SONERA CORP
Form 425
October 04, 2002

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

PROSPECTUS FILED PURSUANT TO RULE 425 UNDER THE SECURITIES ACT OF 1933 AND DEEMED FILED PURSUANT TO RULE 14D-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934

October 4, 2002

TELIA AB

(Name of Filer)

SONERA CORPORATION

(Subject Company)

0-30340

(Exchange Act File No. of Subject Company)

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Telia AB and Sonera Corporation have agreed to merge. To effect the merger, Telia is making an offer to acquire all of the outstanding shares, including shares in the form of American depositary shares, or ADSs, and certain warrants of Sonera in exchange for Telia shares, including Telia ADSs, and Telia warrants.

Under the terms of the exchange offer:

For each Sonera share you tender in the exchange offer, you will receive 1.51440 Telia shares.

For each Sonera ADS you tender in the exchange offer, you will receive 0.30288 Telia ADSs. Each Telia ADS represents five Telia ADSs.

For each Sonera warrant issued pursuant to Sonera s 1999 and 2000 stock option programs you tender in the exchange offer, you will receive one Telia warrant. Each Telia warrant entitles the holder to subscribe for 1.5 Telia shares.

The Sonera board of directors has concluded that the exchange offer is in the best interests of Sonera, its shareholders and its warrantholders and has recommended that Sonera shareholders and warrantholders participate in the exchange offer.

The offer to holders of Sonera shares, Sonera ADS and Sonera warrants will commence on October 7, 2002 and will expire at 4:00 p.m. Helsinki time (9:00 a.m. New York City time) on November 8, 2002 unless the offer is extended.

Telia s offer to exchange Telia securities for Sonera securities is subject to the conditions listed in this prospectus under THE EXCHANGE OFFER Conditions to Completion of the Exchange Offer, including, among others, the condition that, prior to the expiration of the exchange offer period, Sonera shares, including Sonera ADSs, representing more than 90 percent of the shares and votes in Sonera on a fully diluted basis shall have been validly tendered and not withdrawn.

If the exchange offer is completed, Telia shall, subject to certain conditions, take the necessary actions under Finnish law to acquire any remaining issued and outstanding Sonera shares, Sonera ADSs and Sonera warrants.

Telia s shares are listed on the A-list of the Stockholm Exchange under the symbol TLIA. Upon completion of the merger, Telia will have its Stockholm Exchange symbol changed from TLIA to TLSN. Telia will apply to list its shares and its warrants of series 2002/2005:A on the Helsinki Exchanges under the symbol TLS1V and TLS1VEW102, respectively. Telia has applied to have the Telia ADSs quoted on the Nasdaq National Market, or NASDAQ, under the symbol TLSN. On September 30, 2002, the closing price of Telia s shares on the Stockholm Exchange was SEK 23.30 per share.

See RISK FACTORS beginning on page 27 to read about factors you should consider before investing in Telia s securities.

This prospectus is intended for use only in connection with offers and sales of these securities outside of the United States and is not to be sent or given to any person within the United States. These securities are not being registered under the U.S. Securities Act of 1933 for the purposes of sales outside of the United States.

Carnegie
Lead Manager and
Financial Adviser to Telia

Goldman Sachs International **Lehman Brothers**
Financial Advisers to Sonera

Merrill Lynch
Financial Adviser to Telia

The date of this prospectus is September 30, 2002.

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QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

Q. What is the proposed transaction?

A. Telia and Sonera have agreed to merge. To effect the merger, Telia is making an offer to acquire all of the outstanding Sonera shares, including Sonera ADSs, and all of the outstanding Sonera warrants in exchange for Telia securities.

Q. What will Sonera securityholders receive in this exchange offer?

A. If you tender Sonera securities in the exchange offer, you will receive the following:

holders of Sonera shares will receive 1.51440 Telia shares for each Sonera share they tender;

holders of Sonera ADSs will receive 0.30288 Telia ADSs for each Sonera ADS they tender; and

holders of warrants issued pursuant to Sonera s 1999 and 2000 stock option programs will receive one warrant to be issued by Telia for each Sonera warrant they tender.

Q. I am a registered holder of Sonera shares. How do I participate in this exchange offer?

A. If you are a holder of Sonera shares directly registered in the shareholders register held by the Finnish Central Securities Depository, or the FCSD, and you wish to accept the exchange offer, you must complete, sign and return the acceptance form which is being mailed to you. The acceptance form must be returned to your account operator on or before the expiration of the exchange offer period or, if the exchange offer period has been extended, before the expiration of the exchange offer period as extended. If your account operator requires you to return the acceptance form before the expiration of the exchange offer period, you must return the acceptance form to your account operator on or before such date specified by your account operator. Shareholders who have registered their Sonera shares with the FCSD can accept the exchange offer at any asset management branch of the Finnish share agent.

Q. I hold Sonera shares through a nominee. How do I participate in this exchange offer?

A. If your Sonera shares are registered in the name of a nominee (e.g., an agent, bank, broker or other custodial institution) and you wish to accept the exchange offer, you have to make such acceptance in accordance with the nominee s instructions. Telia will not send you any documents relating to the exchange offer directly.

Q. I hold certificates for Sonera ADSs. How do I participate in this exchange offer?

A. If you hold certificates for Sonera ADSs, complete and sign the enclosed ADS letter of transmittal and deliver it, together with your Sonera ADR certificates, evidencing your Sonera ADSs, and any other required documents, to the U.S. exchange agent at one of the addresses set forth on the letter of transmittal before the expiration of this exchange offer.

Q. I hold Sonera ADSs in book-entry form. How do I participate in this exchange offer?

A. If you hold your Sonera ADSs in book-entry form, instruct your broker or custodian to arrange, before the expiration date of this exchange offer, for the book-entry transfer of your Sonera ADSs into the U.S. exchange agent s account at The Depository Trust Company, commonly known as DTC, and deliver a message to the U.S. exchange agent via DTC s book-entry confirmation system confirming that you have received and agree to be bound by the terms of this exchange offer. Your broker or custodian will provide you with a form to instruct your broker or custodian to tender your Sonera ADSs.

Q. I am a registered holder of Sonera warrants. How do I participate in this exchange offer?

A. If you are a holder of Sonera warrants directly registered in the register of warrantholders held by the FCSD and you wish to accept the exchange offer, you must complete, sign and return the acceptance form which is being mailed to you. The acceptance form must be returned to your account operator on or before the expiration of the exchange offer period or,

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if the exchange offer period has been extended, before the expiration of the exchange offer period as extended. If your account operator requires you to return the acceptance form before the expiration of the exchange offer period, you must return the acceptance form to your account operator on or before such date specified by your account operator. Warrantholders who have their Sonera warrants registered with the FCSD can accept the exchange offer at any asset management branch of the Finnish share agent.

Q. I hold Sonera warrants through a nominee. How do I participate in this exchange offer?

A. If your Sonera warrants are registered in the name of a nominee (e.g., an agent, bank, broker or other custodial institution) and you wish to accept the exchange offer, you have to make such acceptance in accordance with the nominee s instructions. Telia will not send you any documents relating to the exchange offer directly.

Q. How long do I have to decide whether to tender in the exchange offer?

A. Unless extended by Telia, the exchange offer will expire at 9:00 a.m. New York City time (4:00 p.m. Helsinki time) on November 8 and you will no longer be able to tender your Sonera shares, Sonera ADSs or Sonera warrants in the exchange offer after the applicable expiration time. Telia may extend the exchange offer under certain circumstances which are described below under the next caption.

Q. Can the exchange offer be extended and, if so, under what circumstances?

A. Yes. Telia may extend the offer at any time and for any reason. The maximum duration of the exchange offer is three months from the commencement of the exchange offer; provided, however, that if all consents, approvals, authorizations and registrations required to be obtained from the applicable governmental entities have not been obtained within three months from the commencement of the exchange offer, the exchange offer may be further extended until all such consents, approvals, authorizations and registrations have been obtained. In addition, to the extent Telia and Sonera waive a material condition to the exchange offer, Telia will notify Sonera securityholders of such waiver and will hold the exchange offer open for acceptances and withdrawals for at least five business days after the notification of the waiver of such condition. Telia will not be required to extend the exchange offer beyond December 31, 2002.

Q. When will I be informed of the outcome of the exchange offer or whether the offer is being extended?

A. Telia expects to announce by a press release, on or about four business days following the expiration of the exchange offer period, (i) the percentage of outstanding Sonera shares, Sonera ADSs and Sonera warrants that have been tendered pursuant to the exchange offer and (ii) whether the exchange offer will be completed, extended or abandoned. Such announcements will also be posted on Telia s website at www.telia.com. Following such announcement, completion of the exchange offer will remain subject to a condition whereby Telia is entitled to abandon the exchange offer on the basis of the valuation of the exchange offer in comparison to the price payable for Sonera shares in a mandatory redemption offer that may follow the completion of the exchange offer.

Q. Can I change my mind and decide not to participate in this exchange offer after I tender my securities?

A. Yes. You may withdraw your tender of your Sonera securities at any time before the expiration of the exchange offer period, initially scheduled for November 8, 2002. If this exchange offer is extended, you may also withdraw your tender at any time prior to the expiration of the extension period.

Q. Will I receive fractional interests in Telia shares or Telia ADSs?

A. No. You will not receive fractional Telia shares or fractional Telia ADSs in connection with the exchange offer. You will receive cash consideration to the extent you are entitled to fractions of Telia shares or Telia ADSs in exchange for your Sonera shares or Sonera ADSs. Your fractional entitlements will be combined with those of the other holders and subsequently sold on your behalf and on the behalf of such other holders on the Stockholm Exchange or the Helsinki Exchanges, in the case of Telia shares, or on NASDAQ, in the case of Telia ADSs. You will receive cash consideration corresponding to the proceeds of the sale of your fractional entitlement to a Telia share or Telia ADS.

