Annual Report 2001

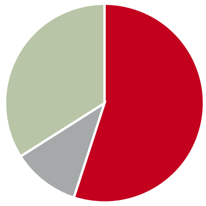
sonera

Contents

Year 2001 in brief

- Growth continued in market conditions that deteriorated rapidly.
- The profitability of operations in Finland improved.
- Cash provided by operating activities strengthened in the second half of the year.
- Comparable earnings were reduced by the loss-making result of the associated companies and by increased financial expenses. The last two quarters of the year were profit-making.
- Net debt diminished substantially.
- Sonera carried out a successful Rights Offering and launched an efficiency-boosting program in accordance with its new strategy.
- The Board of Directors is proposing that no dividend be paid for the 2001 fiscal year.

REVENUE BREAKDOWN 2001



GROUP KEY FIGURES

€ million	2001	2000	Change, %
Revenues	2,187	2,057	6
Comparable EBITDA	562	501	12
Comparable operating profit	230	202	14
Equity income in associated companies	(202)	121	(267)
Comparable result before extraordinary items and taxes	(4)	314	(101)
Interest-bearing net debt (net of Deutsche Telekom shares)	2,764	5,641	(51)
Equity-to-assets ratio (%)	52	33	
Earnings per share (€)	0.44	1.68	(74)
Average number of personnel	10,482	10,305	2

The comparable earnings figures do not include capital gains and losses, write-downs and other non-recurring items.

Businesses in brief

MOBILE COMMUNICATIONS FINLAND

The number of Sonera's mobile subscriptions rose to nearly 2.5 million, and the Company's market share of GSM subscriptions was over 60% at the end of the year. As the market leader, Sonera launched new services enabling more versatile use of mobile phones, and it expanded its GPRS network to cover the entire country.

INTERNATIONAL MOBILE COMMUNICATIONS

Sonera's GSM associated companies had a total of 15.5 million customers at the end of the year. Sonera took part in founding Russia's first nationwide mobile communications operator. The UMTS projects are still in the initial phase.

SERVICE BUSINESSES

Sonera SmartTrust specialized in service platforms that are used in managing and providing security for wireless and Internet services. The software company's international customer base is made up of about 75 mobile operators as well as financial institutions and trust centers.

Sonera Zed offers innovative mobile communications services in Finland and in its newly reviewed international markets. Zed brings information and entertainment straight to the user any time, anywhere.

Sonera Plaza is Finland's leading web medium, and its volume of use increased to more than 1.5 million unique visitors a month. The number of Sonera Internet subscriptions was about 244,000 at the end of the year.

Sonera Juxto offers mobility-enhancing communications, information technology and application services to businesses in Finland and Sweden. The company specializes in applications used in business processes.

Sonera Info Communications is Finland's market leader within directory inquiries, telephone directories and electronic directories. Sonera has signed a Letter of Intent on divesting the company.

SONERA TELECOM

Sonera has more than 500,000 fixed-network consumer customers in eastern and northern Finland. In addition to local calls, the Company is one of Finland's leading providers of long distance and international calls. The ADSL broadband service was expanded to cover the entire country, and demand started to take off in 2001.

For corporate and institutional customers, Sonera offers total solutions that link together telecommunications and information technology. The Company also operates Finland's most extensive backbone network and provides major international fiber optic cable connections.

Sonera's fixed-network associated companies in Finland and the Baltic area have 2.6 million customers.

Sonera is a leading provider of mobile and advanced telecommunications services. Sonera is growing as an operator and as a provider of transaction and content services in Finland and in selected international markets. The Company also offers advanced data solutions for businesses, and fixed-network voice services in Finland and neighboring markets.

SONERA'S STRATEGIC TARGETS

- Continued organic growth
- Sharply improved profitability and cash flow generation
- Restructured balance sheet
- Maintaining innovation and growth opportunities
- Enhanced customer focus: one Sonera

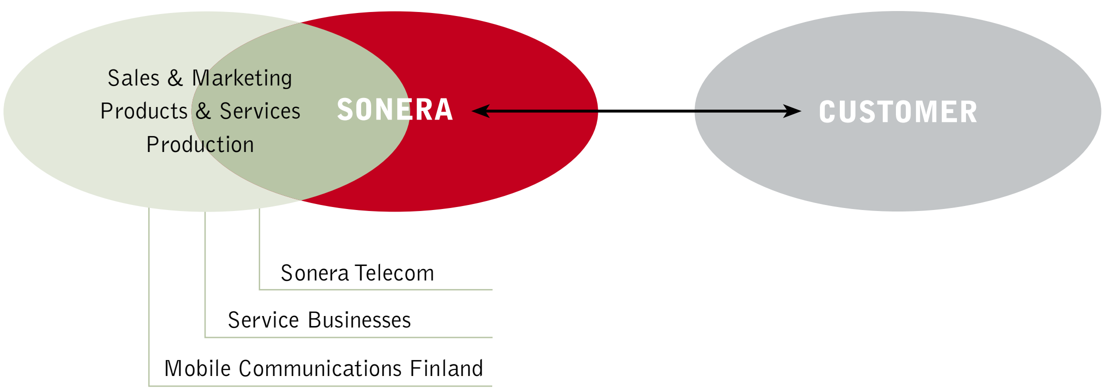
STRENGTHENING OUR CUSTOMER FOCUS

In the fall of 2001, Sonera launched a strategic development project aiming at stepping up the organization's operations over the short and long term. During 2002 Sonera's organization will be reorganized to encompass three main functions: Sales and Marketing, Products and Services, and Production.

Sales and Marketing will be in charge of customer relationships for operations in Finland and for the overall profitability of individual customers. The objective is to increase customer satisfaction and revenues. The Products and Services layer will be responsible for competitive offerings of products and services to different customer groups as well as for product development. Production's sphere of operations comprises mobile, backbone and local networks as well as the availability of network services for customer needs.

The changed way of working will enable Sonera to make wider and more efficient use of its resources and know-how. The objective of unified service is to make it easier for the customer to do business with Sonera. At the same time, the reorganization will give Sonera an opportunity to develop its operations more clearly in line with customer needs.

CONVERGENT CORPORATE MODEL



Growing in step with our customers

Dear shareholder
2001 brought major challenges for Sonera and the entire telecommunications sector. The dominant trends in the industry were a downturn in market growth and a technological lag within mobile communications. Sonera, like the other companies that invested in UMTS licenses, concentrated on paying down its debt and improving profitability.

When I took over as President & CEO in the fall, all of us in Sonera's top management decided to react quickly to the changed market conditions. We began to scale down particularly our Service Businesses, and we put a cap on the maximum amount of our future investments in the European UMTS projects. At the same time, we launched a Rights Offering of Sonera shares. The issue was subscribed for in full by our shareholders, and the one billion euro proceeds from it removed Sonera's immediate balance sheet problem and safeguarded the development of shareholder value.

The purposeful implementation of the strategy we adopted in October will significantly improve Sonera's profitability and reduce the level of debt. The first results of this can already be seen in the 2001 financial statements which we present in this Annual Report. The profitability of operations in Finland improved on the previous year, and our net debt halved during the fiscal year.

Focusing on profitable growth
Our main business, Mobile Communications Finland, continued to grow and improved its profitability further. In the short term, the market leader's growth will be slowed down by the high subscription penetration and keener competition. In our view, however, the average monthly use per subscription is still on the rise, while on the other hand the GPRS network and new services are leading to a more versatile use of mobile handsets. We intend to exercise

special care in maintaining the good profitability of our domestic mobile operations.

Our fixed network Telecom business area has assumed the role of a challenger in entering competitors' traditional market areas in Finland's cities. We are seeking new markets by tapping the potential of broadband services and total solutions that combine telecommunications and information technology and are tailored to the evolving needs of companies. During the report year, we expanded our ADSL service for consumers so that it now covers the entire country, and demand for the service has exceeded our expectations. Improving our cash flow further – particularly by stepping up the efficiency of capital expenditures – is one of Telecom's central objectives.

Subdued market sentiment slowed down the growth of Service Businesses. When the trend in revenues dropped below expectations, we began to scale back our investments in new services. The profitability of the Sonera SmartTrust business improved substantially, and Sonera Zed pared down its market areas and began to cut costs energetically. The determined adjustment to the prevailing market conditions is continuing, and we believe that Service Businesses will be profitable at the EBITDA level in 2003.

We are nurturing our financial investments judiciously

In the fall of 2001, we adopted a policy of regarding our holdings in foreign telecommunications operators as financial investments. At that time, we set stringent limits on our financing for UMTS projects: in Germany we are not making any additional investments at all, and in Spain and Italy, we will confine ourselves to our contractual obligations to invest a total of €500 million over the next ten years. In Germany, Quam has started up its service. Xfera and Ipse will begin operating on the market in Spain and Italy when the third generation business model for mobile communications is feasible.

Operations of Turkcell, Turkey's leading GSM operator, were hampered by the country's economic problems, but the company succeeded in increasing the number of its customers to over 12 million. Our mobile communications and fixed-network associated companies in the Baltic area maintained their good profitability. Sonera acted as the initiative-taker in founding Russia's first nationwide GSM operator. We are expecting strong growth from our associated company MegaFon, whose number of customers already went over the one million mark at the beginning of the current year.

The investments which we made in GSM operators in the United States already yielded a substantial profit in the fiscal year, when we sold – very selectively in a turbulent market – part of the Deutsche Telekom shares which we received as consideration for our stake in the US operators. In the current year, we saw to completion the sale of our holding in the Hungarian operator Pannon GSM. Sonera will also continue well-considered disposals of non-core assets.

Adding greater depth to customer relationships

An essential part of our strategy involves putting into practice a new customer-oriented way of working. A corporate structure built around companies and units has up to now served our customers and businesses satisfactorily, but the fast-breaking advances in technology also have profound implications for the provision of services. It is services that customers buy, not technology.

Unification of the customer interface will create growth potential for Sonera. In the corporate segment, our objective is an in-depth understanding of the customer's business. This understanding can be turned into new demand. In the consumer segment, management of the customer's overall situation will help us exploit the market potential better than ever before – by means of cross-selling, for example. From now on, we will be able to offer our services more extensively to customers who have previously done business only with one separate unit. The new operational model will boost efficiency and enable Sonera to stake out new markets in the ICT area. By giving customers improved and more integrated service, we will also sharpen Sonera's competitive position.

I wish to extend my warm thanks to all our shareholders for the confidence you have shown in us during a period of major changes and challenges. My thanks also go to our customers, partners and personnel for the good cooperation all of you have shown during the year. Tempered more than ever by the year's changes and challenges, we will actively seek out new opportunities.

HARRI KOPONEN

Mobile communications breakthrough takes a timeout

Sonera's market conditions changed radically during the year. The Company adjusted to the situation by adopting a tight purse strings strategy. Sonera is creating future growth opportunities by means of its targeted research and development projects and by developing its expertise.

Quickly faltering market environment

Mounting instability characterized the entire telecommunications and information technology industry in 2001. UMTS license auctions caused many mobile communications operators in Europe to become heavily indebted. The lack of GPRS terminal equipment delayed the appearance of new services on the market. Launches of UMTS services too are being deferred from previous start-up estimates owing to the delay in available technology.

The market environment was weakened further by the sluggishness of the national economies in the European Union and the United States as well as by the pronounced tightening up of the financial markets in the aftermath of the terrorist attack on New York on September 11. Above all, the market values of the mobile communications operators – and at the same time the companies' asset values – plummeted.

The slowdown in the growth of demand for telecommunications services on both the consumer and business markets has put a damper on the efforts of equipment manufacturers, operators and service providers to increase their net sales. Most of the companies in the sector have faced great challenges to maintain their profitability. The weakened outlook for the world economy coupled with increased political instability around the world has also substantially hampered the predictability of market and business trends.

Sonera adjusts its strategy to the changes

Sonera was particularly impacted by the changes in the operating environment. During the fall of 2001, the Company drafted and began to implement its new near-term strategy, which aims to achieve a strong improvement in profitability and to reduce indebtedness by carrying out the following measures.

Sonera has limited all its investments connected with UMTS projects in Germany, Spain and Italy solely to its contractual obligations. Sonera will improve its profitability in particular by scaling down its Service Businesses to match the prevailing market conditions. This means heavy cuts in outlays on the subsidiaries, but at the same time Sonera is making sure that the Group retains its main innovative strengths.

Furthermore, Sonera intends to maintain strong profitability within its core businesses in Finland. The Company's mobile communications business is one of Europe's most profitable. Sonera is seeking to improve further the cash flow and profitability of its Telecom operations. In addition, Sonera has adopted strict cost management throughout the Group. The Company will also continue well-considered disposals of non-core assets.

As a special strategic development project, Sonera is improving its customer orientation, which at the same time is enhancing the operations of its organization. Overlapping is being eliminated by creating a uniform customer interface across unit boundaries. The first steps in this direction have already been taken within the major corporate customer segment. Sonera intends to retain its strong brand in Finland, but abroad the focus is shifting from building a consumer brand to services and solutions that are offered to companies.

Although Sonera considers that it is of primary importance to adjust to major changes in the market, the long-term strategic premises which the Company has adopted have not changed. The Company believes that the wireless Internet is still on the way, and the development and regulation of the market will bring new value chains into being. These will enable companies to develop and sell services without owning the network infrastructure themselves. Sonera is preparing carefully for a new stage of growth and intends to be ready when the pace of development in the telecommunications market quickens again.

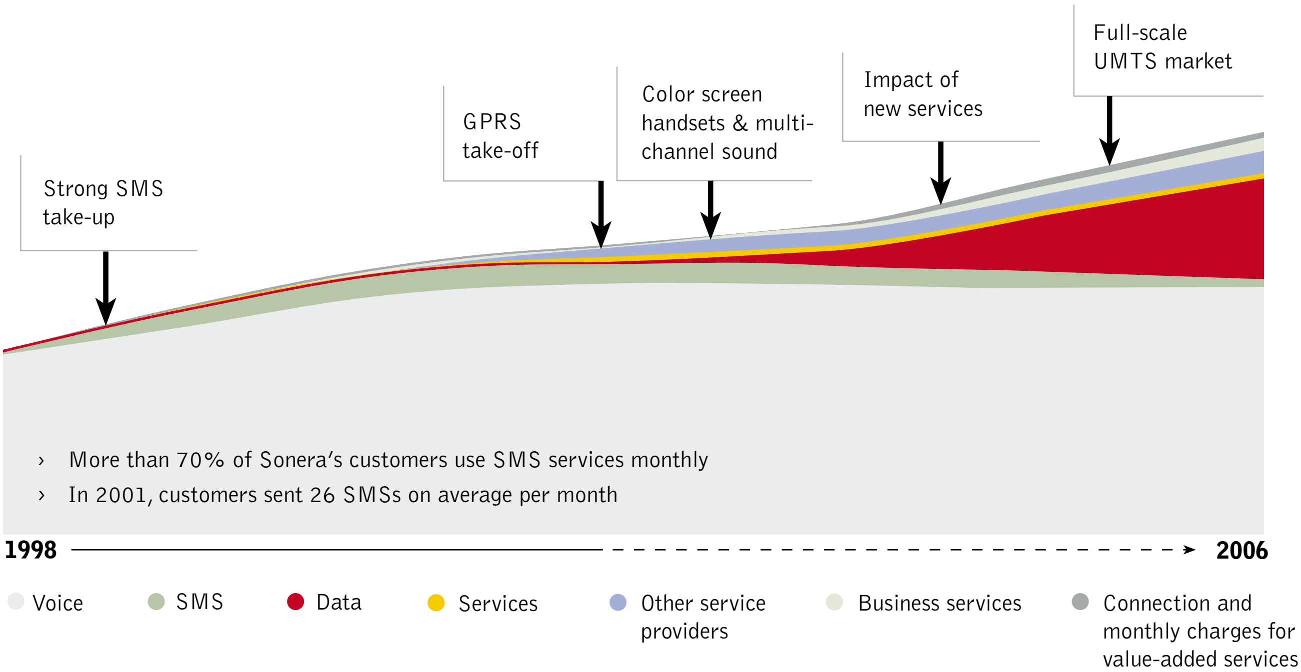
Technology that accents the customer viewpoint

For years now, Sonera has emphasized the strategic importance of research and product development. In developing its service provider business, the ability to combine customer orientation with

SONERA'S NEAR-TERM ACTION PLAN:

- Cap on UMTS investments
- Radical scale-down of Service Businesses while retaining innovative strengths
- Capitalize on best-of-breed Finnish mobile business to achieve capital-efficient transition to new generation
- Improve overall cash flow from operations
- Drive forward asset disposals, but avoid "fire-sales"
- Improve customer focus

SONERA'S ARPU TREND IN FINLAND



Sonera estimates that mobile data and new services will increase average revenue per user (ARPU) in the next few years.

technological expertise yields competitive advantage. Sonera seeks to turn increasingly complex network and information technology into easy-to-use and attractive services for customers.

More than 1,000 engineers, researchers and other experts work in Sonera's research and development functions. The Company engages in R&D activities both independently and together with equipment manufacturers, research institutes, other operators and partners in cooperation. By working together with universities and by making use of venture capital financing, Sonera is seeking to identify and test the possibilities of the evolving digital economy. At the end of 2001, Sonera had about 170 patent applications pending, 42 granted patents, 4 Europatents and 7 United States patents. This growing international patent portfolio strengthens Sonera's position of leadership, protects Sonera's innovations in the domestic competitive situation and makes it possible to exploit the patents internationally.

In recent years Sonera's R&D activities have centered on mobile communications and new services. The objective is to create wireless Internet applications and infrastructure for an environment in which various switching technologies (WLAN, Bluetooth, GPRS, UMTS, DVB) will make content services possible, and end-users will be independent of terminal devices.

The aim has been to create new business opportunities together with partners who share Sonera's outlook on the importance of the service network and on an open interface. By working actively within a number of international standardization organizations, Sonera wants to ensure that its customers benefit from open standards, which are also more cost-effective than closed solutions.

Sonera is assuming an enabler's role in the value chains of electronic communications by offering a reliable platform for network services. Leadership in the domestic market and the product development environment of the Finnish telecommunications industry in unison with cooperation with international players will promote the development of products and services. By offering companies an easy way of utilizing new network and information technology, Sonera is paving the way for the development of its customers' businesses and at the same time for its own growth.

Focus on developing the wireless Internet

At present Sonera is studying and developing 3G mobile communications, customer service and billing solutions, wireless Internet applications, data security solutions needed in electronic and wireless commerce as well as worldwide IP-based (Internet Protocol) roaming. The highest priority is accorded to research projects resulting in services and products that Sonera can exploit in its domestic customer solutions, while at the same time taking into account the potential of international markets.

The R&D activities of Mobile Communications Finland center on the development and commercialization of new applications of mobile communications services. These include intelligent communications solutions making use of positioning, multimedia communications services, mobile payment and the introduction of 3G networks. Sonera has also placed in use packet-switched GPRS technology by means of which mobile network base stations can be connected directly to the Internet. Sonera's GPRS service has provided coverage throughout Finland since March 2001.

Ultimately, customers make the choice that determines which services and technologies thrive. Through its Mspace program, Sonera is developing and testing third generation mobile communications service concepts by offering them to its customers for testing. In 2001, Mspace concentrated on mobile multimedia services. By means of a personal digital assistant (PDA) and Bluetooth, Sonera created usage experiences that are close to the 3G environment. Employing Internet content, PDAs were used, among other things, for map and positioning services and for reading personalized news items. To cite an example, betting on soccer pools was handled by means of a simple user interface.

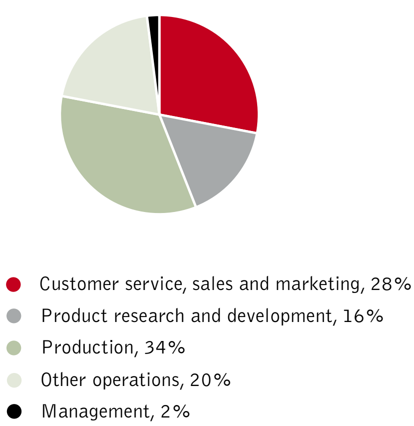
The focus in fixed-network R&D projects has been on new broadband services, IP-based products as well as customer-specific, interactive intelligent network solutions. In 2001, Sonera began to offer ADSL services in Finland's largest cities, and the Company is further developing new broadband applications. Sonera has begun to carry telephone traffic via its new IP-based backbone network. This system, which became operational in January 2002, is a step toward IP-based networks in which all traffic can be transmitted cost-effectively over one and the same network.

Sonera expertise leads the way

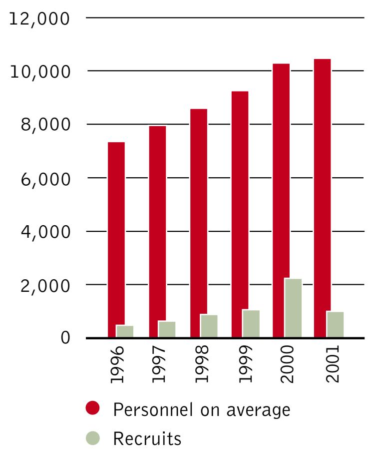
Having the jump on competitors in terms of expertise is an important success factor for Sonera. Professional skill must be developed continuously because in coming years a company succeeds on the strength of the knowledge and skills it develops today.

Helping supervisors to improve their capabilities was highlighted in Sonera's human resources development and training activities in 2001. The License to Lead program gave 1,000 Sonera supervisors an opportunity to assess their own managerial actions and skills and to learn new things. In addition, regular Supervisor Days proved to be an important forum for interaction and communica-

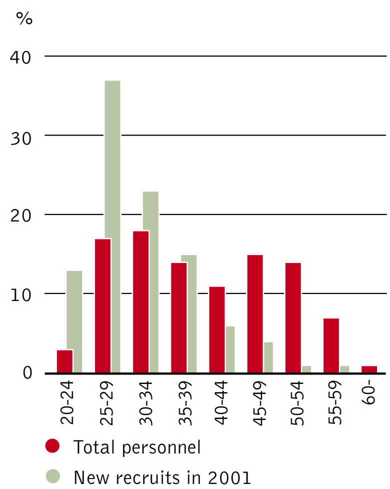
PERSONNEL BY JOB GROUP



TOTAL NUMBER OF PERSONNEL AND RECRUITS



AGE BREAKDOWN OF PERSONNEL AND GROUP'S NEW RECRUITS IN 2001



tions between management and supervisors.

About 300 future executives and key professionals went through the business management training programs that have been introduced previously, while a total of about 350 experts took part in project management training programs.

Sonera staff hone their professional skills primarily by performing job tasks. Sonera endeavors to create conditions for personal development and growth. During the report year, the Company launched an internal mobility project, which opens up development possibilities through new job positions.

Particular attention was paid to job well-being by opening up a Mini-Steissi work and well-being station in Helsinki's Vallila district. The station offers job and leisure-related services, such as office facilities for staffers who are on the road, a relaxation area and occupational healthcare. During the year, Sonera also trained 60 development agents whose task is to assist Sonera's work communities in developing and adjusting to continuous change.

In employer image surveys, telecommunications and technology companies had to make room for more traditional sectors during the year. In the first part of the year, Sonera ranked as the fifth most desirable employer in the opinion of students at technical universities and twelfth in the image ratings of business school students (Universum International). In the latter part of the year, Sonera still ranked in the top fifth of the most desirable employers, but it was no longer among the top ten. Concurrently, the expectations of university students concerning jobs and salaries have become more moderate. (Questionnaire survey by Tekniikka & Talous, a technology and business paper, in October 2001)

Sonera's acknowledged sustainable development

The Corporate Social Responsibility concept that has won wide acceptance in recent years refers to companies' actions aimed at creating the conditions for the company's success and its ability to engage in business operations in a sustainable manner that meets with the approval of the company's stakeholders. The main elements of the analysis are environmental protection, attending to employee well-being, and business ethics.

In 1998 Sonera formulated its environmental policy and drafted a concrete environmental program for the years 2000-2003 to ensure its implementation. The Company monitors implementation of the program by preparing an annual environmental report. A special area of focus in the 2001 environmental program was eWork as a means of promoting eco-efficiency.

In 2000, Sonera joined the Finnish Business & Society network with the aim of promoting socially and economically sustainable corporate development as well as maintaining a dialogue among companies with a view to adopting good practices. In 2001, Sonera took part in a network project that promoted the creation of good practices for a company's responsible human resources policy and its cooperation with stakeholders.

Investors too are becoming increasingly interested in indexes that seek to establish a uniform set of criteria for a company's social capital. In 2001 Sonera took part in an assessment on the basis of which listed companies in different sectors will be selected for the Dow Jones Sustainability Group Index, which measures economic, environmental protection and social performance. Sonera won the Wireless Communications category. In the evaluations it was observed that Sonera's sustainability performance is strong in all three dimensions and that the overall performance is excellent compared with the industry average.

Growth continues in more difficult market conditions

Sonera's business in Finland grew further, but the progress of its main international associated companies was slowed down by weakened market conditions.

Excellent year for Mobile Communications Finland

Sonera's domestic mobile communications business grew profitably despite the weakening in the general economic situation and tougher competition. The favorable earnings trend was driven by a growing number of GSM customers and by the increasingly versatile use of mobile subscriptions.

Finland's mobile phone penetration rate at the end of 2001 topped 75%. Sonera maintained its strong market leadership, and its share of GSM subscriptions at the end of the year was more than 60%.

Revenues from value-added services grew 29% (36%) on the previous year, to €147 million (114). The use of text messages grew further in step with the rise in the number of people using them regularly and an increase in offerings of text-message-based value-added services.

Sonera also sells network capacity to two service providers, RSL COM Finland and Jippii Group, which offer their customers services through their own subscriptions. Sonera's main competitor in Finland's mobile communications market is Radiolinja, in whose network Telia Mobile too offers GSM services nationwide.

DNA Finland, which is owned by local telephone companies, began subscription sales in February 2001. The increased competition affected the prices and offers related to services. The fact that various tie-in offers are permitted in sales led to increasingly aggressive offers during the latter part of the year.

During the report year, the Ministry of Transport and Communications published two extensive price comparison surveys on mobile communications services. In them the price competitiveness of Sonera and the Finnish mobile communications industry were observed to be excellent. In a study published in May, Sonera was judged to be Finland's most reasonably priced operator.

Sonera concluded new commercially-based interconnection agreements with Radiolinja, Telia Mobile and Suomen 2G Oy. In addition, the Finnish Competition Council issued a ruling in December 2001, according to which Sonera does not by itself or together with any other mobile communications network operator have a dominant market position with regard to access to the national mobile communications networks.

Sonera's international roaming cooperation in GSM mobile phone services expanded to cover the networks of 218 (200) operators in 114 countries (100). Most of the newly added countries are in South America and Africa.

New services encourage more versatile use of phones

Sonera brought out on the market the Sonera IN mobile communications marketing concept during the report year. The objective is to offer clearly defined service packages to a wide customer base comprising very different kinds of user groups. For its business customers, Sonera is offering a strong mobile Internet service package. By means of wireless Sonera mBusiness communications solutions, businesses have a variety of options of making use of mobile data transfer via differ-

KEY FIGURES

€ million	2001	2000	Change, %
Total revenues	1,213	1,134	7
External revenues	1,197	1,103	9
EBITDA	604	543	11
Comparable EBITDA	604	532	14
Comparable EBITDA, % of revenues	49.8	46.9	
Depreciation and amortization	(127)	(129)	(2)
Operating profit	477	414	15
Capital expenditures on fixed assets	102	124	(18)
Average number of personnel	1,792	1,626	10

ent terminal devices and different modes of access.

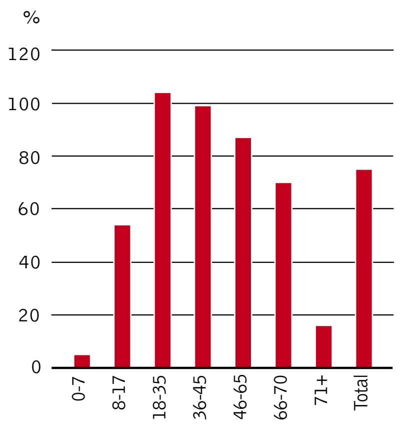
In December 2000, Sonera began test marketing GPRS service that is based on packet-switched data transfer, and in March 2001 it expanded the service to cover all of Finland. The use of GPRS services did not get started in earnest until near the end of the report year, when Nokia and Ericsson brought their terminal devices out on the market. Sonera also concluded its first GPRS interconnection agreements: at the end of 2001, Sonera's GPRS service was operating not only in Finland but also in Norway, Denmark, Singapore and Hong Kong.

New services which were launched for consumer customers during the report year included the Sonera Recharging Card, which enables customers to prepay calls and text messages, the Fun Voice voicemail greeting service and a chat called Radar, which makes use of positioning. Sonera IN customers were also the first in Finland to be offered the possibility of ordering text message services based on voice recognition technology. In November 2001, Sonera brought out on the market a new type of subscription, Classic Duo, which features clear and reasonable pricing.

For business customers, Sonera offered a new multi-access solution that provides its users with the best possible data transfer capacity at any given time. Sonera also took a big step toward winning wider acceptance of its broadband wireless Internet services when in October 2001 it became the world's first operator to carry out WLAN roaming based on GSM technology. In June 2001, Sonera entered into a cooperation agreement with the Civil Aviation Administration, according to which Sonera's wireless service based on broadband WLAN technology will be expanded to a total of 25 Finnish airports.

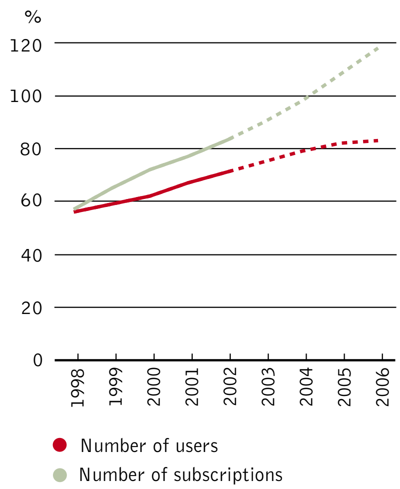
During the report year Sonera also continued pilot testing of future services. The Mstation 3G pilot test helped to survey the versatile usage possibilities of personal digital assistants (PDAs) within mobile communications services. The Sonera Shopper pilot program that was started in the fall of 2001 tested the utilization of text messages in making payments with a mobile phone in places such as restaurants and stores.

FINLAND'S MOBILE PHONE PENETRATION BY AGE GROUP



Source: Sonera's market survey

SONERA'S VIEW ON GROWTH IN MOBILE PHONE PENETRATION



KEY FIGURES FOR SONERA'S MOBILE COMMUNICATIONS SERVICES

	2001	2000	Change, %
Number of subscriptions			
GSM	2,421,533	2,281,916	6
NMT 450	38,250	55,863	(32)
Service provider subscriptions in Sonera's network	50,245	26,783	88
Total	2,510,028	2,364,562	6
GSM customer churn, %	10.1	9.7	
Average monthly use per subscription (min.)	145	139	4
Average monthly revenues per subscription (€)	40.5	40.4	
Outgoing text messages per subscription per month	26	25	4
Text messages sent, millions	744	618	20
Usage activity of text messages, average per month (% of customers)	72	68	
Usage activity of value-added services, average per month (% of customers)	33	32	
Prepaid subscriptions (% of Sonera's mobile subscriptions)	1.9	2.2	

Stepped up customer service
Sonera seeks to strengthen customer loyalty through forms of service and cooperation that bring extra benefits to the customer. Sonera and the Tradeka retail group made an agreement by which Sonera's consumer customers have been able to earn YkkösBonus points on their domestic mobile calls and mobile-to-mobile text messages since the spring of 2001. Sonera launched similar kind of cooperation with the K-Group a year earlier.

