

SONOFON ANNUAL REPORT 2000

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COMPANY INFORMATION

Limited company

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Board of Directors



Jørgen Lindegaard
Chairman

Stephen Gray
BellSouth

Ingvild Myhre
Telenor

Morten Karlsen Sørby
Telenor

Philip R. Wallace
BellSouth

Board of Management



Ulrik Bülow
Chief Executive Officer

Jon Hoffmann
Executive Vice President,
Technology

Allan Koch
Executive Vice President,
Corporate Relations

Tage Reinert
Executive Vice President,
Finance

Rune Sørensen
Executive Vice President,
Sales and Marketing

Auditors

Deloitte & Touche Statsautoriseret Revisionsaktieselskab
Arthur Andersen Statsautoriserede revisorer

WELCOME TO SONOFON IN 2001



At SONOFON, our vision is to create time and space for people on the move - a world where telecom services are so simple that everyone can communicate with everyone else at any time and anywhere. We are on the way to achieving that vision.

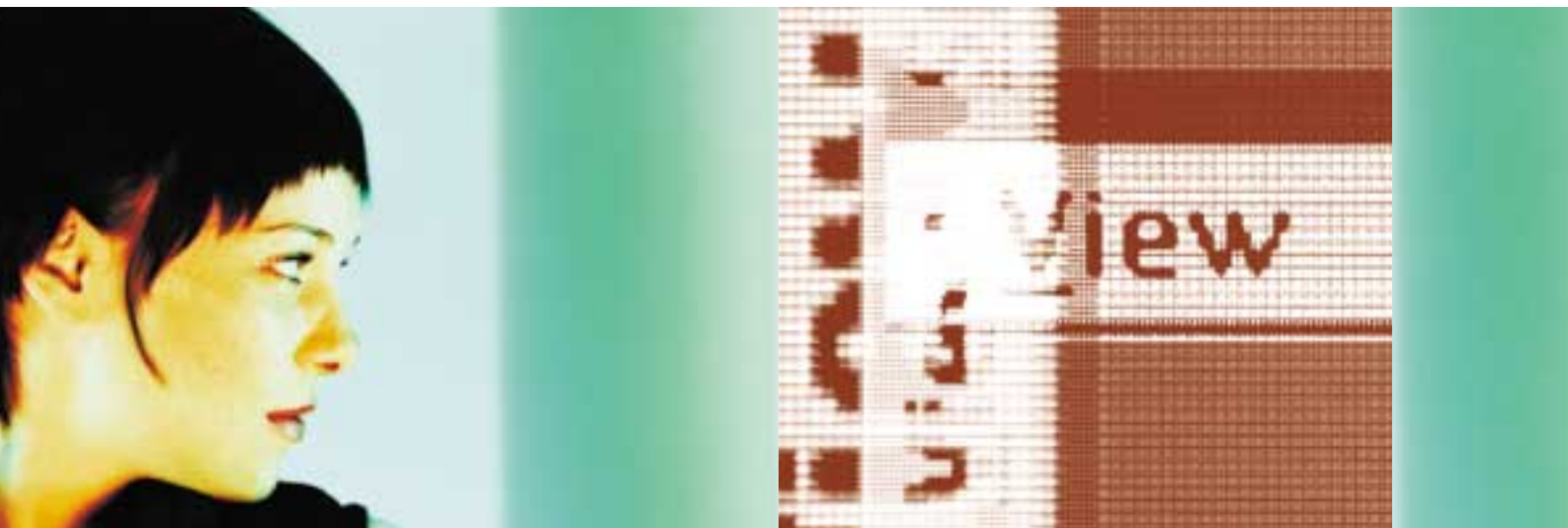
2000 was one step in this direction and marked an eventful year for SONOFON. We launched two new products, Variant and MultiPlan that are both simple and user-friendly. We presented a new data strategy and new standards for mobile data transfer and increased our focus on the mobile Internet. And Telenor entered the group of owners.

2001 will take us even closer to realizing our vision. GPRS is well under way, we are making good progress towards offering broadband to everyone with FWA, and a UMTS auction is just around the corner. That means greater speed, greater choice and greater capacity. The technologies are in place and our task now is to ensure that they and the content offered are accessible to everyone in the simplest possible way.

SONOFON's business is moving from the ear to the eye. Mobile telephony is increasingly not just voice-based. New services and new products that transmit both Hi-Fi sound, live pictures and enormous quantities of data will soon dominate the market. The future is mobile. SONOFON plans to be there all the way - and to make it easier, better and less costly for both ordinary users and super-users.

Ulrik Bülow
Chief Executive Officer





ABOUT SONOFON

SONOFON, a Danish telco,

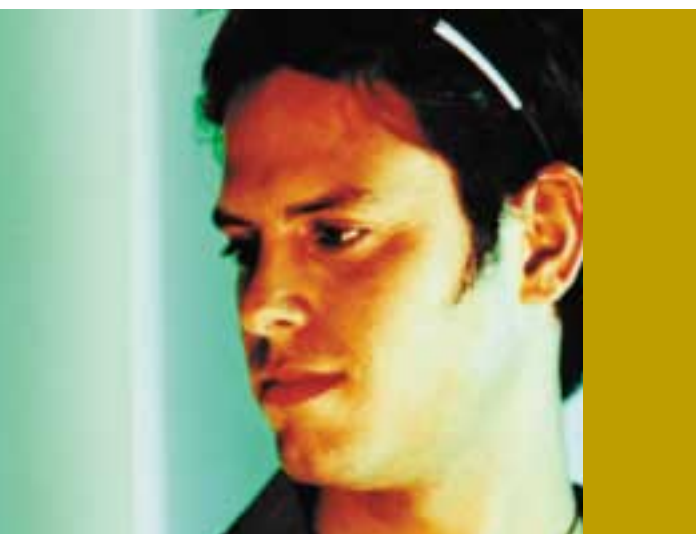
offers communication with a special focus on free and flexible solutions.

With revenues of DKK 3.1 bn, a mobile customer base of 966,000 and more than 1,600 employees, SONOFON is Denmark's second-largest telco. We are owned by Norwegian Telenor (53.5%) and the American BellSouth Corporation (46.5%).

SONOFON's head office is on the waterfront in Copenhagen - just 10 minutes from both the City Hall Square and Copenhagen Airport. Technological development and operations take place at our facilities in Aalborg, and we have departments and shops all over the country.

SONOFON aim to enable people to communicate simply and securely as they like, when they like and where they like.





SONOFON IN KEY FIGURES

		2000	1999	1998
Mobile Customers at year-end	(1,000)	966	846	750
Growth in mobile customers, net	(1,000)	120	96	199
Revenues	DKKm	3,096	2,904	2,347
Earnings, EBITDA	DKKm	720	736	473
Earnings, EBITDA in %		23%	25%	20%
Income for the year before tax	DKKm	31	140	(99)
Income for the year after tax	DKKm	(26)	57	(114)
Capital investments, net	DKKm	614	721	594
Shareholders' equity	DKKm	1,288	1,313	1,256
Average number of employees		1,567	1,487	1,153

- SONOFON achieved a 14% increase in customer intake in 2000 and earnings, EBITDA, of DKK 720m, which is in level with the previous year's earnings - despite substantial costs in connection with customer intake.
- Revenues rose 7% in 2000. This modest rise resulted from ending 1999 with a decline in customer numbers and only turning this trend in the spring of 2000 with the new product Variant.
- Earnings, calculated as income before interest, tax, depreciation and amortization of goodwill (EBITDA), amounted to DKK 720m, corresponding to a margin of 23%, compared with DKK 736m in 1999, corresponding to a margin of 25%.
- In 2000, SONOFON made investments of DKK 614m net, compared with DKK 721m in 1999. Most of the investments were made in further expanding network capacity, implementing data strategy and further developing administrative systems.

