ANNUAL REPORT 2000

SONERA ANNUAL REPORT 2000

sonera

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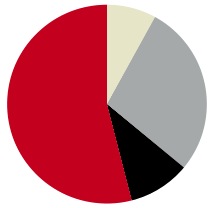
YEAR 2000 IN BRIEF

- The Group's earnings grew substantially on the previous year thanks to large capital gains. Profit before extraordinary items and taxes was €1,860 million (1999: €497 million), which includes a total of €1,546 million (21) of capital gains and losses as well as similar items.
- Revenues were up 11% on the previous year, to €2,057 million (1,849).
- It was a very good year for mobile communications in Finland. The Company's market share strengthened and the customer churn rate diminished compared to 1999. Revenues grew by 15% and the number of GSM subscriptions by 18%. The profitability of mobile communications in Finland remained at the good level achieved in 1999.
- During the past year Sonera obtained strategic participations in four UMTS licenses outside of Finland.
- Earnings generated by Media Communications and New Services were weakened by the approx. €240 million of additional outlays compared to the previous year. Revenues generated by the business area increased by 45%. The SmartTrust business was expanded by making two major acquisitions.
- The fixed network businesses improved their profitability compared to the previous year.
- Earnings per share rose to €2.05 (0.51). The Board of Directors is proposing payment of a dividend of €0.09 per share.

REVENUE BREAKDOWN 2000



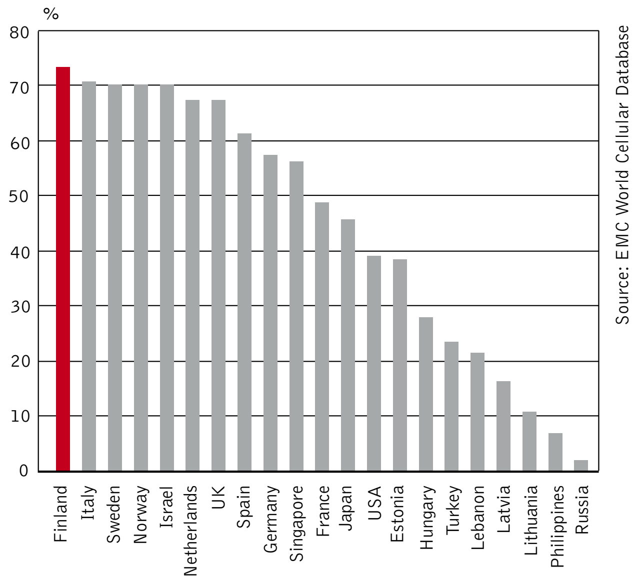
GROUP KEY FIGURES

€ million	2000	1999	Change, %
Revenues	2,057	1,849	11
EBITDA	2,047	668	206
Operating profit	1,748	387	352
Equity income in associated companies	121	110	10
Profit before extraordinary items and taxes	1,860	497	274
Net income	1,506	370	307
Return on capital employed (%)	33	20	
Return on shareholders' equity (%)	61	23	
Equity-to-assets ratio (%)	33	51	
Cash provided by operating activities	227	442	(49)
Capital expenditures on fixed assets	430	338	27
Investments in shares	2,117	410	
Proceeds from sale of shares	785	14	
Average number of personnel	10,305	9,270	11
Earnings per share (excluding extraordinary items) (€)	2.09	0.51	310
Earnings per share (€)	2.05	0.51	301
Shareholders' equity per share (€)	4.35	2.49	75
Number of shares at the end of period (thousands)	742,984	722,000	3
Average number of shares for the period (thousands)	735,917	722,000	2

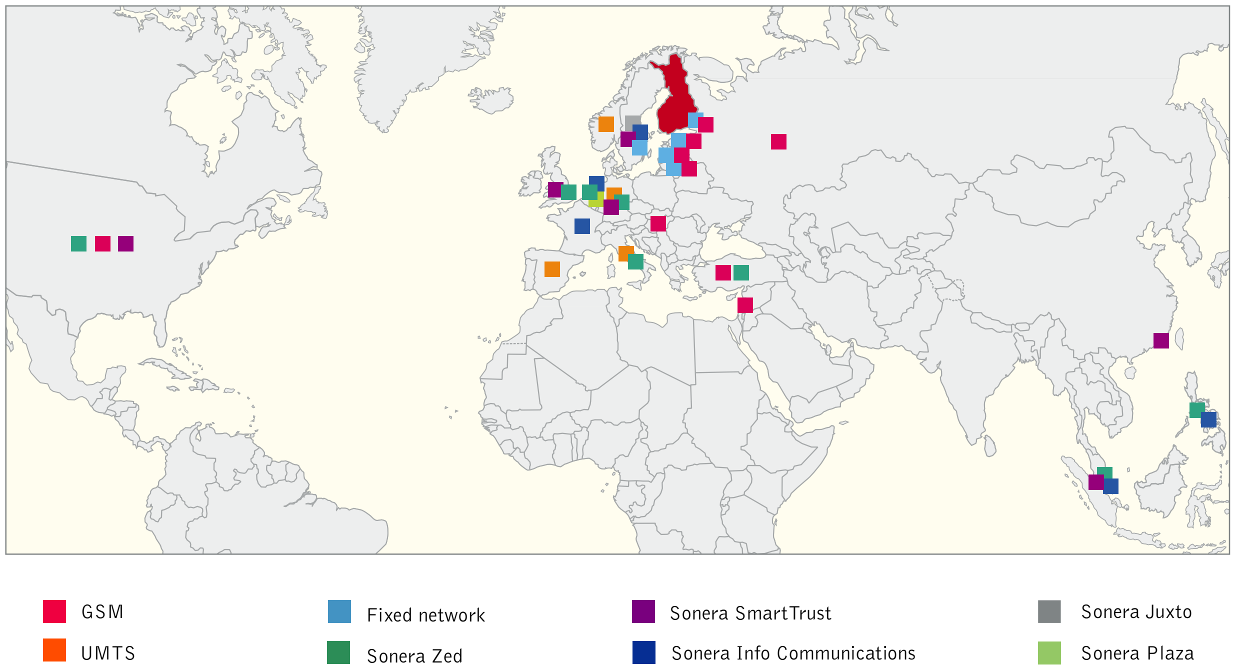
SONERA IS AN INTERNATIONAL FORERUNNER IN MOBILE COMMUNICATIONS AND MOBILE-BASED SERVICES AND APPLICATIONS. BY COMBINING ITS EXPERTISE IN MOBILE COMMUNICATIONS, THE INTERNET AND SERVICE PROVISION, SONERA AIMS TO DEVELOP INTO A GLOBAL COMMUNICATIONS OPERATOR AND PROVIDER OF TRANSACTION AND CONTENT SERVICES.

THE COMPANY ALSO OFFERS ADVANCED DATA COMMUNICATIONS SOLUTIONS TO COMPANIES AND FIXED NETWORK TELEPHONE SERVICES IN FINLAND AND ITS NEARBY AREAS.

MOBILE PENETRATION RATE BY COUNTRY ON DEC 31, 2000



SONERA'S MARKET AREAS



Businesses in brief in 2000

Mobile communications in Finland

Sonera is the leading mobile communications operator in Finland's advanced market. Sonera had more than 2.3 million mobile subscriptions at the end of the year, and its market share of GSM subscriptions was over 60%. The proportion of value-added services within mobile communications revenues rose to 11%. On average, a Sonera GSM customer sent 25 text messages a month. Sonera pushed ahead energetically with its development of services. An important launch was its first services making use of positioning technology.

International mobile communications

Sonera has associated companies that provide GSM services in six countries. The customer base of these companies has grown strongly, totaling over 13 million people at the end of the year. Sonera decided to sell its holdings in United States mobile operators and to shift the focus of its operations to the third-generation mobile communications market in Europe. Through new partner companies, Sonera obtained UMTS licenses in Germany, Spain, Italy and Norway. These market areas comprise a total of more than 180 million people in Europe.

New services

Sonera SmartTrust Ltd is a leading supplier of total solutions for e-commerce and transaction data security and management. SmartTrust expanded its know-how and product range significantly by acquiring Across Wireless and iD2 Technologies.

Sonera Zed Ltd offers a service package for wireless terminal devices, combining the best features of mobile communications and the Internet. The operator agreements announced by the company bring the zed services within the reach of nearly 90 million people.

Sonera Plaza Ltd is Finland's leading Internet service provider, with about 239,000 subscribers and nearly 1.5 million unique visitors per month at the close of the year. The company's objective is to develop into a leading Internet transaction center that will link together e-commerce, online banking and financial services as well as media and entertainment.

Sonera Info Communications Ltd is specialized in providing digital directory assistance services to consumers and companies. Operations were expanded to several countries in Europe, Israel and the United States. The company is seeking to develop into one of the world's leading players specialized in directory services for mobile customers.

Sonera Juxto Ltd aims to become an internationally prominent provider of application and management services. As a result of an acquisition, Sonera Juxto began offering ASP services to companies in Sweden from the beginning of 2001.

Telecom

Sonera Entrum Ltd is Finland's largest telephone company and it offers services to more than 500,000 consumers in Eastern and Northern Finland and, to a growing extent, to regional corporate and institutional customers. The company also launched an ADSL broadband service for consumers.

Sonera Solutions Ltd offers telecommunications solutions to major customers. The company focused on integrated mobile and Internet services for corporations and public administration.

Sonera Carrier Networks Ltd produces and maintains network services and operator solutions. The capacity of the fiber optic cable which went into commercial use between St Petersburg and Moscow was fully sold, and work on extending the capacity was started.

TeleRing Ltd and DataInfo Oy are specialized in mobile communications as well as information and telecommunications technology equipment sales, and both companies develop equipment outsourcing services.

Primatel Ltd provides construction and maintenance services for modern data transfer. Sonera's external customers' share of revenues grew to a quarter.

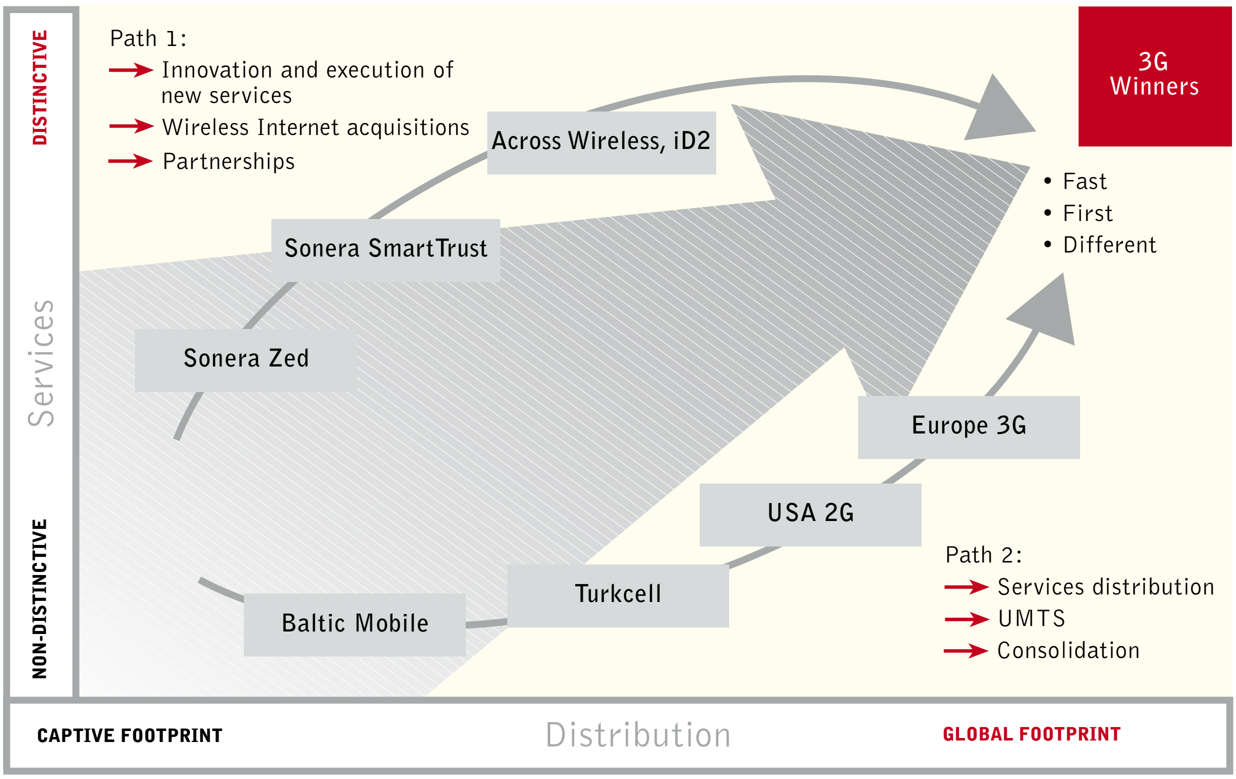
Baltic fixed network

Sonera is a major shareholder in and cooperation partner of the fixed network telephone companies in Estonia, Latvia and Lithuania. The companies have a total of more than 2.4 million subscriptions.

NEW SERVICES AND BROADER DISTRIBUTION SPUR GROWTH

SONERA'S VISION IS TO DEVELOP INTO A GLOBAL TELECOMMUNICATIONS OPERATOR AND PROVIDER OF TRANSACTION AND CONTENT SERVICES. SONERA'S MISSION IS TO UNITE MOBILE COMMUNICATIONS AND INTERNET SERVICES IN AN UNBIASED MANNER.

TWO-PATH STRATEGY



Sonera's objective is to develop into an international telecommunications operator and provider of transaction and content services. To achieve this ambitious growth target, Sonera has adopted a strategy of two parallel and mutually complementary paths: developing new international service businesses and significantly expanding its market area.

Both strategic paths rest on Sonera's core expertise: the innovative development of services and efficient network operations. Apart from continuous innovation, the development of services is being promoted through acquisitions in the wireless Internet field as well as by forming partnerships in areas such as content production. UMTS licenses and the ongoing consolidation within the industry will enable Sonera to expand its market area — to increase the distribution of its services. In line with its strategy, Sonera moved ahead in 2000 with the energetic internationalization of its new services, such as the mobile portal zed and its electronic directory business. The Company also obtained a strong position within next-generation UMTS mobile networks in its selected market areas.

Profiling through services

Development inputs into the service businesses are based on the premise of substantial short and long-term growth potential, as the capacity of mobile networks expands and mobile handsets evolve from phones for transmitting voice and text messages into more versatile terminal devices. Concurrently, the technological solutions that make new services and their use possible offer operators an opportunity to stand apart from their competitors.

Sonera has a reputation as a pioneer that has been the first in the world in bringing a number of mobile services to its customers. A new departure for Sonera is the Company's decision to begin developing and offering new services for other operators and service providers. For example, the main target markets for businesses such as zed and SmartTrust are in Europe and in part also in Asia and the United States.

Network know-how gives a competitive edge

Sonera has made a strong commitment to developing service businesses and believes that worldwide service markets will open up over the next few years. The new service businesses do not, however, preclude Sonera's more traditional role as a network and service operator. The Company also considers it important to take part in operating the next-generation mobile networks, which represent significant new earnings potential. Sonera is seeking new sources of revenue from the UMTS market, for example from the interface between service and content providers. In this arena, Sonera has a number of strengths, including operational efficiency and experience in customer segmentation.

SONERA'S STRATEGIC TARGETS

- Present 2G operations will be expanded further
- 3G operations will be launched in Europe
- Service businesses will be started up in selected markets in Europe, Asia and the United States
- Sonera will participate in the ongoing consolidation process to ensure scale economies

Acting as an operator of advanced mobile networks furthermore supports the building of service businesses. For example, Sonera develops network and service management software which operators need in order to be able to offer their services to customers. It is strategically important for Sonera to take an active part in defining the specifications for new network solutions and to be involved in building the service platforms of the future, because these capabilities also aid Sonera in bringing its service projects to the marketplace.

Focusing on the European market area

In 2000, Sonera achieved its UMTS license objectives, and it is now embarking on starting up operations within the license-holding companies. Three of Sonera's UMTS joint ventures will operate in Europe's leading markets — in Germany, Italy and Spain — and the fourth is in Norway, in Sonera's Scandinavian sphere. In addition, Sonera holds a UMTS license in its home market in Finland.

The process of forming alliances and mergers among telecoms is part of the consolidation and globalization that are sweeping through the industry. This process is driven by the quest for advantages of scale, but also by factors such as the needs of international corporate customers, which lead towards ever broader operational models. Sonera has announced that it is actively studying the alternatives for participating in alliances and partnerships that serve its strategic aims.

OUR GOAL IS TO BE A STRONG MOBILE COMMUNICATIONS OPERATOR IN EUROPE AND AN EFFICIENT FIXED NETWORK OPERATOR IN THE BALTIC REGION. WE ARE ALSO FOCUSING ON SERVICE BUSINESS SELECTIVELY IN GLOBAL MARKETS.

Sonera's financial performance in 2000 reflects the Group's strategic goal of expanding its operations on the international market. Earnings were boosted by substantial capital gains. The result, excluding non-recurring items, was reduced by outlays on developing new service businesses in line with our strategy. Stripping out the additional outlays and capital gains, the Group's EBITDA margin was higher than it was a year ago. Domestic mobile communications continued its strong and profitable growth, and the profitability of the fixed network businesses improved on the previous year.

Economic growth is estimated to slow down considerably in a number of market areas during the current year. This, coupled with ever-increasing competition, poses important challenges for the Company in achieving its growth targets. Nonetheless, bolstered by its strategy, Sonera can forecast quickening growth in revenues compared with last year.

Mobile communications swing toward third generation

During 2000 we pushed ahead with our strategy of expanding into the third generation mobile communications market. Participations in UMTS licenses will enable Sonera to stake out a significant position in Western Europe together with our partners. We will make the most of the know-how and experience we have obtained in Finland's advanced market as we now focus on building businesses in Germany, Italy, Spain and Norway in cooperation with our strong partners.

We are reallocating capital to make the transition from second generation mobile communications to the third generation. In order to finance the UMTS projects, we have announced our intention to sell our holdings in the GSM companies in the United States. Sonera judges that the VoiceStream and Powertel deals will go through as planned in the second quarter of this year. Other non-core holdings will also be divested over the next few years. This will enable Sonera to make the shift to the next generation UMTS business without taking on more long-term debt.

The UMTS license auctions and beauty contests have led to a much higher market entry threshold. The tax-like license fee paid in the auctions will spur the industry to streamline its operations and step up the pace at which it brings services to market because the licenses must be turned into a business that generates cash flow from operations. In our view, there is no alternative to making outlays on building a UMTS business if the company wants to create a strong position in an expanding market that brings new sources of income. For example, the license in Germany will guarantee Sonera a business presence in Europe's national market with the largest disposable income.

Service business on track

Sonera's service business can look back on its first full year of operations. The expertise and product palette of Sonera SmartTrust, which provides data security and management solutions for e-commerce and transactions, were expanded significantly by making two acquisitions. The mobile portal Sonera Zed in turn built an organization and data centers on three continents.

These subsidiaries are now ready to enter a phase of extensive commercialization. Via the operator agreements that have been concluded, zed's services will be within the reach of nearly 90 million mobile phone users over the next half year. We estimate that Sonera Zed's revenues will be five-fold this year compared with last year's pro forma figure of about €10 million. Demand for SmartTrust's products is also showing buoyant growth because they already work in existing systems and mobile phones. The company's customer roster numbers 60 operators and 160 companies. We estimate that Sonera SmartTrust's revenues will double this year, as against pro forma revenues of €25 million last year.

The wireless Internet still retains its good long-term growth outlook. The IPO timetables of our service companies are thus primarily subject to market conditions. Sonera plans to gain a listing for the companies during 2001-2002, the market situation permitting.

Accent on earnings ability and partnerships

The upheaval in the mobile communications field will offer companies important opportunities for growth. Despite its strong growth target, Sonera is seeking to ensure its good profit-making ability in the midst of an operating environment in a state of flux. We will exploit the growth potential of the service businesses as the international market continues to open up. In the management of risks, the accent will be on clearly defined objectives for each specific market. As we expand operations into new markets, we believe that we will be able to leverage our know-how both as a service provider and as a network operator. We will make sure we have sufficient marketing and product development resources by forming strong partnerships.

As the upheaval in the industry continues to unfold, Sonera intends to be a strong performer by further developing its service businesses and tapping the potential of its chosen UMTS investments. A salient feature of the ongoing transformation is the process of consolidation in the industry. Sonera will seek to participate in this process with a view to realizing its strategic priorities. The shake-up in the industry is being fueled by the need to boost efficiency, by the growing need for services that function in the same way in different countries and by cross-border pricing regimes for services. Sonera's strategy is based on the premise that the Company must be able to develop its business and participate in the consolidation without political pressures and fully on market terms.

I wish to express my warm thanks to all our shareholders and to our customers and entire personnel for your support and commitment during the past year. A special vote of thanks goes to my predecessor, Aulis Salin, who retired at the turn of the year and under whose capable stewardship Sonera has prepared itself to achieve good performance in a changing operating environment.

Kaj-Erik Relander

World of Possibilities

MOBILE COMMUNICATIONS ARE EXPANDING FROM VOICE TRANSMISSION INTO NEW SERVICES WHICH ENABLE PEOPLE TO TRANSACT DAILY BUSINESS AND TAP INTO ENTERTAINMENT ANY TIME, ANYWHERE. THE DIGITALIZATION OF INFORMATION AND ENTERTAINMENT IS ALSO TOPPLING THE TRADITIONAL BOUNDARIES BETWEEN MARKET AREAS AND OPENING UP GLOBAL OPPORTUNITIES FOR SONERA.

WIRELESS INTERNET SERVICES ARE ENABLED BY A NETWORK TECHNOLOGY WHICH IS DEVELOPING RAPIDLY IN CAPACITY AND DATA TRANSFER SPEED AND ALSO OFFERING NEW ROLES TO OPERATORS. CREATING AND COMMERCIALIZING THE SERVICES AND NETWORK SOLUTIONS OF THE FUTURE WILL CALL FOR MASTERING NEW CONCEPTS AND SKILLS, AND PUTTING THEM INTO USE. A PIONEER MUST BE CONTINUALLY READY TO COME TO GRIPS WITH CHANGE.

INDUSTRY UPHEAVAL SPAWNS NEW BUSINESSES AND MARKETS

In Finland, the number of mobile subscriptions has already passed up the number of fixed subscriber lines. Finland's mobile penetration rate is among the world's highest: about 70 percent of Finns have at least one mobile subscription. The trend is the same elsewhere in the world. It is estimated that the mobile device will be the most widely used communications device in the future, and in 2003 they are estimated to outnumber television sets (Sources: Dataquest, EMC).

Even at present, mobile devices are used mainly for talking to other people, and the most popular value-added service is the basic text messages which people send to one another. The popularity of value-added services is nevertheless increasing by the day, and in the years ahead the bulk of monthly use will come from non-voice services.

Concurrently, the services themselves are gaining in sophistication. Examples of new types of services are already with us today: a mobile phone can be used to pay for both soft drinks from a vending machine and the parking charge for your car. It enables us to track news events, weather information and stock exchange prices, or to use Yellow Pages services and, say, a library can send a text message telling that a reserved book has arrived. Users of various ringing tones and logos are also able to personalize their mobile phone to suit their tastes.

One terminal device for all services

Behind the development of these new services is convergence, the blurring of the traditional borders between sectors. Mobile communications no longer mean just voice communications, the Internet just surfing or information technology only software and the maintenance of systems. Information technology and telecommunications are merging together, with media and content services becoming ever more closely integrated into the total capability.

The forward march of convergence calls for an increase in the capacity and speed of mobile networks so that they can pass on, simultaneously and bidirectionally, moving images, voice, data and multimedia alike. The trend in the development of mobile terminal devices is also toward one and the same device that is capable of processing different types and forms of information. This trend can already be seen in today's terminal devices: mobile phones and computers are beginning to resemble each other both in their look and feel and in their user features.

The mobile device of the future will serve as a wallet, a master key, a game console and a remote control device for household appliances and electronics. It could even incorporate a video camera and a scanner. It will know its location and identify all the nearby services. In addition, the mobile device will be turned on all the time and be voice-controlled.

The mobile device will evolve into a personal tool for managing everyday situations. People will be able to use it to manage their daily job and leisure activities and needs whenever and wherever they happen to be. They will use their mobile to pay bills, do shopping and take care of ticket bookings or travel reservations. The mobile device will also have a social role: it can replace video conferences in meeting situations, or be used to chat with friends. Eventually, the family's common bulletin board may move from the refrigerator door to each family member's own mobile phone.

Expanding operating environment

The estimates of the market for wireless services are great. The market for data alone is judged to grow from about a billion US dollars last year to as much as 50 billion dollars by 2003. At the same time, mobile commerce is estimated to have about 500 million users (Sources: Dataquest, EMC, ARC Group).

Customer potential is also growing in the same proportions. Deregulation and the continual digitalization of information are reducing geographical distances and the importance of national borders as determinants of market areas since customers can freely choose the services they wish to use.

In a world like this, telecommunications operators, just like other players in the convergence arena, must change their traditional business models. Merely carrying voice or leasing a network no longer suffices in itself to form a foundation for growth – and the new factors of growth may be located outside the traditional field of operations.

Operators can seek new roles for themselves – as technology companies or content providers, for instance. Each role has its own customers, its own competitors and its own risks. Staking out a position within as many new roles as possible is a way not only to spread out business risks but also to further the continuous development and testing of expertise.

Securing a position among the winners of the future is a tough contest, because the large earnings potential and burgeoning customer markets are continually attracting new players into the industry. To come out ahead against this competition, the players must also be able to differentiate themselves.

Aiming to increase customer loyalty

In Sonera's view the key to new customer relationships and a growing, thriving business is being able to offer the best services, and the Company is investing energetically in developing them.

The objective is to offer services which genuinely help customers in the widest variety of life situations and which generate the kind of added value they are willing to pay for. A key issue here is reliability, because customers trust the service provider with the use of their personal information. For example, the data security and user identification underlying mobile commerce are a fundamental condition for this market to take hold. In return, the service provider must be able to protect the customer from nuisance mail or the abuse of information.

Continuous process of innovation breeds success

At Sonera, new business opportunities are surveyed and scrutinized continually. To identify them, the Company has adopted a process whereby new ideas are sounded out both inside and outside the Company. After a first stage evaluation, some of the ideas are tried out and tested, and following this screening stage, some of them move ahead to the business project level. Only a few end up as businesses that are ready for launching.

Speed of reaction and flexibility are often fundamental requirements for the success of new businesses. To ensure independence and latitude of action, some of the businesses are incorporated as separate companies. Yet even the fast organic growth of new businesses does not suffice by itself to establish a world-beating track record. This is why part of Sonera's strategy is based on acquisitions and alliances with partners, who will bring in new customer contacts and round out our expertise, technology and other resources. Another possibility is to divest business units.

A crucial factor for the success of business operations is motivated key employees. One way of offering incentives to the personnel is to involve them in ownership of the company. It is also important for expertise to remain at a high level and to develop further in the marketplace. A means of achieving these goals is to list businesses on the stock exchange, thereby attracting new talent. Both through listing companies and direct divestitures Sonera gains additional resources for developing new and successful business ideas.

CHANGE IN OPERATING ENVIRONMENT

OLD MODEL	INCUMBENTS						
New model	Network operator	Service provider	Provider of enabling technologies/ platforms	Application/ content provider	System integrator	Combiner of contents/ services	Provider of branded end-user services
	• Traditional operators	• Talkline • Mobile.com • Virgin	• Sonera SmartTrust • Infospace • Visa/Nokia • Openwave • Master Card/ Euro Card	• Sonera Zed • Sonera Info Communications • Sonera Juxto • CNN, WSJ • eBay, Amazon	• EDS • IBM • Cap Gemini • TietoEnator • Computer Associates	• Sonera Zed • Sonera Plaza • i-Mode • Infospace • AOL • Omnitel 2000 • Yahoo! • Vizzavi	• Sonera Zed • Network operators and service providers • Combiners of content services • Application providers • Handset/ consumer electronics manufacturers

• NEW BUSINESS OPPORTUNITIES • NEW CASH FLOWS • NEW COMPETITORS

UMTS AND LAN SOLUTIONS MAKE THE WIRELESS INTERNET A REALITY

The rapid growth in the volumes of mobile phone users and fast-developing services have stretched the capacity of existing mobile networks almost to the very limit: the flood of digital content threatens to clog up the networks. In many countries in Europe, raising the service level of GSM networks to meet consumers' needs already calls for large investments. Over the longer term, even this will not solve the problem. Building out the networks does speed up data transfer, but the capacity of even the most advanced GSM network does not suffice for all the new forms of traffic.

More capacity and radio frequencies are needed. This is where UMTS, the third generation mobile network, is a direct answer to consumers' needs.

Trends in the wireless Internet

The UMTS network could be concisely characterized as a single way of connecting to the wireless Internet. There are other ways, too. Generally they are categorized according to two schools of thought.

Telecommunications operators generally look on the wireless Internet as an extension of the telephone network. According to this school of thought, the capacity and data transfer rate of broad-coverage mobile networks will grow by steps. This is why the telecommunications evolution is often described as being a stairway of small technological revolutions: GSM is followed by GPRS, and after GPRS there will be UMTS.

The owner of a network occupies a strong position because the Internet is delivered as part of the mobile network via various content and service providers. These cooperation relations open new sources of revenues to the operator; previously, revenues were almost solely based on end customer invoicing. The operator itself also sets up as a service provider. The prime elements of the concept are quality of service, the extent of the network and a high level of mobility.

This trend is called the European approach, and UMTS is considered as being primarily a European solution. During 2000, UMTS nevertheless reinforced its position as a worldwide standard, notably when the United States operator AT&T Wireless announced it would build a GMS network, which can be considered a step toward UMTS.

The other trend, which centers on data and the Internet, is referred to as the American approach. Here, so-called intelligent terminal devices and Internet services are in the key position. Wireless terminal devices, such as computers, are connected via the IP protocol to the Internet without a UMTS-type core network. The best known technologies are a wireless local area network, or WLAN, and Bluetooth, a mini-network solution that does away with cables linking together various devices. In a world of this kind, no one controls the services any more than the Internet, for that matter: the standards are open and the services spring up wherever they are needed.

Different technologies supplement each other

Often these approaches are viewed as being competitors to each other and as diametrically opposed trends, only one of which can come out on top. These solutions are not necessarily mutually exclusive, however, because they also have points of convergence: the different networks supplement each other, and it is all the same to the end users what technology they use to access the services.

From the consumer's viewpoint, the Bluetooth solution with an operating radius of ten-odd meters can be the most convenient means of transmitting data, say, an e-mail address, from a mobile phone to a computer. A wireless LAN can transmit an e-mail with any attachments fastest within the confines of a shopping center, restaurant or some other limited area. If the recipient of the e-mail is on the other side of town, the best solution for transmitting the information can be a mobile network having a broad coverage area, and the e-mail can also be sent to other countries via international roaming.

In this respect, too, establishing a position within more than one technology affords better chances of success in the future.

Mspace as a test lab for the services of the future

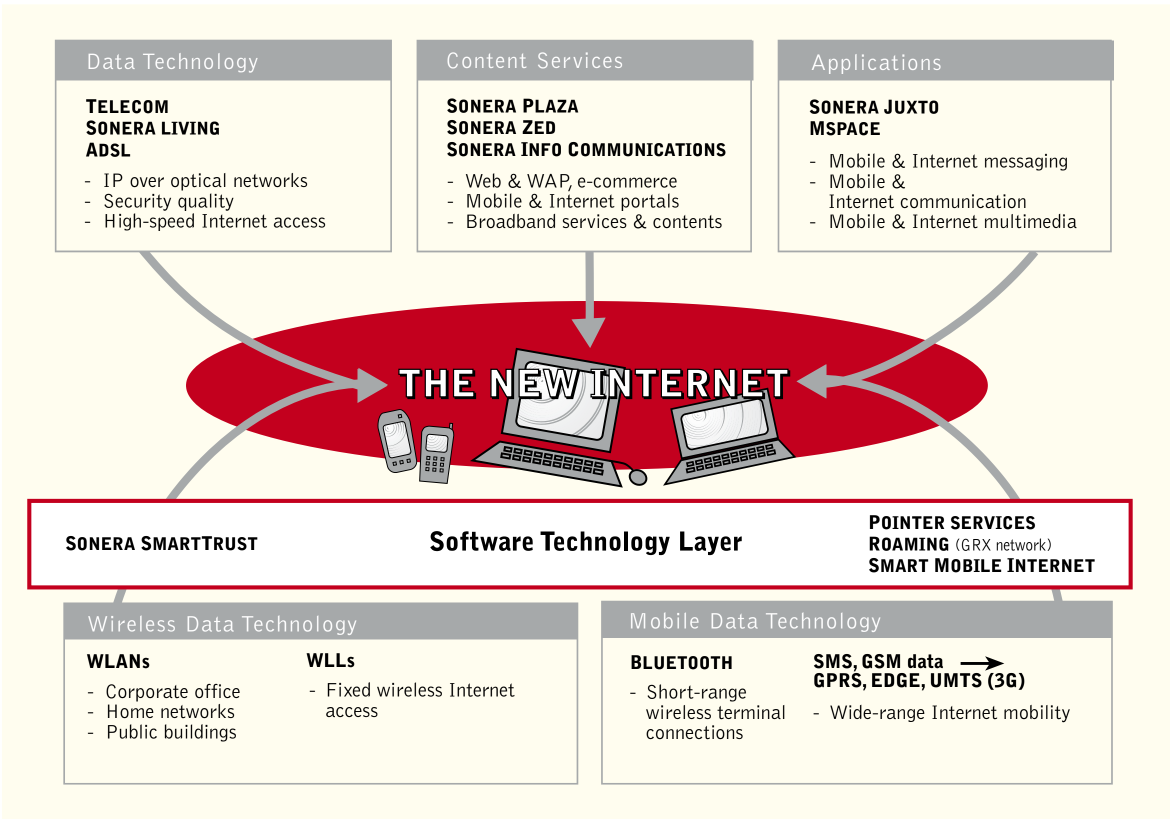
Technological advances always march ahead of development within the services. Furthermore, users' consumer habits do not change overnight and it may take years for a new service to catch on. Commercial challenges are indeed often greater than the technological ones.

Views of future services are as a rule visions and estimates. It is clear that today's services will be offered in coming years, too, but they will be easier to use and more versatile than before. No-one, however, knows for sure what new services the future will bring. Nor how consumers will receive these new services.

In order to survey consumers' needs and expectations, Sonera launched the Mspace project in the spring of 2000. One important aspect of Mspace is the testing of future services here and now. The equipment used in the project will simulate mobile phones and other terminal devices that make use of UMTS technology.

The idea behind Mspace is to involve consumers in development work on products and services right from the early stages. This will yield information not only on the functionality of the ideas but also on users' wishes. The project will break out of the conventional closed product development model also in the sense that Mspace is open to interested content and service providers. Mspace is thus seeking to benefit the entire industry.

THE NEW INTERNET



The wireless Internet is built on top of the current fixed and mobile networks. The development of software technologies enables the creation of new services.

INNOVATION CALLS FOR NEW KINDS OF SKILLS

Achieving success in a know-how intensive business depends on people – on their expertise and enthusiasm. Speed is also crucial to success, and the lead is grabbed by those companies whose employees are quick to assimilate and apply new knowledge and information in practice. In the global marketplace, the winning companies are the ones that are able to foster learning and development.

Sonera's future challenges lie in the areas of human resources development, retaining and increasing the Company's global competitiveness and managing an organization made up of experts. Other important challenges are the ability to adapt to change and to ensure the growth of new business areas.

Motivation through personal development

Living up to the role of a pioneer means that instead of developing traditional know-how, Sonera must adopt a new kind of approach. Many of Sonera's present operations have been created over the past five years. In the future, the change will become even more pronounced, with the development of know-how and the support of an innovative culture representing key priorities for enhancing Sonera's human resources. The challenges of creating new things lie not only in technological prowess but also in the ability to spot opportunities and take risks. A yardstick of Sonera's innovative approach is the high number of patent applications Sonera has filed. For example, in 2000 Sonera filed 66 patent applications, which was the third largest number in Finland.

Sonera offers its personnel a framework for developing both top-notch technical expertise and the characteristics that will be needed in coming years. The starting point for human resources planning is each person's own goals, but the supervisor's role is important when it comes to thinking out the means of doing this. Ultimately, however, each employee is responsible for his or her own development. Building broader and deeper overall competence is largely accomplished within the different business units, where challenging job tasks, training programs and job rotation within the Company build a context for development.

