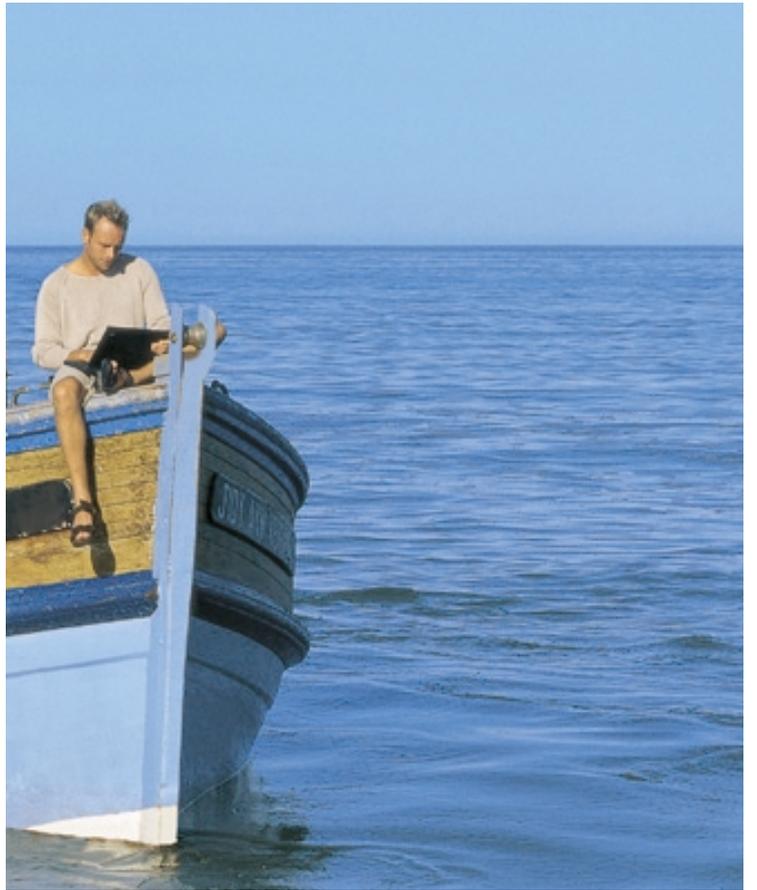


Annual Report 1999





Sonera is an international forerunner in mobile communications and Smart Partner in the development of mobile-based services and applications. By combining its expertise in mobile communications, the Internet and service provision, Sonera seeks to develop into a global communications operator and provider of transaction and content services.

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Sonera in 1999

Profits continue rising

Consolidated profit before extraordinary items and taxes was up 44% on the previous year. A key factor behind the increased earnings was the significantly expanded operations of associated companies. The Group's own revenues rose 14% on 1998.

Mobile communications in Finland gain in diversity

The use of Sonera's mobile subscriptions grew and gained in diversity. The number of text messages sent doubled compared to the figure a year earlier. The number of GSM customers grew by 21% to nearly two million at the close of the year. Sonera retained its over 60% market share in the hotly contested GSM market.

Start-up of global service business

Sonera stepped up its commitment to new services and technologies that are offered by way of a mobile phone. The SmartTrust solution that makes possible secure wireless transactions was rolled out in February. Sonera Zed, a mobile portal that combines the best features of a mobile phone and the Internet and is targeted at selected international markets, was launched in Finland toward the end of the year.

Internet services move ahead

Sonera strengthened its position as Finland's leading provider of Internet services. The number of Sonera Internet subscribers was about 216,000 at the end of the year. During the year the renewed Sonera Plaza became Finland's most popular network media service. In December it had an average of 336,000 different visitors a week. The Internet business was also expanded in the Netherlands.

Turkcell powers ahead, new investments in the United States

Turkey's leading GSM operator, Turkcell, continued its very strong and profitable growth, and had about 5.5 million (2.3) mobile subscribers at the end of the year. Sonera invested heavily in the rapidly evolving and converging GSM market in the United States. Following the planned merger of Aerial, VoiceStream and Omnipoint, Sonera's holding in the nationwide VoiceStream company will be 7.9%. Sonera also acquired a 9.1% interest in Powertel, which operates in the southeastern United States. The number of customers of mobile communications joint ventures more than doubled, totaling over 8 million at the end of the year.

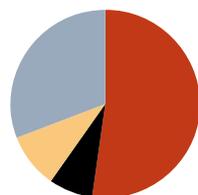
Share offering and listing on Nasdaq

The Finnish State continued expanding Sonera's ownership base through a share offering in the autumn, in connection with which Sonera obtained a listing within the Nasdaq electronic trading system in the United States. Trading in Sonera's ADS shares commenced on October 13. The State's holding in the Company is 57.6% following the transfer in November of the 1998 offering's bonus shares to retail investors who had subscribed for them.

Group key figures

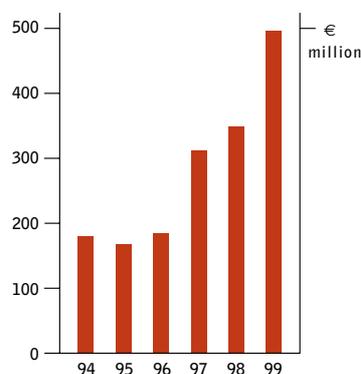
		1999	1998
Revenues	€ million	1,849	1,623
	FIM million	10,991	9,648
Operating profit	€ million	387	289
	FIM million	2,302	1,721
- in relation to revenues	%	21	18
Equity income in associated companies	€ million	110	59
	FIM million	656	351
Profit before extraordinary items and taxes	€ million	497	346
	FIM million	2,956	2,061
- in relation to revenues	%	27	21
Return on capital employed	%	20	19
Return on shareholders' equity	%	23	18
Equity-to-assets ratio	%	51	51
Capital expenditures on fixed assets	€ million	338	351
	FIM million	2,009	2,087
Investments in shares	€ million	410	898
	FIM million	2,438	5,337
Average number of personnel		9,270	8,609
Earnings per share	€	0.51	0.35
	FIM	3.05	2.07
Shareholders' equity per share	€	2.49	1.97
	FIM	14.83	11.72
Average number of shares	in thousands	722,000	720,247

REVENUE BREAKDOWN IN 1999

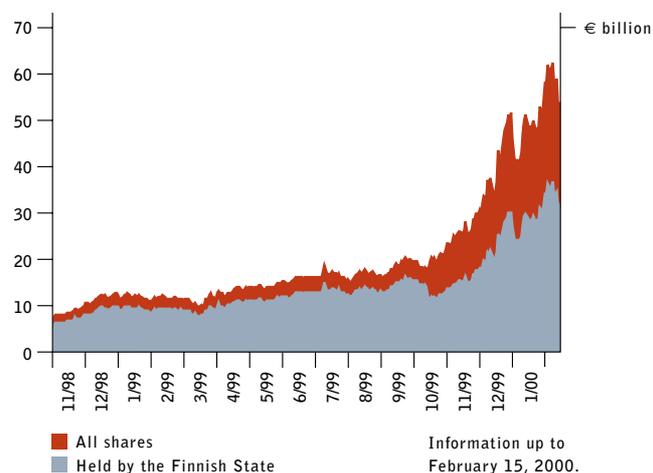


- Mobile Communications
EUR 966 million, 52%
- Media Communications and New
Services EUR 140 million, 8%
- Fixed Network Voice and Data
Services EUR 570 million, 31%
- Equipment Sales and Other
Operations EUR 173 million, 9%

PROFIT BEFORE EXTRAORDINARY
ITEMS AND TAXES



MARKET CAPITALIZATION



Strategic Objectives

International growth within mobile communications

Sonera has made significant investments in international telecommunications companies in growing market areas where the Company can leverage the technical and commercial expertise it has built up through operating in the markets in Finland and other countries.

Strengthen leadership within mobile communications

Sonera intends to strengthen its position by increasing the capacity and speed of its mobile communications network by means of the newest technologies. It is estimated that over the next few years there will be strong demand for broadband mobile services in Finland and elsewhere in the world.

Create new services for mobile phones

Sonera is an international pioneer in offering various information and transaction services to its customers. In 1999, Sonera became the world's first telecommunications company to launch commercial services based on WAP technology and brought out on the market the wireless Sonera Zed mobile portal.

Offer data security for transaction services

Sonera is continuing to develop and commercialize encryption and certification applications that are used in mobile communications networks as well as sophisticated Internet services that are used in mobile and fixed networks. Sonera SmartTrust is developing and offering security techniques and services that make wireless business a reality.

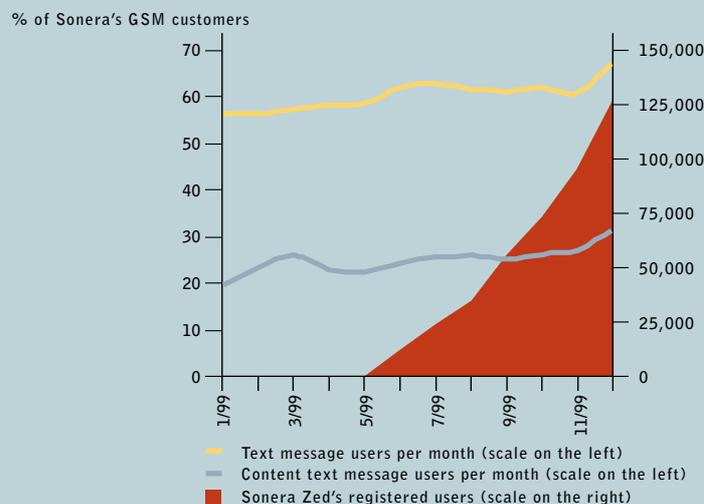
Orient the fixed network toward developed data services

Within fixed network services, Sonera is concentrating on offering its business customers broadband and data transfer solutions based on the newest technologies.

Maintain a strong market position in Finland

Sonera is seeking to maintain its position as Finland's premier provider of mobile and fixed network services. The Company is seeking to obtain new customers and increase the use of its services across different customer groups by offering versatile and tailor-made services.

DEVELOPMENT OF USE OF MOBILE
VALUE-ADDED SERVICES



The New Group Structure

From the beginning of 2000, Sonera's operations were divided into two business areas: Mobile & Media and Telecom. The purpose of the new Group structure is to focus operations more efficiently on the core businesses.

The Mobile & Media business area concentrates on Sonera's fast-growing and globally expanding businesses, i.e. mobile communications and media communications as well as new services and technologies.

The Telecom business area concentrates on business functions having a strong cash flow and stable growth, i.e. fixed network voice and data services together with equipment sales and other operations.

Mobile & Media

The Sonera Mobile Operator business group is responsible for the operation and development of mobile networks and for managing Sonera's IP network architecture. The business group is in charge of mobile communications networks in Finland as well as for the associated companies in the mobile communications field. In addition, the group is responsible for the competence centers connected with mobile communications operations and for Sonera's strategy in the consolidation development that is racing ahead in the mobile communications industry.

The Sonera Services business group is responsible for Sonera's service provider businesses that are targeted at both consumers and corporate customers as well as for the content and transaction service businesses. The business group includes the Sonera Zed subsidiary.

Sonera Enabling Technologies develops business solutions based on technological competence and assets. The business group includes the Sonera SmartTrust subsidiary.

Telecom

The business area's main functions were incorporated as from the beginning of 2000.

Sonera Entrum Ltd is engaged in fixed network access business and offers voice and data services to consumers as well as to small and medium-sized companies in Finland and its nearby areas.

The domain of Sonera Solutions Ltd is the major customer business, and the company markets and sells telecommunications solutions mainly to Finnish companies that operate in the domestic market.

Sonera Carrier Networks Ltd is in charge of the backbone network business and acts as a wholesaler of narrowband and broadband capacity to telecom operators. The core of the company's business is the comprehensive Finnish backbone network which it owns and operates as well as an international network that extends from Moscow via Finland and Europe to New York.

Equipment sales are handled by Telering Ltd. Primatel Ltd, which offers construction and maintenance services, was incorporated on July 1, 1999.

MOBILE & MEDIA	TELECOM
Sonera Mobile Operator	Fixed network access business
Sonera Services	Backbone network business
Sonera Enabling Technologies	Equipment sales
	Construction and maintenance



President's Review

Dear Shareholder,

The telecommunications industry is going through the biggest upheaval in its history. Deregulation and the staking out of international positions by players in the field have led to major mergers and alliances in Europe and the United States, and this will continue to be a characteristic trend. The fundamental concept driving the industry is being reshaped as telecommunications companies forge alliances with content producers and other service providers. Achieving success in the face of these sweeping changes calls for an unbiased search for new ideas and opportunities, and an ability to capitalize on the discontinuities in different areas of business.

Above all, the rapid development in mobile communications is shaping our daily lives and the way we transact business. By creatively melding mobile communications and Internet services, we can offer people the means of handling the widest variety of daily affairs with their mobile phones, independently of time and place. The mobile phone is thus becoming an increasingly personal tool that functions not just as a telephone but as, say, a bank, a key, cash and a source of information and entertainment.

Service business is shaping the industry

Market forecasts indicate that over the next few years the mobile phone will spread to become the most-used communications device around the world. On the other hand, the rapid development of versatile transaction and content services that are offered via a mobile phone is opening up completely new business opportunities. Sonera is further strengthening its focus on the global service business and on enabling technologies. During the report year major projects were introduced and rolled out: Sonera SmartTrust, which makes possible secure wireless transactions and commerce, and Sonera Zed, a mobile portal that is targeted at selected international markets.

In the future, the advantages of large-scale production will also gain in importance in the provision of mobile communi-

cations services, as elsewhere. Sonera takes an open attitude to the various cooperation models which the ongoing structural change is ushering in, enabling companies to increase the size of their clientele and thereby boost the volume of business they do. At the close of the year under review, Sonera had more than two million mobile communications customers in Finland, and nearly ten million via our international joint ventures. We believe that by purposefully expanding our customer base we can further the introduction of sophisticated Sonera-developed services in the international marketplace.

More versatile earnings models

The increasingly versatile use of the mobile phone coupled with the wide variety of transaction and content services are giving birth to completely new earnings models that are not based on the traditional sale of minutes of network capacity that represents a substantial investment. In the area of content services, profits are as a rule generated by transaction-based business. A concerted effort at developing services and offering them to mobile communications operators is an example of the signal opportunities on the horizon.

Sonera wants to develop into a communications operator that offers transaction and content services worldwide. We are extending our international reach further by partnering with other companies and by making the best of the ongoing consolidation in the mobile communications industry. At the same time, we intend to maintain our position of leadership in advancing the state of the art and fostering innovations.

To be successful in the new global service business, we combined our mobile communications and Internet expertise into the Mobile & Media business area as of the start of this year. Mobile & Media will concentrate on mobile communications networks and the services offered over them as well as on Internet services that are offered via various distribution channels worldwide. Concurrently, we brought together our fixed network operations within the new Telecom busi-

ness area, which has established a strong foothold as a telecommunications operator and service provider in Finland and the Baltic Rim.

Know-how builds increased value

Sonera's market capitalization grew strongly during its first year on the stock exchange. In 1999 the share price more than quadrupled on Helsinki Exchanges. Toward the end of the year, interest in our share was increased further when the Finnish State carried out a second share offering, whereby Sonera gained a listing within the Nasdaq electronic trading system. Listing on the stock exchange in the United States opened up an important channel to the challenging investor market in North America and brought the Company new shareholders of considerable stature.

Maintaining and increasing the value of our shareholders' investments is one of our main challenges, which is reflected in Sonera's operations throughout the organization. In the years ahead, our success will hinge to an increasing degree on recruiting and holding on to competent and knowledgeable employees. For example, in deploying our efforts to develop new service businesses, we must be able to take on the world's leading companies in competing for the best experts.

Our focus on becoming a global forerunner within new mobile communications services means that our ownership structure must be expanded further. Sonera must be able to react ever faster within a changing environment in order to develop its competitiveness in the converging world market.

All in all, 1999 was a successful year for us, and our earnings exhibited strong growth. My thanks for this go to all our customers, partners in cooperation and our entire personnel. I wish to warmly thank both our old shareholders and those who joined our ranks during the report year for the confidence they have shown in Sonera – we want to be worthy of it in the years ahead, too.



Aulis Salin

Report of the Board of Directors

The growth in the national economy continued to offer favorable conditions for further growth of the telecommunications industry in Finland. In particular, there was fast growth in the use of mobile and media communications services.

According to Sonera's estimate, the total number of mobile subscriptions in Finland at the end of 1999 was about 3.4 million and the penetration rate was some 65 subscriptions per 100 inhabitants. Because of the already relatively high penetration rate, the growth in the number of subscriptions slowed down compared with the previous year.

Competition within mobile communications services in Finland got even tighter. According to the Company's estimate, Sonera nevertheless kept its share of GSM subscriptions at over 60%. The Company estimates that Sonera's market share measured in terms of revenues is still greater than its share calculated on the number of subscriptions.

In addition to text messages, mobile value-added services also gained in importance during 1999. For example, about 30% of Sonera's GSM customers were using Sonera Zed services in January 2000.

Use of the Internet continued its strong growth, and new services and service providers entered the market. Competition on the market hotted up further, but Sonera estimates that it retained its leading position as a provider of Internet services to corporations and households, with a market share of nearly 40%.

On the fixed network local and long distance voice market, Sonera estimates that its market share remained unchanged. On the international voice market, Sonera's market share in 1999 is estimated to have been about 53% (55%).

Market growth in data communications was again weighted toward interconnection and management services for corporate LANs. Within basic data transfer services, the growth was more moderate. Sonera estimates that its market share is still about half of Finland's data communications market.

In the spring of 1999, Sonera Corporation's Board of Directors sharpened the Group's strategy toward an emphasis on achieving growth within global service operations. Sonera estimates that over the next three years it will spend a total of EUR 500 million on developing new services. As part of the implementation of its strategy, as of January 1, 2000, Sonera has also introduced a new business organization in which the businesses of mobile communications, media communications and new services comprise the new Mobile & Media business area, whereas the fixed network businesses and other operations comprise the Telecom business area.

Revenues

Sonera's revenues grew by 14% in 1999 and were EUR 1,849 million (1,623). The biggest contribution to revenue growth again came from Mobile Communications.

CONSOLIDATED EXTERNAL REVENUES

€ million	1999	1998	Change, %
Mobile Communications	966	799	21
Media Communications and New Services	140	115	22
Fixed Network Voice and Data Services	570	560	2
Equipment Sales and Other Operations	173	149	16
The Group	1,849	1,623	14

The revenues of Sonera's associated companies (an interest of less than 50%) are not included in consolidated revenues. The aggregate revenues of the associated companies doubled compared with the previous year and their total amount EUR 4,077 million was more than twice that of the consolidated revenues of Sonera Corporation and its subsidiaries.

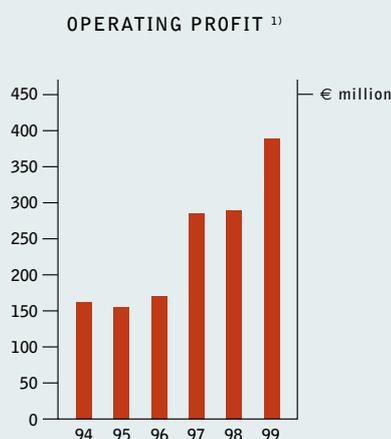
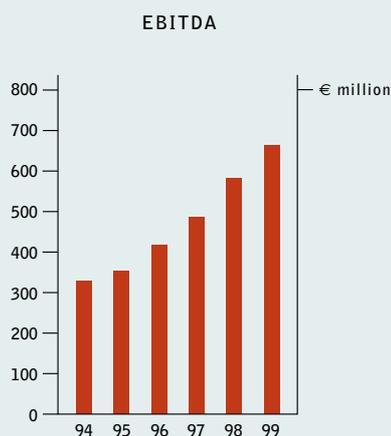
External revenues from *Mobile Communications* were up 21% on the previous year and totaled EUR 966 million (799). The proportion of Mobile Communications in the Group's total revenues rose to 52% (49%). The growth in revenues was attributable above all to the strong increase in the number of GSM customers in the second half of 1998 as well as to the growth in the use of services. The average monthly use of Sonera's mobile subscriptions rose to 130 minutes (116) and the average monthly income was EUR 38.8 (36.5). Value-added services – text messages and content services – accounted for about 8% (about 4.5%) of the annual revenues from Mobile Communications.

The number of GSM subscriptions grew during the year by 21% (55%) and totaled 1,938,644 (1,596,897) at the close of the year. The proportion of Duo dual band subscriptions within sales of GSM subscriptions grew toward the end of the year and was more than 80% of subscriptions sold during the fourth quarter. In December, the share jumped to 90%. The number of NMT subscribers declined by 41% (40%) and was 197,597 (334,987). The total number of all mobile subscriptions grew by 11% and was 2,136,241 (1,931,884) at the end of the year.

External revenues from *Media Communications and New Services* were up 22%, primarily thanks to the growth in Internet services, and totaled EUR 140 million (115). The use of number assistance and various directory services also increased revenues.

The Finnish pages of the Sonera Plaza Internet network media service were visited by an average of about 336,000 different browsers in a single week in December, whereas the corresponding number of visits on the Dutch pages was 38,000.

Total external revenues from *Fixed Network Voice and Data Services* grew by 2% on the figure a year earlier and were EUR 570 million (560). Revenues from domestic voice services declined by 3% on the previous year and totaled EUR 250 million (258). The fall was due to both the new in-



¹⁾ The depreciation method for telecommunications networks was changed in 1997.

terconnection pricing structure that came into effect on May 1, 1999, and to the decrease in the number of long distance minutes as the use of mobile phones grew further. In order to partly offset the negative impact on the profitability of domestic calls as a result of the new interconnection regime, Sonera changed its own pricing from the beginning of July by raising the per-call charge and lowering the time charge.

As the number of household customers in Sonera's traditional territory tailed off, the calculated total number of fixed network subscriptions declined by about 3% and stood at 770,433 equivalent subscriptions at the end of the year (790,668).

The fall in the price level of international calls and the decreased market share lowered revenues from international voice services by 6% to EUR 120 million (128).

Revenues from data services were up 13% to EUR 168 million (149). With the slowdown in the growth of basic data transfer and as development of the market moves ahead, new and more advanced services are not expected to kick in as drivers of revenue growth until a few years out.

Leased line revenues amounted to EUR 32 million (25).

Total external revenues from *Equipment Sales and Other Operations* grew by 16% to EUR 173 million (149). Growth came above all from equipment sales as companies upgraded their equipment and systems on the eve of the new millennium and also thanks to increased leasing sales. Revenues from equipment sales grew by 19% and were EUR 114 million (96).

External revenues generated by construction and maintenance as well as other operations grew somewhat from last year and totaled EUR 59 million (53).

External revenues from the Group's international subsidiaries totaled EUR 53 million (44). Growth came mainly from media communications and data services. Exports from Finland amounted to EUR 29 million (30).

Earnings

Consolidated operating profit for 1999 was EUR 387 million (289), or 21% of revenues (18%). The growth in revenues was also attributable to the fact that in the previous year EUR 37 million of non-recurring write-downs on fixed assets were charged to income. Measured in terms of EBITDA, the relative profitability remained at 36% of revenues. Net of non-recurring items, the comparable EBITDA margin was 35% (36%). Operating expenses rose by a total of 16% compared to the previous year. The expenses of purchases of services and goods increased by 19%, personnel expenses by 10% and other operating expenses by 17% compared to the previous year.

EBITDA

€ million	1999	1998	Change
Mobile Communications	468	361	107
Media Communications and New Services	(47)	21	(68)
Fixed Network Voice and Data Services	200	187	13
Equipment Sales and Other Operations	47	18	29
The Group	668	587	81

OPERATING PROFIT

€ million	1999	1998	Change
Mobile Communications	345	222	123
Media Communications and New Services	(60)	14	(74)
Fixed Network Voice and Data Services	98	63	35
Equipment Sales and Other Operations	4	(10)	14
The Group	387	289	98

Mobile Communications' EBITDA grew by 30%, outpacing revenues thanks to both the larger customer base and higher operational efficiency. The 55% growth in operating profit was also attributable to the EUR 34 million extra depreciation that was booked on fixed assets related to NMT networks in 1998.

EBITDA generated by *Media Communications and New Services* was weakened compared to the previous year by the outlays which Sonera made on building up SmartTrust and Sonera Zed in Finland and abroad. According to the Group's accounting policy, outlays on research, product development and the start-up of new businesses are entered as expenses for the year, and accordingly this resulted in a total weakening of EBITDA by about EUR 70 million compared to the previous year.

The relative profitability of *Fixed Network Voice and Data Services* as measured in terms of the EBITDA margin was roughly at the previous year's level. The decrease in depreciation improved EBITDA compared to the previous year.

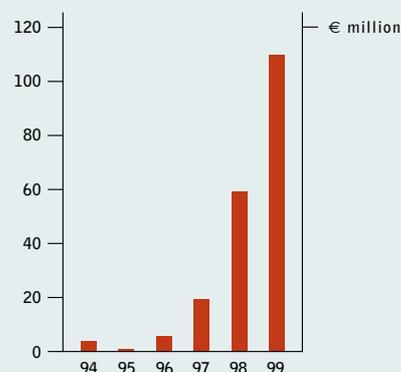
The most significant changes in the profitability figures for *Equipment Sales and Other Operations* were connected with capital gains on the disposal of business operations and shares as well as with other Group-level items which are not allocated to the other business areas.

Equity income in associated companies almost doubled on the previous year and was EUR 110 million (59), especially thanks to the improvement in the net income reported by the Turkish GSM operator Turkcell.

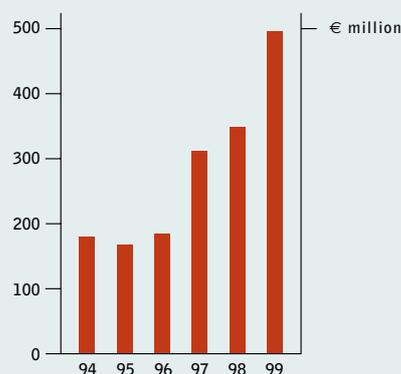
The Group's net financial expenses were less than EUR 1 million (2). Both interest expenses and dividend income grew compared to the previous year.

Profit before extraordinary items and taxes was up 44% to

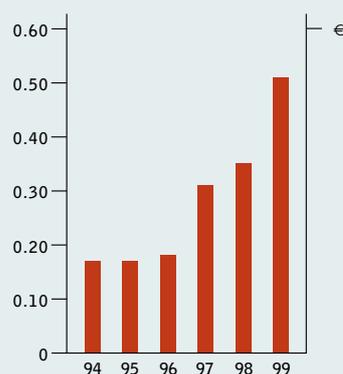
EQUITY INCOME IN ASSOCIATED COMPANIES



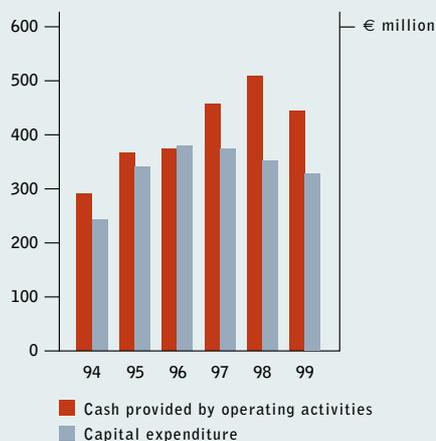
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES



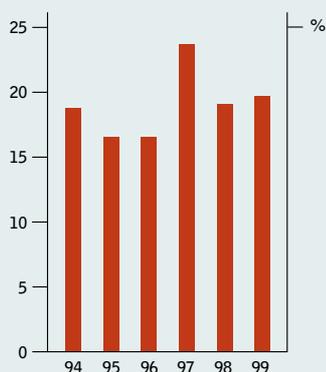
EARNINGS PER SHARE



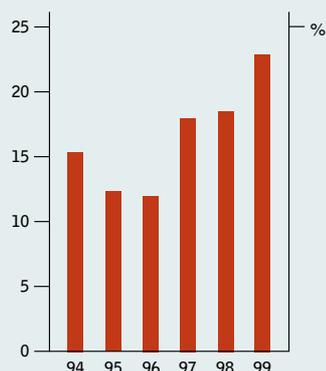
CASH PROVIDED BY OPERATING ACTIVITIES
AND CAPITAL EXPENDITURE



RETURN ON CAPITAL EMPLOYED



RETURN ON SHAREHOLDERS' EQUITY



EUR 497 million (346) thanks to both the improved operating profit figure and larger equity income in associated companies.