In managing its customer relationships, Sonera employs techniques such as lower service charges to get its customers used to self-service. This has meant that the number of calls coming into the customer care has remained nearly unchanged despite the increase in the customer base and the volume of transactions. At the Internet address www.sonera.net, the customer can, for example, open new services for his or her subscription or check the balance of the mobile phone bill.

Sonera is also making a strong commitment to developing electronic billing. The number of consumer and business customers who wish to have their bills in electronic form was clearly on the increase last year and this trend is forecast to continue in coming years.

Sonera's customer service and distribution channels successfully accomplished a major task when in the summer of the report year they replaced 360,000 SIM cards with new ones due to a subcontractor's programming error that was detected. Although the bug affected the cards' operation in less than 30 cases, Sonera replaced the cards to ensure trouble-free operation in all situations.

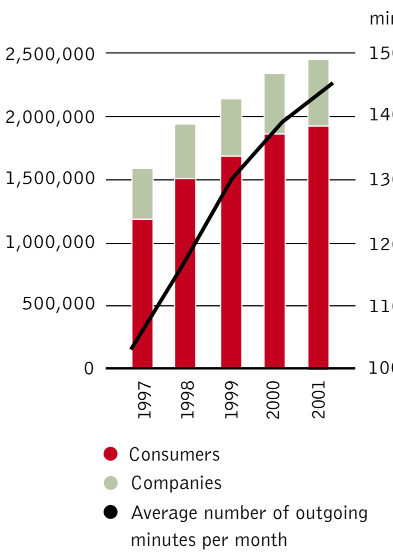
First intercontinental UMTS call
The report year marked 30 years since Finland's first mobile telephone call, which was made on Sonera's ARP (vehicle radio telephone) network in March 1971.

In the first intercontinental UMTS call, which was made on November 15, 2001 in networks of two different operators, a conversation was held between Minister of Transport and Communications Olli-Pekka Heinonen, in Tokyo, and Anni Vepsäläinen, head of Sonera Mobile Operations, in Helsinki.

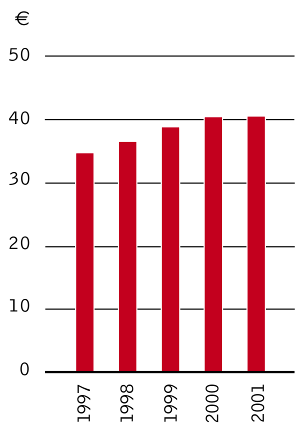
On January 1, 2002, Sonera opened its third generation mobile communications network (UMTS) for the Company's own test use in accordance with the terms and conditions of the license granted by the Government in 1999. The network is operating in the Greater Helsinki area, Turku, Tampere and Oulu and it is Europe's first UMTS network that is in operation in several cities. Commercial service will be launched when UMTS phones are on the market. According to Sonera's estimate, Finland's UMTS market will start up on a larger scale in 2004 and 2005. Sonera's total costs of building out the UMTS network will come to about €500 million in 2000-2009.

Sonera announced it was discontinuing maintenance of the analog NMT 450 mobile phone network on December 31, 2002, and new subscriptions have not been opened after August 15, 2001. Maintenance of the network is being discontinued because the number of NMT subscriptions has declined substantially in recent years as the majority of customers have gone over to using Sonera's GSM services.

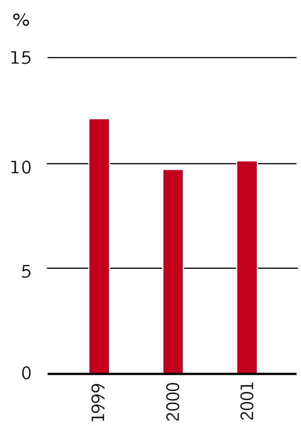
NUMBER OF SUBSCRIPTIONS AND AVERAGE MONTHLY USE



AVERAGE MONTHLY REVENUES PER SUBSCRIPTION



GSM CUSTOMER CHURN



Joint ventures advance along with the market

Sonera has holdings in GSM operators with substantial growth potential in Turkey, Russia and the Baltic countries. The UMTS projects in Germany, Spain and Italy are in the initial phase. During 2001, Sonera sold off its holding in the Hungarian operator Pannon GSM.

The number of Turkcell's customers grew by about 20% and was 12.2 million at the end of the year (10.1). Prepaid subscriptions in particular continued their strong growth, accounting for 62% (44%) of all subscriptions at the end of the year. Because of the sharp weakening in Turkey's economic situation, Turkcell's revenues in January-September amounted to only US$1.4 billion (1.6) and the company reported a net loss of US$142 million (net profit of US$232 million). The company has nevertheless continued to raise its prices and cut costs in order to alleviate the effects of the devaluation of the Turkish lira.

In January-September, the average monthly use of a Turkcell mobile subscription was 67 called minutes a month (103 for the full year in 2000), and the average monthly revenues per subscription were US$14.1 (23.3 for the full year in 2000). Subscription use has been reduced by the weakened consumer demand in Turkey and by the extraordinary 25% mobile phone tax which was introduced in the country at the start of December 1999 and has been extended up to the end of 2002. The company has nevertheless succeeded in keeping the churn rate of its GSM subscriptions at a low level: 9.8% in January-September.

During the report year, Turkcell brought out on the market GPRS services as well as numerous other value-added services. The continuous development and expansion of service offerings are important means through which Turkcell is seeking to bolster its competitive position now that new mobile operators – Aycell, owned by Turk Telekom, and Aria, an associated company of Telecom Italia Mobile – have started up operations.

Turkcell's international mobile phone business belongs to the Fintur company. In the report year, significant growth in the customer base was registered above all for the GSM operators in Azerbaijan and Kazakhstan: the number of Azercell's customers at the end of the year was about 520,000, and that of GSM Kazakhstan about 425,000. Geocell, which operates in Georgia, and Moldova-based Moldcell are still in the first phase of their development. Both companies have about 100,000 customers. Combined profitability of the companies was good, and with the exception of Geocell, the companies have a market share of over 50% in their respective markets. The penetration rate in the operators' developing markets varies from four to eight percent of the population.

Russia's first nationwide operator

In August, Sonera together with AO Telecominvest, the leading Russian investment company in the telecommunications sector, and Telia Mobile AB agreed on combining their mobile operator holdings in Russia to form the first pan-Russian mobile operator. The merger is estimated to go through in the first part of 2002. The initiative for making the tie-up came from Sonera, which has a 26% interest in the new company.

Russia is one of the world's largest and fastest growing mobile communications markets. At the end of 2001, the country's mobile phone penetration rate was about 5%, and it is believed that this figure will rise sharply. Apart from the growth potential of the mobile communications business, the pan-Russian operator will also open up for Sonera new synergy possibilities for the other businesses in Russia. These are the Ivan fiber optic cable between St. Petersburg and Moscow as well as the Internet and data business.

The aggregate number of customers of the operators forming the new MegaFon company topped the one million mark in January 2002. Commercial operations are in progress in the Moscow, St. Petersburg and Volga areas as well as in northern Caucasia. In December 2001, the company also received a license in the central Russian area, after which the company is the only operator with a license spanning all of Russia.

The MegaFon operator's basic services covering the entire network are GSM 900/1800 services, in addition to which HSCSD and GPRS services will also be offered in the largest cities.

Baltic companies maintain their profitability

In Estonia, Latvia and Lithuania, Sonera is a shareholder in mobile communications operators which are all market leaders in their countries. The Baltic associated companies posted a profit and Sonera's share of these companies' earnings in 2001 amounted to €30 million (28).

Subscription volumes grew in all the Baltic countries during the fiscal year. Lithuania showed especially fast growth. Over the next few years, the penetration rate is expected to rise substantially in Lithuania and Latvia. Omnitel, Latvijas Mobilais Telefons and EMT have prepared to defend their strong market shares in the face of keener competition.

To shore up their market positions, the companies established the Baltic Sea Alliance (BSA) cooperation project in December 2001. The aim of the co-operation is to step up the development of service concepts. The first joint product will offer the companies' customers improved interconnection service.

In the report year, EMT and Omnitel brought their GPRS service out on the market.

In December the Estonian telecommunications regulatory authority ruled that EMT does not have a dominant market position in interconnection traffic.

The government of Lebanon announced during the report year that it was revoking the GSM license of both of the country's present operators and was arranging a competitive bidding procedure for new licenses. Sonera estimates that a solution in the matter will be reached in the first half of 2002.

Quam launched in Germany

During the year, Sonera's German UMTS associated company, Group 3G (Sonera's holding: 42.8%), entered into a roaming agreement with E-Plus and an interconnection agreement with Deutsche Telekom. Thanks to these agreements the company was able to begin offering GSM and GPRS services covering all of Germany. The commercial launch of the services took place in November under the brand name Quam. Disagreements with other operators concerning the time of starting up interconnection traffic led to a suspension of subscription sales in December, but sales were resumed in January 2002 after the obstacles were removed. The company's objective of starting commercial UMTS services at the beginning of 2003 is dependent on the availability of terminal devices and infrastructure.

In the report year, Group 3G and E-Plus also agreed on cooperation in building out the UMTS networks in Germany. In accordance with the agreement, the companies will utilize joint network elements, such as antennas, cables, transmitters and receivers as well as radio network controllers. Thanks to the cooperation, Group 3G will achieve substantial savings in both network investments and annual operating expenses. The agreement will also make it possible for new partners to join in the cooperation.

Preparations for the UMTS market under way in Spain and Italy

Sonera's Spanish UMTS joint venture, Xfera (Sonera's holding: 14.25%), agreed during the fiscal year on vendor financing with Nortel and L.M. Ericsson and started construction of its UMTS network. In addition, the company made an agreement with the Spanish GSM operator Airtel concerning national roaming. The company applied to the Spanish government for a GSM license and frequency band in order to begin offering GSM/GPRS services before the start-up of UMTS services. Because the company did not receive GSM frequency bands, and due to the delay in the introduction of UMTS technology, Xfera's Board of Directors decided in October to defer the company's entry into the market for the time being.

In January 2002, the shareholders of the Italian company Ipse2000 (Sonera's holding: 12.55%) decided that the company will enter the market when it is capable of implementing its UMTS business model. The validity of the license in Italy was extended from 15 years to 20 years.

Operations of the Norwegian UMTS associated company Broadband Mobile (Sonera's holding: 50%) were wound up in August when the other shareholder in the joint venture, Enitel ASA, decided to withdraw from the mobile communications business.

MARKET TREND OF INTERNATIONAL JOINT VENTURES

Associated companies	Sonera's holding, %	Number of subscriptions Dec. 31, 2001	Annual growth in subscription volume, %	Market share, %	Country's penetration rate Dec. 31, 2001, %
Turkcell, Turkey	37.1	12,200,000	20	60-65	28
Fintur mobile companies	35.3	1,200,000	70	n/a	n/a
EMT, Estonia	24.5	383,000	17	54	52
Latvijas Mobilais, Latvia	24.5	348,000	30	57	26
Omnitel, Lithuania	27.5	556,000	80	58	27
MegaFon, Russia	26.0	917,000	250	n/a	5
Total		15,604,000			
Other holdings					
Libancell, Lebanon	14.0	381,000	6	49	22

The number of subscriptions, annual growth, market share and penetration rate are Sonera's own estimates.

Steps taken to adjust the service companies to weakened markets

The service companies' growth slowed during the latter part of the year as market demand weakened, and Sonera began to scale down its service offerings. Sonera is continuing energetic cost-cutting, but intends at the same time to maintain its innovative strengths.

SONERA SMARTTRUST

Sonera SmartTrust's revenues consist mainly of software license fees that come from the sale of service platforms as well as services connected with their installation and maintenance. During the report year, SmartTrust strengthened its market position, particularly within wireless service platforms for operators (mobile business). The growth in demand for these services remained good because operators brought out on the market an abundance of new services. SmartTrust also offers its customers solutions for electronic identification (digital identity business). The trend in demand was markedly weaker than in the mobile business.

SmartTrust's comparative revenues grew 44% year on year. Software products accounted for 64% of revenues. Europe, the Middle East and Africa together with global business accounted for 62% of revenues, Asia for 27% and the Americas for 11%. SmartTrust's profitability improved substantially during the year, thanks to the growth in revenues and trimmed costs. SmartTrust is seeking to post positive EBITDA at the annual level in 2002.

SmartTrust's wireless solutions make it possible to provide SIM card-based services efficiently and reliably. There are already an estimated 25 million SIM cards worldwide incorporating SmartTrust software – Wireless Internet Browser. The company estimates that it has a market share of about 75% within platforms for remote management of SIM cards. In the future as well, the SIM card and the technology based on SMS text messaging will be the key that opens up, for all different wireless terminal devices, safe connections for instance for commerce and daily transactions. Japan, Korea and South America, for example, are going over to the SIM card. SmartTrust's software supports both second generation terminal devices and WAP, GPRS and 3G environments.

SmartTrust announced a new version of its wireless mainline product, SmartTrust Delivery Platform. The software speeds up the time-to-market of wireless services, helps operators to manage the production costs of services and is more scaleable than before. SmartTrust also brought out on the market a new version of Wireless Internet Browser, which further improves the availability of a mobile handset for electronic identification in both a wireless and a fixed-network environment.

SmartTrust bolstered its position above all in the Asian market. The company concluded numerous new customer agreements, for example, with the Philippine operator Smart Communications. In the United States, Cingular Wireless chose SmartTrust's service platform to be used in American GAIT digital telephone networks that make possible roaming between TDMA and GSM networks.

SmartTrust started technology co-operation with a number of leading companies in the industry. For example, with Toshiba, SmartTrust entered into an agreement for providing 3G USIM management software to Japanese mobile operators. SmartTrust and Posten, the Swedish Post Office, received the EEMA Award for Excellence in Secure Electronic Business for the development of a secure electronic personal identification system in Sweden.

SONERA ZED

Zed's mobile communications services were available at the start of 2002 in Finland, Germany, Great Britain, Italy, the United States and the Philippines. The company had a total of 13 operator agreements. In the report year, zed wound up business operations in the Netherlands and Turkey and discontinued the provision of services under its own trademark in Singapore.

SONERA SMARTTRUST

€ million	2001	2000
Revenues	36	25
EBITDA	(60)	(74)
Comparable EBITDA	(40)	(74)
Depreciation and amortization	(3)	(3)
Operating loss	(63)	(77)
Capital expenditures on fixed assets	2	2
Average number of personnel	443	490

The comparable pro forma figures for 2000 shown in the table correspond to the current scope of business.

A disposal or winding up decision has been made for operations in the United States because the business has not achieved the targets set for it. Apart from other cost cutting, zed reduced the number of its regional data centers from five to two. The centers now operate in Finland and in Singapore.

Zed's revenues tripled compared with the previous year. More than 90% of revenues in 2001 were generated in countries in which operations were continuing at the start of 2002. In this market, the monthly service transactions rose to over 25 million in the latter part of the year. The bulk of zed's revenues were generated in the second half of the year when operations got started in Germany, Great Britain and Italy. About 40% of full-year revenues arose in Finland.

Text message-based services generated the greater part of revenues, which were divided between Sonera Zed and operators. The most popular services are still logos and ring tones. The proportion of other services increased strongly during the year and represented about 50% of revenues. In its selected markets, zed also offered WAP services by means of its own WAP gateway. In addition, zed tapped the potential of mobile marketing together with a number of partners in cooperation. In Finland, zed opened a wireless Mcline marketing channel for McDonalds' customers. In Germany, zed carried on marketing cooperation, notably, with Sony and MTV; in Italy, with Alcatel and others, and in the Philippines, with San Miguel, MTV, Cartoon Networks and others.

In Finland, zed also beamed its services at business users by bringing out on the market its zed for business service. Zed makes it possible to use corporate intranets and e-mail even in the mobile mode, and it also offers content services. Zed's services have been used at least once by about two million Finns.

In April, business got under way in Great Britain, where zed targeted its services particularly at youth. Zed has agreements with Vodafone, Orange and BT Cellnet, i.e. a distribution channel to more than 38 million mobile phone users. In Germany, zed has an agreement with the D1, D2, Viag and E-Plus operators. Operations got started in April 2001. In Italy, zed's services were made available to Telecom Italia Mobile's customers as of July.

In the Philippines, zed has achieved the highest user penetration after Finland. Already more than half of the Smart Communications operator's nearly six million customers have used zed's services.

SONERA PLAZA

Sonera Plaza maintained its position as the market leader in Finland among Internet subscriptions for consumers with its 31% market share. The number of subscriptions grew evenly, with broadband subscriptions gaining an ever stronger hold in the course of the fall of 2001. By the start of 2002, broadband ADSL or cable access exceeded sales of traditional modem subscriptions.

Sonera Plaza (www.soneraplaza.fi) is Finland's most popular network medium, and its number of users grew further. In March 2001, it topped the 1.5 million unique monthly visitor mark, and November saw a new record: 1,618,000 visitors. New services launched during the report year included Plaza TV, which bundles together Sonera Plaza's current events and entertainment content including video, as well as Disney Blast, which is beamed at children and is a subscriber-based and regularly updated online service.

In a weaker-than-expected year for online advertising, Sonera Plaza strengthened its position as Finland's largest single online advertising medium.

In May and July, Sonera Plaza disposed of its Dutch subsidiary that was specialized in cable subscriptions.

Instead of seeking a stock exchange listing as previously planned, Sonera Plaza's ownership will be retained in Sonera's hands, particularly with a view to exploiting the potential of its consumer services in Finland. Concurrently, Sonera's cable and digital TV business was made a part of Sonera Plaza.

Due to revising of the service strategy and the strong changes in the market situation, ownership arrangements were carried out within Sonera Plaza's joint ventures in the fall. Sonera Plaza purchased the OKOBANK Group's holding in their joint financial service companies (Sonera Plaza Financial Services Ltd and Sonera Plaza Fund Services Ltd), and SOK purchased Sonera Plaza's 50% stake in their jointly owned online merchant company Netista Oy.

Henceforth, Sonera Plaza will concentrate increasingly on broadband subscriptions and versatile, partly fee-

SONERA ZED

€ million	2001	2000
Revenues	21	7
EBITDA	(159)	(102)
Comparable EBITDA	(129)	(102)
Depreciation and amortization	(23)	(5)
Operating loss	(182)	(107)
Capital expenditures on fixed assets	5	69
Average number of personnel	352	174

SONERA PLAZA

€ million	2001	2000
Revenues	53	47
EBITDA	(52)	(48)
Comparable EBITDA	(33)	(35)
Depreciation and amortization	(5)	(4)
Operating loss	(57)	(52)
Capital expenditures on fixed assets	21	10
Average number of personnel	460	262

based Internet services that make use of broadband functionality. Sonera Plaza's online service aggregates a variety of Internet content and distributes it to different terminal devices.

SONERA JUXTO

Within the application service business, enterprise customers lease the applications they desire as a service package that includes not only the user rights to the applications but also their development, maintenance and upgrading. Wireless features can be added to all the applications offered by Juxto. In this way, the employees of customer companies are able to tap the information they need at any time using the most appropriate terminal device. Application services make up a third of Sonera Juxto's revenues. In addition to application services, Sonera Juxto offers infrastructure management services.

During the fiscal year, Juxto began offering customer relationship management tools as an application service. Juxto's CRM service provides tools for customer communications and the management of customer relationships. Juxto also pushed ahead with the development of its logistics services. During the year, the logistics control and development company Movere Oy selected Sonera Juxto's messaging service for their use. The service links Movere's vehicle-mounted terminals directly to the company's operational information system by means of a GSM data link and passes the transport data between the transport planning function and the transport vehicle.

In June, Sonera Juxto began offering Hewlett-Packard products as part of its management services in Finland. The agreement between Sonera Juxto and Hewlett-Packard covers the resale of Unix and Netserver servers, disc systems and back-up equipment as well as network products and support services. The products function as a platform within Juxto's management services.

In August, Sonera Juxto and Oy Unisys Ab signed a cooperation agreement on the provision of Juxto's system management and infrastructure services to the overseas units of Finnish companies. Under the agreement, Oy Unisys Ab will offer worldwide local support for Juxto's system management products. The agreement covers the Nordic countries, most of Europe as well as the United States and Canada.

Mobility is one of the basic features of the application services offered by Juxto, and in 2002 Juxto will furthermore begin offering mobility-enhancing service platforms as a separate product. This will enable customers to use both Juxto-provided applications and their own whenever and wherever they are and independently of a specific terminal device.

SONERA INFO COMMUNICATIONS

In November 2001, Sonera signed a Letter of Intent on the sale of the entire shares outstanding in Sonera Info Communications Ltd and its business operations to the private equity company 3i for €125 million. The agreement also includes Sonera Info Communications' holdings in Intra Call Center SA, Suomen Keltaiset Sivut Oy and Suomen Numeropalvelu Oy. Sonera sold its interest in 118 Ltd (45%) to Conduit plc in February 2002.

Sonera Info Communications is Finland's market leader within directory inquiries, telephone directories and electronic directories. Its best known services are telephone directories, the Sonera Finder electronic contact information directory as well as the domestic directory inquiry numbers 02 02 02 and 118. In November 2001, the company opened Finland's first voice-controlled directory inquiry service for the customers of all operators on the number 02 02 00.

During the fiscal year, Sonera Info Communications focused on strengthening its international presence and networking with players in the directory sector. The joint venture 118 Ltd started up its operations in Great Britain, where it offers directory inquiry services to the customers of Telewest Communications Group Ltd. The subsidiary Sonera France opened up a directory inquiries service offering both French and foreign contact information. The French Intra Call Center opened a new service center in Amiens. In October 2001, Info Communications began offering an electronic Sonera Finder directory service via Newpalm (China) Information Technology Company to the customers of China Mobile. Sonera Finder is China's first electronic directory service that offers foreign contact information.

SONERA JUXTO

€ million	2001	2000
Revenues	72	53
EBITDA	(17)	(33)
Comparable EBITDA	(14)	(33)
Depreciation and amortization	(8)	(9)
Operating loss	(25)	(42)
Capital expenditures on fixed assets	10	12
Average number of personnel	754	640

SONERA INFO COMMUNICATIONS

€ million	2001	2000
Revenues	71	66
EBITDA	7	13
Comparable EBITDA	9	13
Depreciation and amortization	(2)	(1)
Operating profit	5	12
Capital expenditures on fixed assets	7	3
Average number of personnel	628	602

The comparable pro forma figures for 2000 shown in the table correspond to the current scope of business.

Broadband services and total solutions open up new markets

Sonera's fixed-network business is made up of progressive companies that generate stable cash flow. Sonera Telecom is also responsible for overseeing the Group's shareholdings in the Baltic fixed-network companies.

During the fiscal year the business area was incorporated as Sonera Telecom Ltd and its structure and way of working were revamped to increase the company's customer orientation and flexibility, while also trimming overlapping functions.

Concurrently, fixed-network product management and development were centralized within a new unit named Sonera Source. The product development unit collects information and requests from customers and on the basis of this information designs products and services for different customer groups. The centralized function is expected to generate an increasing number of new products and services. During 2002, Sonera Source will focus on developing broadband services for households, data services for small and medium-sized companies as well as IP-based services, such as office applications and Internet calls.

Sonera and Auria become partners

Sonera and Auria, formed by the telephone companies Loimaan Seudun Puhelin Oy and Turun Puhelin Oy, reached a decision on strategic cooperation whereby in January Sonera subscribed for 16.7% of the shares in Loimaan Seudun Puhelin. In February, Sonera increased its interest to 24.1%, and in January 2002, it was raised further to 29.1%.

The Finnish Competition Authority (FCA) approved the transaction between Sonera and Loimaan Seudun Puhelin in August but set conditions on its approval. In December the Competition Council reversed the FCA's decision, following a complaint by Suomen 2G and DNA Finland, and ruled that the acquisition must be canceled.

The most important objective of the cooperation between Auria and Sonera is the continuous development of telecommunications offerings in the Turku area. It is not believed that the Competition Council's ruling will have an effect on the service provided to Auria's or Sonera's customers, but it may slow down the deepening and expansion of cooperation to new areas. Sonera, Loimaan Seudun Puhelin and the FCA appealed the Competition Council's ruling to the Supreme Administrative Court in January 2002.

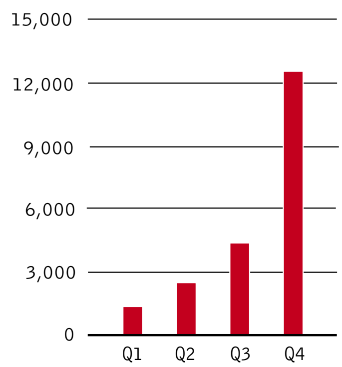
With ADSL into competitor's territory

Sonera Entrum Ltd began offering broadband ADSL connections in Elisa Communications' territory in the Greater Helsinki area when Sonera

KEY FIGURES

€ million	2001	2000	Change, %
Total revenues	1,024	1,020	0
External revenues	738	742	(1)
EBITDA	231	300	(23)
Comparable EBITDA	230	265	(13)
Comparable EBITDA, % of revenues	22.5	26.0	
Depreciation and amortization	(123)	(138)	(11)
Operating profit	108	162	(33)
Capital expenditures on fixed assets	186	202	(8)
Average number of personnel	4,795	4,479	7

GROWTH IN CONSUMER BROADBAND LINES IN 2001



expanded its ADSL availability areas throughout Finland. At the end of the year, Sonera's consumer customers in Finland had a total of about 12,500 ADSL broadband connections. Demand for Sonera Home ADSL clearly exceeded expectations in the latter part of the year. At the same time, the decline in fixed-network telephone subscriptions, which has continued for several years, slowed down, but the shift in telephone traffic to mobile phones continued ahead.

Invoicing for Sonera Entrum's business customers grew by 12% during the year. The company landed new business customers, particularly in southern Finland. Furthermore, as a consequence of Telecom's structural change, the municipalities in the Greater Helsinki area also became customers of Sonera Entrum. Sonera Entrum built and maintained regional networks, which link the municipalities' telecommunications networks and regional services together into efficient entities. The company launched a customer relationship management project by which service for businesses will be made more customer oriented.

In October, the access networks operated by Sonera Entrum were transferred to Sonera Carrier Networks. In November, Sonera Telecom Ltd purchased YIT's holding in Sonera Living Ltd, which develops broadband services for buildings.

ADSL connections are expected to catch on at an accelerating pace during 2002. Sonera Entrum will begin offering Home ADSL subscriptions for consumers not only in the Greater Helsinki area but also in other large population centers in southern and western Finland. An important element of the services and solutions offered to business and institutional customers is Sonera Juxto's application services as well as data security solutions. Companies and institutions are using ADSL solutions to replace their telecommunications links that are implemented with more expensive broadband technologies.

Major customers get total solutions

Sales of Sonera Solutions Ltd's telecommunications and voice services slowed down in the major customer market in the second half of the year, with a drop particularly in the price level of basic data transfer capacity. The focus of operations is thus shifting from the transfer of basic data to more advanced value-added services, such as broadband services in different quality categories as well as network management services.

The largest customer network project during the year was the building and operation of the Funet information network, which links Finland's universities and colleges. In addition, the company concluded major information technology and service agreements for the healthcare sectors in the Greater Helsinki area and Turku, and it renewed its agreements with large customer corporations.

The most important product announcement was the DataNet Prime service, by means of which companies can utilize their telecommunications more precisely and appropriately. The new service ensures the improved operation and quality of real-time applications, such as IP voice and videoconferencing applications.

The major customer markets in the telecommunications sector are expected to pick up in the second half of 2002. Sonera Solutions is growing, especially in Finland, where the outsourcing of telecommunications-based services is moving ahead. Services for large corporate customers are also be-

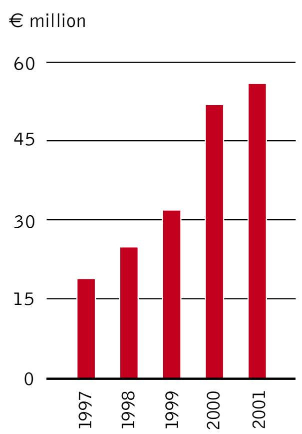
FIXED-NETWORK ACCESS LINES AT YEAR END

	2001	2000	Change, %
Standard lines	532,748	561,989	(5)
ISDN lines	51,156	47,515	8
2 Mbps lines	3,936	3,815	3
Total equivalent lines	753,140	771,469	(2)
Broadband lines for consumers	12,522	575	2,078

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

	2001	2000
Sonera's share of Finland's local lines:	approx. 27%	27%
Sonera's market share of		
long-distance call minutes:	approx. 37%	37%
international call minutes:	approx. 50%	51%

REVENUES FROM LEASED LINES



ing developed in the Baltic Rim countries as well as in St. Petersburg and Moscow, Russia.

Sonera Gateway Ltd, which offers financing and electronic transaction services to business customers, saw its portfolio of customer finance contracts grow by 25% during the fiscal year, amounting to €122 million at the end of the year. It is believed that the market for transaction services will swing to strong growth in Finland over the next few years.

International telecommunications grow rapidly

The international telecommunications network of Sonera Carrier Networks Ltd extends from Moscow via continental Europe to New York. The company's international communications traffic increased by about 40% in the report year. Demand for data transfer capacity showed especially strong growth in Russia. The fast growth in volumes thus offset the fall in prices of broadband connections on the backbone network. DWDM technology, which steps up data transfer capacity manyfold, was introduced between Moscow and Hamburg.

International per-minute capacity sales also showed substantial growth during the fiscal year, and separate exchanges were opened in Great Britain and Germany. In Sweden, the clientele that is made up of local business customers and municipalities was sold to Song Networks.

Sonera's network registered an increase in traffic originating from operators and service providers in Finland. During the year service packages were aggregated, by means of which an operator customer and Carrier Networks can agree on matters such as network availability. One of the biggest agreements signed in Finland concerned the provision of telecommunications capacity to Digita Oy over the next three years. Carrier Networks is further developing services for operators and service providers.

The growth in domestic and international telecommunications is expected to continue. In 2002, Sonera will go over stage by stage on its international and domestic backbone network to the use of IP technology, and it will be one of the first operators to introduce IP technology for use in a telephone network. The global network capacity trade is going through a shakeout which Carrier Networks is preparing to meet by developing its capabilities for operating in the trading market for data transfer capacity.

Equipment solutions form a service package

DataInfo Oy is a company that offers data and telecommunications technology products and services and develops the chain's concept, marketing, branding and productization of services. At the end of 2001, the chain had 38 independent entrepreneurs who operated in 42 locations in different parts of Finland. DataInfo also markets Sonera Juxto's services to small and medium-sized companies.