At Sonera, an amount equal to more than ten percent of total wages and salaries goes toward human resources development. Sonera's development programs focus on business operations, management and leadership as well as achieving personal growth targets. Sonera Business School, Telecommunication College and the DIP (Digital Innovation Professionals) program form an avenue for personal development. Sonera Business School grooms key employees for top spots in management. It also supports the Company's internationalization and the networking of experts across organizational boundaries and national borders.

Telecommunication College is an entrance path for new key professionals, serving as a vehicle for acquainting them with the Company's operations and objectives while adding to their level of knowledge and skills in the main areas of competence. The DIP program delves into important aspects of electronic and mobile-based business. About 400 members of the Sonera team took part in these programs in 2000.

Number of personnel increased

According to a questionnaire survey conducted by Tekniikka & Talous (Technology and the Economy) magazine, Sonera ranked in 2000 as Finland's second most desirable employer among business and technical students. Sonera's attractiveness is based on the Company's pioneering role, its accent on innovation and its flexible corporate culture.

Sonera was able to keep wages and salaries at the market level despite the shortage of professionally skilled potential employees in the industry. Often, hundreds of applications came in per job vacancy and for the most part, all the vacancies were filled. During the year the Group hired a total of 2,300 new permanent employees: 1,800 through recruitment and 500 through acquisitions. The total number of employees rose to over 11,000. Staff turnover remained at six percent, compared with a figure that is often double that in the industry as a whole.

Challenge of managing an expert organization

At its simplest, management amounts to good communications and interaction among people with the aim of achieving joint objectives. An organization made up of experts cannot be managed to yield good performance if it tends to be hierarchical. For example, inside individual teams at Sonera different experts can take charge of specific areas, though overall responsibility rests with the manager.

Timely projects for honing management skills include the Licence to Lead project and the project management development program. Licence to Lead aims to promote an awareness of the importance of supervisors' work and to develop management tools. The project management initiative seeks to firmly establish the Sonera PM model as part of day-to-day management practice.

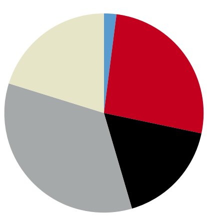
Steissi, a program for developing work & wellbeing, was launched at Sonera with the aim of achieving a positive influence on work motivation, sensitivity to change and the ability for self-renewal. The program ties together aspects such as the development of work and the work community, management of resources as well as innovative actions connected with the working environment, ergonomics and a healthy lifestyle. Working life development funds and the EU are supporting Sonera's program by contributing a total of nearly FIM 3 million, and Sonera is ready to share the results of this development work with other companies.

Stock options and incentive pay

Sonera has pioneered the introduction of pay systems based on employee appraisals and performance. Part of a Sonera employee's pay is based on the Company's earnings and on his or her individual performance. In determining the personal level of salary, the job's level of demand and the person's achievements are taken into account. A good job contribution can mean a significant increase in the salary paid according to the job description. One-time bonuses can be paid for outstanding achievements that are tied to individual, group or project objectives. The entire personnel is covered by a performance bonus which can be a maximum of 6% of salary and wages paid. The management bonus scheme covering 170 persons offers a maximum achievable bonus of two months of extra salary.

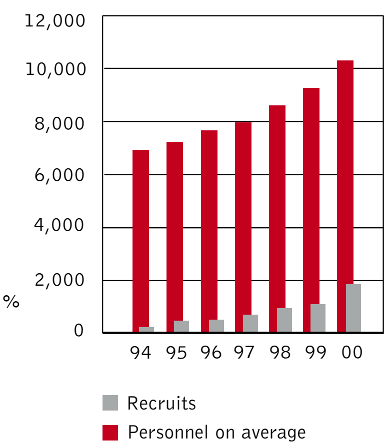
At Sonera, the entire personnel has been able to participate in the stock option scheme. Sonera's stock option scheme is comprised of two bond loans with warrants which were issued in 1999 and 2000. Sonera's subsidiaries Sonera SmartTrust, Sonera Zed and Sonera Plaza launched their own stock option programs in December 2000.

PERSONNEL BY TASK GROUP



- Customer service, sales and marketing, 26%
- Product research and development, 17%
- Production, 35%
- Other operations, 20%
- Management, 2%

TOTAL PERSONNEL AND NEW RECRUITS



AGE BREAKDOWN OF PERSONNEL AND NEW EMPLOYEES

Businesses on course

SONERA IS THE MARKET LEADER IN MOBILE COMMUNICATIONS IN FINLAND, AND IN EUROPE THE COMPANY HAS GAINED A STRONG FOOTHOLD TOGETHER WITH ITS PARTNERS. IN SELECTED MARKETS WORLDWIDE, SONERA IS CHANNELLING RESOURCES INTO NEW SERVICES THAT ARE INDEPENDENT OF ITS OWN OPERATOR ACTIVITIES. SONERA TELECOM'S FIXED NETWORK OPERATIONS ARE AIMING FOR PROFITABLE GROWTH IN FINLAND AND THE COUNTRY'S NEARBY AREAS.

SONERA HAS INCORPORATED ITS NEW SERVICES TO SPEED UP THEIR GROWTH AND ITS FIXED NETWORK BUSINESSES WITH A VIEW TO BOOSTING THEIR EFFICIENCY.

SONERA EXTENDS ITS MARKET LEADERSHIP WITHIN ADVANCED SERVICES

The mobile communications business in Finland continued its profitable growth in 2000. The good financial trend was attributable to the growth in mobile subscription volumes as well as to the increased and more versatile use of mobile phones. Sonera has performed well in mobile communications services, retaining its leading market position despite tougher competition in Finland.

Finland's mobile phone penetration rate at the end of 2000 already topped 70%. Sonera's market share of GSM subscriptions at the end of 2000 was more than 60%. Sonera's share of nationwide net growth in GSM subscriptions was high during the report year, about 67% in January-September. Sonera's main competitor is Radiolinja, in whose network Telia too offers GSM services nationwide. Sonera leases its network to two service providers, RSL COM Finland and Jippii Group, which offer their customers services through their own subscriptions. A new player in the market, DNA Finland, which is owned by the local telephone companies, began selling its subscriptions at the start of February 2001.

The number of Sonera's GSM subscriptions grew by 18% during the year (21% in 1999) and was 2,281,916 at the end of the year (1,938,644). In addition, at the close of the year Sonera had 55,863 NMT 450 subscriptions. Maintenance of the NMT 900 mobile phone network was discontinued on December 31, 2000. Prepaid subscriptions accounted for only a marginal share of Sonera's mobile subscriptions, amounting to 2.2% at the end of the year (1.4%).

The SIM churn for Sonera GSM subscriptions diminished and was 12.4% (14.6%). The customer churn, which does not include cases in which the subscription owner changes but the user remains the same, was only 9.7% (12.1%). Both figures are exceptionally low by international standards.

Increased use of value-added services

Average monthly revenues from a Sonera mobile subscription rose to €40.4 (38.8). Average monthly use of a subscription for voice calls increased from 130 called minutes to 139 minutes. In addition to voice calls, the use of text messages and various content and value-added services also grew strongly. The use of these non-voice services increased by 36% on the previous year. They accounted for €114 million, or about 11%, of revenues from domestic mobile communications, compared to €84 million and 8% in 1999. During the past year, 618 million text messages were sent (439 million), or on average 25 text messages a month per subscription (21). Each month an average of about 68% (61%) of Sonera's GSM customers sent basic text messages. The average monthly use of content services was more than 32% (25%) of GSM customers.

New services for daily transactions and business

Sonera m-mail, which was brought out on the market in October, makes it possible to send and receive e-mails with a mobile phone. The service is available to Sonera's GSM customers via its revamped web site at www.sonera.net. The web site allows the customer to use and manage his or her GSM subscription via the Internet and order new services for the subscription.

On the Finnish market, Sonera introduced its Pointer Guide service, the first application utilizing positioning technology. It offers information on services, events and sights to see in the locality — right to the user's GSM phone. In the Sonera Pointer services, a mobile phone's location can be pinpointed to an accuracy of one base station, i.e. one network cell. Positioning accuracy is important for a variety of applications in which, with the customer's permission, the positioning data can be linked to the services the customer wants.

Sonera also launched a solution for making payments with a mobile phone. The service enables customers to call a service number with their mobile phone, after which the product or service is immediately available. The services offered through Sonera Mobile Pay already offer a convenient mode of payment at hundreds of soft drink vending machines, car washes and company canteens.

Sonera and Tammercom Finland Oy have jointly developed Sonera Talonmies (Sonera Janitor), a property management package that makes use of GSM technology. The system enables remote control of the building's functions, such as switching on the sauna by means of a mobile phone. The system also sends out timely alerts — on account of flooding in the home, for example — via a text message directly to the user's mobile phone.

For business use, Sonera launched the mBusiness product family, which offers integrated and customized mobile solutions for enhancing companies' operations, greater cost-effectiveness and developing new lines of business. By means of mBusiness solutions, a company can even go over to fully wireless solutions in its business operations.

During the report year, Sonera also introduced new Duo near zones in its dual-band network (GSM 900/1800). There are 70 GSM Duo near zones throughout Finland and they cover nearly all the largest population centers. Calls made from a Duo subscription with a dual-band phone cost less than normal GSM calls.

Strengthening customer relationships through new cooperation agreements

Sonera seeks to improve customer loyalty through forms of service and cooperation that bring extra benefits to the customer.

During the report year, Sonera started a partnership with K-Plus Oy. Since June 2000, Sonera's GSM consumer customers have received Plussa points on their mobile calls in Finland and on text messages sent from one mobile phone to another, and the Plussa points entitle them to rebates in outlets of the Kesko retail chain.

In 2000, Sonera and Turku Telephone Ltd, which has adopted the marketing name Auria, launched cooperation with the aim of promoting the use and sales of Sonera's mobile services in the Turku area.

During the report year, Sonera won an award for being the best mobile phone operator (World Communications Awards). The Company's WAP services also took top honors as the world's best at the WAP Congress 2000.

Toward third generation services

In December 2000, Sonera brought out on the market a GPRS service, based on packet-switched data transfer. GPRS facilitates the use of mobile services requiring data transfer: connecting up to the Internet or intranets is faster. In addition, using e-mail, WAP services and a company's internal electronic services is now more flexible because GPRS enables simultaneous voice and data transfer connections.

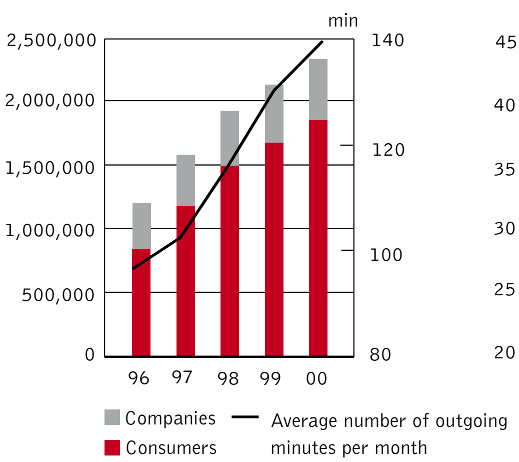
The GRX (GPRS Roaming Exchange), which Sonera launched during the report year, is a centralized IP routing network that links together GPRS networks. The GSM Association has approved the Sonera-developed solution as the international GPRS roaming standard.

During the year under review, Sonera began building its third generation mobile network in accordance with the license granted to it by the Finnish Government in 1999. Sonera is employing an evolutionary approach to building out the network, making use of existing GSM and GPRS networks. Sonera's UMTS network will be in operation in Finland's largest cities as of January 1, 2002. Sonera's UMTS capital expenditures in Finland are estimated to be about €500 million over the next ten years, including network investments, service platforms and information systems.

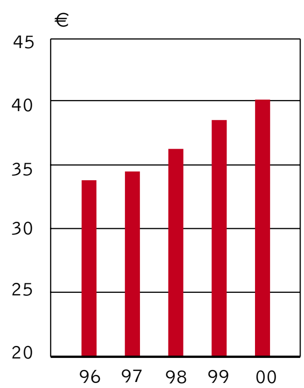
MOBILE COMMUNICATIONS

€ million	2000	1999	Change, %
Total revenues	1,138	988	15
External revenues	1,108	966	15
EBITDA	535	468	14
EBITDA, % of revenues	47.0	47.4	
Depreciation and amortization	(129)	(123)	5
Operating profit	406	345	18
Capital expenditures on fixed assets	124	148	(16)
Average number of personnel	1,626	1,280	27

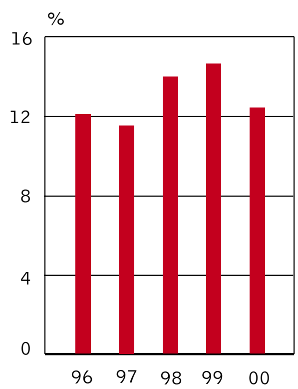
NUMBER OF SUBSCRIPTIONS AND AVERAGE MONTHLY USE



AVERAGE MONTHLY REVENUES PER SUBSCRIPTION



GSM SIM CHURN



GSM JOINT VENTURES GROWING; UMTS PROJECTS UNDERWAY

Revenues from Sonera's associated companies in the area of mobile communications grew by 36% during the year and totaled €3,207 million (2,358). Sonera's joint ventures reported continued strong growth in the number of their subscribers, with 18.5 million customers at the end of December 2000 (8.2).

Turkcell goes over the 10 million customer mark

The number of Turkcell's customers grew by 84% to 10.1 million at the end of the year (5.5). The strongest growth was in prepaid subscriptions, which amounted to 44% of all subscriptions at the end of the year. In the January-September period, revenues were up 48% to US$1.6 billion compared to the corresponding period in 1999 and net profit was US$232 million (285). Turkcell's net profit was reduced by the mobile phone tax that was introduced in Turkey at the beginning of December 1999 and that has been continued up to the end of 2002. The tax is 25% of the total sum of the monthly telephone bill net of value-added tax.

During the year, Turkcell brought a number of new services out on the market, for example a mobile positioning service.

In May 2000, Turkey's Ministry of Telecommunications granted two new GSM licenses in the 1800 MHz band, and new operators are expected to start their operations in early 2001. Turkcell's competitive advantage in the face of tougher competition is its versatile services, strong distribution network, high-quality GSM network, and strong and well-known brand.

In June-July, Turkcell's shareholders carried out the company's privatization IPO (initial public offering), after which the company listed on the stock exchanges in Istanbul and New York. Sonera's capital gain on the sale of shares in the IPO was about €680 million. Following the IPO, Sonera has a holding of 37.3% in Turkcell. For additional information, see Turkcell's web site at www.turkcell.com.tr

The other associated companies also showed favorable development during the report year. The Hungarian company Pannon GSM retained its market share despite the entry of a third operator into the market. Furthermore, all the Baltic companies are the market leaders in their countries. The Russian operator North-West GSM controls the market in Northwestern Russia with a market share of more than 60%.

In May, Sonera's associated company Sonic Duo (35%) obtained a GSM license in the Greater Moscow area, with its population of about 15 million. Construction of a network has been started and services are scheduled for start-up in the summer of 2001.

2G holdings in the United States divested

In 2000, Sonera accepted Deutsche Telekom's tender offers for VoiceStream (Sonera has a stake of 7.9% after the merger of Aerial and VoiceStream Wireless) and Powertel (Sonera's stake is 11.8% after the additional investment), which are United States GSM operators.

Implementation of the VoiceStream deal is subject to approval by the United States authorities. Approval is likely to be granted in the first half of 2001.

As consideration for its VoiceStream shares, Sonera will receive about 60 million Deutsche Telekom shares and cash, and for its Powertel shares, a total of about 19.5 million Deutsche Telekom shares. If Deutsche Telekom's merger with VoiceStream or Powertel does not go through, VoiceStream will purchase the Powertel shares.

Sonera will use the proceeds from the sale of Powertel and VoiceStream to finance its third generation mobile associated companies in Europe.

Sonera obtains four UMTS licenses

In 2000, a number of countries in Europe granted third generation mobile network licenses (UMTS). The selection procedure was based either on an auction or on a beauty contest.

Via its joint ventures, Sonera obtained a license in Germany, Spain, Italy and Norway (see the accompanying table). These companies' license areas cover a total of more than 180 million people in Europe. The German and Italian licenses were obtained in an auction, the others coming as the result of beauty contests. In Sweden and Portugal, Sonera was part of consortia which did not obtain a license.

In Sweden, three license applicants, one of which was Sonera's consortium, have appealed the local authority's UMTS license decision. In Great Britain, the consortium in which Sonera participated withdrew from the auction.

Xfera Móviles S.A., whose main shareholders are Sonera, Vivendi of France and Spain's ACS, started its business operations. The company's offices are in Madrid and it has a payroll of 300 employees. Construction of a network has been started and the company is preparing to open its UMTS service, in accordance with the license terms, at the beginning of August 2001 if this is technically possible. The authorities have brought forth the possibility of imposing a new annual frequency band charge on UMTS operators.

Group 3G's other shareholder is Telefónica of Spain. In February 2001, the company chose Munich as the site of its headquarters. Recruitment of local personnel has been started. UMTS services will be brought out on the market during 2002. The company is studying alternatives for starting up service provision at an earlier date.

With its 45.6% holding, Telefónica is the main shareholder in Ipse 2000, a company that was established in Italy. Sonera and the Norwegian telecommunications operator Enitel each own half of Broadband Mobile ASA. Sonera's Norwegian partner Enitel is already a provider of GSM services. Both Ipse and Broadband Mobile started up their operations during the year under review.

MARKET TREND OF FOREIGN JOINT VENTURES

Associated companies	Sonera's holding, %	Number of subscriptions Dec 31, 2000	Annual growth in subscription volume, %	Market share, %	Penetration in the country 12/2000, %
Turkcell, Turkey	37.3	10,069,000	84	68	24
Fintur companies		706,000			
Pannon GSM, Hungary	23.0	1,221,000	83	41	30
Eesti Mobiiltelefon, Estonia	24.5	327,000	34	60	39
Latvijas Mobilais, Latvia	24.5	267,000	33	77	17
Omnitel, Lithuania	27.5	309,000	58	60	11
North-West GSM, Russia	23.5	253,000	90	70	2
Total		13,152,000			
Other holdings					
Libancell, Lebanon	14.0	360,000	18	47	22
Powertel, USA	8.9	908,000	66	n/a	39
VoiceStream, USA	7.9	4,180,000	394	n/a	39
Total		18,600,000			

Sources: EMC World Cellular Database, HIF for Pannon GSM

SONERA'S UMTS PARTICIPATIONS

Company	Country	Sonera's holding, %	Price of license, € million	License term, years	Frequency band	Population in the country, million	Penetration in the country at the end of 2000, %
Marabu GmbH	Germany	42.80	8,470	20	2*10 MHz+5MHz	83	58
Ipse 2000 S.p.A.	Italy	12.55	3,260	15	2*10 MHz+5MHz	58	72
Xfera Móviles S.A.	Spain	14.25	130	20	2*15 MHz+5MHz	40	61
Broadband Mobile ASA	Norway	50.00	25	12	2*15 MHz+5MHz	4,5	71

BANKING STRONGLY ON SERVICE BUSINESSES

SONERA SMARTTRUST

The market for secure wireless Internet solutions grew rapidly in 2000, with an increasing volume of services launched by operators and service providers. To improve consumer confidence in Internet security, the EU, USA, Japan and Hong Kong approved legislation to recognize the legal status of digital signatures. SmartTrust was involved in a number of international stardardization initiatives, such as PKI Forum and WAP Forum, to ensure the creation of open standards.

In April 2000, Sonera Corporation acquired Across Wireless, the leading provider of service and device management software. Through the acquisition, SmartTrust strengthened its position as the premier e-service security and management software provider to mobile operators worldwide. In June, Sonera acquired iD2 Technologies, the leading provider of smartcard-based security solutions for Internet transactions. The acquisition of iD2 enabled SmartTrust to strengthen its position as a leading provider of integrated solutions for secure e-services. SmartTrust is now in possession of a unique competence base and product range to create a comprehensive platform for managing wireless services and devices as well as issuing, managing and using digital certificates and signatures in the converging e-services market. 160 service providers and 60 operator customers have deployed SmartTrust's products to manage and ensure the security of their e-services.

SmartTrust launched new versions of Delivery Platform, which enables the provision and management of wireless services and devices, and of the Certificate Manager software, which allows companies to manage their digital certificates in multiple access environments. In addition to new features, the scalability and performance of the products have been improved considerably. The first complete PKI-based wireless security solution was technically implemented in 2000. In addition, the company launched a new SmartTrust TopUp solution, which allows prepaid mobile subscribers to credit their accounts straight from a phone. SmartTrust won the Technology Foresight Award at the World Communication Awards 2000 in recognition of its innovative work in the field of wireless security.

During 2000, SmartTrust strengthened its position in Europe and advanced strongly in Asia and South Africa. In America, SmartTrust continued to build relationships with existing customers. Various operators chose either SmartTrust Delivery Platform (e.g. Digi Telecom, Virgin Mobile Australia, MTN) or SmartTrust security solution (e.g. New World Mobility) to provide value-added services. SmartTrust Delivery Platform also made progress among corporate customers. Many companies chose the company's wireless security solution. Evli Securities, for example, chose the product to authenticate its financial portal customers in all service channels. SmartTrust provided secure e-business infrastructure for companies and certification authorities.

During 2000, SmartTrust formed various partnering agreements with the aim of bringing full-fledged business solutions to the market. For example, Mastercard International and SmartTrust announced an agreement to secure

SONERA SMARTTRUST

€ million	2000
Total revenues	18
External revenues	16
EBITDA	(65)
Depreciation and amortization	(1)
Operating loss	(66)
Order backlog on Dec 31	11
Capital expenditures on fixed assets	2
Average number of personnel	410

Companies acquired during the fiscal year are included in the revenues and results starting from the month of acquisition. Sonera SmartTrust's pro forma revenues for the full year, based on the current scope of business, were €25 million (1999: €14

MasterCard's and Europay International's payment products with SmartTrust's technology. Also, Nokia and SmartTrust signed a non-exclusive reseller agreement for secure mobile commerce.

SmartTrust entered several new technology partnerships to ensure compatibility with current and future technologies. Through the acquisitions, the company also obtained many valuable relationships with SIM-card manufacturers and other technology vendors (e.g. Bull, Microsoft).

SONERA ZED

By the end of 2000, Sonera Zed had launched mobile value-added services in Finland, the Netherlands, Singapore and the Philippines, achieving access to a customer footprint in those markets of around nine million mobile phone users. With operator agreements also in place in Germany, Italy, Turkey and the USA, zed's global customer potential reached nearly 90 million in February 2001.

Revenue streams during 2000 derived mainly from SMS-based services used by individual mobile phone users. Operators took a share of these revenues. Some additional revenue came from WAP services and from product sponsorship. During the next 12 months, zed expects to make good progress in building interconnect revenue via its own WAP gateway where market conditions allow. Zed is also going after increased revenue in m-commerce and media sales. One of zed's strengths is its ability to deliver content in an easy-to-use context for the user. As new technology takes hold, the development and promotion of a strong zed brand will play a key role in positioning zed as a trusted service provider in these areas.

Text message services retain their top popularity

The market for mobile portals saw increasing competition in 2000, particularly at the local level. While most competitors focused on launching WAP-derived services in local markets, zed remained strongly committed to ease of use and customer take-up of SMS-derived services. Zed's experience in 2000 demonstrated – particularly in markets with high fixed Internet penetration, such as Finland – that most customers continue to err in favor of SMS-based product and service solutions, because of ease of use and their straightforward transactional nature. Zed expects this preference to continue to dominate the field over the next 12 months and will concentrate on delivering products based on its philosophy of "fun, friends, and facts" – entertainment, community-based and information services, respectively.

The four markets currently receiving zed services, together with the additional launches expected during the next 12 months, are supported by a network of zed regional data centers in Finland, Germany, the Netherlands, Singapore and New Jersey, USA.

New services launched

During 2000, zed maintained its position as the most popular mobile portal in the Finnish mobile portal market in partnership with Sonera Mobile Operations. In the first stand-alone zed marketing campaign, which started in October 2000, new products and services were launched, including Tarot cards, healthcare services and Fisu, an interactive fishing game.

In the Netherlands, traffic and horoscope services are among the most popular services. These services, delivered via text messaging, were split roughly equally between pull services, where the customer requests a service, and push services, where zed sends the service based on configurations and personalization determined by the customer.

In zed's service development, there will be a particular focus on products and services in the areas of entertainment and community-based services. In markets such as Finland, some products will benefit from the introduction of a location-based capability, which will enhance current products and make new ones possible. Content will become increasingly market specific, with several core applications, as zed exploits its relationships with more than 200 separate content partners globally.

SONERA ZED

€ million	2000
Revenues	7
EBITDA	(102)
Depreciation and amortization	(5)
Operating loss	(107)
Capital expenditures on fixed assets	69
Average number of personnel	174

The revenues consist mainly of services provided in Finland to Sonera's Mobile Communications customers in April-December. Previously the corresponding services were included in the revenues of Mobile Communications. The pro forma revenues of Sonera Zed for the full year were €9 million.

zed™

SONERA INFO COMMUNICATIONS

Sonera Info Communications offers directory services accessible from any terminal device any time, anywhere. The company can tap into contact information on private persons, companies and institutions in about 20 different countries. The core competences of Sonera Info Communications are its long experience and expertise in the use of online databases and its proven track record as a frontrunner in developing directory services that can be accessed on a mobile phone.

The directory services business was incorporated as of December 1, 2000. The company's pro forma revenues in 2000 amounted to about €62 million, and operations were profitable. At the end of the year, Sonera Info Communications had a payroll of about 900 employees, most of whom worked in Finland and elsewhere in Europe.

Directory services are one of Finland's most popular mobile value-added services, and Sonera Info Communications is the country's leading provider of electronic directory and number assistance services. Among the best known services are Sonera Finder, an electronic contact information index, domestic number assistance services and telephone directories. In addition, the company offers the Zed Finder service, the world's first directory service that operates with WAP and GSM phones.

Within domestic number assistance services, call completion increased considerably. The growth in the number of calls coming into number assistance services slowed down, which was due to the strong growth in the demand for electronic directory services. Accordingly, in April Sonera centralized the operations of its number assistance center.

Strong international expansion

Sonera Info Communications made important inputs into developing its international operations during the year under review.

In January, a directory services company named Gilla was established in Italy. Sonera Info Communications and the Italian telecommunications operator Tiscali each own half of the company. In May, Sonera established 118 Ltd in Great Britain together with the Irish directory services company Conduit. In the same month, Sonera obtained a majority holding in Intra Call Center, a French company that offers number assistance services. All the new companies will begin offering both national and international directory services.

In October, Sonera and the Israeli company Phonetic Systems agreed on cooperation in developing automated number and information services. In November, Sonera signed an agreement on acquiring a 25.5% stake in Metro One Telecommunications, a United States company that offers directory services. Metro One Telecommunications is the United States' leading company that offers directory services to mobile phone users. In December, Sonera Info Communications and the Spanish telecommunications operator Euskaltel agreed on establishing a new directory services company named Dígame Servicios de Directorio in Bizkaia, Spain. Sonera has a 51% holding in the company.

SONERA PLAZA

Sonera Plaza Ltd generated pro forma revenues of about €46 million in 2000. Due to heavy outlays on business operations, the company reported an operating loss. At the end of the year, the company had a payroll of 399 employees, of whom 219 worked in Finland and 180 were in the employ of the subsidiary Sonera Plaza Nederland B.V. in the Netherlands.

Market leader in Internet subscriptions

Sonera Plaza is the market leader in consumer subscriptions in Finland with a market share of nearly 40%. Sonera Plaza had about 239,000 Internet subscribers at the end of the year (216,000). ADSL Internet services beamed at consumers were brought out on the market in May.

At the beginning of 2000, Plaza rolled out the Sonera Internet PC service package, comprising a computer and an Internet subscription bundled together under a three-year lease agreement. The concept was well received, and in January 2001, Sonera Plaza brought out on the market a version of the service packaged with a portable computer.

Sonera Plaza also has operations in the Netherlands, where Internet connections are offered to more than 20,000 consumer and corporate customers via the fixed telephone network and cable TV. Sonera Plaza's network media in the Netherlands had over 400,000 different visitors a month at the end of the year.

Sonera Plaza's Internet services received international recognition when in October 2000 the company won an award for the best customer service among the European Internet service providers.

Breaking the million visitor mark

Sonera Plaza (www.soneraplaza.fi) is Finland's most widely used network medium, and the number of its visitors grew strongly during the report year. The million different visitors a month limit was broken in November 2000, and in January 2001, the number of visitors rose to 1.5 million as Sonera Plaza purchased from WOW Verkkobrandit Oy its consumer services Ihmemaan haku (Wonderland Search), Sinkut (Singles) and Virtahepo (Hippopotamus). Other new web sites were Hyvinvointi (Wellbeing), Työ (Work) and Ura (Career), the travel-featuring Matkalaukku (Suitcase) as well as Chatville, a character chat site.

Measured by page views too, Sonera Plaza rose to the number one spot in Finland in the latter part of the year. In December it registered over 13 million page views. The increase in the number of visitors strengthened Sonera Plaza's position as Finland's largest single network advertising medium.

The operating model for e-commerce was realigned toward partnering and partners' well-known brands. Kauppakanava, a shopping channel in line with the new concept, was opened in time for the Christmas market.

Building an Internet transaction center together with partners

In June, Sonera and SOK Corporation entered into cooperation within e-commerce. Sonera Plaza Ltd took a 50% stake as a shareholder in the S-Kanava Oy subsidiary, which is specialized in the S-Group's e-business operations.

The financial services for Sonera Plaza's daily transaction facility will be implemented by Sonera Plaza Finanssipalvelut Oy, a joint venture established together with the OKOBANK Group (Sonera Plaza Ltd holds 80%, OP-Kotipankki Oy 20%). In the fall, the company bought FinFinance Helsinki Oy, which was part of the MoneyExtra Plc Group. FinFinance Helsinki's fund marketplace service will speed up the integration of fund services into Sonera Plaza.

SONERA JUXTO

Sonera made outlays on its ASP (Application Service Provision) business during the report year by forming the Sonera Juxto business group. The main focus of the business group is to develop possible uses of ASP services for wireless terminal devices. The business group had a payroll of 660 employees at the end of 2000. Sonera Juxto Ltd, which is in charge of the ASP business in Finland, began operations on June 1, 2000. The company's pro forma sales to external customers totaled about €25 million in 2000. Because of major capital expenditures, operations were loss-making.

ASP is a mode of business interaction in which a corporate customer leases the user rights to applications and services, updating, maintenance and construction in package form directly from the application service provider. In addition, Sonera Juxto offers infrastructure management services encompassing workstations, mobile phones and other wireless terminals, LANs, remote networks, servers, data processing platforms and in part also customer applications. Sonera Juxto leases Lotus and Microsoft applications, for example, to its customers via the Internet and offers network management services for mySAP.com applications.

During the report year, one of Sonera Juxto's most important customers in Finland was Valtra Oy Ab, which manufactures and markets tractors. Sonera Juxto built an e-commerce site for Valtra, on which Valtra's customers can purchase maintenance supplies and accessories, for example. The service can be used by means of a fixed connection or a WAP phone. Using a WAP phone, the customer can also inquire about information on trade-in machines.

In December, Sonera acquired a 100% holding in the Swedish application service provider Frontec Support and Operations AB from the company's parent company Frontec AB. The organization was formed into Sonera Juxto AB, which began operations on January 1, 2001. The company offers Sonera's ASP services in Sweden. In addition, Sonera Juxto AB and Frontec AB agreed on starting up sales and marketing cooperation.

Demand for ASP services is estimated to grow at an average annual rate of 90%, which means a total market of about €85 billion in 2005 (Analysis Research Limited 11/2000). Sonera stands apart from competitors in the ASP field particularly by virtue of its expertise in wireless communications, data security and services management.

OTHER MEDIA COMMUNICATIONS AND NEW SERVICES

€ million	2000	1999	Change, %
Total revenues	229	175	31
External revenues	184	140	31
EBITDA	(136)	(47)	189
Depreciation and amortization	(26)	(13)	100
Operating loss	(162)	(60)	170
Capital expenditures on fixed assets	33	15	120
Average number of personnel	2,226	1,346	65

The figures include Sonera Info Communications, Sonera Plaza, Sonera Juxto and such projects aiming at new businesses that have not been incorporated. The figures of 1999 include the operations of Sonera SmartTrust and Sonera Zed in their 1999 scope.

SONERA TELECOM CONTINUES ITS PROFITABLE DEVELOPMENT

Via its fixed network, Sonera's Telecom business area provides high-quality voice and data services to its customers in Finland and the country's nearby areas. Sonera Telecom is seeking to become one of Europe's best and most efficient fixed network operators.

Sonera Telecom's business operations have been incorporated into subsidiaries, which completed their first full year of operations in 2000. The impact of incorporation showed up in the form of a clear improvement in cost-effectiveness.

FIXED NETWORK VOICE AND DATA SERVICES

Sonera's revenues from fixed network voice services decreased slightly on the previous year and were €356 million (370). Revenues from domestic voice services amounted to €247 million (250). Sonera's share of called long-distance minutes diminished to about 37% (38%). The impact on earnings of the decrease in long-distance minutes and the lower local network charge was partly offset by the growth in the volume of local network minutes and the increases in long-distance and local call charges.

The fall in the price level of international calls lowered revenues from international calls by 9% to €109 million (120). Sonera's market share of called long-distance traffic minutes was 51% (53%). The total calculated number of Sonera's fixed network lines at the end of the year was 741,834 (770,433), and its share of all of Finland's subscriptions was about 27% (28%).

Revenues from Sonera's data services remained at the previous year's level and totaled €165 million (168). The revenues generated by leased lines grew to €52 million (32), mainly owing to the strong demand for international capacity.

GSM technology for local access

The population decrease in Sonera Entrum Ltd's traditional operating areas in Eastern and Northern Finland, together with the growing shift in voice traffic toward mobile communications, lead to a realignment in the company's business priorities. Entrum has channeled its resources into serving business and institutional customers in the growth centers of Southern and Western Finland in addition to Sonera's traditional strong areas. In coming years, know-how and operations will be concentrated in new geographical areas and on the development of new services.

At the end of May, Entrum acquired Saimaan Tietotekno Oy, which operates in Imatra and Lappeenranta, and about 30 people entered Sonera's employ as a result of the deal. In the summer, Sonera also founded a 51%-owned joint venture, Sonera Living Ltd, together with the construction firm YIT Corporation. Sonera Living develops and builds broadband connections for media homes of a new kind and solutions that improve the maintenance, functional features and value of properties.

In September, a pilot project was launched in Northern Carelia involving the replacement of the fixed network telephone connections of about a hundred consumer customers with GSM technology. From the consumers' standpoint, the quality of the voice connections is maintained and in some cases even improved. The price of the calls and the telephone set itself remain unchanged. From the operator's standpoint, the maintenance costs per connection are cut to a fraction of those of repairing a conventional telephone line connection. The pilot project will last a year.

Major product announcements included eTools, ADSL for consumers and VoIP. eTools is a development platform that enables corporations to build their own network services rapidly and cost-effectively. One application of the Sonera eTools service platform is eKunta (eMunicipality), which was developed together with the municipality of Kauhajoki. By means of an ADSL broadband service, the user receives an always-on Internet connection at a fixed monthly price without separate usage or call charges. During the year under review, 575 ADSL subscriptions were sold to consumer customers. In the fourth quarter, the total number of ADSL subscriptions installed for corporate customers more than doubled. In October, Sonera became the first operator in Finland to begin test traffic with Voice over IP calls, which make use of an Internet protocol and are offered in broadband subscriptions.

Nationwide ADSL network

Sales of application services by Sonera Solutions Ltd increased in step with the trend by companies and institutions towards outsourcing the services they need. There was a particularly notable increase in interest in corporate-level mobile and Internet solutions. Data operations also grew steadily as customers increased both the degree of use and the size of their networks. The growth was especially pronounced within data links using the TCP/IP protocol.

During the year, Sonera's ADSL network achieved a nationwide footprint, thus lifting the number of corporate ADSL subscriptions, particularly during the latter part of the year. ADSL is expected to become a basic mode of access for telecommuting and home subscriptions.