A GOOD BEGINNING TO THE NEW MILLENNIUM

2000 was an eventful year for SONOFON. The ownership structure changed when GN Store Nord sold its shares to Telenor. Two unique products were launched, and with the publication of a new data strategy came a serious focus on the mobile Internet. SONOFON was awarded two FWA licenses just before the end of the year.

2000 was a good year for SONOFON. In the spring, SONOFON launched Variant and MultiPlan, products that have resulted in growth in customer numbers and helped us maintain our market position. Customers literally poured in.

Variant

SONOFON introduced Variant, which, in all its simplicity, is three subscriptions in one, switching automatically to the most economical - the one offering the subscriber the cheapest total price. Variant also has the same rate around the clock, whether you call a mobile or fixed-line number or someone using a different telco.

Variant is a simple, honest product, with customers paying for what they use. At the same time, it supports SONOFON's strategy of ensuring stability in its customer base through more subscribers rather than prepaid customers.

MultiPlan

Flexibility and the possibility of mobile low-price zones proved to be an excellent product for Denmark's businesses in 2000. With MultiPlan, SONOFON integrated fixed-line and mobile telephony at many offices. With low-price zones - in the office, at temporary locations, in employees' homes - and local numbers, Danish businesses had their telephone integrated in efficient, profitable and flexible MultiPlan systems.

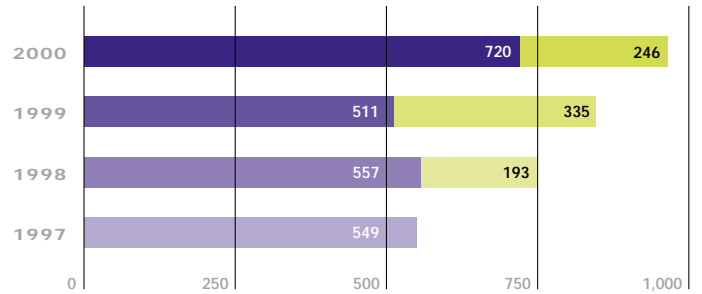


By the end of the first quarter of 2001, SONOFON expects to have more than 350,000 Variant customers and more than 200,000 MultiPlan customers.

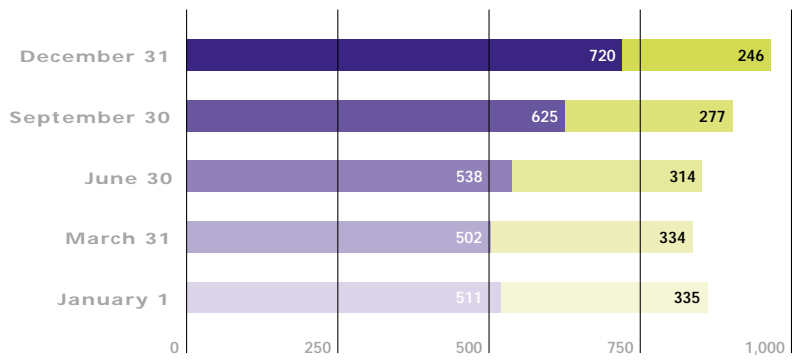
Customer base

At the end of 2000, SONOFON had 966,000 mobile customers, corresponding to a customer intake for the year of 14%.

MOBILE CUSTOMERS (1,000)



MOBILE CUSTOMERS, 2000 (1,000)

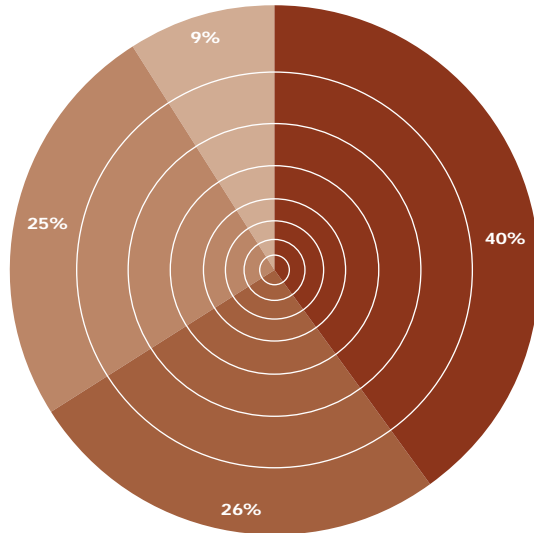


Subscribers
Prepaid customers



BREAKDOWN OF MOBILE CUSTOMERS, 2000 (1,000)

	2000
Private	374
Business	256
Prepaid	245
Service Providers	91
Total	966



In the first few months of 2000, SONOFON saw a decline in customer numbers, but the introduction of the new products in the spring reversed this trend. The distribution of subscribers and prepaid customers also changed in 2000. At year-end, 25% of SONOFON's mobile customers were prepaid customers, compared with 40% at the beginning of the year.

At the end of 2000, SONOFON also had 186,000 fixed-line customers - twice the previous year's figure.

Total wireless traffic in SONOFON's network amounted to 1.66 billion minutes in 2000, up from 1.50 billion minutes in 1999 - a 10% increase.

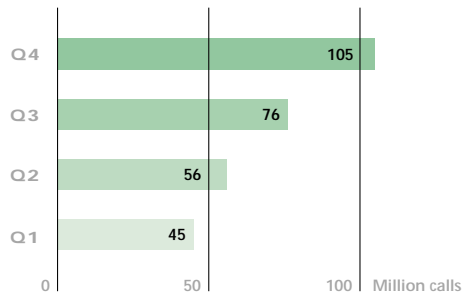
In 2000, SONOFON saw a steady increase in SMS traffic. By the end of the year, approx. 40 million messages per month were being sent which is more than three times the amount in the same period last year. In all, SONOFON's SMS traffic amounted to over 282 million messages in 2000.

Data area strengthened

At the beginning of the year, we presented SONOFON's new data strategy, which positioned SONOFON as a supplier of the mobile Internet of the future. The development of new WAP and SMS services, the marketing of High Speed Data and WAP-enabled



SMS MESSAGES PER QUARTER, 2000



products, such as VIPWAP, which gives direct access to mail and calendar via the phone, are bringing the mobile office ever closer. At the beginning of December, we launched GPRS, which sets new standards for mobile data transfer. Revenues from data rose steadily during the year, and we have great expectations concerning this area in the years ahead.

On the way to 3G

We were awarded yet another license for the GSM 1800 network, and shortly before Christmas we were awarded two licenses on the FWA network, which enables us to deliver broadband to everyone. With these licenses and a possible 95% coverage of the country, we can launch the first combined telecommunications offer entirely independently of Tele Danmark.

In 2000, SONOFON also welcomed a new owner. After having been a shareholder in the company from the very beginning, GN Store Nord sold its 53.5% interest in SONOFON to Telenor for DKK 13.1bn.

Our new owner, Telenor, is one of Scandinavia's largest telcos and one that - in line with our visions - is focusing strongly on the mobile services of the future and, first and foremost, the mobile Internet. Telenor has been awarded one of the four Norwegian UMTS licenses and already expects to be able to take the new 3G network into use before the end of 2001. For SONOFON, too,

2001 is very much the year of the UMTS license. Attention will be focused on the mobile network of the future when the Danish licenses are put up for auction this summer. And naturally, SONOFON will be able to benefit from Telenor's experience.