Income taxes booked for the fiscal year were EUR 126 million (94) and the Group's effective tax rate was 25% (27%). The lowering in the effective tax rate was due in part to the equity income in associated companies, which does not constitute taxable income in Finland, but for which Sonera books the withholding tax on potential future dividends simultaneously as a charge to income. Finland's corporate tax rate will rise to 29% as of January 1, 2000, and the effect of the growth in imputed deferred taxes is also included in income taxes booked for the 1999 fiscal year.

Earnings per share were up 46% to EUR 0.51 (0.35). Return on capital employed was 19.7% (19.1%) and return on equity was 22.8% (18.4%).

Associated companies and other significant holdings

Total revenues from Sonera's associated companies in the fields of mobile communications and fixed network operations doubled during the year and were approximately EUR 2,970 million (1,446) as a consequence of both Turkcell's growth and new acquisitions of associated companies in 1998. Associated companies that produce other services, such as TietoEnator Corporation, are not included in the revenue figures.

The numbers of customers of the associated companies operating within mobile communications grew further and totaled about 7.3 million (3.6) at the end of the year. The total number of customers of mobile communications companies in which Sonera has a minority holding but which are not associated companies amounted to 0.9 million (0.2) at the end of the year. The total number of customers of associated companies that provide fixed network services was about 2.4 million (2.3) at the end of the year.

The biggest contribution to Sonera's earnings was again made by Turkcell. According to preliminary estimates, Sonera's share of Turkcell's net income was EUR 154 million (82). Turkcell's net income also includes non-recurring expenses recorded when the effects of the earthquake that occurred in August became more evident.

EQUITY INCOME IN ASSOCIATED COMPANIES

€ million	1999	1998	Change
Turkcell Iletisim Hizmetleri A.S.	154	82	72
Aerial Communications, Inc.	(34)	(22)	(12)
Other mobile communications operators	36	12	24
Fixed network operators	27	20	7
Service providers	(11)	(10)	(1)
TietoEnator Corporation	16	10	6
Other associated companies	-	2	(2)
Amortization of goodwill	(78)	(35)	(43)
Total	110	59	51

Toward the end of November the Turkish Parliament confirmed that the country will introduce a temporary tax on mobile subscriptions. This tax will be in effect from December 1, 1999 to December 31, 2000 and it will amount to 25% of the total monthly telephone bill net of value-added tax (VAT). In addition, a non-recurring tax of USD 13 will be levied on subscribers.

The result of Aerial includes USD 115 million in monetary compensation which Aerial received from its parent company for the use of Aerial's loss carryforwards in the parent company's taxation. If the compensation had not been received, Sonera's share of Aerial's losses would have been EUR 54 million. Provided that the ongoing merger of Aerial and VoiceStream Wireless Corporation is implemented, following the merger and an agreed additional investment, Sonera will have a 7.9% holding in the new company, which will not be included as an associated company in Sonera's consolidated earnings.

The other mobile communications and fixed network operators posted a profit for the fiscal year. The two service providers in Germany and the Netherlands were loss-making. The growth in amortization of goodwill, EUR 78 million (35), which is included in equity income in associated companies, is a consequence of the new acquisitions of associated companies that were made in 1998.

Tieto Corporation merged with Enator AB of Sweden at the beginning of July to form TietoEnator Corporation. Sonera will treat its 20.3% interest in TietoEnator as an associated company holding in its consolidated financial statements up until such time as Sonera's holding falls below 20%. Sonera has given a commitment to halve its holding by June 11, 2001.

Financial position

Cash flow from the Group's operations totaled EUR 442 million (508), exceeding the amount spent on capital expenditures on fixed assets and the dividend payout. Cash flow from operations diminished compared to the previous year as a result of both the growth in working capital and the payment of income taxes that were booked in the previous year.

Interest-bearing net debt rose during the year, mainly as a consequence of new equity investments, and at the end of the year net debt was EUR 1,181 million (830). The equity-to-assets ratio at the end of the year was 50.6% (51.5%) and the gearing ratio was 65.1% (57.8%).

Net financial expenses were less than EUR 1 million (2). The figure includes EUR 18 million of dividend income (2) on investments in venture capital funds as well as EUR 3 million (3) from Libancell S.A.L. Net interest expenses rose to EUR 26 million (7) owing to the larger amount of loans. Net income from leasing operations amounted to nearly EUR 5 million (2).

FINANCIAL POSITION AND CHANGES

€ million	1999	1998	Change
Shareholders' equity	1,801	1,424	377
Net debt			
Long-term debt	1,124	788	336
Current debt	172	135	37
- Cash and short-term investments	(115)	(93)	(22)
Total	1,181	830	351
Equity-to-assets ratio, %	50.6	51.5	
Gearing ratio, %	65.1	57.8	
Financial income and expenses			
Dividend income	21	5	16
Net interest expenses	(26)	(7)	(19)
Other financial income and expenses	5	1	4
Exchange gains (losses)	-	(1)	1
Total	-	(2)	2
Cash flows			
Operating activities	442	508	(66)
Investing activities	(771)	(1,126)	355
Financing activities	309	632	(323)
Effect of exchange rates	1	(1)	2
Change in cash and cash equivalents	(19)	13	(32)

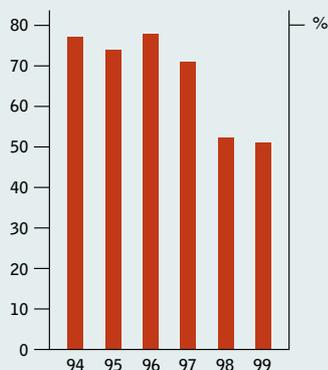
The Group's liquid funds at the close of the year amounted to EUR 115 million (93). In addition, Sonera had available committed credit facilities totaling EUR 885 million (317). Credit facilities include an EUR 600 million 364-day standby facility which was signed in December 1999 and also includes a six-month rollover option.

In May, Sonera agreed on an EUR 500 million international commercial paper program (Euro Commercial Paper), within which Sonera may issue short-term commercial papers with maturities of less than 12 months.

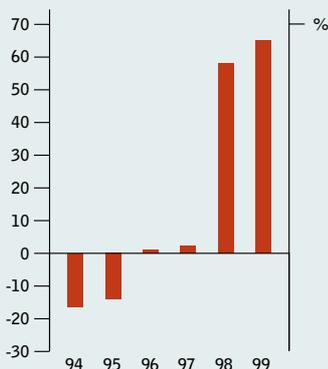
Sonera's long-term funding consisted primarily of the EUR 300 million ten-year bonds which were issued in April and were offered for subscription by international investors within the framework of the EUR 1.0 billion long-term debt issuance program that was signed in March (Euro Medium Term Note). In addition, during the report year Sonera raised long-term bank loans in a total amount of EUR 242 million.

The Group's financing and financial risk management are discussed in greater detail on pages 48-49.

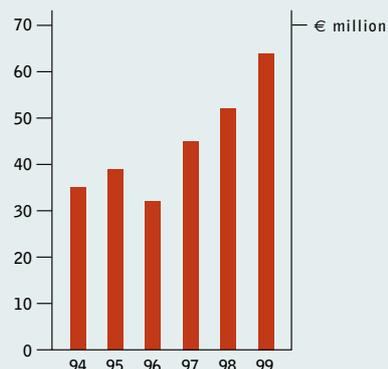
EQUITY-TO-ASSETS RATIO



GEARING RATIO



R&D EXPENDITURE



Capital expenditures on fixed assets

The Group's capital expenditures on fixed assets in 1999 totaled EUR 338 million (351), or 18% of revenues (22%).

CAPITAL EXPENDITURES ON FIXED ASSETS

€ million	1999	1998	Change
Mobile Communications	148	166	(18)
Media Communications and New Services	15	10	5
Fixed Network Voice and Data Services	116	126	(10)
Equipment Sales and Other Operations	59	49	10
The Group	338	351	(13)

Capital expenditures on fixed assets went primarily for building additional capacity for the mobile network and fixed network in order to make possible growth and new services.

The fiber optic cable between St Petersburg and Moscow that was being built jointly by Sonera and local power utilities was completed at the turn of the year, and its commercial exploitation will be started during 2000.

In March, the Finnish Government granted Sonera a license for a third generation national mobile network according to its application. Sonera's network will be based on the UMTS standard, and the Company will utilize its existing mobile networks in building the new network. Investments in the new technology will begin in 2000, and the total investments by Mobile Communications in the GSM, GPRS and UMTS technologies and service systems are estimated to remain at about EUR 180 million at the annual level over the next few years.

Investments and divestitures

Investments in shares totaled EUR 410 million (898).

In January, Sonera purchased a 59% holding in Päämieskauppiat Oy, a joint marketing company of the Päämies chain, which is made up of independent mobile phone resellers.

In February, in connection with the privatization of AS Eesti Telekom, Sonera subscribed for shares in the company for a total of EUR 9 million. In March, Sonera exchanged its holding in AS Eesti Mobiiltelefon and AS Eesti Telefon for shares in Eesti Telekom. Following the privatization and exchange of shares, Sonera owns 24.5% of Eesti Telekom's shares, which are quoted on the Tallinn and London stock exchanges.

In July, Sonera acquired the shares of MultiWeb B.V., a Dutch Internet service provider, at a purchase price of EUR 6 million. The company provides Internet connections via the fixed telephone network and cable TV to nearly 20,000 consumers and corporate customers in northwest Holland. In November, Sonera decided to merge MultiWeb B.V. with its subsidiary Sonera Nederland B.V. on January 1, 2000.

In August, Sonera acquired an over 20% stake in 724 Solutions Inc, paying EUR 23 million for it. On the basis of SmartTrust technology, Sonera intends to team up with 724 Solutions and Citigroup's e-Citi to develop the first global solution for data-secure bank and financing services. In January 2000, the company was listed on the Toronto Stock Exchange and Nasdaq. In connection with the listing, Sonera's holding in the company fell below 20%.

In August, Sonera signed an agreement concerning the purchase of a 9.1% stake in Powertel, Inc. of the United States. The deal went through and the purchase price, EUR 119 million, was paid in September. Powertel is a provider of GSM-based PCS services and it operates in certain areas of the southeastern United States. At the close of the year, Powertel had 546,364 customers. The company had revenues in 1999 of USD 283 million (175) and it reported an operating loss of USD 146 million (a loss of USD 172 million in 1998). Powertel's share is quoted on Nasdaq.

In November, Sonera made a USD 230 million (EUR 218 million) additional investment in Aerial. In 2000, too, Sonera intends to make a USD 500 million additional investment in VoiceStream shares in connection with the merger of Aerial and VoiceStream provided that VoiceStream's ongoing merger with the GSM operator Omnipoint goes through. Following the agreed additional investment and the implementation of the Aerial/VoiceStream merger, Sonera will have a 7.9% holding in VoiceStream.

The holding company arrangement for Turkcell was seen to completion in December. In October, Sonera agreed with Turkcell's other principal shareholder, the Çukurova Group, on the establishment of a joint Turkish holding company which will own a total of 51% of Turkcell. Sonera transferred to the company as an investment in kind 24.02% of Turkcell's shares, whereby Sonera's interest in the holding company is 47.09%. The remainder of 16.98% of Sonera's shares in Turkcell will remain in the ownership of Sonera's Dutch holding company. The arrangement did not require any additional investments by Sonera.

In December, the Finnish Competition Authority approved a deal between Sonera and Talentum Oyj according to which Sonera will acquire 37% of the shares in Talentum's subsidiary WOW-verkkobrandit Oy, a network brand company. Sonera made its investment of about EUR 9 million at the end of December.

In 1999, several smaller investments were made in businesses that are developing new media services, and further investments were made in venture capital funds.

In February, Sonera sold its 50.5% holding in Interinfo Finland Oy and its subsidiaries in the Baltic countries to Telenor Media A/S of Norway. The deal generated a capital gain of nearly EUR 2 million.

In March, Sonera's subsidiary Lippupalvelu Oy acquired the business operations of Suomen Lippuluukku Oy. Concurrently, Sonera's holding in Lippupalvelu Oy declined to about 56%. The capital gain on the deal was minor in amount.

In June, Sonera sold its 4.5% holding in Star Telecom International Holding Ltd of Hong Kong for about EUR 6 million. The deal was made through the Hong Kong Stock Exchange, and a capital gain of EUR 4 million was booked on the transaction.

In September, Sonera sold its 40% holding in Axxon Telecom B.V., to which Sonera had sold its fixed network voice services business in Belgium, the Netherlands and Germany in 1998. The gain from the transaction amounted to EUR 3 million.

In September, Sonera and ICL Data Oy signed a shareholder agreement concerning the establishment of a joint venture (Sonera's stake is 50%) that will offer maintenance services for the telecommunications and information technology field. IsoWorks Oy began operations on October 1, 1999, and about 250 employees transferred to the new company from ICL Data Oy and some 200 transferred from Sonera Systems Ltd.

In December, Sonera sold its Mobicentrex business, which is specialized in telephone exchange services for mobile communications, to the Swedish company Trio AB, which became an associated company of Sonera (21%) as part of the deal. A capital gain of EUR 15 million was booked on the transaction. Trio AB's share is quoted on the Stockholm Stock Exchange.

Group structure

The merger of Sonera Group plc, the parent company of the Sonera Group, and Sonera Ltd, its largest operating subsidiary, was entered in the Trade Register on September 30, 1999. The business name of the merged company is Sonera Corporation in English and Sonera Oyj in Finnish.

Sonera's construction, installation and maintenance services were incorporated on July 1, 1999, to form Primatel Ltd, which offers its services nationwide, also to other operators and network owners.

Sonera incorporated its closed radio network and fixed dedicated network business to form a company named Suomen Erillisverkot Oy, effective October 1, 1999, and it turned its mobile base station business into Unibase Ltd as of November 1, 1999.

As of January 1, 2000, Sonera has introduced a new business organization in which its business is grouped into two main business areas. The areas consisting of mobile communications, media communications and new services (Mobile & Media) will focus on Sonera's growth business. The area comprising fixed network and other operations (Telecom) will concentrate on stable cash-generating businesses.

In November, Sonera Corporation's Board of Directors approved the corporate structure according to the new business organization for the Telecom business area as of January 1, 2000. The fixed network access network business will be incorporated to form Sonera Entrum Ltd and the backbone network business will become Sonera Carrier Networks Ltd. In addition, nearly all of the Sonera Systems Ltd's businesses as

well as Sonera Corporation's business media services will be transferred to Sonera Solutions Ltd. Sonera Systems Ltd's Telering business will be incorporated to form Telering Ltd.

Sonera Corporation's Board of Directors decided in December also to incorporate the SmartTrust digital certification business to form Sonera SmartTrust Ltd and to incorporate the Zed mobile portal business as Sonera Zed Ltd at the beginning of 2000. In addition, Sonera SmartTrust has its own subsidiaries in the United Kingdom, Germany and Hong Kong. Subsidiaries for Sonera Zed will be set up in the United Kingdom and the United States.

After the incorporation of the Telecom business area, the operations of the Group's parent company, Sonera Corporation, consist mainly of mobile communications and media communications.

Second sale of Sonera shares

During the report year, the Finnish Government continued to expand the Company's ownership base through a sale of shares which was arranged in September - October, as a consequence of which the State's holding in Sonera fell from 77.8% to 57.9%. On October 12, 1999, the State set the offer price of the share at EUR 23.75 per share, and the proceeds of the offering brought the State a total of about EUR 3.4 billion. All in all, 143,950,000 shares were sold, of which about 73% went to institutional investors and retail investors outside of Finland and about 27% were allotted to institutional investors and retail investors in Finland. About 50,000 investors participated in the retail offering in Finland, and more than 44,000 of them purchased shares with bonus rights. Investors who participated in the bonus offering will receive in October 2000, from the State without making a separate payment, one additional share for each ten shares which they have purchased and owned without interruption, except for those investors who participated in the employee offering, who will receive three additional shares for every 20 shares they have purchased and owned under the same terms.

In connection with the offering, Sonera applied for quotation of its shares on the Nasdaq National Market in the United States. Trading in the Sonera share on Nasdaq commenced on October 13, 1999.

According to the book-entry register, Sonera had more than 95,000 shareholders at the end of the year. On the basis of an authorization from Parliament, the Finnish Government can lower the State's holding further to a floor of 34%.

More detailed information on Sonera's shareholders and on the trading volume of the shares and share price performance is given on pages 50-52.

Research and development

The global telecommunications market is developing apace, and in the face of ever tougher competition, it is strategically important to channel substantial resources into research and development connected with new services, products, and technologies that make them possible.

Sonera's research and development (R&D) expenditure, including development work on information systems, totaled about EUR 64 million (52) in 1999. During the report year, more than 500 experts and professionals in the industry were engaged in product development activities. The research and development staff further expanded its networking with external partners.

Among Sonera's main development areas for the global market are wireless application environments and agent-based communications solutions, data security for electronic and wireless commerce, global portal services, third-generation mobile communications technologies (UMTS), mobile communications/Internet technologies, multichannel services, service platforms, network and service management environments as well as customer-oriented user interface design.

In addition, Sonera is developing network technologies enabling broadband data traffic and mobile communications traffic and solutions supporting so-called mobile multimedia (MMM) in both product development and research contacts with domestic and international companies.

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

Year 2000 program

Sonera's Year 2000 program progressed according to plans and schedules during 1999. The previously made expense provisions sufficed to carry through the Year 2000 program, and thus no additional costs were incurred in 1999.

During the millennium changeover, Sonera's Y2K group was on hand to ensure stepped up monitoring of the operation of the international telecommunications network, the functionality of telecommunications and IT networks in different countries as well as the smooth flow of traffic in Sonera's mobile and fixed networks. According to the monitoring, the transition to the new millennium went normally and no anomalies were noted in the proper functioning of Sonera's telecommunications traffic and information systems. The monitoring of possible problems will be continued as part of normal business processes.

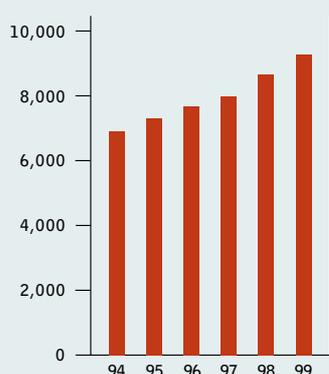
The total costs of the Year 2000 program throughout its entire period are estimated at about EUR 15 million, of which about 86% represented the costs of external experts, 9% was Sonera's own salary costs and 5% went to cover equipment and other expenses.

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 changeover to the euro in accounting will be made by January 1, 2001.

AVERAGE NUMBER OF PERSONNEL



Personnel

The Group's payroll at the end of the fiscal year was 9,512 employees (9,068), of whom 90% (89%) were permanent employees and 10% (11%) were temporary employees. The Group's average payroll during the year was 9,270 employees (8,609). The number of people employed at international subsidiaries was on average 506 employees (507). The increase on the previous year is attributable above all to the growth in mobile communications as well as media communications and new businesses, and to the outlays that were made in pursuing new business opportunities abroad.

AVERAGE NUMBER OF PERSONNEL

	1999	1998	Change
Mobile Communications	1,280	1,114	166
Media Communications and New Services	1,346	555	791
Fixed Network Voice and Data Services	2,442	2,485	(43)
Equipment Sales and Other Operations	4,202	4,455	(253)
The Group	9,270	8,609	661

In April, Sonera's Annual General Meeting passed a resolution on an arrangement for issuing bonds with equity warrants covering the entire personnel. During the subscription period in May, the bonds were subscribed for by a total of 5,326 employees, or about 60% of Sonera's personnel. Sonera Corporation's Board of Directors approved the subscriptions on May 27, 1999. The content and terms of the option scheme are presented under "Shares and Shareholders" on pages 50-52.

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 mem-

bers of the 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 and the Company's President and CEO was Aulis Salin.

The present compositions 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 76-79.

Events after the close of the fiscal year

On January 5, 2000, Sonera announced that it had reached an agreement with the Italian telecommunications operator Tiscali S.p.A concerning the establishment in Italy of a joint venture that will provide directory services. Sonera's investment in the joint venture (Sonera's holding is 50%), which will start operations in the spring, is a maximum of EUR 5 million.

On January 12, 2000, Sonera announced that it was a shareholder (15%) in Xfera Movile S.A., a company which is applying for a third generation mobile communications network license in Spain. The applications will be dealt with by March 15, 2000. The four recipients of a national license will have to pay a one-time license fee of EUR 130 million, in addition to which the licensees will be charged 0.15% of their annual revenues. Sonera is also looking into the possibility of participating in the process of applying for a 3G mobile communications network license in the United Kingdom, where Sonera has the option of participating in a consortium led by Virgin Ltd. The UK will grant a total of five operating licenses on June 22, 2000, on the basis of bids submitted in an auction.

On January 12, 2000, the Finnish Competition Authority (FCA) issued a decision according to which it considers that the pricing of national roaming applied by Sonera does not require any measures by the FCA. In the decision, the FCA expresses the view that a telecommunications operator has several different ways of gaining access to a national telecommunications network, for example, a service provider agreement. The decision was issued on account of a complaint filed by Telia Finland Oy with the FCA in September 1998 requesting the agency to examine whether Sonera and Radiolinja restrict competition on the mobile network markets.

On January 13, 2000, Sonera announced that it was establishing, together with Turkcell and the Çukurova Group, a holding company named Fintur Holding B.V., whose purpose is to develop and own Turkcell's stakes in GSM operators outside of Turkey as well as certain of Turkcell's subsidiaries. Sonera will acquire 35.31% of the shares in the holding company by investing USD 127 million in it. The shareholders estimate that the arrangements will be completed during the first half of 2000.

On January 20, 2000, the Finnish Competition Authority decided to initiate follow-up examination of an acquisition in which Sonera will purchase, in the first stage, a 20% stake and by March 31, 2003, a total 34% holding in Digita Oy, a subsidiary of the Finnish Broadcasting Company. The scruti-

ny of the acquisition will involve ascertaining, among other things, how the two parties' operations on the market will affect the competition situation. The FCA has three months to decide whether it will approve the deal as such, set conditions upon it or propose to the Competition Council that the deal be blocked. The final amount of the total purchase price Sonera will pay (in the range of EUR 37 - 51 million) will be determined on the basis of the free cash flow generated by Digita Oy during 1999 - 2002.

On January 27, 2000, the Finnish Government granted the third national GSM license to Suomen 2 G Oy, which according to the terms and conditions of the license will begin commercial operations by September 1, 2000. The company's shareholders also have a majority holding in Suomen 3 G Oy, which was granted a license, in March 1999, for third generation mobile communications. Suomen 2 G Oy has announced that it will build a nationwide network that will be supported by the Finnet Group's existing GSM 1800 city networks.

Outlook for the future

It is believed that the growth in consolidated revenues in the current year will continue at an annual rate in excess of 10%. In achieving the revenue target for 2000, the growing and diversifying use of mobile communications services will again occupy a crucial position. In 2000, new services are not yet expected to have a significant effect on the growth in consolidated revenues. Strong revenue growth in associated companies is estimated to continue (1999: over 100%).

Over the longer term, reaching a 20% growth target will hinge on the correctly timed and successful implementation of the global service strategy Sonera has chosen as well as on growth via successful acquisitions and other cooperation arrangements. Of central importance in realizing these objectives is Sonera's competitiveness as an employer in Finland and internationally, along with the Company's possibilities of using Sonera's shares as consideration in future acquisitions or other major M&A arrangements. The use of significant numbers of shares will call for the approval of the Company's shareholders, particularly the Finnish State, which is the majority shareholder.

Due to the very large development outlays being made on new services, consolidated operating profit is estimated to be lower in 2000 than it was last year. Thanks to equity income growth in associated companies, profit before extraordinary items and taxes is nevertheless estimated to remain at the level of 1999 in euro terms.

In Finland, competition on the mobile communications market will get tougher both due to new competitors and to the third national GSM license that was granted by the Finnish Government. Sonera nevertheless believes that in the current year it will retain its market share at the present level. In 2000, the relative profitability of *Mobile Communications* is estimated to remain at the previous years' level.

The investments being made in new services will weaken the result of *Media Communications and New Services* significantly in the current year. Sonera estimates that over the

next three years it will spend a total of EUR 500 million on developing new services. The timing of the outlays and their final amount are also dependent on the market situation and the availability of resources.

Revenues from *Fixed Network Voice and Data Services* are expected to grow somewhat in 2000 compared to the previous year, and relative profitability is estimated to be on a par with 1999.

The growth in revenues from *Equipment Sales and Other Operations* is partially seasonal in nature and thus dependent, in equipment sales, for example, on the general trend in the market, whereas its construction and maintenance business depends on the timing of jobs and bringing in new customers. Profitability in the current year is estimated to be at the previous year's level.

The growth in subscriptions achieved by international associated companies that offer mobile communications services is estimated to continue at a fast rate, and it is believed that Sonera's share of the earnings generated by associated companies will grow further. The most significant holding affecting growth in this area in 2000 will again be Turkcell.

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, 1999, the Group's distributable funds totaled EUR 1,292 million and the corresponding amount for the parent company was EUR 1,139 million. Bearing in mind the financing requirements for the substantial additional outlays to be made on new business operations, the Board of Directors is proposing to the Annual General Meeting that a dividend of EUR 0.12 per share, or a total of EUR 86.6 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 23% of the Group's net income for 1999.

Helsinki, Finland
February 14, 2000

Markku Talonen

Liisa Joronen Kalevi Alestalo

Reijo Sulonen Tapio Vaahtokivi

Kari Vilkmán

Aulis Salin
President and CEO

Consolidated Income Statement

€ million	Note	Year ended December 31,	
		1999	1998
Revenues	(19)	1,849	1,623
Other operating income	(2)	45	24
Operating expenses	(3)		
Cost of sold equipment and materials		(142)	(116)
Services bought		(431)	(367)
Personnel expenses		(340)	(309)
Rental expenses		(47)	(40)
Other operating expenses		(266)	(228)
Total operating expenses		(1,226)	(1,060)
Depreciation and amortization	(4)	(281)	(261)
Write-downs on fixed assets	(4)	-	(37)
Operating profit		387	289
Equity income in associated companies	(9)	110	59
Financial income and expenses	(5)	-	(2)
Profit before extraordinary items and taxes		497	346
Income taxes	(6)	(126)	(94)
Minority interest in income		(1)	(1)
Net income		370	251
Earnings per share	(7)	0.51	0.35
Average number of shares (1,000)		722,000	720,247

Consolidated Statement of Cash Flows

€ million	Year ended December 31,	
	1999	1998
Operating activities		
Net income	370	251
Depreciation, amortization and write-downs on fixed assets	281	298
Net gain on disposal of fixed assets and business operations	(24)	-
Equity income in associated companies	(110)	(59)
Dividends received from associated companies	14	9
Deferred taxes	18	18
Other adjustments to cash	(28)	-
Change in working capital, net of acquisitions and disposals		
Increase in inventories	(14)	(7)
Increase in non-interest-bearing receivables	(108)	(43)
Increase in non-interest-bearing liabilities	43	41
Cash provided by operating activities	442	508
Investing activities		
Capital expenditures	(338)	(351)
Acquisitions of subsidiaries, net of cash acquired	(9)	(2)
Investments in associated companies	(266)	(860)
Investments in other shares and holdings	(135)	(36)
Proceeds from sale of fixed assets	7	12
Proceeds from sale of subsidiaries, net of cash disposed	2	-
Proceeds from sale of associated companies	2	3
Proceeds from sale of other shares and holdings	10	-
(Increase) decrease in long-term loans receivable	(1)	4
(Increase) decrease in current loans receivable	(2)	38
(Increase) decrease in short-term investments	(41)	66
Cash used in investing activities	(771)	(1,126)
Financing activities		
Withdrawals of long-term debt	545	617
Repayments of long-term debt	(210)	-
Increase in current debt	35	133
Equity issue	-	14
Dividends paid	(61)	(132)
Cash provided by financing activities	309	632
Effect of exchange rate changes on cash and cash equivalents	1	(1)
Net (decrease) increase in cash and cash equivalents	(19)	13
Cash and cash equivalents at beginning of year	57	44
Cash and cash equivalents at end of year	38	57

Consolidated Balance Sheet

€ million	Note	December 31,	
		1999	1998
ASSETS			
Fixed assets and other long-term investments	(8)		
Intangible assets		69	53
Property, plant and equipment			
Land		17	15
Buildings		114	125
Machinery and equipment		95	70
Telecommunications networks		858	835
Other tangible assets		45	32
Advances paid and construction in progress		30	46
		1,159	1,123
Long-term investments and receivables			
Investments in associated companies	(9)	1,637	1,148
Other shares and holdings	(20)	154	54
Long-term loans receivable		35	29
		1,826	1,231
Total fixed assets and other long-term investments		3,054	2,407
Current assets			
Inventories	(10)	36	22
Receivables			
Trade accounts receivable		335	271
Loans receivable		19	1
Prepaid expenses and accrued income		42	16
Other receivables		8	4
		404	292
Cash and short-term investments			
Short-term investments		77	36
Cash and cash equivalents		38	57
		115	93
Total current assets		555	407
TOTAL ASSETS		3,609	2,814

€ million	Note	December 31,	
		1999	1998
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(11)		
Share capital		310	304
Share premium fund		13	13
Additional paid-in capital		505	511
Retained earnings		603	345
Net income for the year		370	251
		1,801	1,424
Minority interest		14	12
Total shareholders' equity and minority interest		1,815	1,436
Non-current liabilities			
Long-term debt	(12)	1,124	788
Deferred tax liability	(6)	95	76
Other long-term liabilities	(13)	20	15
		1,239	879
Current liabilities			
Current debt	(12)	172	135
Advances received		11	16
Trade accounts payable		194	187
Accrued expenses and prepaid income		172	158
Other current liabilities		6	3
		555	499
Total liabilities		1,794	1,378
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,609	2,814

Notes to the Consolidated Financial Statements

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 services, 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 over 95% percent of its consolidated revenues from sales to customers in Finland. Sonera has also 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 comparative Consolidated Financial Statements for the year ended December 31, 1998 have been prepared by separating the telecommunications related businesses from the audited consolidated financial statements of PT Finland Ltd, and presenting the results of operations, financial position and cash flows of such businesses as if they had formed a separately reporting consolidated group with the same structure as that of Sonera subsequent to the demerger, already during the first six months of 1998. The accompanying consolidated income statement for the year ended December 31, 1998 includes allocations of certain corporate costs and expenses of PT Finland Ltd. Although such costs may not necessarily be indicative of the costs that would have been incurred by Sonera on a stand-alone basis, management believes that the resulting amounts are reasonable. See also Note 15 to the Consolidated Financial Statements.