Q. When will I receive my Telia securities and any cash attributable to any fractional Telia securities?

A. Assuming this exchange offer is completed, Telia will deliver the Telia securities to be issued in exchange for properly tendered Sonera securities on or about 15 business days after the expiration of the exchange offer period. The Finnish share agent and/or the U.S. exchange agent will deliver any cash to which you may be entitled within ten business days after the sale of the combined fractional entitlements on the Stockholm Exchange or the Helsinki Exchanges, in the case of Telia shares or, on NASDAQ, in the case of Telia ADSs.

Q. If I decide not to tender my Sonera securities in the exchange offer, will I be entitled to any appraisal rights in the event the exchange offer is completed?

A. The exchange offer is, among other things, subject to the condition that prior to the expiration of the exchange offer period, Sonera shares, including Sonera ADSs, representing more than 90 percent of the shares and votes in Sonera on a fully diluted basis shall have been validly tendered and not withdrawn. In the event that this minimum condition is not satisfied, the completion of the exchange offer would require the waiver of the minimum condition by both Telia and Sonera. In the event the exchange offer is completed and, as a consequence, Telia acquires Sonera shares, whether in the form of shares or ADSs, representing more than two-thirds but less than all of the total voting rights attaching to Sonera shares, Telia would be required under Finnish law, within one month after the expiration of the exchange offer period, to offer to purchase your Sonera shares, including shares underlying Sonera ADSs, and Sonera warrants that have not been tendered in the exchange offer for cash at a fair price as determined under Finnish law. In addition, in the event Telia acquires shares, whether in the form of shares or ADSs, representing more than 90 percent of the shares and votes attaching to Sonera shares, Telia may require that you, as a remaining holder of Sonera shares or Sonera ADSs, sell and you may demand that Telia purchase your Sonera shares or Sonera ADSs at, absent a separate agreement, a fair price as determined by an arbitration tribunal. Finnish law does not provide for any other kind of appraisal rights.

Q. Will I have to pay brokerage commissions?

A. No, as long as you have your Sonera securities registered in your name and you tender them directly to:

- the Finnish share agent or your book-entry account operator, if you hold Sonera shares or Sonera warrants; or
- the U.S. exchange agent, if you hold Sonera ADSs.

If your Sonera securities are held through your bank, broker or other nominee, you should consult with them as to whether or not they charge any transaction fee or service charge.

Q. When is the exchange offer expected to be completed?

A. We are progressing as quickly as reasonably possible and expect to complete the exchange offer in November of 2002. Telia and Sonera expect to complete the merger shortly after the exchange offer is completed if Telia acquires more than 90 percent of the shares and votes in Sonera on a fully diluted basis. Telia cannot predict the exact timing for the completion of the exchange offer.

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Q. Who can answer my questions?

A. If you have more questions about the exchange offer, you may contact:

Finnish share agent:	Information agent in the United States:
Nordea Bank Finland Plc Aleksanterinkatu 36 Helsinki 00020 NORDEA For information call +358-200-3000	**Georgeson Shareholders Communications Inc.** 17 State Street, 10th Floor New York, NY 10004 Banks and brokers call 212-440-9800 All others call (toll free) 1-866-297-1410

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INDICATIVE TIMETABLE

Beginning of the exchange offer period	October 7, 2002
Telia extraordinary general meeting of shareholders to, among other things, authorize the new Telia securities to be issued in the exchange offer	November 4, 2002
Expiration of the initial exchange offer period	November 8, 2002
Announcement by Telia and Sonera of the results of the exchange offer	November 14, 2002
Sonera ADSs suspended from trading	November 15, 2002*
Sonera exchanged shares and Sonera 1999A exchanged warrants begin trading on the pre-list of the Helsinki Exchanges	November 15, 2002*
Delivery of Telia securities	On or about November 29, 2002*
Telia shares and Telia warrants 2002/2005:A begin regular trading on the main list of the Helsinki Exchanges	December 2, 2002*
Telia ADSs begin regular trading on NASDAQ	December 2, 2002*

* This date will change if Telia extends the offer period.

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SUMMARY

This summary highlights selected information described in greater detail elsewhere in this prospectus. It does not contain all of the information that may be important to you. You should carefully read this entire prospectus and the additional documents referred to in this prospectus to fully understand the exchange offer.

The Companies

Telia AB (see page 152)
Marbackagatan 11
S-123 86 Farsta
Sweden
Telephone: 011-46-8-713-1000

Telia is the leading telecommunications company in the Nordic region and a market leader in a number of growth areas, including mobile communications, broadband Internet services and IP-based network services, which are based on protocols used in Internet communications. As of June 30, 2002, Telia provided mobile telecommunications services to approximately 5.1 million subscribers in the Nordic region and had approximately 6.5 million equivalent fixed telephone access lines in Sweden. Telia also offers advanced data transmission services and, with approximately 1.2 million residential and business subscribers, Telia is the leading dial-up and broadband Internet service provider in the Nordic region. Telia also has extensive international carrier operations located primarily in Europe. In 2001, Telia recorded net sales of SEK 57,196 million (6,284 million) and net income of SEK 1,869 million (205 million).

Sonera Corporation (see page 290)
Teollisuuskatu 15
FIN-00510 Helsinki
Finland
Telephone: 011-358-20401

Sonera is the leading provider of mobile communications services and one of the leading providers of domestic, local and long distance and international fixed line voice and data services in Finland. Mobile communications, Sonera s principal area of focus, accounted for approximately 55 percent of its total revenues in 2001. As of June 30, 2002, Sonera provided mobile communications services to approximately 2.5 million subscribers and had approximately 0.7 million fixed network access lines in Finland. Sonera has made investments in mobile and fixed line operators and joint ventures outside of the Nordic countries and, in August 2002, Sonera acquired control in Fintur Holdings B.V., which as of June 30, 2002 had approximately 1.4 million mobile subscribers in certain Eurasian countries. Sonera has also committed substantial resources to the development of new services and applications for mobile communications as well as for data and media services. In 2001, Sonera recorded revenues of 2,187 million (SEK 19.9 billion) and net income of 409 million (SEK 3.7 billion).

Reasons for the TeliaSonera Merger (see page 56)

Both Telia and Sonera believe that the merger of Telia and Sonera will provide enhanced growth potential based on the current market positions and strategic fit of the two companies, and that the future prospects for both companies therefore will be improved through the merger.

Telia and Sonera are both active in some of the most developed telecommunications markets in the world. Both companies have joint interests in leading mobile and fixed line operators in the Baltic and Russian markets. Telia and Sonera expect that the close geographic proximity of the companies and the shared strategic values will be very important in realizing the benefits of the combination. Such benefits will be incremental to the cost saving and capital efficiency focus programs that have been introduced at both Telia and Sonera. Both of these programs will be continued and further strengthened through the merger.

The most important benefits of the merger include:

- The combined company will have a larger customer base in the Nordic region.
- The merger will strengthen the existing positions of Telia and Sonera in the Baltic region, Russia and Eurasia.
- Telia and Sonera expect to derive significant synergies as a result of the merger.
- The combined company will have a strong financial position from which to execute its strategy.
- Telia and Sonera expect the larger scale operation and the combined competence of the two companies to make the combined entity a strong partner in the future shaping of the telecommunications industry in the Nordic and Baltic regions and, in the longer term, in Europe.

See THE TRANSACTION Reasons for the TeliaSonera Merger.

Terms and Conditions of the Exchange Offer (see page 76)

Telia is offering:

- 1.51440 shares of Telia, nominal value SEK 3.20 each, in exchange for each outstanding share of Sonera, with no nominal value, validly tendered in the exchange offer. This gives each Sonera share an implied equivalent value (calculated by multiplying the price per Telia share, converted into euros at the currency exchange rate for that day, by the exchange ratio) of 3.86 ($3.80) based on the closing price of Telia shares on the Stockholm Exchange as of September 30, 2002.
- 0.30288 Telia ADSs in exchange for each Sonera ADS validly tendered in the exchange offer. Each Telia ADS represents five shares of Telia.
- one Telia warrant to be issued by Telia in exchange for each warrant issued pursuant to Sonera s 1999 and 2000 stock option programs validly tendered in the exchange offer.

The offer to holders of Sonera shares, ADSs and warrants will commence on October 7, 2002 and expire at 9:00 a.m. New York City time (4:00 p.m. Helsinki time) on November 8, 2002 unless the offer is extended. Telia reserves the right, at any time and from time to time beginning two business days after the commencement of the exchange offer period, to extend or abandon this exchange offer or to amend this exchange offer in any respect in accordance with applicable law.

The obligation of Telia to accept for payment and pay for Sonera shares, Sonera ADSs and Sonera warrants tendered pursuant to the exchange offer is subject to the satisfaction or, if permitted by applicable law, prior waiver by both Telia and Sonera, of a number of conditions, including, but not limited to:

- that a number of Sonera shares (including Sonera shares represented by ADSs) representing more than 90 percent of the shares and votes in Sonera (on a fully diluted basis) shall have been validly tendered and not withdrawn;
- that any waiting period (and any extension thereof) applicable to the consummation of the transactions related to the exchange offer under any competition, merger control or similar law of the European Union, Sweden, Finland or any other relevant jurisdiction, shall have expired or been terminated; and
- that there are no circumstances which prevent or materially hinder the implementation of the combination of the businesses of Telia and Sonera due to legislation, legal rulings, decisions by public authorities or the like in Sweden, Finland or elsewhere, which exist or are anticipated at the time, or due to other circumstances beyond the control of Telia, including, without limitation, that, Telia determines in good faith, following consultation with Sonera, that the cash offer price to be paid by Telia for each share of Sonera in connection with the mandatory redemption offer that Telia may be required to make pursuant to Finnish law following the completion of the exchange offer would, pursuant to an opinion of independent, reputable legal counsel based upon a ruling of or

consultation with the Finnish Financial Supervision Authority, be higher than the equivalent cash value of the Telia shares offered in exchange for each Sonera share pursuant to the terms of the exchange offer as determined pursuant to Finnish law; provided that the difference between such cash offer price for each Sonera share to be paid in such mandatory redemption offer and such cash value of the Telia shares multiplied by the aggregate number of shares issued and outstanding in Sonera shall exceed 300 million.