The most important new launch during the year was the DataInfo Taito (Skill) service concept, by means of which small and medium-sized businesses can put together for themselves a set of necessary services ranging from need surveys to finance and from training to maintenance. Mobile phone laboratories were opened up in the stores. These enable customers to try out on their own mobile phone a host of services, such as the use of application services or e-mail, for example. The demand for wireless services will continue to grow, highlighting the role of DataInfo stores as an aggregator of services.

Isoworks Oy is a company that offers installation, maintenance and Help Desk support service for telecommunications and information technology systems. The company is owned on a 50-50 basis by Sonera and ICL Invia Ltd. The company's quality system was audited in the spring. During the year, 160,000 customer assignments were carried out.

From building cable networks to managing equipment and software

Primatel Ltd is Finland's only provider of construction and maintenance services for telecommunications networks that operates locally throughout Finland. The company's business area also includes premises networks. Primatel's largest customer is Sonera, but the proportion of assignments outside the Group grew during the report year, comprising about a quarter of revenues.

During the fiscal year, Primatel began placing in use a production control system. The company also beefed up its technology expertise by training tens of installation engineers in installation and maintenance tasks related to data platforms and IP equipment.

Despite the weak market situation in 2001, demand for Primatel's services is expected to grow over the longer term as companies and institutions continue to digitize their functions and as broadband connections spread. Network investments by operators are also expected to grow.

BALTIC FIXED-NETWORK ASSOCIATED COMPANIES

All of Sonera's fixed-network associated companies in the Baltic Rim are turning a profit. The transition economy phase and the development toward an information society offer the companies a number of opportunities for growth. The companies have invested above all in the development of data and IP-based services as well as in digitizing their networks. On the other hand, the transition of the Baltic countries to an era of full competition will cut into the companies' market shares. In coming years, competition is expected to hot up, especially within voice products.

ADSL services show strong growth in Estonia

Sonera owns 24.5% of Eesti Telekom, whose fixed-network business is handled by Eesti Telefon.

Fixed-network telecommunications were opened up to competition in Estonia on January 1, 2001, and Eesti Telefon renewed its pricing and service offerings in line with the competitive situation. The start-up of competition had a substantial effect on Eesti Telefon's operations and earnings. Revenues from international calls declined by 46% on the previous year and amounted to about €14 million. The company had a 70% share of the international call market at the end of the year.

Although competition caused a fall in revenues, Eesti Telefon succeeded in offsetting this for example by means of its Internet services, and the company somewhat increased its market leadership within Internet dial-up services. At the end of the year, the company had about 17,000 ADSL subscriptions (2,500). The aggregate number of all customer subscriptions was about 502,000 (517,000).

The Estonian telecommunications authority ruled in December that Eesti Telefon has a dominant market position in public telephone service, leased lines and interconnection traffic in 2001 and 2002. Prices for these products must be cost-matching and customers must be treated equally.

Deregulation in Latvia and Lithuania in 2003

At the end of the fiscal year, Lattelekom had about 722,000 fixed-network access lines (735,000). The company improved its efficiency and continued to modernize its network. Lattelekom brought out new products on both the business and the consumer markets: notably, an ADSL product package for consumers.

In January 2002, Sonera acquired International Finance Corporation's (IFC) 10% holding in Tilts Communications A/S (Tilts) for €34 million. The price was determined according to the agreements signed in 1995 and 1998. After the transaction, Sonera owns Tilts in full, and Sonera's holding in Lattelekom increased from 44.1% to 49%.

Lattelekom has an exclusive right to offer basic fixed-network services. The Latvian State has given its commitment to the World Trade Organization to revoke Lattelekom's exclusive rights at the beginning of 2003, even though under the agreement between Latvia and Tilts the exclusive rights would have been in effect up to the end of 2013. Tilts referred the issue to arbitration in 2000, and hearing of the case is still in progress. The Latvian State approved a new Telecommunications Act, which prepares the way for opening up the telecommunications market in 2003.

Sonera has a 30% holding in Lietuvos Telekomas, which has a fixed-network monopoly in Lithuania up to the beginning of 2003. At the end of the fiscal year, the company had about 1,152,000 access lines (1,188,000).

Lietuvos Telekomas improved its cost-effectiveness. The company renewed its pricing structure by introducing a call set-up charge and rounding off of seconds. The company also put into use a new billing system. Together with TietoEnator, Lietuvos Telekomas drafted a Letter of Intent on establishing a joint venture that will produce information technology services.

During the report year, changes took place in the areas of responsibility of the Lithuanian authorities. This resulted in an instability of the regulatory regime and uncertainty in the implementation of decisions by the authorities. Lietuvos Telekomas is operating in accordance with the commitments that were made to the company in connection with its privatization in 1998 and listing on the stock exchange in 2000.

BALTIC ASSOCIATED COMPANIES

Associated company	Revenues in 2001, € million	Revenues in 2000, € million	Growth, %	Sonera's holding, %	Number of subscriptions as of Dec. 31, 2001
Eesti Telefon, Estonia	186	172	8	24.5	502,000
Lattelekom, Latvia	262	248	6	49.0	722,000
Lietuvos Telekomas, Lithuania	295	281	5	30.0	1,152,000

The figures shown in the table are based on data available to Sonera in the preparation of Sonera's consolidated financial statements as well as on estimates made by Sonera, and the information may therefore differ from the figures given in the financial statements of the associated companies.

Report of the Board of Directors

After strong growth in 2000, a large part of the world economy fell into recession during 2001. This was quickly reflected in Finland too, with economic growth coming to a halt following a period of rapid and sustained growth since 1994. The standstill in economic growth in Finland was attributable primarily to the contraction in exports compared with the previous year. Although consumption demand remained strong during 2001, the change in the situation also showed up in the telecommunications industry in the form of increased uncertainty and a slowdown in growth, especially in the use of services offered to business customers.

Toward the end of 2001, Finland's mobile phone penetration rate rose to over 75%, though the rate of growth nevertheless slowed compared to previous years. Sonera's market share of GSM subscriptions at the end of the year was more than 60%. The use of text messages and other value-added services continued to grow at a faster rate than voice communications. Mobile Communications Finland was Sonera's main business area, accounting for 55% of consolidated revenues.

During 2001, Sonera saw to completion the program of disposals of its mobile communications assets in the USA and used the proceeds to pay down its loans, which were drawn down in 2000 to pay for the third-generation UMTS mobile communications license fees in Europe. In addition to the license it obtained in Finland in 1999, Sonera has participations in license-holding companies in Germany, Italy and Spain. In 2001, Sonera also set an €500 million upper limit on its additional investments in these companies in coming years. The introduction of third-generation services has been delayed in Europe because terminal devices are not yet available.

As part of its renewed strategy, Sonera intends to significantly reduce the expenses of its service businesses, nevertheless with the aim of retaining the expertise it has developed in connection with these businesses. This know-how is connected above all with the combination and utilization of the features of wireless communications and the Internet. During the year, Sonera began to scale back most of its service businesses with the objective of limiting the EBITDA losses to a maximum of €50 million in 2002, when the selling of the Sonera Info Communications business is taken into account, and reaching a breakeven level of EBITDA in 2003.

In 2001, Sonera organized its steady cash flow providing businesses fixed network, equipment sales and construction and maintenance services into a Sonera Telecom subgroup, while continuing to boost the efficiency of these businesses.

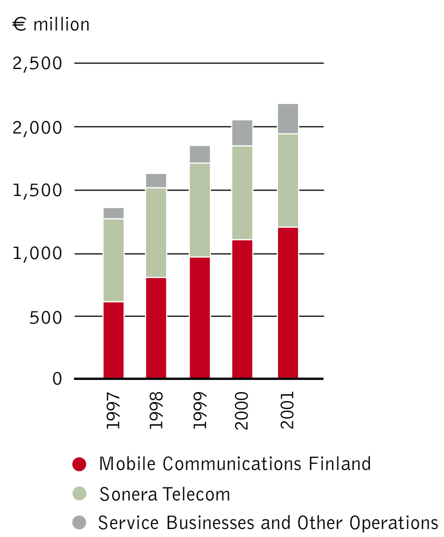
Sonera estimated that its market share of local lines in Finland was about 27% and its share of long-distance call minutes about 37%. The Company's market share of international call minutes was estimated to be about 50%.

The mounting global uncertainty during 2001 coupled with falling stock exchange prices for the sector hampered Sonera's efforts to pay down its net debt solely with the proceeds from disposals of non-core assets. To safeguard its shareholders' interests, in November 2001 the Company arranged a Rights Offering amounting to about €1 billion, the proceeds of which went toward paying down the Company's net debt.

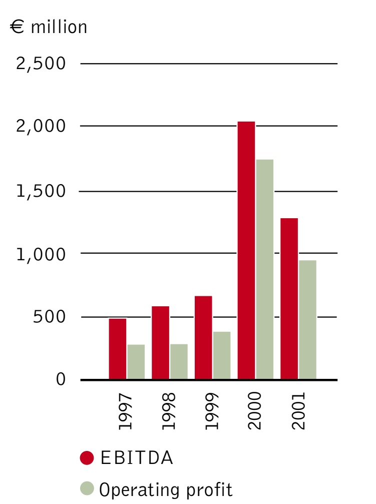
Revamped strategy to improve Sonera's financial position

When carrying out the Rights Offering, the Board of Directors also confirmed for the Company a new strategy, the main points of which are the setting of an upper limit on the financial obligations toward the UMTS joint ventures, continuing to dispose of non-core assets in order to pay down net debt, substantially reducing the expenses of the service businesses, further developing the customer-oriented approach and improving the Group's cash flow through tighter cost management and a cap on capital expenditures on fixed assets.

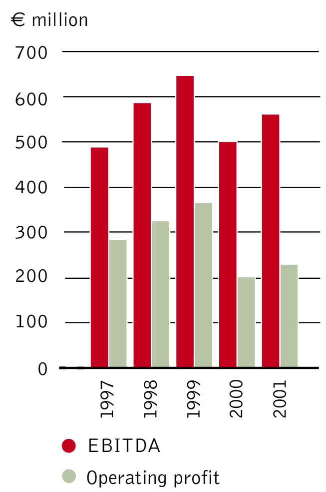
REVENUES



EBITDA AND OPERATING PROFIT



COMPARABLE EBITDA AND OPERATING PROFIT



In the Company's view, the revamped strategy together with the Rights Offering that was carried out will improve Sonera's financial position significantly, help Sonera to retain its good credit rating and also make possible an increase in shareholder value in the years ahead.

Revenues up even in the face of weakened economic growth

Consolidated revenues were €2,187 million (2,057), up 6% on the previous year. The growth in comparable revenues was 8%, taking into account disposals and acquisitions of businesses.

Revenues from the Group's international subsidiaries totaled €57 million (79). Exports from Finland amounted to €92 million (71).

Comparable EBITDA and operating profit improved on the previous year; the reported result weakened owing to smaller capital gains and the loss-making result of associated companies

The Group's reported EBITDA was €1,283 million (2,047), including a total of €721 million of non-recurring items (1,546). Excluding non-recurring items, comparable EBITDA was €562 million (501) and the comparable EBITDA margin was 26% (24%). Comparable EBITDA improved on the previous year, particularly in the second half of the year.

Operating expenses increased by a total of 14% on the figure a year earlier, or slightly faster than the increase in revenues. Excluding the effect of non-recurring items, operating expenses nevertheless rose by only 4%.

The Group's reported operating profit was €951 million (1,748). Comparable operating profit grew by 14% to €230 million (202). Depreciation and amortization for the fiscal year amounted to €332 million (299).

Sonera's equity income in associated companies showed a loss of €202 million (profit of €121 million) and net financial expenses amounted to €32 million (9). The reported profit before extraordinary items and taxes was €445 million (1,860) and the comparable result before extraordinary items and taxes, stripping out non-recurring items, showed a loss of €4 million (profit of €314 million). The comparable result was weakened principally by the loss-making result of the associated companies.

Income taxes recorded for the year totaled €35 million (318) and cash paid for income taxes during the fiscal year amounted to €41 million (313). The Group's effective tax rate of 8% (17%) was markedly lower than in the previous year, primarily owing to tax-free capital gains and write-downs taken into account in taxation.

The reported earnings per share figure inclusive of non-recurring items was €0.44 (1.68). Comparable earnings per share excluding non-recurring items were €0.07 (0.26).

The return on capital employed was 7.9% (32.9%) and the return on equity was 10.5% (60.9%).

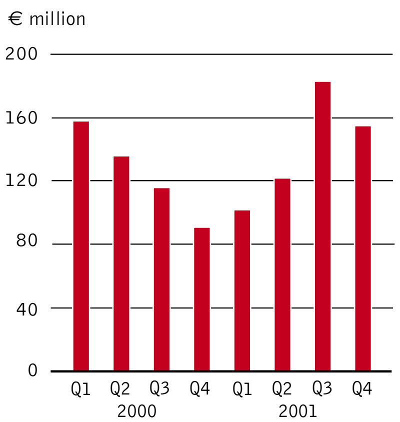
Mobile Communications Finland reports a further increase in earnings; losses from Service Businesses diminish

Revenues from Mobile Communications Finland were up 7% on the previous year, reaching €1,213 million (1,134). The change in comparable revenues was 9%, taking into account the divestiture of Suomen Erillisverkot Oy in December 2000. Revenues from value-added services rose 29% to €147 million (114). During the year, the average number of text messages sent from a Sonera GSM subscription per month was 26 (25). The average monthly use of a Sonera mobile subscription rose to 145 minutes (139) and average monthly revenues rose to €40.5 (40.4).

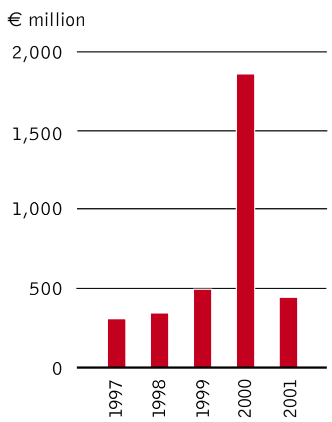
The number of Sonera's GSM subscriptions grew by a net 139,617 during the year and was 2,421,533 at the end of the year (2,281,916). GSM customer churn remained low and was 10.1% (9.7%). Counting in NMT and service provider subscriptions, the total number of all mobile subscriptions in Sonera's network was 2,510,028 at the end of the year (2,364,562), representing net growth of 145,466.

In August, Sonera announced that it was discontinuing maintenance of the analog NMT 450 mobile phone network on December 31, 2002. New NMT 450 subscriptions were no longer opened after August 15, 2001. The number of NMT customers has declined substantially in recent years since the majority of customers have gone over to using Sonera's GSM

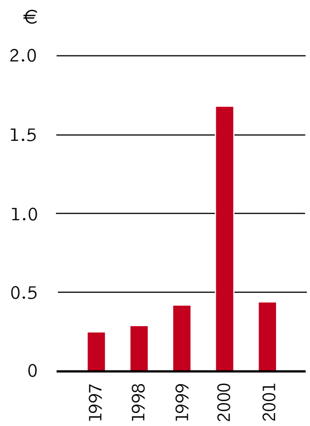
COMPARABLE EBITDA PER QUARTER



PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES



EARNINGS PER SHARE



services. Sonera had 38,250 NMT subscriptions at the end of the year (55,863).

The business area's EBITDA rose to €604 million (543) and operating profit to €477 million (414). The EBITDA margin of 49.8% (47.9%) was improved by stringent cost monitoring as well as the proper matching of inputs and demand.

Revenues from Service Businesses grew by 26% to €321 million (254). The growth in comparable revenues was 20%, taking into account disposals and acquisitions of businesses. Growth slowed down in the latter part of the year as market demand weakened and Sonera scaled back its service offerings. Sonera SmartTrust's comparable revenues grew by 44% during the year and totaled €36 million (25). Sonera Zed's revenues tripled to €21 million (7). Sonera Info Communications reported an increase in revenues of 15% to €71 million (62). Sonera Plaza's revenues were up 13% to €53 million (47). The number of Sonera Internet connections in Finland was about 244,000 at the end of the year. Sonera Juxto's revenues grew by 36% to €72 million (53). Aggregate revenues derived from other businesses and development projects included in Service Businesses were €68 million (60).

During the year, Sonera Zed wound up its business in the Netherlands and in Turkey and stopped providing services under its own brand in Singapore. With regard to the USA, a decision was made to either sell or wind up, since the business there has not achieved the goals set.

The whole business area's reported EBITDA loss was €337 million (loss of €303 million) and it reported an operating loss of €384 million (loss of €335 million). Stripping out non-recurring items, comparable EBITDA loss nevertheless narrowed to €244 million (loss of €290 million) and comparable operating loss to €290 million (loss of €322 million). Non-recurring expense items consisted mainly of write-downs and costs connected with winding up businesses. Apart from profit-making Sonera Info Communications, the reported EBITDA of all the service businesses was negative. The comparable negative EBITDA figures of even the loss-making businesses nevertheless diminished toward the end of the year.

Sonera Telecom had revenues of €1,024 million (1,020), or at the previous year's level. The growth in comparable revenues taking into account disposals of businesses was 2%. Revenues from domestic voice services fell 10% to €222 million (247) as local lines and long-distance call minutes declined further. Revenues from international calls grew by 37% and were €149 million (109). The growth came from an increased minute volume,

REVENUES

	Total revenues			Group external revenues		
€ million	2001	2000	Change, %	2001	2000	Change, %
Mobile Communications Finland	1,213	1,134	7	1,197	1,103	9
International Mobile Communications	4	5	(20)	4	5	(20)
Service Businesses	321	254	26	241	207	16
Sonera Telecom	1,024	1,020	0	738	742	(1)
Other Operations	113	85	33	7	-	-
Intra-Group Sales	(488)	(441)	11	-	-	-
The Group	2,187	2,057	6	2,187	2,057	6

EBITDA

	Reported			Comparable		
€ million	2001	2000	Change	2001	2000	Change
Mobile Communications Finland	604	543	61	604	532	72
International Mobile Communications	569	1,502	(933)	(14)	(13)	(1)
Service Businesses	(337)	(303)	(34)	(244)	(290)	46
Sonera Telecom	231	300	(69)	230	265	(35)
Other Operations	216	5	211	(14)	7	(21)
The Group	1,283	2,047	(764)	562	501	61

OPERATING PROFIT

	Reported			Comparable		
€ million	2001	2000	Change	2001	2000	Change
Mobile Communications Finland	477	414	63	477	403	74
International Mobile Communications	569	1,502	(933)	(14)	(13)	(1)
Service Businesses	(384)	(335)	(49)	(290)	(322)	32
Sonera Telecom	108	162	(54)	107	127	(20)
Other Operations	181	5	176	(50)	7	(57)
The Group	951	1,748	(797)	230	202	28

The comparable earnings figures do not include capital gains and losses, write-downs and other non-recurring items.

the introduction of an international termination fee for mobile calls as well as a substantial increase in international transit traffic.

The €151 million of revenues from data services (165) was reduced by the divestiture of businesses in Sweden. Leased lines generated revenues of €56 million (52), which were lifted by the increased capacity sales of the fiber optic cable between St. Petersburg and Moscow. The growth in revenues from both of these was weakened by the average lowering in the price level compared with the previous year.

Revenues from equipment sales declined somewhat compared to the figure a year ago and were €118 million (125). Revenues from construction and maintenance for the Group's external customers were up slightly to €35 million (34).

The business area's reported EBITDA was €231 million (300) and operating profit came in at €108 million (162). Comparable EBITDA of €230 million excluding non-recurring items (265) fell compared to the previous year owing to the higher costs of international calls terminating at mobile phones, increased payroll-related costs as well as inputs into new products.

Associated companies in Turkey and Germany report losses for the fiscal year

Sonera's equity income in associated companies resulted in a loss of €202 million (profit of €121 million). The equity income figure was weakened by the loss-making results turned in by Turkcell, Fintur and Group 3G.

The revenues generated by Sonera's associated companies (holdings of 20-50%) are not included in consolidated revenues. The estimated total revenues of all the associated companies were at the previous year's level and amounted to €4,955 million (4,981). Taking the sold and purchased holdings into account, comparable revenues grew 15%.

Estimated aggregate revenues from associated companies offering mobile network services were up 15% to €3,762 million (3,273). The growth was weakened by Turkcell's revenues, which in euro terms were down 3% on the figure a year earlier as a consequence of the strong devaluation of the Turkish lira. At the end of the year the aggregate number of customers of mobile network associated companies was estimated at 15.5 million (13.1).

Factors that weakened Turkcell's performance were foreign exchange losses resulting from the devaluation of the Turkish lira, the negative effects on consumer demand owing to a weakened economy as well as certain one-off expense entries and litigation connected with the license and interconnection fees. Turkcell's number of customers nevertheless showed further buoyant growth despite the weakened economic situation and totaled 12.2 million customers at the end of the year (10.1). Turkcell also continued to raise its prices and trim costs in order to alleviate the effects of the devaluation. Sonera's share of the company's result was a loss of €61 million (profit of €130 million).

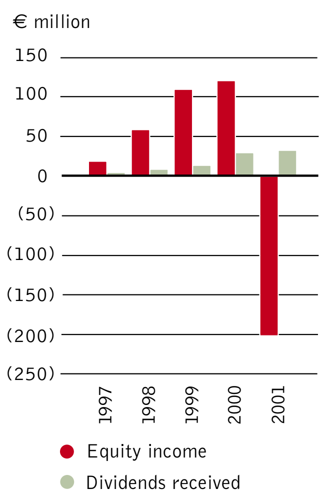
Fintur's result was weakened by the substantial outlays on the digi-TV and Internet businesses. Sonera's share of the company's result was a loss of €96 million (loss of €13 million).

In August, Sonera, Telia Mobile AB and AO Telecominvest signed an agreement whereby they will combine their mobile phone operator assets in Russia to form the first mobile phone operator with a Russia-wide footprint. Sonera's stake in the new operator is 26%. The merger is estimated to take place during the first half of 2002.

Sonera's share of the loss reported by the UMTS associated company Group 3G in Germany was €72 million. In July, Group 3G signed an interconnection agreement with Deutsche Telekom, according to which Group 3G's future customers will be able to place and receive calls over all kinds of networks within and outside of Germany's borders when the company begins offering its GSM/GPRS services on the basis of a roaming agreement made with E-Plus. In October, the company rolled out its Quam trademark. The commercial launch took place at the end of November. Sales of subscriptions in December were hampered by disagreements with the two largest competitors concerning the date from which they will begin connecting calls to Group 3G subscribers. When the obstacles were removed, sales got underway again at the start of January 2002.

In September, Group 3G and E-Plus agreed on sharing infrastructure and on close cooperation in Germany in building out the UMTS networks. Thanks to the cooperation, Group 3G will make esti-

EQUITY INCOME IN ASSOCIATED COMPANIES AND DIVIDENDS RECEIVED



EQUITY INCOME IN ASSOCIATED COMPANIES

€ million	2001	2000	Change
Turkcell Iletisim Hizmetleri A.S.	(61)	130	(191)
Fintur Holdings B.V.	(96)	(13)	(83)
Aerial Communications, Inc.	-	(12)	12
Other GSM operators	56	42	14
UMTS associated companies	(79)	(2)	(77)
Fixed-network operators	35	38	(3)
Other associated companies	2	4	(2)
Amortization of goodwill	(59)	(66)	7
Total	(202)	121	(323)

mated savings in excess of one third of the originally estimated total costs of the network investments. In addition, substantial savings are anticipated on annual operating expenses.

In October, Sonera and Group 3G's other shareholder, Telefónica Móviles S.A., agreed that Sonera will no longer have an obligation to provide additional financing for Group 3G.

Sonera has a 12.55% holding in the Italian company Ipse 2000. The company owns a UMTS license, the validity of which was prolonged by the State of Italy during the year from the original 15 to 20 years. In January 2002, the company's shareholders decided that operations will be started in Italy in accordance with the terms of the license, when the necessary UMTS technology has become commercially available. Before the launch of commercial operations, operating expenses will be restricted to a minimum. Earlier in October, the shareholders of Xfera (Sonera 14.25%) of Spain made a similar decision. It was not regarded possible in either of the companies to launch business operations earlier in the form of GSM/GPRS services.

Sonera performs a regular impairment analysis on its approximately €4 billion investments in the UMTS joint ventures. As a result of the analysis, Sonera estimates that grounds do not exist for making write-downs in the situation as of December 31, 2001. The analysis was performed in accordance with both Finnish and U.S. accounting principles (U.S. GAAP). With regard to Group 3G, the analysis is based on the business plan of Group 3G, approved by the shareholders. Since the business operations of Ipse 2000 and Xfera have not yet started, the analysis in respect of these companies is based on the view held by the shareholders that the financial value of the limited UMTS frequencies and the licenses entitling to them will be at least as high as the price that has been paid for the licenses when UMTS services become generally available.

In August, Sonera's 50%-owned Norwegian UMTS associated company Broadband Mobile was placed in liquidation and its operations were wound up. The background to the move was the decision taken by the joint venture's other shareholder, Enitel ASA, to withdraw from all its UMTS projects. Sonera booked an €12 million loss on winding up the operations of Broadband Mobile. In addition, Sonera's equity income includes €7 million of losses on the company's operations prior to its closure. The investment is no longer expected to cause additional costs in the future.

The aggregate number of subscriptions of the associated companies offering fixed network services in Finland and the Baltic countries was about 2.6 million at the end of the year (2.4). The companies' aggregate revenues grew by 26% in euro-terms and were €860 million (685). Comparable growth, taking into account companies acquired and divested, was 8%. Sonera's share of the companies' earnings totaled €35 million (38), including €5 million attributable to non-recurring items (10).

Over €2 billion cash from the sale of assets, and a total of €1.2 billion of capital gains from the sale of mobile operator investments in the United States

During the year, Sonera divested non-core minority interests, businesses and fixed assets to a total of €2,193 million. The proceeds went toward paying down the net debt.

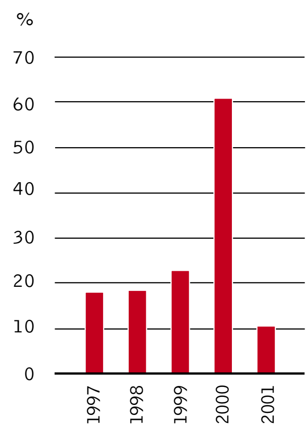
In March, Sonera sold the TietoEnator Corporation shares it held for €424 million, booking a capital gain of €286 million on the deal.

During May, Sonera sold its holdings in the United States operators VoiceStream and Powertel for a total of €724 million in cash consideration and 72 million Deutsche Telekom shares. The stock exchange price of the Deutsche Telekom shares at the time of closing the deal at the end of May was €24.60. During the year, Sonera sold a total of about 46.1 million Deutsche Telekom shares, realizing proceeds of about €1,004 million, corresponding to an average price of about €21.80 per share.

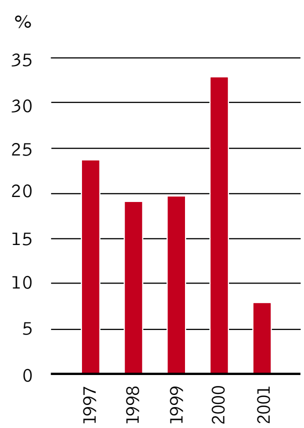
When the 26.0 million Deutsche Telekom shares that remained on December 31, 2001 are taken into account at their market value at the end of the year, the aggregate capital gain which Sonera realized on the divestment of Aerial, VoiceStream and Powertel was about €1.2 billion. In 2000, Sonera already booked €835 million of capital gains when Aerial merged into VoiceStream. The remainder of the capital gains was recorded in May 2001, and their amount is reduced in part by the subsequent decrease in the value of Deutsche Telekom shares. The cash proceeds from the disposals by the end of the year amounted to more than €1.7 billion, in addition to which the market value on December 31, 2001 of the Deutsche Telekom shares that still remained was about €504 million (€19.40 per share).

The capital gains and losses on the Deutsche Telekom shares as well as their mark-to-market valuations during 2001 are reported under financial income and expenses in the income statement because

RETURN ON SHAREHOLDERS' EQUITY



RETURN ON CAPITAL EMPLOYED



the shares have been treated as a short-term investment.

Also carried out during the year were a number of smaller disposals of asset items and businesses which yielded total proceeds of €41 million. Sonera Plaza's business operations in the Netherlands were sold in May and June. Part of Sonera's fixed network business in Sweden was sold in May, in addition to which the Swedish Geddeholm Call Center AB subsidiary was likewise sold in August. The shares Sonera held in Trio AB of Sweden were sold in December.

In July, Sonera announced it was selling its 23% holding in Pannon GSM to Telenor Mobile Communications for about €310 million. The parties signed the final agreement on the sale in October, and the deal was closed on February 4, 2002, after being approved by the Hungarian authorities. On February 4, Sonera was also paid the price of the deal in cash.

In November, Sonera signed a Letter of Intent on the sale of its directory assistance subsidiary, Sonera Info Communications Ltd, and certain related subsidiaries to 3i Investments plc for a purchase price of €125 million. The transaction is estimated to be completed in the first quarter of 2002.

Equity investments diminish markedly from the previous year

Equity investments and shareholder loans granted amounted to €572 million during the year (4,852), and were at a significantly lower level than a year ago.

The most important investments were the €135 million additional investment in Powertel, the €81 million investment in the Eliska Wireless company in January, and the purchase of a stake in the Metro One company for €72 million in February, which were all agreed on in 2000. In addition, in July Sonera participated in Turkcell's rights issue by investing €77 million in proportion to its holding, increased Fintur's share capital during the year by a total of €81 million and invested €56 million in its associated companies in Russia by way of share capital increases and shareholder loans. During 2001, a total of €41 million was invested in the UMTS joint ventures through share capital increases and shareholder loans granted.

Cash flow from operations strengthens toward year end

Cash provided by the Group's operating activities was €197 million (227). Although EBITDA improved and income taxes paid were less than a year ago, cash flow from operations fell owing to interest expenses that were greater than in the previous year. Cash flow from operations nevertheless improved markedly toward the end of the year, and in the second half it was significantly higher than in the two previous half-year periods. Cash flow from operations did not yet cover capital expenditures on fixed assets, however.

Thanks to major divestments and smaller investments in shares than a year ago, cash provided by investing activities was €1,223 million (€4,572 million cash spent in 2000). Capital expenditures on fixed assets also diminished from the previous year and were €359 million (430). The most significant decreases occurred within investments in Service Businesses.

Net debt reduced through sales of shares and the Rights Offering

Net debt was reduced by a total of about €2.4 billion by means of the cash flow from operations and disposals of assets as well as with the proceeds from the Rights Offering.

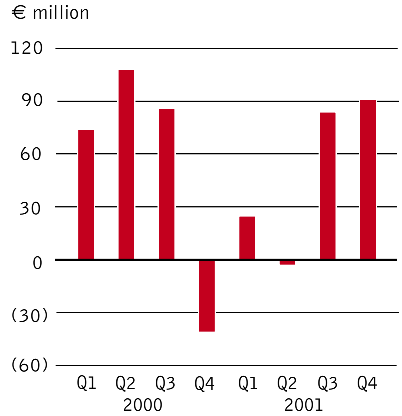
Interest-bearing net debt at the end of the year stood at €3,268 million (5,641). Also counting in the remaining Deutsche Telekom shares, net debt totaled €2,764 million. Cash and short-term investments amounted to €716 million at the end of the year (€212 million if the market value of the Deutsche Telekom shares is not taken into account). Available committed credit facilities at the end of the year totaled €241 million (465).