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 for all periods presented were prepared in Finnish markka ("FIM"), and have been restated into euros using the fixed exchange rate effective as of January 1, 1999 which is EUR 1.00 = FIM 5.94573. The Consolidated Financial Statements for all periods presented depict the same trends as would have been presented if the Group had continued to present consolidated financial statements in FIM. However, the Consolidated Financial Statements of the Group

for periods prior to January 1, 1999 are not comparable to the financial statements of other companies that currently report in euros and that have restated their financial statements from a currency other than FIM.

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 percent 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 10 years.

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 percent of the shares and voting rights. Additionally, Aerial Operating Co., Inc. is treated as an associated company, since Sonera deems to have significant influence in the company due to having two members in the board of directors of the company, a right to participate in the monthly management operations review meetings of Aerial that discuss the results of operations and future plans, and a right to increase its interest in the company to 20 percent, at Sonera's option. Additionally, Sonera has significant influence over the technical operations of Aerial through having four Sonera employees in positions of responsibility at Aerial, of whom one is a member of Aerial's management group and responsible for Aerial's product development activities. 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 10 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.

All receivables and payables on December 31, 1998, which were denominated in currencies of the euro zone were translated into Finnish markka at the fixed exchange rates effective as of January 1, 1999, and the resulting exchange gains and losses were recognized as realized gains and losses for the year ended December 31, 1998.

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 expense 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 that occur 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 interest rate and 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 is not capitalized 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 and goodwill on consolidation	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 the lower of cost or market. 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 percent 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 percent 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.

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 fees (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 EUR 52 million and EUR 64 million for the years ended December 31, 1998 and 1999, 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 10 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. Liability for the additional pension benefits is fully funded. Liability for the statutory pension benefits is also entirely funded, except for the amount to be paid in future years under the Temporary Reduction in Insurance Premiums Act.

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 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.

Personnel expenses

Personnel expenses include all personnel expenses accrued for each year related to the production of services, sales and marketing, research and development, as well as general administration.

Personnel costs attributable to the construction of telecommunications networks have been capitalized as part of the carrying value of network assets.

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 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 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 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 conditions for the payment have been met, 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 production, 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 production 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 about EUR 22 million and EUR 37 million for the years ended December 31, 1998 and 1999, respectively.

Provisions for contingent losses

Provisions are made for identified contingent losses of which the future realization is probable and of which the amount 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, 1998 and 1999.

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 when calculating the maximum amount of distributable funds.

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.

€ million	1999	1998
2. Other operating income		
Gains from sales of business operations and shares		
Mobicentrex business (subsidiary Abacus Solutions Oy)	15	-
Axxon Telecom B.V. (associated company 40%)	3	-
Star Telecom (4.5%) Belgian, Dutch and German voice businesses	4	-
P Plus Communications Limited (associated company 28.5%)	-	1
Other gains from sales of business operations and shares	2	-
Gains from sales of fixed assets	1	1
Fees charged on collection of overdue receivables	11	9
Rental income	3	3
Other items	6	6
Total	45	24

3. Operating expenses and number of personnel

Operating expenses:		
Cost of sold equipment and materials	142	116
Services bought		
Payments for other operators for use of networks	295	227
Payments for other external services (a)	136	140
Total	431	367
Personnel expenses (b)		
Wages and salaries	279	248
Pension expenses	29	30
Other personnel expenses	32	31
Total	340	309
Rental expenses	47	40
Other operating expenses		
Losses from disposition of fixed assets and other long-term investments	1	6
Other operating expenses (c)	265	222
Total	266	228
Total operating expenses	1,226	1,060

(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 EUR 19 million (1998: EUR 17 million). Fees and salaries paid to members of the Supervisory Board, members of the Board of Directors, President and CEO of Sonera Corporation, and Managing Directors and Board members of the subsidiaries totaled EUR 3.1 million (1998: EUR 2.7 million).

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

	1999	1998
Number of personnel:		
Average number of personnel during the period	9,270	8,609
Number of personnel at the end of the period	9,512	9,068
€ million	1999	1998

4. Depreciation, amortization and write-downs

Depreciation and amortization		
Intangible rights	8	6
Goodwill	5	1
Goodwill on consolidation	2	2
Other intangible assets	3	3
Buildings	9	9
Machinery and equipment	34	29
Telecommunications networks	211	206
Other tangible assets	9	5
	<u>281</u>	<u>261</u>
Write-downs		
Buildings	-	3
Telecommunications networks	-	34
	<u>-</u>	<u>37</u>
Total	<u>281</u>	<u>298</u>

As a consequence of a significant reduction in the number of subscribers to Sonera's analog NMT services during the latter part of 1998, a write-down of EUR 34 million on certain assets related to Sonera's NMT networks was recorded for the year ended December 31, 1998.

5. Financial income and expenses

Dividend income	21	5
Interest income		
On long-term loans receivable	4	3
Other interest income	10	9
Other financial income	6	2
Interest expense	(40)	(19)
Other financial expenses	(1)	(1)
Exchange gains (losses)	-	(1)
Total	<u>-</u>	<u>(2)</u>

Dividend income includes dividends received from shareholdings which are not accounted for as subsidiaries or associated companies. Dividend income mainly consists of dividends received from investments in venture capital funds for EUR 18 million (1998: EUR 2 million), and EUR 3 million (1998: EUR 3 million) received from Libancell S.A.L.

6. Income taxes

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

Finland	435	313
Other countries	62	33
Total	<u>497</u>	<u>346</u>

€ million	1999	1998
The components of income taxes are as follows:		
Current tax expense	108	76
Deferred tax expense	18	18
Total	<u>126</u>	<u>94</u>

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

Hypothetical income tax expense at Finnish tax rate	139	97
Non-deductible expenses and tax exempt income	(7)	-
Use of cost provisions and tax loss carryforwards	(1)	(5)
Operating losses outside Finland with no deferred tax benefit recognized	5	7
Difference between Finnish tax rate and deferred tax rate for associated companies	(12)	(5)
Prospective change in Finnish tax rate on January 1, 2000	3	-
Other items	(1)	-
Income tax expense in the income statement	<u>126</u>	<u>94</u>

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

Deferred tax assets		
Tax loss carryforwards	37	15
Less valuation allowance	(29)	(15)
Investments in associated companies	17	17
Accrued expenses	3	1
	<u>28</u>	<u>18</u>
Deferred tax liabilities		
Property, plant and equipment	(80)	(78)
Investments in associated companies	(41)	(15)
Other items	(1)	(1)
	<u>(122)</u>	<u>(94)</u>
Net deferred tax liability	<u>(94)</u>	<u>(76)</u>

Sonera had tax loss carryforwards, mainly attributable to foreign subsidiaries, of 110 million (1998: 47 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. That 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 carryfor-

wards 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 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 dividends 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, 1999, Sonera had retained profits of EUR 17 million (1998: EUR 15 million) in its foreign subsidiaries. The deferred tax liability for the retained profits would have been less than 1 million.

€ million 1999 1998

7. Earnings per share

Earnings per share amounts are calculated as follows:

Net income (in EUR million)	370	251
Average number of shares issued and outstanding (in thousands)	722,000	720,247
Earnings per share (EUR)	0.51	0.35

The number of shares on December 31, 1999 was 722,000,000 (Dec 31, 1998: 722,000,000). 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 723,234 thousand in 1999. The dilutive effect on earnings per share would have been less than EUR 0.01.

According to Finnish GAAP, earnings per share exclude extraordinary items. During the years ended December 31, 1999 and 1998, no extraordinary items were reported.

8. Fixed assets and other long-term investments

Intangible assets consist of the following:

Intangible rights	40	9
Goodwill	1	5
Goodwill on consolidation	11	2
Other intangible assets	17	7
Total	69	3

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

Changes in fixed assets and other long-term investments during 1999:

€ million	Historical cost on January 1, 1999	Capital expenditure and other additions	Disposals and other decreases	Accumulated depreciation on December 31, 1999	Carrying value on December 31, 1999
Intangible rights	44	21	(5)	(20)	40
Goodwill	7	2	-	(8)	1
Goodwill on consolidation	8	11	(3)	(5)	11
Other intangible assets	23	7	(2)	(11)	17
Total intangible assets	82	41	(10)	(44)	69
Land	15	2	-	-	17
Buildings	163	9	(15)	(43)	114
Machinery and equipment	144	63	(14)	(98)	95
Telecommunications networks	1,747	235	(10)	(1,114)	858
Other tangible assets	42	21	(1)	(17)	45
Advances paid and construction in progress	46	21	(37)	-	30
Total property, plant and equipment	2,157	351	(77)	(1,272)	1,159
Investments in associated companies	1,148	492	(3)	-	1,637
Other shares and holdings	54	147	(47)	-	154
Long-term loans receivable	29	7	(1)	-	35
Total long-term investments and receivables	1,231	646	(51)	-	1,826
Total fixed assets and other long-term investments	3,470	1,038	(138)	(1,316)	3,054

Notes to the Consolidated Financial Statements

9. Investments in associated companies

Sonera's major associated companies as of December 31, 1999:

Company name	Percent of ownership	Month of acquisition	Cost of shares € million	Remaining good- will, € million	Carrying value € million
Turkcell Iletisim Hizmetleri A.S.	41.0	January 1995	122	36	381
Aerial Communications, Inc. (a)	19.7	September 1998	397	229	323
Pannon GSM Rt.	23.0	August 1998	71	55	73
Latvijas Mobilais Telefons SIA	24.5	October 1991	-	-	19
UAB Omnitel	27.5	September 1998	78	61	80
North-West GSM A/O	23.5	June 1993	4	-	10
AS Eesti Telekom (b)	24.5	February 1999	19	(1)	49
Lattelekom SIA	44.1	January 1994	221	135	290
AB Lietuvos Telekomas	30.0	July 1998	238	139	231
TietoEnator Corporation (c)	20.3	October 1996	135	59	130
724 Solutions Inc. (d)	20.0	August 1999	23	9	16

(a) Sonera made an additional investment in the company in November 1999, together with the majority owner. Sonera's investment was USD 230 million (EUR 218 million). Sonera's ownership interest has been calculated as if Sonera's shares in Aerial Operating Co., Inc. had been converted into shares in Aerial Communications, Inc.

(b) In connection with the privatization of AS Eesti Telekom, Sonera subscribed shares in the company for EUR 9 million. In March 1999, Sonera exchanged its 24.5% interest in AS Eesti Mobiiltelefon and AS Eesti Telefon into a 24.5% interest in the parent company AS Eesti Telekom.

(c) In July 1999, Sonera's 26.8% interest in Tieto Corporation changed into a 20.3% interest in TietoEnator Corporation, upon the merger of Tieto Corporation with Enator AB. Previously, Sonera also had a 4.99% interest in Enator AB.

(d) Sonera acquired its approximately 20% interest in 724 Solutions Inc. in August 1999.

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.

€ million	1999	1998
Investments in associated companies and the changes therein include the following:		
Investments in associated companies at cost		
Historical cost of shares on January 1	1,088	174
Additions	319	919
Disposals	(7)	(5)
Historical cost of shares on December 31	1,400	1,088
Equity adjustment to investments in associated companies		
Accumulated equity adjustment on January 1	60	31
Translation difference	70	(11)
Dividends received during the year	(14)	(9)
Disposals	11	(3)
Tieto Corporation repurchase and retirement of shares	-	(5)
Other changes	-	(2)
Equity income in associated companies	110	59
Accumulated equity adjustment on December 31	237	60
Carrying value of investments in associated companies on December 31	1,637	1,148

€ million	1999	1998
The following table presents certain summarized financial information for Sonera's associated companies:		
Revenues	4,077	1,845
Operating profit	754	391
Profit before extraordinary items and taxes	501	223
Net income	456	204
Non-current assets	5,148	2,915
Current assets	1,686	1,001
Total assets	6,834	3,916
Shareholders' equity	3,018	1,344
Minority interest	14	-
Non-current liabilities	2,357	1,846
Current liabilities	1,445	726
Sonera's share of net income and shareholders' equity are presented in the consolidated income statement and consolidated balance sheet as follows:		
Sonera's share of net income	188	94
Amortization of goodwill and other eliminations	(78)	(35)
Equity income in associated companies	110	59
Sonera's share of shareholders' equity	913	474
Unamortized goodwill and other eliminations	724	674
Carrying value of investments in associated companies	1,637	1,148

The differences between carrying and fair values of the publicly quoted associated companies are presented in Note 18 to the Consolidated Financial Statements.

€ million

10. Inventories

	1999	1998
Equipment and materials	35	21
Other inventories	1	1
Total	36	22

11. Shareholders' equity

Changes in shareholders' equity for the years ended December 31, 1999 and 1998:

€ million	Share capital	Share premium fund	Additional paid-in capital	Accumulated currency translation adjustment	Retained earnings	Total
January 1, 1998	303	-	511	2	496	1,312
Equity issue to employees	1	13	-	-	-	14
Dividends paid	-	-	-	-	(132)	(132)
Currency translation adjustment	-	-	-	(14)	-	(14)
Tieto Corporation repurchase and retirement of shares	-	-	-	-	(5)	(5)
Other changes	-	-	-	-	(2)	(2)
Net income for the year	-	-	-	-	251	251
December 31, 1998	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	310	13	505	55	918	1,801

Share capital and share premium fund

After the demerger on July 1, 1998, the Company had a total of 180,000,000 shares issued and outstanding, nominal value of FIM 10 each. Two consecutive share splits were carried out in July and September 1998, after which the Company had a total of 720,000,000 shares issued and outstanding, nominal value of FIM 2.50 each (approximately EUR 0.42 each).

In the employee offering carried out in November 1998, the Company issued 2,000,000 new shares for a price of FIM 40.50 (EUR 6.81) each. The price of shares issued to the employees was equal to 90 percent of the price at which the Finnish State at the same time sold part of its shares to other investors. New shares were registered on November 17, 1998. FIM 5 million (EUR 0.8 million) of the proceeds from the offering were recorded as share capital and FIM 76 million (EUR 12.8 million) were recorded to the share premium fund.

In January 1999, share capital was redenominated in euro and the nominal value of shares was abolished. In May 1999, 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 EUR 310,460,000.

Under the Company's Articles of Association, the Company's authorized share capital may not be less than EUR 309.6 million or more than EUR 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 Association.

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

Dividend payment in 1998 represents Sonera's share of the cash dividend paid by PT Finland Ltd. The total cash dividend paid by PT Finland Ltd to the Finnish State in 1998 was EUR 185 million. As of January 1, 2000, Sonera will declare and pay dividends in euros. Past dividends have been declared and paid in Finnish markka.

Notes to the Consolidated Financial Statements

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	1999	1998
Retained earnings	973	596
Less untaxed reserves in retained earnings	(185)	(186)
Other undistributable retained earnings	(1)	-
Distributable retained earnings	788	410
Additional paid-in capital	505	511
Total distributable funds	1,292	921

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 were EUR 1,139 million (1998: EUR 674 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	1999	1998
Accelerated tax depreciation		
Intangible rights	5	4
Other long-term expenses	2	1
Buildings	15	14
Machinery and equipment	5	9
Telecommunications networks	226	226
Other tangible assets	8	5
Total accelerated tax depreciation	261	259
Deferred tax liability on untaxed reserves	(76)	(73)
Untaxed reserves included in retained earnings	185	186

12. Long-term and current debt

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

Loans from financial institutions	822	771
Euro Medium Term Note	300	-
Employee bond loan with warrants	2	-
Pension loans	-	17
Total	1,124	788

Maturities of long-term debt on December 31, 1999:

€ million	Loans from financial institutions	Euro Medium Term Note	Employee bond loan with warrants	Total
Due in 2000	-	-	-	-
2001	102	-	2	104
2002	2	-	-	2
2003	219	-	-	219
2004	183	-	-	183
Due thereafter	316	300	-	616
Total	822	300	2	1,124

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

Long-term loans from financial institutions

€ million	1999	1998
Due in 2001; EUR 100 million syndicated term loan; variable interest rate based on LIBOR, 3.26% on December 31, 1999 (1998: 3.46%)	100	100
Due in 2003; EUR 50 million term loan; variable interest rate based on Euribor, 3.27% on December 31, 1999 (1998: 3.62%)	50	50
Due in semiannual installments in 2002-2004; DEM 300 million (EUR 153 million) syndicated revolving credit facility; variable interest rate based on LIBOR, (1998: 3.80%)	-	153
Due in semiannual installments in 2003-2005; DEM 1,000 million (EUR 511 million) syndicated revolving credit facility; variable interest rate based on LIBOR, 3.49% on December 31, 1999 (1998: 3.74%)	380	419
Due in 2008; EUR 44 million term loan; variable interest rate based on LIBOR, 3.70% on December 31, 1999 (1998: 3.80%)	44	44
Due in 2008; EUR 42 million term loan; variable interest rate based on Euribor, 3.70% on December 31, 1999	42	-
Due in semiannual installments in 2003-2009; EUR 200 million term loan; variable interest rate based on EIB reference rate, 3.31% on December 31, 1999	200	-
Due in varying amounts through 2003; subsidiary's USD 5 million bank loan; variable interest rate based on LIBOR, 6.49% on December 31, 1999 (1998: 5.41%)	5	4
Other long-term loans from financial institutions drawn down by subsidiaries	1	1
Total	822	771

Interest rates presented in the above table do not include any effects from 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.

Other long-term loans

In April 1999, Sonera issued a EUR 300 million Note that was offered to international investors under the EUR 1.0 billion Euro Medium Term Note program established in March 1999. The Note has a maturity of 10 years and a coupon interest of 4.625%. The issue price of the Note was 99.272%.

The bond part in employee bond loan with warrants is equal to FIM 500 (EUR 84.09) for each 500 warrants. The bond carries no interest and will be repaid on June 1, 2001. The terms of the warrant plan are presented under "Shares and Shareholders" on pages 50-52.

In May 1999, Sonera repaid its EUR 17 million pension loan from the PT Pension Fund that was drawn down in 1997. The loan was originally due in 2002, and carried a fixed interest of 5.5%.

Current debt

Current debt includes EUR 71 million borrowings under the domestic commercial paper programs (1998: EUR 17 million) and EUR 100 million under the Euro Commercial Paper program (1998:-). Other current debt was EUR 1 million (1998: EUR 118 million under a USD 400 million short-term revolving credit facility).

When the hedging effects are included, the average interest rate of current debt was 3.4% on December 31, 1999 (1998: 3.4%).

To secure its liquidity, Sonera has also signed in December 1999 a EUR 600 million 364-day standby facility that includes a six-month rollover option.

€ million	1999	1998
13. Other long-term liabilities		
Advances received	11	9
Provision for year 2000 costs	-	4
Other long-term liabilities	9	2
Total	<u>20</u>	<u>15</u>

Advances received relate to a cross-border finance lease-leaseback agreement entered into in December 1998. At the inception of the lease agreements, Sonera received a net cash consideration of USD 11 million (EUR 9 million) which will be recognized in income over the term of the lease agreements. See also Note 16 to the Consolidated Financial Statements.

€ million

1999

1998

14. Supplemental cash flow information

Acquisitions of subsidiaries:		
Non-cash assets acquired	12	3
Liabilities assumed	(3)	(1)
Cash paid, net of cash acquired	<u>9</u>	<u>2</u>
Disposals of subsidiaries:		
Non-cash assets disposed of	1	-
Less liabilities disposed of	(2)	-
Net non-cash liabilities sold	<u>(1)</u>	<u>-</u>
Gain on sale	3	-
Cash received from sale, net of cash disposed	<u>2</u>	<u>-</u>
Cash paid for interest and income taxes:		
Interest paid	29	19
Taxes paid	140	53

15. Related party transactions

Sonera has entered into technical assistance agreements with most of its associated companies, under which 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:

Long-term loans receivable	11	1
Current loans receivable	9	-
Trade accounts receivable	13	10
Prepaid expenses and accrued income	1	-
Other long-term liabilities	4	-
Advances received	1	-
Trade accounts payable	17	12
Accrued expenses and prepaid income	1	-
Other short-term liabilities	2	-
Fees charged from associated companies	28	24
Payments made for the services provided by associated companies	72	58

Services bought from the associated companies mainly consist of Sonera's purchases of TietoEnator Corporation's information technology services, and purchases of installation and maintenance services from Transmast Ltd.

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 with the same size and location.

Up to June 30, 1998, Sonera had a common parent company with Finland Post Ltd. The transactions with Finland Post Ltd only included normal sales of Sonera's services to Finland Post, and purchases of postal and related services from Finland Post Ltd. All of these transactions were made on an arm's length basis and on commercial terms used in the ordinary course of Sonera's business.

All of the corporate costs and expenses of PT Finland Ltd were allocated to either Sonera or Finland Post Ltd based upon each of these entities' usage of such corporate services. Accordingly, the accompanying consolidated income statements include allocations of Sonera's share of these corporate costs and expenses up to June 30, 1998. Although such costs may not necessarily be indicative of the costs that would have been incurred by Sonera on a stand-alone basis, management believes that the resulting amounts are reasonable and that the amounts would not have been materially different, had Sonera been an independent entity prior to July 1, 1998. The allocations were primarily related to administrative and treasury functions and amounted to EUR 6 million for the six months ended June 30, 1998.

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

€ million	1999	1998
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16. Commitments and contingent liabilities

Mortgages to secure own borrowings	-	17
Assets pledged		
To secure own commitments	5	5
To secure borrowings of associated companies (a)	184	131
Guarantees on behalf of associated companies		
For financing	103	118
For other commitments	-	2
Cross-border lease commitment (b)	208	182
Commitment to acquire shares (c)	20	17
Repurchase commitments	-	1

(a) Carrying values of the pledged shares in associated companies. The maximum liability according to the loan amounts secured totals EUR 341 million (1998: EUR 244 million).

(b) 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 EUR 128 million on December 31, 1999 (1998: EUR 151 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 USD 11 million (EUR 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. Sonera's commitment towards the lessors under the Back Lease is restricted to the case of bankruptcy of an intermediate financial institution taking care of the future lease payments to the lessors, or to the default of U.S. Treasury and other similar bonds in which a part of the lease payments has been invested.

(c) In August 1998, Sonera issued a put option to Tele Danmark A/S, under which Sonera has the obligation to acquire an additional 1.9

percent interest in Pannon GSM Rt., between December 1999 and June 2000, for a purchase price of USD 20 million.

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, 1999 were as follows:

€ million	
Due in 2000	55
2001	35
2002	26
2003	14
2004	9
Thereafter	34
Total	173

17. Disputes and administrative proceedings

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

On September 23, 1998, Telia Finland Oy filed a complaint with the Finnish Competition Authority (FCA) against Sonera and Radiolinja. 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. The FCA is of the opinion that a telecommunications operator has several different ways of gaining access to a national telecommunications network, e.g. a service provider agreement. In its decision, the FCA further states that Sonera does not, either alone or together with Radiolinja, have a dominant market position in the access markets of national mobile networks. The decision of the FCA can be appealed from within one month of the issuance of the decision.

On April 16, 1999, Telia Finland filed a complaint with the European Commission (DG IV) claiming that Sonera and Radiolinja had abused their dominant positions in the mobile market in Finland by interfering with *Telia Finland's service provider agreement with Swisscom AG*. 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.

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 claims that Sonera should provide termination of calls to its mobile networks for incoming traffic

from all telecommunications networks. According to the interconnection decision issued by the Ministry of Transport and Communications in the spring of 1999, termination of calls to a mobile network does not have to be priced separately for incoming traffic from a local telecommunications network. In addition, Telia Finland claimed that the termination fees charged by Sonera are not reasonably related to actual costs and that the fees are thus contrary to Section 16 of the interconnection decision issued by the Ministry of Transport and Communications. During 1999, Sonera submitted a number of statements to the TAC on the issue. The complaint is 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.

On December 10, 1998, Saunalahden Serveri Oy filed a complaint with the FCA against Sonera, Helsinki Telephone Corporation and Tampere Telephone Plc. In its complaint, Saunalahden Serveri maintains that Sonera is in violation of Finnish competition law and is restricting free competition in the *Internet services* market. On October 8, 1999, the FCA issued a decision in the case, maintaining that the pricing and marketing activities related to the Internet services provided by the parties concerned are not in violation of competition law. The FCA also stated that the competition in the Internet services market is sound and effective, and that new service providers have tended to enter the local markets.

Sonera has a 20.3% holding in *TietoEnator Corporation*, one of the leading IT services providers in the Nordic countries. A condition was laid down by the FCA for the merger of

Tieto Corporation and Enator AB. The FCA requires that Sonera sell half of its holding in TietoEnator by June 11, 2001. In addition, Sonera undertook to give up one of its two seats on TietoEnator's Board of Directors at the next Annual General Meeting.

On December 21, 1999, the FCA gave its conditional approval for the deal by which Sonera purchased a 37% holding in *WOW-verkkobrandit Oy*, a subsidiary of Talentum Oyj. The FCA was informed of the acquisition on September 14, 1999, and the matter was transferred to stage two proceedings on October 13, 1999. In order to remove any problems related to competition, the parties presented certain commitments ensuring that Sonera will treat the joint venture and its competitors equally in the acquisition and distribution of network content and that Sonera will not leverage its know-how solely in the joint venture. Furthermore, the parties undertook to remove certain monopoly arrangements from their company acquisition agreements.

On January 20, 2000, the FCA decided to initiate continued proceedings related to the deal by which Sonera will acquire initially a 20% holding and by March 31, 2003 altogether a 34% holding in *Digita Oy*, a subsidiary of the Finnish Broadcasting Company. The aim of the continued proceedings is to examine, among other things, how the operations of the parties in the market affect the competition situation. The FCA has three months to decide whether it will approve the acquisition as such, set certain conditions for the deal, or recommend to the Competition Council that the deal be blocked.

18. Fair values of financial instruments

The following table presents the carrying values and fair values for financial instruments, using share prices and exchange and interest rates current at 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.

€ million	As of December 31, 1999		As of December 31, 1998	
	Carrying value	Fair value	Carrying value	Fair value
<i>Investments and loans:</i>				
Shares and holdings				
Aerial Communications, Inc.	323	791	153	70
TietoEnator Corporation	130	893	96	558
Powertel, Inc.	119	250	-	-
AS Eesti Telekom	46	231	-	-
Trio AB	16	25	-	-
Other shares and holdings	1,157	1,161	953	954
Loans receivable	54	61	30	32
Cash and short-term investments	115	115	93	93
Long-term debt	1,124	1,127	788	793
Current debt	172	172	135	135

Sonera's ownership interest in Aerial Communications, Inc. has been calculated as if Sonera's shares in Aerial Operating Co., Inc. had been converted into shares in Aerial Communications, Inc. Fair values of the publicly quoted shares are based on December 31 closing prices. For other equity investments, 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.