Sonera Solutions is taking part in building Sonera's next generation IP backbone network. The company will be in charge of designing, building and delivering application networks that are to be built on top of the backbone network. In product development, major outlays were made on developing the next generation DataNet network, which will be offered to customers in 2001.

In September, the company announced the Sonera Cid service concept, which makes a person reachable at a single number via a mobile or fixed line phone and other terminal devices. The service is compatible with different technologies, network solutions and terminal devices. Furthermore, additional new services can be added to it flexibly and reliably.

In coming years, Sonera Solutions will develop its portfolio of services toward an increasing degree of integration. The objective is to offer telecommunications solutions that provide customers with ease of use and maximum utility. For example, Internet-enabled data solutions are gaining in popularity, and speech recognition is being added more and more often to the other voice services used by the corporation. Sonera Solutions is also looking to achieve growth in services for wireless LANs.

Link from Moscow to New York opens for commercial use

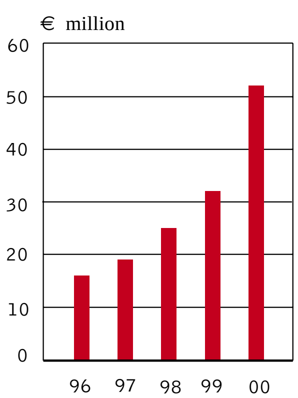
The most important capital expenditure for Sonera Carrier Networks Ltd in 2000 was the fiber optic cable from St Petersburg to Moscow, which opened up for commercial use in February. The investment made possible the Ivan service, a link from Moscow to New York maintained by Carrier Networks. For customers, a single operator link means not only ease of use but also Carrier Networks' guarantee that the quality and availability of the connection are constantly maintained at a high level. The capacity of the Ivan connection was quickly sold out, and the company undertook further capital expenditures to expand Ivan. Additional capacity will come on stream during 2001.

The company's international operations showed particularly strong growth, and major new customers were landed, for example, in Great Britain, Germany and Sweden. In May, Carrier Networks received from the British authorities a license to act as a local telecommunications operator, and the company introduced its own exchange in London in the early autumn. In addition to British customers, the exchange's connections are used by Sonera's companies and units, in particular by Sonera Plaza and Sonera Zed.

Over Finland's main internal telecom links and on Sonera Ivan's stretch from Moscow to Hamburg, the company put into use WDM technology, which multiplies the data transfer capacity many-fold. During 2001, use of the technology in the network will be expanded to new stretches, and the capacity of existing systems will be upgraded further.

ATM-based exchanges deploying Voice over Packet technology went into operation in Tampere and Hämeenlinna during the year. Part of the voice traffic between Tampere and Helsinki is carried with greater cost-effectiveness thanks to the new technology. The experiences of using packet-

REVENUES FROM LEASED LINES



FIXED NETWORK ACCESS LINES AT YEAR END

	2000	1999	Change, %
Standard lines	541,612	592,337	(9)
ISDN lines	45,931	36,413	26
2 Mbps lines	3,612	3,509	3
Total equivalent lines	741,834	770,433	(4)

In the total equivalent lines, ISDN lines are counted as two standard lines and 2 Mbps lines are counted as 30 standard lines.

FIXED NETWORK VOICE AND DATA SERVICES

€ million	2000	1999	Change, %
Total revenues	812	737	10
External revenues	573	570	1
EBITDA	252	200	26
EBITDA, % of revenues	31.0	27.1	
Depreciation and amortization	(116)	(102)	14
Operating profit	136	98	39
Capital expenditures on fixed assets	145	116	25
Average number of personnel	2,555	2,442	5

switched voice transmission have been encouraging, and during 2001, ATM-based pilot exchanges will be replaced completely with IP-based systems.

EQUIPMENT SALES AND OTHER OPERATIONS

Revenues from equipment sales were up 10% to €125 million (114), thanks to very strong Christmas sales. Sales of construction and maintenance services to customers outside of the Group rose 42% and totaled €34 million (24). Revenues from other operations declined to €10 million from the previous year's figure of €35 million due to the transfer of certain information technology servicing operations to Isoworks Oy in October 1999.

Equipment sales are moving toward outsourcing and maintenance services

TeleRing markets mobile phones and information technology to consumers and companies. The chain is made up of 23 of the company's own stores and 55 franchising outlets. In the report year, TeleRing concentrated on developing the service it provides to major corporate customers by offering them service packages, ranging all the way to outsourcing the maintenance and ownership of customers' entire ensemble of mobile phones. In November, the chain's know-how was sold to Lattelekom of Latvia, which will run an independent chain of TeleRing stores in Latvia. Chain agreements for TeleRing dealers were also renewed during the year.

DataInfo Oy is a company developing the concept and services of the DataInfo chain, which offers information technology and telecommunications products and services. DataInfo Oy is responsible for the chain's brand, advertising, marketing and partnership management as well as for packaging services in product form. In addition to the service company, the chain includes 44 independent DataInfo stores. In future years, DataInfo Oy will develop the chain's business model, which revolves around the concept of information technology and telecommunications outsourcing and maintenance services for small and medium-sized companies and public administration.

During 2000, Sonera Solutions Ltd was in charge of controlling the operations of the TeleRing and DataInfo chains as well as of the other Sonera Telecom authorized retail dealers. To assist them, the company established both the Channel Solutions unit and Help Desk functions, which help retail dealers in their daily work and aid them in developing their operations. From the beginning of 2001, TeleRing Ltd, which mainly sells mobile phones, was placed under domestic mobile communications.

Primatel lands major new customers

Primatel Ltd provides modern data transfer construction and maintenance services as well as systems. Primatel's share of customers outside the Sonera Group grew during the report year, representing about a quarter as measured by revenue. Included in this figure is a maintenance agreement signed with Tele 1 Europe in Finland Oy as well as partnership agreements with the Finnish National Road Administration and the Civil Aviation Administration.

In November, the company brought out on the market its Primatel Personal Safety solution, which makes it possible for a person with impaired memory to live safely in a home environment for a longer period of time. Primatel Personal Safety also significantly improves the level of home care. In December, an undersea cable was laid between Stockholm and Mariehamn (in the archipelago between Finland and Sweden).

In 2001, Primatel will continue the partnership project that was launched together with Sonera Entrum, Sonera Solutions and Sonera Carrier Networks in 2000 with the aim of making processes between the companies flow more smoothly. In addition, by means of solutions in line with its product brand, Primatel is seeking to position itself as a supplier of more extensive solutions. The company will build an international presence in cooperation with its partners, simultaneously continuing to develop its operations in Finland.

Isoworks Oy is a joint venture that is half-owned by ICL Invia Oy and Sonera. The company carries out installations and maintains information technology and telecommunications systems, also offering Help Desk support for users. During the year, Isoworks built an ISO 9001 business functions system which will be audited for accreditation in the spring of 2001. Isoworks intends to further develop the company's logistics solutions, particularly for warehousing.

EQUIPMENT SALES AND OTHER OPERATIONS

€ million	2000	1999	Change,%
Total revenues	345	471	(27)
External revenues	169	173	(2)
EBITDA	48	47	2
EBITDA, % of revenues	13.9	10.0	
Depreciation and amortization	(22)	(43)	(49)
Operating profit	26	4	550
Capital expenditures on fixed assets	57	59	(3)
Average number of personnel	3,314	4,202	(21)

Sonera Credit Ltd offers financing services to business and institutional customers. The company's financing portfolio grew by about 40% and stood at €97.6 million at the end of the year. In coming years, the company will gradually move from financing services for customers toward broader management of the procurement process. This change in emphasis was reflected by the new name, Sonera Gateway Ltd, which was adopted at the beginning of 2001.

FIXED NETWORK ASSOCIATED COMPANIES

Sonera's main fixed network associated companies in Estonia, Latvia and Lithuania are making the transition from a period of partially exclusive rights to a deregulated operating environment. The companies are endeavoring to grow in their own market areas, where a transition economy and the trend toward an information society are offering a good deal of growth opportunities.

Internet-based communications solutions on the increase in the Baltic Rim

Sonera has a 24.5% stake in Eesti Telekom, a holding company which comprises the mobile phone business of Eesti Mobiiltelefon and the fixed network operations of Eesti Telefon. Both companies are wholly-owned subsidiaries of Eesti Telekom.

In Estonia, fixed network telecommunications operations were opened up to free competition on January 1, 2001. In the year under review, Eesti Telefon's operations were thus characterized by making preparations for the new situation. The company made an agreement with the Estonian Government concerning the termination of the special regulatory regime for Eesti Telefon beginning on January 1, 2004. Eesti Telefon's flexibility was increased through measures such as outsourcing installation and servicing tasks to a separate company. Improvements were also made in the cost matching of prices for services. In order to meet competition, the development of services and cost-effectiveness will also be Eesti Telefon's main priorities in 2001.

Use of the Internet increased strongly in Estonia. Eesti Telefon's market leadership within Internet dial-up traffic rose to about 51% during the year, from the previous year's figure of 40%. Product and service announcements were mainly for services that make use of the Internet.

Sonera has a 44.1% holding in the Latvian operator Lattelekom via the Danish holding company Tilts Communications A/S. Lattelekom has exclusive rights to offer basic fixed network services. The Latvian State has made a commitment to the World Trade Organization to revoke Lattelekom's monopoly at the beginning of 2003, but according to the agreement between Latvia and Tilts, the exclusive rights are valid up to the end of 2013. Because Tilts and Latvian government did not reach an understanding on the compensation to be paid for shortening the period of exclusive rights, Tilts brought the matter before a Court of Arbitration. Deliberations on the case are in progress.

In 2000, the Latvian operator modernized its network strongly, and this work is continuing. Among other things, Lattelekom announced a broadband service of the ADSL type as well as other Internet services. In order to increase the flexibility of the corporate structure, the sales of terminal devices to corporate customers were incorporated into a separate company, and the incorporation of certain other functions was started. The company will continue to make outlays on developing production equipment, systems and services in 2001.

Lietuvos Telekomas listed on the stock exchanges in Lithuania and London in June 2000. In the IPO, one of the principal shareholders, the State of Lithuania, reduced its holding from 35% to about 10%. Sonera has a 30% stake in the company. The State is developing the regulatory environment for telecommunications, but its implementation is still pending. Lietuvos Telekomas has a fixed network monopoly in Lithuania up to the beginning of 2003.

Demand for new Internet-based services is also beginning to take root in Lithuania. In 2000, Lietuvos Telekomas introduced a voice service solution based on NMT technology in the country's sparsely populated areas, where NMT connections supplement the conventional fixed network. The company continued its preparations for operating under full deregulation, primarily by revising its pricing regime and divesting its holding in the mobile communications operator Bite.

ASSOCIATED COMPANIES IN THE BALTIC REGION

Company's name and country	Revenues in 1999, € million	Revenues in 2000, € million	Growth, %	Sonera's holding, %	Number of subscriptions	Penetration in the country at the end of 2000, %
Eesti Telefon, Estonia	154	172	12	24.5	517,000	36
Lattelekom, Latvia	207	248	20	44.1	735,000	31
Lietuvos Telekomas, Lithuania	231	281	22	30.0	1,188,000	32

The above figures are based on data received from the associated companies in the preparation of Sonera's consolidated financial statements and they may therefore differ from the figures presented in the financial statements published by the associated companies.

FINANCIAL STATEMENTS

The Finnish economy continued to grow strongly in 2000. In the telecommunications sector, the use of mobile and media communications services in particular was on the rise.

Finland's mobile phone penetration rate rose, topping 70% at the end of 2000. Sonera's market share of GSM subscriptions was over 60% at the end of the year. The use of text messages and other non-voice services continued to grow at a significantly faster rate than voice calls.

During 2000 Sonera took part in several auctions and beauty contests for so-called third generation mobile communications licenses in Western Europe. In addition to the license it obtained in Finland in 1999, Sonera has participations in license-holding companies in Germany, Italy, Spain and Norway. To finance the expansion of its operations in Europe, Sonera decided during 2000 to sell its holdings in mobile operators in the USA.

By way of acquisitions, a significant amount of additional know-how and a wider product range were obtained for the e-commerce and transaction data security and management services offered by Sonera SmartTrust. Throughout the year Sonera moved ahead with the commercialization of new services that combine the characteristics of mobile communications and the Internet by investing heavily in expanding Sonera Zed's international footprint.

Sonera is Finland's market leader as a provider of Internet connections. In the consumer segment, Sonera has a market share of about 38% and in the large corporation market segment, about 47%. Sonera intends to push ahead determinedly with the development of Sonera Plaza, Finland's most popular portal, by increasing the service palette and availability of services by means of various terminal devices.

Sonera estimates its market share of local access lines to be about 27%, its share of the long distance market based on traffic in 2000 to be about 37% and its slice of the international call market at about 51%. Sonera estimates that it has about half of Finland's data communications market. Within international line capacity sales, during 2000 Sonera began to utilize the fiber optic cable which it has built between St. Petersburg and Moscow.

A year marked by UMTS license competitions

As early as 1999, Sonera received a third generation mobile communications network license in Finland. Sonera has chosen Nokia and Ericsson as its partners in cooperation in building its UMTS network.

In March 2000, Xfera Móviles S.A., in which Sonera has a minority holding, received a UMTS license in Spain. Sonera will invest a total of €350 million in shareholders' equity in Xfera during the years 2000 to 2004. Sonera's stake in Xfera is 14.25%. The license is valid for 20 years.

In August, the Group 3G consortium comprising Sonera (42.8%) and Telefónica Móviles S.A. of Spain (57.2%) obtained a UMTS license in Germany after an auction. Sonera's share of the license fee was about €3.6 billion. Originally, the consortium also included the British operator Orange, which had a 30% stake but nevertheless had to withdraw from the consortium when France Telecom acquired Orange. In connection with the payment of the license fee, the shareholders founded a holding company named Orla GmbH, which owns 100% of the license-holding company Marabu Vermögensverwaltung GmbH. The consortium can elect to take on other shareholders if this is considered to be of strategic benefit or to round out the ownership base. The German license is valid for 20 years.

In October, the Ipse 2000 consortium received a UMTS license in the Italian auction on the strength of its €2,433 million offer. In addition, the consortium exercised the right granted to it to buy additional frequency for a price of €827 million to ensure sufficient capacity and to reduce the costs of building the network. €2,066 million was paid for the license in December. The remainder of the license fee as well as the additional frequency will be paid for in equal installments over the next ten years. In connection with the license payment, the shareholders in the consortium founded the license-holding company Ipse 2000 S.p.A. in December, with Sonera subscribing for 12.55% of the company's shares. The company's largest shareholder is Telefónica Móviles, with a 45.6% stake. The license is valid for 15 years. Sonera's share for the license and additional frequency is €409 million.

The German and Italian UMTS consortium agreements contain call and put options between Sonera and Telefónica. According to the agreement, both parties can exercise call option in Germany, i.e. buy the other party's holding in the consortium, if the controlling interest in either party is transferred to Sonera's, Telefónica's or the consortium's competitor as a result of a merger, for example, or if the authorities so require. Telefónica also has a call option with similar conditions in Italy. Call option can always be exercised prior to put option. The put option, i.e. the opportunity to oblige the other party to buy its holding in the consortium, is held only by Sonera. In Germany, the exercise of the put option is subject, in addition to a change in the controlling interest in either party, to the authorities' requirement. In Italy, the put option can only be exercised if the change in the controlling interest takes place at Sonera and if the authorities so require. The call option is always exercised at the current market price. If the put option is exercised in Germany, the price is the purchase price of the participation in the license during the first year after the grant of the license, whereafter fair market price is applied. In Italy, the put option is always exercised at fair market price.

In November, the joint venture Broadband Mobile ASA, which is owned by Sonera (50%) and the Norwegian telecom operator Enitel ASA (50%), received a UMTS license in Norway. A license fee of NOK 200 million was charged for the license, which is valid for 12 years.

In the UMTS beauty contest for licenses in Sweden, which was held in December, the joint venture Reach Out Mobile, whose partners were Sonera (45%), Telefónica Móviles (20%) and the Swedish private equity investment firm Industri Kapital (35%), was not granted a license. Sonera intends to explore alternative ways of operating in the Swedish market, for example, on the basis of a service provider concept.

In the third generation mobile communications market, Sonera has decided to concentrate its efforts on Finland and the

Baltic Rim as well as on the licenses it has already obtained in Germany, Italy and Spain.

Sonera paid a total of about €4.0 billion for UMTS licenses in 2000. Sonera financed its portions of the license fees through short-term borrowings. Sonera intends to finance the repayment of its short-term loans by selling its holdings in other companies as well as in part through the German license-holding company's own non-recourse financing. In the initial public offering of Turkcell in July, Sonera sold about a tenth of the shares it held in Turkcell for more than €0.7 billion. In addition, Sonera agreed during 2000 that it would sell its holdings in the United States GSM operators VoiceStream Wireless Corporation and Powertel, Inc. to Deutsche Telekom AG of Germany. Sonera estimates on the basis of Deutsche Telekom's share price as of February 9, 2001, that it will receive more than €3 billion from these disposals. Sonera estimates that the sale of its VoiceStream and Powertel stake to Deutsche Telekom will be seen to completion at the end of first half of 2001, at which time Sonera will receive the about €0.5 billion cash portion for the sale of VoiceStream. Sonera will receive the remainder of the sale price in the form of Deutsche Telekom shares.

It is Sonera's objective that the joint ventures which have received a UMTS license will obtain their own non-recourse financing from the financial markets and equipment vendors in order to finance both the license fees and their network investments.

Revenues grow within mobile communications and pick up speed within new services

Consolidated revenues were €2,057 million (1,849), up 11% on the previous year. The biggest boost to revenues came from Mobile Communications as well as Media Communications and New Services.

Revenues from Mobile Communications grew by 15% on the previous year and totaled €1,138 million (988). External mobile communications revenues accounted for 54% of aggregate consolidated revenues (52). Revenues from non-voice services were up 36% to €114 million (84). Non-voice services accounted for about 11% of domestic mobile communications revenues (about 8% in 1999). During the year, the average number of text messages sent from a Sonera GSM subscription per month was 25 (21). The average monthly use of a Sonera mobile subscription rose to 139 minutes (130) and average monthly revenues rose to €40.4 (38.8).

The number of Sonera GSM subscriptions grew by 18% (21%) during the year and amounted to 2,281,916 at the close of the fiscal year (1,938,644). Growth was particularly strong in the fourth quarter. The number of NMT subscriptions at the end of the year was 55,863 (197,597). The comparison figure for 1999 includes 109,335 NMT 900 subscriptions which were removed from the network when Sonera discontinued NMT 900 network services on December 31, 2000. The total number of all mobile subscriptions in Sonera's network was 2,364,562 at the end of the year (2,138,241). The figure includes a total of about 27,000 Jippii Group Oyj (formerly Saunalahti Oyj) and RSL Com Finland Oy service provider subscriptions.

In spite of keener competition, the SIM churn for Sonera's GSM subscriptions fell and was 12.4% (14.6%). Customer churn (off-network churn) was only 9.7% (12.1%). Customer churn does not include cases in which the owner of the subscription changes but the user remains the same.

Revenues generated by Media Communications and New Services increased by 45% to €254 million (175). Sonera SmartTrust's revenues grew to €18 million during the year. The biggest portion of the revenues came from the businesses in Sweden which were acquired in the first half of the year as well as from the bundling of these businesses to form SmartTrust products. Sonera SmartTrust's pro forma revenues for the full year, based on the current scope of business, were up 79% to €25 million (14). Sonera Zed had revenues of €7 million and pro forma revenues of €9.3 million for the full year, consisting nearly entirely of services offered to Sonera Mobile Communications' customers in Finland during April-December. Previously, similar services were included in Mobile Communications' revenues.

Sonera Plaza's pro forma revenues for the full year were about €46 million. The number of Sonera's Internet subscriptions increased by about 11% during the year and was about 239,000 (216,000) at the end of the year. Sonera Info Communications had pro forma revenues of about €62 million for the full year, and Sonera Juxto about €25 million. The pro forma revenues of Sonera Plaza, Sonera Info Communications and Sonera Juxto do not include sales to other Group companies. Aggregate revenues from other businesses and development projects included in Media Communications and New Services amounted to about €51 million.

Revenues from Fixed Network Voice and Data Services grew by 10% to €812 million (737). The biggest part of the growth

REVENUES

	Total revenues			Group external revenues		
€ million	2000	1999	Change, %	2000	1999	Change, %
Mobile Communications	1,138	988	15	1,108	966	15
Sonera SmartTrust	18	n/a	n/a	16	n/a	n/a
Sonera Zed	7	n/a	n/a	7	n/a	n/a
Other Media Communications and New Services	229	175	31	184	140	31
Fixed Network Voice and Data Services	812	737	10	573	570	1
Equipment Sales and Other Operations	345	471	(27)	169	173	(2)
Intra-Group Sales	(492)	(522)	(6)	-	-	-
The Group	2,057	1,849	11	2,057	1,849	11

came from sale to other Group companies, and external revenues were at the previous year's level. Revenues from domestic voice services declined 1% to €247 million (250). The effect of the decrease in long-distance call minutes and the lower local network charge was offset by the growth in local network minutes coupled with the increases in long-distance and local call charges in the summer of 1999 and 2000. Revenues from international calls declined by 9% to €109 million (120) in step with the fall in the price level of international calls.

Total revenues from data services and leased lines grew by 9% to €217 million (200). A license for the commercial launch of the fiber optic cable between St. Petersburg and Moscow was granted in February 2000 and sales of cable capacity have gone smoothly, showing growth particularly in the second half of the year.

Revenues from Equipment Sales and Other Operations declined by 27% and were €345 million (471), mainly owing to structural changes. External revenues declined by 2% to €169 million (173). Revenues from equipment sales rose 10% thanks to very good Christmas sales and were €125 million (114). The sales of construction and maintenance to the Group's external customers were up 42% to €34 million (24). Revenues from other operations declined to €10 million from €35 million in 1999 because certain IT maintenance services were transferred to an associated company in October 1999.

Revenues from the Group's international subsidiaries were €79 million (53). Exports from Finland amounted to €20 million (29).

Financial performance boosted by big capital gains

The Group's EBITDA was €2,047 million (668), including major capital gains. The biggest items were an €835 million non-cash gain on the merger of Aerial and VoiceStream, and an €680 million gain on the sale of Turkcell shares. Comparable EBITDA, excluding all capital gains and losses and similar non-recurring items, was €501 million (647), and the comparable EBITDA margin was 24% (35%). The comparable EBITDA margin fell owing to outlays made on new businesses. Excluding the additional outlays, the EBITDA margin was higher than in the previous year.

Operating expenses rose by a total of 30% on the previous year, outpacing revenues, due to the development and marketing outlays that were made on new businesses. The cost of services and goods rose 17%, personnel costs 31% and other operating expenses 54% compared with 1999. As a departure from the interim reports in 2000, personnel expenses do not include an estimated accrual of the social security contribution related to the stock option schemes. In accordance with the revised policy, Sonera will book any social security payments to expense only after they have been incurred. The accrual would not have had any material effect on the earnings reported for 2000.

Consolidated operating profit was €1,748 million (387). Depreciation and amortization for the fiscal year amounted to €299 million (281).

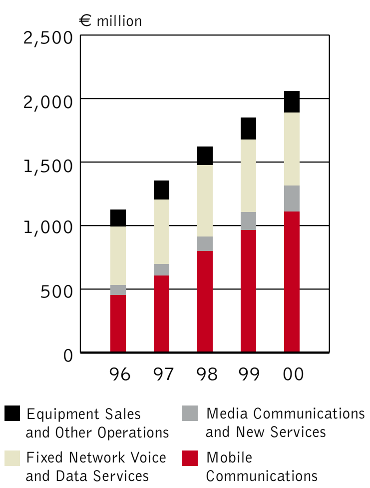
Mobile communications' EBITDA rose to €535 million (468) and operating profit to €406 million (345). Sonera's mobile communications business includes the mainline domestic mobile communications together with the international mobile communications business, such as UMTS projects. The international business segment incurred costs of about €12 million more than in 1999. The EBITDA margin for Sonera's domestic mobile communications business was at the previous year's level, or over 47%.

The EBITDA margin for Media Communications and New Services was €303 million negative (€47 million negative in 1999) and the unit posted an operating loss of €335 million (operating loss of €60 million). Profitability was weakened by substantial outlays on product development, marketing and the startup of new businesses. Sonera Zed accounted for more than 40% of the increase in outlays that are reflected in the negative EBITDA margin, and Sonera SmartTrust accounted for over 25%. In 2000 the business area's EBITDA figure also included about €13 million of losses on the sale of shares and other charges. Sonera Plaza, Sonera Juxto and a number of other development projects reported a loss. Sonera Info Communications reported a profit.

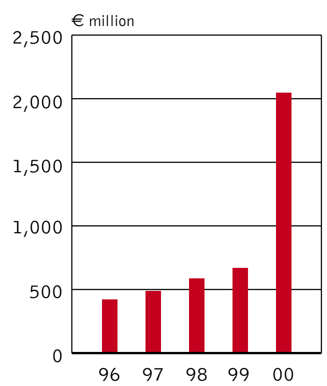
Fixed Network Voice and Data Services' EBITDA was €252 million (200) and it reported operating profit of €136 million (98). Profitability improved owing to, for example, the €22 million capital gain booked on the sale of the associated company HanseNet, efficiency-boosting measures and lower payments to other operators.

Equipment Sales and Other Operations generated EBITDA of €48 million (47) and operating profit or €26 million (4).

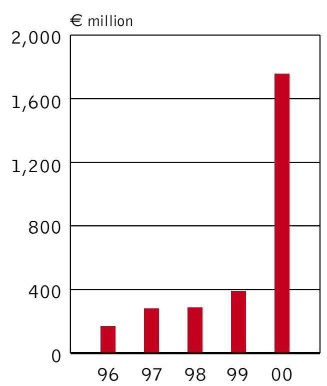
REVENUES



EBITDA



OPERATING PROFIT



Profitability was improved by a non-recurring capital gain of €12 million that was booked on the sale of Transmast.

Equity income in associated companies grows further

Sonera's equity income in associated companies grew by about 10% to €121 million (110).

The revenues generated by Sonera's associated companies (holdings of 20-50%), are not included in consolidated revenues. The estimated total revenues of all the associated companies grew by 22% on the previous year and amounted to €4,981 million (4,077).

Estimated total revenues from mobile communications and fixed network associated companies grew by 34% and totaled €3,991 million (2,970).

At the end of the year the aggregate number of customers of associated companies rose to about 13.1 million (7.3). The aggregate number of customers of mobile communications companies in which Sonera has a minority holding but which are not Sonera's associated companies was estimated at about 5.4 million at the end of the year (0.9). The aggregate number of subscriptions of associated companies offering fixed network services was about 2.4 million at the end of the year (2.4).

As of the beginning of 2000, Sonera changed its accounting practice for Turkcell such that Sonera's result for each quarter includes the result generated by Turkcell in the preceding quarter. The accounting practice was changed because of the Turkcell IPO and listing in June-July 2000, after which Sonera started to report only information published by Turkcell to all its shareholders. Following the IPO, Sonera's holding in Turkcell is 37.3%.

In December 2000, the government of Turkey made a decision to continue the mobile phone tax that was introduced in December 1999 and amounts to 25% of the total of the monthly telephone bill, exclusive of VAT. The tax will be levied up to the end of 2002.

In the third quarter, pursuant to an award by a lower court concerning a litigation claim, Turkcell booked accumulated interconnection charges of US$54 million to Turk Telekom, resulting in a decrease of about €22 million in Sonera's equity income from Turkcell. Turkcell has appealed the judgement to Turkey's Supreme Court.

In November, the Turkish Treasury announced its demand that the method of determining the 15% license fee which Turkcell pays annually should be altered to include revenues from value added services. The Treasury did not state the size of its demand. Turkcell intends to oppose the demand because the company believes that there are no grounds for the demand under the original terms and conditions of the license. In addition, the Turkish tax authorities have previously demanded that Turkcell pay VAT on its license fees. The Istanbul tax court rejected Turkcell's application for an appeal in December. Turkcell intends to appeal the ruling to a higher court.

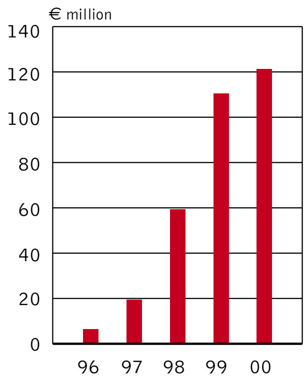
EBITDA

€ million	2000	1999	Change
Mobile Communications	535	468	67
Sonera SmartTrust	(65)	n/a	(65)
Sonera Zed	(102)	n/a	(102)
Other Media Communications and New Services	(136)	(47)	(89)
Fixed Network Voice and Data Services	252	200	52
Equipment Sales and Other Operations	48	47	1
Gain from the Aerial/ VoiceStream merger	835	-	835
Gain from Turkcell offering	680	-	680
The Group	2,047	668	1,379

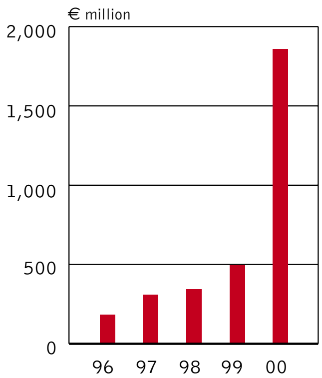
OPERATING PROFIT

€ million	2000	1999	Change
Mobile Communications	406	345	61
Sonera SmartTrust	(66)	n/a	(66)
Sonera Zed	(107)	n/a	(107)
Other Media Communications and New Services	(162)	(60)	(102)
Fixed Network Voice and Data Services	136	98	38
Equipment Sales and Other Operations	26	4	22
Gain from the Aerial/ VoiceStream merger	835	-	835
Gain from Turkcell offering	680	-	680
The Group	1,748	387	1,361

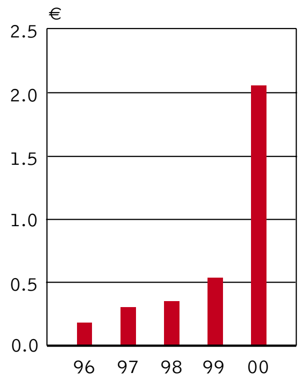
EQUITY INCOME IN ASSOCIATED COMPANIES



PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES



EARNINGS PER SHARE



Sonera's holdings in the German (42.8%) and Norwegian (50%) UMTS licenses are included in Sonera's equity income in associated companies. For both companies, Sonera observes an accounting policy according to which amortization of the acquisition cost of the licenses does not begin until the network constructed by the companies is completed and they start their mainline operations. Similarly, the interest expenses incurred during construction will be capitalized as part of the network's acquisition cost. Sonera will not treat its holdings in the Italian (12.55%) and Spanish (14.25%) UMTS licenses as associated companies, and accordingly the earnings of these license-holding companies will not have a direct effect on Sonera's consolidated earnings.

On March 30, 2000, the Federal Communications Commission (FCC) of the United States granted final permission for the merger of Aerial and VoiceStream Wireless Corporation. Following the merger, which took place on May 4, 2000, and after the US$500 million additional investment that Sonera made in February, Sonera owns about 7.9% (fully diluted) of the new company, which will not be included as an associated company in Sonera's consolidated earnings. Aerial was previously treated as an associated company.

Sonera's Russian associated company (35%) Sonic Duo ZAO has been granted a GSM license for the greater Moscow area, which has a population of 15 million and a mobile penetration rate of about 11%.

EQUITY INCOME IN ASSOCIATED COMPANIES

€ million	2000	1999	Change
Turkcell Iletisim Hizmetleri A.S. [(1)]	130	154	(24)
Fintur Holdings B.V.	(13)	-	(13)
Aerial Communications, Inc.	(12)	(34)	22
Orla GmbH and Broadband Mobile ASA	(2)	-	(2)
Other mobile operators	42	36	6
Fixed network operators	38	27	11
Service providers	(1)	(11)	10
Other associated companies	5	16	(11)
Amortization of goodwill	(66)	(78)	12
Total	121	110	11

[(1)] The result for 2000 is based on the result for the twelve-month period October 1999 – September 2000. The comparative figures for 1999 have not been restated.

In June, Sonera's Lithuanian associated company AB Lietuvos Telekomas (30%) was listed on the Lithuanian and London Stock Exchanges. In the IPO, one of the principal shareholders, the State of Lithuania, reduced its holding from 35% to about 10%. On December 29, 2000, the market capitalization of Lietuvos Telekomas was about €460 million.

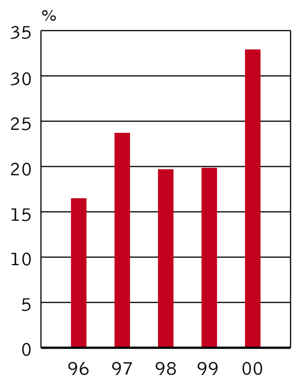
In August, Sonera's subsidiary Tilts Communications A/S of Denmark, in which Sonera has a 90% holding, started arbitration proceedings against the Republic of Latvia under the rules of the International Chamber of Commerce in Paris. The reason for initiating arbitration is the agreement signed in 1993 between the Republic of Latvia and Tilts. According to this agreement, the Latvian fixed line operator Lattelekom SIA, in which Tilts owns 49% and the State of Latvia 51%, has exclusive rights to provide basic fixed network services in Latvia until the end of 2013. However, contrary to the agreement, the Republic of Latvia has made a commitment to the World Trade Organization that Lattelekom's exclusive rights will be revoked by January 1, 2003. A decision in the case is not expected before 2002.

As a consequence of the directed share issues connected with acquisitions made by TietoEnator Corporation in the summer, Sonera's holding in TietoEnator fell below 20%, whereby Sonera will no longer include TietoEnator as an associated company in its own consolidated financial statements from the last quarter of 2000 on. Sonera has also previously agreed with the Finnish Competition Authority on reducing its holding in TietoEnator. The approximately 15.6 million TietoEnator shares owned by Sonera had a market value of €473 million on December 29, 2000.

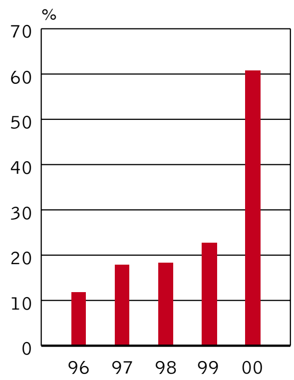
Participating in the UMTS licenses impacts the financial position

Cash flow generated by the Group's operations was €227 million (442). Cash flow from operations was weakened above all by the taxes of about €216 million that were paid on the Aerial/VoiceStream merger. Interest-bearing net debt rose, mainly as a consequence of new equity investments, and stood at €5,641 million at the end of the year (1,181). The equity-to-assets ratio at the end of the year was 33% (51%) and gearing ratio was 174% (65%). If interest-bearing loan receivables of about €2.9 billion are subtracted from the interest-bearing net debt, the gearing ratio thus calculated is 86%. The dividend payout of €87 million according to the resolution of the Annual

RETURN ON CAPITAL EMPLOYED



RETURN ON SHAREHOLDERS' EQUITY



General Meeting on March 22, 2000, was paid to shareholders on April 3, 2000.

Net financial expenses totaled €9 million (-). The figure includes €17 million (18) of dividend income from investments in venture capital funds and €4 million (3) from Libancell S.A.L. Net interest expense amounted to €53 million (26). In the third quarter Sonera adopted an accounting policy according to which interest expenses on uncompleted capital expenditures on fixed assets are capitalized in the balance sheet and booked as expenses in future years as part of depreciation on fixed assets. In practice the change does not affect the comparability of previous periods, but Sonera believes that in the future the accounting change will give a more accurate picture of the acquisition cost of major investments in fixed assets. As a consequence of the change, a total of €20 million of interest expenses included in the consolidated result were capitalized during the year.

FINANCIAL POSITION AND CHANGES IN IT

€ million	2000	1999	Change
Shareholders' equity	3,233	1,801	1,432
Net debt			
Long-term debt	1,842	1,124	718
Current debt	3,955	172	3,783
- Cash and short-term investments	(156)	(115)	(41)
Total	5,641	1,181	4,460
Loan receivables	2,859	54	2,805
Equity-to-assets ratio,%	33.4	50.6	
Gearing ratio, %	173.6	65.1	
Financial income and expenses			
Dividend income	21	21	-
Interest income	82	14	68
Interest expenses	(155)	(40)	(115)
Capitalized interest expenses	20	-	20
Other financial income and expenses	23	5	18
Exchange gains (losses)	-	-	-
Total	(9)	-	(9)
Cash flows			
Operating activities	227	442	(215)
Investing activities	(4,572)	(771)	(3,801)
Financing activities	4,394	309	4,085
Effect of exchange rates	1	1	-
Change in cash	50	(19)	69

At the end of the year, the Group's liquid assets totaled €156 million (115), and available committed credit facilities amounted to €465 million (885).