SONOFON's distribution was expanded in 2000. In February 2001, the company's chain of own shops and franchise-based shops was strengthened by acquisition of a chain of 16 shops. This means that SONOFON's own distribution chain will comprise 64 shops by the end of the first quarter of 2001 including 15 franchise-based shops. SONOFON's own shops offer a wide range of products. The total amount of point of sales with a limited range of SONOFON products was expanded to approx. 3,000.

In addition, in February 2000, SONOFON began Internet sales, with sales to consumers and dealers in the year 2000 exceeding DKK 100m.





ANALYSIS OF THE MARKET

The Danes are becoming increasingly mobile - they communicate where and when they

want to. Today, more than 60% of all Danes have a mobile phone, compared with about 50% at the end of 1999. The percentage is expected to be even higher by the end of 2001.

Competition on the Danish market is going to be even tougher in 2001. Call charges fell in 2000 and will fall still further in 2001 due to increasingly tough competition.

SONOFON expects the Danish mobile market to continue developing in 2001. SMS is used by around 20% of the market - a figure that is expected to rise steadily. The use of WAP and GPRS is also expected to increase in 2001. With the launch of FWA, rapidly increasing broadband competition is anticipated as well.

Competition has been intensified by the service providers that have entered the market. One of the large providers, Tele2, became the first so-called mobile virtual network operator (MVNO) by operating through SONOFON's network.

Even so, SONOFON expects rising revenues. There are two reasons for this: firstly, telephony is changing from fixed-line to mobile and, secondly, SONOFON is developing high-speed data services. In some years' time, revenues from data services are expected to equal those from mobile telephony.

SONOFON's development from being a supplier of voice and data traffic only to being a supplier of content as well is therefore natural.

The market of the future lies in content: live pictures, vast quantities of data, entertainment, online shopping, etc.





At the same time, the market is developing in four different directions with trends towards:

- technologically experienced and innovative customers with an extensive consumption of advanced services.
- customers wanting simple, useful and transparent solutions.
- business customers, who want greater efficiency in their busy lives.
- young customers, who want entertainment.

SONOFON will strive to serve all four customer segments.

The expected auction for 3G licenses (UMTS) in 2001 is the second of the year's clear focus areas for SONOFON. UMTS will lead to even greater competition.

MARKET POSITION

SONOFON's market share fell at the start of 2000 due to tough competition. However, the introduction of the Variant and MultiPlan products reversed this trend. At year-end, SONOFON had just over 300,000 Variant customers and just over 150,000 MultiPlan customers.

We are strongly placed in the business segment with about 29% market share of the mobile market.

Our network covers 98% of the Danish population, and 99% of all calls succeed. The network is constantly being optimized. In 2000 SONOFON invested heavily in expansion and improvements.



A DAY IN THE LIFE OF ...

Communication is an important part of our everyday lives.

SONOFON's job is to provide solutions that work for people in the precise situation.

The businessman on the road

Fortunately, the car's navigation equipment has found the easiest route to the businessman's meeting in the city. He reserves and pays for a parking place on his mobile phone - otherwise, he would never find one. The radio has been told to find his favorite music. The traffic is not as bad as usual. The meeting goes well. A follow-up meeting is agreed on the spot, and the businessman enters the details in his electronic calendar.

The nurse

The patient's case record is quickly retrieved on the nurse's small, handheld computer. New information on the patient's medication is entered, together with a report on the patient's condition.

The break

I use a short break to order food for our fridge over the Internet. I decide to eat out and quickly find a restaurant we have not been to before. I reserve a table but don't want to order the meal beforehand. Then I send an SMS to my wife, telling her that I will pick her up after work.

The long-distance truckdriver

On the way home from Italy, I receive an SMS telling me to pick up a load in Germany after all. After a couple of phone calls and a search on the Internet, the order is confirmed and the route found via location-based information. Good to know that the firm of hauliers always knows where the truck is - to ensure it's as profitable as possible and as a safeguard against highway pirates.



Mother-in-law

I call my mother-in-law, who agrees to pick her grandson up from play school. Then I send a short video message to the play school, telling them that my son will be collected by his grandmother and that he'll be picked up earlier than usual.

The service engineer

I quickly access the manual for the washing machine. A small part in the heating system needs replacing. Unfortunately, I haven't got the part with me, but order it straightaway on the Internet. I agree with the customer that I'll complete the repair the following day and enter the arrangement in my electronic calendar. When I get back to my van, I can see on the screen how to get to my next call.

Home delivery

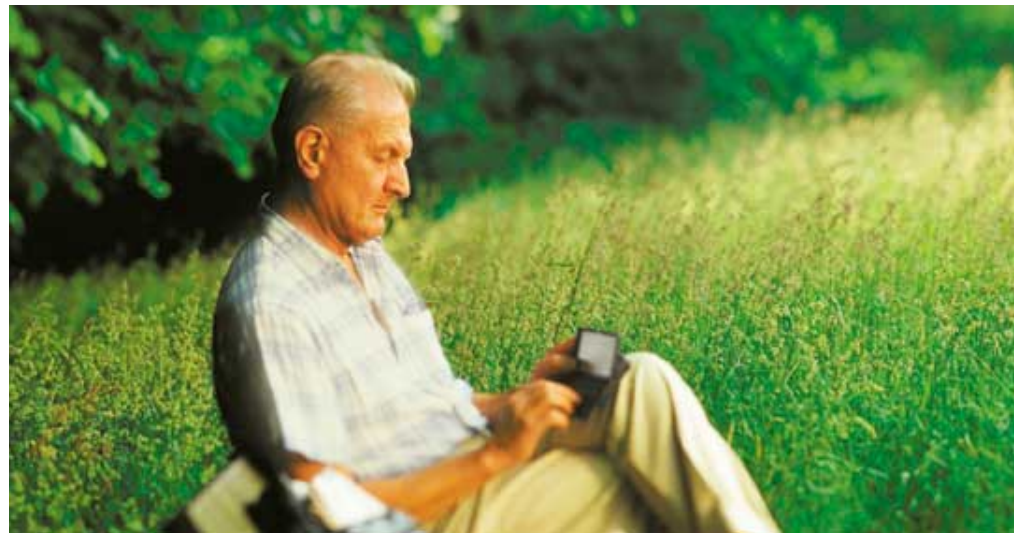
My supermarket order is delivered at the front door on time. I scan the food and quickly put it in the refrigerator, which tells me that I have bought less milk than usual and the eggs I bought last week are now past their expiration date.

The machines

I get an SMS telling me that the boiler has ordered more oil. The car reports that it will soon need both oil and windshield washer fluid.

The daughter in America

I get ready for a video call to my teenage daughter, who is studying in the USA. Both picture and sound come through crystal-clear on the screen on the fridge. So do the smiles and the messages that she's getting on fine and is missed a lot.



THE FUTURE - THE MOBILE NETWORK

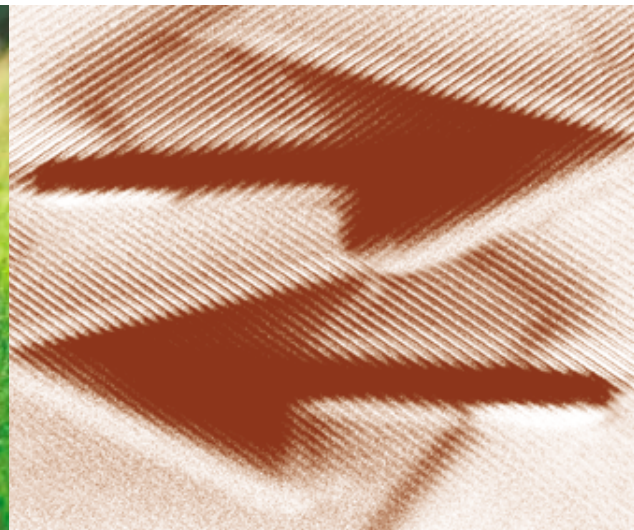
No one can predict the future and the changes it

will bring. But they will be both sweeping and wide-ranging. We'll soon be using mobile phones for all sorts of things besides voice communication: fast and easy access to the Internet, e-mails and intranet, downloading music, films, TV, manuals and educational programs, M-trading and M-banking - paying this, that and the other via a mobile phone.