Notes to the Consolidated Financial Statements

€ million	As of December 31, 1999				As of December 31, 1998			
	Contract amount	Carrying value	Fair value	Average maturity (months)	Contract amount	Carrying value	Fair value	Average maturity (months)
<i>Derivative financial instruments</i>								
Forward selling of foreign exchange								
USD	43	(2)	(2)	2	39	-	(2)	2
SEK	19	-	-	5	1	-	-	-
HKD	-	-	-	-	13	-	-	-
Other currencies	-	-	-	-	1	-	-	-
Forward buying of foreign exchange								
USD	61	3	2	2	-	-	-	-
DEM	-	-	-	-	576	-	-	-
ECU	-	-	-	-	194	(1)	-	-
Currency swaps - sell								
SEK	-	-	-	-	2	-	-	1
Interest rate swaps								
Euribor	604	7	(15)	69	244	-	(3)	32
Purchased interest rate options								
Cap options, Euribor	120	1	3	38	-	-	-	-

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 accounts receivable and loans receivable in foreign currencies, and the maturities of these derivative financial instruments ranged from 2 to 5 months as of December 31, 1999 (1998: from 0 to 2 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.

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 accounts payable in foreign currencies. The maturities of these derivative instruments were 2 months as of December 31, 1999 and were less than one month as of December 31, 1998. Forward buying of ECU and German mark related to the hedging of long-term loans drawn down in ECU and German mark during 1999 and 1998. 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 (cap) relate to the hedging of interest rate risk in respect of Sonera's long-term borrowings.

Interest rate swaps as of December 31, 1999 consisted of 15 contracts with an average maturity of 69 months (ranging from 7 to 113 months). Swaps hedging the long-term loan portfolio totaled EUR 304 million, where Sonera pays a fixed interest rate of 4.07% and receives variable interest rate based on Euribor (3.22% on December 31, 1999). Additionally, Sonera has swapped its EUR 300 million fixed rate Note (coupon interest 4.625%) into variable interest rate with contracts where Sonera receives a fixed interest rate of 4.625% and pays variable interest rate based on Euribor (3.69% on December 31, 1999). 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 EUR 120 million as of December 31, 1999 consisted of 5 contracts with an average maturity of 38 months. The average cap of the options was 4.63% and their reference rates were based on the 3 or 6 month Euribor rate. 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 telecommunications services in Turkey, the United States, Hungary, the Baltic States, Russia and Lebanon; in providers of fixed line services in the Baltic States; and in TietoEnator Corporation, an information technology supplier in Finland.

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 to evaluate segment performance and to make decisions 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 presented separately for Sonera's business segments for the years ended December 31, 1999 and 1998:

€ million	1999							Consolidated
	Mobile Communications	Media Communications and New Services	Fixed Network Voice and Data Services	Equipment Sales and Other Operations	International and Other Significant Investments	Eliminations		
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 and minority interest							<u>497</u>	
Segment assets (a)	499	28	483	218	1,791	-	3,019	
Capital expenditures and investments in shares	148	15	116	59	410	-	748	
Depreciation, amortization and write-downs	123	13	102	43	-	-	281	
€ million	1998							Consolidated
Sales to external customers	799	115	560	149	-	-	1,623	
Intra-Group sales	29	12	142	195	-	(378)	-	
Total revenues	828	127	702	344	-	(378)	1,623	
Operating profit	222	14	63	(10)	-	-	289	
Equity income in associated companies	-	-	-	-	59	-	59	
Unallocated amounts:								
Financial income and expenses, net							(2)	
Consolidated profit before income taxes and minority interest							<u>346</u>	
Segment assets (a)	482	27	457	210	1,202	-	2,378	
Capital expenditures and investments in shares	166	6	126	53	898	-	1,249	
Depreciation, amortization and write-downs	139	7	124	28	-	-	298	

a) Segment assets include property, plant and equipment 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.

Notes to the Consolidated Financial Statements

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

€ million	1999	1998
Total assets for reportable segments	3,019	2,378
Long-term loans receivable	35	29
Inventories	36	22
Receivables	404	292
Cash and short-term investments	115	93
Consolidated total assets	<u>3,609</u>	<u>2,814</u>

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

€ million	1999	1998
Sales to customers in Finland	1,766	1,549
Sales to customers outside Finland	83	74
Total	<u>1,849</u>	<u>1,623</u>

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

	1999	1998
Finland	1,138	1,102
Outside Finland	21	21
Total	<u>1,159</u>	<u>1,123</u>

20. Subsidiaries, associated companies and other shareholdings

Group companies on December 31, 1999:

		Domicile	Parent company shareholding %	Group shareholding %	1999 revenues € million	Number of personnel as of Dec 31, 1999
<i>Parent Company:</i>						
Sonera Corporation	(a)	Helsinki, Finland			1,667.6	5,463
<i>Subsidiaries:</i>						
Advanced Communication Research ACR Oy		Helsinki, Finland	-	57.5	-	-
Dash Oy	(b)	Helsinki, Finland	100.0	100.0	-	-
Data-Info Oy		Helsinki, Finland	-	100.0	4.4	6
EMCEC Oy		Helsinki, Finland	100.0	100.0	1.8	32
Esdata A/S		Tallinn, Estonia	-	70.0	1.0	10
Geddeholm CallCenter AB		Stockholm, Sweden	-	91.0	2.4	89
Gesam Oy		Helsinki, Finland	100.0	100.0	-	-
Helsingin Teollisuuskatu 13 Oy		Helsinki, Finland	100.0	100.0	3.1	-
Oy Infonet Finland Ltd		Helsinki, Finland	90.0	90.0	11.4	19
Intellitel Communications Oy		Helsinki, Finland	78.9	78.9	0.3	30
International Business Venturing IBV Oy		Helsinki, Finland	-	57.5	-	-
Lippupalvelu Oy	(c)	Helsinki, Finland	55.6	55.6	2.0	40
Mobinetti Oy		Helsinki, Finland	100.0	100.0	-	-
MultiWeb B.V.	(d)	Alkmaar, Netherlands	100.0	100.0	2.3	89
Payway Oy		Helsinki, Finland	67.0	67.0	-	2
Kiinteistö Oy Pietarsaaren Isokatu 8		Pietarsaari, Finland	60.2	60.2	-	-
Phone Park Ab	(d)	Stockholm, Sweden	-	67.0	-	-
Primatel Ltd	(b)	Kuopio, Finland	100.0	100.0	96.0	1,918
Päämies-kauppiat Oy	(d)	Helsinki, Finland	59.4	59.4	2.3	3
Reveko Telekom AS		Tallinn, Estonia	-	55.0	1.3	21
Kiinteistö Oy Saajomaja		Helsinki, Finland	100.0	100.0	-	-
Simfocom Oy	(b)	Helsinki, Finland	100.0	100.0	-	-
SmartRing GmbH		Erfurt, Germany	100.0	100.0	0.4	38
SmartTrust GmbH		Sankt Augustin, Germany	100.0	100.0	-	18
Smartum Oy	(b)	Helsinki, Finland	100.0	100.0	-	-
Sonera Belgium n.v./s.a.		Brussels, Belgium	100.0	100.0	1.2	7
Sonera Carrier Networks Ltd	(b)	Helsinki, Finland	100.0	100.0	-	-
Sonera Corporation U.S.		Wilmington, DE, USA	100.0	100.0	2.0	20
Sonera Credit Ltd	(e)	Helsinki, Finland	100.0	100.0	50.1	12
Sonera Deutschland GmbH		Düsseldorf, Germany	100.0	100.0	2.8	25
Sonera Entrum Ltd	(b)	Helsinki, Finland	100.0	100.0	-	-
Sonera France SAS	(b)	Paris, France	100.0	100.0	-	-
Sonera Holding B.V.		Amsterdam, Netherlands	65.0	100.0	-	3
Sonera Hungary Kft.		Budapest, Hungary	-	100.0	-	-
Sonera Innotele Oy		Helsinki, Finland	100.0	100.0	50.0	43
Sonera International n.v./s.a.		Brussels, Belgium	100.0	100.0	6.8	31
Sonera Nederland B.V.		Capelle a/d IJssel, Netherlands	-	100.0	1.8	52
ZAO Sonera Rus		St. Petersburg, Russia	100.0	100.0	9.2	54
Sonera SmartTrust Ltd.	(b)	Windsor, United Kingdom	100.0	100.0	-	16
Sonera SmartTrust Ltd. (Hong Kong)	(f)	Hong Kong	100.0	100.0	-	3
Sonera SmartTrust Ltd	(b)	Helsinki, Finland	100.0	100.0	-	-

Group companies on December 31, 1999 (continued):

	Domicile	Parent company shareholding %	Group shareholding %	1999 revenues € million	Number of personnel as of Dec 31, 1999
Sonera Solutions Ltd	Helsinki, Finland	100.0	100.0	303.9	845
Sonera Sverige AB	Stockholm, Sweden	100.0	100.0	34.1	154
Sonera Systems Ltd	Helsinki, Finland	100.0	100.0	131.6	381
Sonera Systems SIA	Riga, Latvia	-	100.0	0.9	4
Sonera Telecommunication Services Ltd Sirketi	Istanbul, Turkey	100.0	100.0	1.7	6
Sonera UK Limited	(b) Middlesex, United Kingdom	100.0	100.0	0.3	14
Sonera Zed Ltd	(b) Helsinki, Finland	100.0	100.0	-	-
Sonic Duo ZAO	(b) Moscow, Russia	100.0	100.0	-	-
Suomen Erillisverkot Oy	(b) Helsinki, Finland	100.0	100.0	3.3	25
Systems Consultant Partners Oy	Helsinki, Finland	57.5	57.5	-	-
Tedasy Inc.	(d) Lahti, Finland	100.0	100.0	0.5	17
Oy Telecon Ltd	Helsinki, Finland	100.0	100.0	0.3	-
Telegate AB	Stockholm, Sweden	-	100.0	-	-
Telering Ltd	(b) Helsinki, Finland	100.0	100.0	-	-
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	3.2	1
Tilts Communications SIA	Riga, Latvia	-	90.0	-	-
Unibase Ltd	(b) Helsinki, Finland	100.0	100.0	5.4	21
Intra-Group sales				(556.8)	-
Total				1,848.6	9,512

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.

Notes to the list of Group companies:

(a) Revenues also include Sonera Ltd's revenues during

Jan 1 - Sep 30, 1999, prior to the merger with Sonera Group plc.

(b) The company was established in 1999.

(c) Percent of ownership was changed in 1999.

(d) The company was acquired in 1999.

(e) The company's name was changed in 1999; former name was PT Credit Ltd.

(f) The company's name was changed in 1999; former name was Sonera Hong Kong Ltd.

Group companies sold:

Interinfo Finland Oy on

March 30, 1999

Interinfo UAB on March 30, 1999

Interinfo Eesti AS on March 30, 1999

Interinfo Latvija SIA on March 30, 1999

Abacus Solutions Oy on December 15, 1999

Group companies dissolved:

Mobitele Oy in

December 1999

Sonera's associated companies on December 31, 1999:

	Domicile	Parent company shareholding %	Group direct shareholding %	Equity consolidation %
<i>Mobile network operators:</i>				
Turkcell Iletisim Hizmetleri A.S.	Istanbul, Turkey	-	41.0	41.0
AS Eesti Mobiiltelefon	(a) Tallinn, Estonia	-	24.5	24.5
Latvijas Mobilais Telefons SIA	(b) Riga, Latvia	-	24.5	24.5
UAB Omnitel	(c) Vilna, Lithuania	-	-	27.5
Pannon GSM Rt.	Budapest, Hungary	-	23.0	23.0
North-West GSM A/O	St. Petersburg, Russia	-	23.5	12.5
Aerial Communications, Inc.	(d) Chicago, IL, USA	19.7	19.7	19.7
<i>Fixed network operators:</i>				
AS Eesti Telefon	(a) Tallinn, Estonia	-	-	24.5
Lattelekom SIA	(e) Riga, Latvia	-	44.1	44.1
AB Lietuvos Telekomas	(f) Vilna, Lithuania	-	-	30.0
<i>Other associated companies:</i>				
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
Certall Finland Oy	(g) Helsinki, Finland	36.8	36.8	36.8
AS Eesti Telekom	(a) Tallinn, Estonia	-	24.5	24.5
Farmit Website Ltd	(g) Helsinki, Finland	-	33.3	33.3

Notes to the Consolidated Financial Statements

Sonera's associated companies on December 31, 1999 (continued):

		Parent company shareholding %	Group direct shareholding %	Equity consolidation %
Hansapost Ltd	Helsinki, Finland	20.0	20.0	20.0
HanseNet Telefongesellschaft mbH & Co. KG	Hamburg, Germany	-	50.0	50.0
Helsingin GSM-Palvelu Oy	(g) Helsinki, Finland	35.0	35.0	35.0
IsoWorks Oy	(i) Helsinki, Finland	-	50.0	50.0
Johtotieto Oy	Helsinki, Finland	33.3	33.3	33.3
Kasteam Oy	(g) 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
Russian Directories Holding Oy	Helsinki, Finland	-	35.0	35.0
UAB Sontel	Vilna, Lithuania	50.0	50.0	50.0
Suomen Keltaiset Sivut Oy	Helsinki, Finland	30.2	30.2	30.2
Suomen Numeropalvelu Oy	Helsinki, Finland	40.0	40.0	40.0
Tele P AB	(g) Järfälla, Sweden	-	44.9	44.9
TietoEnator Corporation	(h) Espoo, Finland	18.7	20.3	20.3
Transmast Ltd	Helsinki, Finland	-	40.0	40.0
Trio AB	(g) Stockholm, Sweden	21.0	21.0	21.0
Turkcell Holding A.S.	(g) Istanbul, Turkey	-	47.1	47.1
WOW-verkkobrändit Oy	(g) Helsinki, Finland	37.0	37.0	37.0
724 Solutions Inc.	(g) Toronto, Canada	20.0	20.0	20.0

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. Selected financial data for the associated companies are presented in Note 9 to the Consolidated Financial Statements.

Notes to the list of associated companies:

- Sonera exchanged its 24.5% interest in AS Eesti Mobiiltelefon and AS Eesti Telefon into a 24.5% interest in AS Eesti Telekom, which holds 100% of shares in AS Eesti Mobiiltelefon and AS Eesti Telefon after the exchange.
- Lattelekom SIA has a 23% interest in Latvijas Mobilais Telefons SIA, which is excluded from the percentages indicated. When the equity income included in the consolidated result of Lattelekom SIA is taken into account, a total of 34.6% of Latvijas Mobilais Telefons SIA's net income is included in Sonera's result.
- UAB Omnitel is a 55% subsidiary of the holding company Amber Mobile Teleholding AB in which Sonera has a 50% interest.
- The company is treated as an associated company even if Sonera's shareholding in the company is less than 20%. See Note 1 to the Consolidated Financial Statements. Sonera's ownership interest has been calculated as if Sonera's shares in Aerial Operating Co., Inc. had been converted into shares in Aerial Communications, Inc.
- Lattelekom SIA is a 49% associated company of the holding company Tilts Communications A/S in which Sonera has a 90% interest. In the Consolidated Financial Statements, Lattelekom SIA has been presented as a 49% associated company, and the minority share of Lattelekom SIA's result and shareholders' equity has been presented as minority interest in the Consolidated Income Statement and Balance Sheet.
- AB Lietuvos Telekomas is a 60% subsidiary of the holding company Amber Mobile Teleholding A/S in which Sonera has a 50% interest.
- The shares were acquired in 1999.
- Sonera's 26.8% interest in Tieto Corporation and its 4.99% interest in Enator AB was exchanged into a 20.3% interest in TietoEnator Corporation when the two companies merged in July 1999.
- The company was established in 1999.

Associated companies sold: Axxon Telecom B.V. on September 27, 1999

Sonera's other shareholdings on December 31, 1999:

	Domicile	Group shareholding (%)	Carrying value, parent company, € million	Carrying value, the Group € million
Powertel, Inc.	West Point, GA, USA	9.1	119	119
Libancell S.A.L.	Beirut, Lebanon	14.0	-	4
Investments in venture capital funds:				
Advanced European Technologies N.V.	Heiloo, Netherlands		-	-
Dejima, Inc.	Cayman Islands		1	1
Digital Media & Communications II L.P.	Boston, MA, USA		4	4
Icom Internet Competence Network N.V.	Amsterdam, Netherlands		2	2
Magnum Communications L.P.	Cayman Islands		1	1
Media Technology Equity Partners, L.P.	Los Altos, CA, USA		4	4
TelAdvent Limited Partnership	Boston, MA, USA		9	9
Interests in satellite operations			3	3
Housing and real estate			3	3
Other shares and holdings			4	4
Total			150	154

Key Financial Indicators and per Share Data

Key financial indicators

		1994	1995	1996	1997	1998	1999
Revenues	€ million	892	991	1,125	1,352	1,623	1,849
Change from previous year	%	n/a	11.1	13.5	20.2	20.0	13.9
Exports from and sales outside Finland, of revenues	%	1.8	2.1	2.2	3.8	4.6	4.5
EBITDA (a)	€ million	331	356	420	489	587	668
In relation to revenues	%	37.1	36.0	37.3	36.1	36.2	36.1
Operating profit	€ million	162	154	170	285	289	387
In relation to revenues	%	18.2	15.6	15.1	21.1	17.8	20.9
Profit before extraordinary items	€ million	178	168	183	309	346	497
In relation to revenues	%	19.9	16.9	16.2	22.8	21.4	26.9
Profit after extraordinary items	€ million	167	168	183	309	346	497
In relation to revenues	%	18.8	16.9	16.2	22.8	21.4	26.9
Net income	€ million	125	121	128	220	251	370
In relation to revenues	%	14.0	12.2	11.4	16.2	15.5	20.0
Equity income in associated companies	€ million	4	1	6	19	59	110
Dividends received from associated companies	€ million	-	-	2	5	9	14
Return on capital employed	%	18.7	16.5	16.5	23.7	19.1	19.7
Return on shareholders' equity	%	15.3	12.3	12.0	18.0	18.4	22.8
Total assets	€ million	1,214	1,381	1,451	1,866	2,814	3,609
Capital employed	€ million	975	1,077	1,166	1,485	2,359	3,111
Share capital	€ million	303	303	303	303	304	310
Other shareholders' equity and minority interest	€ million	635	720	822	1,009	1,132	1,505
Equity-to-assets ratio	%	77.4	74.3	78.0	70.9	51.5	50.6
Total liabilities	€ million	276	359	326	554	1,378	1,794
Long-term and current debt	€ million	38	54	42	173	923	1,296
In relation to revenues	%	4.2	5.4	3.7	12.8	56.9	70.1
Debt-to-equity ratio	%	4.0	5.3	3.7	13.2	64.3	71.4
Cash and short-term investments	€ million	196	201	30	145	93	115
Net debt	€ million	(158)	(147)	11	28	830	1,181
In relation to revenues	%	(17.7)	(14.9)	1.0	2.0	51.2	63.9
Net debt-to-equity ratio (gearing)	%	(16.8)	(14.4)	1.0	2.1	57.8	65.1
Net debt-to-capital employed ratio (net debt-to-book)	%	(16.2)	(13.7)	1.0	1.9	35.2	38.0
Interest-bearing loans receivable	€ million	26	19	20	78	30	54
Net interest income (expense)	€ million	10	13	8	2	(7)	(26)
Cash provided by operating activities	€ million	289	365	374	455	508	442
Capital expenditures	€ million	242	339	379	373	351	338
In relation to revenues	%	27.1	34.2	33.7	27.6	21.6	18.3
Investments in shares	€ million	31	14	133	22	898	401
Depreciation and amortization (b)	€ million	169	202	242	204	261	281
Write-downs on fixed assets	€ million	-	-	8	-	37	-
Dividends declared (c)	€ million	31	28	38	132	61	87
Dividend payout ratio	%	24.9	23.3	29.6	60.2	24.2	23.5
Research and development expenditure (R&D)	€ million	35	39	32	45	52	64
In relation to revenues	%	4.0	3.9	2.8	3.4	3.2	3.5
Personnel, at end of year		6,877	7,393	7,621	8,290	9,068	9,512
Average during the year		6,930	7,239	7,667	7,967	8,609	9,270

(a) EBITDA equals operating profit before depreciation and amortization and write-downs on fixed assets. EBITDA 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 expenses; and income taxes.

Key Financial Indicators and per Share Data

(b) As of the beginning of 1997, telecommunications networks have been depreciated on a straight-line method over 4 to 20 years. Previously, networks were depreciated on a 25 to 40% declining-balance method.

(c) Dividends presented for each year were paid during the following year, after the approval by the Annual General Meeting. Dividend for 1999 is the Board of Directors' proposal to the Annual General Meeting.

Per share data

		1994	1995	1996	1997	1998	1999
Earnings per share (excluding extraordinary items)	€	0.19	0.17	0.18	0.31	0.35	0.51
Earnings per share	€	0.17	0.17	0.18	0.31	0.35	0.51
Declared dividend per share (a)	€	0.04	0.04	0.05	0.18	0.08	0.12
Shareholders' equity per share	€	1.30	1.42	1.56	1.82	1.97	2.45
Share price (b)							
Average for the year	€					11.47	26.55
Lowest during the year	€					9.92	12.40
Highest during the year	€					16.82	71.10
At end of year	€					15.14	68.05
Market capitalization	€ million					10,929	49,132
Price-to-earnings ratio (P/E)						43.4	133.4
Dividend yield	%					0.6	0.2
Trading volume of shares on Helsinki Exchanges (c)							
Total traded value	€ million					844	7,256
Number of shares traded	in thousands					73,597	273,238
In relation to average number of shares	%					10.2	37.8
Trading volume of shares on Nasdaq (d)							
Total traded value	USD million						1,305
Number of shares traded	in thousands						33,946
In relation to average number of shares	%						4.7
Number of shares (e)							
At end of year	in thousands	720,000	720,000	720,000	720,000	722,000	722,000
Average during the year (f)	in thousands	720,000	720,000	720,000	720,000	720,247	722,000

(a) Dividends presented for each year were paid during the following year, after the approval by the Annual General Meeting. Dividend for 1999 is the Board of Directors' proposal to the Annual General Meeting.

(b) Quotation of Sonera's share on Helsinki Exchanges, where the quotation started on November 10, 1998.

(c) Trading on 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. 2,000,000 new shares issued in the employee offering of 1998 were registered on November 17, 1998.

(f) The average number of shares, diluted with the employee bond loan with warrants, was 723,234 thousand in 1999. The dilutive effect on earnings per share would have been less than EUR 0.01.

Quarterly results in 1999

€ million	1-3/1999	4-6/1999	7-9/1999	10-12/1999	Full year
External revenues					
Mobile Communications	214	243	251	258	966
Media Communications and New Services	34	37	30	39	140
Fixed Network Voice and Data Services	143	142	130	155	570
Equipment Sales and Other Operations	35	40	39	59	173
The Group	426	462	450	511	1,849
Other operating income	7	8	9	21	45
Cost of services and goods	(130)	(143)	(139)	(161)	(573)
Personnel expenses	(83)	(95)	(74)	(88)	(340)
Other operating expenses	(63)	(80)	(67)	(103)	(313)
Depreciation and amortization	(67)	(68)	(68)	(78)	(281)
Operating profit					
Mobile Communications	73	88	97	87	345
Media Communications and New Services	(1)	(14)	(18)	(27)	(60)
Fixed Network Voice and Data Services	17	21	26	34	98
Equipment Sales and Other Operations	1	(11)	6	8	4
The Group	90	84	111	102	387
Equity income in associated companies	18	33	53	6	110
Financial income and expenses	(1)	-	(4)	5	-
Profit before extraordinary items and taxes	107	117	160	113	497
Income taxes	(29)	(27)	(37)	(33)	(126)
Minority interest in income	-	-	(1)	-	(1)
Net income	78	90	122	80	370
Earnings per share (€)	0.11	0.12	0.17	0.11	0.51

Quarterly interim information has not been audited.

Definitions of Key Financial Indicators and per Share Data

EBITDA	=	Operating profit + depreciation and amortization	
Capital employed	=	Shareholders' equity + minority interest + long-term and current debt	
Return on capital employed	=	$\frac{\text{Profit before extraordinary items and taxes} + \text{interest expenses} + \text{other financial expenses}}{\text{Capital employed (average for the period)}}$	x 100
Return on shareholders' equity	=	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes on ordinary operations}}{\text{Shareholders' equity} + \text{minority interest (average for the period)}}$	x 100
Equity-to-assets ratio	=	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Total assets} - \text{advances received}}$	x 100
Debt-to-equity ratio	=	$\frac{\text{Long-term and current debt}}{\text{Shareholders' equity} + \text{minority interest}}$	x 100
Net debt	=	Long-term and current debt – cash and short-term investments	
Net debt-to-equity ratio (gearing)	=	$\frac{\text{Net debt}}{\text{Shareholders' equity} + \text{minority interest}}$	x 100
Net debt-to-capital employed ratio (net debt-to-book)	=	$\frac{\text{Net debt}}{\text{Capital employed}}$	x 100
Dividend payout ratio	=	$\frac{\text{Dividends declared for the fiscal year}}{\text{Net income}}$	x 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)	=	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes on ordinary operations} - \text{minority interest in income}}{\text{Average number of shares during the period}}$	
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	=	$\frac{\text{Declared dividend per share}}{\text{Share price at end of year}}$	x 100

Parent Company Financial Statements

Income statement

€ million	Note	Six months	
		Year ended Dec 31, 1999	ended Dec 31, 1998
Revenues	(1)	443.4	6.9
Other operating income	(2)	21.2	-
Operating expenses	(3)	(316.2)	(8.0)
Depreciation and amortization	(4)	(59.9)	-
Operating profit (loss)		88.5	(1.1)
Financial income and expenses	(5)	45.0	11.0
Profit before extraordinary items, appropriations and taxes		133.5	9.9
Extraordinary income and expenses	(6)	450.7	-
Accelerated tax depreciation		(23.7)	-
Income taxes for the period	(7)	(27.7)	(2.8)
Net income		532.8	7.1

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.

The Group's parent company Sonera Group plc was established at the demerger of PT Finland Ltd on July 1, 1998. 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. Amounts for the first nine months of 1999 and for the last six months of 1998 include only Sonera Group plc amounts, and they have not been restated to comply with the combined entity that resulted from the merger. Notes refer to pages 45 - 47. Additionally, certain information related to the parent company has been presented in the Notes to the Consolidated Financial Statements.

Statement of cash flows

€ million	Six months	
	Year ended Dec 31, 1999	ended Dec 31, 1998
Operating activities		
Net income	532.8	7.1
Depreciation and amortization	59.9	-
Net gain on disposal of fixed assets and business operations	0.7	-
Merger gain, net of cash received	(436.5)	-
Other adjustments to cash	(3.1)	23.3
Change in working capital		
Decrease in inventories	5.3	-
Decrease (increase) in non-interest-bearing receivables	22.5	(35.6)
Increase (decrease) in non-interest-bearing liabilities	7.4	(7.1)
Cash provided by (used in) operating activities	189.0	(12.3)
Investing activities		
Capital expenditures	(100.1)	(0.2)
Acquisition of subsidiaries, net of cash acquired	(25.9)	-
Investments in associated companies	(226.3)	-
Investments in other shares and holdings	(7.8)	-
Proceeds from sale of fixed assets	0.3	-
Proceeds from sale of subsidiaries, net of cash disposed	0.1	-
Increase in long-term loans receivable	(3.7)	(724.2)
Decrease (increase) in current loans receivable	81.6	(4.6)
Increase in short-term investments	(41.0)	(29.8)
Cash used in investing activities	(322.8)	(758.8)
Financing activities		
Withdrawals of long-term debt	543.6	562.2
Repayments of long-term debt	(209.4)	-
(Decrease) increase in current debt	(52.1)	169.7
Transferable subscriptions sold	0.4	-
Equity issue	-	13.6
Dividends paid	(60.7)	-
Cash provided by financing activities	221.8	745.5
Net increase (decrease) in cash and cash equivalents	88.0	(25.6)
Cash and cash equivalents at beginning of year	0.4	26.0
Cash and cash equivalents at end of year	88.4	0.4

The changes in receivables and payables presented in the statement of cash flows do not include effects from the merger or from the unrealized exchange gains and losses. Therefore, the changes are not directly traceable to the balance sheet.