The amount of Sonera's short-term loans at the end of the year was €55 million, and the amount of long-term loans

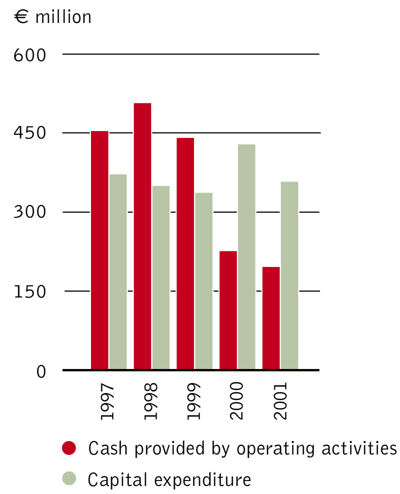
CAPITAL EXPENDITURES ON FIXED ASSETS

€ million	2001	2000	Change
Mobile Communications Finland	102	124	(22)
Service Businesses	53	104	(51)
Sonera Telecom	186	202	(16)
Other Operations	18	-	18
The Group	359	430	(71)

CASH PROVIDED BY OPERATING ACTIVITIES PER QUARTER



CASH PROVIDED BY OPERATING ACTIVITIES AND CAPITAL EXPENDITURE



falling due during the next twelve months was €1,418 million. Sonera intends to finance repayments of the loans with cash funds, available credit limits, cash flow from operations, as well as through disposals of assets, including the Deutsche Telekom and Pannon GSM shares. If necessary, Sonera also intends to sell other of its non-core investments and businesses.

In February 2001, Sonera issued a €500 million Floating Rate Note which matures in August 2002. In May, Sonera issued a €50 million Note which matured in November 2001, and a €150 million Note which matures in May 2002. In addition, in August Sonera issued a €200 million Note which matures in February 2003. The issues of notes were used to refinance short-term credit arrangements.

In July, Sonera drew down a €1,330 million floating rate three-year long-term loan on which Sonera had agreed in June with an international banking syndicate. The loan was used to refinance other short-term credit arrangements. In December, Sonera agreed with the banking syndicate on amending the terms and conditions of the loan to provide for repaying €630 million of the loan with the proceeds from the Rights Offering and moving up the due date on the remainder of the loan to December 2002. At the same time, the parties removed the covenant according to which the banking syndicate would have the right to demand the repayment of the loan if Sonera's credit rating fell below the "investment grade" level.

Other proceeds from the Rights Offering were also used to repay long and short-term loans in December. €200 million of the amount was used for the premature repayment of the EIB loan and €100 million for repayment of a syndicated term loan.

The rise in Sonera's net debt compared to the Company's cash flow from operations towards the end of 2000 led to a lowering in Sonera's credit rating during 2001. After announcement of the Rights Offering at the end of October, both Standard & Poor's and Moody's confirmed Sonera's credit ratings. Both institutions announced that they were expecting Sonera to reduce its net debt in the near future to about €2.5 billion and for Sonera to improve its earnings and cash flow substantially in 2002.

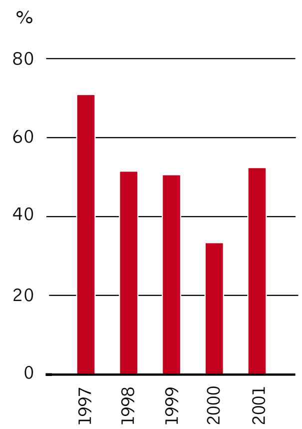
Standard & Poors' long-term credit rating for Sonera is BBB (on December 31, 2000: A), with a short-term rating of A-3 (A-1). The long-term rating assigned by Moody's is Baa2 (A2) and the short-term rating is Prime-2 (Prime-1). Sonera's objective henceforth is to maintain at least its present "investment grade" credit rating.

At the end of the year the equity-to-assets ratio rose to 52% (33%) as a consequence of the repayment of loans and the Rights Offering. Similarly, the net debt-to-equity ratio (gearing) fell to 71% (174%).

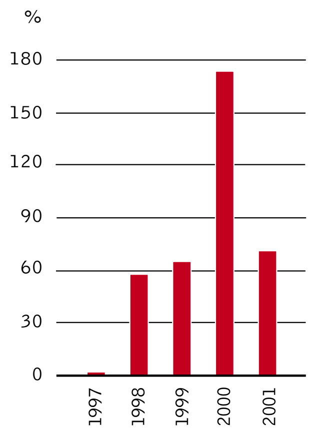
FINANCIAL POSITION AND CHANGES THEREIN

€ million	2001	2000	Change
Shareholders' equity	4,575	3,233	1,342
Net debt			
Long-term debt	2,007	1,842	165
Current debt	1,473	3,955	(2,482)
- Cash and short-term investments	(212)	(156)	(56)
Total	3,268	5,641	(2,373)
Equity-to-assets ratio, %	52.4	33.4	
Gearing ratio, %	71.2	173.6	
Financial income and expenses			
Dividend income	14	21	(7)
Interest income	183	82	101
Interest expenses	(279)	(155)	(124)
Capitalized interest expenses	52	20	32
Other financial income and expenses	1	23	(22)
Exchange gains (losses)	(3)	-	(3)
Total	(32)	(9)	(23)
Cash flows			
Operating activities	197	227	(30)
Investing activities	1,223	(4,572)	5,795
Financing activites	(1,410)	4,394	(5,804)
Effect of exchange rates	(2)	1	(3)
Change in cash	8	50	(42)

EQUITY-TO-ASSETS RATIO



GEARING RATIO



Net financial expenses increased to €32 million from the previous year (9). Interest expenses on loans rose to €279 million (155). The effect of interest expenses on earnings was nevertheless reduced by the capitalized interest expenses as well as the non-cash interest income on shareholder loans. The average interest rate on Sonera's loans at the end of the year, including the impact of hedging measures, was 4.2% (5.4%).

The Group's financing and management of financial risks is presented in detail on pages 69-70.

Major structural changes

The legal structure of the Sonera Telecom business was adjusted to correspond to the prevailing business structure by forming Sonera Telecom Ltd as the parent company of the Telecom subgroup as of July 1, 2001.

Note 23 of the Notes to the Financial Statements presents a list of the Group's subsidiaries and associated companies as well as the changes which have taken place in them during the year.

Successful Rights Offering

In accordance with a proposal of the Company's Board of Directors, an Extraordinary General Meeting on November 9, 2001 passed a resolution to arrange a Rights Offering. In the Offering, two existing shares entitled their holders to subscribe for one new share at a price of €2.70. In the Offering, 371,767,243 new shares were issued, yielding Sonera total proceeds before underwriting expenses of about €1,004 million (about €982 million after expenses and their tax effect). The Finnish State subscribed for the full amount according to its proportional holding, whereby the State retained its 52.8% interest in the Company. The commitment given by the underwriting syndicate to subscribe for all the shares which otherwise might be left unsubscribed was not needed because the Offering was oversubscribed.

The Company's Board of Directors does not have a valid authorization to issue shares, convertible bonds or to launch a stock option scheme.

The Board of Directors has an authorization to buy back 2,000,000 of the Company's own shares as well as to sell 2,550,000 of its own shares up to March 21, 2002. The Company holds 550,000 Sonera shares that were bought back in 2000 and have an accountable par of €236,500. The shares represent about 0.05% of the entire share capital. The shares were bought back in May 2000 at an average share price of €51.36 per share and a total price of €28 million.

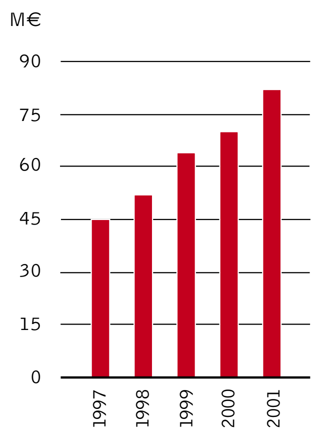
Details of Sonera's shares and shareholders as well as the turnover and price trend of the shares are given on pages 74-77.

Research and development

Sonera's research and development (R&D) expenditure including development work on information systems totaled about €82 million in 2001 (70), or 3.7% of revenues (3.4%). More than 1,000 people worked within Sonera's R&D units in the review year.

The principal subareas during the year were UMTS mobile communications, customer service and billing solutions, wireless Internet applications, data security solutions used in electronic and wireless commerce as well as worldwide IP-based roaming.

R&D EXPENDITURE



Introduction of the euro

Since the beginning of 1999, Sonera has reported on its financial performance in euro amounts. The largest Group companies in the euro area also went over to using the euro as the main currency in their accounting in May 2001 and the other companies did the same during the year. 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 was implemented in stages by January 1, 2002.

Rulings by the authorities in 2001 concerning the regulatory and competitive environment

In April the Finnish Communications Regulatory Authority (FICORA) issued its decision on a request for measures, filed by Telia Finland Ltd in 1998, concerning Sonera's mobile communications interconnection fees. On the basis of the calculation bases it used, the FICORA considered that Sonera had priced its mobile communications interconnection fees in contravention of the Telecommunications Market Act and required Sonera to adjust its pricing.

Sonera appealed the decision to the Helsinki Administrative Court in May. Hearing of the appeal is still in progress. Sonera's view is that interconnection pricing should be based primarily on solutions worked out in commercial negotiations. Sonera concluded new interconnection agreements with Radiolinja and Telia Mobile in June and with Suomen 2G Oy in August. The mobile communications network operators have applied the new interconnection fees beginning on September 1, 2001. Although the FICORA's decision did not have major direct effects on Sonera's profitability, the new interconnection agreements together with keener competition will slow down the growth in revenues in 2002 and also have an indirect impact on profitability.

In December, the Finnish Competition Council rendered its decision on a complaint by Telia Mobile AB's Finnish branch which concerned national roaming in Finland and which Telia had originally filed with the Finnish Competition Authority in 1998. The Competition Council found that Sonera does not have a dominant market position in the national mobile network access market and returned the complaint to the Finnish Competition Authority in respect of the pricing. In

Sonera's view, the Competition Council's decision means that commercial negotiations are the right way to agree on mobile network access. Telia has appealed the Competition Council's decision to the Supreme Administrative Court. Hearing of the appeal is still in progress.

In August, the Finnish Competition Authority approved a deal whereby Sonera purchased a 16.7% stake in Loimaan Seudun Puhelin Oy telephone company in January 2001 and raised its holding to 24.1% in February 2001 at a total purchase price of about €25 million.

A group of competing telecommunications operators appealed the decision of the Finnish Competition Authority to the Competition Council, which repealed the Competition Authority's decision in December and demanded that the transaction be canceled. In January 2002, Sonera appealed the Competition Council's decision to the Supreme Administrative Court. Furthermore, the Competition Authority, Loimaan Seudun Puhelin as well as certain competing operators appealed the decision to the Supreme Administrative Court. In addition, Sonera raised its holding in Loimaan Seudun Puhelin Oy to 29.1% in January 2002.

Sonera streamlines its operations to maintain competitiveness and establishes a personnel fund

In August, Sonera initiated employer/employee negotiations at most of its units in order to eliminate overlapping functions, streamline operations and respond to the weakened economic outlook in the telecommunications industry. As a result of these co-determination negotiations, about 500 employees were cut from the payroll during the end of the year. In addition, about 700 positions will be eliminated as fixed-term employment relationships expire, through transfers to new positions within the Group as well as via other staff turnover. As a result of these measures, Sonera's payroll will decrease by about 1,200 employees.

Sonera estimates that the annual cost savings from the personnel downsizing will come to about €50-60 million in future years. On account of the downsizing decisions made during the year, a total of about €24 million are entered as expenses and expense provisions to earnings in 2001.

During the year the Group had an average payroll of 10,482 employees (10,305). The Group's number of employees at the end of the year was 10,068 (11,271), 11% lower than the previous year. The number of employees at international subsidiaries dropped by 32% and was 996 (1,462) at the end of the year.

In December, Sonera and its personnel organizations agreed on the establishment of a personnel fund. The performance bonuses which Sonera previously paid will be changed into profit bonuses in coming years and transferred into a personnel fund which invests 70% of the assets in purchases of Sonera shares.

Details of Sonera's share-based incentive schemes for the employees and management (stock option schemes) are given on pages 74-75.

Changes in the Company´s administration

The Annual General Meeting held on March 21, 2001, passed a resolution to abolish the Company's Supervisory Board and elected a new Board of Directors for the Company. During the fiscal year, the Chairman of the Board of Directors was Markku Talonen up to March 21, 2001, after which Tapio Hintikka has been the Chairman.

Sonera's previous President & CEO, Kaj-Erik Relander, resigned from the Company's employ on August 1, 2001, having served in the post since January 1, 2001. The acting President & CEO from August 1, 2001 to September 30, 2001 was Aimo Eloholma, the Deputy CEO. In August, the Company's Board of Directors appointed Harri Koponen as the new President & CEO effective October 1, 2001.

The present composition of the Board of Directors and Executive Management Team of Sonera Corporation as well as the Company's administrative and control systems are presented on pages 80-83.

Events after the close of the fiscal year

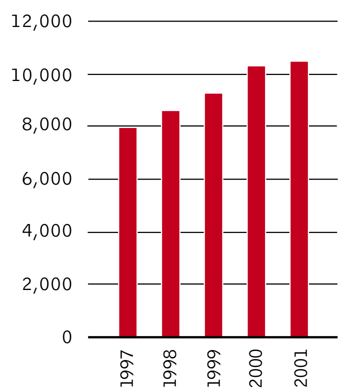
At the end of January 2002, pursuant to an option in the shareholder agreement, International Finance Corporation (IFC) sold to Sonera its 10% minority stake in Sonera's Danish holding company Tilts Communications A/S. Sonera paid €34 million (US$30 million) for the shares. After the deal, Sonera alone owns 49% of the shares in Lattelekom SIA. Sonera has the right to obtain as compensation from Cable and Wireless plc, a former Tilts shareholder, about a quarter of the purchase price now paid.

AVERAGE NUMBER OF PERSONNEL

	2001	2000	Change	Change, %
Mobile Communications Finland	1,792	1,626	166	10
Service Businesses	2,728	2,810	(82)	(3)
Sonera Telecom	4,795	4,479	316	7
Other Operations	1,167	1,390	(223)	(16)
The Group	10,482	10,305	177	2

The changes in the number of personnel in each business area are affected by certain restructurings within the Group.

AVERAGE NUMBER OF PERSONNEL



At the end of January 2002, Sonera announced it had increased its holding in Loimaan Seudun Puhelin Oy by 5% to a total of 29.1%. For the shares purchased in January, Sonera paid less than €4 million.

On February 4, 2002, Sonera announced it had completed its sale of 23% holding in the Hungarian mobile communications operator Pannon and received a cash payment of €310 million.

After the turn of the year, Sonera has further sold about 7.0 million Deutsche Telekom shares, receiving proceeds of about €139 million, corresponding to an average price of about €19.90 per share. After the sales implemented, Sonera still has about 19.0 million shares.

Near-term outlook

So far, there are no certain signs of an upswing in the world economy. At present it is estimated that the global recovery will nevertheless get underway in the latter part of 2002 at the latest, spurred by the United States economy. Economic growth in the euro area and Finland is also estimated to recover, though it will lag behind the United States.

Despite the very uncertain economic outlook in Sonera's main market areas, the Group's comparable revenues are also estimated to grow in 2002, albeit at a markedly slower rate than in the previous year. Sonera's comparable EBITDA, however, is estimated to improve by about a third from the 2001 level and the EBITDA margin is set to rise to a bit above the 30% level.

The growth in revenues from Mobile Communications in Finland is estimated to slow down significantly from the figure a year ago and to be markedly less than 5% in 2002. The slowdown in growth is attributable to the weak outlook for the national economy, the delayed arrival on the market of terminal devices enabled for the new technologies, and the new interconnection agreements that entered into force in September 2001. The EBITDA is estimated to remain at the level of 2001 in euro terms.

Owing to the paring down of the Service Businesses, revenue growth will not continue at the strong pace of previous years. On the other hand, Sonera intends to limit the negative EBITDA contribution from the business area to a maximum of €50 million in 2002, taking the sale of the Sonera Info Communications business into account. In 2003 the business area's EBITDA will reach at least the breakeven level.

Sonera Telecom's revenues are expected to remain at the level seen in 2001. EBITDA is also estimated to remain at the level of 2001 in euro terms.

It is estimated that consolidated comparable operating profit will nearly double on 2001. On the other hand, Sonera's share of equity income in associated companies will show a significant loss in 2002 too, particularly as a consequence of the business start-up costs to be booked for the Group 3G associated company in Germany.

It is estimated that the Group's cash flow from operations will improve significantly in 2002 as EBITDA strengthens and interest expenses diminish. Free cash flow (cash flow from operations, deducting capital expenditures on fixed assets) before income taxes is estimated to be nearly €300 million. Within capital expenditures on fixed assets, the already launched savings measures will be continued. Accordingly, the volume of capital expenditures will be slightly lower than it was in 2001.

Proposal of the Board of Directors for profit distribution

According to the financial statements as of December 31, 2001, the Group's distributable funds totaled €3,069.2 million, and the corresponding amount for the Parent Company was €2,587.3 million.

In making its annual dividend proposal, the Company's Board of Directors takes into account not only the Group's earnings trend but also the cash flow available for dividend payments and the amount of the Company's net debt. 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 free cash flow, i.e. cash flow from operations, deducting capital expenditures on fixed assets. The Group's available free cash flow for 2001 was negative and does not support the payment of a dividend.

Also taking into account the Company's ongoing objective of lowering the Company's net debt, the Board of Directors is proposing to the Annual General Meeting that no dividend be paid for the 2001 fiscal year.

Helsinki, Finland
February 6, 2002

Tapio Hintikka
Chairman

Jussi Länsiö
Vice Chairman

Jorma Laakkonen

Eva Liljeblom

Roger Talermo

Esa Tihilä

Tom von Weymarn

Tapio Vaahtokivi

Harri Koponen
President & CEO

Income statement

€ million	Note	2001	2000
		Year ended December 31,	
Revenues	(22)	2,187	2,057
Other operating income	(2)	916	1,589
Operating expenses	(3)		
Cost of sold equipment and materials		(143)	(160)
Services bought		(565)	(511)
Personnel expenses		(512)	(445)
Rental expenses		(93)	(65)
Other operating expenses		(507)	(418)
Total operating expenses		(1,820)	(1,599)
Depreciation and amortization	(4)	(332)	(299)
Operating profit		951	1,748
Equity (loss) income in associated companies	(11)	(202)	121
Sales and write-downs of short-term investments	(5)	(272)	–
Financial income and expenses	(6)	(32)	(9)
Profit before income taxes, minority interest and extraordinary items		445	1,860
Income taxes	(7)	(35)	(318)
Minority interest in income		(1)	(1)
Profit before extraordinary items		409	1,541
Cumulative effect of accounting changes, net of income taxes	(8)	–	(35)
Net income		409	1,506
Earnings per share, before extraordinary items (€)	(9)	0.44	1.72
Cumulative effect of accounting changes, net of income taxes (€)		–	(0.04)
Net income per share (€)	(9)	0.44	1.68
Average number of shares adjusted with effect of Rights Offering (1,000)		924,346	897,472

Statement of cash flows

€ million	Year ended December 31, 2001	2000
Operating activities		
Net income	409	1,506
Depreciation and amortization	332	299
Gain from sale of VoiceStream and Powertel shares	(595)	–
Gain from sales of TietoEnator shares	(286)	–
Sales and write-downs of short-term investments	272	–
Write-downs of other shares and fixed assets	111	10
Net gain on disposal of shares and fixed assets	(2)	(45)
Gain from Aerial/VoiceStream merger	–	(835)
Gain from sale of Turkcell shares	–	(680)
Equity loss (income) in associated companies	202	(121)
Dividends received from associated companies	33	30
Deferred taxes	(17)	41
Effect of accounting changes	–	35
Other adjustments to cash	(34)	(8)
Change in working capital, net of acquisitions and disposals		
Decrease (increase) in inventories	7	(3)
Increase in non-interest-bearing receivables	(243)	(190)
Increase in non-interest-bearing liabilities	8	188
Cash provided by operating activities	197	227
Investing activities		
Capital expenditures	(359)	(430)
Acquisitions of subsidiaries, net of cash acquired	(1)	(20)
Investments in associated companies	(347)	(1,195)
Investments in other shares and holdings	(178)	(902)
Proceeds from sale of fixed assets	36	1
Proceeds from sale of subsidiaries, net of cash disposed	–	9
Proceeds from sale of associated companies	–	770
Proceeds from sale of other shares and holdings	2,157	6
Increase in long-term loans receivable	(35)	(4)
Decrease (increase) in current loans receivable	1	(2,815)
(Increase) decrease in short-term investments	(51)	8
Cash provided by (used in) investing activities	1,223	(4,572)
Financing activities		
Withdrawals of long-term debt	2,905	1,004
Repayments of long-term debt	(1,429)	(179)
(Decrease) increase in current debt	(3,793)	3,684
Rights Offering	973	–
Dividends paid	(67)	(87)
Sales of rights related to treasury shares	1	–
Repurchase of shares	–	(28)
Cash (used in) provided by financing activities	(1,410)	4,394
Effect of exchange rate changes on cash and cash equivalents	(2)	1
Net increase in cash and cash equivalents	8	50
Cash and cash equivalents at beginning of year	88	38
Cash and cash equivalents at end of year	96	88

Balance sheet

€ million	Note	December 31, 2001	2000
ASSETS			
Fixed assets and other long-term investments	(10)		
Intangible assets		98	116
Property, plant and equipment			
Land		21	20
Buildings		114	121
Machinery and equipment		108	119
Telecommunications networks		878	848
Other tangible assets		52	54
Advances paid and construction in progress		96	103
		1,269	1,265
Long-term investments and receivables			
Investments in associated companies	(11)	2,524	2,367
Other shares and holdings	(23)	469	2,370
Long-term receivables	(12)	3,075	42
		6,068	4,779
Total fixed assets and other long-term investments		7,435	6,160
Current assets			
Inventories		33	40
Receivables			
Trade accounts receivable		391	413
Loans receivable		45	2,817
Prepaid expenses and accrued income		160	154
Other receivables		14	34
		610	3,418
Cash and short-term investments			
Short-term investments	(13)	620	68
Cash and cash equivalents		96	88
		716	156
Total current assets		1,359	3,614
TOTAL ASSETS		8,794	9,774

€ million	Note	December 31, 2001	2000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(14)		
Share capital		480	320
Share premium fund		858	14
Treasury shares		(22)	(28)
Additional paid-in capital		505	505
Retained earnings		2,345	916
Net income for the year		409	1,506
		4,575	3,233
Minority interest		13	16
Total shareholders' equity and minority interest		4,588	3,249
Non-current liabilities			
Long-term debt	(15)	2,007	1,842
Deferred tax liability	(7)	127	139
Other long-term liabilities	(16)	21	32
		2,155	2,013
Current liabilities			
Current debt	(15)	55	3,848
Current portion of long-term debt	(15)	1,418	107
Advances received		20	15
Trade accounts payable		241	298
Accrued expenses and prepaid income		247	215
Other current liabilities		70	29
		2,051	4,512
Total liabilities		4,206	6,525
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		8,794	9,774

Notes

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, service business, fixed network domestic and international voice and data services, equipment sales, and construction and maintenance services, and other services relating to the Group's operations. Sonera currently generates approximately 93% of its consolidated revenues from sales to customers in Finland. Sonera has also significant minority shareholdings in mobile and fixed network telecommunications operators abroad.

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.

Basis of presentation

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

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

Principles of consolidation

The Consolidated Financial Statements include the accounts of Sonera Corporation and those companies in which it holds, directly or indirectly through subsidiaries, over 50 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 intra-Group 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.

Except as described below, 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.

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

The total amount of shares issued in connection with Across and iD2 acquisitions was 21,534,486 and the fair value of shares issued, measured on the time of issuance, totaled €1,147 million. If fair value had been used to record the transactions, Sonera would have recorded goodwill and a corresponding increase in share premium fund totaling €1,136 million. Assuming a five-year amortization period for goodwill, Sonera would have recorded amortization of goodwill of €69 million for the year ended December 31, 2001 (€852 million for the full year 2000, including write-down of goodwill of €704 million).

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. 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 a written-down amount, and only dividends received are included in the consolidated income statement.

Foreign currency translation

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

The income statements of foreign subsidiaries are translated at the average exchange rates for the accounting period, and the balance sheets are translated at the closing rate on 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 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.
- 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.

Derivative financial instruments are not used for speculative purposes.

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 counter-parties 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.

Forward exchange contracts and currency swaps

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

Interest rate and foreign currency options

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

Fixed assets and other long-term investments

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

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

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

Intangible rights	3 - 10 years
Goodwill	5 - 10 years
Other intangible assets	3 - 10 years
Buildings	15 - 40 years
Machinery and equipment	3 - 8 years
Telecommunications networks	4 - 20 years
Other tangible assets	3 - 10 years

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

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

Leased assets

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

(a) the lease term is equal to 75 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 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.

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

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 marketable 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 €70 million and €82 million for the years ended December 31, 2000 and 2001, 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. The PT Pension Fund is a multi-employer plan of Sonera and Finland Post Group Ltd. It was split up in two on January 1, 2002, after which both Sonera and Finland Post have their own pension funds. Sonera's pension liabilities and the respective portion of the plan assets were transferred to the Sonera Pension Fund. As the split-up resulted in a separation of plan assets in relation to respective shares in total liabilities, the split-up does not change Sonera's pension obligations and the funding status of those obligations. The split-up is not considered a taxable transaction to the Sonera Pension Fund or Sonera.

Sonera is responsible for ensuring that its pension liabilities are sufficiently funded at all times. On December 31, 2001 and January 1, 2002, both statutory and additional pension benefits were fully funded.

Sonera makes monthly contributions to the Sonera 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 Sonera Pension Fund.

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

The President & CEO of the Parent Company and two members of the Executive Management Team have a right to retire after the age of 60, at the statutory 60% total pension. These additional pension benefits have been funded through a group pension insurance. There are no significant exceptions to the normal practices in the pension benefits of Managing Directors of subsidiaries. However, certain Managing Directors have the right to retire at the age of 63 to 64, based on the additional pension benefit arrangement related to the departure from the Finnish State pension plan. The additional pension benefits have been funded through the Sonera Pension Fund.

Commissions paid to distributors
Sonera pays the distributors of Sonera's GSM subscriptions a sign-up commission per subscription. The commission received by the distributor is divided into five payments, the timing of which is 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 after two months from the time of sale of a new subscription, provided that the subscription has not been closed during those two months. The commission is charged to expense during two months starting from the time of sale.

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, write-downs and losses from the disposition of fixed assets and other long-term investments are reported within other operating expenses.

All advertising costs are expensed as incurred. Advertising expenses were approximately €40 million and €51 million for the years ended December 31, 2000 and 2001, respectively.

Loan withdrawal fees

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

Provisions for contingent losses

Provisions are made for identified contingent losses the future realization of which is probable and the amount of which can be reasonably estimated. Provisions are reported as non-interest-bearing liabilities in the balance sheet. Sonera did not have any material provisions for contingent losses during the years ended December 31, 2000 and 2001.

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. Sonera's untaxed reserves relate 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 the maximum amount of distributable funds is calculated.

Income taxes

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

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

Dividends

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

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

Consolidated statement of cash flows

The statement of cash flows 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. The operating cash flows in accordance with the direct method are presented in Note 17 to the consolidated financial statements.

Adoption of IAS

In February 2001, the European Commission has presented a proposal for a regulation that would require all European Union companies listed or preparing to list on a regulated market to prepare consolidated accounts in accordance with International Accounting Standards (IAS) at the latest in 2005. Sonera is preparing for the possible change in order to be able to adopt IAS in 2005 at the latest or even earlier.

Many of the principles of IAS as it currently stands would change the present accounting treatment of, among others, business combinations, financial instruments and product development projects. Due to several ongoing improvement and convergence projects of IAS, the Company cannot currently estimate what the contents of IAS will be at the time when Sonera may adopt IAS and how the pending adoption of IAS would affect Sonera's net income and shareholders' equity.

2. OTHER OPERATING INCOME

€ million	2001	2000
Gains from sales of business operations and shares		
Gain from sale of VoiceStream and Powertel shares	595	-
Gain from sale of TietoEnator shares	286	-
Gain from Aerial/VoiceStream merger	-	835
Turkcell Iletisim Hizmetleri A.S. Initial Public Offering	-	680
HanseNet Telefongesellschaft mbH & Co. KG (associated company 50%)	-	22
Transmast Oy (associated company 40%)	-	12
Suomen Erillisverkot Oy (subsidiary)	-	11
Other gains from sales of business operations and shares	8	4
Gains from sales of fixed assets	2	-
Fees charged on collection of overdue receivables	13	13
Rental income	4	4
Other items	8	8
Total	916	1,589

3. OPERATING EXPENSES AND NUMBER OF PERSONNEL

Operating expenses:

€ million		2001	2000
Cost of sold equipment and materials		143	160
Services bought			
Payments to other operators for use of networks		351	317
Payments for other external services	(a)	214	194
Total		565	511
Personnel expenses	(b)		
Wages and salaries		404	369
Pension expenses		64	45
Other personnel expenses		44	31
Total		512	445
Rental expenses		93	65
Other operating expenses			
Losses from disposition of fixed assets and other long-term investments		8	4
Write-downs of other shares and fixed assets		111	10
Other operating expenses	(c)	388	404
Total		507	418
Total operating expenses	(d)	1,820	1,599

(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 €27 million (2000: €16 million). Fees and salaries paid to members of the Supervisory Board totaled €20 thousands (2000: €70 thousands), to members of the Board of Directors €456 thousands (2000: €469 thousands), to President & CEO of Sonera Corporation and to the Managing Directors of subsidiaries €6.6 million (2000: €4.2 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.

(d) Personnel, rental and other operating expenses include non-recurring restructuring expenses of €45 million.

Number of personnel:

	2001	2000
Average number of personnel during the period	10,482	10,305
Number of personnel at the end of the period	10,068	11,271

4. DEPRECIATION AND AMORTIZATION

€ million	2001	2000
Intangible rights	16	12
Goodwill	2	1
Goodwill on consolidation	7	4
Other intangible assets	3	2
Buildings	10	8
Machinery and equipment	55	43
Telecommunications networks	222	214
Other tangible assets	17	15
Total	332	299

5. SALES AND WRITE-DOWNS OF SHORT-TERM INVESTMENTS

€ million	2001	2000
Loss from sales of Deutsche Telekom shares	(134)	-
Write-down of Deutsche Telekom shares	(138)	-
Total	(272)	-

During May, 2001 Sonera sold its holdings in the United States mobile operators VoiceStream and Powertel for a total of €724 million in cash consideration and 72 million Deutsche Telekom shares. The stock exchange price of the Deutsche Telekom shares at the time of closing the deal at the end May was €24.60. During the year, Sonera sold a total of about 46.1 million Deutsche Telekom shares, realizing proceeds of about €1,004 million, corresponding to an average price of about €21.80 per share.