In future, neither time nor place will limit the scope of people and organizations wishing to communicate, obtain information or do business. Everyone, wherever they are and whatever the time, will be online on the Internet. The future will be free and mobile - with no cables at all!

Few people fully appreciated the opportunities offered by the Internet. They couldn't imagine books being sold on the Internet. Bank personnel didn't believe in home banking, local authorities didn't believe in the digital town hall, companies' purchasing departments didn't see the opportunities offered by the Internet for buying more efficiently, and so on. The idea of doing business in this way simply didn't occur to them. Most people have now integrated the Internet in their daily life and work, and analysts are now saying that in three years' time, more people will be logged onto the Internet via mobile phones than via fixed-line networks. That is bringing immense changes - and if people and companies were surprised by the speed of penetration of the Internet, they had better get ready for the next revolution, which will be no smaller and no slower than the previous one.

With mobile telephony, the Nordic countries have created a mobile infrastructure in just ten years that is equal to what took 50 years to create on the fixed line network - a communication network used by most economically active people in Denmark - a network, the like of which has been seen nowhere else in the world. The question is, how to use this mobile network, which is going to keep on getting more bandwidth, capacity and speed.



Constantly online and faster than ISDN

With WAP, we took the first steps towards the mobile Internet, and with the introduction of GPRS, we have taken yet another major stride. GPRS stands for General Package Radio Service, which is a new technology. One benefit is that users are constantly online and pay only for the quantities of data they send or receive. And, as the terminals are upgraded, the speed of data transmission will reach the speeds we know from ISDN connections via landline networks.

That means that all laptops, PDAs and WAP phones can soon be constantly linked to a company's intranet and the Internet - with faster connection than we are used to today, at lower rates and in a simpler set-up. In other words, we'll be constantly online, and as you don't pay for the time you are online but only for the traffic you generate, not only people but also, increasingly, products will be online.

Besides, a new wireless mobile generation is just around the corner. That is the so-called UMTS (Universal Mobile Telephone System), which will encourage the development towards a mobile world.

This system is expected to be introduced in Denmark some time in 2003, but it will already be possible to get these services with GPRS in 2001/2002. When the terminals are being launched - those that can show live pictures in color - SONOFON has the network to deliver the service.





Completely new infrastructure

We're working towards a completely new infrastructure for communication throughout society and new opportunities for business development - a mobile revolution. We'll see more flexible forms of working, and growing fusion of working life and leisure time. We'll see new ways of receiving training. We'll be able to establish virtual organizations and networks beyond physical constraints. Our social relations will be radically changed and facilitated.

SONOFON is the future

The exciting aspect about all this development is that there are not many places to go for inspiration. Denmark and the other Nordic countries are world leaders in the mobile sector. This time, other countries are watching us to see what we come up with. That means that, despite our size, we are in the unique position of being able to set the international agenda for the launch of the mobile Internet. SONOFON is right up at the forefront of this exciting development.

We therefore also have a duty to ensure that the development benefits people and the environment.



SONOFON - QUITE SIMPLY

Our vision is to create time and space for people on the move through solutions that unite people and technology. Unfortunately, in reality this still looks terribly technical and complicated. Just think, for instance, of the impenetrable subscription jungle - Variant or not - with concepts and technologies such as GPRS, hit rate, service provider and UMTS. Think how difficult it is to use all your mobile phone functions. Not many of our customers know or need to know what all the abbreviations mean - and not many of them get the most out of their phones.

That is a real shame. Things shouldn't be so complicated. We shouldn't bother our customers with difficult "technicalities". We must ensure that their world is simple. No matter what product we provide them with, it must be easy to use. It must simply work.

Our biggest challenge is therefore to make being a SONOFON customer simple and effortless - even though as a company we live in a complicated world in which everything is moving faster and faster and constantly changing. Quite simply, doing business with SONOFON must be easy.

That's how it must be in a free and flexible world in which neither companies nor private persons want to be restricted by machines or monopolies. Companies that restrict their customers and employees will lose them to companies offering freedom.

In the future, it will be very bad business to launch such complicated products on the telecommunications market, as has been the case until now. We should make life easier for our customers. And with the whole world at their fingertips - just one click away - they can pick and choose. It will not be possible to own or monopolize them. Quite the reverse! Customers own the companies, and the companies have to earn their attention and purchasing power.



Competition will be based on user-friendliness and simplicity, and not on technologies. The success criterion will be that products must be easy to use. Many companies will be able to offer the same products and functionalities. The winner will be the company that manages to make the products easy to use.

A SONOFON product is therefore not finished until it works for everyone. In other words, our products must be so easy to use and understand that everyone - regardless of technological expertise - can use them to suit their needs.

SONOFON has already taken major strides in that direction. In the case of subscriptions, we have introduced Variant, which is three subscriptions in one, automatically switching to the most economical. That is simple and easy to understand. With Variant, wandering round in a jungle of different and confusing subscriptions is a thing of the past for mobile customers. Until now, many customers have cheated themselves by choosing a subscription that was only optimal in the first month, but far too expensive in the long run, when their consumption had changed.

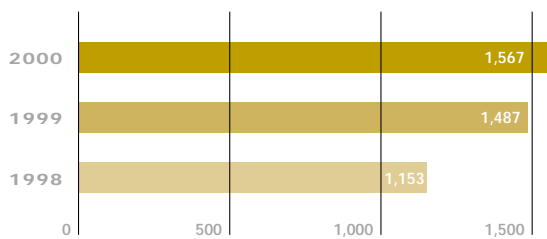


COMPETENCIES AT SONOFON

SONOFON strives to make optimum use of its employees' potential.

SONOFON's world is mobile, flexible and constantly developing. So are SONOFON's employees. That makes demands on Management. An old-fashioned management philosophy based on control and administration simply does not work in SONOFON's world.

AVERAGE NUMBER OF EMPLOYEES



SONOFON is therefore working towards a situation-determined management philosophy that ranges from classic management, to full empowerment and self-management .

In autumn 2000, SONOFON carried out a large job satisfaction survey that showed that 92.6% of its employees had a generally positive view of their working conditions at SONOFON. That is the highest percentage in the five years of job satisfaction surveys at SONOFON.

In today's society, making full use of human resources is the foundation of both welfare and progress - both for the individual and for organizations. At SONOFON, we believe our employees should always make best possible use of their resources and constantly develop them.

In the second half of 2000, a great deal of effort went into developing and implementing SONOFON's own competence system. The system is a strategic and management tool designed to generate specific and general knowledge and overview, thereby helping to ensure coherence between the business strategies and the activities initiated to achieve both training and recruitment goals.

This competence system gives individual employees a picture of their own competencies, needs for development and wishes, both in their immediate jobs and with respect to any wishes concerning job rotation.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Financial results for the year

In 2000, the SONOFON Holding Group revenues rose to DKK 3,096m, compared with DKK 2,904m in 1999. Operating income amounted to DKK 193m, against DKK 269m in 1999.