Parent Company Financial Statements

Balance sheet

€ million	Note	December 31,	
		1999	1998
ASSETS			
Fixed assets and other long-term investments (8)			
Intangible assets		39.5	-
Tangible assets			
Land		4.9	-
Buildings		56.8	-
Machinery and equipment		50.5	-
Telecommunications networks		772.1	-
Other tangible assets		40.3	0.2
Advances paid and construction in progress		22.1	-
		946.7	0.2
Long-term investments and receivables			
Shares in subsidiaries		1,067.6	593.1
Shares in associated companies		530.8	100.9
Other shares and holdings		150.2	0.4
Long-term loans receivable (11, 12)		124.1	1,129.5
		1,872.7	1,823.9
Total fixed assets and other long-term investments		2,858.9	1,824.1
Current assets			
Inventories		8.1	-
Receivables (11, 12)			
Trade accounts receivable		334.2	-
Loans receivable		27.9	84.3
Prepaid expenses and accrued income		50.8	25.1
Other receivables		10.0	-
		422.9	109.4
Cash and short-term investments			
Short-term investments		78.4	35.6
Cash and cash equivalents		88.4	0.4
		166.8	36.0
Total current assets		597.8	145.4
TOTAL ASSETS		3,456.7	1,969.5

€ million	Note	December 31,	
		1999	1998
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity (9)			
Share capital		310.5	303.6
Share premium fund		12.8	12.8
Additional paid-in capital		504.6	511.5
Retained earnings		101.9	155.1
Net income		532.8	7.1
		1,462.6	990.1
Accelerated tax depreciation		230.8	-
Non-current liabilities (11, 12)			
Long-term debt (10)		1,118.5	783.8
Other long-term liabilities		12.7	-
		1,131.2	783.8
Current liabilities (11, 12)			
Current debt (10)		303.1	188.7
Advances received		9.1	-
Trade accounts payable		180.9	0.1
Accrued expenses and prepaid income		88.0	6.8
Other current liabilities		51.0	-
		632.1	195.6
Total liabilities		1,763.3	979.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,456.7	1,969.5

Notes

€ million

1. Revenues

The components of revenues by geographic area are as follows:

	1999	1998
Sales to customers in Finland	436.2	6.9
Sales to customers outside Finland	7.2	-
Total	<u>443.4</u>	<u>6.9</u>

2. Other operating income

	1999	1998
Income from auxiliary services	11.3	-
Fees charged on collection of overdue receivables	3.3	-
Rental income	3.1	-
Gains from sales of fixed assets	0.2	-
Grants received	0.2	-
Other items	3.1	-
Total	<u>21.2</u>	<u>-</u>

3. Operating expenses and number of personnel

Cost of sold equipment and materials		
Purchase of equipment and materials	26.5	-
Decrease in inventories	(8.1)	-
	<u>18.4</u>	<u>-</u>
Services bought		
Payments for other operators for use of networks	74.4	-
Payments for other external services (a)	66.0	-
	<u>140.4</u>	<u>-</u>
Personnel expenses (b)		
Wages and salaries	48.7	0.4
Pension expenses	1.3	0.1
Other personnel expenses	5.5	-
	<u>55.5</u>	<u>0.5</u>
Rental expenses	13.7	0.1
Other operating expenses (c)	88.2	7.4
Total operating expenses	<u>316.2</u>	<u>8.0</u>

(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 the networks. Capitalized personnel costs totaled EUR 0.02 million. Fees and salaries paid to members of the Supervisory Board, members of the Board of Directors and President and CEO of Sonera Corporation totaled EUR 0.5 million (1998: EUR 0.2 million)

(c) Other operating expenses include expenses not directly related to the production of services, such as expenses for marketing efforts, expenses for research and development, and other expenses related to the general administration. Other operating expenses also include losses from sales of fixed assets and other long-term investments.

The number of personnel is as follows:

	1999	1998
Number of personnel at the end of the period	5,463	7
€ million	1999	1998

4. Depreciation and amortization

Intangible rights	1.8	-
Other long-term expenditure	0.4	-
Buildings	1.1	-
Machinery and equipment	4.6	-
Telecommunications networks	49.6	-
Other tangible assets	2.4	-
Total	<u>59.9</u>	<u>-</u>

5. Financial income and expenses

Dividend income		
From associated companies	9.8	-
From other parties	10.3	-
Interest income		
On long-term loans receivable		
From subsidiaries	35.1	21.6
From other parties	0.2	0.1
Other interest income		
From subsidiaries	0.8	0.4
From associated companies	-	0.1
From other parties	6.7	4.7
Other financial income		
From other parties	0.2	-
Interest expense		
To associated companies	-	(1.2)
To other parties	(36.6)	(16.0)
Other financial expense		
To subsidiaries	(1.8)	-
To other parties	(3.4)	(0.3)
Realized exchange losses	(4.8)	(1.1)
Unrealized exchange gains	5.0	2.7
Write-back on shares	23.5	-
Total financial income, net	<u>45.0</u>	<u>11.0</u>

6. Extraordinary income and expenses

Group contribution received	17.0	-
Group contribution paid	(0.3)	-
Merger gain	450.4	-
Value-added tax related to incorporation of a business	(16.4)	-
Total	<u>450.7</u>	<u>-</u>

Parent Company Financial Statements

€ million	1999	1998
7. Income taxes		
Current tax expense	27.4	2.8
Deferred tax expense	0.3	-
Total	<u>27.7</u>	<u>2.8</u>

8. Fixed assets and other long-term investments

Intangible assets consist of the following components:

Intangible rights	28.1	-
Goodwill	0.2	-
Other long-term expenditure	11.2	-
Total	<u>39.5</u>	<u>-</u>

Changes in fixed assets and other long-term investments during 1999 include the following:

€ million	Historical cost on Jan 1, 1999	Capital expenditure and other additions (a)	Disposals and other decreases	Accumulated depreciation on Dec 31, 1999	Carrying value on Dec 31, 1999
Intangible rights	-	52.4	(6.0)	(18.3)	28.1
Goodwill	-	0.5	-	(0.3)	0.2
Other long-term expenditure	-	19.6	(3.4)	(5.0)	11.2
Total intangible assets	-	72.5	(9.4)	(23.6)	39.5
Land	-	8.3	(3.4)	-	4.9
Buildings	-	110.6	(22.3)	(31.5)	56.8
Machinery and equipment	-	105.9	(0.6)	(54.8)	50.5
Telecommunications networks	-	1,900.0	(49.0)	(1,078.9)	772.1
Other tangible assets	0.2	57.7	(1.3)	(16.3)	40.3
Advances paid and construction in progress	-	22.1	-	-	22.1
Total tangible assets	0.2	2,204.6	(76.6)	(1,181.5)	946.7
Shares in subsidiaries (b)	593.1	452.8	(1.8)	23.5	1,067.6
Shares in associated companies (b)	100.9	429.9	-	-	530.8
Other shares and holdings (b)	0.3	149.9	-	-	150.2
Long-term loans receivable	1,129.6	177.9	(1,183.4)	-	124.1
Total long-term investments and receivables	1,823.9	1,210.5	(1,185.2)	23.5	1,872.7
Total fixed assets and other long-term investments	<u>1,824.1</u>	<u>3,487.6</u>	<u>(1,271.2)</u>	<u>(1,181.6)</u>	<u>2,858.9</u>

(a) Also includes the effects of the merger.

(b) See Note 20 to the Consolidated Financial Statements for the investments in subsidiaries, associated companies and other shares.

€ million	1999	1998
9. Shareholders' equity		
Share capital on January 1, 1999 and July 1, 1998	303.6	302.8
Employee offering in November 1998: 2,000,000 new shares, nominal value of FIM 2.50 each (approximately EUR 0.42 each)	-	0.8
Increase in share capital through bonus issue	6.9	-
Share capital on December 31	310.5	303.6
Share premium fund on January 1, 1999 and July 1, 1998	12.8	-
Proceeds in excess of nominal value from employee offering, FIM 38.00 per share (approximately EUR 6.39 per share)	-	12.8
Share premium fund on December 31	12.8	12.8
Additional paid-in capital on January 1, 1999 and July 1, 1998	511.5	511.5
Transfer to share capital through bonus issue	(6.9)	-
Additional paid-in capital on December 31	504.6	511.5
Retained earnings on January 1, 1999 and July 1, 1998	162.2	155.1
Dividends paid	(60.7)	-
Transferable subscriptions sold	0.4	-
Net income for the year	532.8	7.1
Retained earnings on December 31	634.7	162.2
Total shareholders' equity on December 31	1,462.6	990.1

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

Long-term loans receivable	121.6	1,127.1
Current loans receivable	27.6	83.7
Trade accounts receivable	68.2	-
Prepaid expenses and accrued income	2.9	23.4
Group contributions receivable	17.2	-
Other receivables	8.9	-
Long-term debt	1.0	-
Current debt	22.5	47.5
Trade accounts payable	40.9	0.1
Accrued expenses and prepaid income	7.1	0.7
Group contributions payable	0.3	-
Other current debt	1.4	-

€ million	1999	1998
12. Balances with associated companies		
Long-term loans receivable	2.0	-
Current loans receivable	-	0.1
Trade accounts receivable	4.8	-
Prepaid expenses and accrued income	0.4	-
Advances received	1.4	-
Trade accounts payable	10.2	-
13. Commitments and contingent liabilities		
Assets pledged to secure own commitments	4.6	2.7
Guarantees on behalf of Group companies		
For financing	6.3	4.3
For other commitments	0.5	2.2
Guarantees on behalf of associated companies		
For financing	103.0	117.5
For other commitments	-	2.0
Cross-border lease commitment	207.9	-
Repurchase commitments	0.7	-
Commitment to acquire shares	19.8	17.0

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.

Financing and Financial Risks

Principles of financing and financial risk management

Sonera's financing and its financial risks are managed according to directives and under the control of the Board of Directors and the 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 financial risk management is to identify Sonera's financial risks (liquidity, interest rate, foreign exchange and credit risks) and to protect the Group by hedging against these risks in order to provide financially stable conditions for the development of business operations.

Derivate financial instruments are used in hedging 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.

Managing the loan portfolio

The aggregate amount of the long-term and short-term loans drawn down by Sonera as well as of long-term committed but undrawn loans and revolving credit facilities as of December 31, 1999, was EUR 2,181 million (1998: EUR 1,240 million).

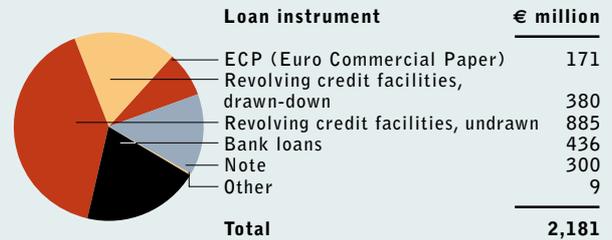
Sonera's net interest-bearing debt as of December 31, 1999, was EUR 1,181 million, consisting of EUR 1,294 million of drawn-down interest-bearing loans, EUR 2 million of bonds with warrants targeted at Sonera's employees and, as a counterbalancing item, EUR 115 million of liquid funds. Sonera's borrowed 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.

Credit rating and public debt issuance programs

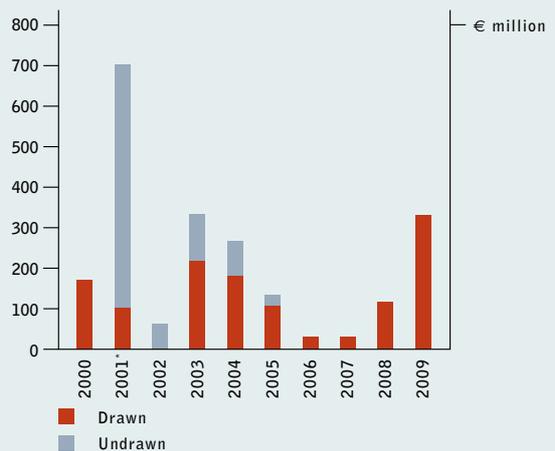
In January 1999, Sonera received long-term and short-term corporate credit ratings which enable the diversification of Sonera's borrowings geographically, among different investors, and in a wider range of instruments. Standard & Poor's Ratings Group assigned Sonera an A+ long-term rating and an A1 short-term rating. On December 22, 1999, Standard & Poor's lowered Sonera's long-term and short-term credit ratings from their previous levels due to Sonera's announcement in September that it had agreed on making additional investments in Aerial and VoiceStream. Moody's Investors Services, Inc.'s long-term credit rating for Sonera, which was confirmed on September 22, 1999, is A2, and the short-term rating is P1.

Sonera has available to it a long-term EUR 1 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, 1999, Sonera had issued, within the EMTN program, EUR 300 million of public medium-term notes that will fall due on April 16, 2009.

LOANS AND STANDBY FACILITIES ON DECEMBER 31, 1999

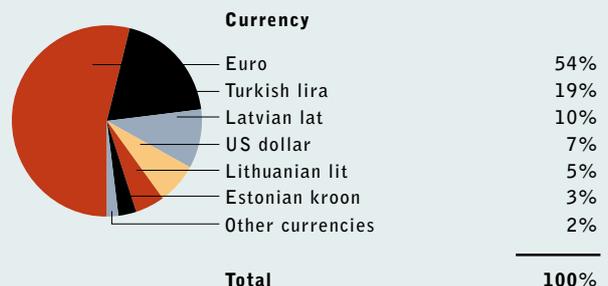


MATURITIES OF LOANS AND STANDBY FACILITIES ON DECEMBER 31, 1999



¹⁾ Includes the revolving credit facility which falls due on December 2000 and has a six-month term out option.

CONSOLIDATED SHAREHOLDERS' EQUITY BY CURRENCY ON DECEMBER 31, 1999



To meet its short-term financing needs, Sonera can deploy an EUR 500 million international Euro Commercial Paper program ("ECP"). Within the ECP program, Sonera can issue commercial papers in different currencies with maturities of 1 to 365 days. As of December 31, 1999, the total amount of ECP notes issued by Sonera was EUR 100 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 credit facilities less loans falling due within 12 months) at a level of at least EUR 350 million. On December 31, 1999, the liquidity position totaled about EUR 828 million, consisting of EUR 115 million of liquid funds and EUR 885 million of undrawn credit facilities less EUR 172 million of loans falling due during 2000. The liquidity position includes an EUR 600 million 364-day revolving credit facility which was signed on December 7, 1999, and which provides a six-month term out option. In addition to the EUR 500 million short-term ECP program, Sonera has uncommitted domestic commercial paper programs in a total amount of EUR 332 million for meeting its short-term financing needs.

Management of interest rate 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, 1999, consisted of floating rate instruments (with interest rate maturities less than 12 months) and about 30% were fixed rate instruments (with interest rate maturities ranging from 12 months to five years).

The average interest rate of Sonera's interest-bearing debt (including the impact of hedging measures) as of December 31, 1999, was 3.75% (1998: 3.7%). A parallel change of one percentage point in the level of interest rates would have an impact of about EUR 8 million on annual net interest expenses provided that Sonera's interest-bearing net debt remains at the level prevailing at the end of 1999 and that new hedging measures are not taken (1998: EUR 5 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, 1999, the post-hedging open transaction risk of the Group companies in Finland was EUR 1 million (1998: EUR 5 million). A 10% change in the exchange rate of the euro against all other currencies would affect Sonera's net income directly, causing a change of EUR 0.1 million, assuming that the open transaction risk is at the same level as on December 31, 1999, and that new hedging measures are not taken (1998: EUR 0.5 million).

Changes in Sonera's transaction risk and the related hedging measures after December 31, 1998, are connected mainly with the introduction of the euro on January 1, 1999. In practice, Sonera's long-term loans drawn in ecus and German marks were converted to euros on January 1, 1999.

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 international subsidiaries and associated companies as of December 31, 1999, was EUR 835 million (1998: EUR 465 million). During 1999 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 EUR 84 million, assuming that Sonera's proportion of the shareholders' equity in international subsidiaries and associated companies is at the same level as it was on December 31, 1999 and that new hedging measures are not taken (1998: EUR 45 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.

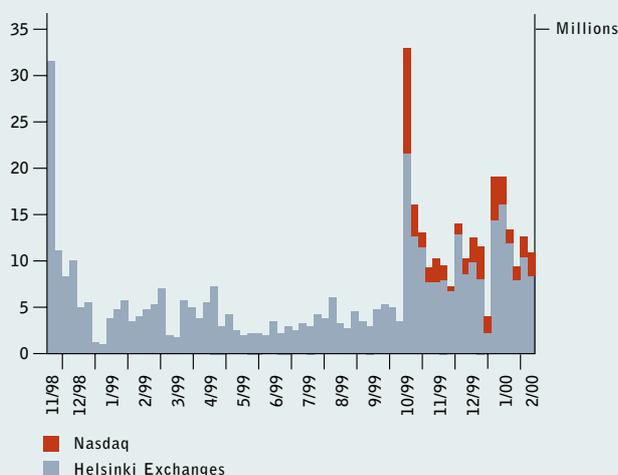
The credit risk connected with Sonera's accounts receivable is diversified both across a broad clientele of private individuals and among numerous companies operating in different fields. Exposure to credit loss and subscriber fraud is monitored actively on a daily basis, including the processing of current credit information on subscribers from third-party sources. Credit losses in 1999 amounted to 0.3% of consolidated revenues (1998: 0.4%).

Shares and Shareholders

SHARE PRICE AND HEX INDEX



WEEKLY TRADING VOLUME OF SHARES



Share price performance on Helsinki Exchanges up to February 15, 2000.
Weekly trading volume up to February 11, 2000.

Shares and share capital

Sonera Corporation has issued 722,000,000 shares. The Company has one series of shares. The paid-in share capital which is entered in the Trade Register stood at EUR 310,460,000 as of December 31, 1999. The share capital is a minimum of EUR 309,600,000 and a maximum of EUR 1,238,400,000, within which limits the share capital can be increased or decreased without amending the Articles of Association.

In January 1999, the Company's share capital was redenominated in euro and the nominal value of the share was abolished in accordance with the resolution by the General Meeting of July 1, 1998. The Annual General Meeting of April 23, 1999 resolved that the accountable par of the share would be increased to exactly 43 cents through a bonus issue by transferring a corresponding amount from additional paid-in capital to share capital. No new shares were issued.

The Company's shares belong to the electronic 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 Shareholders' Register are entitled to vote.

The Company's Board of Directors has a valid share issue authorization, granted by the Annual General Meeting on April 23, 1999, to issue a maximum of 15,000,000 new shares within one year. Under the authorization, the Board of Directors has the right to disapply the shareholders' pre-emptive right provided that, from the Company's point of view, there are substantial financial grounds for this, such as the financing of a company acquisition or a similar arrangement. The Board of Directors also has the right to decide on the subscription price, those entitled to subscribe, and other terms and conditions of subscription.

State's holding

From September 28 to October 12, 1999, the Finnish State arranged an offering in which it offered 127 million Sonera shares to domestic and international investors as well as retail investors. As a result, the State's holding in Sonera fell from 77.8% to 60.2%. In addition, the managers in the offering announced on October 20, 1999, that they would exercise the entire over-allotment option of 16.95 million shares, after which the State's holding in Sonera fell to 57.9%.

The bonus shares in the offering arranged by the Finnish State in 1998 were entered in the book-entry accounts of those entitled to them on November 17, 1999, after which the State's holding in Sonera fell to 57.6%. On the basis of the 1999 offering, the State will give about 1.1 million bonus shares on November 20, 2000 to those entitled to such shares, thereby reducing the State's holding further, to 57.4%.

In November, Parliament granted the Government authorizations to reduce the State's holding such that it is nevertheless a minimum of 34%.

Management's shareholdings on December 31, 1999

The members of the Supervisory Board and Board of Directors of Sonera Corporation as well as the President and CEO owned a total of 41,025 shares, or 0.006% of the Company's share capital and voting rights. The members of the Management Group (with the exception of the President and CEO) owned a total of 46,619 shares.

Employee options

In April 1999, Sonera's Annual General Meeting passed a resolution concerning an option scheme covering the Group's entire personnel. During the subscription period in May, the bond loan with warrants was subscribed for by a total of 5,326 persons, or about 60% of Sonera's personnel. The Board of Directors of Sonera Corporation approved the

subscriptions on May 27, 1999. Of the total of about EUR 2.5 million, about EUR 1.6 million was subscribed for by the personnel, the remainder being subscribed for by Sonera's subsidiary Telibra Oy, which may later offer its warrants to persons employed by the Group or to persons in the recruitment pipeline.

The A warrants attached to the bond loan entitle their holders to subscribe for Sonera shares from June 1, 2001 to June 30, 2005 and the B warrants can be exercised from June 1, 2003 to June 30, 2005. Altogether, the warrants can be exercised to subscribe for a maximum of 15,000,000 new shares. The share subscription price with the A warrant is EUR 15.32 and with the B warrant it is EUR 28.08. The subscription price shall be reduced by the amount of dividends paid prior to the subscription.

The largest shareholders on December 31, 1999

Shareholder		Number of shares	Holding, %
Finnish State		415,617,111	57.6
Pohjola Group			
Ilmarinen Mutual Pension Insurance Company	5,758,800		
Pohjola Life Assurance Company Ltd	2,327,000		
Suomi Mutual Life Assurance Company	1,617,600		
Pohjola Non-Life Insurance Company Ltd	<u>1,617,600</u>	11,321,000	1.6
Sampo-Varma Group			
Varma-Sampo Mutual Pension Insurance Company	3,729,850		
Sampo Insurance Company plc	1,205,200		
Sampo Life Insurance Company Limited	1,033,000		
Industrial Insurance Company Ltd	606,000		
Kaleva Mutual Insurance Company	504,000		
Sampo Enterprise Insurance Company Limited	353,500		
Otso Loss of Profits Insurance Company Ltd	<u>143,000</u>	7,574,550	1.0
The Local Government Pensions Institution		6,060,000	0.8
Fennia Group			
Mutual Insurance Company Pension-Fennia	2,839,500		
Enterprise-Fennia Mutual Insurance Company	783,600		
Fennia Life Insurance Company Ltd	<u>191,700</u>	3,814,800	0.5
Tapiola Insurance Group			
Tapiola Mutual Pension Insurance Company	461,500		
Tapiola General Mutual Insurance Company	242,500		
Tapiola Mutual Life Assurance Company	142,000		
Tapiola Corporate Life Insurance Company	<u>66,000</u>	912,000	0.1
PT Pension Fund		1,296,700	0.2
Sitra, the Finnish National Fund for Research and Development		1,206,500	0.2
LEL Employment Pension Fund		644,900	0.1
Neste Pension Foundation		575,700	0.1
Nominee-registered shares		212,444,271	29.4
Other shareholders, total		<u>60,532,468</u>	8.4
Total		722,000,000	100.0

Shares and Shareholders

The subscription rights can be exercised provided that Sonera's earnings per share and operating profit margin exceed certain minimum levels before the subscription period begins. For the Company's top management, exercise of the warrants is contingent upon share price development that exceeds the reference index.

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, where trading in the share commenced on October 13, 1999. 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 1999 was a total of 273.2 million shares in a total amount of EUR 7,256 million. The last trading price on Hel-

sinki Exchanges on the first trading day of the year was EUR 15.94 and on the last trading day it was EUR 68.05, i.e. the share price more than quadrupled during the year. During the corresponding period Helsinki Exchanges' HEX general index rose by 162% and the telecommunications and electronics index by 251%. The share's low for the year was EUR 12.40 and its high was EUR 71.10. The average price of trades made during 1999 was EUR 26.55. The Company's market capitalization at the end of the year was EUR 49.1 billion.

Share turnover on the Nasdaq market from October 13 to December 31, 1999, was 33.9 million shares, for a total trading amount of USD 1,305 million. The trading price of the share at the close of the first trading day was USD 26.50, and at the close of the last trading day it was USD 69.25, i.e. the share price rose by 161% during this period, whereas the Nasdaq telecommunications index rose by 52% during the same period. The low for the trading period was USD 25.19, the high was USD 73.13 and the average price was USD 38.43.

Shareholders by group on December 31, 1999

Group		Number of shares	Holding, %
Privately held companies		3,497,643	0.5
Publicly held companies		138,110	0.0
Financial and insurance institutions		17,482,041	2.4
Public sector entities			
Finnish State	415,617,111		
Occupational pension schemes and other social security funds	25,948,584		
Other public sector entities	145,125	441,710,820	61.2
Non-profit entities		4,736,803	0.7
Households		41,274,909	5.7
International owners		213,154,844	29.5
On the book-entry register joint account		4,830	0.0
Total		722,000,000	100.0

Breakdown of shareholdings by size of holding on December 31, 1999

Number of shares	Number of shareholders	Proportion of shareholders, %	Number of shares	Holding, %
1 - 100	23,272	24.3	1,652,268	0.2
101 - 500	43,625	45.6	10,873,565	1.5
501 - 1,000	19,296	20.1	14,777,512	2.1
1,001 - 10,000	9,275	9.7	16,062,752	2.2
10,001 - 100,000	213	0.2	5,991,324	0.8
100,001 - 1,000,000	59	0.1	15,911,547	2.2
Over 1,000,000	12	0.0	444,281,931	61.6
Nominee-registered shares			212,444,271	29.4
On the book-entry register joint account			4,830	0.0
Total	95,752	100.0	722,000,000	100.0

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, 1999. 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 EUR 370 million in the consolidated income statement and a profit of EUR 533 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 22, 2000

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 and auditors' report for the fiscal year January 1 – December 31, 1999. The Supervisory Board advises the Annual General Meeting that it has no remarks with respect to the 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 2000 Annual General Meeting are the following members of the Supervisory Board: Pauli Saapunki, Minna Karhunen, Aapo Saari, Liisa Hyssälä, Pirjo-Riitta Antvuori, Olavi Tonteri and Leenamajja Ojala.

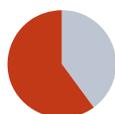
Helsinki, Finland
February 29, 2000

Pauli Saapunki
Chairman of the Supervisory Board



The personal mobile phone is becoming a versatile life management tool that makes it easier to handle daily affairs.

Sonera, together with its customers and cooperation partners, is building a world in which transactions, communications and entertainment are all independent of time or place.



SHARE OF CONSOLIDATED REVENUES 60%

Mobile & Media

Mobile Communications

Mobile Communications offers customers an easy-to-use, mobile service environment that makes possible versatile communications and transactions. The core of the mobile service environment consists of Sonera's strong management of customer transactions, backed by the Company's ability to integrate different systems and to develop services in cooperation with partners.

Revenues from Mobile Communications grew by 21% on the previous year and were EUR 966 million (799). The increase was due to the growth in the number of subscribers and to the burgeoning use of mobile phones, with the volume of SMS text messages registering particularly strong growth. Mobile Communications' share of Sonera's revenues rose to 52% (49%). The profitability of the business was excellent.

Within Mobile Communications, capital expenditures on fixed assets totaled EUR 148 million during the year (166). The bulk of the capital expenditures went for building out GSM network capacity. During the year investments aiming at boosting the data transfer speeds of the GSM network were also started.

Sonera maintains its strong market share

Finland's mobile penetration rate, or the number of subscribers compared to the population, is the highest in the world; at the end of 1999 the figure was about 65% (57%). The growth in the number of GSM subscriptions continued ahead in the year under review, though it was slower than in the previous year. In a highly developed market, the penetration rate is increased not only by new customers, but by new application areas, such as wireless transaction services and the utilization of GSM technology in various robot applications. Growth is furthermore influenced by Finland's evolution as a mobile communications environment in which the customer can have several mobile subscriptions.

Sonera is Finland's leading mobile communications operator. According to the Company's estimate, Sonera kept its market share of GSM subscriptions at over 60% during the report year. The Company estimates that Sonera's market share measured in terms of revenues is still greater than its

MOBILE COMMUNICATIONS

	1999	1998 Change, %	
Revenues, € million	966	799	21
EBITDA, € million	468	361	30
EBITDA, % of revenues	47	44	
Depreciations and write-downs, € million	123	139	
Operating profit, € million	345	222	55
Capital expenditure on fixed assets, € million	148	166	(11)
Personnel, average	1,280	1,114	15

share calculated on the number of subscriptions.

Sonera's main competitor in nationwide GSM 900 services is Oy Radiolinja Ab. National GSM 900 services are also offered by RSL COM Finland Oy, with which Sonera signed a service operator agreement, in January 1999, concerning mobile calls. Toward the end of the year, Telia Finland Oy concluded a service operator agreement with Radiolinja, and in December it started up a nationwide GSM 900 service. In addition, Telia Finland and several local telephone companies operate regional GSM 1800 networks.

The high penetration rate was reflected in the nature of competition in the market. Talk time offers beamed at new customers remained moderate during the year, and competition centered to a growing extent on new services, especially those based on text messages. There was also a more pronounced effort to strengthen customer loyalty.