Telia will only be in a position to determine immediately prior to the completion of the exchange offer whether to invoke the third condition listed above. In making such determination, Telia will consider various facts and circumstances, including the price development of Telia s and Sonera s shares, interpretations of the relevant provisions of Finnish law and any relevant legal or other developments. If Telia had to take a decision on whether to invoke such condition on the basis of information available to Telia as of the date of this prospectus, Telia would invoke such condition. For additional information on Telia s right to terminate the exchange offer by invoking the third condition listed above, see Telia s Termination Right below and RISK FACTORS Risks Related to the Exchange Offer Telia has a right to terminate the combination agreement between Telia and Sonera and abandon the exchange offer after the exchange offer period has ended if one of the conditions to the exchange offer is not satisfied. Under this condition and subject to certain additional requirements, Telia may elect to terminate the combination agreement and abandon the exchange offer if it determines in good faith that the cash amount it may be required to pay for each share of Sonera not tendered in the exchange offer were to, in a mandatory redemption offer made under Finnish law after the completion of the exchange offer, exceed by more than approximately 0.27 per Sonera share, or by more than 300 million in the aggregate for all outstanding Sonera shares, the equivalent cash value of the Telia shares offered for Sonera shares in connection with the exchange offer.

Any of the exchange offer conditions may, subject to applicable law, be waived, but only if both Telia and Sonera agree in writing to such waiver.

Telia expects to announce by press release, on or about four business days following the expiration date of the exchange offer, (i) the percentage of Sonera shares, Sonera ADSs and Sonera warrants that have been tendered pursuant to the offer and (ii) whether the exchange offer will be completed, extended or abandoned. This announcement will also be posted on Telia s website at www.telia.com. At the time of such announcement, completion of the exchange offer will remain subject to the third condition listed above.

Sonera securities tendered for exchange may be withdrawn at any time prior to the expiration of the exchange offer period.

In the event that the Telia board of directors decides to invoke the third condition described above, the U.S. exchange agent shall, upon receipt of notice from Telia of such decision, promptly return the Sonera ADSs properly tendered in the exchange offer to the tendering holders thereof.

If you trade in Telia ADSs on a when issued basis, please note that if the Telia board of directors invokes the third condition described above, your trade may be required to be unwound. See THE EXCHANGE OFFER Acceptance and Delivery of Securities Conditions to Completing the Exchange Offer and Delivery of Telia ADSs.

Combination Agreement and Shareholders Agreement (see page 101)

To facilitate the completion of the merger, Telia and Sonera entered into a combination agreement on March 26, 2002, which was amended as of September 27, 2002, and is referred to herein as the combination agreement. The combination agreement sets forth the terms and conditions of the exchange offer, certain representations, warranties and covenants of Telia and Sonera and the terms under which the exchange offer may be abandoned. For a summary of the material terms of the combination agreement, see SUMMARY OF THE COMBINATION AGREEMENT.

In connection with the execution of the combination agreement, the Kingdom of Sweden, the majority shareholder of Telia, and the Republic of Finland, the majority shareholder of Sonera, entered into a

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shareholders agreement. For a summary of the material terms of the shareholders agreement, see SUMMARY OF THE SHAREHOLDERS AGREEMENT.

Board Recommendation (see page 74)

At a meeting on March 26, 2002, the Sonera board of directors concluded that the exchange offer was in the best interests of Sonera and its shareholders and unanimously passed a resolution to recommend that Sonera shareholders participate in the exchange offer.

Irrevocable Undertaking by the Republic of Finland (see page 75)

The Republic of Finland, which owns 52.8 percent of the shares of Sonera, has irrevocably undertaken to Telia that it will tender all of its shares in Sonera in the exchange offer, provided that neither Sonera nor Telia has terminated the combination agreement in accordance with its terms.

Opinion of Financial Adviser to Sonera (see page 67)

On March 26, 2002, Goldman Sachs International delivered its written opinion to the Sonera board of directors that, as of that date, and based upon and subject to the factors and assumptions referred to in the opinion, the exchange ratio of 1.51440 Telia shares to be received for each Sonera share pursuant to the combination agreement, was fair from a financial point of view to the holders of the outstanding shares of Sonera.

The full text of the written opinion of Goldman Sachs, dated March 26, 2002, which sets forth assumptions made, matters considered and limitations on the review undertaken in connection with the opinion, is contained in Annex D to this prospectus. Goldman Sachs provided its opinion for the information and assistance of Sonera s board of directors in connection with its consideration of the transaction contemplated by the combination agreement. The Goldman Sachs opinion is not a recommendation as to whether or not any holder of Sonera shares or Sonera ADSs should tender such Sonera shares or Sonera ADSs in connection with the transaction. We urge you to read the opinion in its entirety.

Interests of Members of the Sonera Board of Directors and Management (see page 93)

When considering the recommendation of the Sonera board of directors, you should be aware that Sonera s directors and officers may have interests in the exchange offer that are different from, or are in addition to, yours. In particular:

- Tapio Hintikka, chairman of the Sonera board of directors, will become chairman of the board of directors of the combined company;
- Harri Koponen, president and chief executive officer of Sonera, will become deputy chief executive officer of the combined company;
- three current members of the Sonera board of directors, in addition to Tapio Hintikka, will be nominated to the board of directors of the combined company;
- if the directors and members of the executive management team of Sonera elect to tender their Sonera warrants, such warrants will be exchanged into warrants to purchase Telia shares and assumed by Telia in accordance with existing plan provisions to the extent possible;
- executive agreements with certain members of Sonera s management provide that in certain change of control events where such persons are reassigned to perform tasks that do not correspond to their capabilities, they may retain certain Sonera warrants granted to them even if they choose to resign;
- each of the seven members of Sonera s executive management team and 66 other key employees of Sonera have been granted cash bonuses representing one year s salary payable in installments beginning on the completion of the exchange offer provided that such persons continue to be

employed by Sonera or the combined company at the relevant times on and after the completion of the exchange offer. If paid in full, such cash bonuses would amount, in the aggregate, to approximately 8.2 million; and

Sonera s directors and officers will be entitled to insurance coverage and indemnification with respect to acts and omissions in their capacities as directors and officers of Sonera.

As of August 31, 2002, directors and executive officers of Sonera and their affiliates beneficially owned less than 0.1 percent of the outstanding Sonera shares and approximately 11.9 percent of the outstanding Sonera warrants.

Extraordinary General Meeting of Telia s Shareholders (see page 94)

In connection with the exchange offer, the Telia board of directors has convened an extraordinary general meeting of Telia s shareholders to be held on November 4, 2002. At the meeting, Telia s shareholders will be asked, among other things:

to authorize the Telia board of directors to decide upon the issuance of Telia shares, including shares that will allow for the creation and issuance of ADSs, necessary to complete the exchange offer, as unanimously proposed by the Telia board of directors;

to authorize the Telia board of directors to decide upon the issuance of Telia warrants, necessary to complete the exchange offer, as unanimously proposed by Telia s board of directors;

to elect as directors of Telia, effective as of the completion of the exchange offer, the persons nominated pursuant to Section 4 of the shareholders agreement between the Kingdom of Sweden and the Republic of Finland;

to change, subject to the completion of the exchange offer, Telia s name to TeliaSonera; and

to change, subject to the completion of the exchange offer, the composition of the nomination committee.

The affirmative vote of holders of a majority of the votes cast at the extraordinary general meeting is required to approve the authorization to issue the Telia shares necessary to complete the exchange offer and to change the composition of the nomination committee. The affirmative vote of two-thirds by number and voting power of the Telia shares is required to approve the authorization to issue the Telia warrants necessary to complete the exchange offer and to change the company s name. The election of directors will be determined by a plurality of the votes cast.

The Kingdom of Sweden, which holds 70.6 percent of the shares and votes of Telia, has undertaken, subject to the terms of the shareholders agreement with the Republic of Finland, that it will vote in favor of the resolutions necessary to implement the exchange offer to be proposed by the Telia board of directors at the extraordinary general meeting of Telia s shareholders.

Mandatory Redemption Offer and Compulsory Acquisition (see page 88)

The tender offer is subject to the condition that, prior to the expiration of the exchange offer period, Sonera shares, including Sonera ADSs, representing more than 90 percent of the shares and votes in Sonera on a fully diluted basis shall have been validly tendered and not withdrawn. In the event that this minimum condition is not satisfied, the completion of the exchange offer would require the waiver of the minimum condition by both Telia and Sonera. Currently, Telia and Sonera have no intention of waiving the minimum condition.