Revenues rose by only 7% in 2000 - a result of the fact that we ended 1999 with a decline in customer base and only reversed that trend with the introduction of Variant in the spring of 2000. Consequently, traffic rose significantly during the second half of 2000.

Earnings measured as income before interest, tax, depreciation and amortization of goodwill (EBITDA) amounted to DKK 720m, corresponding to a margin of 23%, compared with DKK 736m in 1999, a margin of 25%.

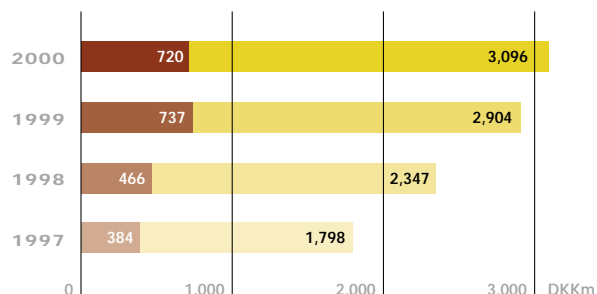
This is a satisfactory development, seen in the light of the much bigger customer intake in 2000 than in 1999. The large customer intake necessitated considerable spending on sales and marketing.

In 2000, SONOFON invested DKK 614m, compared with DKK 721m in 1999. In 2000, SONOFON invested considerable amounts in developing new products, implementing its new data strategy and establishing additional coverage and capacity in the network in order to live up to customers' growing demands. SONOFON also invested heavily in administrative systems.

Net results for the year constituted a loss of DKK 26m after tax, compared with net income of DKK 57m in 1999. At year-end, shareholders' equity in SONOFON Holding amounted to DKK 1,288m.



REVENUES & EBITDA



Revenues

EBITDA

	2000	1999	1998	1997
EBITDA %	23%	25%	20%	21%

These results are regarded as satisfactory, seen in the light of the increased customer intake, the increased market share in a growth market, and increased depreciation, amortization and interest as a consequence of increased investment in IT-systems and infrastructure.

Events since the end of the fiscal year

From the balance-sheet date to today, no events have occurred that change the analysis of the Financial Statements.

Future expectations

For the year 2001, SONOFON expects higher growth in revenues compared with year 2000, together with rising earnings in all segments and thus a substantial increase in earnings before interest, tax, depreciation and amortization of goodwill (EBITDA). The net income is expected to be positive.

Investments of around DKK 900m are expected in 2001 out of which DKK 300m is related to FWA. On top of this comes investment in UMTS.

Shareholders

SONOFON Holding A/S is owned by Norwegian Telenor AS (53.5%) and Denmark Alliance Inc., which is part of the American BellSouth Corporation (46.5%). Telenor took over its shareholding from GN Store Nord in August 2000.

Shareholders' equity

At the end of 2000, shareholders' equity in SONOFON Holding A/S amounted to DKK 1,288m. After expiration of the notice to creditors in July 2000, a sum of DKK 1,135m was transferred from capital in excess of par value to distributable reserves in SONOFON Holding A/S.

Covering of loss

The Board proposes that the loss for the year, DKK 26m, be covered by retained earnings carried forward from earlier years.

STATEMENT OF THE BOARD

The Annual Report, the MD&A and the Financial Statements for 2000 below are hereby submitted for adoption by the Annual General Meeting.

Copenhagen, March 20, 2001

Board of Management



Ulrik Bülow
CEO



Jon Hoffmann



Allan Koch



Tage Reinert



Rune Sørensen

Board of Directors



Jørgen Lindegaard
Chairman



Stephen Gray



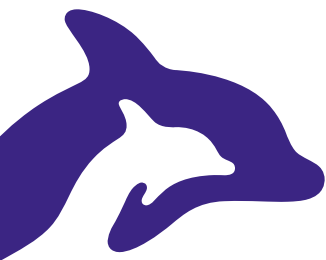
Ingvald Myhre



Morten Karlsen Sørby



Philip R. Wallace



AUDITOR'S REPORT

We have audited the Consolidated Financial Statements and the Financial Statements presented by the Board of Directors and the Management for the year 2000 of SONOFON Holding A/S.

Basis of opinion

We have planned and conducted our audit in accordance with generally accepted auditing standards as applied in Denmark to obtain reasonable assurance that the Financial Statements are free from material misstatements. Based on an evaluation of materiality and risk, we have tested the basis and documentation for the amounts and disclosures in the Financial Statements. Our audit includes an assessment of the accounting policies applied and the accounting estimates made by the Board of Directors and the Management. In addition, we have evaluated the overall adequacy of the presentation in the Financial Statements.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Financial Statements have been presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the company's and the group's assets and liabilities, financial position and loss for the year.

Copenhagen, March 20, 2001

DELOITTE & TOUCHE

Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen
State Authorized Public Accountant

Anni Klæbel
State Authorized Public Accountant

ARTHUR ANDERSEN

Statsautoriserede revisorer

Morten S. Renge
State Authorized Public Accountant

Kirsten Aaskov Mikkelsen
State Authorized Public Accountant



ACCOUNTING POLICIES

In general

Consolidated and Parent Company Financial Statements are presented in accordance with the provisions of the Danish Company Accounts Act and the current Danish Accounting Standards. The accounting principles are unchanged compared with last year.

Certain reclassifications to prior year comparative figures have been made. These reclassifications do not affect net income or shareholders equity.

Consolidation

The Consolidated Financial Statements relate to the Parent Company, SONOFON Holding A/S and the companies (subsidiaries) in which the Parent Company directly or indirectly exercises a controlling interest. Other companies in which the Group exercises a significant interest are regarded as associated. Affiliated companies are shown in the outline in note 13.

The Consolidated Financial Statements include the financial statements of the Parent Company and the individual subsidiaries, all of which are presented in accordance with the Group's accounting policies. Intercompany income and expenses, balances, dividends and unrealised intercompany gains are eliminated. On consolidation, the carrying value of shares held by the Parent Company in subsidiaries is set off against their equity.

The purchase method is applied when acquiring new enterprises, according to which the identifiable assets and liabilities acquired are measured at their fair value on the date of acquisition.

Where the acquisition price exceeds the fair value of the net assets acquired, the differential is capitalized as goodwill. Goodwill is amortized systematically in the Statement of Income in accordance with an individual assessment of the asset's expected economic life, although not exceeding 20 years. In the year of acquisition, amortisation is made on a pro rata basis.

Acquired or divested Group enterprises are included in the Consolidated Financial Statements for the period they have been owned by the Group. Comparative figures are not adjusted to reflect the acquisition or divestment of Group enterprises.

Translation of foreign currencies

Foreign currency transactions are translated into local currencies at transaction-date exchange rates.

Exchange differences arising from the date of transaction to the date of payment are recognized in the Statement of Income as net financials.

Receivables and payables in foreign currencies and hedging contracts are measured at the year-end exchange rates or, for hedging contracts, at the forward rates. Exchange gains or

losses are recognized in the Statement of Income as net financials.

In the Consolidated Financial Statements, the statements of income of foreign entities are translated into Danish Kroner at average rates of exchange for the year and assets and liabilities are translated at year-end exchange rates.

Exchange differences arising from adjusting foreign entities' equity at the beginning of the year and from adjusting foreign entities' statements of income from year-end rates are recognized as an adjustment to equity.

Development costs

For development projects that are clearly defined and identifiable, where the level of technical exploitation, sufficient resources and a potential future market or business opportunity for the Company can be demonstrated, and where the intention is to manufacture, market or exploit the results of the project, costs are capitalized from the date at which the above-mentioned conditions have been met, and when the discounted value of future earnings is expected to exceed the development costs incurred. The cost price of such development projects includes direct payroll costs, materials and other direct and indirect costs that are attributable to the development project.