Sonera expanded its GSM network roaming service further, and at the end of the year the Company had a roaming agreement with 166 (119) operators. Sonera's GSM reception area already covers 86 countries: nearly all of Europe and the developed industrial countries of southeast Asia – with the exception of Japan – as well as several areas in the United States and Canada.

Mobile subscription use grows and gains in diversity

At the end of the year, the number of Sonera's mobile subscriptions was 2,136,241 (1,931,884). GSM customers numbered 1,938,644 (1,596,897) at the end of the year. Private customers accounted for 89% (92%) of the total growth over the year. Of holders of subscriptions, 79% are private individuals and 21% business customers. During the report year the churn rate for GSM customers remained low by international standards and was 14.6% (14.0%). Prepaid subscriptions represented only a marginal share of Sonera's mobile subscriptions: at the end of the year the figure was 1.4%.

Average monthly revenues from a mobile subscription rose to EUR 38.8 (36.5). The average monthly use of a mobile subscription increased from 116 called minutes to 130 minutes. In addition, the use of mobile phones became more di-

verified and the volume of text messages doubled compared to the previous year: during 1999 a total of 439 million text messages were sent (206), which works out to 21 text messages per customer a month. More than 60% of Sonera's GSM customers made monthly use of text message services. The share represented by text messages and content services rose to 8% of Mobile Communications' annual revenues (4.5%).

The GSM Duo service, which makes use of a dual band network, expanded significantly. The service operates everywhere in Sonera's GSM 900 and GSM 1800 coverage area in Finland and abroad. For the customer, a Duo subscription offers cheaper near zone pricing. The dual band network will ensure the adequacy of Sonera's frequency capacity as user volumes grow and mobile use becomes more varied. Following the enlargements made in the autumn, over 70% of Finns already live in a Duo near zone.

Development of services moves ahead briskly

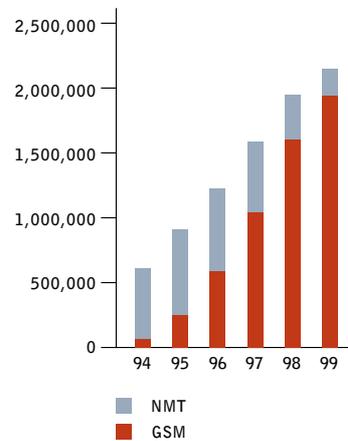
The most important mobile communications service that was launched during the year was the Sonera Zed mobile portal, which links a mobile phone with Internet services. In the start-up stage of the Zed mobile portal in the final months of the year, the service comprised Sonera text message services using the 400 number, WAP services as well as Sonera's Internet services for mobile phone customers that were introduced earlier in the report year.

In August, Sonera became the first telecommunications operator in the world to roll out information services for WAP compliant mobile phones. WAP is a standard for converting Internet content to a form suitable for mobile handsets. With a Sonera WAP service package, the customer can access a wide variety of things such as ringing tones and account balance information, or else make searches of a telephone directory. Customers can also order news and entertainment services that come straight to their mobile handset, and the service can be used to send group text messages. By means of the Zed mobile portal, the customer can personalize the WAP menu that is loaded on his or her phone, and pick the desired services from a selection that has been prespecified for the phone.

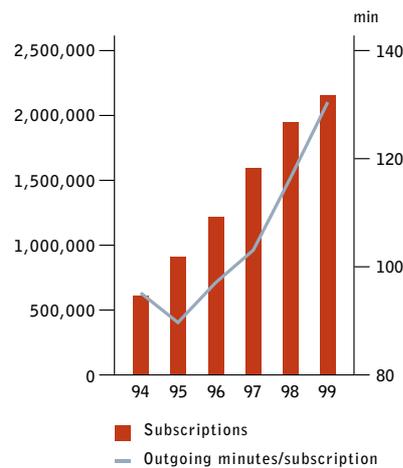
During the year under review, Sonera began to develop the first WAP-based wireless picture messaging service in cooperation with Nokia. Sonera and Nokia are also studying and developing the transmission and reception of digital images with a WAP phone.

In the first part of the year, Sonera brought out on the market a GSM Postcard service for sending a card by means of a text message. The use of other services that are ordered or purchased using a mobile phone also expanded during the report year. For example, a soft drink, a piece of music or a carwash can be purchased from a vending machine using a

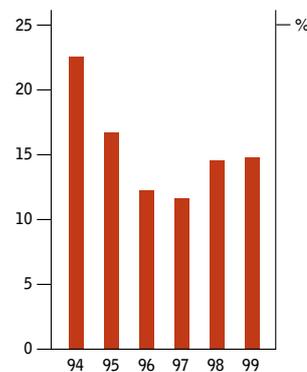
NUMBER OF SONERA MOBILE SUBSCRIPTIONS IN FINLAND



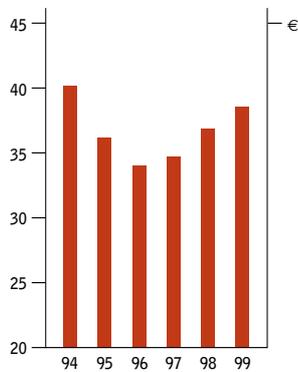
NUMBER OF SUBSCRIPTIONS AND AVERAGE MONTHLY USE



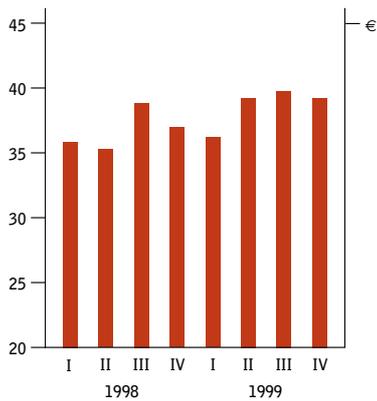
CHURN RATE FOR GSM CUSTOMERS



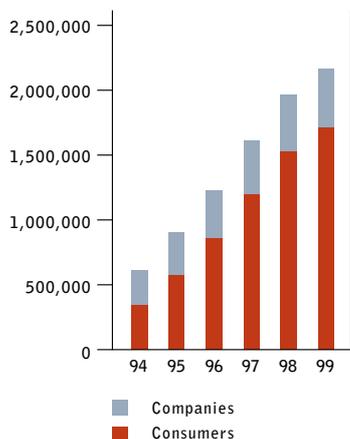
AVERAGE MONTHLY REVENUES PER SUBSCRIPTION



AVERAGE MONTHLY REVENUES PER SUBSCRIPTION BY QUARTER



CONSUMER AND CORPORATE SUBSCRIPTIONS



mobile phone and paid for on the mobile phone bill. In the autumn, Sonera teamed up with the confectionery company Fazer Makeiset Oy to launch the GSM Chocolate service, which is the first such application for mobile commerce. A Sonera mobile phone subscription could now be used for the first time in Finland to order, send and pay for a product. The application is the first step toward wireless electronic commerce.

The GSM Easy package that was test marketed in 1998 became available at R kiosks in October. Customers can load cash into this prepaid subscription facility so that they can pay for their own call time and text messages.

In April, Sonera announced that it was terminating its NMT 900 network as of December 31, 2000, and its ARP service on December 31, 1999. In Lapland County, ARP services will end on December 31, 2000. The reason for the termination is the significant decline in the numbers of customers. The NMT 450 network that supplements the GSM network in very remote areas will nevertheless still be maintained. The vast majority of NMT customers have become Sonera's GSM subscribers. At the end of the year, there were 197,597 NMT customers (334,987).

In September, 1999, Sonera announced its decision to terminate the maintenance of Kaukohaku paging services on December 31, 2001. The main reason for the decision is the steady decline in the number of customers and the use of paging services during the 1990s. Most of the paging customers have migrated to other mobile services, becoming, say, users of GSM text messages.

Broadening the distribution network

Sonera continued to commit resources to the development of high quality customer service. Call centers offer around-the-clock service seven days a week: in 1999, the call centers handled over 5.5 million calls. Sonera beefed up its call center resources further by establishing a nationwide customer service center in Kuusamo in addition to its four previous call centers. In addition, local transaction outlets were established in the cities of Mikkeli and Jyväskylä.

Well functioning cooperation with independent entrepreneurs in the mobile phone field is a characteristic feature of Sonera's distribution network, which is made up of about 1,900 (1,600) sales outlets. These are stores that are specialized in mobile communications equipment, home appliance dealerships and department stores. The partner network was strengthened further in January 1999, when Sonera acquired a majority holding in the company that coordinates the marketing of the Päämies chain of mobile phone resellers.

As competition gets tougher, customer loyalty and the ability to maintain it are becoming a key emphasis. Knowledgeable cooperation partners play a crucial role in the sale of subscriptions and new services. The importance of the part-

ner network will nevertheless grow the most within product development and the provision of services.

National roaming is all the talk

According to a service operator agreement that was signed in January 1999, RSL COM Finland will buy GSM network capacity from Sonera. During the year Sonera also held talks with Telia Finland concerning national roaming rights to Sonera's mobile network on a commercial basis. The talks nevertheless did not lead to a deal.

In January 2000, the Finnish Competition Authority (FCA) issued a decision according to which it considered that the pricing of national roaming applied by Sonera does not require any measures by the FCA. The FCA expressed the view that a telecommunications operator has several different ways of gaining access to a national telecommunications network, for example, a service operator agreement, and that Sonera by itself or together with Radiolinja does not have a dominant market position within access to national mobile communications networks. The decision of the FCA was issued on account of a complaint filed by Telia Finland Oy with the FCA in September 1998 requesting FCA to examine whether Sonera and Radiolinja restrict competition on the mobile network markets. Telia Finland has filed an appeal with the Competition Council against the decision issued by the FCA.

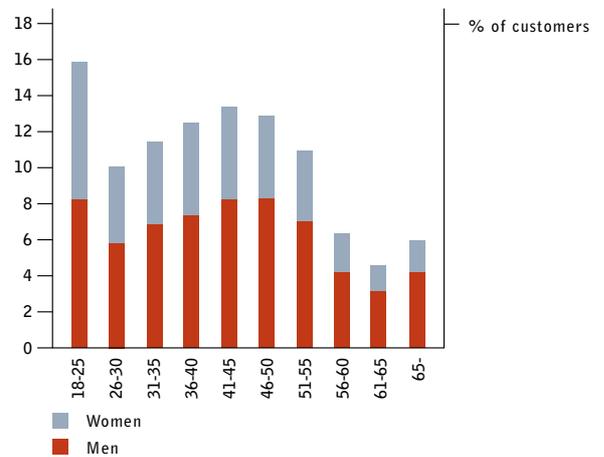
Sonera entered into negotiations on international roaming within mobile communications with the Swiss mobile operator Swisscom in March, when Swisscom undertook to offer Telia Finland roaming rights to Sonera's mobile network in Finland's sparsely populated areas on the terms of international roaming. The roaming agreement between Sonera and Swisscom came to an end in October because the companies did not reach an agreement on the open questions raised by the new arrangement brought forth by Swisscom, such as responsibility and pricing issues as well as unclear technical points related to the service. The matter is still up before the EU Commission.

Data transfer to be speeded up step by step

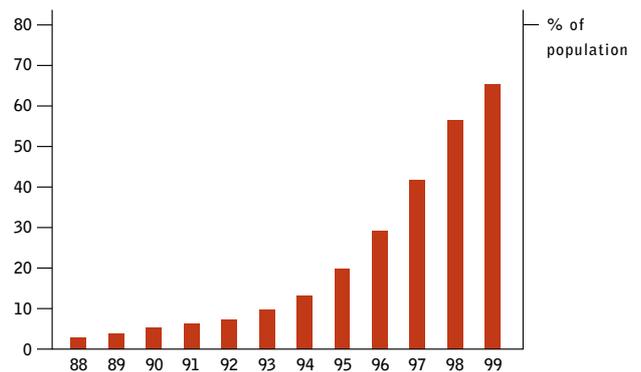
In September, Sonera began offering its customers data service based on high speed HSCSD technology. HSCSD is a high speed circuit switched data transmission technology for the GSM network that makes possible the use of up to four channels simultaneously, whereby the maximum data transfer speed will be quadrupled compared to the present rate. The service will also raise the data transfer speed of a single traffic channel from 9.6 kilobits at the present to 14.4 kbps. During 2000, Sonera is planning to raise the data transfer speed of its network by introducing GPRS technology.

In March 1999 Sonera became one of four players who were granted a national UMTS mobile communications license by the Finnish Government – the first such license to be

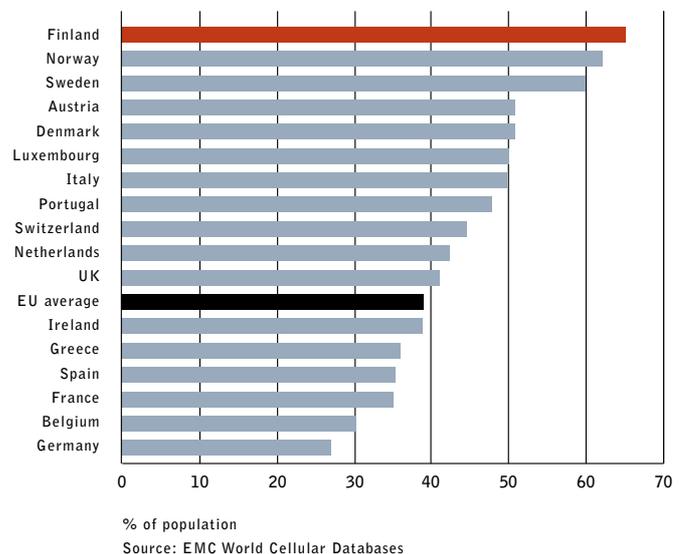
BREAKDOWN OF CONSUMER CUSTOMERS BY AGE AND SEX 1999



MOBILE PENETRATION RATE IN FINLAND



MOBILE PENETRATION RATE IN WEST EUROPEAN COUNTRIES ON DEC 31, 1999



granted anywhere in the world. The license covers all of Finland. No regional licenses were granted at all. The third generation UMTS network enables, among other things, moving images and picture text messages to be sent and a mobile phone to be used to browse Internet pages. Sonera is raising the data transfer speed of its mobile network by phases toward a UMTS network, which is to become operational stage by stage beginning in 2002.

Media Communications and New Services

Revenues from Media Communications and New Services were up 22% on the previous year and totaled EUR 140 million (115), or about 8% (7%) of Sonera's entire revenues. Growth came from the increased use of directory and Internet services as well as the greater use of the Internet services offered by Sonera's subsidiaries abroad. The profitability of operations was weakened by the significant outlays on new service businesses in Finland and abroad.

Sonera is continuing the development and commercialization of progressive Internet services that are used on mobile and fixed networks. Strong additional outlays on media communications and new businesses will continue to be made in 2000.

MEDIA COMMUNICATIONS

Media Communications consists of new media and business media functions as well as directory services. Media Communications revenues are generated from subscriber fees, rents for home page space, online advertising charges, call and other charges for services as well as sold advertising space in printed telephone directories.

Sonera's new media services are Internet services for home and corporate customers, cable television services and premium rate telephone services.

Growth in Internet use continued in the report year, and there was keen competition within Internet services. Because Internet connections face mounting price pressures, such as the trend toward offering free Internet connections, the growth in revenues from new media functions will depend on larger volumes of content services and advertising income in coming years.

Sonera Plaza opens to the public

Sonera is the market leader in Internet services in Finland. Sonera's market share of consumer and corporate subscriptions remained at about 40%. The number of Sonera's Internet subscribers stood at about 216,000 at the end of the year. The number of Internet customers is set to increase further as Internet penetration grows and content services develop, but

MEDIA COMMUNICATIONS AND NEW SERVICES

	1999	1998 Change, %	
Revenues, € million	140	115	22
EBITDA, € million	(47)	21	(324)
EBITDA, % of revenues	(27)	17	
Depreciations and write-downs, € million	13	7	
Operating profit, € million	(60)	14	(529)
Capital expenditure on fixed assets, € million	15	10	50
Personnel, average	1,346	555	143

it is believed that the pace of growth will slow down compared to previous years. In Finland, the number of computers connected to the Internet in relation to the population is one of the world's highest rates: at the end of 1999, the penetration rate was about 13% in Finland and 2% on average in the European Union.

Sonera began offering anti-virus protection to its Internet customers. Anti-virus protection guarantees a more secure network connection. The facility was developed for Sonera's subscriptions in cooperation with F-Secure Corporation.

Apart from subscription sales, content packaging as well as services offered over the Internet are important priorities for Sonera's operations. At the beginning of May, the name of Sonera's Internet network media, iNet Keskuskatu, was changed to Sonera Plaza. The Plaza service came out with a number of new aggregated content packages targeted at different groups, such as young people, women and armchair athletes during the year. Henceforth, the content of the channels will be tailored increasingly toward target groups, thus creating new opportunities for targeted advertising. Sonera Plaza is Finland's most used network media service, with almost 400,000 different visitors in a single week in January 2000. In January, about 10 million weekly page views were registered (Taloustutkimus Oy 1/2000).

Investments in the Netherlands

The new media business is also investing selectively in new business opportunities in the developed markets of Europe. In July, Sonera acquired a one hundred percent interest in the Dutch provider of Internet services MultiWeb B.V. The company offers Internet connections via the fixed telephone network and cable TV to nearly 20,000 consumers and business customers in northwestern Holland. MultiWeb and Sonera Nederland merged on January 1, 2000. Sonera Nederland and MultiWeb had combined revenues in 1999 of EUR 4.1 million.

In September, Sonera established the Sonera Plaza network media service in the Netherlands, where it also began offering Internet connections via the telephone network in addition to the broadband subscriptions it had previously offered via the cable network.

Sonera joins in building a digital national broadcasting network

Sonera's objective is to further strengthen its position as a leading provider of new media services in Finland and to promote the new information society services that are offered to consumers, companies and public administration. In Sonera's view, its field of operations in the future will be to offer a connection to the Internet that is independent of time, place and terminal device. The connection can be implemented via a mobile phone, digital television or a fixed network line.

In February, Sonera submitted to the Ministry of Transport and Communications an application for a national digital television license in order to start offering interactive content services on digital TV. In its decision issued in June, the Finnish Government did not grant a license to any of the telecommunications companies that applied for one, including Sonera. Since 1998, Sonera has pursued cooperation with the Finnish Broadcasting Company, and it intends to broaden this initiative by studying possibilities for business cooperation, particularly in the area of digital television.

In November, Sonera and the Finnish Broadcasting Company signed an agreement by which the Finnish Broadcasting Company will sell 34% of its subsidiary Digita Oy to Sonera. Over its terrestrial networks, Digita will handle the distribution of radio and television programs in Finland and sell other services connected with the distribution of national broadcasting signals. The agreement will enable Sonera to gain experience in the management of a distribution channel and value chain in a digital national broadcasting network environment. Before the deal goes through, it must receive final approval from the Finnish Competition Authority.

In June, Sonera and Talentum Oyj announced that they were establishing a network media company that will combine Talentum's network brands with Sonera's clientele and technology. Sonera has a 37% interest in the new company, whose revenues are estimated to reach more than EUR 15 million within three years. The Finnish Competition Authority approved the joint venture in December subject to certain conditions which are meant to ensure, among other things, that Sonera does not favor the joint venture.

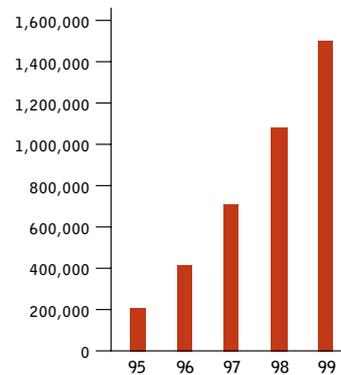
Sonera provides cable television services to about 139,700 households in Finland via its own broadband cable television network. The figure corresponds to a 15 percent share of the Finnish cable television market.

The Ostella virtual shopping mall opens

Sonera's business media arm offers corporate customers communications solutions that are used in customer service, marketing and electronic commerce. Development work on business media is targeted especially at promoting electronic shopping on the Internet.

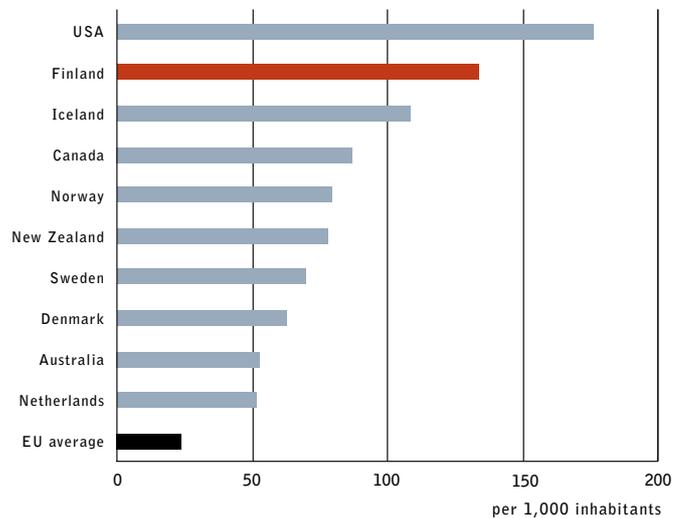
Electronic commerce among consumers has got off to a fairly slow start in Finland despite the widespread use of the

NUMBER OF 15-74 YEAR OLD FINNS USING THE INTERNET EVERY WEEK



Source: Taloustutkimus Oy 1/2000

COMPUTERS (HOST) LINKED TO THE INTERNET



Source: Network Wizards, Telcordia Technologies 2/2000

Internet. Among the factors behind this are the narrow range of products offered by Finnish shopping malls as well as the strict security policy observed by credit card companies up to the end of the year, which has limited the available payment options to the online payment services offered by banks, thereby causing uncertainty among consumers.

In the report year, Sonera rolled out its Ostella virtual shopping mall, which offers consumers a variety of purchasing options on the Internet and gives companies tools for establishing and developing their own electronic commerce services. In addition, Sonera brought out on the market a real-time customer service solution based on Internet technology. By means of Sonera@Service, a company can manage its customer contacts on a centralized basis independently of the contact channel. The service makes possible real-time customer service on the Internet and provides a way of handling incoming e-mail, faxes and calls.

Competition within toll-free and toll service numbers as well as in voice mail service, got tougher, but Sonera held on to its leading market position. Above all, the strong growth in mobile communications brought new traffic to the service numbers.

Electronic directory services enjoy good growth

Sonera is Finland's leading provider of electronic directory services and number services. The use of Sonera's number services increased by over 10% during the year. The growth was mainly due to the increased use of mobile phones. In addition, the use of call completion in domestic number assistance grew substantially.

Directory services are one of the most popular value-added services for mobile phones in Finland. In 1999, the use of Sonera's electronic directory services grew strongly, largely owing to the increased use of the GSM text message service. Furthermore, companies made greater use of the Internet. Sales of media space within directory services grew during the report year, and further growth is expected in the years ahead.

By way of an agreement that came into effect in February, Sonera sold its 50.5% holding in Interinfo Finland Oy – a company that publishes telephone directories in the Baltic area – and its subsidiaries to Telenor Media A/S of Norway.

Sonera purchased the Eemeli e-mail directory business from Icon Medialab Finland in October. Eemeli has been in use since 1995 and it is Finland's most comprehensive e-mail directory, with about 165,000 addresses. The extension of directory content services from telephone and mobile handset numbers to e-mail addresses will increase Sonera's know-how in the directory business. Sonera's objective is to further expand the coverage of the Eemeli e-mail directory. In the years ahead, Sonera will extend its e-mail directory service so that it can be used with a mobile handset, too.

NEW SERVICES

Sonera Zed

During the report year Sonera launched a global wireless portal business when it brought Sonera Zed out on the market. Sonera Zed is a personal mobile portal that is independent of time and place. In Finland, Sonera Zed's operations got under way in October, and international testing will start up in the spring of 2000.

Sonera Zed is targeted at people who use a mobile phone both in their work and in their leisure time. Sonera Zed offers users a way of tapping into things such as wireless Internet-based communications, time and information management facilities, electronic commerce and data and service searches. Initially, use of the services will be based on short messages (SMS) and WAP messaging. Within the mobile portal business, Sonera acts as a packager of services and is investing in systems that will enable the enhanced provision of services.

Sonera Zed is beamed at selected international markets. The business concept is based mainly on active cooperation with local mobile operators. Startup of mobile portal operations is an important step for Sonera because via it Sonera will expand its offerings of mobile communications services to areas where the Company does not have its own mobile communications network.

The mobile portal business is expected to face tough competition worldwide. Among Sonera Zed's competitors are mobile phone operators, Internet portals, equipment manufacturers, software houses and new companies that are being set up. Sonera is well placed to be successful in the mobile portal business because the Company has strong experience in the mobile phone and Internet businesses, value-added services for mobile phones and content packaging. In addition, one of Sonera Zed's main strengths is its ability to understand how the user moves about, both with respect to the situation in which services are used and how they are offered. Sonera Zed brings together essential services, both global and local, for mobile users and offers them in the user's own language.

As part of the Sonera Zed concept, the Company published a worldwide Sonera Zed Finder directory. The Sonera Zed Finder finds the telephone numbers, names and addresses of private individuals and companies in seven countries, putting more than 150 million people within reach. At present the countries within the scope of the service are Finland, Belgium, Great Britain, Austria, France, Switzerland and Denmark.

The Company also announced a wireless communications service for air travelers. By means of text messages, Sonera Zed Travel relays information to air travelers on their flights and makes sure that the travelers are in the right place at the

right time. The service is directed at private individuals, companies, travel agencies, air carriers and airports. Sonera Zed Travel functions in most digital mobile communications networks. The service can be offered worldwide, and Sonera thus does not intend to sell it to other operators. The service started up in Finland in February 2000.

In October, Sonera purchased the business activities of ByeDesk, a United States company that is specialized in wireless communications services, from the TeamWARE Group. By way of the deal, ByeDesk was made a part of Sonera's mobile portal business. Founded in 1998, ByeDesk has 20,000 customers, and it was the first provider of value-added services built for mobile phones in the United States.

The Sonera Zed business was incorporated as a wholly-owned Sonera subsidiary on February 1, 2000. The principal operating company is located in Finland, and it has subsidiaries in Great Britain and the United States.

Sonera Zed services can be used via both a mobile handset and the Internet. In January 2000 more than 600,000 customers were using Sonera Zed services in Finland by means of their mobile phones and nearly 140,000 customers had registered as users and personalized their subscription on the Internet. The most popular services are Sonera Zed Finder, the ringing tone and icon service, and the account balance query service.

Sonera SmartTrust

Sonera SmartTrust develops and offers security technologies and services that enable secure wireless e-commerce. SmartTrust is seeking to fortify its leading position as a global provider of wireless security solutions based on Public Key Infrastructure (PKI).

In February 1999, SmartTrust announced a secure digital signature technology that was developed for wireless communications. Thanks to the high degree of security provided, companies can build easy-to-use value-added services and services related to electronic commerce. The SmartTrust solution is based on Public Key Infrastructure, encryption and a digital signature which resides in the protected SIM card that is inserted into a mobile phone. The SmartTrust solution is open because it is independent of manufacturers of wireless terminal devices, mobile communications operators, SIM cards and service providers. The technology is compatible with WAP, the present GSM standard and future generation mobile communication networks.

During the year under review, SmartTrust set up research and development contacts with a number of leading technology companies, equipment manufacturers and software suppliers. SmartTrust signed a letter of intent for supplying a security solution for Hewlett Packard's e-speak platform. SmartTrust is seeking to offer – especially to banks and com-

panies engaged in electronic commerce – a way of carrying on business securely around the world. With SSH Communications Security, SmartTrust started up cooperation with the aim of promoting the offering of advanced security solutions to companies that operate over mobile communications networks and on the Internet. SmartTrust and Lucent Technologies started cooperation on developing secure solutions for the needs of wireless electronic commerce in both present-day and future generation mobile phones and networks. SmartTrust and Ericsson announced the first digital signature for a WAP phone, thus enabling secure wireless electronic commerce.

In order to ensure compatibility with public key systems, SmartTrust also began concluding product and marketing development agreements with digital certification authorities and the suppliers of their software solutions. SmartTrust signed a letter of intent with GTE CyberTrust for the development of security technologies for mobile phone and Internet-based transactions. In addition, SmartTrust launched cooperation with iD2 Technologies with the aim of offering an electronic ID code to mobile phone users in the Nordic countries. In the current year, SmartTrust undertook development of flexible and compatible systems for secure wireless commerce in cooperation with Baltimore Technologies, Entrust Technologies, and VeriSign, based on their certification systems and SmartTrust's technology.