On December 31, 2001, Sonera owned about 26.0 million Deutsche Telekom shares which have been recorded in the December 31, 2001 balance sheet at their market value of €19.40 per share.

6. FINANCIAL INCOME AND EXPENSES

€ million	2001	2000
Dividend income	14	21
Interest income		
On long-term loans receivable	160	6
Other interest income	23	76
Other financial income	10	28
Interest expense	(279)	(155)
Capitalized interest	52	20
Other financial expenses	(9)	(5)
Exchange rate gains and losses	(3)	-
Total	(32)	(9)

Dividend income includes dividends received from shareholdings which are not accounted for as subsidiaries or associated companies. Dividend income mainly consists of €14 million dividends received from Libancell S.A.L. (2000: €4 million and €17 million from investments in venture capital funds).

Interest income on long-term loans receivable include non-cash interest income from Group 3G UMTS Holding GmbH totaling €154 million. In 2000, other interest income and other financial income include €76 million non-cash interest and other financial income from Group 3G UMTS Holding GmbH.

Accumulated capitalization of interest expenses at December 31, 2001 totaled €93 million, of which €31 million have been capitalized on telecommunications networks and €62 million on investments in associated companies. Accumulated depreciation of capitalized amounts was €17 million, and the carrying amount on the balance sheet as of December 31, 2001 was €76 million (2000: €27 million).

7. INCOME TAXES

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

€ million	2001	2000
Finland	425	1,125
Other countries	20	735
Total	445	1,860

The components of income taxes are as follows:

€ million	2001	2000
Current tax expense	50	277
Deferred tax expense	(15)	41
Total	35	318

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

€ million	2001	2000
Hypothetical income tax expense at Finnish tax rate	129	539
Non-deductible expenses and tax exempt income	(35)	(215)
Write-downs on subsidiary shares and use of tax loss carryforwards	(162)	(27)
Operating losses outside Finland with no deferred tax benefit recognized	48	24
Difference between Finnish tax rate and deferred tax rate for associated companies	49	(7)
Difference between Finnish tax rate and tax rate abroad	5	3
Effect of goodwill amortization	2	1
Other items	(1)	-
Income tax expense in the income statement	35	318

The components of net deferred tax asset (liability) in the balance sheet consist of the following tax consequences of temporary difference between taxation and the consolidated financial statements:

€ million	2001	2000
Deferred tax assets		
Tax loss carryforwards	74	57
Less valuation allowance	(73)	(56)
Fixed assets	20	4
Total	21	5
Deferred tax liabilities		
Fixed assets	(97)	(87)
Investments in associated companies	(41)	(49)
Other items	(7)	(8)
Total	(145)	(144)
Net deferred tax liability	(124)	(139)

Deferred tax liability of €124 million consists of long-term deferred tax liability of €127 million (2000: €139 million) and short-term deferred tax asset of €3 million (2000: zero).

As of December 31, 2001, Sonera had tax loss carryforwards, mainly attributable to foreign subsidiaries, of €252 million (2000: €184 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 carryforwards that exceeded the amount of reversing taxable temporary differences in certain tax jurisdictions due to the following: history of operating losses generated by companies in those separate tax jurisdictions; and lack of evidence that profits will be generated by those operations in the foreseeable future. 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, 2001, Sonera had retained profits of €771 million (2000: €691 million) in its foreign subsidiaries. The deferred tax liability for the retained profits would have been less than €1 million.

8. EFFECT OF ACCOUNTING CHANGES

The cumulative effect of accounting changes is as follows:

€ million	2001	2000
Change in Turkcell's equity accounting (net of deferred tax benefit of €4 million)	-	(41)
Capitalized interest expenses (net of deferred tax expense of €2 million)	-	6
Total	-	(35)

As of the beginning of 2000, Sonera changed the practice of equity accounting for its holding in Turkcell in such a manner that Sonera’s consolidated financial statements for each quarter include the last available quarterly financial statements of Turkcell. The accounting change was made in anticipation of the Turkcell Initial Public Offering and stock exchange listing, after which Sonera no longer has any other information available for the preparation of its consolidated financial statements than the information published by Turkcell simultaneously to all of Turkcell shareholders.

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

9. EARNINGS PER SHARE

Earnings per share amounts are calculated as follows:

€ million	2001	2000
Profit before extraordinary items	409	1,541
Net income	409	1,506
Average number of shares outstanding adjusted with effect of Rights Offering (1,000)	924,346	897,472
Earnings per share, before extraordinary items (€)	0.44	1.72
Cumulative effect of accounting changes, net of income taxes (€)	-	(0.04)
Net income per share (€)	0.44	1.68

The number of shares on December 31, 2001 was 1,115,301,729 (2000: 906,761,932), which includes 550,000 treasury shares repurchased (2000: 550,000). Changes in the number of shares are presented in Note 14 to the consolidated financial statements.

The average number of shares, diluted with the employee bond loan with warrants, was 924,346 thousand in 2001 (902,193 thousand in 2000). There was no dilutive effect on net income per share (2000: €0.01).

According to Finnish GAAP, earnings per share exclude extraordinary items. During the year ended December 31, 2001, no extraordinary items were reported. During the year ended December 31, 2000, extraordinary items included the cumulative effect of accounting changes.

10. FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Intangible assets consist of the following:

€ million	2001	2000
Intangible rights	46	60
Goodwill	4	6
Goodwill on consolidation	31	24
Other intangible assets	17	26
Total	98	116

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

Changes in fixed assets and other long-term investments during 2001 include the following:

€ million	Historical cost on January 1, 2001	Capital expenditure and other addition	Disposals and other sdecreases	Accumulated depreciation on December 31, 2001	Carrying value on December 31, 2001
Intangible rights	92	6	(4)	(48)	46
Goodwill	15	3	(3)	(11)	4
Goodwill on consolidation	33	19	(5)	(16)	31
Other intangible assets	39	12	(18)	(16)	17
Total intangible assets	179	40	(30)	(91)	98
Land	20	1	-	-	21
Buildings	172	5	(2)	(61)	114
Machinery and equipment	260	52	(8)	(196)	108
Telecommunications networks	2,176	266	(14)	(1,550)	878
Other tangible assets	86	16	(1)	(49)	52
Advances paid and construction in progress	103	76	(83)	-	96
Total property, plant and equipment	2,817	416	(108)	(1,856)	1,269
Investments in associated companies	2,367	408	(251)	-	2,524
Other shares and holdings	2,370	179	(2,080)	-	469
Long-term loans receivable	42	3,036	(3)	-	3,075
Total long-term investments and receivables	4,779	3,623	(2,334)	-	6,068
Total fixed assets and other long-term investments	7,775	4,079	(2,472)	(1,947)	7,435

11. INVESTMENTS IN ASSOCIATED COMPANIES

Sonera's significant associated companies as of December 31, 2001 consist of the following:

			December 31, 2001		
Company name	Shareholding, %	First year of acquisition	Cost of shares, € million	Remaining good-will, € million	Carrying value, € million
Group 3G UMTS Holding GmbH	42.8	2000	913	-	864
Turkcell Iletisim Hizmetleri A.S.	37.1	1995	308	24	590
Lattelekom SIA	44.1	1994	210	96	297
AB Lietuvos Telekomas	30.0	1998	238	107	212
Pannon GSM Rt.	23.0	1993	72	42	88
Fintur Holdings B.V.	35.3	2000	217	5	87
UAB Omnitel	27.5	1998	83	52	84
Metro One Telecommunications, Inc.	25.5	2001	72	40	77
AS Eesti Telekom	24.5	1992	20	-	53
Latvijas Mobilais Telefons SIA	24.5	1991	-	-	35
ZAO North-West GSM	23.5	1993	17	-	35
ZAO Sonic Duo	35.0	1999	18	-	7
Loimaan Seudun Puhelin Oy	24.1	2001	26	17	28

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.

The long-term loans receivable and other long-term receivables from associated companies are presented in Note 12 to the consolidated financial statements.

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

€ million	2001	2000
Investments in associated companies at cost		
Historical cost of shares on January 1	1,962	1,400
Investments in associated companies	372	1,195
Transfers to other shares and holdings	-	(556)
Disposals	(8)	(77)
Historical cost of shares on December 31	2,326	1,962
Equity adjustment to investments in associated companies		
Accumulated equity adjustment on January 1	405	237
Translation difference	10	28
Dividends received during the year	(33)	(30)
Disposals	(8)	(19)
Transfers to other shares and holdings	-	68
Other changes	26	-
Equity (loss) income in associated companies	(202)	121
Accumulated equity adjustment on December 31	198	405
Carrying value of investments in associated companies on December 31	2,524	2,367

The differences between carrying and fair values of the publicly quoted associated companies are presented in Note 21 to the consolidated financial statements.

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

€ million	2001	2000
Revenues	4,955	4,981
Operating profit	396	944
Profit before extraordinary items and taxes	28	786
Net (loss) income	(254)	690
Non-current assets	18,744	14,714
Current assets	2,742	1,908
Total assets	21,486	16,622
Shareholders' equity	7,811	5,541
Minority interest	84	52
Non-current liabilities	3,138	2,049
Current liabilities	10,453	8,980

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

€ million	2001	2000
Sonera's share of net (loss) income	(143)	187
Amortization of goodwill and other eliminations	(59)	(66)
Equity (loss) income in associated companies	(202)	121
Sonera's share of shareholders' equity	2,038	1,987
Unamortized goodwill and other eliminations	486	380
Carrying value of investments in associated companies	2,524	2,367

12. LONG-TERM RECEIVABLES

€ million	2001	2000
Loans receivable		
From associated companies	2,749	8
From others	44	31
Other long-term receivables		
From associated companies	266	-
From others	16	3
Total	3,075	42

On December 31, 2001, long-term loans receivable from associated companies mainly consist of a loan receivable from Group 3G UMTS Holding GmbH, totaling €2,719 million, which will gradually be converted into equity. On December 31, 2000, the respective loan receivable was presented under current loans receivable. Other long-term loans receivable mainly relate to leasing operations.

Other long-term receivables from associated companies include interest and other financial income receivables from Group 3G UMTS Holding GmbH.

13. SHORT-TERM INVESTMENTS

€ million	2001	2000
Deutsche Telekom shares	504	-
Money market investments	114	67
Other investments	2	1
Total	620	68

On December 31, 2001, Sonera had approximately 26.0 million Deutsche Telekom shares. The shares are treated as short-term investments and on December 31, 2001 they have been recorded in Sonera's balance sheet at their market value, €19.40 per share. Sonera intends to sell the shares and use the proceeds for loan repayments.

14. SHAREHOLDERS' EQUITY

Changes in shareholders' equity for the years ended December 31, 2000 and 2001 are as follows:

€ million	Number of shares outstanding (in thousands)	Share capital	Share premium fund	Treasury shares	Additional paid-in capital	Accumulated currency translation adjustment	Retained earnings	Total
January 1, 2000	722,000	310	13	-	505	55	918	1,801
Share issues	21,534	10	1	-	-	-	-	11
Dividends paid	-	-	-	-	-	-	(87)	(87)
Treasury shares repurchased	(550)	-	-	(28)	-	-	-	(28)
Currency translation adjustment	-	-	-	-	-	30	-	30
Net income for the year	-	-	-	-	-	-	1,506	1,506
December 31, 2000	742,984	320	14	(28)	505	85	2,337	3,233
Right issue	371,768	160	844	-	-	-	(22)	982
Dividends paid	-	-	-	-	-	-	(67)	(67)
Sale of rights related to treasury shares	-	-	-	6	-	-	(4)	2
Currency translation adjustment	-	-	-	-	-	16	-	16
Net income for the year	-	-	-	-	-	-	409	409
December 31, 2001	1,114,752	480	858	(22)	505	101	2,653	4 ,575

Share capital and share premium fund

Under the Company's Articles of Association, the Company's authorized share capital may not be less than €309.6 million or more than €1,238.4 million. The issued share capital may be increased or decreased within these limits through a resolution by a general meeting of shareholders, without amendment to the Articles of Association. The Company's Board of Directors does not currently have an authorization to share issue.

The Extraordinary General Meeting on November 9, 2001 passed a resolution to arrange a Rights Offering. In the Offering, two existing shares entitled their holders to subscribe for one new share at a price of €2.70. In the Offering, 371,767,243 new shares were issued, yielding Sonera total proceeds before underwriting expenses of about €1,004 million (about €982 million after expenses of €31 million and the related tax benefit of €9 million). The share capital was increased by €160 million and €844 million was recorded in the share premium fund. Underwriting expenses of €22 million (after tax effect) were recorded in the retained earnings.

On December 31, 2001, the number of shares was 1,115,301,729 and share capital was €479,579,743.47.

In April 2000, Sonera acquired the entire share capital of Across Holding AB of Sweden. Sonera paid for the acquisition by issuing 16,732,055 new shares to the sellers. The share capital was increased by €8 million and €1 million was recorded in the share premium fund. In June 2000, Sonera acquired the entire share capital of iD2 Holding AB of Sweden. Sonera paid for the acquisition by issuing 4,802,431 new shares to the sellers. The share capital was increased by €2 million and €0.3 million was recorded in the share premium fund. Sonera has recorded both transactions in accordance with the interpretation No. 1591/1999 by the Finnish Accounting Board. That interpretation allows the acquirer to record the equity issue and the cost of acquired shares at an amount equal to the shareholders' equity of the acquired company at the time of acquisition.

On December 31, 2000, the number of shares was 743,534,486 and share capital was €319,719,828.98.

Treasury shares

On March 21, 2001, the Annual General Meeting of Sonera Corporation authorized the Board of Directors to decide on the repurchase of the Company's own shares. The authorization is valid for one year after the resolution of the Annual General Meeting, i.e. until March 21, 2002. The maximum total number of shares that can be repurchased by virtue of the authorization is 2,000,000.

The Company holds 550,000 Sonera shares that were repurchased in 2000 and have an accountable par of €236,500. The shares represent about 0.05% of the entire share capital. The shares were repurchased during May 2000 at an average share price of €51.36 per share and a total price of €28 million.

In connection with the Rights Offering, Sonera sold all its subscription rights related to its treasury shares. The sale took place in the first trading day of subscription rights on Helsinki Exchanges. The average selling price was €1.61 per subscription right, and total proceeds were about €1 million. The acquisition price of subscription rights of €6 million has been recorded to decrease the acquisition price of own shares, and the loss of €4 million from the sale (after tax effect) has been recorded in retained earnings.

The Annual General Meeting of Sonera held on March 21, 2001 authorized the Board of Directors to sell 2,550,000 of its own shares. The authorization is valid until March 21, 2002.

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.

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 at December 31 was as follows:

€ million	2001	2000
Retained earnings	2,754	2,423
Less untaxed reserves in retained earnings	(168)	(177)
Other undistributable retained earnings	-	(1)
Distributable retained earnings	2,586	2,245
Additional paid-in capital	505	505
Treasury shares	(22)	(28)
Total distributable funds	3,069	2,722

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 €2,587 million (2000: €1,665 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	2001	2000
Accelerated tax depreciation		
Intangible rights	6	8
Other long-term expenses	2	2
Buildings	14	15
Machinery and equipment	(8)	(2)
Telecommunications networks	192	209
Other tangible assets	30	17
Total accelerated tax depreciation	236	249
Deferred tax liability on untaxed reserves	(68)	(72)
Untaxed reserves included in retained earnings	168	177

15. LONG-TERM AND CURRENT DEBT

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

€ million	2001	2000
From financial institutions:		
Due in 2002; €700 million syndicated term loan; variable interest rate based on Euribor, 4.63% on December 31, 2001; originally the amount of debt was €1,330 million (a)	700	-
Due in 2003; €50 million term loan; variable interest rate based on Euribor, 3.52% on December 31, 2001 (2000: 5.26%)	50	50
Due in semiannual installments in 2002-2004; €153 million syndicated revolving credit facility; variable interest rate based on LIBOR, 3.58% on December 31, 2001	153	-
Due in semiannual installments, in 2003-2005; €511 million syndicated revolving credit facility; variable interest rate based on LIBOR, 3.58% on December 31, 2001 (2000: 5.19%)	270	200
Due in 2008; €44 million term loan; variable interest rate based on LIBOR, 3.48% on December 31, 2001 (2000: 5.33%)	44	44
Due in 2008; €42 million term loan; variable interest rate based on LIBOR, 3.48% on December 31, 2001 (2000: 5.33%)	42	42
Due in semiannual installments in 2002-2003; a subsidiary's US$5 million bank loan; variable interest rate based on LIBOR, 2.35% on December 31, 2001 (2000: 6.68%)	4	5
Due in 2003; subsidiary's €6.5 million bank loan; fixed interest rate of 4.43%	7	-
Other long-term loans from financial institutions drawn down by subsidiaries	4	2
Due in 2001; €100 million syndicated term loan; variable interest rate based on LIBOR, (2000: 5.20%)	-	100
Due in 2001; €200 million term loan; variable interest rate based on EIB reference rate (2000: 4.85%)	-	200
Due in 2001; subsidiary's US$3.2 million bank loan; variable interest rate based on LIBOR, (2000: 7.86%)	-	3
Euro Medium Term Notes (€3.0 billion long-term loan program):		
Due in 2002; €150 million Euro Medium Term Note; coupon interest 5.50%; issue price of the Note 100%	150	-
Due in 2002; €500 million Euro Medium Term Note; variable interest based on Euribor, 3.94% at December 31, 2001; issue price of the Note 99.984%	500	-
Due in 2003; €200 million Euro Medium Term Note; coupon interest 5.13%; issue price of the Note 100%	200	-
Due in 2005; €1,000 million Euro Medium Term Note; coupon interest 5.625%; issue price of the Note 99.432%	1,000	1,000
Due in 2009; €300 million Euro Medium Term Note; coupon interest 4.625%; issue price of the Note 99.272%	300	300

Long-term debt consisted of the following on December 31 (continued):

€ million	2001	2000
Employee bond loan with warrants: (b)		
Year 1999 employee bond loan with warrants; was due in 2001; no interest	-	2
Year 2000 employee bond loan with warrants; due in 2002; no interest	1	1
Total	3,425	1,949

(a) In July 2001, Sonera drew down a €1,330 million floating rate three-year long-term loan on which Sonera had agreed in June 2001 with an international banking syndicate. In December, Sonera agreed with the banking syndicate on amending the terms and conditions of the loan to provide for repaying €630 million of the loan prematurely and moving up the due date for the remaining loan to December 2002. At the same time, the parties removed the covenant according to which the banking syndicate would have the right to demand the repayment of the loan if Sonera's credit rating fell below the "investment grade" level.
(b) The terms of the warrant plan are presented under "Shares and shareholders" on pages 74-75.

Interest rates presented in the above table do not include any effects from the hedging measures nor the commitment fees of 0.0625% of the undrawns amounts of €153 million and €511 million revolving credit facilities.

The maturities of long-term debt on December 31, 2001, were as follows:

€ million	Loans from financial institutions	Euro Medium Term Note	Employee bond loans with warrants	Other long-term loans	Total
Due in 2002	764	650	1	3	1,418
2003	117	200	-	3	320
2004	199	-	-	-	199
2005	102	1,000	-	-	1,102
2006	-	-	-	-	-
Due thereafter	86	300	-	-	386
Total	1,268	2,150	1	6	3,425

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

Current debt

The current debt amount of €55 million on December 31, 2001 consisted of the €4 million loans drawn under foreign commercial paper programs and €51 million drawn under domestic commercial paper programs. The average rate of interest on current borrowings on December 31, 2001 was 4.16%, when the hedging effects are included.

The current debt of €3,848 million on December 31, 2000 consisted of €3,250 Term Loan Facility, loans of €340 million drawn under foreign commercial paper programs and €258 million drawn under domestic commercial paper programs. The average rate of interest on current borrowings on December 31, 2000 was 5.43%, when the hedging effects are included.

16. OTHER LONG-TERM LIABILITIES

€ million	2001	2000
Advances received	15	19
Other long-term liabilities	6	13
Total	21	32

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

17. SUPPLEMENTAL CASH FLOW INFORMATION

Cash provided by operating activities under the direct method presentation:

€ million	2001	2000
Payments received from customers	2,232	2,011
Payments to suppliers	(1,369)	(1,104)
Payments to personnel	(397)	(373)
Total	466	534
Dividends received	47	41
Interest income received	21	13
Interest expenses paid	(299)	(53)
Income taxes paid	(41)	(313)
Other items	3	5
Cash provided by operating activities	197	227

Acquisitions and disposals of subsidiaries:

€ million	2001	2000
Acquisitions of subsidiaries:		
Non-cash assets acquired	1	33
Liabilities assumed	-	(13)
Cash paid, net of cash acquired	1	20
Disposals of subsidiaries:		
Non-cash assets disposed of	9	3
Liabilities disposed of	(7)	(5)
Net non-cash liabilities sold	2	(2)
(Loss) gain on sale	(2)	11
Cash received from sale, net of cash disposed	-	9

18. RELATED PARTY TRANSACTIONS

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

Summarized information on the transactions between Sonera and its associated companies is as follows:

€ million	2001	2000
Long-term loans receivable	2,749	7
Other long-term receivable	266	-
Current loans receivable	-	2,737
Trade accounts receivable	27	7
Prepaid expenses and accrued income	3	102
Trade accounts payable	9	6
Accrued expenses and prepaid income	-	1
Fees charged from associated companies	25	24
Payments made for the services provided by associated companies	41	41

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

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

19. COMMITMENTS AND CONTINGENT LIABILITIES

€ million		2001	2000
Assets pledged			
To secure own commitments		6	5
To secure borrowings of associated companies	(a)	24	8
Guarantees on behalf of associated companies for financing		35	85
Guarantees on behalf of other parties			
Xfera Móviles S.A.	(b)	428	428
Ipse 2000 S.p.A.	(c)	180	193
Sonera's Pension Fund		6	-
Commitment to acquire shares		25	-
Repurchase commitments		-	3
Other commitments		-	3

(a) Carrying values of the pledged shares in associated companies. The maximum liability according to the loan amounts secured was €23 million (2000: below one million).
(b) Counter-guarantees given for the bank guarantees on behalf of Xfera's performance commitments under the UMTS license in Spain.
(c) Counter-guarantees given for the bank guarantees on behalf of Ipse's commitment to pay the annual installments of the UMTS license in Italy.

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, the total book value of which was €64 million on December 31, 2001 (2000: €96 million), is retained with Sonera. Both the Head Lease receivables and the Back Lease obligations were settled at the inception of the lease agreements, and Sonera received a net cash consideration of US$11 million (€9 million) which is presented in the balance sheet as an advance payment received and recognized in income as other financial income over the lease term. No other cash payments are currently expected to be made by Sonera under the lease agreements. The agreement is valid for 15 years, but Sonera has an option to terminate the agreement after 11 years from the inception of the agreement. There are no significant restrictions to the use of the equipment under the agreement. Separate financial institutions are taking care of the annual repayments received by the equity investors and debt financiers that are parties to the agreement. The funds securing the repayments to equity investors have been invested in U.S. Treasury and other similar bonds, and a bank deposit has been made to secure the repayments of debt financing. At the inception of the agreement, the total amount of funds invested was US$224 million.

Sonera's associated company Turkcell Holding A.S. (47.1%) has pledged approximately 39% of its shares in Turkcell Iletisim Hizmetleri A.S. (equal to approximately one-fourth of Sonera's total shareholding in Turkcell) to secure Turkcell's loan financing. Turkcell Holding owns 51% of Turkcell, and Sonera's indirect ownership in Turkcell through Turkcell Holding is 24.0%. Additionally, Sonera has a direct ownership of 13.1% in Turkcell shares which are not pledged.

Sonera owns certain real estate, on the construction or renovation of which Sonera has deducted the value added tax. If the real estate is sold or taken into other use than required by the value added tax allowance, the deductions made must be reversed according to Finnish value added tax laws. The obligation to reverse the value added tax does not affect real estate which is sold or whose purpose of use is changed after five years from the year of completion of the real estate. As of December 31, 2001, Sonera had made deductions on such value added taxes during the last five years amounting to about €21 million.

Sonera leases office and certain other premises, land and equipment under various noncancellable operating leases. Certain contracts include renewal options for various periods of time. Sonera has also sub-leased certain office premises under various noncancellable operating leases. Minimum annual rental payments for operating leases in effect on December 31, 2001 are as follows:

€ million	Minimum annual rental payments	Minimum annual rental income	Minimum annual payments, net
Due in 2002	57	(1)	56
2003	38	-	38
2004	29	-	29
2005	24	-	24
2006	20	-	20
Thereafter	98	(1)	97
Total	266	(2)	264

20. DISPUTES AND ADMINISTRATIVE PROCEEDINGS

Sonera is involved in a number of legal disputes and regulatory proceedings mainly relating to the interpretation of the Telecommunications Market Act, competition law and consumer protection. The pending legal, arbitration or regulatory proceedings that have the most relevance to Sonera are described briefly in the following.

National roaming

In September 1998, Oy Telia Finland Ab filed a complaint with the Finnish Competition Authority ("FCA") requesting 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. In January 2000, the FCA issued a decision maintaining that the pricing of national roaming applied by Sonera does not require any measures by the FCA. On December 13, 2001, the Competition Council issued a decision in the matter, maintaining that Sonera – either alone or together with any other mobile network operator – does not have a dominant market position in the access market of national mobile networks. The Competition Council returned the examination of whether Sonera's pricing of national roaming is in compliance with the act on unfair business practices to the FCA. Telia Mobile Finland filed an appeal against the decision of the Competition Council with the Supreme Administrative Court on January 11, 2002. The case 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.

Telia Finland/Swisscom AG service provider agreement

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

Mobile network termination charges

In November 1998, Telia Finland filed a complaint with the Finnish Communications Regulatory Authority ("FICORA"; former Telecommunications Administration Center) relating to the termination charges applied in Sonera's mobile networks. Telia Finland claimed that the termination fees charged by Sonera are not reasonable related to the actual costs and that the fees are thus contrary to the interconnection decision issued by the Ministry of Transport and Communications. On April 24, 2001, the FICORA issued a decision in which it stated that the interconnection fees applied by Sonera's domestic mobile communications were not reasonable in relation to the actual costs. Thus the FICORA was of the opinion that Sonera had priced its interconnection fees contrary to the Telecommunications Market Act and obliged Sonera to revise its fees. Sonera filed an appeal with the Administrative Court of Helsinki against the decision issued on April 24, 2001 by the FICORA. In the summer of 2001, Sonera concluded interconnection agreements with other mobile operators on a commercial basis. The case 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.

Pricing of leased lines

The FICORA is currently investigating pricing and discount policies of several Finnish telecommunications companies with respect to their leased line operations. Sonera received a request for information from the FICORA (former Telecommunications Administration Center) in January 1999, to which it duly responded by providing the requested information. In January 2000, Telepohja Oy filed a complaint with the FICORA and the FCA requesting them to investigate whether Sonera is abusing its alleged dominant position in the local telecommunications market of Sonera's traditional local network areas. The complaints are still pending.

SMS services

In November 1999, MTV3-Tele Oy filed a complaint with the FCA claiming that the fees charged by Sonera for commercial SMS services are excessive. Sonera's response to the complaint stated that the SMS services it offers are reasonably priced and explained the division of fees and costs between the service provider and the content provider. The complaint is still pending and management is 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.

In May 2000, Televerkko Oy filed a complaint with the FCA claiming that Sonera is abusing its dominant market position in the market for mobile services, especially in connection with the pricing of its SMS services targeted at content providers. The FCA is investigating the pricing of Sonera's SMS services as well as the actual costs Sonera incurs to provide SMS services to content providers. Sonera submitted its counterstatement to the FCA in May 2000. 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.

Subscriber data

In January 2000, a complaint was filed with the FCA by Visual Data Oy, related to the pricing and availability of so-called directory services subscriber data to various directories. In March 2000, Satakunnan Markkinapörssi Oy filed a complaint with the FCA on the same issue. In June 2000, Visual Data also filed a complaint on the issue with the FICORA. The cases are still pending.

Loimaan Seudun Puhelin Oy

In January and February 2001, Sonera acquired a 24.1% interest in Loimaan Seudun Puhelin Oy ("LSP"). On August 3, 2001, the FCA conditionally accepted the arrangement in which Sonera had acquired actual control (in the sense of the competition law) in LSP. On December 20, 2001, on account of the appeal filed with the Competition Council by Suomen 2G Oy and DNA Finland, the Competition Council revoked the decision issued by the FCA. On January 21, 2002, Sonera filed an appeal with the Supreme Administrative Court against the decision of the Competition Council. In addition, on January 28, 2002, Sonera increased its interest in LSP by 5% to 29.1%. In December 2000, LSP acquired 33% of the shares of Turun Puhelin from the City of Turku, increasing its interest in Turun Puhelin to 51%.

An appeal has been filed with the Administrative Court of Turku against the decision on the sale of the shares of Turun Puhelin. The appellants claim that the decision of the City of Turku on the sale of the shares in Turun Puhelin was not properly taken. By its decision issued on February 1, 2002, the Administrative Court of Turku rejected the appeal as unfounded. In addition, other shareholders of Turun Puhelin have brought arbitration proceedings claiming that they have a pre-emptive right to purchase the 33% interest in Turun Puhelin, which was acquired by LSP in December 2000, for a price substantially lower than the price paid by LSP. The proceeding based on competition law and the arbitration proceedings are currently still pending, and management is currently not in a position to assess what the final outcome of the proceedings will be. The arbitration or administrative proceedings, if adversely decided, could have a material adverse effect on the value of Sonera's investment in LSP.

Lattelekom SIA's exclusive rights

In August 2000, Tilts Communications A/S, Sonera's wholly-owned Danish subsidiary, started arbitration proceedings against the State of Latvia under the rules of the International Chamber of Commerce (ICC) in Stockholm. The reason for initiating arbitration relates to the agreement signed in 1993 between the State of Latvia and Tilts. According to this agreement, the Latvian fixed-line operator, Lattelekom SIA, of which Tilts owns 49% and the State of Latvia 51%, has exclusive rights to provide basic fixed network services in Latvia until December 31, 2013. However, contrary to the agreement, the State of Latvia has made a commitment to the World Trade Organization (WTO) that Lattelekom's exclusive rights will be revoked by January 1, 2003. The State of Latvia has asserted nine counterclaims against Tilts Communications alleging, among other things, that Tilts has breached its contractual obligations by failing to (1) digitalize and otherwise improve Lattelekom's network in accordance with its commitments, (2) meet certain quality of service and network performance commitments, and (3) sell its shares in Latvijas Mobilais Telefons SIA to Lattelekom. In September 2001, Sonera was joined by the arbitration tribunal in the proceeding, together with Lattelekom and Cable & Wireless plc. Sonera and Cable & Wireless have guaranteed the performance by Tilts of its obligations under the Umbrella Agreement to the State of Latvia. A decision in the arbitration is not expected before late 2002. In addition, the State of Latvia has indicated that it may make direct claims against Sonera alleging breaches of the competition law.