In March, Sonera issued bonds with a nominal value of €1 billion. The bonds replaced some of the previously used credit arrangements. The maturity of the bonds is 5 years and they are due in March 2005. The bonds are part of the Euro Medium Term Note (EMTN) program established in March 1999. In February, the maximum amount according to the EMTN program was increased from €1 billion to €2 billion.

Sonera financed its portion of international UMTS license fees with short-term borrowings. Sonera intends to finance the repayment of the short-term debt by selling some of its investments and by external non-recourse project financing to be arranged for the German license company. Sonera estimates that, thanks to these measures, its long-term debt will not increase as a consequence of the acquired German license.

In November, Standard & Poor's lowered the credit rating for Sonera's long-term loans from A+ to A, kept the credit rating for short-term loans at A-1 and changed the credit rating outlook from stable to negative. Moody's announced previously in October that it was keeping Sonera's credit ratings unchanged (A2/Prime-1) but that it was changing the credit rating outlook from stable to negative.

The Group's financing and management of financial risks is presented in detail on pages 73-74.

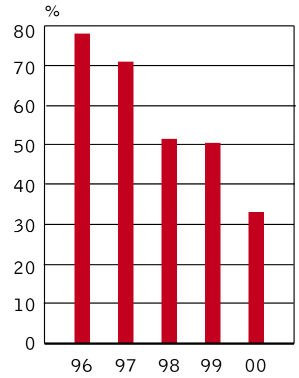
Taxes paid increases on the previous year

Profit before extraordinary items and taxes was €1,860 million (497). The comparable profit before extraordinary items and taxes excluding all capital gains and losses as well as similar non-recurring items was €314 million (476).

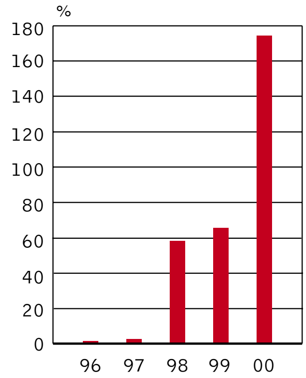
Income taxes booked for the year totaled €318 million (126) and cash disbursements for taxes during the fiscal year amounted to €313 million (140). The Group's effective tax rate was 17% (25%), which was nevertheless lower than the rate in 1999, mainly because of the capital gain on the sale of Turkcell shares, on which Sonera booked a tax effect of about €17 million.

Sonera's earnings include a non-recurring gain of €835 million which was booked on the merger of Aerial and Voice-

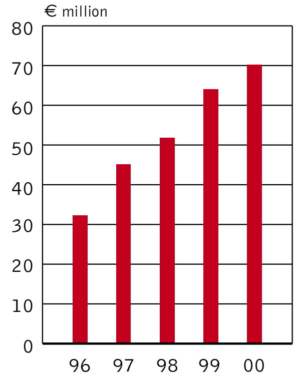
EQUITY-TO-ASSETS RATIO



GEARING RATIO



R&D EXPENDITURE



Stream and was determined based on the market value of the VoiceStream shares received as consideration on the merger date, May 4, 2000. The profit from the merger had no cash flow effect on Sonera. In April, Sonera received an advance ruling from the Central Tax Board, according to which the Aerial/VoiceStream merger was considered to be a transaction for which Sonera was liable to pay tax in Finland. Sonera appealed against the ruling to the Supreme Administrative Court and held the opinion that a US merger should be treated as a normal merger under Finnish tax legislation, without any effects on taxation at the time of the merger. In September, the Supreme Administrative Court announced that it had rejected Sonera's appeal by a vote of 4 to 1. Taxes paid in the fourth quarter amounted to about €216 million.

Before the cumulative effect of the changes in accounting policy, earnings per share were €2.09 (0.51) and when adjusted for the cumulative effect of the changes in accounting policy, earnings per share were €2.05. The accounting policy was altered during the year with respect to the capitalization of interest and the practice observed in including Turkcell in the consolidated financial statements. Comparable earnings per share, stripping out capital gains and losses as well as similar non-recurring items, was €0.31 (0.49).

The return on capital employed was 32.9% (19.7%) and the return on shareholders' equity 60.9% (22.8%).

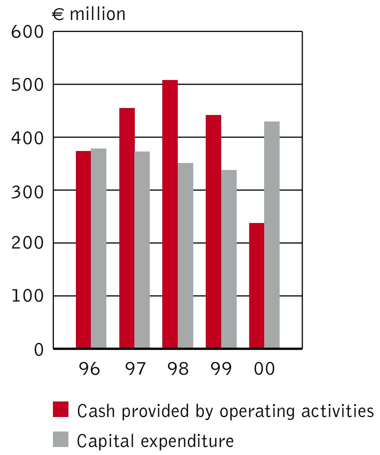
Higher capital expenditures on fixed assets

The Group's capital expenditures on fixed assets amounted to €430 million (338).

Capital expenditures on Mobile Communications diminished compared with 1999, mainly due to the reduced need to build out the network. The capital expenditures made to achieve a GPRS capability did not increase capital expenditure significantly. Nor will the capital expenditure for building UMTS capacity in Finland -according to present estimates- raise Mobile Communications' annual volume of capital expenditures in future years substantially over the level spent in 1999.

The bulk of the capital expenditures on fixed assets within Media Communications and New Services went for building Sonera Zed's data centers and for Sonera Plaza. Capital expenditures for fixed network voice and data services increased on the previous year, primarily because of investments made in international operations.

CASH PROVIDED BY OPERATING ACTIVITIES AND CAPITAL EXPENDITURE



CAPITAL EXPENDITURES ON FIXED ASSETS

€ million	2000	1999	Change
Mobile Communications	124	148	(24)
Media Communications and New Services	104	15	89
Fixed Network Voice and Data Services	145	116	29
Equipment Sales and Other Operations	57	59	(2)
The Group	430	338	92

A year of major equity investments and divestiture decisions

Sonera's investments in shares totaled €2,117 million (410). Income from disposals of equity investments during the year amounted to €785 million (14).

In February when the merger of VoiceStream and Omnipoint Corporation was completed – which was the condition for Sonera's additional investment – Sonera paid the US$500 million investment in VoiceStream shares that was agreed upon in September 1999. Sonera acquired a total of 8,771,930 VoiceStream shares at a price of US$57 per share. After the investment and the merger of Aerial and VoiceStream, Sonera owns about 19 million VoiceStream shares, which is equivalent to a holding of about 7.9% (fully diluted).

On July 24, 2000, the Board of Directors of VoiceStream announced that it had entered into a merger agreement with Deutsche Telekom. For each VoiceStream share, Deutsche Telekom offered 3.2 Deutsche Telekom shares and US$30 in cash. The majority of VoiceStream shareholders, including Sonera, accepted the offer. The merger is subject to regulatory approvals in the United States and the EU and to approval by VoiceStream shareholders. It is expected to be completed by the end of the first half of 2001. According to the February 9, 2001, closing price of US$28.77 for the Deutsche Telekom share on the New York Stock Exchange, Sonera would receive approximately €2.5 billion in the merger: about 20% in cash and the remainder in the form of Deutsche Telekom shares.

In May, Sonera agreed that it would make an additional investment of US$200 million in Powertel. Of the total amount, Sonera invested US$125 million directly in Powertel, raising its holding in Powertel from 8.9% to about 11.8% (fully diluted). In addition, Sonera acquired a 30.1% holding in Eliska Wireless Ventures I, Inc. for US$75 million. These agreements entitle Sonera to raise its holding in Powertel to about 13.5% (fully diluted), which corresponds to about 7.4 million shares. The arrangements were seen to completion and the purchase prices paid in January 2001. In 1999 Sonera had purchased Powertel shares for US$123 million.

In August, Sonera decided for its part to accept Deutsche Telekom's offer to purchase the Powertel shares. Deutsche Telekom has committed itself to paying 2.6353 Deutsche Telekom shares for each Powertel share. Sonera will receive a total of about 19.5 million Deutsche Telekom shares in return for its Powertel shares currently held and those acquired through the additional investment. According to the February 9, 2001, closing price of US$28.77 for the Deutsche Telekom share on the New York Stock Exchange, Sonera would receive about €600 million in the merger. Should the merger of Deutsche Telekom and VoiceStream or Powertel not be implemented, VoiceStream will buy the Powertel shares.

In January, Turkcell and its principal shareholders, Sonera and the Çukurova Group, decided to establish a joint holding company named Fintur Holdings B.V. The company will develop and own Turkcell's stakes in GSM operators outside Turkey, and some of the previous subsidiaries of Turkcell and the Çukurova Group. Sonera acquired a 35% stake in Fintur by investing US$127 million (€136 million) in the company in May.

Turkcell's shareholders raised the company's share capital in May before the company's IPO. Sonera's portion of the increase in share capital amounted to €113 million.

In June-July, Turkcell's shareholders carried out the Turkcell IPO. Before the offering, Sonera purchased an additional holding of 0.6% in Turkcell, whereby Sonera's holding in the company was 41.6%. In the offering, Sonera sold about a tenth of the shares it owned in Turkcell. On the basis of the pricing which was set on July 10, 2000, the Turkcell shares were sold at a price of TRL 44,000 per share, or US$17.60 per ADS (one ADS, or American Depositary Share, corresponds to 250 shares). After the underwriting discounts, Sonera's total proceeds from the offering totaled US$704 million (€735 million) and Sonera recorded a gain of €680 million on the sale.

After the offering, Sonera's holding in Turkcell is 37.3%. Sonera owns 13.3% of Turkcell directly and 24.0% indirectly through the holding company Turkcell Holding A.S. (Sonera 47.09% and the Çukurova Group 52.91%), which owns 51% of the Turkcell shares.

In connection with the offering, Turkcell was listed on the Istanbul and New York Stock Exchanges. The share price on December 29, 2000 was US$7.00 per ADS, giving Turkcell a market capitalization of about US$7 billion.

In April, Sonera acquired the entire share capital of Across Holding AB of Sweden. The wireless Internet-based service platforms offered by Across make it possible, for example, to manage applications and terminal devices over a mobile network. Sonera paid for the acquisition by issuing 16,732,055 new shares. In June, Sonera acquired the entire share capital of iD2 Holding AB of Sweden. iD2 provides secure authentication solutions based on PKI (Public Key Infrastructure) and smart card technology for the Internet. The acquisition was paid for by issuing 4,802,431 new Sonera Corporation shares. The value of the acquisitions as measured by the stock exchange price of Sonera's shares on the dates of the transactions totaled €1,147 million.

The shareholdings in both Across and iD2 were transferred to the Sonera SmartTrust subgroup and the companies' operations were combined within Sonera's previous SmartTrust business. Sonera booked the acquisitions of both Across and iD2 and the increases in share capital related to them in accordance with interpretation statement 1591/1999 of the Finnish Accounting Standards Board, whereby the acquisitions do not result in a the recognition of goodwill in Sonera's Finnish GAAP financial statements.

In May, Sonera announced its intention to establish a directory service company in the United Kingdom together with Conduit Plc of Ireland. The company to be established will provide national and international directory services. Sonera also purchased 12.5% of Conduit's share capital for a price of €20 million. The holding fell to 10% when Conduit listed on the stock exchange in June. In addition, Sonera acquired a controlling interest in Intra Call Center S.A. of France. In November, Sonera announced that it was purchasing a 25.5% holding in Metro One Telecommunications Inc, a directory services business in the United States. The deal was closed and the purchase price of €72 million was paid in February 2001. By way of these new investments, Sonera will expand its directory business in Europe and the United States.

In September, Sonera invested €908 million in the share capital of Orla GmbH in accordance with its 42.8% holding in the company. In addition, Sonera gave a loan of €2,719 million to the company, which paid for the license it had been awarded in the German UMTS auction using the funds it had received from the shareholders. In December, Sonera paid a share capital increase of €270 million to Ipse 2000 S.p.A., in accordance with its holding in the company (12.55%), whereby the company paid for the license it had been awarded in the Italian UMTS auction using the funds it had received from its shareholders.

During the year, Sonera made additional investments totaling €16 million in venture capital funds. In addition, Sonera made an equity investment of €43 million in Xfera Móviles S.A., €11 million in PeopleSound.com, €17 million in Juniper Financial Corporation, an €6 million investment in Frontec Support and Operations AB's shares as well as certain other equity investments to a total amount of €25 million.

In January 2000, Sonera sold the quoted shares it held in other Finnish telephone companies. The net gain on the transaction amounted to nearly €4 million.

In May, Sonera sold its 50% holding in the German service provider HanseNet Telefongesellschaft mbH & Co. KG to the other shareholder in the joint venture. The net gain on the transaction amounted to €22 million. This amount is included in the EBITDA figure for Fixed Network Voice and Data Services.

In September, Primatel Ltd, which is responsible for Sonera's construction and maintenance businesses, sold to Fortum its 40% holding in Transmast Oy, which plans and installs mast structures and delivers base stations. Sonera recorded a gain of €12 million on the transaction. The gain is included in the EBITDA of Equipment Sales and Other Operations.

In December, Sonera sold a 60% holding in Suomen Erillisverkot Oy to the Finnish Ministry of Transport and Communications. A capital gain of €11 million, which is included in the EBITDA of Mobile Communications, was booked on the deal.

Most businesses incorporated

The incorporation of new businesses and fixed network businesses was continued during the year.

Sonera incorporated its wireless certification business as Sonera SmartTrust Ltd on January 1, 2000, and its wireless portal business as Sonera Zed Ltd on February 1, 2000.

Sonera incorporated its local network business as Sonera Entrum Ltd and its backbone network business as Sonera Carrier Networks Ltd on January 1, 2000.

Sonera incorporated its ASP business (Application Service Provision) as Sonera Juxto Ltd on June 1, 2000. The company is seeking to become a major international provider of wireless application and management services.

REPORT OF THE BOARD OF DIRECTORS

Sonera incorporated its network-independent Sonera Plaza business as Sonera Plaza Ltd on July 1, 2000.

On December 1, 2000, Sonera also incorporated its directory services business under the name Sonera Info Communications Ltd.

Following these incorporations, the business of the parent company Sonera Corporation consists mainly of mobile communications and development projects aiming at launching new businesses.

Note 20 to the Financial Statements presents a list of the Group's subsidiaries and associated companies as well as the changes which have taken place in them during the year.

Government's holding falls further

On March 7, 2000, the Finnish State organized an offering directed at institutional investors. In the offering, the State sold 22 million Sonera shares at a price of €92 per share. As a result of the offering, the State's holding in Sonera fell from 57.6% to 54.5%. Following the directed issues in April and June, the State's holding in Sonera fell to about 52.9%. On October 19, 2000, the State transferred the about one million bonus shares related to the 1999 offering to the domestic shareholders entitled to them, and this dropped the State's holding in Sonera to about 52.8 %. On June 21, 2000, the Parliament granted the Government of Finland authorization to reduce the State's holding in Sonera Corporation even down to zero.

The company's Board of Directors has a valid authorization to repurchase 14,440,000 of the company's own shares and an authorization to issue a maximum of 18,465,514 new shares. The authorizations are valid until March 22, 2001. During 2000, Sonera repurchased on Helsinki Exchanges 550,000 of its shares with an accountable par of €236,500, representing 0.07% of all the shares outstanding. The shares were repurchased in May at an average share price of €51.36 per share and a total price of €28 million.

Information on Sonera's shares and shareholders, the share turnover and price trend as well as Sonera's stock option schemes is given in greater detail on pages 78-82.

Strong inputs into research and development

As markets evolve and competition hots up, it is strategically important to allocate resources to research and development, where Sonera's priorities are global services and their enabling technologies.

Sonera's research and development (R&D) expenditure including development work on information systems totaled about €70 million in 2000 (64). More than 600 experts and professionals worked within Sonera's R&D units in the review year. In addition, a versatile network of external partners rounded out Sonera's research and development resources.

Sonera's main development areas are third generation (UMTS) mobile communications, customer service and billing solutions, wireless Internet application environments, service platforms, data security for electronic and wireless commerce, global IP-based roaming as well as network and service management environments. Sonera has also made significant improvements in its network technologies in order to make possible the commercialization of applications based on a packet-switched network. In addition, Sonera has a research laboratory, Mspace, which simulates the third generation network and enables Sonera's customers to test-use cutting-edge service concepts.

Sonera is participating actively in the work of standardization organizations and is contributing to the establishment of the main new-generation mobile communications and data security standards worldwide.

Introduction of the euro

In Sonera 's invoices and price lists, information in euro amounts has been given for purposes of clarification as of January 1,1999. A complete changeover to invoicing in euro amounts and actual euro pricing will be gradually completed by January 1, 2002.

Since the beginning of 1999, Sonera has reported on its financial performance in euro amounts. The largest Group companies will change over to the euro in their accounting on January 1, 2001.

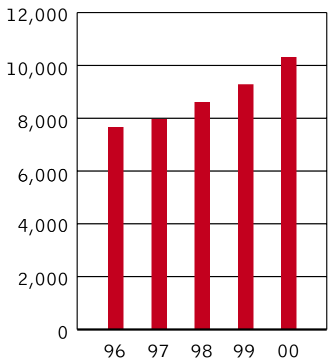
Human resources beefed up further

The Group's average payroll during the year was 10,305 employees (9,270), showing a rise of 11%. The Group's number of employees at the end of the year was 11,271 (9,512). Staff increases were made above all in the Media Communications and New Services areas. The number of employees at international subsidiaries grew strongly and was on average 995 (506).

Corporate governance

The business management of Sonera Corporation is the responsibility of the Board of Directors and the President and CEO, who are overseen by the Supervisory Board. The members of the

AVERAGE NUMBER OF PERSONNEL



AVERAGE NUMBER OF PERSONNEL

	2000	1999	Change	Change, %
Mobile Communications	1,626	1,280	346	27
Media Communications and New Services	2,810	1,346	1,464	109
Fixed Network Voice and Data Services	2,555	2,442	113	5
Equipment Sales and Other Operations	3,314	4,202	(888)	(21)
The Group	10,305	9,270	1,035	11

Board of Directors and the Supervisory Board are elected by the Annual General Meeting. During the fiscal year, the Chairman of the Board was Markku Talonen (full-time as of June 16, 2000) and the company's President and CEO was Aulis Salin, who retired at the end of the fiscal year. The Group's President and CEO from the beginning of 2001 is Kaj-Erik Relander.

The present composition of the Supervisory Board, Board of Directors and Management Group of Sonera Corporation as well as the Company's administrative and control systems are presented on pages 84-88.

Events after the close of the fiscal year

In January 2001, Sonera acquired 16.7% of the shares of Loimaan Seudun Puhelin Oy at a purchase price of about €16 million. The condition for the deal signed in December was that Loimaan Seudun Puhelin would at first acquire a majority holding in Turun Puhelin Oy.

Sonera Zed announced on January 31, 2001, that it had entered into an agreement with Telecom Italia Mobile (TIM) concerning the distribution of zed services to TIM's Italian mobile communications customers. TIM is Europe's largest single mobile communications operator with about 20.7 million customers. On February 7, 2001, Sonera Zed announced that it had signed a distribution agreement with Radiolinja, which is the second largest mobile operator in Finland with 1.2 million customers.

On February 6, 2001, Sonera issued a Floating Rate Note (FRN) of €500 million as part of the Euro Medium Term Note (EMTN) program. With the FRN, Sonera diversifies its funding and replaces its existing short-term credit facilities. The term of the FRN is 18 months.

Near-term outlook

The average use of mobile subscriptions in Finland for voice calls is expected to increase further in the current year. Further growth is also forecast for the use of non-voice services. Competition in Finland's mobile communications market is forecast to get tougher because of the entry of new service providers and as a consequence of the third nationwide GSM license. Sonera nevertheless believes that it will retain its strong market position in the current year, too. The growth in revenues from Media Communications and New Services is expected to continue. Broadband products and the sale of capacity to international operators are estimated to lift revenues from Fixed Network Voice and Data Services compared to 2000.

The growth in total consolidated revenues is estimated to accelerate in 2001 compared to 2000.

The EBITDA loss of Media Communications and New Services is estimated to decrease somewhat on 2000. In 2002, the EBITDA loss of the business area is expected to be reduced considerably, and the business area is expected to report an EBITDA profit in 2003. Consolidated EBITDA excluding capital gains and losses is estimated to increase on 2000, measured in euro terms. Earnings in 2001 are expected to include significant capital gains, for example on account of the completion of the divestitures of VoiceStream and Powertel, which is expected to happen in the end of the first half of the year.

Sonera's equity income in associated companies will weaken in 2001 owing to business start-up costs which will be booked for the UMTS associated companies in Germany and Norway. The earnings to be booked for the other associated companies are estimated to offset the loss that will be booked on the UMTS associated companies.

Financial expenses will grow in the current year compared to 2000 owing to the increased amount of loans. When the merger of VoiceStream and Deutsche Telekom is implemented, the total amount of loans will decrease by the amount of the cash payment Sonera will receive from the deal. When the Deutsche Telekom shares which Sonera will receive for the divestiture of VoiceStream and Powertel are sold, the amount of loans will be further reduced.

During 2001, Sonera will not make any significant equity investments that would increase its amount of loans.

Proposal of the Board of Directors for profit distribution

In making its annual dividend proposal, the Company's Board of Directors takes into account not only the Group's earnings trend but also its capital expenditure and development requirements. The objective of the Board of Directors is for the amount of dividends paid to correspond to about one-fourth of the Group's annual net income.

According to the financial statements as of December 31, 2000, the Group's distributable funds totaled €2,721.7 million, and the corresponding amount for the parent company was €1,664.6 million. Bearing in mind the sizeable non-cash items included in the earnings for 2000 as well as the financing requirements for the UMTS licenses abroad and the additional outlays on new businesses, the Board of Directors proposes to the Annual General Meeting that a dividend of €0.09 per share, or a total of €66.9 million be paid and that the remainder of the distributable funds be carried forward in the balance sheet. The proposed amount of the dividend payout corresponds to about 29% of the Group's comparable net income of €231 million, adjusted for all capital gains and losses as well as similar non-recurring items.

Helsinki, Finland
February 12, 2001

Markku Talonen

Liisa Joronen	Kalevi Alestalo
Jussi Länsiö	Reijo Sulonen
Tapio Vaahtokivi	Kari Vilkman

Kaj-Erik Relander
President and CEO

CONSOLIDATED INCOME STATEMENT

€ million	Note	Year ended December 31, 2000	1999
Revenues	(18)	2,057	1,849
Other operating income	(2)	1,589	45
Operating expenses	(3)		
Cost of sold equipment and materials		(160)	(142)
Services bought		(511)	(431)
Personnel expenses		(445)	(340)
Rental expenses		(65)	(47)
Other operating expenses		(418)	(266)
Total operating expenses		(1,599)	(1,226)
Depreciation and amortization	(4)	(299)	(281)
Operating profit		1,748	387
Equity income in associated companies	(9)	121	110
Financial income and expenses	(5)	(9)	-
Profit before income taxes, minority interest and extraordinary items		1,860	497
Income taxes	(6)	(318)	(126)
Minority interest in income		(1)	(1)
Profit before extraordinary items		1,541	370
Cumulative effect of accounting changes, net of income taxes	(7)	(35)	-
Net income		1,506	370
Earnings per share, before extraordinary items (€)		2.09	0.51
Cumulative effect of accounting changes, net of income taxes (€)		(0.04)	-
Net income per share (€)	(8)	2.05	0.51
Average number of shares (1,000)		735,917	722,000

CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	Year ended December 31, 2000	1999
Operating activities		
Net income	1,506	370
Depreciation and amortization	299	281
Gain from Aerial/VoiceStream merger	(835)	-
Gain from sale of Turkcell shares	(680)	-
Net gain on disposal of fixed assets and business operations	(35)	(24)
Equity income in associated companies	(121)	(110)
Dividends received from associated companies	30	14
Deferred taxes	41	18
Effect of accounting changes	35	-
Other adjustments to cash	(8)	(28)
Change in working capital, net of acquisitions and disposals		
Increase in inventories	(3)	(14)
Increase in non-interest-bearing receivables	(190)	(108)
Increase in non-interest-bearing liabilities	188	43
Cash provided by operating activities	227	442
Investing activities		
Capital expenditures	(430)	(338)
Acquisitions of subsidiaries, net of cash acquired	(20)	(9)
Investments in associated companies	(1,195)	(266)
Investments in other shares and holdings	(902)	(135)
Proceeds from sale of fixed assets	1	7
Proceeds from sale of subsidiaries, net of cash disposed	9	2
Proceeds from sale of associated companies	770	2
Proceeds from sale of other shares and holdings	6	10
Increase in long-term loans receivable	(4)	(1)
Increase in current loans receivable	(2,815)	(2)
Decrease (increase) in short-term investments	8	(41)
Cash used in investing activities	(4,572)	(771)
Financing activities		
Withdrawals of long-term debt	1,004	545
Repayments of long-term debt	(179)	(210)
Increase in current debt	3,684	35
Dividends paid	(87)	(61)
Repurchase of shares	(28)	-
Cash provided by financing activities	4,394	309
Effect of exchange rate changes on cash and cash equivalents	1	1
Net increase (decrease) in cash and cash equivalents	50	(19)
Cash and cash equivalents at beginning of year	38	57
Cash and cash equivalents at end of year	88	38

CONSOLIDATED BALANCE SHEET

€ million	Note	December 31, 2000	December 31, 1999
ASSETS			
Fixed assets and other long-term investments	(9)		
Intangible assets		116	69
Property, plant and equipment			
Land		20	17
Buildings		121	114
Machinery and equipment		119	95
Telecommunications networks		848	858
Other tangible assets		54	45
Advances paid and construction in progress		103	30
		1,265	1,159
Long-term investments and receivables			
Investments in associated companies	(10)	2,367	1,637
Other shares and holdings	(20)	2,370	154
Long-term loans receivable		42	35
		4,779	1,826
Total fixed assets and other long-term investments		6,160	3,054
Current assets			
Inventories		40	36
Receivables			
Trade accounts receivable		413	335
Loans receivable		2,817	19
Prepaid expenses and accrued income		154	42
Other receivables		34	8
		3,418	404
Cash and short-term investments			
Short-term investments		68	77
Cash and cash equivalents		88	38
		156	115
Total current assets		3,614	555
TOTAL ASSETS		9,774	3,609

€ million	Note	December 31, 2000	1999
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(11)		
Share capital		320	310
Share premium fund		14	13
Treasury shares		(28)	-
Additional paid-in capital		505	505
Retained earnings		916	603
Net income for the year		1,506	370
		3,233	1,801
Minority interest		16	14
Total shareholders' equity and minority interest		3,249	1,815
Non-current liabilities			
Long-term debt	(12)	1,842	1,124
Deferred tax liability	(6)	139	95
Other long-term liabilities	(13)	32	20
		2,013	1,239
Current liabilities			
Current debt	(12)	3,848	172
Current portion of long-term debt	(12)	107	-
Advances received		15	11
Trade accounts payable		298	194
Accrued expenses and prepaid income		215	172
Other current liabilities		29	6
		4,512	555
Total liabilities		6,525	1,794
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		9,774	3,609

1. ACCOUNTING POLICIES

Description of business

Sonera Corporation (the "Parent Company") and its subsidiaries (together, "Sonera", the "Company" or the "Group") provide a wide range of telecommunication services to residential and business customers, primarily in Finland. Sonera's major lines of business include mobile communications, media communications and new services, fixed network domestic and international voice and data services, and other services relating to the Group's operations, including equipment sales and construction and maintenance services. Sonera currently generates approximately 95% of its consolidated revenues from sales to customers in Finland. Sonera also has significant minority shareholdings in mobile and fixed network telecommunications operators abroad.

Basis of presentation

The Consolidated Financial Statements include the financial statements of Sonera Corporation and its subsidiaries. The predecessor entity of Sonera Corporation was incorporated under the name of Telecom Finland Ltd on January 1, 1994, when the operations of Posts and Telecommunications of Finland, the Finnish national postal and telecommunications authority, were separated into Telecom Finland Ltd and Finland Post Ltd. Both companies were wholly-owned subsidiaries of the State-owned management holding company PT Finland Ltd. On July 1, 1998, PT Finland Ltd demerged into two State-owned management holding companies, Sonera Group plc and Finland Post Group Ltd. On September 30, 1999, Sonera Group plc was merged with its principal operating subsidiary Sonera Ltd, and was renamed Sonera Corporation.

The Consolidated Financial Statements have been prepared in accordance with Finnish generally accepted accounting principles ("Finnish GAAP"), as stipulated in the Finnish Accounting Act 1336/1997. The Consolidated Financial Statements are presented in millions of euros, except for share and per share amounts.

The Consolidated Financial Statements are prepared under the historical cost convention. Estimates and assumptions used by management in preparing these Consolidated Financial Statements were determined using the most recent and accurate information available. Actual results could differ from those estimates.

Principles of consolidation

The Consolidated Financial Statements include the accounts of Sonera Corporation and those companies in which it holds, directly or indirectly through subsidiaries, over 50% of the shares and voting rights.

The companies acquired or established during the financial period have been consolidated from the month of acquisition or formation. The companies disposed of during the financial period have been consolidated up to the month of disposal.

All intercompany transactions and balances are eliminated as part of the consolidation process. Minority interests in earnings and shareholders' equity are presented separately in the income statement and balance sheet.

Acquisitions of companies are accounted for by using the purchase method. The cost of acquired shares is allocated to the fair values of acquired assets and liabilities. The remaining difference is carried as goodwill on consolidation and amortized over its estimated useful life, generally not exceeding ten years.

In April 2000, Sonera acquired all shares in Across Holding AB of Sweden. Sonera paid for the acquisition by issuing 16,732,055 new shares to the sellers. In June 2000, Sonera acquired all shares in iD2 Holding AB of Sweden. The acquisition was paid for by issuing 4,802,431 new shares. Sonera has recorded both transactions in accordance with the interpretation No. 1591/1999 by the Finnish Accounting Board. Therefore, under Finnish GAAP, Sonera has not recorded goodwill from the acquisitions.

The total number of shares issued in connection with Across and iD2 acquisitions was 21,534,486 and the fair value of shares issued, based on the time of issuance, totaled €1,147 million. If fair value had been used to record the transactions, Sonera would have recorded goodwill and a corresponding increase in share premium fund totaling €1,136 million. Assuming a five-year amortization period for goodwill, Sonera would have recorded amortization of goodwill of €144 million for the year ended December 31, 2000.

Earnings in companies in which Sonera has significant influence (associated companies) are included in the consolidated accounts in accordance with the equity method of accounting. Generally, Sonera is considered to have significant influence when it holds 20 to 50% of the shares and voting rights. Additionally, Aerial Communications, Inc. was treated earlier as an associated company, even though Sonera's ownership was under 20%, since Sonera had significant influence in the company and had a right to increase its interest in the company to 20%, at Sonera's option. In May 2000, Aerial merged with VoiceStream Wireless Corporation, after which Sonera does not handle the merged entity as an associated company. Any goodwill arising from the acquisition of shares in associated companies is included in the carrying value of investments in associated companies and amortized over estimated useful life, generally not exceeding ten years.

Shareholdings which are not treated as subsidiaries or associated companies are carried at cost or at written-down amount, and only dividends received are included in the consolidated income statement.

Foreign currency translation

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of transaction. At the end of the accounting period, unsettled foreign currency balances are translated at the closing rate on the balance sheet date. Foreign exchange gains and losses on trade accounts receivable and payable are charged or credited to revenues and operating expenses, respectively. In relation to revenues and operating expenses, these exchange gains and losses are insignificant. Other foreign exchange gains and losses are recorded as financial income and expenses.

The income statements of foreign subsidiaries are translated into Finnish markka at the average exchange rates for the accounting period, and the balance sheets are translated at the closing rate at the balance sheet date. All translation differences arising from the consolidation of foreign subsidiaries and associated companies are credited or charged directly to retained earnings.

Derivative financial instruments

The business operations of Sonera give rise to certain exposure to risks related to currency and interest rates. These risks are managed to minimize their impact on Sonera's profitability and financial position.

Sonera considers its derivative financial instruments to be hedging instruments when certain criteria are met:

- For a foreign currency derivative instrument to qualify as a hedge, the instrument must

(a) be related to a foreign currency asset, liability or firm commitment, or a portfolio of assets, liabilities and firm commitments, the characteristics of which have been identified;
(b) involve the same currency as the hedged item; and
(c) reduce the risk of foreign currency exchange movements on Sonera's operations.

- For an interest rate derivative instrument to qualify as a hedge, the instrument must

(a) relate to an asset or a liability, or to a portfolio of assets and liabilities; and
(b) change the character of the interest rate by converting variable rate to a fixed rate or by converting fixed rate to a convertible rate.

Derivative financial instruments are not used for speculative purposes.

Forward exchange contracts and currency swaps

Gains and losses on forward exchange contracts and currency swaps that are designated and effective as hedges of firm commitments are deferred and recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. The interest component determined at the inception of contracts is accrued as interest income or expenses over the contract term.

Interest rate swaps

Interest rate swap agreements that are designated as hedges of a debt obligation are accounted for on an accrual basis. That is, the interest payable and interest receivable under the swap terms are accrued and recorded as an adjustment to the interest expense of the designated liability. Amounts due from and payable to the counterparties of interest rate swaps are recorded on an accrual basis at each reporting date, based on amounts computed by reference to the respective interest rate swap contract. Realized gains and losses resulting from the early termination or expiration of contracts are recorded in income over the remaining period of the original swap agreement.

Interest rate and foreign currency options

Gains and losses on foreign currency options that are designated and effective as hedges of firm commitments are deferred and recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. Option premiums are recorded as an asset or liability and amortized over the life of the option.

Fixed assets and other long-term investments

The balance sheet values of fixed assets are stated at historical cost, less accumulated depreciation and amortization. Construction costs include directly allocable costs and an appropriate allocation of material and production overheads. Production overhead does not include general and administrative expenses. Interest expenses related to construction in progress are capitalized on fixed assets and charged to expense in coming years as part of depreciation on fixed assets.

The cost of assets received from Posts and Telecommunications of Finland upon the incorporation of Telecom Finland Ltd on January 1, 1994 was equal to the carrying value of transferred assets on the December 31, 1993 balance sheet of the former government authority. The carrying values of assets transferred did not exceed fair values of those assets on January 1, 1994.

Depreciation and amortization is calculated on a straight-line basis over the expected useful lives of the assets, except for land, which is not depreciated. Estimated useful lives for various assets are:

Intangible rights	3 - 10 years
Goodwill	5 - 10 years
Other intangible assets	3 - 10 years
Buildings	15 - 40 years
Machinery and equipment	3 - 13 years
Telecommunications networks	4 - 20 years
Other tangible assets	3 - 10 years

Sonera reviews its fixed assets and long-term investments for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, in which case the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows, on an undiscounted basis, is less than the carrying amount of the asset, a write-down is recognized in an amount by which the asset's carrying value exceeds the sum of the expected future cash flows.

Long-term investments and receivables include financial assets which are intended to be held for over one year. Marketable equity securities are stated at cost, or at a lower market value if the impairment in value is deemed to be permanent. Marketable debt securities are stated at cost when intended to be held to maturity, or at the lower of cost or market when available for sale.

Leased assets

Sonera leases certain equipment to its customers under capital lease terms. These lease transactions are accounted for as a sale of asset and an incurrence of an interest-bearing receivable. Sonera considers a lease agreement to qualify as a capital lease when one or more of the following criteria are met:

(a) the lease term is equal to 75% or more of the estimated economic life of the leased equipment;
(b) the present value at the beginning of the lease term of the minimum lease payments is 90% or more of the fair value of the leased equipment;
(c) the lease contains a bargain purchase option; or
(d) the lease transfers ownership of the equipment to the lessee by the end of the lease term.

Sonera does not currently hold any significant assets under capital lease terms. Assets held under operating leases are not recorded on the balance sheet, and the lease payments are charged to income as incurred.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined either using the first-in, first-out method or the average cost method.

Cash and short-term investments

Cash and cash equivalents include cash on hand, cash in banks and in time deposits with a maturity of less than three months, as well as other highly liquid funds equivalent to cash money, with an original maturity of less than three months.

Short-term investments include equity securities as well as time deposits and other debt securities for which the intended holding period generally is less than one year. Marketable debt and equity securities are stated at the lower of cost or market.