Under the Finnish Securities Market Act, in the event that the exchange offer is completed and, as a consequence, Telia acquires Sonera shares, whether in the form of shares or ADSs, representing more than two-thirds but less than all of the total voting rights attaching to Sonera shares, Telia would be required, within one month after the expiration of the exchange offer period, to offer to purchase the remaining Sonera shares, whether in the form of shares or ADSs, and Sonera warrants that have not been tendered in the exchange offer. In connection with this so-called mandatory redemption offer, although Telia could continue to offer to exchange Sonera shares, including Sonera shares represented by Sonera ADSs, into Telia shares and Sonera warrants into Telia warrants, Telia would be under no obligation to do so and would in any event be required to offer to purchase the remaining Sonera shares, including Sonera shares represented by Sonera ADSs, and warrants for cash at their fair price. In the absence of any special circumstances and subject to certain other conditions, the volume-weighted average trading price of the Sonera shares and, to the extent applicable, Sonera warrants on the Helsinki Exchanges during the 12-month period prior to the expiration of the exchange offer period would form a basis for the determination of the fair price of the Sonera shares, including shares underlying Sonera ADSs, and, to the extent applicable, Sonera warrants. No assurance can be given as to the amount of the cash redemption price to be paid per Sonera share in connection with any future mandatory redemption offer and such amount could be more or less than the amount of consideration per Sonera share to be received in connection with the exchange offer.

Under Finnish corporate law, when a person, alone or together with one or more of its affiliates, owns both more than nine-tenths of all outstanding shares in a Finnish company and shares representing more than nine-tenths of the votes entitled to be cast at a meeting of shareholders, that person may require the minority shareholders to sell their shares to such person in a so-called compulsory acquisition. On the other hand, any minority shareholder, which is a shareholder in a Finnish company that has a majority shareholder with sufficient share capital and voting rights to effect a compulsory acquisition, may demand that the majority shareholder purchase his or her shares. Absent an agreement on the purchase price, an arbitration tribunal will determine the fair price to be paid in the compulsory acquisition. Therefore, no assurance can be given as to the amount of the cash redemption price to be paid in connection with a compulsory acquisition that may follow the completion of the exchange offer and such amount could be more or less than the amount of consideration per Sonera share received in connection with either the exchange offer or a mandatory redemption offer that may be commenced after the completion of the exchange offer. However, the fair price offered in connection with compulsory acquisitions following a mandatory redemption offer has, typically, been the same as the cash redemption price offered in connection with such mandatory redemption offer. Finnish corporate law does not provide for any other kind of appraisal rights.

Telia s Termination Right (see page 27)

Under the conditions to the exchange offer, Telia may elect to terminate the combination agreement between Telia and Sonera and abandon the exchange offer under certain circumstances if it determines in good faith that the amount of cash it may be required to pay in a mandatory redemption offer for each share of Sonera not tendered in the exchange offer were to exceed by more than approximately 0.27 per Sonera share, or by more than 300 million in the aggregate for all outstanding Sonera shares, the equivalent cash value of the Telia shares offered for Sonera shares in connection with the exchange offer. This condition is important to Telia because under Finnish law, if the equivalent cash value paid for Sonera shares in the exchange offer were deemed to be lower than the cash price paid in a mandatory redemption offer, Telia would be required to pay the difference, also known as a top-up payment, in cash to all Sonera securityholders who participated in the exchange offer.

The terms of the combination agreement provide that this top-up payment condition will remain in effect after the expiration of the exchange offer period until such time Telia either completes or abandons the exchange offer, during which time holders of Sonera securities who have tendered their securities pursuant to the exchange offer will be unable to withdraw their securities. As a result, holders of Sonera securities who tender their securities in the exchange offer risk being unable to withdraw such securities for a substantial period of time after the scheduled expiration date of the exchange offer period, currently expected to be approximately 15 business days, during which time Telia may decide to terminate the offer.

For purposes of calculating the equivalent cash value of the Telia shares offered in the exchange offer in this situation, the Finnish Financial Supervision Authority has issued a ruling to the effect that the Telia shares received in connection with the exchange offer would be valued based upon the higher of the volume-weighted average trading price prevailing for Telia s shares during a relatively short period prior to the expiration of the exchange offer period and the market price prevailing for Telia shares immediately prior to the announcement of the exchange offer. Applying the Finnish Financial Supervision Authority s interpretation on mandatory redemption offers adopted in its ruling, Telia would not be required to make any top-up payment to the Sonera securityholders that tendered their Sonera shares in the exchange offer unless, in the subsequent mandatory redemption offer, the cash redemption price per Sonera share or Sonera ADS were to exceed 6.68 without the prevailing market price of the Telia shares having increased correspondingly.

The ruling of the Finnish Financial Supervision Authority is, however, not binding on the Finnish courts, and there can be no assurance that its position would ultimately be accepted by the Finnish courts in the event that it were to be challenged by former Sonera shareholders subsequent to the completion of the exchange offer. If a Finnish court were to determine, contrary to the ruling of the Finnish Financial Supervision Authority, that the equivalent cash value of the Telia shares were to be based, for example, on the prevailing trading price of the Telia shares at the completion of the exchange offer, it would significantly alter the calculation of the difference between the mandatory cash redemption price and the equivalent cash value of the Telia shares offered in the exchange offer. On September 30, 2002, the last trading day before the date of this prospectus, the closing price per Telia share on the Stockholm Exchange was SEK 23.30, or 2.55 (using the prevailing exchange rate), giving, under such a determination, an equivalent cash value to the Telia shares offered in the exchange offer of 3.86 per Sonera share. On the other hand, based upon the volume-weighted average trading price of the Sonera shares for the 12 months ending on September 30, 2002, the cash redemption price Telia would have to pay in the mandatory redemption offer would be 4.91 per Sonera share. Thus, in the event that the exchange offer were to have been completed on September 30, 2002, Telia would have been obligated to make a total top-up payment of 1.05 per Sonera share, or 1,175.4 million in the aggregate for all outstanding Sonera shares, to the shareholders of Sonera if the alternative method for calculating the equivalent cash value of Telia shares described above were to be adopted.

Due to the legal uncertainties related to the possible obligation to make a top-up payment in connection with the exchange offer and due to the current volatility of the equity markets, Telia will not be in a position to make a final determination on whether to terminate the combination agreement and abandon the exchange offer by invoking the top-up payment condition until immediately prior to the completion of the exchange offer. In making such determination, Telia will consider various facts and circumstances, including the following:

- the price development of the Telia shares and Sonera shares, including the development of the 12-month volume-weighted average trading price for Sonera shares;

- alternative interpretations of the relevant provisions of Finnish law; and

- any relevant legal or other developments that could make it more or less likely that the application of the provisions of the Finnish Securities Market Act related to the top-up payment obligation would be consistent with the ruling of the Finnish Financial Supervision Authority.

If Telia had to take a decision on whether to invoke the top-up payment condition on the basis of information available to Telia as of the date of this prospectus, including the ruling from the Finnish Financial Supervision Authority, the current trading prices for the Telia shares and Sonera shares and the 12-month volume-weighted average trading price for the Sonera shares as of September 30, 2000, Telia would invoke the top-up payment condition. However, Telia will not be in a position to finally determine whether to invoke the top-up payment condition until immediately prior to the scheduled completion of the exchange offer.

Ownership of Sonera Shareholders in the Combined Company (see page 91)

Assuming full acceptance of the exchange offer, former Sonera shareholders will own in the aggregate approximately 36 percent of the combined company after the exchange offer is completed.

Listing of Telia Shares, Telia ADSs and Telia Warrants 2002/2005:A (see page 91)

Upon completion of the merger, Telia will have its Stockholm Exchange symbol changed from TLIA to TLSN. Telia will apply to list its shares and warrants 2002/2005:A on the Helsinki Exchanges under the symbols TLS1V and TLS1VEW102, respectively.

Telia has applied to have the Telia ADSs quoted on NASDAQ under the symbol TLSN.

Finnish Income Tax Consequences (see page 107)

Provided that the exchange offer qualifies as a tax neutral share exchange under Finnish tax law, the receipt of Telia shares in the exchange offer generally will be tax neutral for Finnish tax purposes.

Swedish Income Tax Consequences (see page 110)

Generally, the exchange offer may be accepted by non-residents of Sweden and corporations not domiciled in Sweden without any Swedish tax consequences. However, the holding of Telia shares after the completion of the exchange offer will raise certain Swedish tax issues, such as Swedish withholding tax issues.

U.S. Federal Income Tax Consequences (see page 111)

For United States federal income tax purposes, your exchange of Sonera shares, Sonera ADSs or Sonera warrants for Telia shares, Telia ADSs or Telia 2002/2005A warrants in the exchange offer will likely be a taxable exchange.

The tax consequences of the exchange offer to you will depend on your own situation. You should consult your tax advisors for a full understanding of the tax consequences of the exchange offer to you.

Comparative Rights of Shareholders of Telia and Sonera (see page 484)

If you tender your Sonera securities in connection with the exchange offer, you will receive Telia securities in exchange for the Sonera securities you currently hold. Because Sonera is a corporation organized under the laws of the Republic of Finland and Telia is a corporation organized under the laws of the Kingdom of Sweden, there are differences between the rights of Sonera shareholders and Sonera ADS holders and the rights of Telia shareholders and Telia ADS holders. For a discussion of some of these differences, see COMPARISON OF RIGHTS OF SONERA SHAREHOLDERS AND TELIA SHAREHOLDERS, DESCRIPTION OF SHARES AND SHARE CAPITAL OF TELIA and DESCRIPTION OF TELIA AMERICAN DEPOSITARY SHARES.

Disclosure Obligation of Telia in Finland (see page 499)

The Finnish Financial Supervision Authority has granted an exemption to Telia (no. 28/269/2002), pursuant to which TeliaSonera may publish in Finland its financial statements, financial statement releases and interim reports prepared in accordance with the Swedish laws and regulations. Pursuant to the exemption, Telia has the option of publishing the annual financial statements, annual financial statement releases and interim reports only in English. Currently, Telia intends, however, to publish such information in Finnish and Swedish as well.