Other development costs are expensed as production costs in the year they are incurred.

Research costs are expensed in the year they are incurred.

Statement of income

Net revenues

Income from the sale of goods and services is recognized in the Statement of Income, provided they have been delivered before year-end. Net revenues are stated after deduction of discounts and bonuses to customers.

Production costs

Production costs consist of the cost price of the goods and services sold during the year. Cost price includes depreciation of plant and amortization of intangible assets.

Distribution costs

Distribution costs relate to the costs associated with the sale and distribution of products and services, including salaries, commissions, advertising and marketing expenses and depreciation.

Administrative expenses

Administrative expenses relate to the costs of administrative personnel and management, office expenses, depreciation, amortization etc. Management fee from subsidiaries is set off in the Parent Company's Financial Statements.

Other operating income/expenses

Other operating income/expenses include other income/losses.

Results of subsidiaries and associated companies

The Statement of Income of the Parent Company includes a proportional share of the pre-tax income/losses reported by individual subsidiaries and associated companies.

Sale of fixed assets

Gains/losses on the sale of fixed assets are stated as the difference between the sales price and the carrying value at the date of disposal (historical cost price less accumulated depreciation).

Gains/losses are stated under depreciation.

Net financials

Financial income and expenses include interest income and expenses relating to the fiscal year.

Net financials also include the costs of funding capital leases and impairment of investments and other assets and realized and unrealized exchange adjustments for foreign exchange items.

Taxation

The Parent Company and a number of Danish subsidiaries are jointly taxed in Denmark. The Parent Company makes provision for and pays the total Danish tax charge for these companies' taxable income and the Parent Company also makes provision for deferred tax for the Danish companies. Jointly taxed companies participate in the tax prepayment scheme. The tax charge on taxable income for the year is charged to the Statement of Income together with the adjustment of the deferred tax provision for the year.

Tax payable is stated under short-term debt and deferred tax is stated under provisions. Taxes receivable and negative deferred tax (deferred tax assets) are stated under accounts receivable. Provision for deferred tax is recognized according to the liability method for all temporary differences between the accounting and the tax values of assets and liabilities. The tax value of tax-loss carry-forwards is included in the deferred tax provision if it is probable that such losses can be utilized within a few years.

Tax charges arising from the sale of shares in subsidiaries or associated companies are not included in the deferred tax provision if the shares are not expected to be sold within a shorter period of time. No deferred tax liability is stated for goodwill unless it is amortizable/deductible for tax purposes. Deferred tax is calculated on the basis of current tax rules and at the rate expected to apply when temporary differences are equalized. Changes in deferred tax provisions due to amended tax rates are recognized in the Statement of Income. The Consolidated Statement of Income includes a proportional share of the pre-tax income/losses reported by individual associated companies. The proportionate share of the tax charge in subsidiaries and associated companies is stated under Income taxes.



Balance sheet

Intangible fixed assets and property, plant and equipment

Intangible fixed assets and property, plant and equipment are carried at cost less accumulated amortization/depreciation and impairment losses.

Cost includes purchase price and costs of materials, components, subcontractor services, direct payroll and indirect production costs. Interest charges and other borrowing costs are not included in the cost price.

Straight-line depreciation of the individual fixed asset is made over the useful life of the asset. In calculating depreciation on property, an estimated scrap value is included. Assets are amortized/depreciated over the following expected lives:

Goodwill	up to 20 years
Software	5 - 10 years
Buildings and equipment	10 - 50 years
Leasehold improvements	5 - 20 years
Plant and equipment	3 - 15 years
Tools and fixtures	2 - 7 years

Assets with an acquisition price less than DKK 25 thousand per unit are expensed in the Statement of Income in the year of acquisition.

Until they become operational, projects are stated in the Balance Sheet under intangible fixed assets or property, plant and equipment as "Software under development" or "Plant under construction". After becoming operational, such projects are transferred to property, plant and equipment or intangible fixed assets, depending on their nature.

Land is not depreciated.

The cost price of capital lease assets is calculated as the fair value or the net present value of future lease payments at the date of purchase if this is lower. Capital lease assets are stated in the Balance Sheet and are depreciated as the Group's other property, plant and equipment.

Investments and other assets

Investments in subsidiaries are stated in the Parent Company Balance Sheet in accordance with the equity method as the proportionate share of the equity of the subsidiaries with addition of unrealized consolidated goodwill. The share of income in subsidiaries is stated in the Statement of Income less unrealized intercompany profits and amortization of consolidated goodwill.

Investments in associated companies are stated in the Parent Company Balance Sheet and in the Consolidated Balance Sheet according to the equity method as the proportionate share of the associated companies' equity less a proportionate share of unrealized intercompany profits.

Subsidiaries and associated companies with negative equity for accounting purposes are stated at 0, whereas receivables from these companies are written down by the Parent Company's/Group's share of the negative equity. If such negative equity exceeds receivables, the remaining balance is stated under provisions.

Inventories

Inventories are carried at the lower of cost using the FIFO formula and net realizable value. Write-downs are made on obsolete goods including goods with slow marketability.

Receivables

Receivables are carried at the value of the amounts expected to be received after allowances for uncollectibles.

Debt

Debt is carried at the nominal value of the outstanding balance at the balance sheet date, including interest due.

The net present value of the liabilities of capital lease assets is stated under debt in the Balance Sheet. Interest from lease payments is charged to the Statement of Income.

Other rental and leasing matters

Where contracts for renting and leasing buildings and equipment are operating leases, rental and lease charges are recognized in the Statement of Income for the period to which they relate.

The remaining rental and lease obligations under such contracts are disclosed under contingent liabilities.

Cash flow statement

The Consolidated Cash Flow Statement is prepared in accordance with the indirect method on the basis of the Group's operating income. The Cash Flow Statement shows the Group's cash flow for the year divided into cash flow from operating activities, investing activities and financing activities and how these cash flows have affected cash and cash equivalents.

Cash flow from operating activities relates to cash flow from the year's operations, adjusted for non-cash items and changes in working capital. Working capital covers current assets, excluding items stated as cash and cash equivalents.

Furthermore, short-term debt less repayment of long-term debt and bank debt is included.

Cash flow from investing activities includes the sale and purchase of fixed assets, including investments in companies.

Cash flow from financing activities includes payments to and from shareholders and raising and repayment of long-term and short-term debt not included in working capital.

OWNERSHIP



53,5%



46,5%



STATEMENT OF INCOME

Parent Company				Group	
1999 DKKm	2000 DKKm	Note		2000 DKKm	1999 DKKm
3	4	1	Net revenues	3,096	2,904
0	(2)	2, 3	Production costs	(1,433)	(1,411)
3	2		Gross profit/loss	1,663	1,493
0	0	2, 3	Distribution costs	(939)	(707)
13	9	2, 3, 4	Administrative expenses	(560)	(532)
0	15		Other operating income	30	15
175	87	5	Income/loss before tax in affiliated companies	(1)	0
191	113		Operating income/loss	193	269
32	43	6	Financial income	8	7
(83)	(125)	7	Financial expenses	(170)	(136)
140	31		Income/loss before tax	31	140
(83)	(57)	8	Income taxes	(57)	(83)
57	(26)		Group net income/loss	(26)	57

Distribution of income/loss for the year appears from
Management's Discussion and Analysis of the Financial Statements