Prepaid/accrued expenses and income

Prepaid expenses and accrued income mainly consist of accrued interest income and financial fee income. Accrued expenses and prepaid income mainly consist of accrued interest, tax and payroll-related expenses.

Revenues

Revenues include revenue from services and goods sold, adjusted for discounts granted, sales-related taxes and the effects of foreign exchange rate differences.

Revenues from connection charges (including the price of SIM cards) that are received from the sale of new subscriptions are recognized at the time of sale to the extent of direct costs incurred. Direct costs incurred in connection with mobile connection revenues consist primarily of the first payment of distributor commission, costs for credit check, cost of the SIM card, and the cost of the printed new customer information package. For the fixed line connection revenues, the direct costs consist primarily of installation work and the cost of a printed telephone directory given to each new subscriber. To date, direct costs associated with connection fees (including the price of SIM cards) have exceeded such revenues. Therefore, no connection revenues have been deferred.

Revenues from monthly subscription charges are recognized for the month that they relate to. Traffic revenues and interconnection revenues are recognized based on actual traffic.

Other revenues are recognized when services are rendered, or when goods are delivered to the customer. Sonera has no significant long-term contract deliveries.

Research and development

All costs relating to research and development activities are expensed as incurred. Research and development expenditure was €64 million and €70 million for the years ended December 31, 1999 and 2000, respectively.

Maintenance, repairs and renewals

Maintenance and repair costs are expensed as incurred. Costs from any major improvement or renovation that extend the useful life of an asset are capitalized as part of the carrying value of the asset. Costs from leasehold improvements of rental premises are capitalized as intangible assets and amortized over ten years or, if shorter, over the lease term.

Pension plans and coverage of pension liabilities

The statutory pension benefits as well as certain additional pension benefits for most of the personnel in Finland are funded through the PT Pension Fund. Sonera is responsible for ensuring that its pension liabilities are sufficiently funded at all times. On December 31, 2000, both statutory and additional pension benefits were fully funded.

Sonera makes monthly contributions to the PT Pension Fund at the end of each month and records those contributions as expenses. Other than amounts accrued for the next contribution payable, Sonera does not record liabilities for pensions as the Company has transferred all such funds to the PT Pension Fund.

The PT Pension Fund is a multi-employer plan, established to fund pension obligations of Sonera and the Finland Post Group. Even though Sonera and Finland Post do not have a common parent company after the demerger on July 1, 1998, there are no legal requirements for dividing the PT Pension Fund in two, as long as the Finnish State holds at least 50% of all shares in both companies. However, Sonera and the Finland Post are currently planning to divide the PT Pension Fund in two. Since the split-up would result in the separation of plan assets in relation to the respective shares of total liabilities, management estimates that the split-up would not significantly change Sonera's pension obligations and the funding status of those obligations. The PT Pension Fund has received an advance ruling from the Finnish Central Tax Board, according to which the split-up will not be considered a taxable transaction for the PT Pension Fund.

The statutory pension liabilities of certain minor Finnish subsidiaries are funded through pension insurance. Subsidiaries outside Finland have various pension schemes in accordance with the local requirements and practices. The schemes are generally funded through payments to insurance companies.

The Chairman of the Board of Directors, the President and CEO of the Parent Company and three members of the Management Group have a right to retire after the age of 60 with a statutory 60% total pension. Additionally, one member of the Management Group has a right to retire after the age of 60 with a total pension of 66%. These additional pension benefits have been funded through a group pension insurance. There are no significant exceptions from the normal practices in the pension benefits of Managing Directors of subsidiaries. However, certain Managing Directors have a right to retire at the age of 63 to 64, based on the additional pension benefit arrangement related to the departure from the Finnish State pension plan. The additional pension benefits have been funded through the PT Pension Fund.

Commissions paid to distributors

Sonera pays the distributors of Sonera's GSM subscriptions a sign-up commission per subscription. The commission received by the distributor is divided into five payments, the timing of which are dependent, among other things, on the accumulated traffic produced by the new subscriber and on the timely payment of monthly subscription charges of the new subscriber.

The first payment of the commission is a fixed amount and is earned by the distributor at the time of sale of a new subscription, and is charged to expense accordingly.

The second, third and fourth payments of the commission are also fixed amounts. However, they are earned by the distributor at specific points in time if the subscription remains active. The expense for these payments is accrued ratably over such periods of time.

The fifth payment of the commission is a fixed amount that is earned by the distributor if a specific accumulation of traffic by the subscriber is achieved. The fifth payment is accrued based on the actual traffic. If the accumulation of traffic does not exceed the milestone, the distributor receives no payment at all.

Once the conditions for the payment have been met, the amounts will be paid to the distributor and are not subject to refund.

Other operating income and expenses

Other operating income includes income from business activities outside ordinary service provision, such as rental income and gains on the sale of fixed assets and other long-term investments, as well as fees charged on collection of overdue receivables.

Other operating expenses include expenses not directly related to the provision of services, such as expenses for marketing efforts, expenses for research and development, and other expenses related to general administration. Additionally, losses from the disposition of fixed assets and other long-term investments are reported within other operating expenses.

All advertising costs are expensed as incurred. Advertising expenses were approximately €37 million and €40 million for the years ended December 31, 1999 and 2000, respectively.

Loan withdrawal fees

Arrangement and other up-front fees on the withdrawal of loans are accrued to expense over the loan period.

Provisions for contingent losses

Provisions are made for identified contingent losses the future realization of which is probable and the amount of which can be reasonably estimated. Provisions are reported as non-interest bearing liabilities in the balance sheet. Sonera did not have any material provisions for contingent losses during the years ended December 31, 1999 and 2000.

Untaxed reserves

In Finland and certain other countries, companies are allowed to reduce or increase taxable income by charges or credits representing adjustments to untaxed reserve accounts, provided that such amounts are reflected in the company's financial statements and accumulated as untaxed reserves in the balance sheet. The major part of Sonera's untaxed reserves relates to the accumulated tax depreciation of telecommunications networks exceeding the accumulated depreciation in financial statements.

On consolidation, all allocations to untaxed reserves in the accounts of individual companies are presented as retained earnings, net income and a related deferred tax component on an aggregate basis. Under the Finnish Companies Act, untaxed reserves presented as retained earnings are not included in the distributable funds when the maximum amount of distributable funds is calculated.

Income taxes

Income taxes consist of current and deferred taxes. Current taxes in the income statement include estimated taxes payable or refundable on tax returns for the financial year, as well as adjustments to tax accruals related to previous years.

Deferred tax liabilities or assets are recognized for the future tax consequences of events that have been recognized in financial statements or tax returns, based on the tax laws and tax rates that have been enacted by the balance sheet date. Deferred tax liabilities are recognized at their full amounts, and deferred tax assets at estimated realizable amounts. The deferred taxes in the income statement represent the net change during the year in deferred tax liabilities and assets.

Dividends

In Finland, dividends are generally only payable annually and only after shareholder approval of the Company's annual financial statements and of the amount proposed by the Board of Directors.

Dividends proposed by the Board of Directors have not been recorded as a liability in the Consolidated Financial Statements. Only after the Annual General Meeting has approved the annual financial statements and the amount of dividends, the amount is deducted from retained earnings.

Consolidated statement of cash flows

The cash flow statement presents the annual cash flows classified as cash flows from operating, investing and financing activities, arriving at the change in cash and cash equivalents for the period.

The consolidated statement of cash flows has been prepared in accordance with the indirect method by adjusting net income to reconcile it with cash flow from operating activities.

2. OTHER OPERATING INCOME

€ million	2000	1999
Gain from Aerial/VoiceStream merger	835	-
Gains from sales of business operations and shares		
Turkcell Iletisim Hizmetleri A.S. initial public offering	680	-
HanseNet Telefongesellschaft mbH & Co. KG (associated company 50%)	22	-
Transmast Oy (associated company 40%)	12	-
Suomen Erillisverkot Oy (subsidiary)	11	-
Mobicentrex business (subsidiary Abacus Solutions Oy)	-	15
Axxon Telecom B.V. (associated company 40%)	-	3
Star Telecom International Holding Limited (4.5%)	-	4
Other gains from sales of business operations and shares	4	2
Gains from sales of fixed assets	-	1
Fees charged on collection of overdue receivables	13	11
Rental income	4	3
Other items	8	6
Total	1,589	45

3. OPERATING EXPENSES AND NUMBER OF PERSONNEL

Operating expenses:

€ million		2000	1999
Cost of sold equipment and materials		160	142
Services bought			
Payments to other operators for use of networks		265	295
Payments for other external services	(a)	246	136
Total		511	431
Personnel expenses	(b)		
Wages and salaries		369	279
Pension expenses		45	29
Other personnel expenses		31	32
Total		445	340
Rental expenses		65	47
Other operating expenses			
Losses from disposition of fixed assets and other long-term investments		14	1
Other operating expenses	(c)	404	265
Total		418	266
Total operating expenses		1,599	1,226

(a) Other external services relate to the repair and maintenance of telecommunications network, and to other subcontracting services bought in the process of generating services provided to the customers.

(b) Personnel costs attributable to the construction of telecommunications networks have been capitalized as part of the carrying value of networks. Capitalized personnel costs totaled €16 million (1999: €19 million). Fees and salaries paid to members of the Supervisory Board totaled €70 thousand (1999: €72 thousand), members of the Board of Directors totaled €469 thousand (1999: €97 thousand), President and CEO of Sonera Corporation, and the Managing Directors of subsidiaries totaled €4.2 million (1999: €2.9 million).

(c) Other operating expenses include expenses not directly related to the provision of services, such as expenses for marketing efforts, expenses for research and development, and other expenses related to the general administration.

Number of personnel:	2000	1999
Average number of personnel during the period	10,305	9,270
Number of personnel at the end of the period	11,271	9,512

4. DEPRECIATION AND AMORTIZATION

€ million	2000	1999
Intangible rights	12	8
Goodwill	1	5
Goodwill on consolidation	4	2
Other intangible assets	2	3
Buildings	8	9
Machinery and equipment	43	34
Telecommunications networks	214	211
Other tangible assets	15	9
Total	299	281

5. FINANCIAL INCOME AND EXPENSES

€ million	2000	1999
Dividend income	21	21
Interest income		
On long-term loans receivable	6	4
Other interest income	76	10
Other financial income	28	6
Interest expense	(155)	(40)
Capitalized interest	20	-
Other financial expenses	(5)	(1)
Exchange gains and losses, net	-	-
Total	(9)	-

Dividend income includes dividends received from shareholdings which are not accounted for as subsidiaries or associated companies. Dividend income mainly consists of dividends of €17 million (1999: €18 million) received from investments in venture capital funds, and €4 million (1999: €3 million) received from Libancell S.A.L.

In 2000, Sonera adopted an accounting practice according to which interest expenses related to construction in progress are capitalized in the balance sheet and charged to expense in the coming years as part of depreciation on fixed assets. Accumulated capitalization of interest expenses at December 31, 2000 totaled €41 million, of which €24 million have been capitalized on telecommunications networks and €17 million on investments in associated companies. Accumulated depreciation of capitalized amounts was €14 million, and the carrying amount on the balance sheet of December 31, 2000 was €27 million.

6. INCOME TAXES

The domestic and foreign components of profit before income taxes, minority interest and extraordinary items are as follows:

€ million	2000	1999
Finland	1,125	435
Other countries	735	62
Total	1,860	497

The components of income taxes are as follows:

€ million	2000	1999
Current tax expense	277	108
Deferred tax expense	41	18
Total	318	126

The differences between income tax expense computed at Finnish statutory tax rate (29% in 2000 and 28% in 1999) and income tax expense recorded in income statement are as follows:

€ million	2000	1999
Hypothetical income tax expense at Finnish tax rate	539	139
Non-deductible expenses and tax exempt income	(215)	(7)
Write-downs on subsidiary shares and use of tax loss carryforwards	(27)	(1)
Operating losses outside Finland with no deferred tax benefit recognized	24	5
Difference between Finnish tax rate and deferred tax rate for associated companies	(7)	(12)
Difference between Finnish tax rate and tax rate abroad	3	-
Effect of goodwill amortization	1	-
Change in Finnish tax rate on January 1, 2000	-	3
Other items	-	(1)
Income tax expense in the income statement	318	126

The components of net deferred tax asset (liability) in the balance sheet consist of the following tax consequences from temporary differences:

€ million	2000	1999
Deferred tax assets		
Tax loss carryforwards	57	37
Less valuation allowance	(56)	(29)
Fixed assets	4	-
Investments in associated companies	-	17
Accrued expenses	-	3
Total	5	28
Deferred tax liabilities		
Fixed assets	(87)	(80)
Investments in associated companies	(49)	(41)
Other items	(8)	(1)
Total	(144)	(122)
Net deferred tax liability	(139)	(94)

As of December 31, 2000, Sonera had tax loss carryforwards, mainly attributable to foreign subsidiaries, of €184 million (1999: €110 million). Most of the tax loss carryforwards have no expiration.

Sonera has recognized a deferred tax asset for its net operating loss carryforwards and established a valuation allowance against this amount. This determination was based upon an analysis of "more likely than not" criterion applied to each tax jurisdiction. The Company determined the amount of the valuation allowance based upon the weight of all available evidence, both positive and negative, including consideration of reversing taxable temporary differences in each tax jurisdiction as well as available tax planning strategies. The valuation allowance was established for tax loss carryforwards that exceeded the amount of reversing taxable temporary differences in certain tax jurisdictions outside Finland due to the following:

- history of operating losses generated by companies in those separate tax jurisdictions, primarily due to the start-up nature of the operations;
- lack of evidence that profits will be generated by those operations in the foreseeable future; and
- expenditures, which will result in further losses, to be made by those companies to develop media communications and new service businesses.

Based on this information, the Company determined that it is not "more likely than not" that a deferred tax asset will be realized related to these net operating loss carryforwards.

Deferred tax liability has been provided for the undistributed earnings in foreign associated companies because Sonera may not be able to control the timing of dividend payments out of those earnings. The amount of deferred tax liability is equal to the withholding tax burden of possible dividend payments, the rate of which varies from country to country. Deferred tax liability has not been provided on undistributed earnings of Finnish associated companies since dividens between Finnish companies are effectively tax exempt.

Deferred tax liability has not been provided on undistributed earnings of foreign subsidiaries because such amounts are deemed to be permanently invested abroad. As of December 31, 2000, Sonera had retained profits of €691 million (1999: €17 million) in its foreign subsidiaries. The deferred tax liability for the retained profits would have been less than €1 million.

7. EFFECT OF ACCOUNTING CHANGES

The cumulative effect of accounting changes in retained earnings is as follows:

€ million	2000	1999
Change in Turkcell's equity accounting (less tax effect of €4 million)	(41)	-
Capitalized interest expenses (less tax effect of €3 million)	6	-
Total	(35)	-

As of the beginning of 2000, Sonera changed the practice of equity accounting for its holding in Turkcell in such a manner that Sonera's consolidated financial statements for each quarter include the last available quarterly financial statements of Turkcell. Previously, Sonera's consolidated financial statements for each quarter included a preliminary estimated share of Turkcell's net income for the corresponding period. The accounting change was made in anticipation of the Turkcell initial public offering and stock exchange listing, after which Sonera no longer has any other information available for the preparation of its consolidated financial statements than the information published by Turkcell simultaneously to all of Turkcell shareholders.

In the third quarter of 2000, Sonera adopted an accounting practice according to which interest expenses related to construction in progress are capitalized on fixed assets and charged to expense in the coming years as part of depreciation on fixed assets.

8. EARNINGS PER SHARE

Earnings per share amounts are calculated as follows:

€ million	2000	1999
Profit before extraordinary items	1,541	370
Net income	1,506	370
Average number of shares outstanding (1,000)	735,917	722,000
Earnings per share, before extraordinary items (€)	2.09	0.51
Cumulative effect of accounting changes, net of income taxes (€)	(0.04)	-
Net income per share (€)	2.05	0.51

The number of shares on December 31, 2000 was 743,534,486 (1999: 722,000,000), which includes 550,000 treasury shares repurchased (1999: -). Changes in the number of shares are presented in Note 11 to the consolidated financial statements.

The average number of shares, diluted with the employee bond loan with warrants, was 741,743 thousand in 2000 (723,234 thousand in 1999). The dilutive effect on net income per share would have been €0.02 (1999: less than €0.01).

According to Finnish GAAP, earnings per share exclude extraordinary items. During the year ended December 31, 2000, extraordinary items included the cumulative effect of accounting changes. During the year ended December, 1999, no extraordinary items were reported.

9. FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Intangible assets consist of the following:

€ million	2000	1999
Intangible rights	60	40
Goodwill	6	1
Goodwill on consolidation	24	11
Other intangible assets	26	17
Total	116	69

Intangible rights primarily consist of licenses, lease rights and patents. Other intangible assets primarily relate to the cost of leasehold improvements on rental premises.

Changes in fixed assets and other long-term investments during 2000:

€ million	Historical cost on January 1, 2000	Capital expenditure and other additions	Disposals and other decreases	Accumulated depreciation on December 31, 2000	Carrying value on December 31, 2000
Intangible rights	60	33	(1)	(32)	60
Goodwill	9	6	-	(9)	6
Goodwill on consolidation	16	17	-	(9)	24
Other intangible assets	28	11	-	(13)	26
Total intangible assets	113	67	(1)	(63)	116
Land	17	3	-	-	20
Buildings	157	15	-	(51)	121
Machinery and equipment	193	68	(1)	(141)	119
Telecommunications networks	1,972	208	(4)	(1,328)	848
Other tangible assets	62	26	(2)	(32)	54
Advances paid and construction in progress	30	94	(21)	-	103
Total property, plant and equipment	2,431	414	(28)	(1,552)	1,265
Investments in associated companies	1,637	1,399	(669)	-	2,367
Other shares and holdings	154	2,218	(2)	-	2,370
Long-term loans receivable	35	8	(1)	-	42
Total long-term investments and receivables	1,826	3,625	(672)	-	4,779
Total fixed assets and other long-term investments	4,370	4,106	(701)	(1,615)	6,160

10. INVESTMENTS IN ASSOCIATED COMPANIES

Sonera's most significant associated companies as of December 31, 2000:

			December 31, 2000		
Company name	Holding (%)	First year of acquisition	Cost of shares, € million	Remaining goodwill, € million	Carrying value, € million
Turkcell Iletisim Hizmetleri A.S.	37.3	1995	230	29	568
Fintur Holdings B.V.	35.3	2000	136	6	123
Latvijas Mobilais Telefons SIA	24.5	1991	-	-	23
UAB Omnitel	27.5	1998	83	59	85
Pannon GSM Rt.	23.0	1993	72	48	75
ZAO North-West GSM	23.5	1993	4	-	15
Orla Siebzehnte Vermögens-verwaltung GmbH	42.8	2000	913	-	908
AS Eesti Telekom	24.5	1992	20	-	55
Lattelekom SIA	44.1	1994	209	114	289
AB Lietuvos Telekomas	30.0	1998	238	123	211

All companies in the above table are accounted for by using the equity method of accounting. Sonera amortizes goodwill in its investments in associated companies straight-line over estimated useful life, generally not exceeding ten years.

Investments in associated companies and the changes therein include the following:

€ million	2000	1999
Investments in associated companies at cost		
Historical cost of shares on January 1	1,399	1,088
Investments in associated companies	1,195	319
Transfers to other shares and holdings	(555)	-
Disposals	(77)	(7)
Historical cost of shares on December 31	1,962	1,400
Equity adjustment to investments in associated companies		
Accumulated equity adjustment on January 1	237	60
Translation difference	28	70
Dividends received during the year	(30)	(14)
Transfers to other shares and holdings	68	-
Disposals	(19)	11
Equity income in associated companies	121	110
Accumulated equity adjustment on December 31	405	237
Carrying value of investments in associated companies on December 31	2,367	1,637

The differences between carrying and fair values of the publicly quoted associated companies are presented in Note 18 to the consolidated financial statements.

The following table presents certain summarized financial information for Sonera's associated companies:

€ million	2000	1999
Revenues	4,981	4,077
Operating profit	944	754
Profit before extraordinary items and taxes	786	501
Net income	690	456
Non-current assets	14,714	5,148
Current assets	1,908	1,686
Total assets	16,622	6,834
Shareholders' equity	5,541	3,018
Minority interest	52	14
Non-current liabilities	2,049	2,357
Current liabilities	8,980	1,445

Sonera's share of net income and shareholders' equity are presented in the consolidated income statement and consolidated balance sheet as follows:

€ million	2000	1999
Sonera's share of net income	187	188
Amortization of goodwill and other eliminations	(66)	(78)
Equity income in associated companies	121	110
Sonera's share of shareholders' equity	1,987	913
Unamortized goodwill and other eliminations	380	724
Carrying value of investments in associated companies	2,367	1,637

11. SHAREHOLDERS' EQUITY

Changes in shareholders' equity for the years ended December 31, 1999 and 2000:

€ million	Number of shares outstanding (in thousands)	Share capital	Share premium fund	Treasury shares	Additional paid-in capital	Accumulated currency translation adjustment	Retained earnings	Total
January 1, 1999	722,000	304	13	-	511	(12)	608	1,424
Bonus issue	-	6	-	-	(6)	-	-	-
Dividends paid	-	-	-	-	-	-	(61)	(61)
Currency translation adjustment	-	-	-	-	-	67	-	67
Other changes	-	-	-	-	-	-	1	1
Net income for the year	-	-	-	-	-	-	370	370
December 31, 1999	722,000	310	13	-	505	55	918	1,801
Share issues	21,534	10	1	-	-	-	-	11
Dividends paid	-	-	-	-	-	-	(87)	(87)
Treasury shares repurchased	(550)	-	-	(28)	-	-	-	(28)
Currency translation adjustment	-	-	-	-	-	30	-	30
Net income for the year	-	-	-	-	-	-	1,506	1,506
December 31, 2000	742,984	320	14	(28)	505	85	2,337	3,233

Share capital and share premium fund

In January 1999, share capital was redenominated in euro and the nominal value of shares was abolished. The accountable par value of the share was increased to exactly 43 cents through a bonus issue by transferring the corresponding amount from additional paid-in capital to share capital. On December 31, 1999, the number of shares was 722,000,000 and share capital was €310,460,000. On December 31, 2000, the number of shares was 743,534,486 and share capital was €319,719,828.98.

Under the Company's Articles of Association, the Company's authorized share capital may not be less than €309.6 million or more than €1,238.4 million. The issued share capital may be increased or decreased within these limits through a resolution by a general meeting, without amendment to the Articles of Assoctiation. The Company's Board of Directors holds a valid authorization to issue a maximum of 18,465,514 new shares. The authorization is valid until March 22, 2001.

In April 2000, Sonera acquired the entire share capital of Across Holding AB of Sweden. Sonera paid for the aqcuisition by issuing16,732,055 new shares to the sellers. The share capital was increased by €8 million and €1 million was recorded in additional paid-in capital. In June 2000, Sonera acquired the entire share capital of iD2 Holding AB of Sweden. Sonera paid for the the acquisiton by issuing 4,802,431 new shares to the sellers. The share capital was increased by €2 million and €0.3 million was recorded in additional paid-in capital. Sonera has recoded both transactions in accordance with the interpretation No. 1591/1999 by the Finnish Accounting Board. That interpretation allows the acquirer to record the equity issue and the cost of acquired shares at an amount equal to the shareholders' equity of the acquired company at the time of acquisition.

Treasury shares

On March 22, 2000 the Annual General Meeting of Sonera Corporation authorized the Board of Directors to repurchase a maximum of 14,440,000 Sonera shares. The authorization will be valid until March 22, 2001, and by virtue of the authorization, shares can be repurchased with a view to using them as consideration in acquisitions or when the company purchases assets related to its business. By December 31, 2000, Sonera had repurchased 550,000 shares with an accountable par of €236,500, and the shares constitute about 0.07% of the entire share capital. The shares were repurchased during May 2000 at an average price of €51.36 per share and a total price of €28 million.

Additional paid-in capital

Additional paid-in capital is classified as unrestricted shareholders' equity and can be used for dividend distribution or for other purposes resolved by a general meeting.

Dividend payments

As of January 1, 2000, Sonera has declared and paid dividends in euros. Past dividends were declared and paid in Finnish markka.

Distributable funds

On a consolidated level, retained earnings include untaxed reserves which the Finnish Companies Act classifies as undistributable earnings. On a consolidated basis, the shareholders' equity available for distribution on December 31 was as follows:

€ million	2000	1999
Retained earnings	2,423	973
Less untaxed reserves in retained earnings	(177)	(185)
Other undistributable retained earnings	(1)	(1)
Distributable retained earnings	2,245	787
Additional paid-in capital	505	505
Treasury shares	(28)	-
Total distributable funds	2,722	1,292

The Finnish Companies Act restricts dividend distribution to the lower of distributable funds of the parent company and distributable funds of the consolidated balance sheet. The distributable funds of the parent company Sonera Corporation on December 31, 2000 were €1,665 million (1999: €1,139 million).

Untaxed reserves in the consolidated retained earnings relate to accelerated tax depreciations in Sonera's Finnish Group companies and consist of the following:

€ million	2000	1999
Accelerated tax depreciation		
Intangible rights	8	5
Other long-term expenses	2	2
Buildings	15	15
Machinery and equipment	(2)	5
Telecommunications networks	209	226
Other tangible assets	17	8
Total accelerated tax depreciation	249	261
Deferred tax liability on untaxed reserves	(72)	(76)
Untaxed reserves included in retained earnings	177	185

12. LONG-TERM AND CURRENT DEBT

Long-term debt consists of the following on December 31:

€ million	2000	1999
From financial institutions:		
Due in 2001; €100 million syndicated term loan; variable interest rate based on LIBOR, 5.20% on December 31, 2000 (1998: 3.26%)	100	100
Due in 2003; €50 million term loan; variable interest rate based on Euribor, 5.26% on December 31, 2000 (1999: 3.27%)	50	50
Due in semiannual installments in 2002-2004; DEM 300 million (€153 million) syndicated revolving credit facility; variable interest rate based on LIBOR	-	-
Due in semiannual installments in 2003-2005; DEM 1,000 million (€511 million) syndicated revolving credit facility; variable interest rate based on LIBOR, 5.19% on December 31, 2000 (1999: 3.49%)	200	380
Due in 2008; €44 million term loan; variable interest rate based on LIBOR, 5.33% on December 31, 2000 (1999: 3.70%)	44	44
Due in 2008; €42 million term loan; variable interest rate based on Euribor, 5.33% on December 31, 2000 (1999: 3.70%)	42	42
Due in semiannual installments in 2003-2009; €200 million term loan; variable interest rate based on EIB reference rate, 4.85% on December 31, 2000 (1999: 3,31%)	200	200
Due in varying amounts through 2003; subsidiary's US$5 million bank loan; variable interest rate based on LIBOR, 6.68% on December 31, 2000 (1999: 6.49%)	5	5
Due in 2001; subsidiary's US$3.2 million bank loan; variable interest rate based on LIBOR, 7.86% on December 31, 2000	3	-
Other long-term loans from financial institutions drawn down by subsidiaries	2	1
Euro Medium Term Notes (€2.0 billion long-term loan program):		
Due in 2009; €300 million Euro Medium Term Note; coupon interest 4.625%; issue price of the Note 99.272%	300	300
Due in 2005; €1,000 million Euro Medium Term Note; coupon interest 5.625%; issue price of the Note 99.432%	1,000	-
Employee bond loan with warrants: (a)		
Year 1999 employee bond loan with warrants; due in 2001; no interest	2	2
Year 2000 employee bond loan with warrants; due in 2002; no interest	1	-
Total	1,949	1,124

(a) The terms of the warrant plan are presented under "Shares and Shareholders" on pages 78-82.

Interest rates presented in the above table do not include any effects of the hedging measures. The DEM 300 million and DEM 1,000 million revolving credit facilities carry a commitment fee of 0.0625 percent of the undrawn amount.

Maturities of long-term debt on December 31, 2000 are as follows:

€ million	Loans from financial institutions	Euro Medium Term Note	Employee bond loans with warrants	Total
Due in 2001	105	-	2	107
2002	3	-	1	4
2003	131	-	-	131
2004	114	-	-	114
2005	73	1,000	-	1,073
Due thereafter	220	300	-	520
Total	646	1,300	3	1,949

Long-term borrowing is primarily arranged by Sonera Corporation, and, with limited exceptions, individual subsidiaries may not enter into their own financing arrangements.

Current debt

On December 31, 2000, current debt of €3,848 million consisted of €3,250 million borrowings under a Term Loan Facility, due in November 2001;€340 million under the Euro Commercial Paper program; and €258 million under a domestic commercial paper program. The average interest rate of current debt was 5.48% on December 31, 2000 (5.43% when the hedging effects are included).

On December 31, 1999, current debt of €172 million consisted of €71 million borrowings under the domestic commercial paper program; €100 million under the Euro Commercial Paper program; and €1 million of other current debt. The average interest rate of current debt was 4.3% on December 31, 1999 (3.4% when the hedging effects are included).

13. OTHER LONG-TERM LIABILITIES

€ million	2000	1999
Advances received	19	11
Other long-term liabilities	13	9
Total	32	20

Advances received relate to a cross-border finance lease-lease-back agreement entered into in December 1998, and an advance received from GTS Finance on behalf of its Russian subsidiary.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Acquisitions and disposals of subsidiaries:

€ million	2000	1999
Acquisitions of subsidiaries:		
Non-cash assets acquired	33	12
Liabilities assumed	(13)	(3)
Cash paid, net of cash acquired	20	9
Disposals of subsidiaries:		
Non-cash assets disposed of	3	1
Liabilities disposed of	(5)	(2)
Net non-cash liabilities sold	(2)	(1)
Gain on sale	11	3
Cash received from sale, net of cash disposed	9	2

Cash paid for interest and income taxes is as follows:

€ million	2000	1999
Interest paid	53	29
Income taxes paid	313	140

15. RELATED PARTY TRANSACTIONS

Sonera has entered into technical assistance agreements with most of its associated companies. Under the agreements, Sonera supplies those companies with technical assistance relating to planning and constructing their networks, as well as to operating and maintaining the networks.

Summarized information for the transactions between Sonera and its associated companies:

€ million	2000	1999
Long-term loans receivable	7	11
Current loans receivable	2,737	9
Trade accounts receivable	7	13
Prepaid expenses and accrued income	102	1
Other long-term liabilities	-	4
Advances received	-	1
Trade accounts payable	6	17
Accrued expenses and prepaid income	1	1
Other short-term liabilities	-	2
Fees charged from associated companies	24	28
Payments made for the services provided by associated companies	41	72

Except for the equity transactions between Sonera and the Ministry of Transport and Communications as a shareholder, transactions with the Finnish State and other companies owned by the Finnish State only include services provided and purchased by Sonera in the ordinary course of its business. These transactions are made on an arm's length basis and on commercial terms similar to those of Sonera's other customers and suppliers with the same size and location.

Sonera did not have any loans receivable from the management during the periods presented.

16. COMMITMENTS AND CONTINGENT LIABILITIES

€ million	2000	1999
Mortgages to secure own borrowings	-	1
Assets pledged		
To secure own commitments	5	5
To secure borrowings of associated companies (a)	8	184
Guarantees on behalf of associated companies for financing	85	103
Guarantees on behalf of other companies		
Xfera Móviles S.A.	428	-
Ipse 2000 S.p.A.	193	-
Commitment to acquire shares	-	20
Repurchase commitments	3	-
Other commitments	3	-

(a) Carrying values of the pledged shares in associated companies. The maximum liability according to the loan amounts secured was under one million euros (1999: €341 million).

In December 1998, Sonera entered into a cross-border finance lease-leaseback agreement under which Sonera leased some of its mobile telecommunications network equipment ("Head Lease") to a group of U.S. equity trusts, which simultaneously leased the equipment back to Sonera ("Back Lease"). The ownership of the equipment, total book value of which was €96 million on December 31, 2000 (1999: €128 million), is retained with Sonera. Both the Head Lease receivables and the Back Lease obligations were settled at the inception of the lease agreements, and Sonera received a net cash consideration of US$11 million (€9 million), which is presented in the balance sheet as an advance payment received and recognized in income as other financial income over the lease term. No other cash payments are currently expected to be made by Sonera under the lease agreements. The agreement is valid for 15 years, but Sonera has an option to terminate the agreement 11 years after the inception of the agreement. There are no significant restrictions to the use of the equipment under the agreement. Separate financial institutions take care of the annual repayments received by the equity investors and debt financiers that are participating in the agreement. The funds securing the repayments to equity investors have been invested in U.S. Treasury and other similar bonds, and a bank deposit has been made to secure the repayments of debt financing. At the inception of the agreement, the total amount of funds invested was US$224 million.

Sonera's associated company Turkcell Holding A.S. (47.1%) has pledged one fourth of its shares in Turkcell Iletisim Hizmetleri A.S. ("Turkcell") to secure Turkcell's loan financing. Turkcell Holding owns 51% of Turkcell, and Sonera's indirect ownership in Turkcell through Turkcell Holding is 24.0%. Additionally, Sonera has a direct ownership of 13.3% in Turkcell shares which are not pledged.

Sonera leases office and certain other space, land and equipment under various noncancellable operating leases. Certain contracts include renewal options for various periods of time.

The minimum annual rental payments for operating leases in effect on December 31, 2000 were as follows:

Due in	€ million
2001	52
2002	36
2003	27
2004	14
2005	13
Thereafter	53
Total	195

17. DISPUTES AND ADMINISTRATIVE PROCEEDINGS

Sonera is involved in a number of legal and regulatory proceedings mainly relating to the interpretation of the Telecommunications Market Act, competition law and consumer protection. Except for the proceedings described below, Sonera is not involved in any legal, arbitration or regulatory proceedings the outcome of which could be expected to have a material effect on Sonera's financial position.

National roaming

On September 23, 1998, Telia Finland Oy filed a complaint with the Finnish Competition Authority ("FCA") against Sonera and Oy Radiolinja Ab. Telia Finland requested the FCA to investigate whether Sonera and Radiolinja – by pricing national roaming in a manner that, according to Telia Finland, was unreasonable and discriminative – were engaged in an effort to restrict competition in the GSM mobile network market. On January 12, 2000, the FCA issued a decision maintaining that the pricing of national roaming applied by Sonera does not require any measures by the FCA. In its decision, the FCA states that Sonera does not, either alone or together with Radiolinja, have a dominant market position in the access markets of national mobile networks. Telia Finland has filed an appeal with the Finnish Competition Council against the decision issued by the FCA. This appeal, however, concerns only Sonera. The case is still pending at the Competition Council, and management is currently not in a position to assess when the proceedings will be brought to a conclusion or the final outcome of the proceedings.

Telia Finland/Swisscom AG service provider agreement

On April 16, 1999, Telia Finland filed a complaint with the European Commission (DG IV) claiming that Sonera and Radiolinja had abused their dominant position in the mobile market in Finland by interfering with Telia Finland's service provider agreement with Swisscom AG. On November 21, 2000, Sonera received Telia's supplementary submission to the complaint with the European Commission to which Sonera submitted its observations on December 22, 2000. Telia Finland's complaint with the European Commission is still pending, and management is currently not in a position to assess when the proceedings will be brought to a conclusion or the final outcome of the proceedings.

Mobile network termination charges

On November 20, 1998, Telia Finland filed a complaint with the Telecommunications Administration Center ("TAC") about the termination charges applied in Sonera's mobile networks. Telia Finland claimed that the termination fees charged by Sonera are not reasonable related to actual costs and that the fees are thus contrary to the interconnection decision issued by the Ministry of Transport and Communications. During 1999, 2000 and 2001, Sonera has submitted a number of statements to the TAC on the issue. The complaint is still pending, and management is not in a position to assess when the proceedings will be brought to a conclusion or what the final outcome of the proceedings will be.

Leased lines

The TAC is currently investigating pricing and discount policies of several Finnish telecommunications operators with respect to their leased line operations. Sonera received a request for information from the TAC on January 29, 1999, to which it duly responded providing the requested information. On January 25, 2000, Telepohja Oy filed a complaint with the TAC and the FCA requesting them to investigate whether Sonera is abusing its alleged dominant position in the local telecommunications market of Sonera's traditional local network areas. The complaints are still pending and management is currently not in a position to assess when the proceedings will be brought to a conclusion or what the final outcome of the proceedings will be.