Telia s ongoing disclosure obligations are governed by the Finnish Securities Market Act and the Swedish Stock Exchange and Clearing Business Act as implemented by the listing agreement between Telia and the Stockholm Exchange. In accordance with the requirements of the Finnish Securities Market Act and the listing agreement with the Stockholm Exchange, Telia will inform the market of any matters likely to have a material impact on the value of the securities by issuing stock exchange releases. Pursuant to the new rules of the Helsinki Exchanges, that entered into force on September 1, 2002, Telia may issue stock exchange releases in accordance with the rules of the Stockholm Exchange. Currently, Telia intends to issue

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its stock exchange releases in Finland in Finnish, Swedish and English. See THE FINNISH SECURITIES MARKET Disclosure Obligation of Telia in Finland.

Restrictions on Ability of Certain Persons to Participate in the Exchange Offer

Due to restrictions under securities laws of Australia, the Hong Kong Special Administrative Region of the People s Republic of China, Italy, Japan, New Zealand and South Africa, the exchange offer will not be extended to persons with registered addresses in, and who are residents of, any of Australia, the Hong Kong Special Administrative Region of the People s Republic of China, Italy, Japan, New Zealand or South Africa.

Risk Factors (see page 27)

In deciding whether to tender your Sonera securities in connection with the exchange offer, you should carefully consider the risks described under RISK FACTORS in addition to the other information contained in this prospectus.

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Comparative Market Price Information

The following table sets forth:

the closing prices per share as reported on the Stockholm Exchange for the Telia shares and on the Helsinki Exchanges for the Sonera shares on March 25, 2002, the last trading day on both the Stockholm Exchange and the Helsinki Exchanges prior to any public announcement of the exchange offer, and on September 30, 2002; and

the implied equivalent price per share for the Sonera shares on each such date by multiplying the price per Telia share, converted into euros at the currency exchange rate for that day, by the exchange ratio.

Amounts in Swedish kronor have been translated into euros solely for your convenience at the exchange rate of 1.00 = SEK 9.0038, and 1.00 = SEK 9.1516, the Swedish krona to euro reference rate as published by the European Central Bank on March 25, 2002 and September 30, 2002 respectively. Amounts in euros have been translated into U.S. dollars solely for your convenience at the exchange rate of $1.00 = 1.1405, and $1.00 = 1.0122, the U.S. dollar to euro noon buying rate on March 25, 2002 and September 30, 2002, respectively.

Telia urges you to obtain current market quotations for the Sonera shares and the Telia shares before making a decision with respect to the exchange offer.

	Telia share price			**Sonera share price**		**Implied equivalent price per Sonera share**	
	SEK		**$**		**$**		**$**
On March 25, 2002							
Closing price per share	39.70	4.41	3.87	5.83	5.11	6.68	5.86
On September 30, 2002							
Closing price per share	23.30	2.55	2.51	3.68	3.64	3.86	3.80

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Presentation of Financial and Other Information

Telia publishes its consolidated financial statements in Swedish kronor. This prospectus contains Telia s audited consolidated financial statements as of and for the years ended December 31, 1999, 2000 and 2001, and its unaudited condensed consolidated interim financial information for the six months ended June 30, 2001 and 2002, each of which has been prepared in accordance with International Accounting Standards, or IAS, as issued by the International Accounting Standards Board. IAS differ in certain respects from accounting principles generally accepted in the United States, or U.S. GAAP. For a discussion of the principal differences between IAS and U.S. GAAP relevant to Telia, together with a reconciliation of net income and shareholders equity recorded under IAS to net income and shareholders equity under U.S. GAAP in connection with Telia s consolidated financial statements, see Note 39 to Telia s consolidated financial statements and Note 23 to Telia s unaudited condensed consolidated interim financial statements.

Sonera publishes its consolidated financial statements in euros (euros, euro, EUR or). This prospectus contains Sonera s audited consolidated financial statements as of and for the years ended December 31, 1999, 2000 and 2001, and its unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2001 and 2002, each of which have been prepared in accordance with Finnish generally accepted accounting principles, or Finnish GAAP. Finnish GAAP and accounting principles adopted by Sonera differ in certain respects from U.S. GAAP. For a discussion of the principal differences between Finnish GAAP and U.S. GAAP relevant to Sonera, together with a reconciliation of net income and shareholders equity recorded under Finnish GAAP to net income and shareholders equity under U.S. GAAP in connection with Sonera s consolidated financial statements, see Note 24 to Sonera s consolidated financial statements and Note 12 to Sonera s unaudited condensed consolidated interim financial statements.

This prospectus also contains unaudited condensed pro forma combined financial information that gives effect to the proposed merger of Telia and Sonera.

This prospectus also contains:

- audited consolidated financial statements for Netia Holdings S.A., a company in which Telia has a significant investment, as of December 31, 2000 and 2001 and for the years ended December 31, 1999, 2000 and 2001;
- audited consolidated financial statements for Group 3G UMTS Holding GmbH (formerly named Orla Siebzehnte Vermögenswaltung GmbH), a company in which Sonera has a 42.8 percent interest, as of December 31, 2000 and 2001 and for the period from the date of inception (August 2, 2000) to December 31, 2000 and for the year ended December 31, 2001;
- audited consolidated financial statements for Turkcell Iletisim Hizmetleri A.S., a company in which Sonera has a 37.1 percent interest, as of December 31, 2000 and 2001 and for the years ended December 31, 1999, 2000 and 2001;
- audited consolidated financial statements for Fintur Holdings B.V., a company in which Sonera has a 58.55 percent interest, as of December 31, 2000 and 2001 and for the years ended December 31, 2000 and 2001; and
- audited consolidated financial statements for NetCom ASA, a company which Telia acquired in 2000, as of and for the years ended December 31, 1997, 1998 and 1999.

References in this prospectus to Swedish krona, Swedish kronor and SEK are to the currency of the Kingdom of Sweden. References to euro, euros, or EUR are to the currency of the European Union s Economic and Monetary Union. References to Finnish markka or FIM used with respect to any time or period before January 1, 1999, are to the currency of the Republic of Finland and, when used with respect to any time or period from January 1, 1999 and before January 1, 2002, are to the sub-unit of the euro. References in this prospectus to dollar, U.S. dollar, U.S.$, $ and USD mean the lawful currency of the United States of America.

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In this prospectus, unless otherwise stated, Swedish kronor and euros have been translated, solely for convenience, into U.S. dollars using the noon buying rate in New York City for cable transfers in Swedish kronor and euros, respectively, as certified for customs purposes by the Federal Reserve Bank of New York on June 28, 2002, which was SEK 9.2070 per U.S. $1.00 (SEK 1.00 per U.S. $0.1086) and 1.0146 per U.S. $1.00 (1.00 per U.S. $0.9856). On September 30, 2002, the noon buying rate for the krona was SEK 9.2740 per U.S. $1.00 (SEK 1.00 per U.S. $0.1078) and the noon buying rate for the euro was 1.0122 per U.S. $1.00 (1.00 per U.S. $0.9879). These translations should not be construed as a representation that the U.S. dollar amounts actually represent, or could be converted into, krona or euros, respectively, at the rates indicated.

The period end, average and range of high and low kronor to U.S. dollar and euro to U.S. dollar exchange rates for the five-year period ended December 31, 2001 and the period from January 1, 2002 to September 30, 2002 are presented in the section entitled CURRENCY AND EXCHANGE RATES INFORMATION in this prospectus.

In this prospectus, unless otherwise stated, Swedish kronor have been translated, solely for convenience, into euros at the Swedish krona to euro reference rate of 1.00 = SEK 9.1015 and euros into Swedish kronor at the euro to Swedish krona reference rate of SEK 1.00 = 0.1099, in each case, as published by the European Central Bank on June 28, 2002.

In this prospectus, both Telia and Sonera use underlying EBITDA as a non-GAAP measure for the financial performance of their respective business areas or segments.

When used with respect to Telia, underlying EBITDA equals:

> Operating income before depreciation, amortization and write-downs, net of items not reflecting the underlying business operations and excluding income from associated companies. Items not reflecting the underlying business operations include capital gains and losses, restructuring/phase-out of operations, personnel redundancy costs, year 2000 compliance (in 1998 and 1999), and expenses in conjunction with the initial public offering in 2000 and with the abandoned merger with Telenor in 1999. Telia s management uses underlying EBITDA and operating income as the principal measures for monitoring profitability in internal operations. Management believes that, besides operating income, underlying EBITDA is also a measure commonly reported and widely used by analysts, investors and other interested parties in the telecommunications industry. Accordingly, underlying EBITDA is presented to enhance the understanding of Telia s historical operating performance. Underlying EBITDA, however, should not be considered as an alternative to operating income as an indicator of our operating performance. Similarly, underlying EBITDA should not be considered as an alternative to cash flows from operating activities as a measure of liquidity. Underlying EBITDA is not a measure of financial performance under IAS or U.S. GAAP and may not be comparable to other similarly titled measures for other companies. Underlying EBITDA is not meant to be predictive of potential future results.