Vatanen

In connection with the termination by Sonera of the executive agreement between Sonera Corporation and Harri Vatanen, former President & CEO of Sonera SmartTrust, Sonera initiated arbitration proceedings in Finland on March 1, 2001, to confirm, among other things, that the technology agreement Sonera concluded with Vatanen in 1998 is legally binding and in force and that Sonera has fulfilled its obligations under the agreement. Sonera commenced this legal proceeding in order to protect its interests in light of the termination of Vatanen's employment. In this connection, Vatanen brought a claim against Sonera and certain of its subsidiaries in the Superior Court of California, County of Santa Clara, in the United States for rescission of the technology agreement, alleging misrepresentation and fraud in relation to entering into such agreement and certain other related claims. With its decision issued on January 3, 2002, the arbitral tribunal appointed by the Board of Arbitrators of the Central Chamber of Commerce of Finland confirmed that the agreement entered into between Harri Vatanen and Sonera Corporation in March 1998 relating, among other things, to SmartTrust technology is binding and in force. Therefore, Sonera is the rightful owner of the inventions of Vatanen covered by the technology agreement and the related patents. 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.

Swanson

In April 2001, Murray L. Swanson, the former managing director and CEO of Sonera Corporation U.S., Sonera's wholly-owned subsidiary, brought a complaint in the Circuit Court of Cook County, in Illinois, United States, against Sonera Corporation and Sonera Corporation U.S. alleging breach of contract and fraudulent inducement in relation to the employment agreement entered into between Sonera Corporation U.S. and Swanson in October 1998. Swanson seeks, among other things, damages of over US$75 million, and punitive damages in an unspecified amount. Sonera has denied any basis for liability on its part. The circuit court postponed a ruling on Sonera's motion to dismiss, and the next hearing of the case takes place on February 22, 2002.

Tax issues

Sonera has received a notice from the Finnish Tax Authorities that they will conduct a tax audit in the spring of 2002 at Sonera's Finnish Group companies for Finnish income taxes, value-added taxes and payroll taxes. Management believes that all transactions have been made in compliance with the Finnish tax legislation and foreign tax regulations, when applicable. Sonera has also requested advance rulings for certain significant transactions to have certainty over the applicable tax treatment of such transactions. Management is currently unable to assess the likely outcome of the pending tax audit in Finland.

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Investments and loans:	As of December 31, 2001		As of December 31, 2000	
€ million	Carrying value	Fair value	Carrying value	Fair value
Shares and holdings				
Turkcell Iletisim Hizmetleri A.S.	590	1,726	568	2,695
AB Lietuvos Telekomas	212	86	211	138
AS Eesti Telekom	53	152	55	186
724 Solutions Inc.	18	18	21	115
Conduit Plc	5	5	20	28
Metro One Communications Inc.	77	206	-	-
Vitaminic S.p.A.	6	6	-	-
Cisco Systems Inc.	3	3	9	6
VoiceStream Wireless Corporation	-	-	1,646	2,052
TietoEnator Corporation	-	-	139	473
Powertel, Inc.	-	-	119	308
Other shares and holdings	2,029	2,029	1,949	1,950
Total shares and holdings	2,993	4,231	4,737	7,951
Loans receivable	3,120	3,120	2,859	2,865
Cash and short-term investments				
Deutsche Telekom shares	504	504	-	-
Other short-term investments	116	116	68	68
Cash and cash equivalents	96	96	88	88
Total cash and short-term investments	716	716	156	156
Long-term debt	2,007	2,036	1,842	1,848
Current portion of long-term debt	1,418	1,418	107	107
Current debt	55	55	3,848	3,848

Derivative financial instruments:

€ million	As of December 31, 2001				As of December 31, 2000			
	Contract amount	Carrying value	Fair value	Average maturity (months)	Contract amount	Carrying value	Fair value	Average maturity (months)
Interest rate swaps								
Euribor (a)	2,207	38	41	35	2,103	36	36	48
Purchased interest rate options								
Cap options, Euribor (b)	270	1	-	14	200	1	1	24
Forward selling of foreign exhange								
USD	60	-	-	1	50	3	4	3
SEK	9	-	-	11	48	1	1	3
GBP	-	-	-	-	17	-	-	5
NOK	-	-	-	-	16	-	-	1
DKK	1	-	-	1	-	-	-	-
other currencies	1	-	-	5	9	-	-	6
Forward buying of foreign exchange								
USD	-	-	-	-	125	(12)	(14)	3
JPY	4	(1)	(1)	-	-	-	-	
SEK	3	-	-	1	3	-	-	1
GBP	3	-	-	1	-	-	-	-

(a) Fair value of interest rate swap agreeements include the accrued interest.

(b) Fair value of interest rate options (cap) include the accrued interest of the prevailing interest period.

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

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

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

Interest rates 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, 2001 consisted of 21 contracts with an average maturity of 35 months (ranging from two to 88 month). Swaps hedging the long-term loan portfolio totaled €907 million, where Sonera pays a fixed interest rate of 4.75% on average (2000: 4.69%) and receives a variable interest rate based on Euribor 3.77% on average (2000: 4.98%). Additionally, Sonera has swapped its €300 million and €1,000 million fixed rate Notes (coupon interest 4.625% and 5.625%) into variable interest with contracts under which Sonera receives a fixed interest rate of 5.39% on average and pays a variable interest rate based on Euribor of 4.21% (2000: 5.35%). 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 €270 million as of December 31, 2001 consisted of seven contracts with an average maturity of 14 months (2000: 24 months). The average cap of the options was 5.11% (2000: 4.98%) and their reference rates were based on the three or six-month Euribor. The cash flows incurred at inception are amortized over the term of each option.

Forward selling of foreign exchange relates to the hedging of Sonera's trade accounts receivable and loans receivable in foreign currencies. The maturities of these derivative financial instruments range from one to 20 months as of December 31, 2001 (2000: from zero to 33 months). Forward buying of foreign exchange primarily relates to the hedging of Sonera's foreign currency loans, and, to a lesser extent, to the hedging of trade accounts payable in foreign currencies. The maturities of these derivative instruments were from zero to one month (2000: from zero to 10 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.

22. SEGMENT INFORMATION

Starting from the beginning of 2001, Sonera reports on the following five business segments: (1) Mobile Communications Finland, (2) International Mobile Communications, (3) Service Businesses, (4) Sonera Telecom, and (5) Other Operations. The principal changes from the previously reported segments include

(i) the division of former Mobile Communications into domestic and international segments to increase transparency and to reflect revised management responsibility; and

(ii) the combining of the previously separate segments Fixed Network Voice and Data, and Equipment Sales and Other Operations, into Sonera Telecom, to reflect the management responsibility for the Sonera Telecom entity, and to better reflect the closely interrelated operations of the two previously separately reported segments. Sonera also incorporated its Sonera Telecom segment into a separate legal subgroup as of July 1, 2001.

Segment information for all periods presented has been restated to comply with the revised reporting structure.

Mobile Communications Finland consists primarily of digital GSM and analog NMT services in Finland. International Mobile Communications includes significant minority shareholdings in providers of mobile communications services in Turkey, Germany, Italy, Hungary, the Baltic States, Russia and Lebanon. Service Businesses includes Internet, directory services and other media businesses, and new services based on mobile communications. Sonera Telecom includes fixed-network domestic and international voice services, data services and leased lines, equipment sales, construction and maintenance and certain other operations, as well as significant minority shareholdings in providers of fixed-network telecommunications services in the Baltic States. Other Operations consists primarily of the Group's centralized services, corporate administration, and certain minor business operations.

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 on how to allocate resources to segments. In this process, various adjustments are made in order to properly allocate the cost of internal services and certain other administrative overhead expenses. Where a reliable measure exists, the allocation is based on the 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.

Intra-Group sales consist of

(i) services or goods sold to other business segments for their use; and

(ii) sales of services or goods for resale by another business segment to external customers in cases where that other business segment has the customer responsibility and bears the sales risks and rewards.

The accounting policies underlying the reported segment data are the same as those described in Note 1 to the consolidated financial statements.

Financial information followed by Sonera's management is presented separately for Sonera's business segments for the years ended December 31, 2001 and 2000 as follows:

	2001						
€ million	Mobile Communications Finland	International Mobile Communications	Service Businesses	Sonera Telecom	Other Operations	Eliminations	Consolidated
Sales to external customers	1,197	4	241	738	7	-	2,187
Intra-Group sales	16	-	80	286	106	(488)	-
Total revenues	1,213	4	321	1,024	113	(488)	2,187
EBITDA	604	569	(337)	231	216	-	1,283
Depreciation and amortization	(127)	-	(47)	(123)	(35)	-	(332)
Operating profit	477	569	(384)	108	181	-	951
Equity loss in associated companies	-	(201)	-	(1)	-	-	(202)
Unallocated amounts:							
Sales and write-downs of short-term investments							(272)
Financial income and expenses, net							(32)
Profit before income taxes, minority interest and extraordinary items							445
Segment assets	464	2,126	265	1,188	317	-	4,360
Capital expenditure	102	-	53	186	18	-	359
Investments in shares	-	428	75	1	22	-	526

Financial information followed by Sonera's management is presented separately for Sonera's business segments for the years ended December 31, 2001 and 2000 as follows (continued):

	2000						
€ million	Mobile Communi-cations Finland	International Mobile Communi-cations	Service Businesses	Sonera Telecom	Other Operations	Elimi-nations	Consoli-dated
Sales to external customers	1,103	5	207	742	-	-	2,057
Intra-Group sales	31	-	47	278	85	(441)	-
Total revenues	1,134	5	254	1,020	85	(441)	2,057
EBITDA	543	1,502	(303)	300	5	-	2,047
Depreciation and amortization	(129)	-	(32)	(138)	-	-	(299)
Operating profit	414	1,502	(335)	162	5	-	1,748
Equity income (loss) in associated companies	-	120	(3)	3	1	-	121
Unallocated amounts:							
Financial income and expenses, net							(9)
Profit before income taxes, minority interest and extraordinary items							1,860
Segment assets	488	3,879	189	1,315	247	-	6,118
Capital expenditure	124	-	104	202	-	-	430
Investments in shares	-	1,975	40	-	102	-	2,117

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

€ million	2001	2000
Total assets for reportable segments	4,360	6,118
Long-term loans receivable	3,075	42
Inventories	33	40
Receivables	610	3,418
Cash and short-term investments	716	156
Consolidated total assets	8,794	9,774

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

€ million	2001	2000
Sales to customers in Finland	2,038	1,958
Sales to customers outside Finland	149	151
Total	2,187	2,109

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

€ million	2001	2000
Finland	1,243	1,224
Outside Finland	26	41
Total	1,269	1,265

23. SUBSIDIARIES, ASSOCIATED COMPANIES AND OTHER SHAREHOLDINGS

The Group companies on December 31, 2001 were as follows:

		Domicile	Parent Company shareholding %	Group shareholding %	2001 revenues € million	Number of personnel as of December 31, 2001
Parent Company:						
Sonera Corporation		Helsinki, Finland			1,267.1	2,691
Subsidiaries:						
Across Wireless AB		Stockholm, Sweden	-	100.0	-	-
Across Wireless Asia Ltd.		Hong Kong	-	100.0	-	-
Across Wireless Ltd		London, United Kingdom	-	100.0	-	-
Advanced Communication Research ACR Oy		Helsinki, Finland	-	100.0	-	-
Bfree Oy		Helsinki, Finland	100.0	100.0	-	-
Comro Oy		Helsinki, Finland	100.0	100.0	-	-
Consaura Oy		Helsinki, Finland	100.0	100.0	1.4	6
DataInfo Oy		Helsinki, Finland	-	100.0	2.3	8
Digame Servicios de Directorio S.A.	(a)	Madrid, Spain	-	51.0	-	-
EMCEC-kiinteistöt Oy	(b)	Helsinki, Finland	100.0	100.0	0.7	-
Esdata A/S		Tallinn, Estonia	-	70.0	0.7	9
Fleetadviser Oy		Helsinki, Finland	100.0	100.0	-	-
Gesam Oy		Helsinki, Finland	100.0	100.0	-	-
Helsingin Teollisuuskatu 13 Oy		Helsinki, Finland	100.0	100.0	3.2	-
iD2 Technologies AB		Stockholm, Sweden	-	100.0	-	-
iD2 Technologies Ltd		London, United Kingdom	-	100.0	0.4	-
Oy Infonet Finland Ltd		Helsinki, Finland	-	90.0	16.9	23
Intellitel Communications Oy		Helsinki, Finland	54.1	97.3	1.7	64
Intentive Progress Sdn Bhd.	(c, d)	Kuala Lumpur, Malaysia	-	100.0	-	-
International Business Venturing IBV Oy		Helsinki, Finland	-	100.0	-	-
Intra Call Center S.A.		Amiens, France	-	100.0	8.3	191
Ixone Oy		Helsinki, Finland	100.0	100.0	-	-
Konsona Oy		Helsinki, Finland	100.0	100.0	-	-
Lippupalvelu Oy		Helsinki, Finland	-	55.6	2.1	25
Mspace Oy		Helsinki, Finland	100.0	100.0	-	-
Payway Oy	(e)	Helsinki, Finland	100.0	100.0	0.1	-
Kiinteistö Oy Pietarsaaren Isokatu 8		Pietarsaari, Finland	60.2	60.2	-	-
Phone Park AB		Stockholm, Sweden	-	67.0	-	-
Primatel Ltd		Kuopio, Finland	-	100.0	153.5	1,584
Päämies-kauppiaat Oy		Helsinki, Finland	57.6	57.6	2.0	4
Reveko Telekom AS		Tallinn, Estonia	-	55.0	3.4	22
Kiinteistö Oy Saajomaja		Helsinki, Finland	100.0	100.0	-	-
Simfocom Oy		Helsinki, Finland	100.0	100.0	-	-
SmartTrust GmbH		Erfurt, Germany	-	100.0	-	17
SmartTrust Pte Ltd		Singapore	-	100.0	0.1	10
SmartTrust S.L.	(c)	Madrid, Spain	-	100.0	-	1
SmartTrust Srl	(c)	Milan, Italy	-	100.0	-	-
SmartTrust Systems Oy		Helsinki, Finland	-	100.0	-	-
Sonera 3G Holding B.V.		Capelle a/d Ijssel, Netherlands	-	100.0	-	-
Sonera Belgium n.v./s.a.		Brussels, Belgium	98.8	100.0	0.4	2
Sonera Carrier Networks Ltd		Helsinki, Finland	-	100.0	414.0	788
Sonera Corporation U.S.		Wilmington, DE, USA	100.0	100.0	5.8	19
Sonera Deutschland GmbH		Düsseldorf, Germany	-	100.0	2.9	11
Sonera Entrum Ltd		Helsinki, Finland	-	100.0	404.9	890
Sonera France SAS		Paris, France	-	100.0	0.9	-
Sonera Gateway Ltd		Helsinki, Finland	-	100.0	58.8	26
Sonera Holding B.V.		Amsterdam, Netherlands	100.0	100.0	-	2
Sonera Hong Kong Ltd	(f)	Hong Kong	-	100.0	-	21
Sonera Hungary Holding B.V.		Capelle a/d Ijssel, Netherlands	-	100.0	-	-
Sonera Hungary Kft.		Budapest, Hungary	-	100.0	-	-
Sonera Info Communications Ltd		Helsinki, Finland	-	100.0	62.5	610
Sonera Innotele Oy		Helsinki, Finland	-	100.0	61.2	69
Sonera International n.v./s.a.		Brussels, Belgium	16.0	100.0	-	13
Sonera Italian UMTS Holding B.V.		Capelle a/d Ijssel, Netherlands	-	100.0	-	-
Sonera Juxto AB	(g)	Stockholm, Sweden	100.0	100.0	5.3	73
Sonera Juxto GmbH	(c)	Frankfurt, Germany	100.0	100.0	0.1	7
Sonera Juxto International Ltd	(c)	Helsinki, Finland	100.0	100.0	-	-
Sonera Juxto Ltd		Helsinki, Finland	100.0	100.0	66.8	568
Sonera Living Ltd	(h)	Helsinki, Finland	-	100.0	0.7	24
Sonera Media Holding B.V.		Capelle a/d Ijssel, Netherlands	100.0	100.0	-	9
Sonera Plaza Ltd		Helsinki, Finland	100.0	100.0	43.6	248
Sonera Plaza Financial Services Ltd	(i)	Helsinki, Finland	-	100.0	-	-
Sonera Plaza Incentives Ltd		Helsinki, Finland	-	100.0	-	-
Sonera Plaza Fund Services Ltd		Helsinki, Finland	-	100.0	0.1	6
ZAO Sonera Rus		St. Petersburg, Russia	-	100.0	13.6	52
Sonera SmartTrust AB		Stockholm, Sweden	-	100.0	33.4	229
Sonera SmartTrust Holding B.V.		Rotterdam, Netherlands	-	100.0	-	-
Sonera SmartTrust Ltd.		London, United Kingdom	-	100.0	-	31
Sonera SmartTrust Ltd		Helsinki, Finland	-	100.0	2.2	84
Sonera SmartTrust Pty Ltd	(c)	Sydney, Australia	-	100.0	-	1
Sonera SmartTrust SARL	(c)	Paris, France	-	100.0	-	-
Sonera SmartTrust U.S., Inc.		Wilmington, DE, USA	-	100.0	-	14
Sonera Solutions Ltd		Helsinki, Finland	-	100.0	378.9	941

The Group companies on December 31, 2001 were as follows (continued):

		Domicile	Parent Company shareholding %	Group shareholding %	2001 revenues € million	Number of personnel as of December 31, 2001
Sonera Sverige AB		Stockholm, Sweden	-	100.0	28.1	88
Sonera Systems Ltd		Helsinki, Finland	-	100.0	3.6	9
Sonera Telecom Ltd	(c)	Helsinki, Finland	100.0	100.0	5.9	101
Sonera Telecommunication Services Ltd Sirketi		Istanbul, Turkey	99.0	100.0	1.4	1
Sonera UK Limited		Middlesex, United Kingdom	-	100.0	8.5	10
Sonera UMTS Sweden Holding B.V.		Capelle a/d Ijssel, Netherlands	-	100.0	-	-
Sonera Ventures Oy		Helsinki, Finland	100.0	100.0	-	-
Sonera Zed Germany GmbH		Düsseldorf, Germany	-	100.0	1.8	14
Sonera Zed Italy srl.		Milan, Italy	-	100.0	1.4	14
Sonera Zed Nederland B.V.		Capelle a/d Ijssel, Netherlands	-	100.0	0.8	19
Sonera Zed Ltd		Helsinki, Finland	-	100.0	9.5	136
Sonera Zed Philippines, Inc.		Makati City, Philippines	-	100.0	3.4	21
Sonera Zed Singapore Pte Ltd.		Singapore	-	100.0	0.1	10
Sonera Zed Telekomünikasyon Hizmetleri Ve Reklamcilik Limited Sirketi		Istanbul, Turkey	-	100.0	0.1	14
Sonera Zed UK Limited		Middlesex, United Kingdom	-	100.0	4.0	47
Sonera Zed U.S., Inc.		Waltham, MA, USA	-	100.0	0.3	12
Systems Consultant Partners Oy		Helsinki, Finland	100.0	100.0	-	-
Telecon Oy Ltd		Helsinki, Finland	100.0	100.0	-	-
Telering Ltd		Helsinki, Finland	100.0	100.0	34.0	142
Teletori Oy		Helsinki, Finland	100.0	100.0	-	-
Telibra Oy		Helsinki, Finland	100.0	100.0	-	-
Tilts Communications A/S		Copenhagen, Denmark	-	90.0	3.4	1
Tilts Communications SIA		Riga, Latvia	-	90.0	-	-
Unibase Ltd		Helsinki, Finland	100.0	100.0	57.4	36
Witnet Oy		Helsinki, Finland	100.0	100.0	-	-
Zed Incentives Oy		Helsinki, Finland	-	100.0	-	-
Revenues of sold subsidiaries					8.5	
Intra-Group sales					(1,004.8)	
Total					2,187.4	10,068

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

Notes to the list of Group companies:

(a) The company was changed from an associated company into a subsidiary in 2001.
(b) The company's name was changed in 2001; former name was EMCEC Oy.
(c) The company was established in 2001.
(d) Company's official name; business name is Sonera SmartTrust Sdn Bhd (Malaysia).
(e) The Parent Company and Group shareholding was changed in 2001 (2000: 67%).
(f) Company's official name; business name is Sonera SmartTrust Ltd (Hong Kong).
(g) The company's name was changed in 2001; former name was Frontec Support and Operations AB.
(h) The Group shareholding was changed in 2001 (2000: 51%).
(i) The Group shareholding was changed in 2001 (2000: 80%).

Mergers:

Saimaan Tietotekno Oy merged with Sonera Entrum Ltd.
Across Holding AB and iD2 Holding AB merged with Sonera SmartTrust AB.
Dash Oy, Mobinetti Oy, Telesol Oy and Tedasys Oy merged with Sonera Corporation.
Suomen Nettirahastot Oy merged with Sonera Plaza Fund Services Ltd.

Subsidiaries sold:

Geddeholm CallCenter AB in August 2001.
Tele P AB in October 2001.
Sonera Plaza Nederland B.V. in July 2001.

Subsidiaries dissolved:

Sonera Japan K.K.
Sonera Systems SIA
Spectrum Co Ltd

Sonera's associated companies on December 31, 2001 were as follows:

		Domicile	Parent Company shareholding %	Group direct shareholding %	Equity consolidation %
Mobile network operators:					
Turkcell Iletisim Hizmetleri A.S.		Istanbul, Turkey	-	37.1	37.1
Fintur Holdings B.V.		Rotterdam, Netherlands	-	35.3	35.3
AS EMT	(a)	Tallinn, Estonia	-	-	24.5
Latvijas Mobilais Telefons SIA		Riga, Latvia	-	24.5	24.5
UAB Omnitel		Vilnius, Lithuania	-	-	27.5
Pannon GSM Rt.		Budapest, Hungary	-	23.0	23.0
ZAO North-West GSM		St. Petersburg, Russia	-	23.5	23.5
ZAO Sonic Duo		Moscow, Russia	-	35.0	35.0
Group 3G UMTS GmbH	(b)	Frankfurt am Main, Germany	-	-	42.8
Fixed network operators:					
AS Eesti Telefon		Tallinn, Estonia	-	-	24.5
Lattelekom SIA		Riga, Latvia	-	44.1	44.1
AB Lietuvos Telekomas		Vilnius, Lithuania	-	-	30.0
Loimaan Seudun Puhelin Oy	(c)	Loimaa, Finland	-	24.1	24.1

Sonera's associated companies on December 31, 2001 were as follows (continued):

		Domicile	Parent Company shareholding %	Group direct shareholding %	Equity consolidation %
Other associated companies:					
Eliska Wireless Ventures I, Inc.	(c)	Mobile, AL, USA	-	30.1	30.1
Farmit Website Ltd		Helsinki, Finland	-	33.3	33.3
Gilla S.p.A.		Cagliari, Italy	-	50.0	50.0
IsoWorks Oy		Helsinki, Finland	-	50.0	50.0
Johtotieto Oy		Helsinki, Finland	-	33.3	33.3
Kasteam Oy		Helsinki, Finland	-	35.0	35.0
Metro One Telecommunications Inc.	(c)	Beaverton, OR, USA	-	25.5	25.5
118 Ltd.	(c)	Surrey, United Kingdom	-	50.5	50.5
Movere Oy		Helsinki, Finland	20.0	20.0	20.0
Next Era Productions AB		Kista, Sweden	-	50.0	50.0
UAB Sontel		Vilnius, Lithuania	-	40.0	40.0
Springtoys Oy		Helsinki, Finland	19.7	20.0	20.0
Suomen Erillisverkot Oy		Helsinki, Finland	40.0	40.0	40.0
Suomen Keltaiset Sivut Oy		Helsinki, Finland	-	30.2	30.2
Suomen Numeropalvelu Oy		Helsinki, Finland	-	40.0	40.0
Zoom HF		Reykjavik, Iceland	32.5	32.5	32.5
Holding companies:					
ACS-Sonera Telefonia Movil, S.L.	(c)	Madrid, Spain	-	41.6	41.6
Amber Mobile Teleholding AB		Farsta, Sweden	-	50.0	50.0
Amber Teleholding A/S		Copenhagen, Denmark	-	50.0	50.0
Baltic Tele AB		Stockholm, Sweden	-	50.0	50.0
AS Eesti Telekom		Tallinn, Estonia	-	24.5	24.5
Group 3G UMTS Holding GmbH	(d)	Frankfurt am Main, Germany	-	42.8	42.8
Helsingin GSM-Palvelu Oy		Helsinki, Finland	35.0	35.0	35.0
Turkcell Holding A.S.		Istanbul, Turkey	-	47.1	47.1

The shareholding also corresponds to Sonera's share of voting rights in each associated company. Associated companies are included in the consolidated financial statements in accordance with the equity method of accounting. "Equity consolidation" indicates the share of net income and retained earnings that is included in Sonera's consolidated financial statements. Summarized financial information on the associated companies is presented in Note 11 to the consolidated financial statements.

Notes to the list of associated companies:

(a) The company's name was changed in 2001; former name was AS Eesti Mobiiltelefon.

(b) The company's name was changed in 2001; former name was Marabu Vermögensverwaltung GmbH.

(c) The company was acquired in 2001.

(d) The company's name was changed in 2001; former name was Orla Siebzehnte Vermögensverwaltung GmbH.

Associated companies sold:

Netista Oy (S-Kanava Oy) in November 2001.

Certall Finland Oy in July 2001.

Sonera's other shareholdings on December 31, 2001 were as follows:

		Domicile	Group shareholding %	Carrying value, Parent Company € million	Carrying value, the Group € million
Ipse 2000 S.p.A.		Rome, Italy	12.6	293	293
Xfera Móviles, S.A.		Madrid, Spain	14.3	-	43
724 Solutions Inc.		Toronto, Ontario, Canada	11.0	-	18
Juniper Financial Corporation		Wilmington, DE, USA	7.6	17	17
PayPal Inc.		Palo Alto, CA, USA	1.6	10	10
Vitaminic S.p.A.	(a)	Milan, Italy	4.0	11	6
Phonetics Systems Ltd		Petach Tikva, Israel	12.7	-	7
Conduit Plc		Dublin, Ireland	12.5	-	5
Libancell S.A.L.		Beirut, Lebanon	14.0	-	4
Cisco Systems Inc.		San Francisco, CA, USA	-	10	3
Investments in venture capital funds				45	45
Interest in satellite operations				-	3
Housing and real estate				3	3
Other shares and holdings				13	12
Total				402	469

(a) PeopleSound.com Ltd merged with Vitaminic S.p.A. in December 2001.

Other shareholdings sold:

Powertel Inc. in May 2001.

TietoEnator Corporation in March 2001.

Trio AB in December 2001.

VoiceStream Wireless Corporation in May 2001.

Income statement

€ million	Note	Year ended December 31, 2001	2000
Revenues	(1)	1,267.1	1,268.5
Other operating income	(2)	603.2	863.2
Operating expenses	(3)	(930.7)	(984.0)
Depreciation and amortization	(4)	(144.1)	(144.9)
Operating profit		795.5	1,002.8
Financial income and expenses	(5)	312.3	(98.4)
Profit before extraordinary items, appropriations and taxes		1,107.8	904.4
Extraordinary income and expenses	(6)	(146.8)	(25.7)
Accelerated tax depreciation		28.3	18.6
Income taxes	(7)	(3.0)	(258.6)
Net income		986.3	638.7

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.

Several significant businesses were incorporated by Sonera Corporation during 2000. As the incorporated businesses are included in the Parent Company amounts until the date of incorporation, the amounts for 2000 and 2001 are not comparable.

Notes refer to pages 66-68. Additionally, certain information related to the Parent Company has been presented in the Notes to the consolidated financial statements.

Statement of cash flows

€ million	Year ended December 31, 2001	2000
Operating activities		
Net income	986.3	638.7
Depreciation and amortization	144.1	197.1
Net gain on disposal of fixed assets and business operations	(434.4)	(736.8)
Other adjustments to cash	105.8	23.7
Change in working capital		
(Increase) decrease in inventories	(2.6)	2.5
Decrease (increase) in non-interest-bearing receivables	266.3	(21.6)
(Decrease) increase in non-interest-bearing liabilities	(198.7)	2.0
Cash provided by operating activities	866.8	105.6
Investing activities		
Capital expenditures	(127.6)	(198.2)
Investments in subsidiaries	(222.8)	(2,373.4)
Investments in associated companies	(26.0)	(3.8)
Investments in other shares and holdings	(48.8)	(341.2)
Proceeds from sale of fixed assets	38.7	3.0
Proceeds from sale of subsidiaries	349.8	-
Proceeds from sale of associated companies	25.5	-
Proceeds from sale of other shares	402.6	4.4
Increase in long-term loans receivable	(2,455.9)	(116.5)
Decrease (increase) in current loans receivable	1,971.1	(2,203.3)
(Increase) decrease in short-term investments	(48.9)	7.4
Cash used in investing activities	(142.3)	(5,221.6)
Financing activities		
Withdrawals of long-term debt	2,897.8	1,000.9
Repayments of long-term debt	(1,424.5)	(181.0)
(Decrease) increase in current debt	(2,654.8)	4,389.5
Rights Offering	972.9	-
Dividends paid	(66.9)	(86.6)
Sales of rights related to treasury shares	0.9	-
Repurchase of shares	-	(28.3)
Cash (used in) provided by financing activities	(274.6)	5,094.5
Net increase (decrease) in cash and cash equivalents	449.9	(21.5)
Cash and cash equivalents at beginning of year	66.9	88.4
Cash and cash equivalents at end of year	516.8	66.9

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

Balance sheet

€ million	Note	December 31, 2001	2000
ASSETS			
Fixed assets and other long-term investments	(8)		
Intangible assets		25.3	35.0
Tangible assets			
Land		5.6	5.7
Buildings		48.2	50.5
Machinery and equipment		29.4	42.1
Telecommunications networks		304.9	339.2
Other tangible assets		24.8	30.6
Advances paid and construction in progress		49.1	45.1
		462.0	513.2
Long-term investments and receivables			
Shares in subsidiaries		4,987.6	4,846.3
Shares in associated companies		3.7	2.9
Other shares and holdings		402.1	587.4
Long-term receivables	(11, 12)	2,720.9	265.1
		8,114.3	5,701.7
Total fixed assets and other long-term investments		8,601.6	6,249.9
Current assets			
Inventories		8.2	5.6
Receivables	(11, 12)		
Trade accounts receivable		287.6	303.1
Loans receivable		263.5	2,204.1
Prepaid expenses and accrued income		132.5	145.8
Group contributions receivable		128.6	207.1
Other receivables		5.8	36.9
		818.0	2,897.0
Cash and short-term investments			
Short-term investments		119.9	71.0
Cash and cash equivalents		516.8	66.9
		636.7	137.9
Total current assets		1,462.9	3,040.5
TOTAL ASSETS		10,064.5	9,290.4

€ million	Note	December 31, 2001	2000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(9)		
Share capital		479.6	319.7
Share premium fund		858.0	14.1
Treasury shares		(22.2)	(28.3)
Additional paid-in capital		504.6	504.6
Retained earnings		1,118.6	549.6
Net income		986.3	638.7
		3,924.9	1,998.4
Accelerated tax depreciation		48.9	77.8
Provisions for liabilities and charges		2.3	-
Non-current liabilities	(11, 12)		
Long-term debt	(10)	1,998.0	1,836.7
Other long-term liabilities		14.0	17.9
		2,012.0	1,854.6
Current liabilities	(11, 12)		
Current debt	(10)	2,040.9	4,692.6
Current portion of long-term debt		1,411.4	101.8
Advances received		6.4	2.0
Trade accounts payable		172.7	209.5
Accrued expenses and prepaid income		130.4	129.5
Group contributions payable		275.4	189.0
Other current liabilities		39.2	35.2
		4,076.4	5,359.6
Total liabilities		6,088.4	7,214.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		10,064.5	9,290.4

Notes

1. REVENUES

The components of revenues by geographic area are as follows:

€ million	2001	2000
Sales to customers in Finland	1,261.1	1,256.5
Sales to customers outside Finland	6.0	12.0
Total	1,267.1	1,268.5

2. OTHER OPERATING INCOME

€ million	2001	2000
Income from auxiliary services	26.3	17.5
Fees charged on collection of overdue receivables	11.8	11.2
Rental income	49.4	22.5
Gains from sales of shares and fixed assets	459.3	760.3
Grants received	0.3	0.4
Management fees charged from subsidiaries	43.4	46.5
Other items	12.7	4.8
Total	603.2	863.2

3. OPERATING EXPENSES AND NUMBER OF PERSONNEL

€ million		2001	2000
Cost of sold equipment and materials			
Purchase of equipment and materials		22.1	33.3
Decrease in inventories		2.6	2.5
Total		24.7	35.8
Services bought			
Payments to other operators for use of networks		184.9	198.6
Payments for other external services	(a)	266.7	238.4
Total		451.6	437.0
Personnel expenses	(b)		
Wages and salaries		116.2	128.4
Pension expenses		19.6	17.2
Other personnel expenses		11.9	13.7
Total		147.7	159.3
Rental expenses		47.3	68.5
Losses from disposal of fixed assets		24.9	23.5
Other items	(c)	234.5	259.9
Total		930.7	984.0

(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) Fees and salaries paid to members of the Supervisory Board, members of the Board of Directors and President & CEO of Sonera Corporation, totaled €1.1 million (2000: €1.2 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 on sale of fixed assets and other long-term investments.