SMS services

In November 1999, MTV3-Tele Oy filed a complaint against Sonera with the FCA claiming that the fees charged by Sonera for commercial SMS services (Short Message Services) are excessive. Sonera's response to the complaint stated that the SMS services it offers are reasonably priced and explained the division of fees and costs between the service provider and the content provider. The complaint is still pending and management is not currently in a position to assess when the proceedings will be brought to a conclusion or what the final outcome of the proceedings will be.

On May 2, 2000, Televerkko Oy filed a complaint with the FCA against Sonera claiming that Sonera is abusing its dominant market position in the market for mobile services, especially in connection with the pricing of its SMS services targeted at content providers. The FCA is investigating the pricing of Sonera's SMS services as well as the cost caused to Sonera by the provision of SMS services to content providers. Sonera submitted its counterstatement to the FCA on May 31, 2000. Management is currently not in a position to predict with any certainty the timing or likely outcome of the proceedings.

Other complaints

On January 18, 2000, a complaint was filed with the FCA by Visual Data Oy, related to the pricing and availability of subscriber data to various directories. On March 14, 2000, Satakunnan Markkinapörssi Oy filed a complaint with the FCA on the same issue. On June 12, 2000, Visual Data also filed a complaint on the issue with the TAC. The case is still pending both at the TAC and the FCA, and management is not currently in a position to assess when the proceedings will be brought to a conclusion or what the final outcome of the proceedings will be.

Holding in TietoEnator Corporation

Sonera has an 18.7 percent holding in TietoEnator Corporation, one of the leading IT services providers in the Nordic countries. The FCA conditioned its approval of the merger of Tieto Corporation and Enator AB on Sonera's agreement to decrease by half its initial holding in TietoEnator by June 11, 2001. In addition, Sonera gave up one of its two seats on TietoEnator's Board of Directors at the company's annual general meeting of 2000.

Lattelekom SIA's exclusive rights

In August 2000, Tilts Communications A/S, a 90%-owned Danish subsidiary of Sonera, started arbitration proceedings against the republic of Latvia under the rules of the International Chamber of Commerce (ICC) in Paris. The reason for initiating arbitration was the agreement signed in 1993 between the Republic of Latvia and Tilts. According to this agreement, the Latvian fixed line operator, Lattelekom SIA, of which Tilts owns 49% and the State of Latvia 51%, has exclusive rights to provide basic fixed network services in Latvia until the end of 2013. However, contrary to the agreement, the Republic of Latvia has made a commitment to the World Trade Organization that Lattelekom's exclusive rights will be revoked by January 1, 2003. A decision in the case is not expected before 2002.

Tax matters

During the past few years and especially during 2000, Sonera has undertaken significant incorporations of its operations and other restructurings of its organization to meet the requirements of the changing industry and evolving businesses. Management believes that all transactions have been made in compliance with the Finnish tax legislation and foreign tax regulations, when applicable. Sonera has also requested advance rulings for certain significant transactions to have certainty over the applicable tax treatment of such transactions. However, Sonera has not been tax audited for Finnish income taxes for any of the fiscal years starting from 1994. Management is currently unable to assess the timing or the likely outcome of an income tax audit in Finland.

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

The tables on the next page present the carrying values and fair values for financial instruments, using share prices and exchange and interest rates current on the balance sheet date. While the contract amounts presented for derivative instruments illustrate the scope of Sonera's hedging activities, they do not necessarily represent amounts exchanged by the parties and, when considered separately, are not a measure of Sonera's risk exposure. See Note 1 to the consolidated financial statements for accounting policies for derivative financial instruments.

Investments and loans:

€ million	As of December 31, 2000 Carrying value	Fair value	As of December 31, 1999 Carrying value	Fair value
Shares and holdings				
VoiceStream Wireless Corporation	1,646	2,052	-	-
Aerial Communications, Inc.	-	-	323	791
Turkcell Iletisim Hizmetleri A.S.	568	2,695	382	382
AB Lietuvos Telekomas	211	138	-	-
TietoEnator Corporation	139	473	130	893
Powertel, Inc.	119	308	119	250
AS Eesti Telekom	55	186	46	231
724 Solutions Inc.	21	115	21	21
Conduit Plc	20	28	-	-
Other shares and holdings	1,958	1,956	770	783
Loans receivable	2,859	2,865	54	61
Cash and short-term investments	156	156	115	115
Long-term debt	1,842	1,848	1,124	1,127
Current portion of long-term debt	107	107	-	-
Current debt	3,848	3,848	172	172

Derivative financial instruments:

€ million	As of December 31, 2000 Contract amount	Carrying value	Fair value	Average maturity (months)	As of December 31, 1999 Contract amount	Carrying value	Fair value	Average maturity (months)
Forward selling of foreign exchange								
US$	50	3	4	3	43	(2)	(2)	2
SEK	48	1	1	3	19	-	-	5
GBP	17	-	-	5	-	-	-	-
NOK	16	-	-	1	-	-	-	-
Other currencies	9	-	-	6	-	-	-	-
Forward buying of foreign exchange								
US$	125	(12)	(14)	3	61	3	2	2
SEK	3	-	-	1	-	-	-	-
Interest rate swaps								
Euribor	2,103	36	36	48	604	7	(15)	69
Purchased interest rate options								
Cap options, Euribor	200	1	1	24	120	1	3	38

The fair values of the publicly quoted shares are based on December 31 closing prices. For other equity investments, the fair value is based on the carrying value.

The fair values of loans receivable, debt and derivative instruments are estimated using the expected future cash payments, discounted at market interest rates current at the balance sheet date. The carrying value of cash and short-term investments approximates fair value.

For the carrying values and fair values of derivative instruments, a positive value represents receivable and a negative value represents liability.

Forward selling of foreign exchange relates to the hedging of Sonera's trade account receivable and loans receivable in foreign currencies, and the maturities of these derivative financial instruments ranged from zero to 33 months as of December 31, 2000 (1999: from two to five months). Forward buying of foreign exchange primarily relates to the hedging of Sonera's foreign currency loans, and, to a lesser extent, to the hedging of trade accounts payable in foreign currencies. The maturities of these derivative instruments were from zero to ten months (1999: two months). At the time that the forward contracts were entered into there were no cash requirements. Cash settlements of the forward contracts will occur at maturity.

Interest rate swaps and options relate to the hedging of interest rate risk in respect of Sonera's long-term borrowings. Interest rate swaps as of December 31, 2000 consisted of 23 contracts with an average maturity of 48 months (ranging from seven to 98 months). Swaps hedging the long-term loan portfolio totaled €803 million, where Sonera pays a fixed interest rate of 4.69% and receives a variable interest rate based on Euribor, 4.98% on December 31, 2000 (1999: 3.22%). Additionally, Sonera has swapped its €300 and €1,000 million fixed rate Notes (coupon interest 4.625% and 5.625%) into variable interest with contracts under which Sonera receives a fixed interest rate of 5.39% on average and pays a variable interest rate based on Euribor of 5.35% (1999: 3.69%). At the time that the swap contracts were entered into there were no cash requirements. The difference between the interest rate to be received and paid is settled in cash on a semiannual basis.

Interest rate options totaling €200 million as of December 31, 2000 consisted of seven contracts with an average maturity of 24 months (1999: 38 months). The average cap of the options was 4.98% (1999: 4.63%) and their reference rates were based on the three or six-month Euribor. The cash flows incurred at inception are amortized over the term of each option.

19. SEGMENTED INFORMATION

Sonera has five business segments: (1) Mobile Communications, (2) Media Communications and New Services, (3) Fixed Network Voice and Data Services, (4) Equipment Sales and Other Operations, and (5) International and Other Significant Investments. Mobile Communications consists primarily of digital GSM and analog NMT services in Finland. Media Communications and New Services includes Internet, directory, and other media businesses and new services based on mobile communications. Fixed Network Voice and Data Services includes standard fixed network domestic and international voice services, data services and leased lines. Equipment Sales and Other Operations is comprised of equipment sales, construction and maintenance and certain other operations. International and Other Significant Investments includes significant minority shareholdings in providers of mobile communications services in Turkey, Germany, Italy, Spain, Norway, Hungary, the Baltic States, the United States, Russia and Lebanon; and in providers of fixed line services in the Baltic States.

The presentation of Sonera's business segments is based on management accounts. Management accounts are monthly internal reports used by the chief operating decision maker (Group's President and CEO) to evaluate segment performance and to make decisions on how to allocate resources to segments. In this process, various adjustments are made in order to properly allocate the cost of internal services and certain other administrative overhead expenses. Where a reliable measure exists, the allocation is based on actual usage of capacity or services. For services that depend on the number of employees, the allocation basis is the number of personnel. For other internal services and administrative expenses, rational and consistent allocation methods are used that are deemed to represent a fair approximation of the actual use of services. Due to significant interdependencies and overlaps among the operating units, the profitability information shown for each operation may not be indicative of the amounts which would have been reported if the operating units were operationally or legally independent of one another. The accounting policies underlying the reported segment data are the same as those described in Note 1 to the consolidated financial statements. Financial information followed by Sonera's management is presented separately for Sonera's business segments for the years ended December 31, 2000 and 1999 as follows:

As of or for the year ended December 31, 2000 € million	Mobile Communi-cations	Media Communi-cations and New Services	Fixed Network Voice and Data Services	Equipment Sales and Other Operations	International and Other Significant Investments	Eliminations	Consolidated
Sales to external customers	1,108	207	573	169	-	-	2,057
Intra-Group sales	30	47	239	176	-	(492)	-
Total revenues	1,138	254	812	345	-	(492)	2,057
Operating profit	406	(335)	136	26	1,515	-	1,748
Equity income in associated companies	-	-	-	-	121	-	121
Unallocated amounts:							
Financial income and expenses, net							(9)
Consolidated profit before income taxes, minority interest and extraordinary items							1,860
Segment assets (a)	488	141	627	125	4,737	-	6,118
Capital expenditures and investments in shares	124	104	145	57	2,117	-	2,547
Depreciation and amortization	129	32	116	22	-	-	299

As of or for the year ended December 31, 1999 € million	Mobile Communi-cations	Media Communi-cations and New Services	Fixed Network Voice and Data Services	Equipment Sales and Other Operations	International and Other Significant Investments	Eliminations	Consolidated
Sales to external customers	966	140	570	173	-	-	1,849
Intra-Group sales	22	35	167	298	-	(522)	-
Total revenues	988	175	737	471	-	(522)	1,849
Operating profit	345	(60)	98	4	-	-	387
Equity income in associated companies	-	-	-	-	110	-	110
Unallocated amounts:							
Financial income and expenses, net							-
Consolidated profit before income taxes, minority interest and extraordinary items							497
Segment assets (a)	499	28	483	218	1,791	-	3,019
Capital expenditures and investments in shares	148	15	116	59	410	-	748
Depreciation and amortization	123	13	102	43	-	-	281

(a) Segment assets include property, plant and equipment plus intangible assets for all segments, except for International and Other Significant Investments, for which the segment assets include investments in shares in associated companies and other minority shareholdings.

The following table presents a reconciliation of the business segment assets to Sonera's consolidated total assets:

€ million	2000	1999
Total assets for reportable segments	6,118	3,019
Long-term loans receivable	42	35
Inventories	40	36
Receivables	3,418	404
Cash and short-term investments	156	115
Consolidated total assets	9,774	3,609

The majority of Sonera's revenues are generated in Finland. The components of revenues by geographic area are as follows:

€ million	2000	1999
Sales to customers in Finland	1,958	1,766
Sales to customers outside Finland	99	83
Total	2,057	1,849

Information about Sonera's long-lived assets (property, plant and equipment) by geographic area is as follows:

€ million	2000	1999
Finland	1,224	1,138
Outside Finland	41	21
Total	1,265	1,159

20. SUBSIDIARIES, ASSOCIATED COMPANIES AND OTHER SHAREHOLDINGS

Group companies on December 31, 2000:

		Domicile	Parent company shareholding %	Group shareholding %	2000 revenues € million	Number of personnel as of December 31, 2000
Parent Company: Sonera Corporation		Helsinki, Finland			1,268.5	3,224
Subsidiaries:						
Across Holding AB	(a)	Stockholm, Sweden	-	100.0	-	-
Across Wireless AB	(a)	Stockholm, Sweden	-	100.0	12.2	153
Across Wireless Asia Ltd.	(a)	Hong Kong	-	100.0	-	8
Across Wireless Ltd	(a)	London, United Kingdom	-	100.0	-	-
Advanced Communication Research ACR Oy		Helsinki, Finland	-	57.5	-	-
Bfree Oy	(b)	Helsinki, Finland	100.0	100.0	-	-
Comro Oy	(b)	Helsinki, Finland	100.0	100.0	-	-
Consaura Oy	(b)	Helsinki, Finland	100.0	100.0	0.3	10
Dash Oy		Helsinki, Finland	100.0	100.0	-	-
Data-Info Oy		Helsinki, Finland	-	100.0	4.1	10
EMCEC Oy		Helsinki, Finland	100.0	100.0	1.8	30
Esdata A/S		Tallinn, Estonia	-	70.0	0.8	9
Fleetadviser Oy	(b)	Helsinki, Finland	100.0	100.0	-	-
Frontec Support and Operations AB	(a)	Stockholm, Sweden	100.0	100.0	-	-
Geddeholm CallCenter AB		Stockholm, Sweden	-	91.0	3.0	83
Gesam Oy		Helsinki, Finland	100.0	100.0	-	-
Helsingin Teollisuuskatu 13 Oy		Helsinki, Finland	100.0	100.0	3.1	-
iD2 Holding AB	(a)	Stockholm, Sweden	-	100.0	-	-
iD2 Technologies AB	(a)	Stockholm, Sweden	-	100.0	2.9	88
iD2 Technologies Ltd	(a)	London, United Kingdom	-	100.0	0.9	-
Oy Infonet Finland Ltd		Helsinki, Finland	90.0	90.0	13.5	20
Intellitel Communications Oy		Helsinki, Finland	78.9	78.9	2.4	58
International Business Venturing IBV Oy		Helsinki, Finland	-	57.5	-	-
Intra Call Center S.A.	(a)	Amiens, France	-	51.1	4.7	283
Ixone Oy	(b)	Helsinki, Finland	100.0	100.0	-	-
Konsona Oy	(b)	Helsinki, Finland	100.0	100.0	-	-
Lippupalvelu Oy		Helsinki, Finland	-	55.6	2.2	45
Mobinetti Oy		Helsinki, Finland	100.0	100.0	-	-
Mspace Oy	(c)	Helsinki, Finland	100.0	100.0	-	-
Ovomix AB	(d)	Stockholm, Sweden	-	51.0	-	-
Payway Oy		Helsinki, Finland	67.0	67.0	-	7
Kiinteistö Oy Pietarsaaren Isokatu 8		Pietarsaari, Finland	60.2	60.2	-	-
Phone Park AB		Stockholm, Sweden	-	67.0	0.1	-
Primatel Ltd		Kuopio, Finland	100.0	100.0	166.1	1,837
Päämies-kauppiaat Oy		Helsinki, Finland	59.4	59.4	1.5	4
Reveko Telekom AS		Tallinn, Estonia	-	55.0	1.7	20
Kiinteistö Oy Saajomaja		Helsinki, Finland	100.0	100.0	-	-
Saimaan Tietotekno Oy	(a)	Imatra, Finland	-	100.0	1.7	24
Simfocom Oy		Helsinki, Finland	100.0	100.0	-	-
SmartTrust GmbH	(e)	Erfurt, Germany	-	100.0	-	27
SmartTrust Pte Ltd	(b)	Singapore	-	100.0	-	-
SmartTrust Systems Oy	(b)	Helsinki, Finland	-	100.0	-	-
Sonera 3G Holding B.V.	(b)	Capelle a/d Ijssel, Netherlands	-	100.0	-	-
Sonera Belgium n.v./s.a.		Brussels, Belgium	100.0	100.0	0.7	11
Sonera Carrier Networks Ltd		Helsinki, Finland	100.0	100.0	408.0	774
Sonera Corporation U.S.		Wilmington, DE, USA	100.0	100.0	-	28
Sonera Deutschland GmbH		Düsseldorf, Germany	100.0	100.0	2.9	43
Sonera Entrum Ltd		Helsinki, Finland	100.0	100.0	404.4	892

Group companies on December 31, 2000 (continued):

Domicile			Parent company shareholding %	Group shareholding %	2000 revenues € million	Number of personnel as of December 31, 2000
Sonera France SAS		Paris, France	-	100.0	0.2	-
Sonera Gateway Ltd	(f)	Helsinki, Finland	100.0	100.0	58.3	21
Sonera Holding B.V.		Amsterdam, Netherlands	65.0	100.0	-	1
Sonera Hong Kong Ltd	(g)	Hong Kong	-	100.0	-	11
Sonera Hungary Holding B.V.	(b)	Capelle a/d Ijssel, Netherlands	-	100.0	-	-
Sonera Hungary Kft.		Budapest, Hungary	-	100.0	-	-
Sonera Info Communications Ltd	(b)	Helsinki, Finland	100.0	100.0	5.0	606
Sonera Innotele Oy		Helsinki, Finland	100.0	100.0	55.6	63
Sonera International n.v./s.a.		Brussels, Belgium	100.0	100.0	-	19
Sonera Italian Holding B.V.	(b)	Capelle a/d Ijssel, Netherlands	-	100.0	-	-
Sonera Japan K.K.	(b)	Tokyo, Japan	100.0	100.0	-	-
Sonera Juxto Ltd	(b)	Helsinki, Finland	100.0	100.0	31.7	601
Sonera Living Ltd	(b)	Helsinki, Finland	51.0	51.0	-	21
Sonera Media Holding B.V.	(b)	Capelle a/d Ijssel, Netherlands	100.0	100.0	0.2	10
Sonera Plaza Nederland B.V.	(h)	Capelle a/d Ijssel, Netherlands	-	100.0	8.0	178
Sonera Plaza Ltd	(b)	Helsinki, Finland	100.0	100.0	18.1	223
Sonera Plaza Finanssipalvelut Oy	(b)	Helsinki, Finland	-	80.0	-	-
Sonera Plaza Incentives Oy	(b)	Helsinki, Finland	-	100.0	-	-
Sonera Plaza Rahastopalvelut Oy	(b)	Helsinki, Finland	-	100.0	-	4
ZAO Sonera Rus		St. Petersburg, Russia	100.0	100.0	10.8	54
Sonera SmartTrust Holding B.V.	(b)	Rotterdam, Netherlands	-	100.0	-	-
Sonera SmartTrust Ltd.		London, United Kingdom	-	100.0	-	75
Sonera SmartTrust Ltd		Helsinki, Finland	-	100.0	1.7	193
Sonera SmartTrust U.S., Inc.	(b)	Wilmington, DE, USA	-	100.0	-	-
Sonera Solutions Ltd		Helsinki, Finland	100.0	100.0	402.4	827
Sonera Sverige AB		Stockholm, Sweden	100.0	100.0	45.5	149
Sonera Systems Ltd		Helsinki, Finland	100.0	100.0	4.1	10
Sonera Systems SIA		Riga, Latvia	-	100.0	0.3	4
Sonera Telecommunication Services Ltd Sirketi		Istanbul, Turkey	100.0	100.0	4.7	22
Sonera UK Limited		Middlesex, United Kingdom	100.0	100.0	-	-
Sonera Sweden Holding B.V.	(b)	Capelle a/d Ijssel, Netherlands	-	100.0	-	-
Sonera Ventures Oy	(b)	Helsinki, Finland	-	100.0	-	-
Sonera Zed Germany GmbH	(b)	Düsseldorf, Germany	-	100.0	-	10
Sonera Zed Incentives Oy	(b)	Helsinki, Finland	-	100.0	-	-
Sonera Zed Italy srl.	(b)	Milan, Italy	-	100.0	-	10
Sonera Zed Nederland B.V.	(b)	Capelle a/d Ijssel, Netherlands	-	100.0	-	26
Sonera Zed Ltd	(b)	Helsinki, Finland	-	100.0	7.0	134
Sonera Zed Philippines, Inc.	(b)	Makati City, Philippines	-	100.0	-	-
Sonera Zed Singapore Pte Ltd.	(b)	Singapore	-	100.0	-	14
Sonera Zed Telekomünikasyon Hizmetleri Ve Reklamcilik Limited Sirketi	(b)	Istanbul, Turkey	-	100.0	-	-
Sonera Zed UK Limited	(b)	Middlesex, United Kingdom	-	100.0	43.3	77
Sonera Zed U.S., Inc.	(b)	Waltham, MA, USA	-	100.0	-	48
Spectrum Co Ltd	(a)	London, United Kingdom		67.9	-	-
Systems Consultant Partners Oy		Helsinki, Finland	57.5	57.5	-	-
Tedasys Inc.	(i)	Lahti, Finland	100.0	100.0	0.9	28
Tele P AB	(j)	Järfälla, Sweden	-	67.0	-	-
Oy Telecon Ltd		Helsinki, Finland	100.0	100.0	-	-
Telering Ltd		Helsinki, Finland	100.0	100.0	25.1	114
Telesol Oy		Helsinki, Finland	100.0	100.0	-	-
Teletori Oy		Helsinki, Finland	100.0	100.0	-	-
Telibra Oy		Helsinki, Finland	100.0	100.0	-	-
Tilts Communications A/S		Copenhagen, Denmark	-	90.0	4.5	1
Tilts Communications SIA		Riga, Latvia	-	90.0	-	-
Unibase Ltd		Helsinki, Finland	100.0	100.0	44.9	29
Witnet Oy	(b)	Helsinki, Finland	100.0	100.0	-	-
Revenues of sold subsidiaries					15.1	-
Intra-Group sales					(1,038.4)	-
Total					2,056.5	11,271

The shareholding also corresponds to Sonera's share of voting rights in each subsidiary. Revenues are presented in accordance with Sonera's accounting principles. Revenues for subsidiaries acquired during the year represent revenue from the month of acquisition. Revenues for businesses incorporated during the year represent revenue from the start of operations of the subsidiary.

Notes to the list of Group companies:

(a) The company was acquired in 2000.
(b) The company was established in 2000.
(c) The company's name was changed in 2000; former name was Smartum Oy.
(d) The company was acquired in 2000; name was changed in January 2001 to Sonera SmartTrust AB.
(e) The company's name was changed in 2000; former name was SmartRing GmbH.
(f) The company's name was changed in 2000; former name was Sonera Credit Ltd.
(g) Company's official name; business name is Sonera SmartTrust Ltd (Hong Kong).
(h) The company's name was changed in 2000; former name was Sonera Nederland B.V.
(i) The company will merge with Sonera Corporation in 2001.
(j) The company was changed from a subsidiary into an associated company in 2000.

Changed to associated companies:
Suomen Erillisverkot Oy in December 2000.
ZAO Sonic Duo in January 2000.

Mergers:
MultiWeb B.V. merged with Sonera Plaza Nederland B.V.
SmartTrust GmbH merged with SmartRing GmbH.

Sonera's associated companies on December 31, 2000 :

		Domicile	Parent company shareholding %	Group direct shareholding %	Equity consolidation %
Mobile network operators:					
Turkcell Iletisim Hizmetleri A.S.		Istanbul, Turkey	-	37.3	37.3
Fintur Holdings B.V.	(a)	Rotterdam, Netherlands	-	35.3	35.3
AS Eesti Mobiiltelefon		Tallinn, Estonia	-	-	24.5
Latvijas Mobilais Telefons SIA		Riga, Latvia	-	24.5	24.5
UAB Omnitel		Vilnius, Lithuania	-	-	27.5
Pannon GSM Rt.		Budapest, Hungary	-	23.0	23.0
ZAO North-West GSM		St. Petersburg, Russia	-	23.5	23.5
Marabu Vermögensverwaltung GmbH	(b)	Frankfurt am Main, Germany	-	-	42.8
OpCo Mobile Services GmbH i.G.	(b)	Frankfurt am Main, Germany	-	-	42.8
ZAO Sonic Duo	(c)	Moscow, Russia	-	35.0	35.0
Broadband Mobile ASA	(d)	Oslo, Norway	-	50.0	50.0
Fixed network operators:					
AS Eesti Telefon		Tallinn, Estonia	-	-	24.5
Lattelekom SIA		Riga, Latvia	-	44.1	44.1
AB Lietuvos Telekomas		Vilnius, Lithuania	-	-	30.0
Other associated companies:					
Certall Finland Oy		Helsinki, Finland	-	36.8	36.8
Farmit Website Ltd		Helsinki, Finland	-	33.3	33.3
Gilla S.p.A.	(e)	Cagliari, Italy	-	50.0	50.0
Hansapost Oy	(f)	Helsinki, Finland	20.0	20.0	20.0
IsoWorks Oy		Helsinki, Finland	-	50.0	50.0
Johtotieto Oy		Helsinki, Finland	33.3	33.3	33.3
Kasteam Oy		Helsinki, Finland	-	35.0	35.0
Movere Oy		Helsinki, Finland	20.0	20.0	20.0
Next Era Productions AB		Kista, Sweden	-	50.0	50.0
S-Kanava Oy	(g)	Helsinki, Finland	-	50.0	50.0
UAB Sontel		Vilnius, Lithuania	50.0	50.0	50.0
Springtoys Oy	(h)	Helsinki, Finland	20.0	20.0	20.0
Suomen Erillisverkot Oy	(i)	Helsinki, Finland	40.0	40.0	40.0
Suomen Keltaiset Sivut Oy		Helsinki, Finland	-	30.2	30.2
Suomen Numeropalvelu Oy		Helsinki, Finland	-	40.0	40.0
Zoom HF	(h)	Reykjavik, Iceland	31.6	31.6	31.6
Holding companies:					
Amber Mobile Teleholding AB		Farsta, Sweden	-	50.0	50.0
Amber Teleholding A/S		Copenhagen, Denmark	-	50.0	50.0
Baltic Tele AB		Stockholm, Sweden	-	50.0	50.0
AS Eesti Telekom		Tallinn, Estonia	-	24.5	24.5
Orla Siebzehnte Vermögens-verwaltung GmbH	(b)	Frankfurt am Main, Germany	-	42.8	42.8
Helsingin GSM-Palvelu Oy		Helsinki, Finland	35.0	35.0	35.0
Russian Directories Holding Oy	(f)	Helsinki, Finland	-	35.0	35.0
Turkcell Holding A.S.		Istanbul, Turkey	-	47.1	47.1

The shareholding also corresponds to Sonera's share of voting rights in each associated company. Associated companies are included in the Consolidated Financial Statements in accordance with the equity method of accounting. "Equity consolidation" indicates the share of net income and retained earnings that is included in Sonera's consolidated financial statements. Summarized financial information for the associated companies are presented in Note 10 to the consolidated financial statements.

Notes to the list of associated companies:

(a) The company was established with Cukurova Group and Turkcell in May 2000.
(b) The company was established with Telefónica Móviles S.A. in September 2000.
(c) The company changed from subsidiary to associated company in January 2000.
(d) The company was established with Enitel ASA in August 2000.
(e) The company was established with Tiscali S.p.A. in February 2000.
(f) The company is being dissolved.
(g) The company was established with SOK Corporation in June 2000.
(h) The company's shares were acquired in 2000.
(i) The company changed from subsidiary to associated company in December 2000.

Associated companies sold:

HanseNet Telefongesellschaft mbH & Co. KG
Transmast Oy

Transferred to other shareholdings due to decrease in holding percentage:

TietoEnator Corporation
Trio AB
724 Solutions Inc.
Aerial Communications, Inc. merged with VoiceStream Wireless Corporation (Sonera's ownership 7.9%).

Sonera's other shareholdings on December 31, 2000:

	Domicile	Group shareholding (%)	Carrying value, parent company € million	Carrying value, the Group € million
VoiceStream Wireless Corporation	Bellevue, WA, USA	7.9	-	1,646
Ipse 2000 S.p.A.	Rome, Italy	12.6	270	270
TietoEnator Corporation	Helsinki, Finland	18.7	101	139
Powertel, Inc.	West Point, GA, USA	8.9	119	119
Xfera Móviles S.A.	Madrid, Spain	14.3	-	43
724 Solutions Inc.	Toronto, Ontario, Canada	16.4	-	21
Conduit Plc	Dublin, Ireland	10.0	-	20
Juniper Financial Corporation	Wilmington, DE, USA	7.6	17	17
PeopleSound.com Limited	London, United Kingdom	8.0	11	11
Cisco Systems Inc.	San Francisco, CA, USA	-	10	10
Phonetics Systems Ltd	Petach Tikva, Israel	12.7	-	6
Indiqu, Inc.	San Diego, CA, USA	-	5	5
Libancell S.A.L.	Beirut, Lebanon	14.0	-	4
Investments in venture capital funds			37	37
Interests in satellite operations			-	4
Housing and real estate			3	4
Other shares and holdings			14	14
Total			587	2,370

PARENT COMPANY INCOME STATEMENT

€ million	Note	Year ended December 31, 2000	1999
Revenues	(1)	1,268.5	443.4
Other operating income	(2)	863.2	21.2
Operating expenses	(3)	(984.0)	(316.2)
Depreciation and amortization	(4)	(144.9)	(59.9)
Operating profit (loss)		1,002.8	88.5
Financial income and expenses	(5)	(98.4)	45.0
Profit before extraordinary items, appropriations and taxes		904.4	133.5
Extraordinary income and expenses	(6)	(25.7)	450.7
Accelerated tax depreciation		18.6	(23.7)
Income taxes for the period	(7)	(258.6)	(27.7)
Net income		638.7	532.8

According to Finnish regulations, parent company separate financial statements are also presented in addition to the consolidated financial statements. Transactions of the parent company include significant intra-Group items which, when considered separately, do not give a true and fair view of Sonera's consolidated results of operations and financial position.

Sonera Group plc and its principal operating subsidiary Sonera Ltd were merged on September 30, 1999, and the name of the parent company was changed to Sonera Corporation. Figures for the first nine months of 1999 include only Sonera Group plc, and they have not been restated to comply with the combined entity that resulted from the merger.

Several significant businesses were incorporated by Sonera Corporation during 1999 and 2000. As the incorporated businesses are included in the parent company until the date of incorporation, the figures for 1999 and 2000 are not comparable.

Notes refer to pages 70 - 72. Additionally, certain information related to the parent company has been presented in the Notes to the consolidated financial statements.

The figures for 1999 and 2000 are not comparable due to the merger and the incorporation of businesses.

PARENT COMPANY STATEMENT OF CASH FLOWS

	Year ended December 31,	
€ million	2000	1999
Operating activities		
Net income	638.7	532.8
Depreciation, amortization and writedowns	197.1	59.9
Net (gain) loss on disposal of fixed assets and business operations	(736.8)	0.7
Merger gain, net of cash received	-	(436.5)
Other adjustments to cash	23.7	(2.7)
Change in working capital		
Decrease in inventories	2.5	5.3
(Increase) decrease in non-interest-bearing receivables	(21.6)	22.5
Increase in non-interest-bearing liabilities	2.0	7.4
Cash provided by operating activities	105.6	189.4
Investing activities		
Capital expenditures	(198.2)	(100.1)
Investments in subsidiaries	(2,373.4)	(25.9)
Investments in associated companies	(3.8)	(226.3)
Investments in other shares and holdings	(341.2)	(7.8)
Proceeds from sale of fixed assets	3.0	0.3
Proceeds from sale of subsidiaries	-	0.1
Proceeds from sale of other shares and holdings	4.4	-
Increase in long-term loans receivable	(116.5)	(3.7)
(Increase) decrease in current loans receivable	(2,203.3)	81.6
Decrease (increase) in short-term investments	7.4	(41.0)
Cash used in investing activities	(5,221.6)	(322.8)
Financing activities		
Withdrawals of long-term debt	1,000.9	543.6
Repayments of long-term debt	(181.0)	(209.4)
Increase (decrease) in current debt	4,389.5	(52.1)
Dividends paid	(86.6)	(60.7)
Repurchase of shares	(28.3)	-
Cash provided by financing activities	5,094.5	221.4
Net (decrease) increase in cash and cash equivalents	(21.5)	88.0
Cash and cash equivalents at beginning of year	88.4	0.4
Cash and cash equivalents at end of year	66.9	88.4

The changes in receivables and payables presented in the statement of cash flows do not include effects from the merger and the incorporation of businesses.

The figures for 1999 and 2000 are not comparable due to the merger and the incorporation of businesses.

PARENT COMPANY BALANCE SHEET

€ million	Note	December 31, 2000	1999
ASSETS			
Fixed assets and other long-term investments	(8)		
Intangible assets		35.0	39.5
Tangible assets			
Land		5.7	4.9
Buildings		50.5	56.8
Machinery and equipment		42.1	50.5
Telecommunications networks		339.2	772.1
Other tangible assets		30.6	40.3
Advances paid and construction in progress		45.1	22.1
		513.2	946.7
Long-term investments and receivables			
Shares in subsidiaries		4,846.3	1,067.6
Shares in associated companies		2.9	530.8
Other shares and holdings		587.4	150.2
Long-term loans receivable	(11, 12)	265.1	124.1
		5,701.7	1,872.7
Total fixed assets and other long-term investments		6,249.9	2,858.9
Current assets			
Inventories		5.6	8.1
Receivables	(11, 12)		
Trade accounts receivable		303.1	334.2
Loans receivable		2,204.1	27.9
Prepaid expenses and accrued income		145.8	33.6
Group contributions receivable		207.1	17.2
Other receivables		36.9	10.0
		2,897.0	422.9
Cash and short-term investments			
Short-term investments		71.0	78.4
Cash and cash equivalents		66.9	88.4
		137.9	166.8
Total current assets		3,040.5	597.8
TOTAL ASSETS		9,290.4	3,456.7

The figures for 1999 and 2000 are not comparable due to the merger and the incorporation of businesses.

€ million	Note	December 31, 2000	1999
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(9)		
Share capital		319.7	310.5
Share premium fund		14.1	12.8
Treasury shares		(28.3)	-
Additional paid-in capital		504.6	504.6
Retained earnings		549.6	101.9
Net income		638.7	532.8
		1,998.4	1,462.6
Accelerated tax depreciation		77.8	230.8
Non-current liabilities	(11, 12)		
Long-term debt	(10)	1,836.7	1,118.5
Other long-term liabilities		17.9	12.7
		1,854.6	1,131.2
Current liabilities	(11, 12)		
Current debt	(10)	4,692.6	303.1
Current portion of long-term debt		101.8	-
Advances received		2.0	9.1
Trade accounts payable		209.5	180.9
Accrued expenses and prepaid income		129.5	87.7
Group contributions payable		189.0	0.3
Other current liabilities		35.2	51.0
		5,359.6	632.1
Total liabilities		7,214.2	1,763.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		9,290.4	3,456.7

The figures for 1999 and 2000 are not comparable due to the merger and the incorporation of businesses.

1. REVENUES

The components of revenues by geographic area are:

€ million	2000	1999
Sales to customers in Finland	1,256.5	436.2
Sales to customers outside Finland	12.0	7.2
Total	1,268.5	443.4

2. OTHER OPERATING INCOME

€ million	2000	1999
Income from auxiliary services	17.5	3.1
Fees charged on collection of overdue receivables	11.2	3.3
Rental income	22.5	3.1
Gains from sales of fixed assets	760.3	0.2
Grants received	0.4	0.2
Management fees charged from subsidiaries	46.5	8.2
Other items	4.8	3.1
Total	863.2	21.2

3. OPERATING EXPENSES AND NUMBER OF PERSONNEL

€ million		2000	1999
Cost of sold equipment and materials			
Purchase of equipment and materials		33.3	26.5
Decrease (increase) in inventories		2.5	(8.1)
Total		35.8	18.4
Services bought			
Payments to other operators for use of networks		198.6	74.3
Payments for other external services	(a)	238.4	66.1
Total		437.0	140.4
Personnel expenses	(b)		
Wages and salaries		128.4	48.7
Pension expenses		17.2	1.3
Other personnel expenses		13.7	5.5
Total		159.3	55.5
Rental expenses		68.5	13.7
Losses from disposal of fixed assets		23.5	0.9
Other items	(c)	259.9	87.3
Total operating expenses		984.0	316.2

(a) Other external services relate to the repair and maintenance of telecommunications network, and to other subcontracting servic bought in the process of generating services provided to the customers.

(b) Fees and salaries paid to members of the Supervisory Board, members of the Board of Directors and President and CEO of Sonera Corporation, totalled €1.2 million (1999: €0.5 million)

(c) Other operating expenses include expenses not directly related to the provision of services, such as expenses for marketing efforts, expenses for research and development, and other expenses related to the general administration.