When used with respect to Sonera, underlying EBITDA equals:

> Underlying EBITDA equals operating profit before depreciation and amortization, before gains and losses from sale of shares and fixed assets, before write-downs and before restructuring expenses. Sonera s management believes that, except for depreciation and amortization, these items excluded from the definition of underlying EBITDA do not reflect the underlying fundamentals of the operating results from Sonera s business segments. Sonera s management also believes that underlying EBITDA is a standard measure commonly reported and widely used by analysts, investors and others in the telecommunications industry. Accordingly, this information has been disclosed to permit a more complete comparative analysis of the segmented operating performance relative to other companies in the industry. Underlying EBITDA, however, should not be considered as an alternative to operating profit as an indicator of operating performance. Sonera s definition of underlying EBITDA does not show significant changes related to the following items: depreciation,

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amortization and write-downs; restructuring expenses; gains and losses from sale of shares and fixed assets; equity (income) loss in associated companies; financial income and expense; and income taxes. Similarly, underlying EBITDA should not be considered as an alternative to cash flows from operating activities as a measure of liquidity. Underlying EBITDA is not a measure of financial performance under Finnish GAAP or U.S. GAAP and may not be comparable to other similarly titled measures for other companies. Underlying EBITDA is not meant to be predictive of potential future results.

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Selected Consolidated Financial Data

Presented below are selected historical financial data of Telia and Sonera as of and for the six months ended June 30, 2001 and 2002 and as of and for each of the years in the five-year period ended December 31, 2001. The selected consolidated financial data as of and for the six months ended June 30, 2001 and 2002 presented below has been derived from the unaudited condensed consolidated interim financial statements of each of Telia and Sonera. The selected consolidated financial data as of and for each of the years in the five-year period ended December 31, 2001 presented below has been derived from the audited annual consolidated financial statements of each of Telia and Sonera.

Telia s consolidated financial statements and its unaudited condensed interim financial statements have been prepared in accordance with IAS. For a discussion of the principal differences between IAS and U.S. GAAP relevant to Telia, together with a reconciliation of net income and shareholders equity recorded under IAS to net income and shareholders equity under U.S. GAAP in connection with Telia s consolidated financial statements, see Note 39 to Telia s consolidated financial statements and Note 23 to Telia s unaudited condensed consolidated interim financial statements.

Sonera s consolidated financial statements and its unaudited condensed consolidated interim financial statements have been prepared in accordance with Finnish GAAP. For a detailed discussion of the principal differences between Finnish GAAP and U.S. GAAP relevant to Sonera, together with a reconciliation of net income and shareholders equity recorded under Finnish GAAP to net income and shareholders equity under U.S. GAAP in connection with Sonera s consolidated financial statements, see Note 24 to Sonera s consolidated financial statements and Note 12 to Sonera s unaudited condensed consolidated interim financial statements.

You should read the following selected consolidated financial data in conjunction with the consolidated financial statements of Telia and Sonera and the sections entitled OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF TELIA and OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF SONERA, each included elsewhere in this prospectus.

The interim financial information included below is unaudited but reflects normal and recurring adjustments that are necessary for a fair presentation of the results for the interim periods presented. Results for interim periods are not necessarily indicative of results for the full year.

Solely for the convenience of the reader:

Swedish krona amounts have been translated into U.S. dollars at the rate of SEK 1.00 = $0.1086 ($1.00 = SEK 9.2070), the noon buying rate for the Swedish krona on June 28, 2002.

euro amounts have been translated into U.S. dollars at the rate of 1.00 = $0.9856 ($1.00 = 1.0146), the noon buying rate for the euro on June 28, 2002.

Sonera s consolidated financial statements for all periods prior to January 1, 1999 were prepared in Finnish markkas, and have been restated into euros using the irrevocable conversion rate of 1.00 = FIM 5.94573 between the euro and the Finnish markka, which conversion rate was set on January 1, 1999. Sonera s consolidated financial statements for such periods depict the same trends as would have been presented if Sonera had continued to present consolidated financial statements in Finnish markkas. However, Sonera s consolidated financial statements for periods prior to January 1, 1999 are not comparable to the financial statements of other companies that currently report in euros and that have restated their financial statements from a currency other than the Finnish markka.

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Selected Telia Consolidated Financial Data

	For the year ended December 31,						For the six months ended June 30,		
	1997	1998	1999	2000	2001	2001	2001	2002	2002
	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	($)	(SEK)	(SEK) (unaudited)	($)
	(in millions, except shares, percentages and per share data)								
INCOME STATEMENT DATA									
IAS									
Net sales	45,665	49,569	52,121	54,064	57,196	6,212.2	27,795	28,231	3,066.3
Costs of production	(29,634)	(30,988)	(31,206)	(33,028)	(40,435)	(4,391.8)	(18,001)	(18,344)	(1,992.4)
Gross income	16,031	18,581	20,915	21,036	16,761	1,820.4	9,794	9,887	1,073.9
Sales, administrative, and research and development expenses	(13,456)	(15,045)	(14,887)	(16,326)	(17,943)	(1,948.8)	(8,324)	(9,004)	(978.0)
Other operating revenues and expenses, net	806	4,388	(805)	8,493	506	55.0	278	(430)	(46.7)
Income from associated companies	(163)	(704)	723	(1,197)	6,136	666.4	51	375	40.7
Operating income	3,218	7,220	5,946	12,006	5,460	593.0	1,799	828	89.9
Financial net	(90)	(77)	34	(289)	(652)	(70.8)	(388)	(371)	(40.3)
Income after financial items	3,128	7,143	5,980	11,717	4,808	522.2	1,411	457	49.6
Income taxes	(946)	(2,092)	(1,754)	(1,447)	(2,917)	(316.8)	(848)	(308)	(33.4)
Minority interests	40	(40)	(4)	8	(22)	(2.4)	(22)	8	0.9
Net income	2,222	5,011	4,222	10,278	1,869	203.0	541	157	17.1
Earnings per share									
Basic	0.78	1.76	1.48	3.50	0.62	0.07	0.18	0.05	0.01
Diluted	0.78	1.76	1.48	3.50	0.62	0.07	0.18	0.05	0.01
Cash dividend per share(1)	0.40	0.42	0.49	0.52	0.50	0.05	N/A	N/A	N/A
Operating margin (%)(2)	7.0	14.6	11.4	22.2	9.5	9.5	6.5	2.9	2.9
Return on sales (%)(3)	8.4	15.9	13.0	25.1	12.5	12.5	10.0	5.1	5.1
Net profit margin (%)(4)	4.9	10.1	8.1	19.0	3.3	3.3	1.9	0.6	0.6
U.S. GAAP(5)									
Net income	N/A	N/A	4,218	9,991	4,534	492.5	584	1,187	128.9
Earnings per share									
Basic	N/A	N/A	1.48	3.41	1.51	0.16	0.19	0.40	0.04
Diluted	N/A	N/A	1.48	3.41	1.51	0.16	0.19	0.40	0.04
Weighted average number of shares outstanding (in thousands)									
Basic	2,851,200	2,851,200	2,851,200	2,932,757	3,001,200	3,001,200	3,001,200	3,001,200	3,001,200
Diluted	2,851,200	2,851,200	2,851,200	2,932,757	3,001,200	3,001,200	3,001,200	3,001,200	3,001,200

CASH FLOW DATA									
IAS									
Cash flow from operating activities	8,920	10,301	10,715	10,152	10,416	1,131.3	2,810	4,701	510.6
Cash flow from investing activities	(12,426)	(8,967)	(10,701)	(37,121)	3,632	394.5	(2,678)	(4,094)	(444.7)
	3,896	(2,301)	1,005	26,818	(6,608)	(717.7)	(405)	(6,535)	(709.8)

Cash flow from financing activities									
Cash flow for the period	390	(967)	1,019	(151)	7,440	808.1	(273)	(5,928)	(643.9)

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	At December 31,						At June 30,		
	1997	1998	1999	2000	2001	2001	2001	2002	2002
	(SEK)	(SEK)	(SEK)	(SEK)	(SEK)	($)	(SEK)	(SEK) (unaudited)	($)
	(in millions, except percentages and financial ratios)								
BALANCE SHEET DATA									
IAS									
Intangible fixed assets	1,566	1,844	2,146	25,198	26,816	2,912.6	26,884	27,233	2,957.9
Tangible fixed assets	39,239	34,801	33,318	43,807	47,314	5,138.9	47,361	45,700	4,963.6
Financial fixed assets	8,666	12,553	18,023	22,335	20,784	2,257.4	20,563	19,695	2,139.1
Current assets	16,439	18,080	23,117	31,375	33,277	3.614.3	35,384	26,581	2,887.0
Total assets	65,910	67,278	76,604	122,715	128,191	13,923.2	130,192	119,209	12,947.6
Shareholder s equity	25,487	29,344	32,893	55,988	59,885	6,504.3	58,570	59,728	6,487.2
Minority interests	306	210	210	320	204	22.1	1,497	245	26.6
Provisions	12,262	7,735	10,488	11,351	13,107	1,423.6	12,042	12,475	1,354.9
Long-term debt	7,082	6,491	9,123	20,876	25,193	2,736.3	26,092	20,933	2,273.6
Current debt	7,731	7,062	6,934	13,166	3,931	427.0	10,685	2,850	309.6
Non-interest-bearing liabilities	13,042	16,436	16,956	21,014	25,871	2,809.9	21,306	22,978	2,495.7
Total equity and liabilities	65,910	67,278	76,604	122,715	128,191	13,923.2	130,192	119,209	12,947.6
Capital employed(6)	46,329	43,440	50,936	92,374	90,971	9,880.6	99,097	85,250	9,259.3
Operating capital(7)	39,192	34,921	39,160	75,042	70,150	7,619.2	78,361	70,008	7,603.8
Net interest-bearing liabilities(8)	14,609	6,767	7,527	20,235	10,661	1,157.9	19,069	10,336	1,122.6
U.S. GAAP(5)									
Total assets	N/A	N/A	77,974	123,689	132,495	14,390.7	131,367	124,404	13,511.9
Shareholders equity	N/A	N/A	29,168	51,870	58,589	6,363.5	54,652	59,472	6,459.4
RATIOS									
IAS									
Debt/equity ratio (multiple) (9)	0.60	0.24	0.24	0.37	0.18	0.18	0.33	0.17	0.17
Equity/assets ratio (%)(10)	36.8	41.5	41.0	44.4	46.2	46.2	44.4	49.9	49.9

(1) Dividends are declared and paid annually on the basis of income and retained earnings as of the end of the preceding year.