BALANCE SHEET AT DECEMBER 31 - ASSETS

Parent Company				Group	
1999 DKKm	2000 DKKm	Note		2000 DKKm	1999 DKKm
0	0		Goodwill	1,884	2,003
2	2		Leasehold improvements	15	14
0	0		Software	635	554
0	0		Software under development	110	35
2	2	9, 10	Total intangible fixed assets	2,644	2,606
159	158		Leaseholds	198	200
0	0		Land and buildings	246	249
3	4		Plant and equipment	1,329	1,378
2	3		Tools and fixtures	149	136
0	1		Plant under construction	149	61
164	166	11, 12	Total property, plant and equipment	2,071	2,024
2,909	2,941		Investments in affiliated companies	0	0
2	1		Investments in associated companies	1	2
2,911	2,942	13	Total investments and other assets	1	2
3,077	3,110		Total fixed assets	4,716	4,632
0	0		Inventories	81	65
1	1		Trade accounts receivable	526	509
638	1,089		Accounts receivable from affiliated companies	5	0
0	0	15	Deferred tax assets	17	26
0	0		Tax receivables	8	6
6	22		Other receivables	96	39
3	6		Prepaid expenses	22	14
648	1,118		Total accounts receivable	674	594
0	0	17	Cash in hand and at bank	23	5
648	1,118		total current assets	778	664
3,725	4,228		Total assets	5,494	5,296

BALANCE SHEET AT DECEMBER 31 - LIABILITIES AND SHAREHOLDERS' EQUITY

Parent Company				Group	
1999 DKKkm	2000 DKKkm	Note		2000 DKKkm	1999 DKKkm
100	100		Share capital	100	100
1,135	0		Capital in excess of par value	0	1,135
78	1,188		Retained earnings	1,188	78
1,313	1,288	14	Total shareholders' equity	1,288	1,313
4	23	15	Provisions for deferred tax	23	4
4	23		Total provisions	23	4
160	160		Lease obligation	199	200
0	0		Mortgages	3	2
361	347		Debt to banks	947	962
1,127	1,183		Debt to affiliated companies	1,183	1,127
1,648	1,690	16	Total long-term debt	2,332	2,291
14	15		Installments on long-term debt	15	65
702	493		Debt to banks	1,062	1,094
24	20		Trade accounts payable	558	232
0	662		Debt to affiliated companies	0	2
20	37		Other debt	166	222
0	0		Deferred income	50	73
760	1,227		Total short-term debt	1,851	1,688
2,408	2,917		Total debt	4,183	3,979
3,725	4,228		Total liabilities and shareholders' equity	5,494	5,296
		17	Mortgages		
		18	Contingent liabilities		

CASH FLOW STATEMENT

	Koncern	
	2000	1999
	DKKm	DKKm
Operating income/loss	193	269
Depreciation and amortization	528	467
Changes in working capital	146	(71)
Cash flow from operating activities before net financials and tax	867	665
Net interest and foreign exchange gains	(162)	(129)
Income taxes paid	(32)	(52)
Cash flow from operating activities	673	484
Acquisition of property, plant and equipment and intangible fixed assets	(619)	(725)
Disposal of property, plant and equipment	5	9
Purchase of investments	0	(5)
Cash flow from investing activities	(614)	(721)
Cash flow from operating and investing activities	59	(237)
Debt to banks	(83)	(816)
Long-term debt	42	1,051
Cash flow from financing activities	(41)	235
Changes of cash in hand and at bank	18	(2)
Cash in hand and at bank at beginning of year	5	7
Cash in hand and at bank at year-end	23	5

NOTES

Parent Company			Group	
1999 DKKm	2000 DKKm		2000 DKKm	1999 DKKm
1. Net revenues				
0	0	Traffic and subscription revenues	2,724	2,600
0	0	Sale of handsets etc.	368	304
3	4	Other revenues	4	0
3	4	All revenues have been generated in Denmark	3,096	2,904
2. Employment costs				
63	93	Wages and salaries	512	447
2	9	Pensions and other social security costs	25	13
65	102		537	460
		Hereof remuneration to the Parent Company's:		
		Board of Management	29	4
		Board of Directors	1	1
168	172	Average number of employees	1,567	1,487
3. Depreciation and amortization				
0	1	Production costs	264	237
0	0	Distribution costs	15	12
119	120	Administrative expenses	249	218
119	121		528	467
4. Fees to auditors				
		Fees to auditors elected by the General Meeting:		
0	0	Audit Deloitte & Touche		
-	0	Audit Arthur Andersen		
0	0	Audit KPMG C. Jespersen		
0	1	Services other than audit Deloitte & Touche		
1	0	Services other than audit KPMG C. Jespersen		
1	1			

Parent Company			Group	
1999	2000		2000	1999
DKKm	DKKm		DKKm	DKKm
5. Income/loss before tax in affiliated companies				
294	206	Income/loss before tax	0	0
(119)	(119)	Adjustments and amortization of goodwill	(1)	0
175	87		(1)	0
6. Financial income				
0	0	Interest from banks	0	0
31	43	Interest from affiliated companies	0	0
1	0	Other interest	8	7
32	43		8	7
7. Financial expenses				
32	25	Interest on bank debt	81	82
42	74	Interest to affiliated companies	57	40
9	26	Other interest	32	14
83	125		170	136
8. Income taxes				
0	0	Current Danish tax	0	0
0	0	Current tax payable abroad	(36)	(45)
(38)	(44)	Change in deferred tax	(53)	(38)
0	32	Adjustment for previous years	32	0
(45)	(45)	Share of tax in affiliated companies	-	-
(83)	(57)		(57)	(83)
0	0	Tax paid during the year	44	52

Parent Company

Leasehold improvement

DKKm

9. Intangible fixed assets

Acquisition cost at beginning of year	2
acquisitions cost at year-end	2
Depreciation at beginning of year	0
Depreciation at year-end	0
Carrying value at year-end 2000	2
Carrying value at year-end 1999	2

Group

	Goodwill	Leasehold improvement	Software	Software under development	Total
	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm

10. Intangible fixed assets

Acquisition cost at beginning of year	2,374	19	750	35	3,178
Additions	2	6	165	110	283
Disposals	0	0	0	0	0
Transferred	0	(4)	35	(35)	(4)
Acquisition cost at year-end	2,376	21	950	110	3,457
Amortization and depreciation at beginning of year	(371)	(5)	(196)	0	(572)
Amortization and depreciation	(121)	(2)	(119)	0	(242)
Transferred	0	1	0	0	1
Amortization and depreciation at year-end	(492)	(6)	(315)	0	(813)
Carrying value at year-end 2000	1,884	15	635	110	2,644
Carrying value at year-end 1999	2,003	14	554	35	2,606

Parent Company

	Leaseholds	Plant and equipment	Tools and fixtures	Plant under construction	Total
	DKKm	DKKm	DKKm	DKKm	DKKm

11. Property, plant and equipment

Acquisition cost at beginning of year	160	3	3	0	166
Additions	0	2	1	1	4
Disposals	0	0	0	0	0
Transferred	0	0	0	0	0
Acquisition cost at year-end	160	5	4	1	170
Depreciation at beginning of year	(1)	0	(1)	0	(2)
Depreciation	(1)	(1)	0	0	(2)
Transferred	0	0	0	0	0
Depreciation at year-end	(2)	(1)	(1)	0	(4)
Carrying value at year-end 2000	158	4	3	1	166
Carrying value at year-end 1999	159	3	2	0	164

Group

	Leaseholds	Land and buildings	Plant and equipment	Tools and fixtures	Plant under construction	Total
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm

