,854)	(2,286)
Change in short-term bank loans, excluding loans raised under repurchase agreements	(11,354)	2,770
Change in minority interests	82	777
Dividends paid	(2,363)	(2,264)
Acquisition of treasury shares	(137)	(132)
Cash flow from financing activities	(6,759)	10,863
Increase/(decrease) in cash and cash equivalents	1,937	(4,038)
Cash and cash equivalents at January 1	1,436	5,475
Cash and cash equivalents at December 31	3,373	1,437

Note 31 Auditors' remuneration

DKK m

TDC A/S			TDC Group	
2001	2002		2002	2001
		The remuneration of the auditors elected by the Annual General Meeting amounts to:		
24	16	PricewaterhouseCoopers	43	50
3	1	Ernst & Young	5	6
		Hereof fees in respect of non-audit services:		
21	13	PricewaterhouseCoopers	28	34
2	0	Ernst & Young	1	3

Note 32 Other items without effect on cash flow

DKKkm

	TDC Group	
	2002	2001
Change in provisions (excl. deferred tax)	(372)	726
Change in pension assets	(312)	(424)
Minority interests' share of net income	(93)	(407)
(Profit)/loss on disposal of consolidated enterprises	(8)	0
(Profit)/loss on disposal of other associated enterprises	(466)	(34)
Income from investments	10	55
Interest income	(2,449)	(1,803)
Interest expenses	3,485	3,236
Unrealized gain/(loss) on marketable securities and currency translation adjustments, net	79	96
Fair value adjustments of investments and other assets	(3,257)	(623)
Income taxes	1,686	1,424
Other adjustments	701	756
Total	(996)	3,002

Note 33 Change in working capital

DKKkm

	TDC Group	
	2002	2001
Change in inventories	146	5
Change in trade accounts receivable	1,089	(46)
Change in trade accounts payable	(575)	(189)
Change in other items, net	970	(1,820)
Total	1,630	(2,050)

Note 34 Investment in subsidiaries and proportionally consolidated enterprises

DKKkm

	TDC Group	
	2002	2001
The fair value of assets and liabilities consists of the following at the time of acquisition:		
Intangible assets	7	1,738
Property, plant and equipment	41	4,756
Investments and other assets	0	47
Inventories	13	2
Accounts receivable	52	1,172
Deferred tax assets/(liabilities)	(3)	636
Cash and cash equivalents	8	47
Minority interests	13	(184)
Provisions	0	(63)
Long-term debt	(3)	(369)
Short-term debt	80	(7,829)
Net assets	208	(47)
Goodwill	767	12,128
Total acquisition cost	975	12,081
Hereof cash	(8)	(47)
Net cash from acquisitions	967	12,034

NOTES

Note 35 Sale of subsidiaries and proportionally consolidated enterprises

DKK m

	TDC Group	
	2002	2001
The carrying value of assets and liabilities consists of the following at the time of sale:		
Intangible assets	0	22
Property, plant and equipment	44	58
Investments and other assets	0	82
Inventories	0	1
Accounts receivable	(51)	79
Deferred tax assets/(liabilities)	2	0
Cash and cash equivalents	4	16
Minority interests	1	0
Provisions	0	0
Long-term debt	0	(1)
Short-term debt	(4)	(57)
Net assets	(4)	200
Gain/(loss) on sale of enterprise	8	34
Related income tax paid	0	0
Total sales amount	4	234
Hereof cash	(4)	(16)
Net cash from sale	0	218

Note 36 Cash and cash equivalents

DKK m

	TDC Group	
	2002	2001
Cash and cash equivalents at January 1	2,538	5,967
Unrealized gain/(loss) on marketable securities and currency translation adjustments, net	(23)	(99)
Adjusted cash and cash equivalents at January 1	2,515	5,868
Cash and cash equivalents at December 31 are specified as follows:		
Marketable securities:		
• marketable securities with insignificant risk of changes in value	2,915	971
• other marketable securities (with more than three months' term to maturity at the time of acquisition)	0	0
Total marketable securities at December 31	2,915	971
Cash	2,679	1,567
Cash and cash equivalents at December 31	5,594	2,538
Undrawn credit lines at December 31	14,017	7,158
Total cash, cash equivalents and credits available at December 31	19,611	9,696

MANAGEMENT STATEMENT

Today the Board of Directors and the Executive Committee approved the Annual Report of TDC A/S for 2002.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act, the accounting standards issued by the Danish Institute of State Authorized Public Accountants and the requirements of the Copenhagen Stock Exchange relating to the presentation of financial statements by listed companies.

In our opinion, the accounting policies applied are appropriate and the Annual Report gives a true and fair view of the assets, liabilities, financial position, results for the year of the Group and the Parent Company and cash flows for the year of the Group.

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

Copenhagen, February 26, 2003

Executive Committee

Henning Dyremose

Hans Munk Nielsen

James N. Wilson

Board of Directors

Knud Heinesen

Lloyd Kelley

Kristin Blomquist

Larry Boyle

Thomas G. Carter

Leif Hartmann

Niels Thomas Heering

Steen Jacobsen

Bo Stenør Larsen

Bo Magnussen

Rick L. Moore

Erik Sprunk-Jansen

AUDITORS' REPORT

To the shareowners of TDC A/S

We have audited the Annual Report of TDC A/S for 2002.

The Annual Report is the responsibility of the Board of Directors and the Executive Committee. Our responsibility is to express an opinion on the Annual Report based on our audit.

Basis of opinion

We conducted our audit in accordance with International and Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and the Executive Committee, as well as evaluating the overall Annual Report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any qualifications.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2002 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 2002 in accordance with the Danish Financial Statements Act and the accounting regulations for companies listed on the Copenhagen Stock Exchange.

Copenhagen, February 26, 2003

PricewaterhouseCoopers

Fin T. Nielsen
*Danish State Authorized
Public Accountant*

Ernst & Young
Statsautoriseret Revisionsaktieselskab

Bent Grønbæk
*Danish State Authorized
Public Accountant*

Leif Shermer Larsen
*Danish State Authorized
Public Accountant*