Number of personnel:	2000	1999
Number of personnel at the end of the period	3,224	5,463

4. DEPRECIATION AND AMORTIZATION

€ million	2000	1999
Intangible rights	7.3	1.8
Goodwill	0.4	-
Other intangible assets	1.3	0.4
Buildings	5.4	1.1
Machinery and equipment	12.2	4.6
Telecommunications networks	110.3	49.6
Other tangible assets	8.0	2.4
Total	144.9	59.9

5. FINANCIAL INCOME AND EXPENSES

€ million	2000	1999
Dividend income		
From subsidiaries	0.8	-
From associated companies	10.0	9.8
From other parties	17.0	10.3
Interest income on long-term loans receivable		
From subsidiaries	16.0	35.1
From associated companies	0.1	-
From other parties	-	0.2
Other interest income		
From subsidiaries	12.6	0.8
From associated companies	39.8	-
From other parties	13.5	6.7
Other financial income		
From associated companies	22.6	-
From other parties	5.6	0.2
Interest expenses		
To subsidiaries	(26.1)	-
To other parties	(152.3)	(36.6)
Other financial expenses		
To subsidiaries	-	(1.8)
To other parties	(6.3)	(3.4)
Realized exchange gains and losses	(3.8)	(4.8)
Unrealized exchange gains and losses	4.3	5.0
Write-down on shares	(52.2)	-
Write-back on shares	-	23.5
Total	(98.4)	45.0

The figures for 1999 and 2000 are not comparable due to the merger and the incorporation of businesses.

6. EXTRAORDINARY INCOME AND EXPENSES

€ million	2000	1999
Group contributions received	207.1	17.0
Group contributions granted	(189.0)	(0.3)
Value-added tax related to incorporation of businesses	(43.8)	(16.4)
Merger gain	-	450.4
Total	(25.7)	450.7

7. INCOME TAXES

€ million	2000	1999
Current tax expense	258.6	27.4
Deferred tax expense	-	0.3
Total	258.6	27.7

8. FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Intangible assets consist of the following components:

€ million	2000	1999
Intangible rights	27.0	28.1
Goodwill	0.1	0.2
Other intangible assets	7.9	11.2
Total	35.0	39.5

Changes in fixed assets and other long-term investments during 2000:

€ million	Historical cost on Jan 1, 2000	Capital expenditure and other additions	Disposals and other decreases (a)	Accumulated depreciation on Dec 31, 2000	Carrying value on Dec 31, 2000
Intangible rights	46.4	13.8	(13.8)	(19.4)	27.0
Goodwill	0.5	3.6	(3.6)	(0.4)	0.1
Other intangible assets	16.2	0.8	(4.1)	(5.0)	7.9
Total intangible assets	63.1	18.2	(21.5)	(24.8)	35.0
Land	4.9	1.7	(0.9)	-	5.7
Buildings	88.3	1.1	(9.1)	(29.8)	50.5
Machinery and equipment	105.3	15.7	(27.1)	(51.8)	42.1
Telecommunications networks	1,851.0	76.6	(1,015.6)	(572.8)	339.2
Other tangible assets	56.6	10.9	(20.6)	(16.3)	30.6
Advances paid and construction in progress	22.1	23.0	-	-	45.1
Total tangible assets	2,128.2	129.0	(1,073.3)	(670.7)	513.2
Shares in Group companies (b)	1,044.1	3,872.8	(41.9)	(28.7)	4,846.3
Investments in associated companies (b)	530.8	3.8	(531.7)	-	2.9
Other shares and holdings (b)	150.2	1,084.6	(647.4)	-	587.4
Long-term loans receivable	124.1	146.3	(5.3)	-	265.1
Total long-term investments and receivables	1,849.2	5,107.5	(1,226.3)	(28.7)	5,701.7
Total fixed assets and other long-term investments	4,040.5	5,254.7	(2,321.1)	(724.2)	6,249.9

(a) Includes the effects of incorporated businesses.
(b) See Note 20 to the consolidated financial statements for the investments in subsidiaries, associated companies and other shares and holdings.

The figures for 1999 and 2000 are not comparable due to the merger and the incorporation of businesses.

9. SHAREHOLDER'S EQUITY

€ million	2000	1999
Share capital on January 1	310.5	303.6
Increase in share capital through directed share issue	9.2	-
Increase in share capital through bonus issue	-	6,9
Share capital on December 31	319.7	310.5
Share premium fund on January 1	12.8	12.8
Increase in share premium fund through directed share issue	1.3	-
Share premium fund on December 31	14.1	12.8
Treasury shares on January 1	-	-
Repurchase of shares	(28.3)	-
Treasury shares on December 31	(28.3)	-
Additional paid-in capital on January 1	504.6	511.5
Transfer to share capital through bonus issue	-	(6.9)
Additional paid-in capital on December 31	504.6	504.6
Retained earnings on January 1	634.7	162.2
Dividends paid	(86.6)	(60.7)
Transferable subscriptions sold	1.5	0.4
Net income for the year	638.7	532.8
Retained earnings on December 31	1,188.3	634.7
Total shareholders' equity on December 31	1,998.4	1,462.6

10. LONG-TERM AND CURRENT DEBT

Information on the borrowings of long-term and current debt are presented in Note 12 to the consolidated financial statements.

11. BALANCES WITH SUBSIDIARIES

€ million	2000	1999
Long-term loans receivable	262.8	121.6
Current loans receivable	319.3	27.6
Trade accounts receivable	118.9	68.2
Prepaid expenses and accrued income	6.6	2.9
Group contributions receivable	207.1	17.2
Other receivables	13.4	8.9
Long-term debt	-	1.0
Current debt	722.1	22.5
Trade accounts payable	82.8	40.9
Accrued expenses and prepaid income	2.4	7.1
Group contributions payable	189.0	0.3
Other current debt	2.8	1.4

The figures for 1999 and 2000 are not comparable due to the merger and the incorporation of businesses.

12. BALANCES WITH ASSOCIATED COMPANIES

€ million	2000	1999
Long-term loans receivable	2.0	2.0
Current loans receivable	1,829.1	-
Trade accounts receivable	2.4	4.8
Prepaid expenses and accrued income	39.8	0.4
Advances received	22.7	-
Trade accounts payable	-	1.4
Accrued expenses and prepaid income	2.0	10.2

13. COMMITMENTS AND CONTINGENT LIABILITIES

€ million	2000	1999
Assets pledged to secure own commitments	4.5	4.6
Guarantees on behalf of group companies		
For financing	5.4	6.3
For other commitments	1.6	0.5
Guarantees on behalf of associated companies for financing	85.4	103.0
Guarantees on behalf of other companies	620.7	-
Repurchase commitments	-	0.7
Commitment to acquire shares	-	19.8

14. OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For information about disputes and administrative proceedings and the fair values of financial instruments, see Notes 17 and 18 to the consolidated financial statements.

Principles of financing and financial risk management

Sonera's financing and financial risks are managed under the control and supervision of Sonera's Board of Directors and President and CEO. Financial management is centralized within the Corporate Finance and Treasury units of Sonera Corporation. Treasury functions as Sonera's internal bank and is responsible for the management of financing and financial risks.

The financial management policy approved by the Board of Directors defines the operational principles of financial management and the maximum permissible limits for financial risks. Sonera's financial position and financial risks are reported to the Board of Directors on a regular basis. The objective of financing and financial risk management is to develop and maintain financing flexibility and to identify Sonera's financial risks (liquidity, interest rate, foreign exchange and credit risks) as well as to protect the Group against these risks by creating a financially stable framework for developing the Group's business operations.

Derivative financial instruments are used to hedge foreign exchange and interest rate risks. Sonera does not use such instruments for speculative purposes.

Sonera evaluates continuously the market risks of receivables and liabilities as well as derivative contracts, and the potential impact of these risks on Sonera's earnings by comparing the components of Sonera's financial instruments against market values and by estimating the sensitivity of changes in value to market factors.

Management of loan portfolio

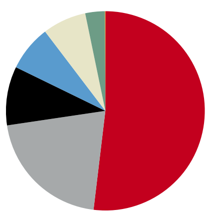
The aggregate amount of the long-term and short-term loans drawn down by Sonera as well as of long-term binding but undrawn revolving credit facilities as of December 31, 2000, was €6,262 million (1999: €2,181 million).

The aggregate amount of Sonera's loans as of December 31, 2000, was €5,797 million (1999: €1,296 million), consisting of drawn-down interest-bearing long-term loans amounting to €1,946 million (1999: €1,294 million) as well as €3 million of non-interest-bearing bonds with warrants targeted at Sonera's employees (1999: €2 million) and interest-bearing short-term loans totaling €3,848 million (1999: €172 million). Of the long-term loans, the amount falling due for repayment during 2001 is €107 million.

Interest-bearing net debt, subtracting from drawn-down loans €156 million of liquid funds (1999: €115 million), totaled €5,641 million (1999: €1,181 million). When €2,859 million of interest-bearing loan receivables (1999: €54 million) are subtracted from interest-bearing net debt, the amount affecting net interest expenses is €2,782 million (1999: €1,127 million).

Sonera's borrowed capital funding and the management of liquid funds are centralized within Treasury. With limited exceptions, Group subsidiaries handle their financing needs by means of intra-Group loans.

BREAKDOWN OF THE LOAN PORTFOLIO, € million



Credit rating and public debt issuance program

On February 20, 2001, Standard & Poor's Ratings Group assigned Sonera a long-term credit rating of A- and a short-term rating of A-2 (Dec 31, 2000: A and A-1; Dec 31, 1999: A+ and A-1). Moody's Investors Services, Inc gave Sonera a long-term credit rating of A2 and a short-term rating of Prime-1 (1999: A2 and Prime-1).

Sonera has available to it a long-term €2 billion international Euro Medium Term Note program (EMTN), within the framework of which Sonera can issue either public or private placement-type notes in various currencies. By December 31, 2000, Sonera had issued, within the EMTN program, two issues of public medium-term notes in a total amount of €1,300 million (1999: €300 million).

To meet its short-term financing needs, Sonera can deploy an €500 million international Euro Commercial Paper program ("ECP"). Within the ECP program, Sonera can issue commercial paper in different currencies with maturities of from 1 to 365 days. As of December 31, 2000, the total amount of ECP issued by Sonera was €340 million (1999: €100 million).

In addition, Sonera had available to it a domestic €300 million commercial paper program ("CP"), within which it had issued commercial papers totaling €258 million as of December 31, 2000 (1999: €71 million).

Management of liquidity risks

Liquidity risks relate to the availability of sufficient funding for debt service, dividend payment, capital expenditure and working capital requirements. Sonera seeks to minimize its liquidity risks by maintaining sufficient cash flow from operations, by having sufficient financing reserves and by staggering the maturities of its loan portfolio over different years.

In accordance with its financial management policy, Sonera seeks to maintain its liquidity position (liquid funds and committed long-term undrawn revolving credit facilities less loans falling due within the next 12 months) at a level of at least €350 million.

The liquidity position on December 31, 2000, totaled €292 million (1999: €828 million), consisting of €156 million of liquid funds (1999: €115 million) and €465 million of undrawn revolving credit facilities (1999: €885 million) less €329 million of loans falling due during 2001 (1999: €172 million). In the liquidity position, loans falling due in 2001 do not include the €3,626 million short-term loan portion of the German UMTS license because Sonera intends to finance the increase in short-term borrowings due to this through disposals of certain of its investments and through external non-recourse financing that will be arranged for the license-holding company in Germany. In addition, Sonera had a €700 million undrawn long-term bond-based credit facility as well as undrawn commercial paper credit facilities amounting to €202 million.

Management of credit risks

Interest rate risks include cash flow risk (the effect of changes in the interest rate on interest income and expenses) as well as price risk (changes in the value of financial instruments as interest rates change). Sonera manages its interest rate risks by diversifying its portfolio of investments and loans in fixed and floating rate instruments, and by using interest rate swaps, interest rate options and forward rate agreements.

The calculation of interest rate exposure is based on the interest rate maturities of the loans and other financial instruments used. The objective is to hedge against changes caused by a rise in the level of interest rates, taking into account factors such as the prevailing interest rate levels, yield curves and volatilities. In accordance with Sonera's financial management policy, approximately 70% of Sonera's net interest-bearing debt as of December 31, 2000, consisted of floating rate instruments, i.e. with interest maturities less than 12 months (1999: 70%) and about 30% were fixed rate instruments, i.e. with interest maturities ranging from 12 months to five years (1999: 30%).

The average rate of Sonera's interest-bearing debt (including the impact of hedging measures) as of December 31, 2000, was 5.37% (1999: 3.75%). A parallel change of one percentage point in the level of interest rates would have an impact of about €19 million on annual net interest expenses provided that Sonera's interest-bearing net debt after subtracting loan receivables remains at the level prevailing at the end of 2000 and that new hedging measures are not taken (1999: €8 million).

Management of foreign exchange risks

Sonera seeks to minimize the effects of changes in foreign exchange rates on its earnings and financial position. The bulk of the cash flow from Sonera's operations is in euros.

Changes in exchange rates between the euro and other currencies in which Sonera has receivables, liabilities or other contractual items affect consolidated earnings through exchange gains and losses (transaction risk). According to its financial management policy, Sonera hedges all significant transaction risks by employing forward exchange contracts, currency swaps and currency options.

As of December 31, 2000, the post-hedging open transaction risk of the Group companies in Finland was about €1 million (1999: €1 million). A 10% change in the exchange rate of the euro against all other currencies would affect Sonera's net profit directly, causing a change of €0.1 million, assuming that the open transaction risk is at the same level as on December 31, 2000, and that new hedging measures are not taken (1999: €0.1 million).

Changes in exchange rates between the euro and other currencies in which Sonera's international subsidiaries and associated companies report their results of operations and shareholders' equity for inclusion in Sonera's consolidated financial statements lead to translation differences in the consolidated shareholders' equity (translation risk).

Sonera's proportion of the shareholders' equity in its non-euro subsidiaries and associated companies as of December 31, 2000, was €1,093 million (1999: €835 million). During 1999 and 2000 Sonera did not hedge its translation risks. In undertaking hedging measures, account is taken of such factors as the effect of the hedging on Sonera's earnings and cash flow as well as the local foreign currency and capital market conditions, such as the level of interest rates and the liquidity of the market. A 10% change in the exchange rate of the euro against all other currencies would affect Sonera's shareholders' equity directly, causing a change of €109 million, assuming that Sonera's proportion of the shareholders' equity in its non-euro subsidiaries and associated companies is at the same level as it was on December 31, 2000, and that new hedging measures are not taken (1999: €84 million).

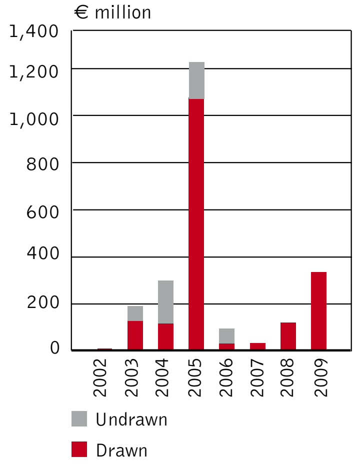
Turkcell and certain other subsidiaries and associated companies in highly inflationary countries report their financial statement results either in the inflation-corrected local currency or in United States dollars instead of the local currency.

Management of credit risks

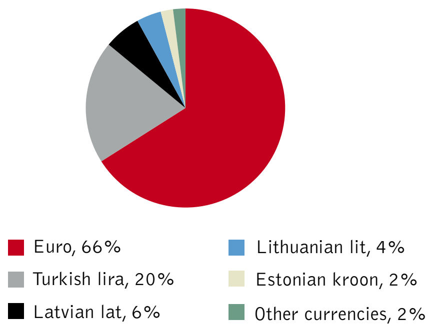
Financial instruments involve a risk that counterparties will not be able to meet their contractual obligations. Treasury handles investments in financial instruments on a centralized basis, including short-term investments of excess cash, long-term investments in bonds and notes as well as loan receivables and, similarly, the use of derivative contracts. This is done within the limits specified by Sonera Corporation's Board of Directors with respect to both the counterparties and the amounts involved.

The credit risk connected with Sonera's accounts receivable is diversified both across a broad clientele of private individuals and among numerous companies operating in different fields. Exposure to credit loss and subscriber fraud is monitored actively on a daily basis, including the processing of current credit information on subscribers from third-party sources. Credit losses in 2000 amounted to 0.3% of consolidated revenues (1999: 0.3%).

MATURITIES OF UNDRAWN LONG-TERM LOANS AND UNUSED LONG-TERM CREDIT FACILITIES



CONSOLIDATED SHAREHOLDERS' EQUITY BY CURRENCY



KEY FINANCIAL INDICATORS

KEY FINANCIAL INDICATORS 1994-2000

		1994	1995	1996	1997	1998	1999	2000
Revenues	€ million	892	991	1,125	1,352	1,623	1,849	2,057
Change from previous year	%	n/a	11.1	13.5	20.2	20.0	13.9	11.2
Exports from and sales outside Finland, of revenues	%	1.8	2.1	2.2	3.8	4.6	4.5	4.8
EBITDA (a)	€ million	331	356	420	489	587	668	2,047
In relation to revenues	%	37.1	36.0	37.3	36.1	36.2	36.1	99.5
Operating profit	€ million	162	154	170	285	289	387	1,748
In relation to revenues	%	18.2	15.6	15.1	21.1	17.8	20.9	85.0
Profit before income taxes, minority interest and extraordinary items	€ million	178	168	183	309	346	497	1,860
In relation to revenues	%	19.9	16.9	16.2	22.8	21.4	26.9	90.4
Significant non-recurring income and expenses (b)	€ million	-	-	8	-	37	21	1,546
Profit after extraordinary items	€ million	167	168	183	309	346	497	1,825
In relation to revenues	%	18.8	16.9	16.2	22.8	21.4	26.9	88.7
Net income	€ million	125	121	128	220	251	370	1,506
In relation to revenues	%	14.0	12.2	11.4	16.2	15.5	20.0	73.2
Equity income in associated companies	€ million	4	1	6	19	59	110	121
Dividends received from associated companies	€ million	-	-	2	5	9	14	30
Return on capital employed	%	18.7	16.5	16.5	23.7	19.1	19.7	32.9
Return on shareholders' equity	%	15.3	12.3	12.0	18.0	18.4	22.8	60.9
Total assets	€ million	1,214	1,381	1,451	1,866	2,814	3,609	9,774
Capital employed	€ million	975	1,077	1,166	1,485	2,359	3,111	9,046
Share capital	€ million	303	303	303	303	304	310	320
Other shareholders' equity and minority interest	€ million	635	720	822	1,009	1,132	1,505	2,929
Equity-to-assets ratio	%	77.4	74.3	78.0	70.9	51.5	50.6	33.4
Total liabilities	€ million	276	359	326	554	1,378	1,794	6,525
Long-term and current debt	€ million	38	54	42	173	923	1,296	5,797
In relation to revenues	%	4.2	5.4	3.7	12.8	56.9	70.1	281.8
Debt-to-equity ratio	%	4.0	5.3	3.7	13.2	64.3	71.4	178.4
Cash and short-term investments	€ million	196	201	30	145	93	115	156
Net debt	€ million	(158)	(147)	11	28	830	1,181	5,641
In relation to revenues	%	(17.7)	(14.9)	1.0	2.0	51.2	63.9	274.2
Net debt-to-equity ratio (gearing)	%	(16.8)	(14.4)	1.0	2.1	57.8	65.1	173.6
Net debt-to-capital employed ratio (net debt-to-book)	%	(16.2)	(13.7)	1.0	1.9	35.2	38.0	62.4
Interest-bearing loans receivable	€ million	26	19	20	78	30	54	2,859
Net interest income (expense)	€ million	10	13	8	2	(7)	(26)	(53)
Cash provided by operating activities	€ million	289	365	374	455	508	442	227
Capital expenditures	€ million	242	339	379	373	351	338	430
In relation to revenues	%	27.1	34.2	33.7	27.6	21.6	18.3	20.9
Investments in shares	€ million	31	14	133	22	898	410	2,117
Depreciation and amortization (c)	€ million	169	202	242	204	261	281	299
Write-downs on fixed assets	€ million	-	-	8	-	37	-	-
Dividends declared (d)	€ million	31	28	38	132	61	87	67
Dividend payout ratio	%	24.9	23.3	29.6	60.2	24.2	23.5	4.4
Research and development expenditure (R&D)	€ million	35	39	32	45	52	64	70
In relation to revenues	%	4.0	3.9	2.8	3.4	3.2	3.5	3.4
Personnel, at end of year		6,877	7,393	7,621	8,290	9,068	9,512	11,271
Average during the year		6,930	7,239	7,667	7,967	8,609	9,270	10,305

See footnotes on page 76.

(a) EBITDA equals operating profit before depreciation and amortization and write-downs on fixed assets. EBITDA does not equal cash flow from operations and it should not be considered as an alternative to net income as an indicator of Sonera's operating performance, or as an alternative to cash flow from operations as a measure of liquidity. Management believes that EBITDA is a measure commonly reported and widely used by analysts, investors and other interested parties in the telecommunications industry. However, Sonera's definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA does not show significant trends related to the following items: depreciation and amortization; write-downs on fixed assets; equity income in associated companies; financial income and expense; and income taxes.

(b) The significant non-recurring items that are included in profit before income taxes, minority interest and extraordinary items consist of sales gains and losses and other similar items. During 2000, the most significant items were a gain of €835 million from the Aerial/VoiceStream merger and a gain of €680 million from the sale of Turkcell shares.

(c) As of the beginning of 1997, telecommunication networks have been depreciated on a straight-line method over four to 20 years. Previously, networks were depreciated on a 25 to 40% declining-balance method.

(d) Dividends presented for each year were paid during the following year, after the approval by the Annual General Meeting. Dividend for 2000 is the Board of Directors' proposal to the Annual General Meeting.

QUARTERLY RESULTS IN 2000

€ million	1-3/2000	4-6/2000	7-9/2000	10-12/2000	Full year
External revenues					
Mobile Communications	264	289	265	290	1,108
Media Communications and New Services	43	51	51	62	207
Fixed Network Voice and Data Services	148	125	153	147	573
Equipment Sales and Other Operations	32	35	41	61	169
The Group	487	500	510	560	2,057
Other operating income	9	861	700	19	1,589
Cost of services and goods	(154)	(147)	(171)	(199)	(671)
Personnel expenses	(96)	(118)	(108)	(123)	(445)
Other operating expenses	(84)	(103)	(123)	(173)	(483)
EBITDA					
Mobile Communications	130	132	126	147	535
Media Communications and New Services	(31)	(57)	(88)	(127)	(303)
Fixed Network Voice and Data Services	59	85	56	52	252
Equipment Sales and Other Operations	4	(2)	34	12	48
Gain from Aerial/VoiceStream merger	-	835	-	-	835
Gain from sale of Turkcell shares	-	-	680	-	680
The Group	162	993	808	84	2,047
Depreciation and amortization	(72)	(74)	(78)	(75)	(299)
Operating profit					
Mobile Communications	100	98	97	111	406
Media Communications and New Services	(36)	(66)	(102)	(131)	(335)
Fixed Network Voice and Data Services	24	62	27	23	136
Equipment Sales and Other Operations	2	(10)	28	6	26
Gain from Aerial/VoiceStream merger	-	835	-	-	835
Gain from sale of Turkcell shares	-	-	680	-	680
The Group	90	919	730	9	1,748
Equity income in associated companies	20	38	45	18	121
Financial income and expenses	3	(15)	6	(3)	(9)
Profit before income taxes, minority interest and extraordinary items	113	942	781	24	1,860
Income taxes	(31)	(282)	(49)	44	(318)
Minority interest in income	1	-	-	(2)	(1)
Profit before extraordinary items	83	660	732	66	1,541
Cumulative effect of accounting changes, net of income taxes (1)	(41)	-	6	-	(35)
Net income	42	660	738	66	1,506
Earnings per share, before extraordinary items (€)	0.12	0.90	0.99	0.09	2.09
Cumulative effect of accounting changes, net of income taxes (€)	(0.06)	-	0.01	-	(0.04)
Net income per share (€)	0.06	0.90	1.00	0.09	2.05

(1) The changes in accounting principles include the cumulative effect of €41 million expense from the change in the equity method accounting for Turkcell, and the cumulative effect of €6 million income from the adoption of interest capitalization on construction in progress.

Quartely interim information has not been audited.

DEFINITIONS OF KEY FINANCIAL INDICATORS

EBITDA	=	Operating profit + depreciation and amortization
Capital employed	=	Shareholders' equity + minority interest + long-term and current debt
Return on capital employed	=	$\frac{\text{Profit before extraordinary items and taxes + interest expenses + other financial expenses}}{\text{Capital employed (average for the period)}} \times 100$
Return on shareholders' equity	=	$\frac{\text{Profit before extraordinary items and taxes – income taxes on ordinary operations}}{\text{Shareholders' equity + minority interest (average for the period)}} \times 100$
Equity-to-assets ratio	=	$\frac{\text{Shareholders' equity + minority interest}}{\text{Total assets – advances received}} \times 100$
Debt-to-equity ratio	=	$\frac{\text{Long-term and current debt}}{\text{Shareholders' equity + minority interest}} \times 100$
Net debt	=	Long-term and current debt – cash and short-term investments
Net debt-to-equity ratio (gearing)	=	$\frac{\text{Net debt}}{\text{Shareholders' equity + minority interest}} \times 100$
Net debt-to-capital employed ratio (net debt-to-book)	=	$\frac{\text{Net debt}}{\text{Capital employed}} \times 100$
Dividend payout ratio	=	$\frac{\text{Dividends declared for the fiscal year}}{\text{Net income}} \times 100$
Average number of personnel	=	Average of the number of personnel at the end of each month during the period. Number of part-time employees is converted into an equivalent number of full-time employees.
Earnings per share (excluding extraordinary items)	=	$\frac{\text{Profit before extraordinary items and taxes – income taxes on ordinary operations – minority interest in income}}{\text{Average number of shares during the period}}$
Earnings per share	=	$\frac{\text{Net income}}{\text{Average number of shares during the period}}$
Dividend per share	=	$\frac{\text{Dividends declared for the fiscal year}}{\text{Number of shares at end of year}}$
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Number of shares at end of period}}$
Average share price	=	$\frac{\text{Total traded value during the year}}{\text{Number of shares traded during the year}}$
Market capitalization	=	Number of shares at end of year x share price at end of year
Price-to-earnings ratio (P/E)	=	$\frac{\text{Share price at end of year}}{\text{Earnings per share (excluding extraordinary items)}}$
Dividend yield	=	$\frac{\text{Declared dividend per share}}{\text{Share price at end of year}} \times 100$

Shares and share capital

Sonera Corporation has one series of shares. The shares have no nominal value, and the accountable par of the share is 43 euro cents. The Company's shares belong to the book-entry system. International shareholders can elect to hold their shares in a nominee register account with a custodian bank. At meetings of shareholders, only those shares which are entered in the Company's Shareholder Register are entitled to vote.

The Company's total number of shares is 743,534,486. On March 22, 2000, the Annual General Meeting of Sonera Corporation authorized the Board of Directors to repurchase a maximum of 14,440,000 Sonera shares (about 1.9% of the share capital) in public trading on Helsinki Exchanges. The authorization will be valid until March 22, 2001, and by virtue of the authorization, shares can be repurchased with a view to using them as consideration in acquisitions or when the Company purchases assets related to its business. By the end of the year, Sonera had repurchased 550,000 Sonera shares with an accountable par of €236,500. The shares represent about 0.07% of the entire share capital. The shares were repurchased in May at an average price of €51.36 per share and a total price of €28 million. Subtracting the shares in the Company's own possession, the number of shares outstanding as of December 31, 2000 was 742,984,486 shares.

The paid-in share capital which is entered in the Trade Register stood at €319,719,828.98 as of December 31, 2000. The share capital is a minimum of €309,600,000 and a maximum of €1,238,400,000, within which limits the share capital can be increased or decreased without amending the Articles of Association.

In 2000, the share capital was raised through two directed issues in connection with acquisitions. In April, Sonera acquired the entire share capital of the Swedish company Across Holding AB, paying for the purchase by issuing 16,732,055 new shares. In June, Sonera likewise acquired the entire share capital of the Swedish company iD2 Holding AB, paying for the purchase by issuing 4,802,431 new shares. The shares of both companies were transferred to the Sonera SmartTrust subgroup.

In 2000, the Annual General Meeting granted to the Board of Directors a share issue authorization for issuing a maximum of 25,000,000 new shares during one year. Under the authorization, the Board of Directors is empowered to disapply shareholders' pre-emptive right to subscribe for shares provided that, from the Company's standpoint, there are substantial financial grounds for this, such as the financing of an acquisition or a similar arrangement. The Board of Directors also has the right to decide on the subscription price, those entitled to subscribe, and the other terms and conditions of subscription.

Sonera also had available to it, up to April 23, 2000, an authorization granted by the Annual General Meeting in 1999 to issue 15,000,000 new shares in a directed share issue. Following the acquisition of the shares in Across and iD2, the Board of Directors has a valid share issue authorization for issuing a maximum of 18,465,514 new shares. The authorization is valid up to March 22, 2001.

State's holding

On March 7, 2000, the Finnish State organized an offering directed at institutional investors, in which the State sold 22 million Sonera shares at a price of €92 per share. As a result of the offering, the State's holding in Sonera fell from 57.6% to 54.5%. Following the directed issues in April and June, the State's holding in Sonera fell to about 52.9%. On October 19, 2000, the State transferred the approximately one million bonus shares related to the 1999 offering to the domestic shareholders entitled to them, and this dropped the State's holding in Sonera to about 52.8 %.

On June 21, 2000, the Finnish Parliament granted the Government of Finland authorization to reduce the State's holding in Sonera Corporation to as low as zero.

Management's shareholdings on December 31, 2000

The members of the Supervisory Board and Board of Directors of Sonera Corporation as well as the President and CEO own a total of 19,547 shares, or 0.003% of the Company 's share capital and voting rights. The members of the Management Group (the President and CEO excluded) own a total of 20,231 shares. Management's shareholdings and stock options are presented in detail in the section "Corporate Governance" on pages 84-88.

Personnel's bond loans with warrants

On December 31, 2000, the number of the 1999 bond loan warrants held by the personnel and the members of management entitled their holders to subscribe for a total of 10.9 million shares. Warrants A (half of the warrants of each person) entitle their holders to subscribe for shares from June 1, 2001, to June 30, 2005, and warrants B, from June 1, 2003, to June 30, 2005. After the dividend paid on April 3, 2000, the share subscription price is €15.20 with warrant A and €27.96 with warrant B. The warrants can be exercised provided that Sonera's earnings per share and operating profit margin exceed certain minimum levels before commencement of the subscription period. Exercise of the warrants by the Company's top management furthermore requires that the share price trend outperform a reference index during the period from April 1, 1999, to December 31, 2000. Sonera announced on January 12, 2001 that the index condition had been met.

On March 22, 2000, the Annual General Meeting decided on a bond loan with warrants in 2000 to be offered to the Group's entire personnel. The bond loan with warrants was subscribed for by a total of about 6,700 persons during the subscription period from May 15 to June 30, 2000. On July 24, 2000, the Board of Directors of Sonera Corporation approved the subscriptions totaling about 16.1 million warrants. A maximum of 20,000,000 shares may be subscribed for on the basis of this bond loan with warrants, and the share subscription period will begin stepwise on November 2, 2002; May 2, 2003; and May 2, 2004, ending on May 31, 2008, with the exercise of the warrants subscribed for during the issue. The subscription price will be decided by Sonera Corporation's meeting of shareholders. The warrants do not entitle their holders to subscribe for shares if the trading price of the

Company's share on Helsinki Exchanges does not exceed the reference index as the subscription period begins. The index determined for the Company's top management in connection with the 1999 bond loan with warrants will be applied to the 2000 bond loan with warrants for the entire personnel, using the same calculation rules. The index comparison for the 2000 bond loan with warrants began on April 1, 1999, and it will end on the last day of the fiscal year preceding commencement of exercise of the warrants, i.e. December 31, 2001.

Sonera Corporation's subsidiaries Sonera Zed Ltd, Sonera SmartTrust Ltd and Sonera Plaza Ltd decided in November, in accordance with a decision of Sonera Corporation's Board of Directors, on their own stock option schemes. Each subsidiary's option scheme can dilute Sonera's holding in said company by a maximum of 15 percentage points. The subscription period for the warrants ended on December 15, 2000, for the management and key employees of the subsidiaries. All the warrants offered were subscribed for. The period for share subscription based on the exercise of warrants will begin at each company one year from the commencement of public trading in the company's shares and will end for Sonera Zed's warrants by December 31, 2010 at the latest and for Sonera SmartTrust's and Sonera Plaza's warrants by January 31, 2011 at the latest. The warrants intended for the rest of the personnel will be offered for subscription during the listing of each subsidiary on the stock exchange. Of the warrants for top management and key employees, 50% will entitle their holders to subscribe for a subsidiary's shares at a predetermined price. Setting of the subscription price was based on the estimate which an independent external party made of the subsidiaries' fair values at the time of introducing the option scheme. The remaining 50% of top management's and key employees' warrants, as well as all the warrants intended for the rest of the personnel will entitle their holders to subscribe for the subsidiary's shares at a price which is used as the sale price to retail investors in each subsidiary's planned initial public offering and/or sale of shares.

Trading and share price

Sonera's share is quoted on the Main List of Helsinki Exchanges and in the United States, the shares are traded within the Nasdaq National Market trading system. On the Nasdaq market, the Sonera ADS (American Depositary Share) is quoted, with one ADS corresponding to one Sonera share quoted on Helsinki Exchanges.

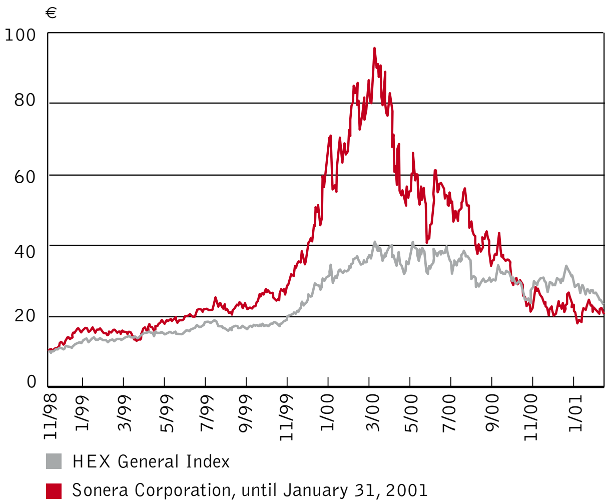
Turnover in the company's share on Helsinki Exchanges during 2000 was a total of 633.5 million shares (273.2) in a total amount of €29,491 million (7,256). The share turnover figure and aggregate value do not include the State's 22 million share tender offer on March 7, 2000, which was recorded in the trading figures for the day on Helsinki Exchanges. The closing price on Helsinki Exchanges on the first trading day of the year was €70.80 and on the last trading day it was €19.30. The share's low for the year was €17.15 and the high was €97.00. The average price of trades made during 2000, excluding the State's 22 million share tender offer in March, was €46.55. The Company's market capitalization at the end of the year was €14.4 billion.

Share turnover on the Nasdaq market during 2000 was 97.4 million shares (33.9 million shares from October 13, 1999, to December 31, 1999), for a total trading amount of US$4,907 million (1,305). The closing price of the first trading day was US$71.50 and at the close of the last trading day it was US$17.38. The low for the trading period was US$16.00 and the high was US$93.13. The average trading price during 2000 was US$50.38.

Major indexes

BE500	Bloomberg European 500
SXXE	DJ Euro STOXX
E100	FTSE Eurotop 100
HEX	HEX General Index
MSPE	MSCI Pan Euro Index

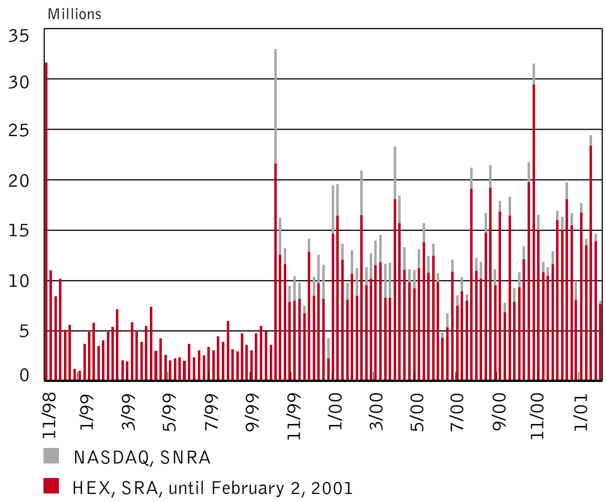
SHARE PRICE AND HEX INDEX



www.nasdaq.com

www.hex.fi

WEEKLY TRADING VOLUME OF SHARES*



*The trading volume does not include the State's 22 million share tender offer on March 7, 2000.