(2) Operating margin is operating income expressed as a percentage of net sales.

(3) Return on sales is operating income plus financial revenues, expressed as a percentage of net sales.

(4) Net profit margin is net income expressed as a percentage of net sales.

(5) Telia has not presented a reconciliation to U.S. GAAP of its net income for the years ended December 31, 1997 and 1998, nor of its total assets and shareholders equity as of December 31, 1997 and 1998.

(6) Capital employed is the balance sheet total less non-interest-bearing liabilities and non-interest-bearing provisions reported, and the proposed dividend.

(7) Operating capital is non-interest-bearing assets less non-interest-bearing liabilities and non-interest-bearing provisions.

(8) Net interest-bearing liability is interest-bearing liabilities and provisions less interest-bearing assets but including participations in associated companies.

(9) Debt/equity ratio is net interest-bearing liability divided by equity (less the proposed dividend).

(10) Equity/ assets ratio is equity (less the proposed dividend) expressed as a percentage of the balance sheet total.

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Selected Sonera Consolidated Financial Data

	For the year ended December 31,						For the six months ended June 30,		
	1997	1998	1999	2000	2001	2001	2001	2002	2002
						$		(unaudited)	$
	(in millions, except shares, percentages, per share and ADS data)								
INCOME STATEMENT DATA									
Finnish GAAP									
Revenues	1,352	1,623	1,849	2,057	2,187	1,906	1,082	1,084	1,068
Other operating income	18	24	45	1,589	916	798	902	382	377
Operating expenses	(881)	(1,097)	(1,226)	(1,599)	(1,820)	(1,586)	(890)	(1,204)	(1,186)
Depreciation and amortization	(204)	(261)	(281)	(299)	(332)	(289)	(168)	(161)	(159)
Operating profit	285	289	387	1,748	951	829	926	101	100
Equity income (loss) in associated companies	19	59	110	121	(202)	(176)	(94)	(3,979)	(3,922)
Sales and write-downs of short-term investments					(272)	(237)		(43)	(43)
Financial income and expenses	5	(2)		(9)	(32)	(28)	(27)	12	12
Profit (loss) before income taxes, minority interest and extraordinary items	309	346	497	1,860	445	388	805	(3,909)	(3,853)
Income taxes	(89)	(94)	(126)	(318)	(35)	(30)	(128)	1,246	1,228
Minority interest in income		(1)	(1)	(1)	(1)	(1)	1		
Extraordinary items, net of income taxes[1]				(35)					
Net income (loss)	220	251	370	1,506	409	357	678	(2,663)	(2,625)
Net income (loss) per share and ADS [2]	0.25	0.29	0.42	1.68	0.44	0.39	0.74	(2.39)	(2.35)
Cash dividends per share and ADS [2][3]	0.04	0.15	0.07	0.10	0.07	0.06	0.07		
U.S. GAAP									
Net income (loss)	203	237	338	704	284	248	584	(2,676)	(2,637)
Net income (loss) per share and ADS (non-diluted)[2]	0.23	0.27	0.38	0.78	0.31	0.27	0.64	(2.40)	(2.37)
Net income (loss) per share and ADS on a fully diluted basis[2]	0.23	0.27	0.38	0.78	0.31	0.27	0.64	(2.40)	(2.37)
Weighted average number of shares outstanding (in thousands)									
Non-diluted[2]	878,061	878,362	880,500	897,472	924,346	924,346	906,091	1,114,752	1,114,752
Diluted[2]	878,061	878,362	881,632	902,193	924,346	924,346	906,091	1,114,752	1,114,752
OTHER RATIOS									
Operating profit margin (%)[4]	21.1	17.8	20.9	85.0	43.5	43.5	85.6	9.3	9.3
Net income (loss) margin (%)[5]	16.2	15.5	20.0	73.2	18.7	18.7	62.7	(245.7)	(245.7)
CASH FLOW DATA									
Cash provided by operating activities	455	508	442	227	197	172	22	289	285
Cash (used in) provided by investing activities	(531)	(1,126)	(771)	(4,572)	1,223	1,066	495	(7)	(7)
Capital expenditures	(373)	(351)	(338)	(430)	(359)	(313)	(172)	(107)	(105)
Investments in shares and shareholder loans	(22)	(898)	(410)	(4,852)	(572)	(499)	(431)	(123)	(121)
Cash provided by (used in) financing activities	93	632	309	4,394	(1,410)	(1,229)	(523)	(295)	(291)

	At December 31,						At June 30,		
	1997	1998	1999	2000	2001	2001	2001	2002	2002
						$		(unaudited)	$
	(in millions, except percentages)								
BALANCE SHEET DATA									
Finnish GAAP									
Intangible assets	42	53	69	116	98	85	114	90	88
Property, plant and equipment	1,090	1,123	1,159	1,265	1,269	1,106	1,279	1,198	1,181
Long-term investments and receivables	293	1,231	1,826	4,779	6,068	5,290	5,914	2,761	2,721
Inventories	15	22	36	40	33	29	44	15	15
Receivables	281	292	404	3,418	610	532	695	562	554
Cash and short-term investments	145	93	115	156	716	624	1,999	1,044	1,029
Total assets	1,866	2,814	3,609	9,774	8,794	7,666	10,045	5,670	5,588
Shareholders equity	1,312	1,424	1,801	3,233	4,575	3,988	3,956	1,856	1,829
Minority interest		12	14	16	13	11	17	1	1
Long-term debt	171	788	1,124	1,842	2,007	1,750	2,586	2,236	2,204
Other long-term liabilities	86	91	115	171	148	129	145	204	201
Current debt	2	135	172	3,955	1,473	1,284	2,755	950	936
Other current liabilities	295	364	383	557	578	504	586	423	417
Total shareholders equity and liabilities	1,866	2,814	3,609	9,774	8,794	7,666	10,045	5,670	5,588
Net debt(6)	28	830	1,181	5,641	3,268	2,849	5,122	2,142	2,111
Net debt-to-equity (%)(7)	2.1	57.8	65.1	173.6	71.2	71.2	128.9	115.3	115.3
Equity-to-assets (%)(8)	70.9	51.5	50.6	33.4	52.4	52.4	39.7	32.9	32.9
U.S. GAAP									
Shareholders equity	1,341	1,446	1,896	4,432	4,912	4,282	4,419	2,128	2,097
Total assets	1,898	2,848	3,757	11,181	9,104	7,936	10,570	5,951	5,865

(1) Extraordinary items reported for the year ended December 31, 2000 consist of the cumulative effect of accounting changes related to (a) equity accounting for Turkcell and (b) capitalization of borrowing costs. See Note 8 to Sonera s consolidated financial statements.

(2) All per share and ADS data before November 2001 has been adjusted to reflect the rights offering in 2001, in order to present information that is comparable to amounts after the rights offering.

(3) Dividends for each year were declared and paid on the basis of profits and retained earnings as of the end of the previous year.

(4) Operating profit margin is operating profit expressed as a percentage of revenues.

(5) Net income margin is net income expressed as a percentage of revenues.

(6) Net debt means total debt (which includes current and long-term interest-bearing debt) less cash and short-term investments. For purposes of this prospectus, net debt as of June 30, 2001 and December 31, 2001 does not take into account Sonera s short-term investment in shares of Deutsche Telekom, which, as of such dates, had a market value of 1,780 million and 504 million, respectively.

(7) Net debt-to-equity ratio is the ratio of net debt to shareholders equity and minority interest.

(8) Equity-to-assets ratio is shareholders equity and minority interest expressed as a percentage of total assets less advances received.

Unaudited Selected Condensed Pro Forma Combined Financial Information (see page 128)

The following pro forma combined financial information is being provided to give you a better understanding of what the results of operations and financial position of the combined TeliaSonera might have looked like had the merger occurred on an earlier date. This information is provided for illustrative purposes only and does not show what the results of operations or financial position of the combined entity would have been if the exchange offer had been completed and the merger had actually occurred on the dates assumed. This information also does not indicate what the combined entity s future operating results or combined financial position will be.

The following unaudited pro forma combined financial information gives pro forma effect to the merger, after giving effect to the pro forma adjustments described in the notes to the unaudited condensed pro forma consolidated financial statements. For accounting purposes, the merger will be accounted for as Telia s acquisition of Sonera. The unaudited condensed pro forma consolidated income statements for the year ended December 31, 2001 and for the six months ended June 30, 2002, give effect to the merger as if the transaction had occurred on January 1, 2001. The unaudited condensed pro forma consolidated balance sheet as of June 30, 2002 gives effect to the merger as if it had occurred on June 30, 2002.

The unaudited condensed pro forma consolidated financial information of the combined company is based on the historical financial statements of Telia and Sonera, which are included elsewhere in this prospectus.

Please see UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS for a more detailed explanation of this analysis.

Solely for your convenience, the unaudited pro forma consolidated SEK amounts have been translated into euros at the exchange rate of 1.00 = SEK 9.1015, the euro to Swedish krona reference rate as published by the European Central Bank on June 28, 2002, and into U.S. dollars at the exchange rate of $1.00 = SEK 9.2070, the U.S. dollar to Swedish krona noon buying rate on June 28, 2002.