At the Telecom 99 trade fair, SmartTrust rolled out a new Bluetooth-based trading solution for wireless transactions. In the current year, SmartTrust and MasterCard International announced a development and marketing agreement aiming to combine SmartTrust's secure wireless technology in mobile communications with the MasterCard and Europay International family of payment products.

Wide adaptability gives an edge

SmartTrust brings together players from the Internet and mobile phone field and encryption technologies based on Public Key Infrastructure. The SmartTrust solution is one of the few that fulfills the requirements of digital signature laws. The solution offers all the most important advantages of Public Key Infrastructure.

Cooperation between different industries plays an essential role in creating wireless security practice and in speeding up the market development of wireless trading. To ensure compatibility and stimulate the markets, SmartTrust is pursuing cooperation with mobile communications operators, service providers, system suppliers, application developers and digital certification authorities, including the suppliers of their software solutions.

Compared to application-specific or symmetric security solutions, SmartTrust's solutions based on Public Key Infra-

structure have a competitive edge in that they are suited to large open systems and enable numerous different parties to transact business among each other, in compliance with legal requirements, by means of digital signatures.

Widely approved solutions arrived at in Internet security technology might in coming years also be used in wireless Internet devices and their browsers. At present, however, these solutions do not offer the same two-way identification of the service provider and the customer, nor like SmartTrust do they guarantee the non-repudiation of the transaction.

One of the strengths of the SmartTrust security solution is that it can be put into use already in today's mobile phones that incorporate a SIM card. At the end of 1999, there were an estimated 250 million of such phones around the world. In the current year, SmartTrust ensured the availability of its cards by making a cooperation agreement with Gemplus, the world's leading provider of solutions based on smartcards.

Investing in partnering

In March, SmartTrust racked up a worldwide first when it announced, together with Leonia Bank and TietoEnator, banking services based on digital signatures used in WAP phones.

Certall Finland Oy, a joint venture run by Sonera, Finnish banks, TietoEnator and Finland Post Ltd, began operations in March with the aim of offering technical digital certification services in Finland.

In June, SmartTrust and eQ Securities Ltd, a Finnish online securities broker, announced SmartTrust's mobile phone-based service for trading in listed shares, making use of digital signature technology.

SmartTrust and Citigroup's e-Citi unit announced in August that they were entering into strategic cooperation with 724 Solutions Inc. The objective of the cooperation is to build wireless links for the use of global financial services. According to the agreement, both Sonera and e-Citi made a strategic investment in 724 Solutions. During the report year, 724 Solutions began to integrate SmartTrust technology into its software platform.

In October, SmartTrust, Gemplus and EDS announced Radicchio, a worldwide forum for promoting secure wireless electronic trading. Subsequently, Radicchio has signed up new members, including Ericsson, Lucent Technologies, Vodafone Airtouch, MasterCard International, Visa International, Baltimore Technologies, 724 Solutions, Certicom, Saraide and Setec.

The first customers

A number of partner agreements also contained provisions according to which SmartTrust technology will be used as part of the partner's provision of services. Leonia Bank's

first pilot services based on SmartTrust's digital signature know-how became operational in November, and the eQ On-line service for trading in listed shares started up in January 2000.

In October, SmartTrust also announced an agreement with Cable & Wireless HKT concerning the offering in Hong Kong of secure wireless electronic commerce services based on Public Key Infrastructure. In November, the Swiss GSM operator diAx announced that it would start providing security for mobile phone-based trading applications in its GSM network by employing SmartTrust solutions.

From the beginning of 2000, SmartTrust was incorporated, whereby it became a wholly-owned subsidiary of Sonera Corporation. Thanks to the incorporation, SmartTrust can offer its services independently of Sonera's mobile communications functions and react faster to the changes taking place in new mobile-based services.

Growth outlook for the market

Wireless electronic trading is only in the initial stage of its development. The growth in the market for secure wireless services will in the future be based on three major trends: the sharp growth in the number of users of mobile communications, the increase in electronic commerce and the arrival of new technologies that make possible new, interesting services and business models.

The mobile communications industry is characterized by the fast growth in customer volumes. It is generally estimated that by 2003 the mobile phone will be the world's most common terminal device, and it will have more than a billion users. In areas with a high penetration rate, operators will go after revenue growth from new business models, such as wireless electronic commerce.

According to Forrester Research, revenues from electronic commerce will grow at an annual rate of nearly 100%, which would lead to a market of over USD 1,400 billion in 2003. Gartner Group, a research institute, forecasts that by 2004, 40% of the electronic trading outside of the United States will take place by means of wireless devices.

The digital certification solution market based on Public Key Infrastructure and certification authorities had combined revenues in 1998 of USD 171 million. According to International Data Corporation, a research institute, this market will grow to USD 1.3 billion by 2003.

SmartTrust estimates that wireless commerce will grow strongly over the next few years. SmartTrust is accordingly concentrating on firmly establishing its position as a leading global provider of wireless security technology.



The fixed network is developing toward broadband technologies and the Internet protocol. During the year under review, Sonera brought out on the market a high-speed ADSL connection. In line with its position as a forerunner in developing data communications solutions for companies, Sonera is investing in LAN services and in value-added services for data networks.



SHARE OF CONSOLIDATED REVENUES 40%

Telecom

Fixed Network Voice and Data Services

Revenues from Fixed Network Voice and Data Services grew somewhat on the previous year and were EUR 570 million (560). Under the new organizational structure, Sonera Entrium Ltd will provide voice and data services to consumers and small and medium-sized companies in Finland and its neighboring areas. The backbone network business is the province of Sonera Carrier Networks Ltd, which acts as a wholesaler of fixed network capacity in the market areas of Finland, Northwest Russia, Northern and Central Europe as well as the east coast of North America. Sonera Solutions Ltd markets and sells telecommunications solutions primarily in Finland, but also to about 380 Finnish companies that operate in other markets.

VOICE SERVICES

Revenues from fixed network voice services remained at the previous year's level and were EUR 370 million (386). The services include local, long-distance and international calls as well as supplementary services such as call transfer and voice mail.

Revenues from Sonera's domestic voice services declined slightly on the previous year and were EUR 250 million (258). Sonera's market share of called long-distance traffic minutes was 38% (39%).

Sonera's share of Finland's fixed network subscriptions is 28%, and the total calculated number of the Company's local access lines at the end of the year was 770,433 (790,668). Sonera has a 98% market share in its traditional operational areas in the sparsely populated parts of eastern and northern Finland. In the main operating areas of the other telephone companies that offer local call services, i.e. in the largest cities and densely populated communities, Sonera has a market share of about 4% calculated according to the number of subscriptions.

The high leased line prices of local telephone companies have put a damper on competition in the local call market. Sonera has built fiber optic loops to Finland's largest cities, and markets direct local access connections to business customers in these areas. Outside its traditional service areas,

FIXED NETWORK VOICE AND DATA SERVICES

	1999	1998	Change, %
Revenues, € million	570	560	2
EBITDA, € million	200	187	7
EBITDA, % of revenues	27	27	
Depreciations and write-downs, € million	102	124	
Operating profit, € million	98	63	56
Capital expenditure on fixed assets, € million	116	126	(8)
Personnel, average	2,442	2,485	(2)

i.e. in Finland's largest cities, Sonera has about 3,500 kilometers of fiber optic network which is used principally for corporate data transfer and voice services.

New technology for local access

In the future, fixed network services will concentrate increasingly on ISDN and ADSL technology, on other broadband technologies as well as on the Internet protocol. During the report year ISDN basic subscriptions accounted for 5.8% (3.6%) of wired lines. At the beginning of June, Sonera brought out on the market a broadband-based ADSL connection which is intended for small and medium-sized companies and offers a fixed Internet connection at a fixed monthly rate. The transfer speed of the ADSL connection is up to two megabits a second. At present, Sonera is offering ADSL services in 22 locations. By the end of 2000, the coverage in Sonera's traditional service areas is estimated to be 60%. In the area where competitors operate, Sonera's objective is to bring 90% of companies and 40% of consumers into its coverage area.

Sonera is actively studying alternatives for opening the local network to competition via both new radio and broadband technology and strategic cooperation projects. In the spring of 1999, the Company teamed up with Jyväskylä Energia Oy, a power utility, to explore the possibility of utilizing the power grid for fast data transfer.

Sonera is continually modernizing the transmission system of its backbone networks by means of uniform SDH technology. The SDH project will continue as part of Sonera's network investment program. The SDH modernization is expected to reduce the operating and investment costs of Sonera's fixed network. The number of Sonera's fixed network switches declined to 25 by the end of 1999.

In the years ahead, Sonera will develop its nationwide network only by deploying fiber optic, SDH and WDM technologies, whereas digital radio links will also be used in the regional networks.

From the beginning of May, the call pricing structure in Finland changed when a new local network charge replaced

the local call charge that influenced the total price of a call between telecommunications networks. The new regime lowered the total price of calls because according to the relevant decree, the local network charge can be a maximum of 60 percent of the amount of the local call charge. In order to maintain its cost matching, Sonera altered the price structure of local calls by raising the charge per call and lowering the charge per minute.

International voice market remains stable

International calls generated EUR 120 million (128) of revenue for Sonera, and the Company's market share of called international traffic minutes during the year was about 53% (55%). The international call market is estimated to have remained at the level of about EUR 200 million. During the year, prices of international calls declined further, and the trend is estimated to continue over the next years. The growth in call minutes is nevertheless believed to offset the declining price level.

DATA SERVICES

Revenues from Sonera's data services grew by 13% during the report year and were EUR 168 million (149). The services mainly included basic data transfer services that are offered to business customers as well as fast-growing network and system management services. Via its international subsidiaries, Sonera also offers data services in the international market.

Within communications solutions for companies, Sonera is a forerunner in offering data network services and it has a strong market position. In recent years, the business has focused particularly on developing LAN services and value-added services for data networks as well as on offering service solutions that link together communications and various applications. A tough competition situation prevails within value-added services for data networks and in various application services, because the players in the field include both telecom operators and information technology companies. Sonera is also the leading supplier of corporate intranet services.

Converging IP and mobile-based communications

Electronic commerce and network applications are expected to become much more widespread over the next few years. Sonera judges that it has good growth potential because the new electronic commerce solutions will tend to be centered on the integration of IP and mobile-based communications and network applications.

In October, Sonera announced an Internet-based integrated service that offers all business communications services via a single data network. The service offers the user who is on the move a variety of GSM, text message and WAP-based mobile communications functions. The platform for the service is Sonera's award-winning IP communications network.

FIXED NETWORK ACCESS LINES

Number of access lines at year end	1999	1998	Change, %
	Standard lines	592 337	
ISDN lines	36 413	24 772	47
2 Mbps lines	3 509	2 820	24
Total equivalent lines	770 433	790 668	(3)

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

BREAKDOWN OF REVENUES WITHIN DATA COMMUNICATIONS

€ million	1995	1996	1997	1998	1999
Basic data transmission	52	45	49	59	60
LAN and intranet services	24	40	62	90	108
Total	76	85	111	149	168

In addition, Sonera introduced a new technology in which a full set of Intelligent Network (IN) functions is incorporated within a fully IP-based environment and can be managed with a WAP user interface. The technology opens up possibilities for new Internet communication applications in which mobility, Internet applications and telephony services can be combined flexibly in a unified Internet platform.

During the year Sonera became the first European telecommunications operator to announce an Internet VPN (Virtual Private Network) information security service which is intended for telecommuters and small business locations, and which protects data traffic between a workstation or a portable computer and the company's Internet access point.

Sonera also brought out on the market the Sonera PartnerGate service that enables a company to set up and manage partner networks in a secure manner. The service is part of the Sonera Security Foundation solution, by means of which companies can protect all the use, transfer and distribution of data connected with their business. In addition, Sonera unveiled a service that is to be offered for electronic commerce between companies and in which a secure network trading environment is integrated into the existing information systems and, as needed, also into the systems of suppliers and partners in cooperation.

In December, Sonera became the first telecommunications operator in the world to receive a license to use strong US encryption technology (3DES, 168-bit key) in its service business outside of the United States. Previously, the export of strong US encryption technologies outside of the United States has been prohibited. Sonera will begin to offer services that deploy the strong US 3DES encryption commercially in the first quarter of 2000.

Sonera will continue to invest in developing its capability for delivering new IP-based connection and data network products as well as their related data security, management service and IP communications solutions. In addition, Sonera is developing customer specific solutions, especially for electronic commerce and the leasing application business.

Cooperation with Equant

A fiber optic cable between St Petersburg and Moscow, the building of which was commissioned by a consortium between Sonera and Russian power utilities, was completed in the report year. The new fiber optic cable will strengthen Sonera's position in international transit traffic and enable Sonera to offer ATM-based broadband services and Internet-based services in Moscow. The uninterrupted fiber optic cable is Europe's longest (1,000 km), and it is an extension of the cable which Sonera and Lenenergo built from Finland to St Petersburg in 1993. The total cost of the fiber optic cable project was about EUR 37 million.

Under a cooperation agreement made with Equant, an international telecommunications company, Equant's data network services became a part of Sonera's service offerings in Finland, Sweden, the Baltic countries and Russia. The cooperation will make it possible to offer comprehensive international data network services to Sonera's business customers worldwide. The agreement covers Frame Relay and ATM services, which are used to link together companies' internal networks, as well as call services from anywhere in the world to the company's own network.

Via its subsidiaries, Sonera offers data services to companies in the developed telecommunications markets in Sweden, Germany, Belgium and the Netherlands. Aggregate revenues of the international subsidiaries grew by 20% in the year under review and were EUR 53 million (44).

Sonera offers leased lines, i.e. fixed point-to-point connections for voice and data traffic. Although the number of Sonera's leased lines has diminished since 1996, the combined transmission capacity of the leased lines has grown significantly, largely due to the greater amount of faster digital connections.

Equipment Sales and Other Operations

Revenues from Equipment Sales and Other Operations grew by 16% in 1999 and totaled EUR 173 million (149).

Millennium changeover increases equipment sales

During the report year, Sonera's subsidiary Sonera Systems Ltd sold, installed and maintained switchboard and telephone systems, payment terminals, computers as well as other data processing and telecommunications equipment. The company also supervised the Telering and Datainfo retail chains. Revenues from equipment sales were up 19% on the previous year and were EUR 114 million (96).

The Telering chain comprises 20 Sonera-owned and 60 franchising stores. Mobile phone sales were Telering's largest single sales segment, as in previous years. The Datainfo chain is Finland's leading distributor of personal computers and software, and it is also a supplier of maintenance and

EQUIPMENT SALES AND OTHER OPERATIONS

	1999	1998	Change, %
Revenues, € million	173	149	16
EBITDA, € million	47	18	161
EBITDA, % of revenues	10	5	
Depreciations and write-downs, € million	43	28	
Operating profit, € million	4	(10)	
Capital expenditure on fixed assets, € million	59	49	20
Personnel, average	4,202	4,455	(6)

network services for computers. The chain has 45 independent franchising stores.

Export operations were developed further via the subsidiaries in Estonia and Latvia. IsoWorks Oy, a joint venture between Sonera Systems and ICL, specialized in the repair and maintenance of customer equipment, began operations in early October. About 200 people transferred from Sonera Systems to the new company's employ.

The strong growth in the mobile phone penetration rate has led to a further decline in the use of public phones. In the year under review, the number of public phones operated by Sonera fell by some 3,000 and was 5,300 at the end of the year.

As part of the new organizational structure that went into effect from the beginning of 2000, Sonera Systems Ltd's equipment sales were transferred to Sonera Solutions Ltd as a transfer in kind. At the same time, Telering Ltd was spun off from Sonera Solutions as an independent company. IsoWorks Oy will continue operations as a separate company that is owned by Sonera and ICL.

Incorporation of the construction and maintenance business

On July 1, 1999, Sonera transferred its construction and maintenance business to Primatel Ltd, which operates as a wholly-owned subsidiary of Sonera. Primatel offers construction, installation, fault repair and maintenance services for telecommunications and data networks as well as security systems. The services will be offered both to Sonera and to other network operators and end-users of telecommunications services. In addition, telecommunications repair shop services are part of the business palette.

Primatel's business environment is in a stage of strong development. As operators who own telecommunications networks seek to outsource tasks connected with the construction and maintenance of a network, new players are expected to enter the field, spurring both fast-growing markets and tougher competition.



Major investments in associated companies give Sonera a foothold in the rapidly growing mobile communications markets of Europe and the United States. In the nearby Baltic countries, Sonera also has a strong position in fixed network operators.

International Joint Ventures

Apart from the Group's own operations, Sonera engages in close cooperation with its associated companies. In dealings with international joint ventures, Sonera leverages the technical and commercial expertise it has obtained in Finland's sophisticated market. The prime features exploited in cooperation partnerships are Sonera's expertise in mobile communications, network technology and to an increasing extent also in new services.

Within mobile communications, Sonera has invested mainly in companies that operate in rapidly evolving and growing markets, such as those in Turkey and the United States. Sonera's participation in companies that offer fixed network services is chiefly in Finland's nearby areas in the Baltic countries. In addition, Sonera has a significant interest in TietoEnator Corporation, which is the leading information technology company in Finland and Sweden.

Aggregate revenues generated by associated companies operating in the area of mobile communications and fixed network services doubled during the year and were about EUR 2,970 million (1,446). The increase is based mainly on Turkcell's strong growth as well as on new acquisitions of associated companies that were made in 1998. Furthermore, Sonera's equity income in associated companies nearly doubled, rising to EUR 110 million (59). The trend of the associated companies is estimated to remain good and their contribution to consolidated earnings is believed to grow further.

Turkcell's strong earnings growth continues

The customer volumes of joint ventures in the mobile communications business doubled and totaled about 8.2 million at the end of the year (3.8). In the report year, the number of customers of joint ventures in relation to Sonera's holdings exceeded the volume of customers in Finland for the first time. The operating license areas of the companies located in Turkey, Russia, the Baltic countries, Hungary and Lebanon alone at present cover a total of nearly 100 million people. In addition, the operating areas of the soon nationwide Voice-Stream operator in the United States and the regional Power-tel operator cover a total of some 250 million inhabitants.

Very strong growth continued in the Turkish market during the year under review, and the country's mobile phone penetration rose to 13% (5%). Turkcell continued to focus resources on developing the market, and the company retained

its strong market share of almost 70%. During the year Turkcell's revenues rose to nearly USD 1.6 billion (0.7), or EUR 1.5 billion. The number of customers grew by 135% and stood at 5.5 million at the end of the year (2.3). Turkcell's contribution to Sonera's earnings doubled to EUR 154 million (82).

During the report year Turkcell's churn rate remained exceptionally small and was virtually non-existent. The costs of acquiring a new customer were USD 56 by estimate, which is a very low figure on an international yardstick. Average monthly revenues per subscription remained at the previous year's level and were USD 35 by estimate.

Because of buoyant growth in customer volumes, Turkcell spent nearly USD 1.1 billion during the report year on expanding its network. The company's present coverage area comprises about 60% of Turkey's 65 million population, including nearly all cities with a population of more than 10,000 people. To fund its network investments, Turkcell arranged a USD 550 million syndicated loan and furthermore floated a USD 400 million high-yield issue of bonds on the international financial markets.

Turkcell continued to develop its mobile communications services, and in early 1999 brought out on the market a prepaid subscription. At the end of the year, these prepaid subscriptions accounted for about 10% of all Turkcell's subscriptions. New information and entertainment services based on SMS text messages were also used to line up significant numbers of new users during the year. The share which value-added services account for in Turkcell's revenues rose to 3%.

By offering a wider variety of services, Turkcell is preparing to meet the tougher competition that is expected. Turkey's Ministry of Telecommunications has announced that it will grant three new GSM licenses for the 1800 MHz band in early 2000. One of the licenses is likely to be granted to the State telecommunications operator Türk Telekom.

In October, Turkcell's other principal owner, the Çukurova Group, and Sonera established in Turkey a holding company which owns 51% of Turkcell. The corporate arrangements did not have an effect on the combined holding of Sonera and Çukurova in Turkcell. The new ownership structure will give Sonera and the Çukurova Group the possibility of selling a larger share of their holding of Turkcell's shares in the com-

International Joint Ventures

pany's forthcoming initial public offering (IPO).

In order to finance repair works following the earthquake in Turkey in August, the country's Parliament passed laws on special taxes in the latter part of the year. The tax on mobile phone subscriptions came into effect at the beginning of December and will be in force up to the end of 2000. The amount of the tax is 25% of the monthly telephone bill.

During the report year Turkcell also strengthened its position in its nearby markets. The company established a GSM operator named KKTCELL in northern Cyprus. In Azerbaijan, Turkcell increased its interest in Azercell, via a holding company, to 56%. In addition, Turkcell has holdings in GSM operators in Georgia and Kazakhstan. The aggregate number of customers of these international companies was 258,000 at the end of the year (85,000).

In the years ahead, Turkcell also intends to expand its range of services to business solutions, Internet services and digital satellite television. With a view to developing and owning these new projects and Turkcell's international shareholdings, Sonera, the Çukurova Group and Turkcell announced in January 2000 that they were establishing a holding company named Fintur Holdings B.V.

A strong commitment to the United States market

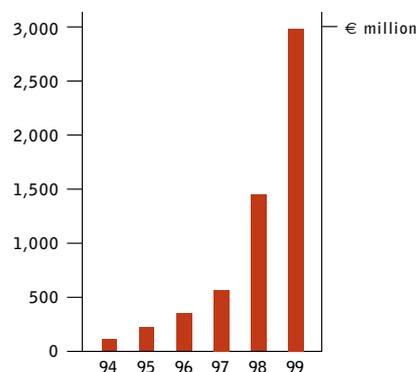
At the end of 1999, the estimated mobile phone penetration in the United States was about 30%, with digital subscriptions accounting for about 50% of this figure. The penetration rate, which is low for a developed industrial country, and the so far large proportion of analogue subscriptions make the United States a particularly interesting and growing market area. Because of this great growth potential, Sonera considers the United States to be one of its key market areas, and the Company is investing heavily in it.

By investing in GSM operators, Sonera is endeavoring to market and sell value-added services to customers in the United States, where consumer disposable income is strong and there is long tradition of providing good service. The strategy is also supported by the position of the United States in the forefront of advances in Internet technology and applications, and electronic commerce.

Sonera has been operating in the United States market since September 1998, when the Company acquired a 19.4% interest in Aerial Operating Company. At the end of 1999, Aerial had 422,900 customers, an increase of 111,000 on the previous year. The company's share price rose tenfold over the year.

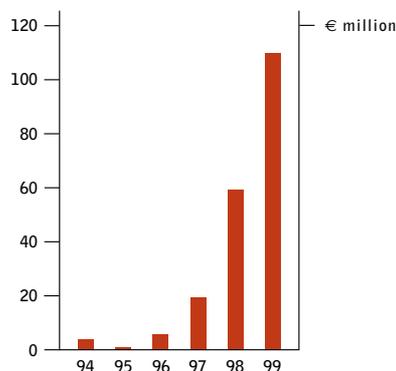
During the report year Sonera substantially strengthened its position in the United States. In November, Sonera made a USD 230 million additional investment in Aerial as part of the merger plan between Aerial and VoiceStream Wireless Corporation. In addition, Sonera announced that it was investing USD 500 million in VoiceStream shares in 2000. The Aerial and VoiceStream merger is connected with the merger

REVENUES OF ASSOCIATED COMPANIES

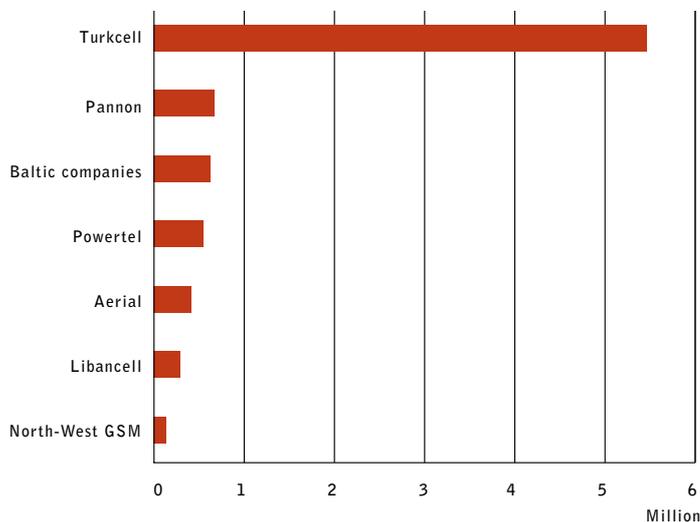


The figures do not include TietoEnator.

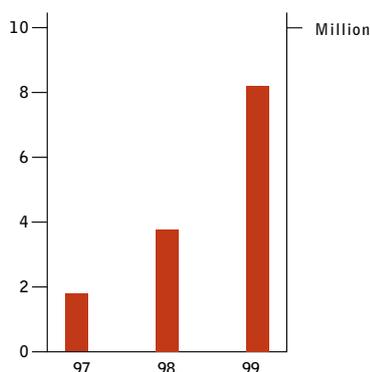
EQUITY INCOME IN ASSOCIATED COMPANIES



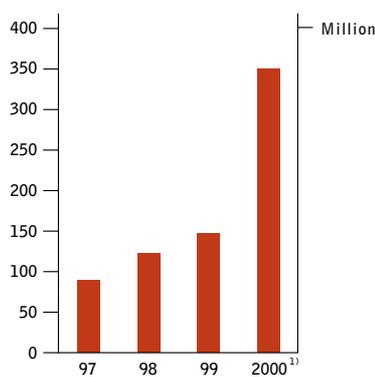
CUSTOMER NUMBERS OF MOBILE COMMUNICATIONS
JOINT VENTURES ON DEC 31, 1999



CUSTOMER BASE OF MOBILE COMMUNICATIONS
JOINT VENTURES



POPULATION COVERAGE OF MOBILE COMMUNICATIONS
JOINT VENTURES



¹⁾ After VoiceStream mergers

which was also announced during the report year between VoiceStream and Omnipoint Corporation, which mainly operates on the eastern seaboard of the United States. Provided the planned mergers go through, Sonera's holding in the resulting new company will be 7.9%. The company will be the largest GSM operator in the United States, with an operating area spanning the continent. Gauged by the number of people living in its operating license area, this will be the world's largest GSM operator because more than 220 million Americans live in the company's operating areas. The merger is expected to be implemented during the spring of 2000.

Sonera reinforced its foothold in the United States market in September through an investment involving the purchase of LM Ericsson's entire 9.1% holding in Powertel, Inc., a GSM operator in the southeastern states of the USA. The purchase price was USD 122.7 million. Powertel began operations in 1996 and its operating loss shrank during the report year, while the number of customers continued to grow. At the end of the year, Powertel had 546,364 customers (295,000). The company began to offer text message services in 1999. In addition, Sonera and Powertel have announced that they will bring out new value-added services for Powertel's customers.

Hungarian market growing fast

Revenues of Sonera's Hungarian associated company Pannon GSM increased to EUR 313 million (266) during the year. The biggest factor behind the growth was the large popularity of prepaid subscriptions. At the end of the year, Pannon had 668,441 customers (432,000). Hungary's mobile phone penetration rate grew to nearly 16% during the report year. The entry of a third operator on the country's mobile phone market is expected to increase not only competition but also the public's interest in mobile phone services.

The operations and earnings of Sonera's associated companies in the mobile communications field developed favorably in 1999 in all the Baltic countries. The aggregate number of customers of the Baltic companies was about 640,000 (424,000) at the end of the year, and all the companies retained their market leadership position in their respective countries.

Sonera's Russian associated company North-West GSM had 132,848 (92,000) customers at the end of the year. During the report year the company expanded its operating license area by purchasing North-West DCS, a company that operates in northwest Russia. Despite steady growth, North-West still has a large number of passive customers in the wake of Russia's economic crisis.

In addition, Sonera owns 14% of Libancell, one of Lebanon's two GSM operators. In the report year the company performed well and it had 304,404 (248,000) customers at the end of the year.

Competition opening up in the Baltic countries

Within fixed network services, Sonera is involved with the national operators in Estonia, Latvia and Lithuania. The aggregate number of customers of these associated companies grew somewhat and was about 2.4 million at the end of the year.

Competition in the telecommunications market will be liberalized in Estonia in 2001. The privatization of Eesti Telekom and the changes in its ownership structure were carried out as planned during the year. According to the new ownership structure, Eesti Telefon and Eesti Mobiiltelefon are wholly-owned operating companies of Eesti Telekom. In February 1999, Eesti Telekom gained a listing on the stock exchanges in Tallinn and London. In connection with the initial public offering (IPO), about 24% of the shares were sold to international and Estonian investors. Sonera's holding in Eesti Telekom is 24.5%. The company's price on the stock exchange on the last day of trading in 1999 was 25% higher than the subscription price in the IPO.