The number of personnel is as follows:

	2001	2000
Number of personnel at the end of the period	2,691	3,224

4. DEPRECIATION AND AMORTIZATION

€ million	2001	2000
Intangible rights	7.2	7.3
Goodwill	0.6	0.4
Other intangible assets	1.4	1.3
Buildings	2.9	5.4
Machinery and equipment	14.5	12.2
Telecommunications networks	108.9	110.3
Other tangible assets	8.6	8.0
Total	144.1	144.9

5. FINANCIAL INCOME AND EXPENSES

€ million	2001	2000
Dividend income		
From subsidiaries	516.2	0.8
From associated companies	3.9	10.0
From other parties	-	17.0
Interest income		
On long-term loans receivable		
From subsidiaries	30.1	16.0
From associated companies	115.5	39.8
From other parties	0.3	-
Other interest income		
From subsidiaries	11.2	12.6
From associated companies	1.8	0.1
From other parties	18.8	13.5
Other financial income		
From associated companies	-	22.6
From other parties	4.1	5.6
Interest expense		
To subsidiaries	(45.9)	(26.1)
To other parties	(277.8)	(152.3)
Other financial expenses		
To other parties	(38.5)	(6.3)
Realized exchange gains and losses	(0.2)	(3.8)
Unrealized exchange gains and losses	0.3	4.3
Write-down on shares	(27.5)	(52.2)
Total financial income (expenses)	312.3	(98.4)

6. EXTRAORDINARY INCOME AND EXPENSES

€ million	2001	2000
Group contributions received	128.6	207.1
Group contributions granted	(275.4)	(189.0)
Value-added tax related to incorporation of a businesses	-	(43.8)
Total	(146.8)	(25.7)

7. INCOME TAXES

€ million	2001	2000
Current tax expense	3.0	258.6
Total	3.0	258.6

8. FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Intangible assets consist of the following components:

€ million	2001	2000
Intangible rights	15.9	27.0
Goodwill	-	0.1
Other intangible assets	9.4	7.9
Total	25.3	35.0

Changes in fixed assets and other long-term investments during 2001 include the following:

€ million		Historical cost on January 1, 2001	Capital expenditure and other additions	Disposals and other decreases (a)	Accumulated depreciation on December 31, 2001	Carrying value on December 31, 2001
Intangible rights		46.4	6.7	(18.2)	(19.0)	15.9
Goodwill		0.5	2.6	(2.6)	(0.5)	-
Other intangible assets		12.9	2.9	-	(6.4)	9.4
Total intangible assets		59.8	12.2	(20.8)	(25.9)	25.3
Land		5.7	-	(0.1)	-	5.6
Buildings		80.3	1.5	(1.3)	(32.3)	48.2
Machinery and equipment		93.9	7.9	(14.6)	(57.8)	29.4
Telecommunications networks		912.0	83.4	(146.8)	(543.7)	304.9
Other tangible assets		46.9	14.0	(23.8)	(12.3)	24.8
Advances paid and construction in progress		45.1	43.8	(39.8)	-	49.1
Total tangible assets		1,183.9	150.6	(226.4)	(646.1)	462.0
Shares in Group companies	(b)	4,846.3	173.3	(32.0)	-	4,987.6
Investments in associated companies	(b)	2.9	26.2	(25.4)	-	3.7
Other shares and holdings	(b)	587.4	72.1	(257.4)	-	402.1
Long-term loans receivable		265.1	2,567.8	(112.0)	-	2,720.9
Total long-term investments and receivables		5,701.7	2,839.4	(426.8)	-	8,114.3
Total fixed assets and other long-term investments		6,945.4	3,002.2	(674.0)	(672.0)	8,601.6

(a) Includes the effects of incorporated businesses.
(b) See Note 23 to the consolidated financial statements for the investments in subsidiaries, associated companies and other shares.

9. SHAREHOLDERS' EQUITY

€ million	2001	2000
Share capital on January 1	319.7	310.5
Share issue	159.9	9.2
Share capital on December 31	479.6	319.7
Share premium fund on January 1	14.1	12.8
Share issue	843.9	1.3
Share premium fund on December 31	858.0	14.1
Treasury shares on January 1	(28.3)	-
Sales of rights related to treasury shares	6.1	-
Repurchase of shares	-	(28.3)
Treasury shares on December 31	(22.2)	(28.3)
Additional paid-in capital on January 1	504.6	504.6
Additional paid-in capital on December 31	504.6	504.6
Retained earnings on January 1	1,188.3	634.7
Dividends paid	(66.9)	(86.6)
Loss from sale of rights related to treasury shares	(3.7)	-
Transferable subscriptions sold	0.9	1.5
Net income for the year	986.3	638.7
Retained earnings on December 31	2,104.9	1,188.3
Total shareholders' equity on December 31	3,924.9	1,998.4

10. LONG-TERM AND CURRENT DEBT

Information on the borrowings of long-term and current debt are presented in Note 15 to the consolidated financial statements.

11. BALANCES WITH SUBSIDIARIES

€ million	2001	2000
Long-term loans receivable	699.8	262.8
Current loans receivable	258.7	319.3
Trade accounts receivable	87.8	118.9
Prepaid expenses and accrued income	9.7	6.6
Group contributions receivable	128.6	207.1
Other receivables	5.2	13.4
Current debt	211.8	722.1
Trade accounts payable	62.7	82.8
Accrued expenses and prepaid income	6.7	2.4
Group contributions payable	275.4	189.0
Other current debt	-	2.8

12. BALANCES WITH ASSOCIATED COMPANIES

€ million	2001	2000
Long-term loans receivable	1,842.4	2.0
Other long-term receivable	177.6	-
Current loans receivable	4.7	1,829.1
Trade accounts receivable	0.7	2.4
Prepaid expenses and accrued income	0.1	39.8
Advances received	-	22.7
Trade accounts payable	1.2	2.0

13. COMMITMENTS AND CONTINGENT LIABILITIES

€ million	2001	2000
Assets pledged to secure own commitments	6.5	4.5
Guarantees on behalf of Group companies		
For financing	4.8	5.4
For other commitments	-	1.6
Guarantees on behalf of associated companies		
For financing	35.1	85.4
For other commitments	607.6	-
Guarantees on behalf of other companies	5.8	620.7
Liability for value added tax allowance (real estate)	3.4	4.7
Other commitments	271.8	175.2

14. OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For information about disputes and administrative proceedings and the fair values of financial instruments, see Notes 20 and 21 to the consolidated financial statements.

Financing and financial risks

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

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

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

Sonera evaluates continuously the market risks of receivables, liabilities and derivative contracts as well as 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 in relation to market factors.

Management of loan portfolio
The aggregate amount of Sonera's loans as of December 31, 2001, was €3,480 million (Dec. 31, 2000: €5,797 million). Of this amount, €2,007 million (1,842) was long-term borrowing. Short-term loans amounted to €1,473 million (3,955), consisting of €1,418 million (107) of repayments of long-term loans falling due during the next 12 months and €55 million (3,848) of other short-term loans.

Interest-bearing net debt, subtracting from drawn-down loans €212 million of liquid funds (156), totaled €3,268 million (5,641). Also subtracting from interest-bearing net debt the remaining market value as of December 31, 2001, of the Deutsche Telekom shares (€504 million) as well as the proceeds from the sale of the Pannon GSM shares (€310 million), the amount of interest-bearing net debt affecting the net interest rate exposure was €2,454 million.

Sonera's funding through borrowed capital as well as 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
The credit rating institution Standard & Poor's assigned Sonera a long-term credit rating of BBB and a short-term rating of A-3 (A and A-1 at the end of 2000). Correspondingly, the long-term credit rating which Moody's assigned to Sonera is Baa2 and the short-term rating is Prime-2 (A2 and Prime-1).

Sonera has available to it a long-term €3.0 billion international Euro Medium Term Note program (EMTN), within the framework of which Sonera can issue notes in various currencies. As of December 31, 2001, Sonera had issued bonds and notes to a total of €2,150 million (1,300).

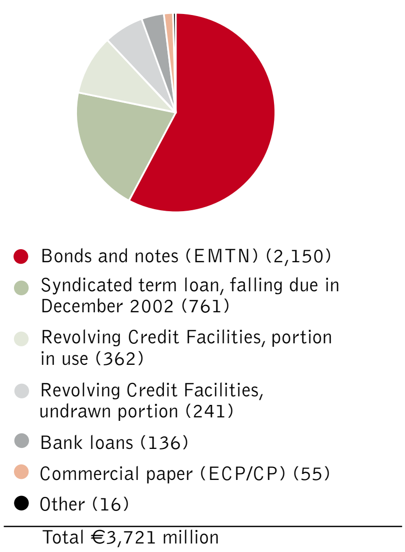
To meet its short-term financing needs, Sonera can deploy a €500 million international Euro Commercial Paper program (ECP). Within the ECP program, Sonera can issue commercial paper in different currencies with maturities of from 1 to 365 days. Sonera had issued a total of €4 million of ECP commercial paper as of December 31, 2001 (340).

In addition, Sonera had available to it a domestic €500 million commercial paper program (CP), within which it had issued commercial paper totaling €51 million as of December 31, 2001 (258).

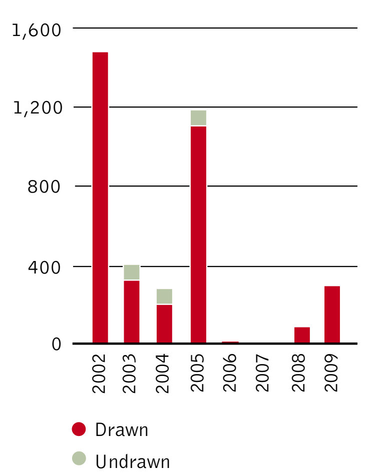
Management of liquidity risks
Liquidity risks relate to the availability of sufficient funding for debt service, dividend payment, capital expenditure and working capital requirements. Sonera seeks to minimize its liquidity risks by maintaining sufficient cash flow from operations, by having sufficient long-term financing reserves and by staggering the maturities of its loan portfolio over different years. Sonera's long-term liquidity position is comprised of liquid funds as well as committed long-term undrawn credit facilities less the loans falling due during the next 12 months.

The liquidity position on December 31, 2001, was in deficit to a total of €151 million (Dec. 31, 2000: €292 million), consisting of €212 million of liquid funds (156) and €241 million of undrawn credit facilities (465), €504 million of the market value of the remaining Deutsche Telekom shares as well as €310 million of the proceeds from the disposal of Pannon GSM, less €1,418 million of loans falling due during 2002 (329). The liquidity position falls short of Sonera's €350 million long-term target for the liquidity po-

BREAKDOWN OF LOAN PORTFOLIO (€ MILLION)



MATURITIES OF LONG-TERM LOANS AND UNUSED LONG-TERM CREDIT FACILITIES (€ MILLION)



sition because of the restructuring arrangements for the loans restricting the Company's operations, which were carried out in December 2001. According to these arrangements, Sonera prematurely repaid €830 million of its long-term loans and adjusted the maturity of a €700 million long-term loan to a short-term basis. The liquidity position is supported by a €850 million unused long-term bond-based credit facility as well as unused commercial paper credit facilities amounting to €945 million.

Management of credit risks

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

The calculation of interest rate exposure is based on the interest rate maturities of the loans and other financial instruments used. The objective is to hedge against changes caused by a rise in the level of interest rates, taking into account factors such as the prevailing interest rate levels, yield curves and volatilities. In accordance with Sonera's financial management policy, approximately 61% of Sonera's net interest-bearing debt as of December 31, 2001, consisted of floating rate instruments, i.e. with interest rate maturities less than 12 months (Dec. 31, 2000: 70%) and about 39% were fixed rate instruments, i.e. with interest rate maturities ranging from 12 months to five years (30%).

The average interest rate on Sonera's undrawn loans (including the effect of hedging measures) as of December 31, 2001, was 4.18% (5.37%). A parallel change of one percentage point in the level of interest rates would have an impact of about €19 million on annual net interest expenses provided that Sonera's interest-bearing net debt remains at the level prevailing at the end of 2001 and that new hedging measures are not taken (47). Interest-bearing net debt excludes loans receivable.

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 against all significant transaction risks by employing forward exchange contracts, currency swaps and currency options.

As of December 31, 2001, the post-hedging open transaction risk of the Group companies in Finland was about €2 million (Dec. 31, 2000: €1 million). A 10% change in the exchange rate of the euro against all other currencies would affect Sonera's net profit directly, causing a change of €0.2 million, assuming that the open transaction risk is at the same level as on December 31, 2001, and that new hedging measures are not taken (0.1).

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

Sonera's proportion of the shareholders' equity in its non-euro subsidiaries and associated companies as of December 31, 2001, was €1,255 million (1,093). During 2000 and 2001 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 €126 million, assuming that Sonera's proportion of the shareholders' equity in its non-euro subsidiaries and associated companies is at the same level as it was on December 31, 2001, and that new hedging measures are not taken (109).

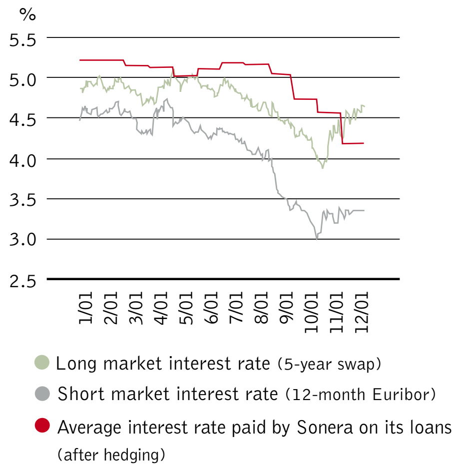
Turkcell and certain other subsidiaries and associated companies in highly inflationary countries report their financial statements either in the inflation-corrected local currency or in United States dollars instead of the local currency.

Management of credit risks

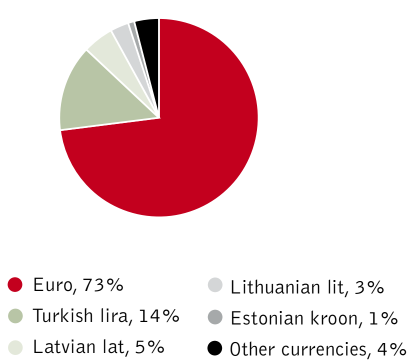
Financial instruments involve a risk that counterparties will not be able to meet their contractual obligations. Treasury handles investments in financial instruments on a centralized basis, including short-term investments of excess cash, long-term investments in bonds and notes as well as loan receivables 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 2001 amounted to 0.3% of consolidated revenues (2000: 0.3%).

INTEREST RATE TRENDS IN 2001



CONSOLIDATED SHAREHOLDERS' EQUITY BY CURRENCY



KEY FINANCIAL INDICATORS

		1994	1995	1996	1997	1998	1999	2000	2001
Revenues	€ million	892	991	1,125	1,352	1,623	1,849	2,057	2,187
Change from previous year	%	n/a	11.1	13.5	20.2	20.0	13.9	11.2	6.3
Exports from and sales outside Finland, of revenues	%	1.8	2.1	2.2	3.8	4.6	4.5	4.8	6.8
EBITDA (a)	€ million	331	356	420	489	587	668	2,047	1,283
In relation to revenues	%	37.1	36.0	37.3	36.1	36.2	36.1	99.5	58.7
Comparable EBITDA (b)	€ million	331	356	420	489	587	647	501	562
In relation to revenues	%	37.1	36.0	37.3	36.1	36.2	35.0	24.4	25.7
Operating profit	€ million	162	154	170	285	289	387	1,748	951
In relation to revenues	%	18.2	15.6	15.1	21.1	17.8	20.9	85.0	43.5
Profit before income taxes, minority interest and extraordinary items	€ million	178	168	183	309	346	497	1,860	445
In relation to revenues	%	19.9	16.9	16.2	22.8	21.4	26.9	90.4	20.3
Comparable profit before income taxes, minority interest and extraordinary items (b)	€ million	178	168	191	309	383	476	314	(4)
Profit after extraordinary items	€ million	167	168	183	309	346	497	1,825	445
In relation to revenues	%	18.8	16.9	16.2	22.8	21.4	26.9	88.7	20.3
Net income	€ million	125	121	128	220	251	370	1,506	409
In relation to revenues	%	14.0	12.2	11.4	16.2	15.5	20.0	73.2	18.7
Equity income (loss) in associated companies	€ million	4	1	6	19	59	110	121	(202)
Dividends received from associated companies	€ million	-	-	2	5	9	14	30	33
Return on capital employed	%	18.7	16.5	16.5	23.7	19.1	19.7	32.9	7.9
Return on shareholders' equity	%	15.3	12.3	12.0	18.0	18.4	22.8	60.9	10.5
Total assets	€ million	1,214	1,381	1,451	1,866	2,814	3,609	9,774	8,794
Capital employed	€ million	975	1,077	1,166	1,485	2,359	3,111	9,046	8,068
Share capital	€ million	303	303	303	303	304	310	320	480
Other shareholders' equity and minority interest	€ million	635	720	822	1,009	1,132	1,505	2,929	4,108
Equity-to-assets ratio	%	77.4	74.3	78.0	70.9	51.5	50.6	33.4	52.4
Total liabilities	€ million	276	359	326	554	1 378	1,794	6,525	4,206
Long-term and current debt	€ million	38	54	42	173	923	1,296	5,797	3,480
In relation to revenues	%	4.2	5.4	3.7	12.8	56.9	70.1	281.8	159.1
Debt-to-equity ratio	%	4.0	5.3	3.7	13.2	64.3	71.4	178.4	75.9
Cash and short-term investments	€ million	196	201	30	145	93	115	156	716
Net debt	€ million	(158)	(147)	11	28	830	1,181	5,641	3,268
In relation to revenues	%	(17.7)	(14.9)	1.0	2.0	51.2	63.9	274.2	149.4
Net debt-to-equity ratio (gearing)	%	(16.8)	(14.4)	1.0	2.1	57.8	65.1	173.6	71.2
Net debt-to-capital employed ratio (net debt-to-book)	%	(16.2)	(13.7)	1.0	1.9	35.2	38.0	62.4	40.5
Interest-bearing loans receivable	€ million	26	19	20	78	30	54	2,859	3,120
Net interest income (expense)	€ million	10	13	8	2	(7)	(26)	(53)	(44)
Cash provided by operating activities	€ million	289	365	374	455	508	442	227	197
Capital expenditures	€ million	242	339	379	373	351	338	430	359
In relation to revenues	%	27.1	34.2	33.7	27.6	21.6	18.3	20.9	16.4
Investments in shares	€ million	31	14	133	22	898	410	2,117	526
Depreciation and amortization (c)	€ million	169	202	242	204	261	281	299	332
Write-downs on fixed assets	€ million	-	-	8	-	37	-	-	111
Dividends declared (d)	€ million	31	28	38	132	61	87	67	-
Dividend payout ratio	%	24.9	23.3	29.6	60.2	24.2	23.5	4.4	-
Research and development expenditure (R&D)	€ million	35	39	32	45	52	64	70	82
In relation to revenues	%	4.0	3.9	2.8	3.4	3.2	3.5	3.4	3.7
Personnel, at end of year		6,877	7,393	7,621	8,290	9,068	9,512	11,271	10,068
Average during the year		6,930	7,239	7,667	7,967	8,609	9,270	10,305	10,482

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

(b) Comparable earnings do not include sales gains and losses, write-downs, restructuring expenses and other non-recurring items.

(c) As of the beginning of 1997, telecommunication 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.

(d) Dividends presented for each year were paid during the following year, after the approval by the Annual General Meeting. Dividend for 2001 is the Board of Directors' proposal to the Annual General Meeting.

QUARTERLY RESULTS IN 2001

€ million	1-3/2001	4-6/2001	7-9/2001	10-12/2001	Full year
Revenues					
Mobile Communications Finland	290	310	307	306	1,213
International Mobile Communications	2	2	(1)	1	4
Service Businesses	63	94	76	88	321
Sonera Telecom	245	260	255	264	1,024
Other Operations	31	14	34	34	113
Intra-Group Sales	(106)	(123)	(122)	(137)	(488)
The Group	525	557	549	556	2,187
Other operating income	291	611	9	5	916
Cost of services and goods	(165)	(185)	(173)	(185)	(708)
Personnel expenses	(137)	(135)	(112)	(128)	(512)
Other operating expenses	(130)	(138)	(126)	(206)	(600)
EBITDA					
Mobile Communications Finland	144	161	158	141	604
International Mobile Communications	(3)	594	(18)	(4)	569
Service Businesses	(89)	(71)	(57)	(120)	(337)
Sonera Telecom	59	59	58	55	231
Other Operations	273	(33)	6	(30)	216
The Group	384	710	147	42	1,283
Comparable EBITDA	102	122	183	155	562
Depreciation and amortization	(84)	(84)	(84)	(80)	(332)
Operating profit					
Mobile Communications Finland	113	129	126	109	477
International Mobile Communications	(4)	594	(17)	(4)	569
Service Businesses	(100)	(82)	(71)	(131)	(384)
Sonera Telecom	26	28	30	24	108
Other Operations	265	(43)	(5)	(36)	181
The Group	300	626	63	(38)	951
Comparable operating profit	18	38	99	75	230
Equity loss in associated companies	(38)	(56)	(41)	(67)	(202)
Sales and write-downs of short-term investments	-	-	(366)	94	(272)
Financial income and expenses	(17)	(10)	(8)	3	(32)
Profit before income taxes, minority interest and extraordinary items	245	560	(352)	(8)	445
Comparable profit before income taxes, minority interest and extraordinary items	(37)	(28)	50	11	(4)
Income taxes	(81)	(47)	28	65	(35)
Minority interest in income	1	-	(1)	(1)	(1)
Net income	165	513	(325)	56	409
Net income per share (€)	0.18	0.56	(0.36)	0.06	0.44
Comparable net income per share (€)	(0.03)	(0.03)	0.06	0.07	0.07

Quartely interim information is unaudited.

Definitions of key financial indicators

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

Shares and shareholders

Shares and share capital

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

In 2001, the share capital was increased by €159,522,865.44 through a Rights Offering that was arranged in November. A total of 371,767,243 new shares were issued in the offering. For two old shares, shareholders were entitled to subscribe for one new share at a price of €2.70.

Following the offering, the total number of the Company's shares is 1,115,301,729. The paid-in share capital which is entered in the Trade Register stood at €479,579,743.47 as of December 31, 2001. The share capital is a minimum of €309,600,000 and a maximum of €1,238,400,000, within which limits the share capital can be increased or decreased without amending the Articles of Association.

On March 21, 2001, the Annual General Meeting of Sonera Corporation authorized the Board of Directors to repurchase a maximum of 2,000,000 Sonera shares (about 1.8% of the share capital) in public trading on Helsinki Exchanges. The authorization is valid up to March 21, 2002. At the end of the year, the Company had in its possession 550,000 Sonera shares with an accountable par of €236,500. The shares represent about 0.05% of the entire share capital. The shares were repurchased in May 2000 at an average price of €51.36 per share and the subscription rights attached to the shares were sold on the market during the offering at a total price of about €1 million. The Board of Directors also has an authorization up to March 21, 2002 to decide on the reissuance of the Company's own shares (treasury shares). Not counting the Company's treasury shares, the number of shares outstanding as of December 31, 2001 was 1,114,751,729.

The Company's Board of Directors does not have a valid share issue authorization.

State's holding

The Finnish State's holding in Sonera is about 52.8%. The Finnish State subscribed for its proportion of the Rights Offering in full. The Government of Finland has an authorization granted to it by the Parliament on June 21, 2000 to reduce the State's holding in Sonera Corporation to as low as zero.

Management's shareholdings on December 31, 2001

The members of the Board of Directors of Sonera Corporation as well as the President & CEO own a total of 5,527 shares, or 0.0005% of the Company 's share capital and voting rights. The members of the Executive Management Team (with the exception of the President & CEO) own a total of 34,829 shares. Management's shareholdings and stock options are presented in detail on Sonera's website at the address www.sonera.com/investor under the heading "Insider Register".

Employee bond loans with warrants

Sonera Corporation has two currently valid stock option schemes covering the Company's entire personnel, the first from the year 1999 and the second from 2000. In accordance with the terms and conditions of the stock option schemes, Sonera's Board of Directors decided in November 2001 to make a share issue adjustment in the price of all the stock option schemes whereby the subscription price was lowered by 19.2%.

Under the 1999 stock option scheme, each employee's warrants are divided evenly into Series A and Series B warrants, and one warrant entitles its holder to subscribe for one Sonera Corporation share. In accordance with the terms and conditions of the stock options, the subscription price of the Series A and B warrants will be reduced by the dividends paid out prior to the subscription. The Series A warrants of the 1999 stock option scheme were listed on Helsinki Exchanges beginning on June 1, 2001.

The warrants of the 2000 stock option scheme are divided into warrants A, B and C, such that 25% of each employee's warrants belong to Series A, 25% to Series B and 50% to Series C. One warrant entitles its holder to subscribe for one Sonera Corporation share. In the 2000 stock option scheme, dividends paid out do not have an effect on the subscription prices. The warrants do not entitle their holders to subscribe for shares if the trading price of the Company's share on Helsinki Exchanges does not exceed the reference index determined by the Company's Board of Directors.

Under the terms and conditions of the option schemes, adopted by General Meetings, Sonera Corporation's Board of Directors can allocate stock options to the Company's key employees even after the close of the actual subscription periods for both stock option schemes. The subscription prices and periods for the stock options to be granted later under the 1999 stock option scheme are the same as for the origi-

STOCK OPTION SCHEMES

Warrant series	Subscription price (€)	Subscription period	Amount issued
1999A	12.21	June 1, 2001 – June 30, 2005	5,352,000
1999B	22.52	June 1, 2003 – June 30, 2005	6,855,277
2000/A1	58.90	Nov. 2, 2002 – May 31, 2008	3,496,150
2000/B1	58.90	May 2, 2003 – May 31, 2008	3,496,150
2000/C1	58.90	May 2, 2004 – May 31, 2008	6,992,300
2000/A2*	18.34	Nov. 2, 2002 – May 31, 2008	34,850
2000/B2*	18.34	May 2, 2003 – May 31, 2008	34,850
2000/C2*	18.34	May 2, 2004 – May 31, 2008	69,700
2000/A3**	8.32	Nov. 2, 2002 – May 31, 2010	1,078,990
2000/B3**	8.32	May 2, 2003 – May 31, 2010	1,078,990
2000/C3**	8.32	May 2, 2004 – May 31, 2010	2,157,980
2000/A4***	5.70	Nov. 2, 2002 – May 31, 2010	-
2000/B4***	5.70	May 2, 2003 – May 31, 2010	-
2000/C4***	5.70	May 2, 2004 – May 31, 2010	-

(*) Allocated from January 1 to June 30, 2001 (**) Allocated from July 1 to December 31, 2001
(***) Allocation from January 1 to June 30, 2002

nally allocated stock options after dividend and share issue adjustment. The subscription prices in the 2000 stock option scheme are determined such that the subscription price of the stock options to be allocated from January 1 to June 30 is the average price of the share during the previous November and December, and the subscription price of the stock options to be allocated from July 1 to December 31 is the average price of the share in the previous May and June. Sonera's stock option schemes are presented in more detail on Sonera's website at the address www.sonera.com/investor under the heading "Insider Register". The subscription prices and subscription periods up to December 31, 2001 are set out in the table on page 74.

The Annual General Meeting held on March 21, 2001 did not approve the proposal of the Company's Board of Directors for the 2001 stock option scheme, which was intended to replace the 2000 stock option scheme.

In June, Sonera made changes to the stock option schemes of its subsidiaries Sonera Plaza Ltd and Sonera SmartTrust Ltd. In accordance with the decision, Sonera Plaza's stock option scheme was discontinued in June 2001, and Plaza's employees were allocated Sonera Corporation's 2000 and, in part, 1999 stock options. In June 2001, a new stock option scheme was confirmed for Sonera SmartTrust. The stock options are directed at the entire personnel and are based on the estimated value of Sonera SmartTrust at the time, i.e. €250 million. An employee can participate only in either the 2000 or the 2001 scheme and the aggregate dilution effect of the schemes on Sonera's holding in Sonera SmartTrust can be a maximum of 15%. The scheme has so far not been implemented.