12. Property, plant and equipment

Acquisition cost at beginning of year	201	255	2,190	294	61	3,001
Additions	0	1	122	68	146	337
Disposals	0	0	(2)	(19)	0	(21)
Transferred	0	0	57	5	(58)	4
Acquisition cost at year-end	201	256	2,367	348	149	3,321
Depreciation at beginning of year	(1)	(6)	(812)	(158)	0	(977)
Depreciation	(1)	(4)	(226)	(55)	0	(286)
Depreciation related to disposals for the year	0	0	0	14	0	14
Transferred	(1)	0	0	0	0	(1)
Depreciation at year-end	(3)	(10)	(1,038)	(199)	0	(1,250)
Carrying value at year-end 2000	198	246	1,329	149	149	2,071
Carrying value at year-end 1999	200	249	1,378	136	61	2,024

According to the latest public assessment, land and buildings and leaseholds are assessed at DKK 155m

Carrying value of mortgaged assets totaled DKK 7m

Parent Company

	Investments in affiliated companies	Investments in associated companies	Total
	DKKm	DKKm	DKKm

13. Investments and other assets

Acquisition cost at beginning of year	3,329	2	3,331
Additions	0	0	0
Disposals	0	0	0
Acquisition cost at year-end	3,329	2	3,331
Adjustment at beginning of year	(437)	0	(437)
Share of net income/loss	168	0	168
Adjustments	(119)	(1)	(120)
Adjustments at year-end	(388)	(1)	(389)
Carrying value at year-end 2000	2,941	1	2,942
Carrying value at year-end 1999	2,909	2	2,911
The equity value of investments in affiliated companies at December 31, 2000 consists of:			
Affiliated companies with a positive equity value			1,062
Non-amortized share of goodwill			1,879
			2,941

to be continued ...

	Domiciled in	Ownership share	Share capital
			DKKm

13. Investments and other assets ... continued

Investments in affiliated companies:

Aktieselskabet af 3. november 1971	Copenhagen	100%	14.0
BLS Denmark Associates	Georgia	100%	-
BLS Denmark Inc.	Georgia	100%	-
BSI Denmark Inc.	Georgia	100%	-
Dansk MobilTelefon I/S	Aalborg	100%	-
Det Danske Mobiltelefonkompagni PCN A/S	Copenhagen	100%	4.6
Interessentskabet af 26. november 2000 (Formerly: GN Store Nord MOBIL I/S)	Copenhagen	100%	-
Anpartsselskabet af 16. november 2000 (Formerly: GN Store Nord MobilTelefon 2 aps)	Copenhagen	100%	3.0
Midtjydsk Radiotelefon A/S	Copenhagen	100%	1.0
SONOFON A/S	Aalborg	100%	59.0
SONOFON GSM Center A/S	Aalborg	100%	0.5
SONOFON Partner A/S	Copenhagen	100%	10.0
SONOFON Services A/S	Copenhagen	100%	0.5

Investments in associated companies:

Lokal Trans aps	Copenhagen	20%	0.4
OCH A/S	Copenhagen	25%	1.0

The above-mentioned partnerships (I/S) do not publish their financial statements according to the Danish Company Accounts Act section 2f, as they are included in the Consolidated Financial Statements of SONOFON Holding A/S

Parent Company		Group	
1999	2000	2000	1999
DKKm	DKKm	DKKm	DKKm

14. Shareholders' equity

		The movements in shareholders' equity can be specified as follows:		
1,256	1,313	Shareholders' equity at beginning of year	1,313	1,256
57	(26)	Income/loss for the year	(26)	57
1,313	1,288	Shareholders' equity at year-end	1,288	1,313
		Share capital		
100	100	Share capital at beginning of year	100	100
100	100	Share capital at year-end	100	100
		The share capital consists of 100,000 shares at a price of DKK 1,000. The shares are not divided into classes.		
		Capital in excess of par value at year-end		
1,135	1,135	Capital in excess of par value at beginning of year	1,135	1,135
0	(1,135)	Transferred to retained earnings	(1,135)	0
1,135	0	Capital in excess of par value at year-end	0	1,135
		Retained earnings		
21	78	Retained earnings at beginning of year	78	21
57	(26)	Income/loss for the year	(26)	57
0	1,135	Transferred from capital in excess of par value	1,135	0
78	1,188	Retained earnings at year-end	1,188	78

Parent Company			Group	
1999	2000		2000	1999
DKKm	DKKm		DKKm	DKKm

15. Provisions for deferred tax

(34)	4	Provisions at beginning of year	(22)	(60)
38	44	Change during the year	53	38
0	(25)	Adjustments for previous years	(25)	0
4	23	Provisions at year-end is distributed as follows:	6	(22)
0	0	Deferred tax assets	(17)	(26)
4	23	Deferred tax provided	23	4
4	23		6	(22)

16. Long-term debt

0	156	Due within 5 years or later:	189	8
---	-----	-------------------------------------	-----	---

17. Mortgages

0	0	Mortgages are secured in buildings - carrying value at year-end	3	7
0	0	Bank balance deposited as security for leaseholds	0	1
0	0		3	8

18. Contingent liabilities

6	3	Liabilities in connection with leases	323	320
100	220	The Parent Company has issued Letter of Support for the credit facilities of the subsidiaries at a total of	0	0

WORD LIST

ADSL - Asymmetrical Digital Subscriber Line - Technology developed to use existing copper telephone wires for services requiring additional capacity.

ASP - Application Service Provider
- Provider of application services transmitted over the network.

CHURN - Loss of customers relative to the total subscriber base measured in percent or numbers.



CHURN RATE - A percentage of subscribers that have changed telecom operator.

CRM - Customer Relation Management.

CSP - Communication Service Provider
- provider of a wide range of communications services incl. voice.

CTI - Computer Telephony Integration
- integration of telephony and data in terminals and networks.

EBITDA - Earnings before interest, tax, depreciation and amortization.

E-business - business over the Internet.

FWA - Fixed Wireless Access. A fixed but wireless broadband connection to the Internet from a stationary personal computer. The bandwidth is as much as 34 Mbit/s - i.e. considerably more than that available on fixed broadband connections such as ADSL.

GPRS - General Packet Radio Service
- a data service that sends data in "packets" through the GSM network at speeds of up to 171,2 kbit/s (to begin with only 53,6 kbit/s). The subscriber pays for the amount of data sent and not for the number of minutes.

GSM - Global System for Mobile communications - digital mobile telephone system based on a global standard. GSM900 operates at 900 MHz and GSM1800 at 1800 MHz.

HIGH SPEED DATA - Wireless transmission of data through the GSM network at speeds of between 9.6 and 14.4 kbit/s.

HIT RATE - A measure in percent of successful mobile calls.

HSCSD - High Speed Circuit Switched Data System – a technical solution for mobile data communications that allows transmission of faxes, e-mails, files and text messages at speeds of up to 57,6 kbit/s.

Internet - A worldwide computer network that gives access to a wealth of information available on the worldwide web, which has servers all over the world.

IP - Internet Protocol. Network protocol (or language) used on the Internet to handle exchange of information, etc.

ISDN - Integrated Services Digital Network. A digital network that integrates several types of services such as voice, text, data and pictures.

LAN - Local Area Network. A network of computers connected to a company's main server.

M-business - business over the mobile phone.

M-Banking - Banking transactions made over the mobile phone.

POS - Point of Sales.

Service Provider - A provider of mobile services with no own network.

SMS - Short Message Service. A means of sending short alphanumeric messages to or receiving them from mobile phones.

Pre-paid customers - A customer who pays in advance for mobile telephone.

UMTS - Universal Mobile Telecommunications System. A third generation mobile network with transmission speeds that equal the existing fixed-line network.

VIPWAP - A service that, besides e-mails, gives access to calendars and address books via a WAP telephone.

WAP - Wireless Application Protocol. A standard that links a GSM network to the Internet.

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