Use of the Internet grew further in Estonia. At the end of the year, the Internet accounted for about 30% of all of Eesti Telefon's local traffic. At the same time, the company's market share within Internet services offered via the telephone network rose to nearly 37%. Eesti Telefon's revenues continued on an upward curve, too, and totaled EUR 154 million at the end of the year (127).

Lattelekom's revenues grew by about 17% on the previous year and were EUR 207 million (177). The company's earnings were burdened by the ministry's decision in the spring to postpone price increases and, furthermore, the country slipped into a recession. During the year the company continued its preparations for operating in a deregulated environment in 2003 by altering its pricing structure and bringing new services out on the market. Negotiations on compensation for shortening the monopoly period were continued with the State, but no agreement was reached in the matter.

In Lithuania, Lietuvos Telekomas performed well during the year. The company's revenues were up about 14% and totaled EUR 231 million (202). In addition, the network's degree of digitalization rose from 25% to 33%. The monopolistic position of Lietuvos Telekomas will be terminated at the end of 2002. To ensure its competitiveness, the company has altered its pricing and increased the efficiency of its operations. Lietuvos Telekomas has also made agreements on arrangements for operating licenses and ownership stakes connected with mobile phone operations. In the summer, the Lithuanian State sold about 5% of its 40% holding in the company to the personnel. Toward the end of the year, an IPO project got underway, whereby the State intends to sell the remainder of the shares it holds to domestic and international investors by mid-2000.

Holding in TietoEnator to be halved

Tieto Corporation and Enator AB of Sweden merged at the beginning of July to become TietoEnator Corporation. To ensure that the merger went through, Sonera reached an agreement with the Finnish Competition Authority (FCA) whereby it will reduce its stake of about 20% in the new company to a half by June 11, 2001.

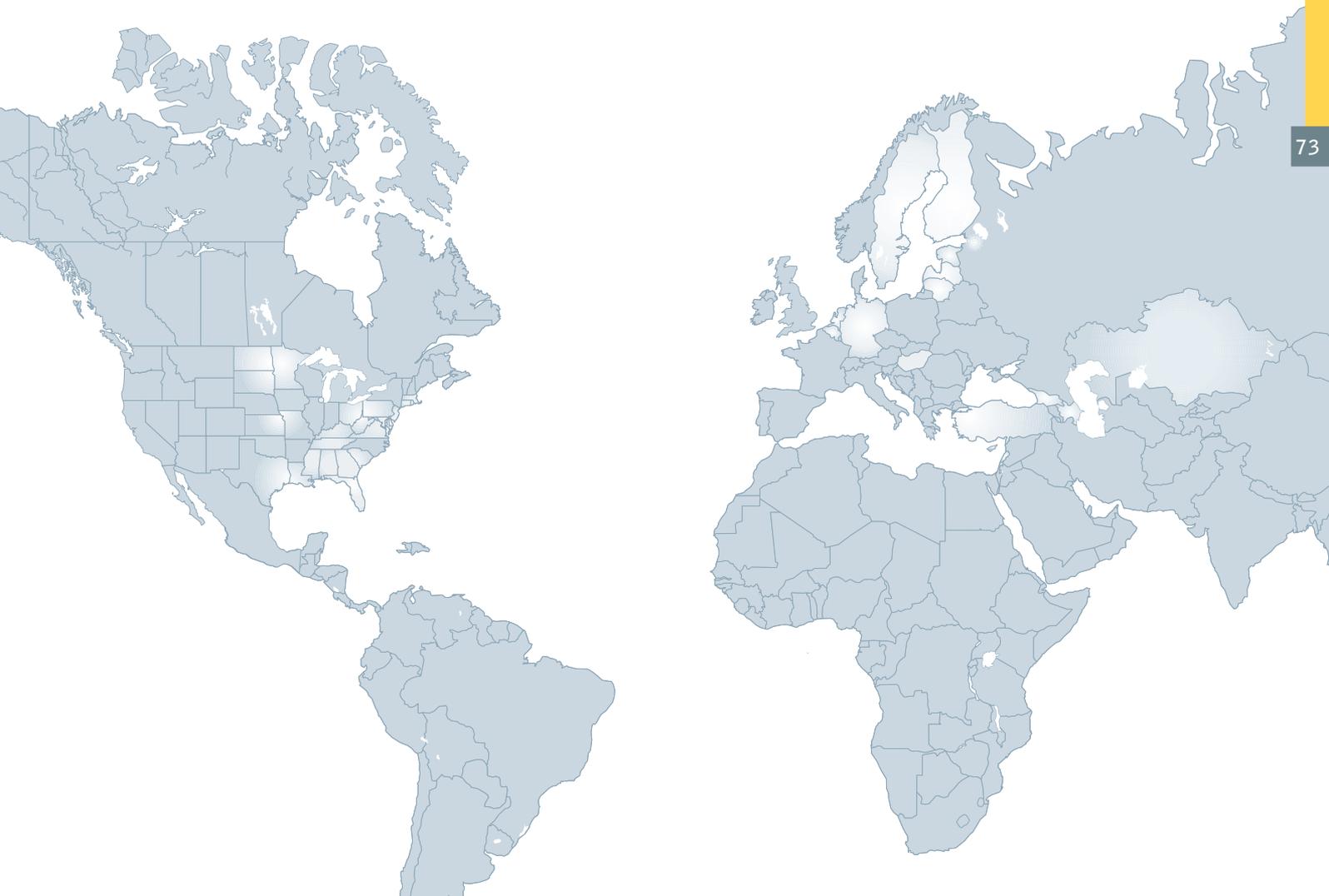
As part of the reduction in its holding, Sonera has also given up one of its two seats on the company's Board of Directors. In Sonera's view, the business project cooperation which the two groups pursue together does not require an equity participation.

In addition to the joint ventures operating in the fields of mobile communications and fixed network business, the map illustrates the market areas of Sweden, Germany and the Benelux countries, where Sonera's subsidiaries provide data and media communications services.

MARKET TREND OF FOREIGN JOINT VENTURES

	Number of subscribers		Growth %	Market share	Penetration in the country at the end of 1999
	Dec 31, 1999	Dec 31, 1998			
Mobile communications					
Turkcell, Turkey	5,466,000	2,330,000	135	70%	13%
Aerial, USA	423,000	312,000	36	n/a	30%
Powertel, USA	546,000	295,000	85	n/a	30%
Pannon GSM, Hungary	668,000	432,000	55	42%	16%
Eesti Mobiiltelefon, Estonia	244,000	152,000	61	65%	27%
Latvijas Mobilais, Latvia	201,000	125,000	61	81%	10%
Omnitel, Lithuania	196,000	147,000	33	59%	9%
North-West GSM, Russia	133,000	92,000	45	63%	1%
Libancell, Lebanon	304,000	248,000	23	48%	16%
Total	8,181,000	4,133,000	98		
Fixed network					
Eesti Telefon, Estonia	510,000	493,000	3	100%	35%
Lattelekom, Latvia	732,000	742,000	(1)	100%	30%
Lietuvos Telekomas, Lithuania	1,161,000	1,110,000	5	100%	31%
Total	2,403,000	2,345,000	2		

Market shares are based on the data furnished by the companies and they are calculated on the entire mobile phone market, with the exception of Turkcell, for which the figures refer to the company's share of the GSM market.



Developing Personnel Competence

At Sonera, developing the personnel's competence is part of business planning. The focus in preparing human resources plans is on the analysis and development of strategically critical sub-areas. At the same time, the Company strives to channel the role of human resources management toward the creation of strategic business partnerships.

Employer image at the top

In 1999, the payroll was on average 9,270 people, an increase of 661 people on the previous year. Sonera recruited 1,068 new, permanent employees – most of whom were assigned positions within product development, sales and customer service as well as service provision.

The need for human resources has been reflected in the increased volume of job advertisements on the Internet as well as in established newspapers and trade journals. To better handle and screen open applications, Sonera built a tailor-made database of job applicants which can be freely accessed by every recruiting supervisor and his or her recruitment assistants. Sonera's visibility among people studying business, technical subjects and information technology at universities and polytechnics was increased by participating in the most important recruitment events in these fields and by organizing seminars and company visits for key groups. According to a number of surveys on employer images (notably, the business weekly *Tekniikka & Talous*), Sonera has risen in the rankings and is now among the three most attractive companies in Finland.

The new hires go through an orientation program comprising both working together with a supervisor and an assigned "godparent" as well as guided self-study. In addition, the Company arranges newcomer events at which the new recruits have a chance to meet and talk with Group management.

Turning competence development into a success factor

Sonera has carried out competence surveys systematically since 1997. The objective is to use a uniform method to survey the competence of Sonera's personnel. The competence survey and development process will be meshed in with the Group-wide performance appraisal discussions. Competence profiles will be gone over during strategy reviews.

The management and development of competences has been made an important part of Sonera's business development. The management of competences and knowledge will continue to be a factor driving the Group's success because more than other competition factors, expertise and intellectual capital are quantities that are harder for rivals to copy.

Sonera staffers who are designated as key experts are systematically offered development opportunities: a personal development plan is drawn up for each company-level expert and expert within the business areas. The Telecommunications College and Sonera Business School have firmly established their place among the training programs offered to key

experts. The Telecommunications College has arranged ten courses that have so far been completed by about 300 potential key experts. The objective of the program is to orient fairly new Sonera employees in the Company's business operations and objectives as well as to augment the level of knowledge and skills in the competence areas that are of key importance for the Company's success. The Sonera Business School is the Group's internal learning process for experienced key experts. It is part of Sonera's strategy-formulation process and it contributes to supporting the Company's globalization and its experts' networking across organizational and national borders. The first Business School started up in 1996 and the program has been completed by about 200 experts and supervisors.

Beefing up supervisor performance

At Sonera, the development of supervisor performance is a continuous and long-term activity. The Company has launched a special development project aiming at beefing up the quality of supervisors' performance and highlighting its importance for Sonera's success. During the report year, training in the use of performance appraisal discussions was continued. Supervisors' performance is monitored via evaluations of supervisors as part of an annual job atmosphere study.

Sonera makes use of two methods to ascertain the state of its human resources and organization: a job atmosphere survey and an exit interview. People who are about to leave the Company are asked to explain the reasons and motivations for their choice. The job atmosphere survey in turn measures 30 characteristics connected with the organization and its operations as well as the work process and management. The results obtained indicate that Sonera employees are exceptionally committed to their organization, are very eager to spur and undergo development, have high job motivation and also have strong confidence in Sonera's future. On the basis of the chosen strategy and the survey results, the main development needs are: improving networking, further development of supervisor performance and managing the process of change.

All personnel offered stock options

Sonera invests in the personnel's motivation and performance incentives. Particular attention has been paid to revamping the compensation systems, formulating sharply defined objectives and turning Sonera's vision and objectives into concrete actions. Further areas of emphasis are giving the personnel a greater say in how things are done, creating commitment-building incentive schemes and continually developing the personnel's competence.

The compensation systems which Sonera employs take into account both the level of job demands and the person's accomplishments. The content of the job descriptions that are the basis of evaluating the level of job demand has been made broader. The objective was to support process management, while also increasing the flexibility of the compensation sys-

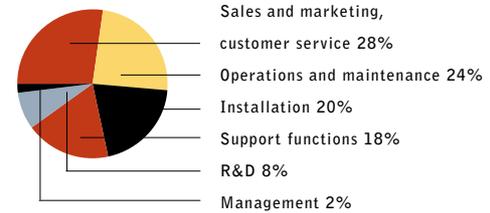
tem in a changing operating environment. In addition to the basic compensation system, pay components that vary according to the task performed or the Company's annual earnings are used. The entire Group is covered by a performance-related pay scheme on the basis of which these bonuses can amount to as much as 6% of total salary or wages.

In the summer of 1999, the Group introduced a stock option scheme covering the entire personnel. Under the scheme, the bond loan with warrants was subscribed for by about 60% of the personnel. The basic amount offered to all employees was 1,000 stock options, in addition to which part of the personnel and members of management were allocated amounts greater than this, as approved by the Board of Directors.

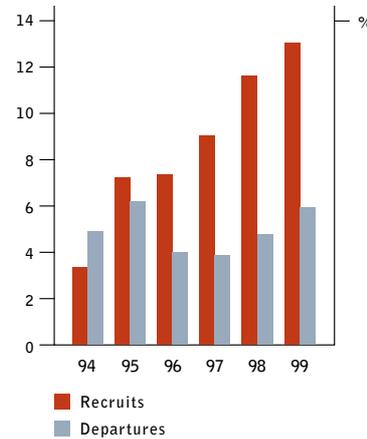
Each year about 10% of total salaries and wages is spent on developing the personnel's competence. Development plans are prepared and agreed upon in annual performance appraisal discussions. For each employee, the Company provides the framework and means to develop, but it offers a smaller number of off-the-shelf, general training packages than it used to. Development actions are beamed at the need that has been identified from the viewpoint of the Company and the employee.

Because of the continued strong transformation of operations, during the year under review there were 338 Group employees whose former jobs were discontinued without the immediate prospect of a new job. The Group's controlled adjustment model was used to assess the employees' individual development possibilities and to work out a personal action plan. A solution was found for 271 employees already during the report year: 110 were relocated within the Sonera organization, 137 left for jobs elsewhere and 24 retired.

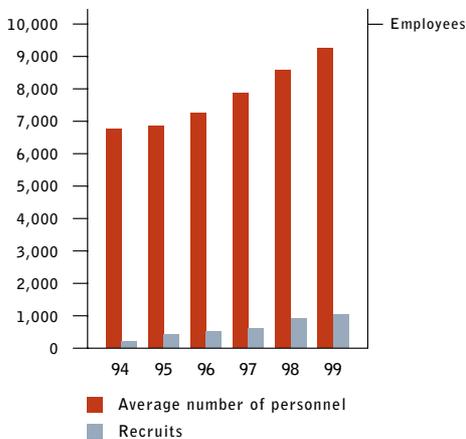
PERSONNEL BY TASK GROUP ON DEC 31, 1999



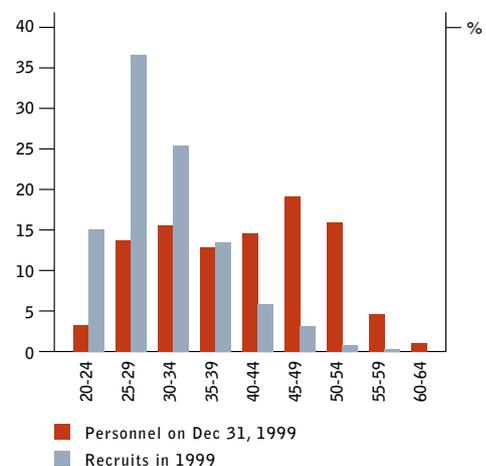
EMPLOYEE TURNOVER



TOTAL NUMBER OF EMPLOYEES AND NEW RECRUITS



AGE BREAKDOWN OF PERSONNEL AND NEW RECRUITS



Administration and Business Organization

Sonera Corporation is managed by the Board of Directors and the President and CEO under the oversight of the Supervisory Board.

Current members of the Supervisory Board:

	Current term expires:
Pauli Saapunki, Chairman, born 1945, Member of Parliament, 100 Sonera shares	2000
Minna Karhunen, Vice Chairman, born 1967, Journalist, no Sonera shares	2000
Aapo Saari, born 1944, Farmer, 520 Sonera shares	2000
Liisa Hyssälä, born 1948, Member of Parliament, 60 Sonera shares	2000
Pirjo-Riitta Antvuori, born 1945, Member of Parliament, no Sonera shares	2000
Olavi Tonteri, born 1944, Colonel, Finnish Defense Forces, 60 Sonera shares	2000
Leenamajja Ojala, born 1951, Docent, Pro Competence Oy, 450 Sonera shares	2000
Tuomas Harpf, born 1957, Managing Director, Suomen Viestintärahoitus Oy, no Sonera shares	2001
Arja Alho, born 1954, M.Sc. (Pol.) no Sonera shares	2001
Reino Ojala, born 1945, Special Advisor, no Sonera shares	2001
Helena Vartiainen, born 1941, Chairman of City Council, no Sonera shares	2001
Tarja Cronberg, born 1943, Executive Director, Regional Council of North Karelia, no Sonera shares	2001
Tapio Hintikka, born 1942, President and CEO, Hackman Oyj Abp, no Sonera shares	2001
Raimo Kantola, born 1955, Professor, Helsinki University of Technology, no Sonera shares	2001
Tarmo Eskola, born 1945, IT Director, UPM-Kymmene Corporation, 1,102 Sonera shares	2002
Ritva Rastimo, born 1939, Managing Director, Espoo Chamber of Commerce, 430 Sonera shares	2002
Max Mickelsson, born 1970, Secretary General for the Parliamentary Group, National Coalition Party, 50 Sonera shares	2002
Erik Lindfors, born 1946, Secretary, Metalworkers' Union, no Sonera shares	2002
Max Arhippainen, born 1963, Senior Economist, Pellervo Economic Research Institute, no Sonera shares	2002
Bjarne Kallis, born 1945, Member of Parliament, 503 Sonera shares	2002

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 classes, 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's affairs are carried out in accordance with sound business principles, maintaining profitability and in compliance with the Articles of Association and observing the resolutions of general meetings of shareholders. The Supervisory Board decides on guidelines to be issued to the Board of Directors on matters of principal 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 is required to present a statement to the Annual General Meeting on such reports of the Board of Directors as must be annexed to a Board proposal to issue new shares, or to authorize the Board of Directors to issue new shares, convertible bonds or bonds with equity warrants, or to issue stock options as well as to enter into a merger or demerger agreement.

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 seven members, who may be no more than 65 years of age. Currently, the Board of Directors consists of a Chairman, a Vice Chairman and four 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.

Number of Sonera shares and stock options as per March 1, 2000.



From the top:
Markku Talonen,
Liisa Joronen,
Kari Vilkmán,
Kalevi Alestalo,
Reijo Sulonen,
and Tapio Vaahtokivi.



Markku Talonen, born 1946, Chairman, Lic.Sc. (Tech.). Chairman of the Board of Directors of Sonera Corporation since 1998, Chairman of the Board of Directors of PT Finland prior to the demerger. President and CEO of Orion Corporation, owns 1,732 Sonera shares.

Liisa Joronen, born 1944, Vice Chairman, M.Sc. (Econ.), Ph.D. (Pedagogics). Vice Chairman of the Board of Directors of Sonera Corporation since 1998, member of the Board of Directors of PT Finland prior to the demerger. Chairman of the Board of Directors of SOL Services Ltd. and member of the Supervisory Boards of Merita Bank plc and Ilmarinen Mutual Pension Insurance Company, owns 5,823 Sonera shares.

Kalevi Alestalo, born 1947, member of the Board of Directors, M.Sc. (Econ.). Member of the Board of Directors of Sonera Corporation since 1998. Consultant Counselor of the Ministry of Transport and Communications, owns 1,825 Sonera shares.

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

Tapio Vaahtokivi, born 1942, member of the Board of Directors, 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, owns 817 Sonera shares.

Kari Vilkmán, born 1951, member of the Board of Directors, 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, owns 869 Sonera shares.

Administration and Business Organization

Management Group



Aulis Salin, born 1938, LL.M., M.Sc. (Eng.). President and CEO of Sonera Corporation, with the Company since 1962, owns 12,730 Sonera shares, 75,000 stock options.

Aimo Eloholma, born 1949, M.Sc. (Eng.). Executive Vice President of the Telecom business area, with the Company since 1974, owns 12,143 Sonera shares, 45,000 stock options.

Kaj-Erik Relander, born 1962, M.Sc. (Econ.), MBA. Executive Vice President of the Mobile & Media business area; also serves as CFO until March 31, 2000. With the Company since 1994, owns 3,000 Sonera shares, 55,000 stock options.

Jari Jaakkola, born 1961, B.A. Executive Vice President of Corporate Communications & IR, with the Company since 1997, owns 5,000 Sonera shares, 40,000 stock options.

Kim Ignatius, born 1956, B.Sc. (Econ.). Executive Vice President and CFO as from April 1, 2000.

The Management Group deals with all matters that are to be brought up before or decided by Sonera's Board of Directors, assists the President and CEO in implementing and coordinating strategic and business objectives and is responsible for the operational management of the Group. As of January 1, 2000, the Management Group is composed of the President and CEO and four Executive Vice Presidents.

Management's compensation and other benefits

The salaries, benefits and emoluments of the members of Sonera's Supervisory Board and Board of Directors, President and CEO and managing directors of subsidiaries for the fiscal year ended December 1, 1999, totaled about EUR 3.1 million.

The members of the Supervisory Board and the Board of Directors are paid a monthly fee and a 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 and emoluments paid to the members of the Supervisory Board and the Board of Directors are decided by the Annual General Meeting.

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 performance-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 the Management Board are decided by the Board of Directors. The salaries and other benefits of other management are decided "two rungs up".

The bond loan with warrants concerning the entire personnel, which was approved by the Annual General Meeting held on April 23, 1999, includes a condition with respect to senior management according to which exercise of manage-

Corporate Headquarters

Corporate Controller's Office
Pauli Leppänen

Corporate Finance, Treasury
Esko Rytönen

Corporate Legal Affairs
Maire Laitinen

Corporate Public Relations
Pekka Takala

Business Organization

as from January 1, 2000

BOARD OF DIRECTORS

PRESIDENT AND CEO MANAGEMENT GROUP	
MOBILE & MEDIA (KAJ-ERIK RELANDER)	TELECOM (AIMO ELOHOLMA)
<ul style="list-style-type: none">• Sonera Mobile Operator Business (Matti Makkonen)• Sonera Services (Juha Varelius)• Sonera Enabling Technologies (Harri Vatanen)	<ul style="list-style-type: none">• Sonera Entrum Ltd (Aimo Eloholma)• Sonera Carrier Networks Ltd (Jaakko Nevanlinna)• Sonera Solutions Ltd (Arvo Kukko)• Teling Ltd (Aimo Heikkinen)• Primatel Ltd (Pekka Kuustonen)

ment's warrants requires that the price development of Sonera's share exceeds that of the shares of telecommunications companies in a specified control group. To deal with matters involving the terms of the bond loan with warrants, the Board of Directors, at its meeting of June 21, 1999, set up a Compensation Committee whose task is to prepare matters connected with the altering and application of the comparison index for the stock option system so that the Board of Directors can make a decision on them. The ordinary members of the committee were Markku Talonen and Kalevi Alestalo, with Maire Laitinen, Vice President, Legal Affairs, acting as Secretary and Tero Kivisaari, Corporate Finance, acting as an expert.

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.

The Board of Directors of Sonera Corporation has decided to adopt the Guidelines for Insiders of Helsinki Exchanges as from March 1, 2000.

Control systems

The Board of Directors bears responsibility for supervising the Company's administration and business operations. 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 law, 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 22-25.

Apart from a comprehensive internal reporting system and operational guidelines 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 to identify and prioritize the main risk factors that threaten the objectives of business operations as well as to allocate the responsibilities for these risks, and to plan and implement mechanisms for monitoring them. The major risks connected with the Group's operations are surveyed systematically and reports on them are submitted to the President and CEO quarterly.

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. Internal Audit reports on its activities to the President and CEO of Sonera Corporation. The President and CEO sets policy lines for the practical activities of Internal Audit, with an emphasis on systematic information produced by risk management, 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 each year by the Annual General Meeting. The Company's auditors are Jorma Heikkinen, Authorized Public Accountant, and the firm of independent 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 auditing 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 legally required Auditors' Reports and also report on their auditing observations to Sonera's Management Group and to the Company's Board of Directors. The statement by the Company's auditors concerning administration is included in the Auditors' Report on page 53.

Glossary

ADSL

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.

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.

CDMA

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.

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.

Frame relay service

A public data network service typically utilized for LAN-to-LAN communications using conventional telephone lines.

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.

GSM (Global System for Mobile Communications)

A mobile communications system that is based on digital transmission and cellular network architecture, and that enables roaming, for example, in Europe and various Asian countries.

GSM 1800

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

Intelligent network

A network architecture concept focusing on the efficiency, automation and functionality of telecommunication networks. Intelligent networks are typically equipped with sophisticated computerized routing systems and allow for advanced features such as caller identification and voice mail.

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 (voice, text, data or graphics) simultaneously on a single telephone line, based upon end-to-end digitalization and standardized out-of-band signaling.

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)

A mobile communications system that was originally put into use in the Nordic countries.

Public Key Infrastructure (PKI)

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.

SDH (Synchronous Digital Hierarchy)

The European standard for high-speed digital transmission using fiber optic cables.

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.

SMS (Short Message Service)

A system which allows users to send alpha-numeric messages from one mobile handset to another either directly or via a message center.

UMTS (Universal Mobile Telephone System)

The third-generation broadband mobile communications standard that will replace the GSM standard. UMTS utilizes CDMA technology and it has the speed and capacity to handle multimedia transmissions.

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 sending end and separating them at the receiving end.

2 Mbps line

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

Equity Research

At least the following banks and securities brokerage houses have analyzed Sonera as a portfolio investment in 1999:

ABG Securities

Anders Bråtenius tel. +44 171 905 5635

Alfred Berg Finland Oy Ab

Robert Sergelius tel. +358 9 228 321

Marion Ahlström

Aros Securities Oy

Pontus Grönlund tel. +358 9 173 371

Cazenove & Co

Brian Rusling tel. +44 171 588 2828

CAI Chevreux

Jan Dworsky tel. +44 171 621 5100

Conventum Securities Ltd

Esa Mangelola tel. +358 9 549 930

Credit Suisse First Boston

Paul Brilliant tel. +44 171 888 8888

Robert Mocatta

Daiwa Europe Limited

Matthew Lewis tel. +44 207 597 8453

D. Carnegie AB Finland

Visa Manninen tel. +358 9 618 711

Den Danske Bank

Poul Ernst Jessen tel. +45 3344 0948

Lars Horslund

Deutsche Bank

Andrew Beale tel. +44 171 545 8000

Dresdner Kleinwort Benson

Robert Grindle tel. +44 171 623 8000

Christina Perea

Enskilda Securities AB

Kenneth Graverson tel. +45 3317 7400

Erik Penser Fondkommission

Anna Dellborg tel. +46 8 463 8000

Goldman Sachs International

James Sawtell tel. +44 171 774 1000

Nuno Machado

Hagströmer & Qviberg

Johan Broström tel. +46 8 696 1700

Handelsbanken Markets

Thomas Steen Hansen tel. +45 3341 8200

J.P. Morgan Securities Ltd

Iain Johnston tel. +44 171 600 2300

Emma Warson

Leonia Bank plc

Petri Korpineva tel. +358 20 425 11

Mandatum Stockbrokers Ltd

Jussi Hyöty tel. +358 9 166 721

Merita Securities Ltd

Antti Pietarinen tel. +358 9 12 341

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Victoria Granger

Morgan Stanley Dean Witter

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Fanos Hira

Opstock Oy

Michael Schröder tel. +358 9 404 65

Evli Securities Ltd

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Société Générale

Stefan Sater tel. +33 1 42 13 31 25

Swedbank Markets

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Williams de Broë

Denis Gross tel. +44 171 410 9170

13D Research, Inc.

Woodley B. Preucil tel. +1 208 726 1565

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Information for Investors

Annual General Meeting

The Annual General Meeting of Sonera Corporation will be held on Wednesday, March 22, 2000 at 4.00 p.m. at the Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

The deadline for registration to attend the meeting is Friday, March 17, 2000, 4.00 p.m. Finnish time. 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 3414, by telephone to the number +358 2040 5730, +358 2040 65510 or +358 2040 3378 from Monday to Friday, 9.00 a.m.–12.00 noon and 1.00–4.00 p.m., or by e-mail via Sonera's Internet pages at www.sonera.com.

Attendance is open to shareholders who have been entered in the Company's Shareholders' Register which is kept by Finnish Securities Depository Ltd by Friday, March 17, 2000.

Dividend

The Board of Directors will propose to the Annual General Meeting the payment of a dividend of EUR 0.12 per share for the 1999 fiscal year. The dividend will be paid to shareholders who on the dividend record date, March 27, 2000, have been entered in the Company's Shareholders' 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, 2000.

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 2032, telephone +358 2040 63364. Sonera's Annual Report is also available on the Internet and it can be ordered via the Internet, www.sonera.com.

Sonera reports on its financial performance on a quarterly basis. In 2000, the Company's interim reports will come out on the following dates:

- Interim Report for January – March: April 26
- Interim Report for January – June: July 24
- Interim Report for January – September: October 23

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 2032.

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.



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