Source: Reuters

SHARES AND SHAREHOLDERS

PER SHARE DATA

		1994	1995	1996	1997	1998	1999	2000
Earnings per share								
(excluding extraordinary items)	€	0.19	0.17	0.18	0.31	0.35	0.51	2.09
Earnings per share	€	0.17	0.17	0.18	0.31	0.35	0.51	2.05
Declared dividend per share (a)	€	0.04	0.04	0.05	0.18	0.08	0.12	0.09
Shareholders' equity per share	€	1.30	1.42	1.56	1.82	1.97	2.49	4.35
Share price (b)								
Average for the year	€					11.47	26.55	46.55
Lowest during the year	€					9.92	12.40	17.15
Highest during the year	€					16.82	71.10	97.00
At end of year	€					15.14	68.05	19.30
Market capitalization	€ million					10,929	49,132	14,350
Price-to-earnings ratio (P/E)						43.4	133.4	9.2
Dividend yield	%					0.6	0.2	0.5
Trading volume of shares on Helsinki Exchanges (c)								
Total traded value	€ million					844	7,256	29,491
Number of shares traded	in thousands					73,597	273,238	633,497
In relation to average								
number of shares	%					10.2	37.8	86.1
Trading volume of shares on NASDAQ (d)								
Total traded value	US$ million						1,305	4,907
Number of shares traded	in thousands						33,946	97,401
In relation to average								
number of shares	%						4.7	13.2
Number of shares (e)								
At end of year	in thousands	720,000	720,000	720,000	720,000	722,000	722,000	743,534
Outstanding at end of year	in thousands	720,000	720,000	720,000	720,000	722,000	722,000	742,984
Average during the year (f)	in thousands	720,000	720,000	720,000	720,000	720,247	722,000	735,917
Number of warrants at end of year (g)								
1999 warrants	in thousands						9,482	10,861
2000 warrants	in thousands						-	16,178

(a) Dividends presented for each year were paid during the following year, after the approval by the Annual General Meeting. Dividend for 2000 is the Board of Directors' proposal to the Annual General Meeting.
(b) Quotation of Sonera's share on HEX Helsinki Exchanges, where the quotation started on November 10, 1998.
(c) Trading on HEX Helsinki Exchanges, as of November 10, 1998.
(d) Trading on Nasdaq National Market trading system, as of October 13, 1999.
(e) Number of shares between January 1, 1994 and June 30, 1998 has been presented as to comply with the outcome of the demerger of PT Finland Ltd on July 1, 1998 and the subsequent share splits.
(f) The average number of shares, diluted with the employee bond loan with warrants, was 741,743 thousand in 2000. The diluted earnings per share (before extraordinary items) were €2.08 and net income per share was €2.03.
(g) The terms of the option schemes are presented on pages 78-79.

The definitions of per share data are presented on page 77.

THE LARGEST SHAREHOLDERS ON DECEMBER 31, 2000

Shareholder		Number of shares	Holding, %
Finnish State		392,620,585	52.8
Sampo-Varma Group			
Varma-Sampo Mutual Pension Insurance Company	3,158,350		
Sampo Life Insurance Company Limited	1,513,000		
Sampo-Leonia Insurance Company Plc	1,377,200		
Industrial Insurance Company Ltd	606,000		
Kaleva Mutual Insurance Company	492,000		
Sampo Enterprise Insurance Company Limited	368,500	7,515,050	1.0
The Local Government Pensions Institution		6,385,000	0.9
Pohjola Group			
Ilmarinen Mutual Pension Insurance Company	2,577,850		
Suomi Mutual Life Assurance Company	1,637,600		
Pohjola Non-Life Insurance Company Ltd	1,280,000		
Pohjola Mutual Life Assurance Company	886,000	6,381,450	0.9
Fennia Group			
Mutual Insurance Company Pension-Fennia	1,534,500		
Enterprise-Fennia Mutual Insurance Company	149,000	1,683,500	0.2
PT Pension Fund		1,286,700	0.2
LEL Employment Pension Fund		1,155,650	0.1
Tapiola Insurance Group			
Tapiola Mutual Pension Insurance Company	541,200		
Tapiola General Mutual Insurance Company	241,100		
Tapiola Mutual Life Assurance Company	125,000	907,300	0.1
Neste Pension Foundation		721,900	0.1
Sitra, the Finnish National Fund for Research and Development		574,250	0.1
Nominee-registered shares		250,548,315	33.7
Other shareholders, total		73,754,786	9.9
Total		743,534,486	100.0
Shares in the Company's possession		550,000	0.1
Total shares outstanding		742,984,486	99.9

SHARES AND SHAREHOLDERS

SHAREHOLDERS BY GROUP ON DECEMBER 31, 2000

Group		Number of shares	Holding, %
Privately held companies		7,171,628	1.0
Publicly held companies		335,989	0.0
Financial and insurance institutions		20,509,252	2.8
Public sector entities			
Finnish State	392,620,585		
Occupational pension schemes and other social security funds	22,334,670		
Other public sector entities	282,400	415,237,655	55.8
Non-profit entities		4,607,647	0.6
Households		43,745,581	5.9
International owners		251,925,616	33.9
On the book-entry register joint account		1,118	0.0
Total		743,534,486	100.0
Shares in the Company's possession		550,000	0.1
Total shares outstanding		742,984,486	99.9

BREAKDOWN OF SHAREHOLDINGS BY SIZE OF HOLDING ON DECEMBER 31, 2000

Number of shares	Number of shareholders	Proportion of shareholders, %	Number of shares	Holding, %
1 - 100	41,873	33.6	2,487,022	0.3
101 - 500	55,064	44.2	13,242,251	1.8
501 - 1,000	17,352	14.0	12,883,959	1.7
1,001 - 10,000	9,830	7.9	18,596,544	2.5
10,001 - 100,000	292	0.2	8,836,829	1.2
100,001 - 1,000,000	71	0.1	22,445,773	3.0
Over 1,000,000	11	0.0	414,492,675	55.8
Nominee-registered shares			250,548,315	33.7
On the book-entry register joint account			1,118	0.0
Total	124,493	100.0	743,534,486	100.0
Shares in the Company's possession			550,000	0.1
Total shares outstanding			742,984,486	99.9

AUDITORS' REPORT AND STATEMENT OF THE SUPERVISORY BOARD

AUDITORS' REPORT

To the shareholders of Sonera Corporation

(Translation) We have audited the records and the financial statements, as well as the administration by the Board of Directors and the President of Sonera Corporation for the year ended December 31, 2000. The financial statements prepared by the Board of Directors and the President include the report of the Board of Directors, consolidated and the parent company income statements, balance sheets, statements of cash flows and notes to the financial statements. Based on our audit, we express an opinion on these financial statements and the Company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The purpose of our audit of administration has been to examine that the members of the Supervisory Board and the Board of Directors as well as the President have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements, showing a profit of €1,506 million in the consolidated income statement and a profit of €639 million in the parent company income statement, have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of both the consolidated and the parent company results of operations as well as the financial position. The financial statements can be adopted, and the members of the Supervisory Board and the Board of Directors as well as the President of the parent company can be discharged from liability for the financial year audited by us. The proposal made by the Board of Directors on how to deal with the distributable funds is in compliance with the Finnish Companies Act.

Helsinki, Finland
February 26, 2001

KPMG Wideri Oy Ab
Authorized Public Accountants
Solveig Törnroos-Huhtamäki
Authorized Public Accountant

Jorma Heikkinen
Authorized Public Accountant

STATEMENT OF THE SUPERVISORY BOARD

At its meeting held today, the Supervisory Board of Sonera Corporation has examined the Company's financial statements, consolidated financial statements and auditors' report for the fiscal year January 1 – December 31, 2000. The Supervisory Board advises the Annual General Meeting to be held on March 21, 2001 that it has no remarks with respect to the financial statements, consolidated financial statements or the auditors' report. At the same time, the Supervisory Board states that it concurs with the proposal of the Board of Directors for the disposal of the profit for the year.

Due to resign at the 2001 Annual General Meeting are the following members of the Supervisory Board: Arja Alho, Tarja Cronberg, Tuomas Harpf, Tapio Hintikka, Raimo Kantola, Reino Ojala and Helena Vartiainen.

Helsinki, Finland
February 27, 2001

Pauli Saapunki
Chairman of the Supervisory Board

Corporate Governance

Sonera Corporation's corporate governance is the responsibility of the Supervisory Board, the Board of Directors and the President and CEO. The task of the Supervisory Board is to oversee the Company's administration as managed by the Board of Directors and the President and CEO. The Board of Directors in turn is responsible for carrying out the duties specified for it under the Companies Act and Sonera's Articles of Association.

The President and CEO attends to the Company's running administration in accordance with the instructions and regulations issued by the Board of Directors. In managing Sonera's corporate business, the President and CEO is assisted by the Management Group.

The Company's administration is overseen by statutory independent auditors as well as the Group's Internal Audit function.

Supervisory Board

The Supervisory Board comprises 15–24 members who are elected by the Annual General Meeting for a term of three years. The Supervisory Board is organized into three groups, each consisting of one third of the members and elected separately in consecutive years. A person may not be elected to the Supervisory Board after having reached the age of 67 years.

The main task of the Supervisory Board is to oversee Sonera's management with the aim of ensuring that Sonera is run in accordance with sound business principles, sustained profitability, compliance with the Articles of Association and observing the resolutions of general meetings of the shareholders. The Supervisory Board decides on guidelines to be issued to the Board of Directors on matters of principle and long-term importance, and it presents to the Annual General Meeting a statement on the parent company and consolidated financial statements as well as the Auditors' Report. In addition, the Supervisory Board must issue statements in various special cases set forth in the Companies Act.

Maire Laitinen, Group General Counsel, acts as Secretary to the Supervisory Board. The Supervisory Board meets on average four to six times a year. In 2000 it met five times.

Current members of the Supervisory Board:

	Current term expires:
Pauli Saapunki, Chairman, born 1945 Member of Parliament 210 Sonera shares	2003
Pirjo-Riitta Antvuori, Vice Chairman, born 1945 Member of Parliament no Sonera shares	2003
Arja Alho, born 1954 M.Sc. (Pol. Sc.) no Sonera shares	2001
Tarja Cronberg, born 1943 Executive Director, Regional Council of North Karelia no Sonera shares	2001
Tuomas Harpf, born 1957 Managing Director, Suomen Viestintärahoitus Oy no Sonera shares	2001
Tapio Hintikka, born 1942 President and CEO, Hackman Group no Sonera shares	2001
Raimo Kantola, born 1955 Professor, Helsinki University of Technology no Sonera shares	2001
Reino Ojala, born 1945 Special Advisor, Ministry of Labour no Sonera shares	2001
Helena Vartiainen, born 1941 Chairman of City Council no Sonera shares	2001
Max Arhippainen, born 1963 Economist, Pellervo Economic Research Institute PTT no Sonera shares	2002
Tarmo Eskola, born 1945 Information Technology Director, UPM-Kymmene Corporation 1,122 Sonera shares	2002
Bjarne Kallis, born 1945 Member of Parliament 932 Sonera shares	2002
Erik Lindfors, born 1946 Union's Secretary, Finnish Metalworkers' Union no Sonera shares	2002
Max Mickelsson, born 1970 Special Advisor of Minister, Ministry of Finance 55 Sonera shares	2002
Ritva Rastimo, born 1939 Managing Director, Espoo Chamber of Commerce 440 Sonera shares	2002
Liisa Hyssälä, born 1948 Member of Parliament 66 Sonera shares	2003
Leenamaija Otala, born 1951 Senior Lecturer, Pro Competence Oy 475 Sonera shares	2003
Mauri Salo, born 1946 Member of Parliament 752 Sonera shares	2003
Olavi Tonteri, born 1944 Colonel, Finnish Defence Staff 60 Sonera shares	2003
Lasse Viren, born 1949 Member of Parliament no Sonera shares	2003

Board of Directors

The main task of the Board of Directors is to manage the Company's operations in accordance with the law and the Articles of Association. The Board of Directors also for the most part sees to the tasks set forth in OECD recommendations as well as in the Corporate Governance principles issued by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

The Board of Directors is composed of the Chairman, the Vice Chairman and between three and eight ordinary members who may be no more than 65 years of age. Currently, the Board of Directors consists of a Chairman, a Vice Chairman and five ordinary members, two of whom are employee representatives. The Chairman of the Supervisory Board has the right to participate in meetings of the Board of Directors. The Annual General Meeting elects the members of the Board of Directors and the Chairman of the Board for one year at a time.

In 2000 the Board of Directors was assisted by a Compensation Committee and an Audit Committee, whose duties and composition are discussed in the section "Auditors and other control systems". The duties of the Compensation Committee included the development of various incentive systems and application of the terms of Sonera's bond loan with warrants. The ordinary members of the committee were Markku Talonen and Kalevi Alestalo, with Tero Kivisaari of the Corporate Finance and Treasury function serving as an expert. The committee met nine times during the year.

Maire Laitinen, Group General Counsel, acts as Secretary of the Board of Directors. The Board of Directors meets at least once a month. In 2000 the Board of Directors met 32 times.

Management Group

The Management Group deals with all matters that are to be brought up before or decided by Sonera's Board of Directors and assists the President and CEO in implementing and coordinating strategic and business objectives. The Chairman of the Board of Directors takes part in meetings of the Management Group when they deal with matters that are to be submitted to the Board of Directors for a decision.

Following the retirement of President and CEO Aulis Salin on December 31, 2000, the members of the Management Group as of the beginning of 2001 include, in addition to the new President and CEO, five other Executive Vice Presidents. In 2000 Tapio Lukkonen acted as secretary to the Management Group, and from the beginning of 2001 its secretary is Maire Laitinen, Group General Counsel.

President and CEO

The President and CEO is responsible for the Company's operational management as well as the other duties prescribed for him in the Companies Act, for the preparation of matters to be dealt with by the Board of Directors, for the implementation of the decisions made by the Board of Directors and for giving detailed instructions on other aspects of organizing the Company's administration. In addition, the President and CEO presents the matters to be dealt with at meetings of the Board of Directors.

Auditors and other control systems

The Board of Directors bears responsibility for supervising the Company's administration and business operations. The Company's Board of Directors decided on May 18, 2000 to set up an Audit Committee whose duties are to assist the Board of Directors in overseeing the Company's corporate governance by going through the reporting processes and internal control independently and impartially as well as to ensure liaison between the Company's management, the Internal Audit, the external auditors and the Board of Directors. The committee's ordinary members are Markku Talonen, Liisa Joronen, Jussi Länsiö and Kalevi Alestalo. CFO Kim Ignatius also takes part in meetings of the committee and Group General Counsel Maire Laitinen serves as its secretary. The committee seeks to meet at least three times a year. In 2000 it met three times.

The President and CEO is responsible in practice for arranging the Company's administration and control mechanisms. The President and CEO is also responsible for seeing to it that in its operations the Company abides by the relevant acts, the Company's operational principles as well as the instructions and regulations issued by the Board of Directors.

The Group deploys a reporting system which serves financial planning and monitoring. The development and financial result of the Group's operations are reported on monthly to the Management Group, and the Board of Directors of Sonera Corporation also receives this information. The business units are responsible for the provision and correctness of their own financial information. The Corporate Controller's Office is responsible for issuing guidelines concerning financial reports and the business plans that are to be drawn up for the Management Group and the Board of Directors, and the office prepares the parent company and consolidated financial statements as well as issues guidelines for the preparation of the subsidiaries' financial statements. The Corporate Controller's Office furthermore defines the Group-wide accounting principles, which are described in Note 1 to the Consolidated Financial Statements on pages 46-49.

Apart from a comprehensive internal reporting system and decision-making and operational models covering the organization, a central subarea of the Group's internal control is systematic risk management that is integrated into the business processes. The objective of risk management is that the businesses identify and prioritize the main risk factors that threaten the objectives of their operations, and that they allo-

(cont. on p. 88)

MARKKU TALONEN

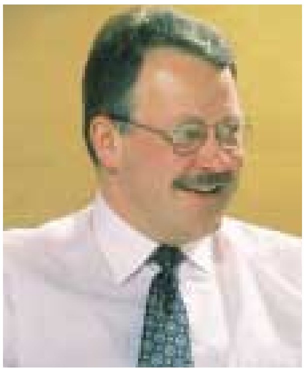
LIISA JORONEN

KALEVI ALESTALO

JUSSI LÄNSIÖ

REIJO SULONEN

TAPIO VAAHTOKIVI



KARI VILKMAN

Board of Directors

Chairman

MARKKU TALONEN
born 1946
Lic.Sc. (Tech.).
Mr. Talonen has been the Chairman of the Board of Directors of Sonera Corporation since 1998. He was Chairman of the Board of Directors of PT Finland Ltd prior to the demerger. He took up his duties as full time Chairman of the Board on June 16, 2000. Mr. Talonen is a member of the Board of Directors of the Finnish Foundation of Veterinary Sciences, the Finnish Foundation for Share Promotion and the Finnish Foundation for Cardiovascular Research as well as a member of the Supervisory Boards of the Finnish Medical Foundation and the Eye Foundation.
• He owns 1,732 Sonera shares, 110,000 stock options issued in 1999 and 400,000 stock options issued in 2000.

Vice Chairman

LIISA JORONEN
born 1944
M.Sc. (Econ.), Ph.D. (Pedagogics).
Ms. Joronen has been the Vice Chairman of the Board of Directors of Sonera Corporation since 1998. She was a member of the Board of Directors of PT Finland Ltd prior to the demerger. Chairman of the Board of Directors of SOL Services Ltd and a member of the Supervisory Boards of Merita Bank plc and Ilmarinen Mutual Pension Insurance Company.
• She owns 5,963 Sonera shares.

Members

KALEVI ALESTALO
born 1947
M.Sc. (Econ.).
Member of the Board of Directors of Sonera Corporation since 1998. Director of Unit for Corporate and Ownership Policy of the Ministry of Transport and Communications, member of the Board of Directors of VR Corporation Ltd.
• He owns 1,925 Sonera shares.

JUSSI LÄNSIÖ
born 1952
M.Sc. (Econ.).
A member of Sonera Corporation's Board of Directors since 2000. Managing Director of Oyj Harwall Abp. Member of the Board of Directors of Metsä Tissue Corporation.
• He owns no Sonera shares.

REIJO SULONEN
born 1945
D.Sc. (Eng.).
Member of the Board of Directors of Sonera Corporation since 1998, member of the Board of Directors of PT Finland Ltd prior to the demerger. Professor at the Helsinki University of Technology.
• He owns 880 Sonera shares.

TAPIO VAAHTOKIVI
born 1942
Employee representative, B.Sc. (Eng.).
Employee representative on the Board of Directors of Sonera Corporation since 1998, employee representative on the Board of Directors of Telecom Finland Ltd prior to the demerger. Chairman of the Communications Union TLL and Deputy Member of the Board of Directors of the PT Pension Fund.
• He owns 841 Sonera shares, 1,000 stock options issued in 1999 and 400 stock options issued in 2000.

KARI VILKMAN
born 1951
Employee representative, Telecommunications Mechanic. Employee representative on the Board of Directors of Sonera Corporation since 1998, employee representative on the Board of Directors of Telecom Finland Ltd prior to the demerger. Deputy Member of the Board of Directors of the PT Pension Fund and member of the City Council of Riihimäki.
• He owns 869 Sonera shares, 1,000 stock options issued in 1999 and 400 stock options issued in 2000.

KAJ-ERIK RELANDER

AIMO ELOHOLMA

HARRI HOLLMÉN

KIM IGNATIUS

JARI JAAKKOLA

JUHA VARELIUS

Management Group

KAJ-ERIK RELANDER

born 1962
M.Sc. (Econ.), MBA.
Sonera Corporation's President and CEO. He has been with the Company since 1994. A member of the Board of Directors of F-Secure Corporation, Turkcell Holding A.S., TietoEnator Corporation, VoiceStream Wireless Corporation and Ledstiernan AB as well as Chairman of the Finnish Federation for Communications and Teleinformatics FiCom.

- He owns 3,225 Sonera shares, 110,000 stock options issued in 1999 and 400,000 stock options issued in 2000. In addition, he owns 51,192 stock options in Sonera Plaza Ltd and 218,826 stock options in Sonera Zed Ltd as well as 530,046 stock options in Sonera SmartTrust Ltd.

AIMO ELOHOLMA

born 1949
M.Sc. (Eng.).
Executive Vice President of the Telecom business area, with the Company since 1974. Member of the Board of Directors of Aspocomp Group Oyj.

- He owns 12,368 Sonera shares, 45,000 stock options issued in 1999 and 200,000 stock options issued in 2000.

HARRI HOLLMÉN

born 1949
LL.M.
Executive Vice President in charge of the Sonera International Mobile business as well as Sonera Plaza Ltd, with the Company since April 10, 2000.

- He owns no Sonera shares, holds 40,000 stock options issued in 1999 and 200,000 stock options issued in 2000. In addition, he owns 51,192 Sonera Plaza Ltd stock options.

KIM IGNATIUS

born 1956
B.Sc. (Econ.).
Executive Vice President and CFO, with the Company since April 1, 2000.

- He owns no Sonera shares, holds 25,000 stock options issued in 1999 and 150,000 stock options issued in 2000.

JARI JAAKKOLA

born 1961
B.A.
Executive Vice President of Corporate Communications & IR, with the Company since 1997.

- He owns 5,225 Sonera shares, 40,000 stock options issued in 1999 and 200,000 stock options issued in 2000.

JUHA VARELIUS

born 1963
M.Sc. (Econ.).
Executive Vice President in charge of the Sonera Services and Domestic Mobile Operations business area, and President and CEO of Sonera Zed Ltd. With the Company since 1993.

- He owns 2,638 Sonera shares, 55,000 stock options issued in 1999 and 200,000 stock options issued in 2000. In addition, he holds 218,826 Sonera Zed Ltd stock options.

All share ownership information as per December 31, 2000.

cate the responsibilities for these risks, and plan and implement control mechanisms. The major risks connected with the Group's operations are surveyed systematically and reports on them are submitted to the President and CEO regularly as well as to the Audit Committee at least once a year.

The Internal Audit supports the Company's management in developing internal control and risk management, and it monitors the implementation of internal control and risk management objectives. The Internal Audit reports on its activities to the President and CEO, the Audit Committee and the Board of Directors of Sonera Corporation. The President and CEO and the Audit Committee set policy lines for the practical activities of the Internal Audit, with an emphasis on systematic information produced by risk management, and on ensuring the reliability of external and internal reporting as well as both the observance of the Group's operational instructions and compliance with legal requirements.

According to the Articles of Association, Sonera Corporation must have between one and three auditors, who are elected by the Annual General Meeting. The Company's auditors were Jorma Heikkinen, Authorized Public Accountant, and the firm of authorized public accountants KPMG Wideri Oy Ab, with Solveig Törnroos-Huhtamäki, Authorized Public Accountant, acting as Chief Auditor. KPMG Wideri Oy Ab is responsible for issuing instructions on and coordinating the audit work for the entire Group and furthermore bears responsibility for auditing the Group's subsidiaries in Finland. With certain minor exceptions, the KPMG companies are also responsible for auditing the Group's international subsidiaries. The parent company's auditors submit to the Company's shareholders the statutory Auditors' Reports and also report on their audit observations to the President and CEO, the Audit Committee and the Company's Board of Directors. The statement by the Company's auditors concerning administration is included in the Auditors' Report on page 83.

Compensation and benefits of the Supervisory Board and Board of Directors

The members of the Supervisory Board and the Board of Directors are paid a monthly emolument as well as a fee for attending meetings.

The monthly emolument of the Chairman of the Supervisory Board is FIM 2,700, that of the Vice Chairman FIM 2,000 and that of the other members of the Supervisory Board FIM 1,500. In addition, the members of the Supervisory Board are paid a FIM 1,000 fee for attending meetings.

The monthly emolument of the Chairman of the Board of Directors is FIM 250,000. The Vice Chairman is paid a monthly emolument of FIM 13,000 and the members of the Board of Directors, FIM 10,000. In addition, the members of the Board of Directors are paid a FIM 1,000 fee for attending meetings.

Emoluments are not paid to the members of the Board of Directors other than on the basis of their membership. An exception to this rule is the employee representatives, who have a current employment contract with the Company and receive their normal salaries and wages for work performed as well as other related benefits. The compensation, emoluments and fees paid to the members of the Supervisory Board and the Board of Directors are decided by the Annual General Meeting. The members of the Supervisory Board and the Board of Directors also have a mobile phone benefit.

The Chairman of the Board of Directors has the right to retire at the age of 60 and receive a total pension of 60%, corresponding to the statutory level.

Management's compensation, incentive schemes and other benefits

The salaries, benefits and emoluments of the members of Sonera's Supervisory Board and Board of Directors, President and CEO of the parent company and managing directors of the subsidiaries for the fiscal year ended December 31, 2000, totaled about €4.7 million. The salary paid to the President and CEO as of January 1, 2001, is FIM 270,000 a month and the total monthly salaries of the other members of the Management Group amount to FIM 625,750.

The members of Sonera's Management Group and the other executive officers are employed by Sonera, and their employment contracts set forth the standard employment terms, including salary and termination of employment. In accordance with these employment contracts, the executive officers are paid a basic salary and a perfomance-related bonus according to the executive incentive program. In addition, all the executive officers enjoy certain fringe benefits. The salaries and other compensation of the President and CEO and members of the Management Group are decided by the Board of Directors. The salaries and other benefits of other management are decided "two rungs up".

Three members of the Management Group have the right to retire at the age of 60 and receive a total pension of 60%, corresponding to the statory level. One member of the Management Group has the right to retire at the age of 60 with a 66% total pension.

The 1999 bond loan with warrants concerning the entire personnel, which was approved by the Annual General Meeting, includes a condition with respect to senior management according to which exercise of management's warrants requires that the price trend of Sonera's share exceeds that of the shares of telecommunications companies in a specified comparison group. On January 12, 2001, Sonera's Board of Directors confirmed that the price trend of Sonera Corporation's share had outperformed its comparison group.

Sonera does not have receivables from members of management, nor are members of management or persons closely associated with them involved in essential business dealings with the Company.

ADSL (Asymmetrical Digital Subscriber Line)
A technology for transferring data that uses existing copper wires to provide faster network access to the Internet and other popular multimedia and data services at speeds of up to 2 to 6 Mbps, a transfer speed 50 times faster than ordinary transfer technology.

ASP (Application Service Provider)
A mode of business in which a customer leases the user rights to applications and services, updating, maintenance and construction, in package form, directly from an application service provider.

ATM (Asynchronous Transfer Mode)
A multiplexing and routing technology for high-speed digital communications that permits data, text, voice, video and multimedia signals to be transmitted simultaneously between network access points at speeds of up to 155 Mbps or more.

Bluetooth
A mini-network solution that replaces wires between pieces of equipment, enabling wireless communications devices to interconnect. Bluetooth is based on low-cost short-range radio waves that operate in the 2.4 GHz band and are used in a specified area for communications between one's own portable computer and a mobile phone, for example.

CDMA (Code Division Multiple Access)
Transmission technology utilized in the upcoming third generation UMTS mobile communications systems, where each transmission is sent over multiple frequencies and a unique code is assigned to each data or voice transmission, allowing multiple users to share the same frequency spectrum.

Digital signature
By means of a digital signature, the recipient of a document sent in electronic form can check the origin of the information, i.e. verify its source. Digital signatures furthermore enable one to ensure that the information is complete and unaltered and that the sender of the information cannot deny or repudiate that he or she has sent the document.

EDGE (Enhanced Data rates for Global Evolution)
A so called pre-3G GSM-based technology, which enables data to travel at a maximum speed of 384 kbps.

Fiber optic cable
A transmission medium constructed from extremely pure and consistent glass through which digital signals are transmitted as pulses of light. The advantages of fiber optic cable over copper cable are a greater transmission capacity and a lower level of signal distortion.

GPRS (General Packet Radio Service)
A standard which was created by the European Telecommunications Standardization Institute (ETSI) for GSM-based packet-switched data transfer technology. GPRS enables base stations to be directly connected to the Internet, thus bypassing the switching system typically used to connect mobile traffic to fixed networks

GRX (GPRS Roaming Exchange)
A centralized IP routing network for linking GPRS networks.

GSM (Global System for Mobile Communications)
A mobile communications system that is based on digital transmission and cellular network architecture and enables roaming, for example, in Europe and various Asian countries.

GSM 1800
The standard for mobile communications in the 1800 MHz frequency band.

IP (Internet Protocol)
Protocol used in the Internet for communication among multiple networks.

ISDN (Integrated Services Digital Network)
A transmission system with the capacity to transmit two streams of information, such as speech, text, data or graphics, simultaneously on a single telephone line.

LAN (Local Area Network)
A short distance data transmission network designed to interconnect personal computers, workstations, minicomputers, file servers and other computing devices within a localized environment for the purpose of sharing files, programs and various devices.

NMT (Nordic Mobile Telephone)
An analog mobile communications system that was originally put into use in the Nordic countries.

PKI (Public Key Infrastructure)
A collection of independent security standards, processes and technologies by means of which digital certificates can be created, distributed, managed and used. The digital certificates represent the person's electronic identity and make it possible to use digital signatures in various data networks.

Roaming
The mobile telecommunications feature that permits subscribers of one network to use their mobile handsets and telephone numbers when in a region covered by another operator's network.

SIM (Subscriber Identity Module)
An electronic card inserted into a mobile handset that identifies the subscriber to the network. A SIM contains the personal identification number of the subscriber and identifies the subscriber's network.

TCP/IP protocol (Transmission Control Protocol/Internet Protocol)
A combination of the TCP and IP protocols, enabling Internet-linked devices using different applications to communicate and transfer data seamlessly.

UMTS (Universal Mobile Telephone System)
The third-generation broadband mobile communications standard that employs CDMA technology and has the speed and capacity to handle multimedia transmissions.

VoIP (Voice over IP)
A technology enabling voice transmission in an IP network.

Voice Over Packet
A technology in which speech is chopped into data packets at the transmitting end and the packets are converted into speech at the receiving end. Transmission capacity is needed only during the actual data transfer.

WAP (Wireless Application Protocol)
WAP is a global open standard protocol for service applications provided over wireless networks. WAP provides a technical interface for the delivery of basic Internet services through mobile phones and other wireless devices.

WDM (Wavelength Division Multiplexing)
A method of multiplying the capacity of fiber optic transmission lines by combining wavelengths at the transmitting end and separating them at the receiving end. It enables a number of wavelengths to be packed into a single fiber, each fiber being capable of carrying a 2.5 Gb or 10 Gb capacity.

WLAN (Wireless Local Area Network)
A fast wireless local area network that enables connecting up to a local area network from outside the LAN's operating area.

WLL (Wireless Local Loop)
A wireless local network for a certain fixed user group.

2 Mbps line
A high-speed transmission line that connects the base stations of a mobile phone network to a fixed network.

2G (Second Generation)
The digital second generation of mobile communications.

3G (Third Generation)
The digital third generation of mobile communications.

At least the following banks and securities brokerage houses have analyzed Sonera as a portfolio investment in 2000:

ABG SECURITIES LTD.
tel. +44 20 7905 5600

AKTIA SECURITIES LTD
tel. +358 10 247 5000

ALFRED BERG FINLAND OYJ ABP
tel. +358 9 228 321

ARNHOLD AND S. BLEICHROEDER, INC.
tel. +44 20 7976 2886

AROSMAIZELS EQUITIES OY
tel. +358 9 12 341

CAI CHEVREUX INTERNATIONAL LTD.
tel. +44 20 7621 5100

CAZENOVE & CO.
tel. +44 20 7588 2828

COMMERZBANK AG
tel. +44 20 7653 7811

CONVENTUM SECURITIES LTD
tel. +358 9 549 930

CREDIT LYONNAIS SECURITIES EUROPE
tel. +44 20 7588 4000

CREDIT SUISSE FIRST BOSTON
tel. +44 20 7888 8888

DANSKE SECURITIES
tel. +45 3344 0000

D. CARNEGIE AB, FINLAND BRANCH
tel. +358 9 618 711

DEUTSCHE BANK
tel. +44 20 7545 8000

DRESDNER KLEINWORT BENSON SECURITIES LTD.
tel. +44 20 7623 8000

ENSKILDA SECURITIES AB
tel. +45 3317 7400

ERIK PENSER FONDKOMMISSION AB
tel. +46 8 463 8000

EVLI SECURITIES PLC
tel. +358 9 476 690

FIM SECURITIES LTD
tel. +358 9 613 4600

GOLDMAN SACHS INTERNATIONAL
tel. +44 20 7774 1000

HAGSTRÖMER & QVIBERG
tel. +46 8 696 1700

HANDELSBANKEN MARKETS
tel. +358 10 44 411

INVERCAIXA VALORES SVB, SA
tel. +34 91 557 6900

J.P. MORGAN SECURITIES LTD.
tel. +44 20 7600 2300

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Detail information on the equity research analysts who cover Sonera is available on the Internet at the address: **www.sonera.com/investor**.

Annual General Meeting

The Annual General Meeting of Sonera Corporation will be held on Wednesday, March 21, 2001 at 3.00 p.m. at the Helsinki Fair Center, at the address Messuaukio 1, Helsinki. The deadline for registration to attend the meeting is Friday, March 16, 2001, 4.00 p.m. Shareholders can register either by sending a letter to the address Sonera Corporation, Legal Affairs, P.O. Box 106, FIN-00051 SONERA, by telefax to the number +358 2040 66754, by telephone to the number +358 2040 58487, +358 2040 65510 or +358 2040 69147 from Monday to Friday 10.00 a.m. to 4.00 p.m. Finnish time, or by e-mail via Sonera 's web site at http://www.sonera.com. If the registration is made by mail, telefax or e-mail, the letter, fax or e-mail message shall be received at Sonera prior to the expiration of the registration period. Any proxy by which the proxyholder wishes to exercise his or her voting right at the meeting should be submitted to Sonera Corporation in connection with the registration.

Attendance at the Annual General Meeting is open to shareholders who, by Friday, March 9, 2001, have been entered as shareholders in the Company's Shareholder Register, which is kept by Finnish Central Securities Depository Ltd, and who have registered for the Annual General Meeting no later than on Friday, March 16, 2001.

Dividend

The Board of Directors will propose to the Annual General Meeting the payment of a dividend of €0.09 per share for the 2000 fiscal year. The dividend will be paid to shareholders who on the dividend record date, March 26, 2001, have been entered in the Company's Shareholder Register which is kept by Finnish Central Securities Depository Ltd. The Board of Directors will propose to the Annual General Meeting that the dividend be paid on April 3, 2001.

Changes of address

Shareholders are requested to make notification of changes in their personal particulars and address to the book-entry register in which they have a book-entry account.

Financial reviews

Sonera's Annual Report will be published in English, Finnish and Swedish. The Annual Report can be ordered from Sonera's Corporate Communications, telefax +358 2040 60025, telephone +358 2040 62890. Sonera 's Annual Report is also available on the Internet and it can be ordered via the Internet at www.sonera.com.

In 2001, the Company's interim reports will come out on the following dates:

- Interim Report for January – March: April 25
- Interim Report for January – June: July 23
- Interim Report for January – September: October 22

Sonera will not publish printed interim reports, but interim reports will be available in English, Finnish and Swedish on the Internet at the address www.sonera.com or by telefax at the number +358 2040 60025.

The stock exchange and press releases which the Company publishes are also available on Sonera's Internet pages.

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It should be noted that certain statements herein which are not historical facts, including statements about Sonera 's beliefs and expectations, are forward-looking statements. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties which may cause the actual results to materially differ from the results currently expected by Sonera. Factors that could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements include, but are not limited to (i) the level of demand for telecommunications services, particularly with regard to mobile services and new value-added products, (ii) regulatory developments and changes, (iii) the success of new businesses, many of which involve start-up costs and capital commitments, (iv) the success of international investments, (v) the intensity of competition in the Finnish mobile and fixed network communications market, pricing pressures, the introduction of new products and services by competitors and other industry conditions, and (vi) general economic conditions in Finland and other countries where Sonera's associated companies operate.

Sonera on the Internet:

www.sonera.com

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