Changes have not been made to Sonera Zed Ltd's 2000 stock option scheme. The period for subscribing for Sonera Zed shares by exercising the warrants will begin a year after public trading in the company's shares has commenced, and the subscription period will end on December 31, 2010 at the latest. The options to Sonera Zed's management and key employees were allocated in December 2000, and the stock options intended for the other employees will be offered for subscription in connection with a possible listing of the company. Of the options for top management and key employees, 50% will entitle their holders to subscribe for the company's shares at a predetermined price. Setting of the subscription price was based on the estimate which an independent external consultant made of Zed's fair value at the time of introducing the stock option scheme. The remaining 50% of the top management's and key employees' options, as well as all the options intended for the rest of the personnel will entitle their holders to subscribe for Zed shares at a price which is used as the sale price to retail investors in a possible Initial Public Offering and/or sale of shares.

Trading and share price

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

Turnover in the Company's share on Helsinki Exchanges during 2001 was a total of 1,170.9 million shares (772.6) in a total amount of €8,589 million (29,491). The closing price on Helsinki Exchanges on the first trading day of the year was €14.90 and on the last trading day it was €5.69. The share's low for the year was €2.23 and its high was €20.38. The average price of trades made during 2001 was €7.34. The Company's market capitalization at the end of the year was €6.3 billion.

Share turnover on Nasdaq during 2001 was 40.4 million shares (118.8), for a total trading amount of US$289 million (4,907). The trading price of the share at the close of the first trading day was US$14.25 and at the close of the last trading day it was US$4.86. The low for the trading period was US$1.99 and the high was US$18.96. The average trading price during 2001 was US$7.16.

The trading prices and share turnover prior to November 2001 have been share issue adjusted, whereby they are comparable with the share price performance and number of shares following the Rights Offering.

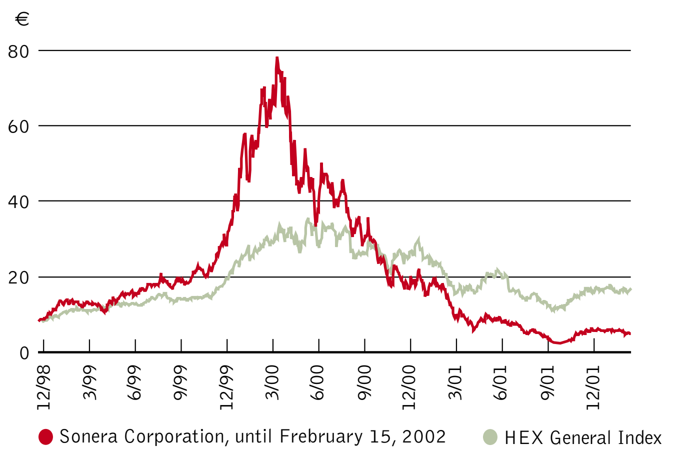
Trading codes

SRA1V Helsinki Exchanges
SNRA Nasdaq

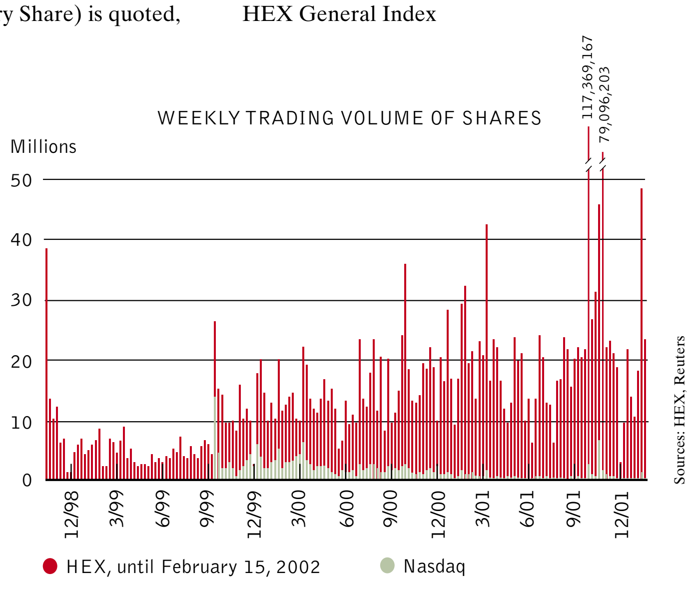
Major indexes

MSCI Europe, Asia and Far East (EAFE)
FTSE World
FTSE World Europe (exc. UK)
Bloomberg European 500
DJ Euro STOXX
HEX General Index

SHARE PRICE AND HEX INDEX



WEEKLY TRADING VOLUME OF SHARES



THE LARGEST SHAREHOLDERS ON DECEMBER 31, 2001

Shareholder		Number of shares	Holding of shares and votes, %
Finnish State		588,880,237	52.8
Pohjola Group			
Ilmarinen Mutual Pension Insurance Company	8,180,552		
Suomi Mutual Life Assurance Company	2,041,474		
Pohjola Non-Life Insurance Company Ltd	1,929,856		
Suomi Insurance Company Ltd	1,764,780	13,916,662	1.3
The Local Government Pensions Institution		7,308,203	0.7
Varma-Sampo Mutual Pension Insurance Company		4,467,201	0.4
State's Pension Institution		3,500,000	0.3
Fennia Group			
Mutual Insurance Company Pension-Fennia	2,675,175		
Enterprise-Fennia Mutual Insurance Company	185,500		
Fennia Life Insurance Company Ltd	85,500	2,946,175	0.3
LEL Employment Pension Fund		2,856,590	0.3
OP-Delta sijoitusrahasto		2,695,850	0.2
Sampo Group			
Sampo Life Insurance Company Limited	1,372,750		
Kaleva Mutual Insurance Company	738,000		
Finanssi-Sampo Oy	120,000	2,230,750	0.2
OP-Tuotto sijoitusrahasto		1,626,675	0.1
H. Kuningas & Co Oy		1,625,000	0.1
Alfred Berg Portfolio Unit Trust		1,558,495	0.1
Nominee-registered shares		334,134,418	30.0
Other shareholders, total		147,555,473	13.2
Total		1,115,301,729	100.0
Shares in the Company's possession		550,000	0.0
Total shares outstanding		1,114,751,729	100.0

SHAREHOLDERS BY GROUP ON DECEMBER 31, 2001

Group		Number of shares	Holding of shares and votes, %
Privately held companies		16,921,974	1.5
Publicly held companies		391,326	0.0
Financial and insurance institutions		37,648,778	3.4
Public sector entities			
Finnish State	588,880,237		
Occupational pension schemes and other social security funds	41,864,573		
Other public sector entities	489,917	631,234,727	56.6
Non-profit entities		8,723,711	0.8
Households		83,866,350	7.5
International owners		336,508,886	30.2
On the book-entry register joint account		5,977	0.0
Total		1,115,301,729	100.0
Shares in the Company's possession		550,000	0.0
Total shares outstanding		1,114,751,729	100.0

BREAKDOWN OF SHAREHOLDINGS BY SIZE OF HOLDING ON DECEMBER 31, 2001

Number of shares	Number of shareholders	Proportion of shareholders, %	Number of shares	Holding of shares and votes, %
1 - 100	29,405	21.2	1,768,730	0.2
101 - 500	63,127	45.6	16,448,857	1.4
501 - 1,000	21,279	15.4	15,601,305	1.4
1,001 - 10,000	23,858	17.2	50,463,524	4.5
10,001 - 100,000	728	0.5	17,334,862	1.6
100,001 - 1,000,000	102	0.1	32,678,715	2.9
Over 1,000,000	32	0.0	646,865,341	58.0
Nominee-registered shares			334,134,418	30.0
On the book-entry register joint account			5,977	0.0
Total	138,531	100.0	1,115,301,729	100.0
Shares in the Company's possession			550,000	0.0
Total shares outstanding			1,114,751,729	100.0

PER SHARE DATA (a)

		1994	1995	1996	1997	1998	1999	2000	2001
Earnings per share (excluding extraordinary items)	€	0.15	0.14	0.15	0.25	0.29	0.42	1.72	0.44
Earnings per share	€	0.14	0.14	0.15	0.25	0.29	0.42	1.68	0.44
Diluted earnings per share	€	0.14	0.14	0.15	0.25	0.29	0.42	1.67	0.44
Operating cash flow per share	€	0.33	0.42	0.43	0.52	0.57	0.50	0.25	0.21
Declared dividend per share	€	0.03	0.03	0.04	0.15	0.07	0.10	0.07	-
Shareholders' equity per share	€	1.06	1.16	1.28	1.49	1.62	2.05	3.57	4.10
Share price on Helsinki Exchanges (as of Nov. 10, 1998)									
Average for the year	€					9.41	21.77	38.17	7.34
Lowest during the year	€					8.13	10.17	14.06	2.23
Highest during the year	€					13.79	58.30	79.53	20.38
At end of year	€					12.41	55.80	15.83	5.69
Market capitalization	€ million					10,929	49,132	14,350	6,346
Price-to-earnings ratio (P/E)						42.8	132.9	9.2	12.9
Dividend yield	%					0.6	0.2	0.4	-
Trading volume of shares on Helsinki Exchanges (as of Nov. 10, 1998)									
Total traded value	€ million					844	7,256	29,491	8,589
Number of shares traded	in thousands					89,754	333,222	772,568	1,170,851
In relation to average number of shares	%					10.2	37.8	86.1	126.7
Trading volume of shares on NASDAQ (as of Oct. 13, 1999)									
Total traded value	US$ million						1,305	4,907	289
Number of shares traded	in thousands						41,398	118,783	40,361
In relation to average number of shares	%						4.7	13.2	4.4
Number of shares adjusted with effects of Rights Offering									
At end of year	in thousands	878,061	878,061	878,061	878,061	880,500	880,500	906,762	1,115,302
Outstanding at end of year	in thousands	878,061	878,061	878,061	878,061	880,500	880,500	906,091	1,114,752
Average during the year	in thousands	878,061	878,061	878,061	878,061	878,362	880,500	897,472	924,346
Average diluted during the year	in thousands	878,061	878,061	878,061	878,061	878,362	881,632	902,193	924,346
1999A warrant price on Helsinki Exchanges (as of June 1, 2001)									
Average for the year	€								2.18
Lowest during the year	€								0.75
Highest during the year	€								3.60
At end of year	€								1.46
Trading volume of 1999A warrants on Helsinki Exchanges (as of June 1, 2001)									
Total traded value	€ million								0.9
Number of warrants traded	in thousands								405
Number of warrants at end of year (b)									
1999 warrants	in thousands						9,482	10,861	12,207
2000 warrants	in thousands						-	16,178	18,440

(a) All per share data have been adjusted to reflect the Rights Offering in 2001, to present comparable information.
(b) The terms of the options scheme are presented on pages 74-75.
The definitions of per share data are presented on page 73.

Auditors' Report

To the shareholders of Sonera Corporation

(Translation) We have audited the records and the financial statements, as well as the administration by the Board of Directors and the President & CEO of Sonera Corporation for the year ended December 31, 2001. The financial statements prepared by the Board of Directors and the President & CEO 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 Board of Directors and the President & CEO have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements, showing a profit of €409 million in the consolidated income statement and a profit of €986 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 Board of Directors and the President & CEO of the parent company can be discharged from liability for the financial year audited by us. The proposal made by the Board of Directors on how to deal with the distributable funds is in compliance with the Finnish Companies Act.

Helsinki, Finland
February 26, 2002

KPMG WIDERI OY AB
Authorized Public Accountants
Solveig Törnroos-Huhtamäki
Authorized Public Accountant

Jorma Heikkinen
Authorized Public Accountant

U.S. GAAP information

Finnish accounting practice and accounting policies adopted by Sonera differ in certain significant respects from accounting principles generally accepted in the United States (U.S. GAAP). The following is a summary of the adjustments to net income and shareholders' equity that would have been required if U.S. GAAP had been applied in the preparation of the consolidated financial statements.

Difference in depreciation method
Under Finnish GAAP, as of January 1, 1997, Sonera changed its depreciation method for telecommunications networks from the declining-balance method to the straight-line method. Under U.S. GAAP, the Company has followed the straight-line method for all periods since the Company's incorporation.

Pensions
Under Finnish GAAP, pension expenses consist of the contributions paid to the Sonera Pension Fund. Under U.S. GAAP, the determination of pension expense for defined benefit pension plans is made pursuant to SFAS 87, which requires the use of a specific actuarial method.

Marketable securities
Under Finnish GAAP, Sonera accounts for its investments in marketable securities at the lower of cost or market value and the unrealized changes are recorded in the income statement. Under U.S. GAAP, all marketable securities classified as "available-for-sale" are reported at fair value, with unrealized gains and losses recorded in a separate component of shareholders' equity. However, if the decline in fair value is considered to be other than temporary, the unrealized loss is recorded in the income statement, and the recorded loss cannot be reversed until securities are sold.

Capitalization of interest
Under Finnish GAAP, Sonera has capitalized interest costs on assets constructed for its own use starting in 2000. From 2000 onwards, the accounting principle used in Sonera's Finnish GAAP financial statements also complies with U.S. GAAP, which requires the capitalization of interest as part of the acquisition cost for assets constructed for own use.

Associated companies
Under Finnish GAAP, Sonera uses financial statements reported by its associated companies that are materially consistent with either IAS or U.S. GAAP. Under U.S. GAAP, financial statements of associated companies are restated to comply with U.S. GAAP.

Stock option schemes
Under Finnish GAAP, Sonera does not record any compensation expense in respect of stock options to its income statement, except for the social security contribution paid and recorded when the options are sold or exercised. For U.S. GAAP, Sonera has elected to account for the stock option schemes using the fair value method of accounting under SFAS 123. Compensation cost is accrued in the income statement, based on the fair value of granted options on the grant date.

Business combinations
During 2000, Sonera acquired all shares in Across Holding AB and iD2 Holding AB, and paid for the acquisitions by issuing new shares to the sellers. Under Finnish GAAP, Sonera has not recorded goodwill on either of these transactions in accordance with the interpretation No. 1591/1999 by the Finnish Accounting Board. Under U.S. GAAP, both transactions are accounted for under the purchase method of accounting. As a result, goodwill and additional share premium fund of €1,136 million was recorded on the acquisitions. On December 31, 2000, an impairment loss of €704 million was recorded on the goodwill, based on the estimated fair value of the remaining goodwill at that date.

Derivative instruments
Under Finnish GAAP, Sonera does not record interest rate derivatives at fair value. Effective January 1, 2001, Sonera adopted SFAS 133 and SFAS 138 in its accounting for derivatives. These standards require the derivative instruments to be recorded in the balance sheet at fair value. The changes in the fair value of derivatives are recorded either in earnings or in a separate component of shareholders' equity, depending on the intended use and designation of the derivative at its inception. Part of derivatives used by Sonera relate to the hedging of a net interest rate exposure, for which U.S. GAAP requires the changes in the fair value of derivatives to be recorded in earnings, even though the changes in fair values of the underlying hedged net exposure are not recorded.

Income taxes
Includes the deferred tax effects of the adjustments to reconcile to U.S. GAAP. Additionally, in 2001 includes certain deferred tax assets that are not reported under Finnish GAAP.

U.S. GAAP information for 2001 is unaudited. For more detailed information on differences between Finnish GAAP and U.S. GAAP, see Sonera's previous filings with the U.S. Securities and Exchange Commission (SEC), and the forthcoming "Form 20-F" annual report which will be published later on in 2002. These reports are also available at www.sonera.com or at www.sec.gov

	(unaudited)	
€ million	2001	2000
Net income		
Under Finnish GAAP	409	1,506
Adjustments to reconcile to U.S. GAAP:		
Depreciation method	(13)	25
Pensions	7	3
Marketable securities	(70)	-
Capitalization of interest	-	(8)
Associated companies	(3)	117
Stock option schemes	(47)	(66)
Business combinations	(69)	(852)
Derivative instruments	18	-
Income taxes	65	(17)
Other items	(9)	(4)
Net income under U.S. GAAP before cumulative effect of accounting change	288	704
Cumulative effect of accounting change (net of deferred tax benefit)	(4)	-
Net income under U.S. GAAP	284	704
Shareholders' equity		
Under Finnish GAAP	4,575	3,233
Adjustments to reconcile to U.S. GAAP:		
Depreciation method	8	21
Pensions	50	43
Marketable securities	-	960
Capitalization of interest	-	-
Associated companies	(5)	65
Stock option schemes	-	-
Business combinations	215	284
Derivative instruments	12	-
Income taxes	50	(190)
Other items	7	16
Shareholders' equity under U.S. GAAP	4,912	4,432

Sonera Corporation's administrative bodies are the Board of Directors and the President & CEO. The Company can furthermore have one or more Deputy CEOs. The Board of Directors is responsible for carrying out the duties specified for it under the Companies Act and Sonera's Articles of Association. The President & CEO attends to the Company's running administration in accordance with the instructions and regulations issued by the Board of Directors. In managing Sonera's corporate business, the President & CEO is assisted by the Executive Management Team.

Board of Directors

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

The Board of Directors is composed of the Chairman, the Vice Chairman and between three and eight ordinary members who may be no more than 65 years of age. Currently, the Board of Directors consists of a Chairman, a Vice Chairman and five ordinary members. In addition, Sonera and its personnel groups agreed on April 5, 2001, that the Board of Directors would also have one employee representative, who has a deputy. At meetings of the Board of Directors, the employee representative has the right to be present, to speak and also, subject to certain restrictions, to vote. The deputy member also has the right to be present.

The Chairman, Vice Chairman and ordinary members of the Board of Directors are elected at the Annual General Meeting. On November 9, 2001, Sonera's Board of Directors decided to establish a Nomination Committee, which has the duty of presenting to the Annual General Meeting proposals for the election of members of the Board of Directors. According to the Articles of Association, the Nomination Committee comprises from three to five members who are named by the Board of Directors for a maximum of one year. In making proposals, the Nomination Committee also consults with the largest shareholders regarding their views on the proposed nominations. In November 2001, the Board of Directors named Jussi Länsiö, Roger Talermo and Tom von Weymarn as members of the Nomination Committee.

The Board of Directors is assisted by the Audit Committee, whose duties and composition are presented in detail in the section "Control of administration and operations".

Maire Laitinen, Group General Counsel, acts as Secretary to the Board of Directors. The Board of Directors meets at least once a month. In 2001 the Board of Directors met 20 times.

President & CEO, and Executive Management Team

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

Following the resignation on August 1, 2001, of Kaj-Erik Relander, the Company's previous President & CEO, Aimo Eloholma was Sonera's acting President & CEO up to October 1, 2001, when Harri Koponen, the current President & CEO, assumed his duties.

The Executive Management Team, appointed by the President & CEO, deals with all matters that are to be brought up before or decided by Sonera's Board of Directors and assists the President & CEO in managing the Company according to strategic and business objectives and in coordinating their implementation. The Executive Management Team comprises the President & CEO and eight other executives. Maire Laitinen, Group General Counsel, acts as Secretary to the Executive Management Team.

Control of administration and operations

The Board of Directors bears responsibility for supervising the Company's administration and business operations. In May 2000, the Company's Board of Directors established an Audit Committee whose duties are to assist the Board of Directors in overseeing the Company's corporate governance by going through the reporting processes and internal control independently and impartially. Furthermore, the Audit Committee ensures liaison between the Company's management, Internal Audit, the external auditors and the Board of Directors. The ordinary members of the Audit Committee are Tapio Hintikka, Jorma Laakkonen and Eva Liljeblom. CFO Kim Ignatius also takes part in meetings of the Committee and Group General Counsel Maire Laitinen serves as its secretary. The Committee seeks to meet at least three times a year. The Committee met three times in 2001.

The President & CEO is responsible in practice for arranging the Company's administration and control mechanisms. The President & 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 President & CEO chairs meetings of the Executive Management Team, which assists the President & CEO in managing and monitoring the operations.

The monitoring of the Company's administration and operations is divided into three subareas:

1. Business planning, supervision and financial control
2. Risk management and insurance
3. Internal audit

In addition, the Company's operations are audited by external auditors independent of the Company.

The Group employs an information system serving business planning and supervision as well as financial control. The development and financial result of the Group's operations are reported on monthly to the Executive Management Team, and the Board of Directors of Sonera Corporation also receives this information. The Group is organized into business units with profit accountability, each having responsibility for producing their own business and financial information and for its correctness. The Board of Directors of Sonera Corporation approves the Group's business plans, is responsible for preparing the Parent Company and consolidated financial statements as well as interim reports, and approves the accounting principles used in internal and external reporting, which are described in Note 1 to the consolidated financial statements on pages 42-45.

Risk management has been made an integral part of the business planning and monitoring processes. The aim is for the businesses to identify in advance and to prioritize the main risk factors threatening the achievement of their objectives as well as to plan and implement the allocation of responsibilities and control procedures for managing these risks. Risk Management systematically maps out the risks connected with the Group's operations and reports on them to the President & CEO regularly as well as to the Audit Committee at least once a year. The Group protects against property damage, loss-of-profits and liability loss risks connected with its operations by means of appropriate insurance arrangements. Risk Management seeks assistance as necessary by calling in external and independent experts.

The Group's Internal Audit supports the Company's management in developing internal control as well as examines and evaluates the performance of internal control and the implementation of objectives, the reliability of internal reporting, the appropriateness and efficiency of functions as well as the adequacy and observance of the Group's operational principles and guidelines. The Group's Executive Management Team discusses and confirms the annual plan for Internal Audit. Internal Audit reports on its activities to the President & CEO and to the Audit Committee on a regular basis. Internal Audit seeks assistance as necessary by calling in external and independent experts.

According to the Articles of Association, Sonera Corporation must have between one and three auditors, who are elected by the Annual General Meeting. The Company's auditors were Jorma Heikkinen, Authorized Public Accountant, and the firm of 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 statutory Auditors' Reports and also report on their auditing observations to the President & CEO, the Audit Committee and the Company's Board of Directors. The statement by the Company's auditors concerning administration is included in the Auditors' Report.

The Group employs the insider rules that are confirmed by the Board of Directors of Sonera Corporation and correspond to the insider guidelines issued by Helsinki Exchanges.

Compensation and benefits of the Board of Directors

The members of the Board of Directors are paid a monthly emolument as well as a fee for attending meetings. The monthly emolument of the Chairman of the Board of Directors is €5,046, that of the Vice Chairman €3,364 and that of the other ordinary members €3,027. The monthly emolument of the employee representative is €1,682. In addition, the members of the Board of Directors are paid a fee of €168 for each meeting they attend.

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

Management's compensation and other benefits

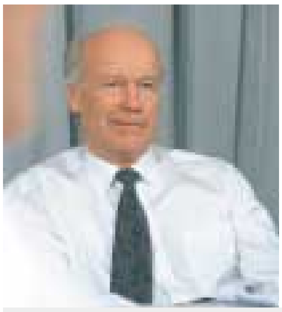
The salaries, benefits and emoluments of the members of Sonera's Board of Directors, the President & CEO of the Parent Company and the CEOs of the subsidiaries for the fiscal year ended December 31, 2001, totaled about €7.1 million. The salary paid to the President & CEO of the Parent Company as of October 1, 2001, is €46,252 a month and the total monthly salaries of the other members of the Executive Management Team amount to €135,198.

The members of Sonera's Executive Management Team 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 they can furthermore be paid a semi-annual bonus that is tied to the achievement of profit and other objectives. In addition, all the executive officers enjoy certain fringe benefits. The salaries and other compensation of the President & CEO and members of the Executive Management Team are decided by the Board of Directors. A separate executive agreement, approved by the Board of Directors, has been concluded with the President & CEO. In deciding on the salaries and benefits of other management, the "two rungs up" principle is observed.

In accordance with the employment contracts, the termination of an employment relationship is generally subject to a six months' period of notice, after which the executives are bound by non-competition restrictions and non-disclosure clauses. The retirement age of the members of the Executive Management Team is 60-65 years, and that of the President & CEO is 60 years.

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.

Board of Directors


Tapio Hintikka


Jussi Länsiö


Jorma Laakkonen


Eva Liljeblom

Chairman

TAPIO HINTIKKA (born 1942)

M.Sc. (Eng.)
Chairman of the Board of Directors of Sonera Corporation since March 21, 2001. President & CEO of Hackman Oyj Abp. Member of the Board of Directors of Onninen Oy and Teleste Corporation.
• No Sonera shares.

Vice Chairman

JUSSI LÄNSIÖ (born 1952)

M.Sc. (Econ.)
Vice Chairman of the Board of Directors of Sonera Corporation since March 21, 2001. Member of Sonera's Board of Directors since 2000. Managing Director of Oyj Hartwall Abp. Member of the Board of Directors of Metsä Tissue Corporation and Jokerit HC Oyj.
• No Sonera shares.

JORMA LAAKKONEN (born 1943)

LL.M
Member of the Board of Directors of Sonera Corporation since March 21, 2001. Member of the Board of Directors of Polar Real Estate Corporation, Silja Oyj Abp and Nordisk Renting AB.
• 750 Sonera shares.

EVA LILJEBLOM (born 1958)

Ph.D. (Econ.)
Member of the Board of Directors of Sonera Corporation since March 21, 2001. Professor of Finance at the Swedish School of Economics and Business Administration and Director of the Department of Finance and Statistics. Member of the Board of Directors of Stockmann plc.
• 660 Sonera shares.

Executive Management Team


Harri Koponen


Aimo Eloholma


Kim Ignatius


Jari Jaakkola

HARRI KOPONEN (born 1962)

Executive MBA
Sonera Corporation's President & CEO. With the Company since October 1, 2001.
• 7,972 Sonera shares; 510,000 shares pursuant to stock options.

AIMO ELOHOLMA (born 1949)

M.Sc. (Eng.)
Deputy CEO and Chief Operating Officer (COO) of Sonera Corporation. With the Company since 1974. Member of the Board of Directors of Aspocomp Group Oyj.
• 18,552 Sonera shares; 395,000 shares pursuant to stock options.

KIM IGNATIUS (born 1956)

B.Sc. (Econ.)
Executive Vice President and CFO of Sonera Corporation. With the Company since 2000.
• 2,000 Sonera shares; 325,000 shares pursuant to stock options.

JARI JAAKKOLA (born 1961)

B.A.
Executive Vice President of Corporate Communications & IR. With the Company since 1997.
• 7,878 Sonera shares; 340,001 shares pursuant to stock options.

Roger Talermo

ROGER TALERMO (born 1955)

M. Sc. (Econ.)
Member of the Board of Directors of Sonera Corporation since March 21, 2001. President & CEO of Amer Group Plc. Chairman of the Board of Directors of Suunto Corporation, Atomic Austria GmbH, Wilson Sporting Goods Co and Amer Tobacco Ltd.

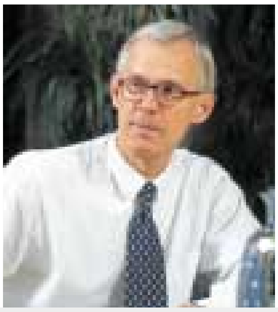
- No Sonera shares.

Esa Tihilä

ESA TIHILÄ (born 1964)

Business School Graduate
Member of the Board of Directors of Sonera Corporation since March 21, 2001. President & CEO of Meridea Financial Software Oy. Chairman of the Board of Directors of Nice Business Solutions Finland Oy.

- No Sonera shares.



Tom von Weymarn

TOM VON WEYMARN (born 1944)

M.Sc. (Eng.)
Member of the Board of Directors of Sonera Corporation since March 21, 2001. CEO of Oy Rettig Ab. Member of the Board of Directors of Lännen Tehtaat plc, Oy Sinebrychoff Ab, Oy Telko Ab and CPS Color Group Oy.

- 2,850 Sonera shares.

Tapio Vaahtokivi

TAPIO VAAHTOKIVI (born 1942)

B.Sc. (Eng.)
Re-elected to the Board of Directors as employee representative on April 5, 2001. Employee representative since 1998; employee representative on the Board of Directors of Telecom Finland Ltd prior to the demerger of PT Finland Ltd. Chairman of the Communications Union TLL.

- 1,267 Sonera shares; 1,400 shares pursuant to stock options.

Kari Vilkman

KARI VILKMAN (born 1951)

Telecommunications Mechanic
Elected to the Board of Directors as deputy employee representative on April 5, 2001. Employee representative since 1998; employee representative on the Board of Directors of Telecom Finland Ltd prior to the demerger of PT Finland Ltd. Member of the City Council of Riihimäki.

- 1,310 Sonera shares; 1,400 shares pursuant to stock options.

Jaakko Nevanlinna

JAAKKO NEVANLINNA (born 1956)

M.Sc. (Econ.)
Executive Vice President, and President of Sonera Telecom Ltd and Sonera Carrier Networks Ltd. With the Company since 1991.

- 942 Sonera shares; 175,001 shares pursuant to stock options.

Aimo Olkkonen

AIMO OLKKONEN (born 1946)

M.Sc. (Eng.)
Executive Vice President in charge of Sonera Wireless Ventures, i.e. the unit in charge of the international mobile communications business, and President & CEO of Sonera Holding B.V. Employed by the Company during 1969-1978 and again since 1988.

- No Sonera shares; 135,000 shares pursuant to stock options.

Niklas Sonkin

NIKLAS SONKIN (born 1967)

M.Sc. (Eng.)
Executive Vice President in charge of Strategy and Business Development as well as Research and Technology. Chairman of the Board of Directors of Sonera Smart-Trust Ltd. With the Company since 1988.

- 1,500 Sonera shares; 190,001 shares pursuant to stock options.

Juha Varelius

JUHA VARELIUS (born 1963)

M.Sc. (Econ.)
Executive Vice President in charge of the Sonera Services business, and President & CEO of Sonera Zed Ltd. With the Company since 1993.

- 3,957 Sonera shares; 405,000 shares of Sonera Corporation and 218,826 shares of Sonera Zed Ltd pursuant to stock options.

Anni Vepsäläinen

ANNI VEPSÄLÄINEN (born 1963)

M.Sc. (Eng.)
Executive Vice President in charge of the Sonera Mobile Operations unit, i.e. the mobile communications business in Finland. With the Company since 1987. Member of the Board of Directors of Suomen Erillisverkot Oy.

- No Sonera shares; 285,001 shares pursuant to stock options.

All ownership information as per December 31, 2001. Shareholdings and stock options are presented in detail on Sonera's website at the address www.sonera.com/investor under "Insider register".

Information for investors

Annual General Meeting
Time: Wednesday, April 3, 2002, at 4.00 p.m.
Place: Helsinki Fair Centre, at the address Messuaukio 1, Helsinki

Details of the registration procedure are given in the Notice of Annual General Meeting and on the Company's website at www.sonera.com

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 interim reports in 2002 will come out on Tuesday, April 23; Thursday, July 18; and Tuesday, October 22.

Sonera publishes its annual report and interim reports in Finnish and English. The interim reports are not printed. They are available on the Company's website and can be ordered by fax at +358 2040 60025.

Investor information on the Internet
Sonera's financial reviews, stock exchange and press releases as well as other investor information are available on the Company's website at www.sonera.com/investor

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This annual report contains statements that are forward-looking in nature, that are not historical facts but, rather, are statements about future expectations. Sonera believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions. These forward-looking statements, however, involve inherent risks and uncertainties. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, Sonera undertakes no obligation to update any of them in light of new information or future events. Sonera has disclosed possible risks and factors of uncertainty in the Offering Prospectus dated November 9, 2001.

Sonera Corporation

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Domicile: Helsinki, Finland. Business Identity Code: 1475607-9

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