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Unaudited Selected Condensed Pro Forma Combined Financial Information

	For the year ended December 31, 2001			As of or for the six months ended June 30, 2002		
	SEK		$	SEK		$
	(in millions, except per share and per ADS data)					
IAS						
Income Statement Data						
Net sales	80,924	8,891.3	8,789.5	39,932	4,387.4	4,337.1
Operating income	10,174	1,118.0	1,105.2	(32,926)	(3,617.7)	(3,576.2)
Net income	2,691	295.7	292.3	(23,209)	(2,550.0)	(2,520.8)
Earnings per share						
Basic	0.57	0.06	0.06	(4.95)	(0.54)	(0.54)
Diluted	0.57	0.06	0.06	(4.95)	(0.54)	(0.54)
Balance Sheet Data						
Fixed assets				162,472	17,851.3	17,646.7
Current assets				42,335	4,651.3	4,598.0
Total assets				204,807	22,502.6	22,244.7
Shareholders equity				103,186	11,337.3	11,207.3
Minority interest				2,663	292.6	289.2
Provisions				17,122	1,881.2	1,859.7
Long-term and short-term loans				53,176	5,842.6	5,775.6
Non-interest-bearing liabilities				28,660	3,148.9	3,112.9
Total liabilities and shareholders equity				204,807	22,502.6	22,244.7
U.S. GAAP						
Income Statement Data						
Net income	7,453	818.9	809.5	(23,428)	(2,574.1)	(2,544.6)
Earnings per share						
Basic	1.59	0.17	0.17	(5.00)	(0.55)	(0.54)
Diluted	1.59	0.17	0.17	(5.00)	(0.55)	(0.54)
Earnings per ADS[(1)]						
Basic	7.95	0.87	0.86	(24.98)	(2.74)	(2.71)
Diluted	7.95	0.87	0.86	(24.98)	(2.74)	(2.71)
Balance Sheet Data						
Shareholders equity				121,754	13,377.4	13,224.0
Total assets				231,608	25,447.2	25,155.6

(1) Each Telia ADS will represent five Telia shares.

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Comparative Historical and Pro Forma Per Share Data

The following tables present historical and pro forma per share data that reflect the completion of the proposed merger based upon the historical financial statements of Telia and Sonera as of and for the year ended December 31, 2001 and unaudited condensed consolidated interim financial information of Telia and Sonera as of and for the six months ended June 30, 2002.

The pro forma data is not indicative of the results of future operations or the actual results that would have occurred had the merger been completed at the beginning of the periods presented. You should read the data presented below together with the historical consolidated financial statements of Telia and Sonera, the historical unaudited condensed consolidated interim financial statements of Telia and Sonera and the unaudited condensed pro forma combined financial information each appearing elsewhere in this prospectus.

The first and second columns on the left in the tables present historical per share amounts for Telia and Sonera. The third column sets forth unaudited pro forma combined data based on 1,688,180,018 Telia shares assumed to be issued in connection with the acquisition based upon an exchange ratio of 1.51440 Telia shares per Sonera share. The fourth column sets forth implied equivalent data for Sonera which is calculated by multiplying the unaudited pro forma combined per share data by 1.51440.

Solely for your convenience, historical Swedish krona per share amounts for Telia in the first column and Swedish krona pro forma per share amounts for TeliaSonera in the third column have been translated into euros at the exchange rate of 1.00 = SEK 9.1015, the euro to Swedish krona reference rate as published by the European Central Bank on June 28, 2002 and into U.S. dollars at the exchange rate of $1.00 = SEK 9.2070, the U.S. dollar to Swedish krona noon buying rate on June 28, 2002. Also, solely for your convenience, historical euro per share amounts for Sonera in the second column and equivalent implied euro pro forma amounts for Sonera in the fourth column have been translated into U.S. dollars at the exchange rate of $1.00 = 1.0146, the U.S. dollar to euro noon buying rate on June 28, 2002.

	Telia historical per share data			Sonera historical per share data		Telia and Sonera unaudited pro forma combined per share data			Sonera equivalent unaudited pro forma combined per share data	
	SEK		$		$	SEK		$		$
Amounts under IAS										
As of and for the six months ended June 30, 2002 unaudited										
Earnings from continuing operations per share										
Basic	0.05	0.005	0.005	(2.26)	(2.23)	(4.95)	(0.54)	(0.54)	(0.82)	(0.81)
Diluted	0.05	0.005	0.005	(2.26)	(2.23)	(4.95)	(0.54)	(0.54)	(0.82)	(0.81)
Dividends	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Book value(1)	19.90	2.19	2.16	1.91	1.89	22.00	2.42	2.39	3.66	3.62
For the year ended December 31, 2001										
Earnings from continuing operations per share										
Basic	0.62	0.07	0.07	0.17	0.17	0.57	0.06	0.06	0.09	0.09
Diluted	0.62	0.07	0.07	0.17	0.17	0.57	0.06	0.06	0.09	0.09
Dividends	0.20	0.02	0.02	0.00	0.00	N/A	N/A	N/A	N/A	N/A

(1) Book value per share is calculated by dividing shareholders equity by the number of shares outstanding at the end of the period.

RISK FACTORS

In deciding whether to tender your Sonera securities in connection with the exchange offer, you should carefully consider the risks set forth below in addition to the other information contained in this prospectus.

Risks Related to the Exchange Offer

The value of the Telia shares has decreased significantly since the announcement of the exchange offer and may decrease further between the time the acceptance period of the exchange offer starts and the time the exchange offer is completed. Because you will receive a fixed number of Telia securities in the exchange offer, and not a fixed value, the value of the Telia securities you will receive at the completion of the exchange offer may be less than the value of such Telia securities at the date of this prospectus or the date you tender your Sonera securities.

Under the terms of the exchange offer, holders of Sonera securities are being offered a fixed number of securities of Telia, rather than securities of Telia with a fixed value. Because the market price of the Telia shares may fluctuate, the value of the Telia securities you receive at the time of the completion of the exchange offer will depend on the market price of such securities at that time and may vary significantly from the value of such securities at the date of this prospectus. The terms of the exchange offer will not be adjusted based on fluctuations in the market price of Telia shares or on the relative financial performance of Telia and Sonera. As a result, the market price of the Telia securities you receive at the time of the completion of the exchange offer could be significantly lower than the market price of such securities at the time of the announcement of the exchange offer or at the date of this prospectus. On March 26, 2002, the date the exchange offer was announced, the closing price of Telia s shares on the Stockholm Exchange was SEK 35.40, giving each Sonera share an implied value of SEK 53.61 (5.96 based on the Swedish krona to euro reference rate as published by the European Central Bank on March 26, 2002, and $5.22 based on the Swedish krona to U.S. dollar noon buying rate as published by the U.S. Federal Reserve on March 26, 2002) based on the exchange ratio of 1.51440 shares of Telia for each Sonera share. On September 30, 2002, the closing price of Telia shares on the Stockholm Exchange was SEK 23.30 (2.55 based on the Swedish krona to euro reference rate as published by the European Central Bank on September 30, 2002, and $2.51 based on the Swedish krona to U.S. dollar noon buying rate as published by the Federal Reserve Bank of New York on September 30, 2002), giving each Sonera share an implied value of 3.86, a decrease of 35.3 percent as compared to the implied value on March 26, 2002.

The price of Telia shares may change as a result of changes in the business, operations or prospects of Telia or the combined company, market assessments of the impact of the merger, regulatory considerations, general market and economic conditions, factors affecting the telecommunications industry in general and other factors. You should obtain current market quotations for Telia s and Sonera s shares.

Telia has a right to terminate the combination agreement between Telia and Sonera and abandon the exchange offer after the exchange offer period has ended if one of the conditions to the exchange offer is not satisfied. Under this condition and subject to certain additional requirements, Telia may elect to terminate the combination agreement and abandon the exchange offer if it determines in good faith that the cash amount it may be required to pay for each Sonera share not tendered in the exchange offer were to, in a mandatory redemption offer made under Finnish law after the completion of the exchange offer, exceed by more than approximately 0.27 per Sonera share, or by more than 300 million in the aggregate for all outstanding Sonera shares, the equivalent cash value of the Telia shares offered for Sonera shares in connection with the exchange offer. The existence of this condition poses two main risks for Sonera shareholders:

- ***Because this condition will continue to be in effect after the expiration of the exchange offer period, you cannot be certain that the exchange offer will be completed at the time of the expiration of the exchange offer period.***

- ***Because shareholders withdrawal rights cease after the expiration of the exchange offer period, if you tender your securities in the exchange offer, you risk being unable to withdraw your securities for a substantial period of time after the expiration of the exchange offer period and before the scheduled settlement date of the exchange offer, currently expected to be approximately 15 business days, during which time Telia may decide to abandon the offer.***

In the event that Telia decides to complete the offer and in doing so acquires more than two-thirds of the total voting rights attaching to Sonera shares, Telia would, in a so-called mandatory redemption offer, be required under Finnish law to offer to purchase for cash the remaining Sonera shares that have not been tendered. The price offered in connection with a mandatory redemption offer must represent the fair price of the remaining shares, as determined in accordance with Finnish law.

Under the conditions to the exchange offer, Telia may elect to terminate the combination agreement and abandon the exchange offer if it determines in good faith that the amount of cash it may be required to pay in a mandatory redemption offer for each share of Sonera not tendered in the exchange offer were to exceed by more than approximately 0.27 per Sonera share, or by more than 300 million in the aggregate for all outstanding Sonera shares, the equivalent cash value of the Telia shares offered for Sonera shares in connection with the exchange offer.

This condition is important to Telia because under Finnish law, if the equivalent cash value paid for Sonera shares in the exchange offer were deemed to be lower than the cash price paid in a mandatory redemption offer, Telia would be required to pay the difference, also known as a top-up payment, in cash to all Sonera securityholders who participated in the exchange offer. Accordingly, this condition is intended to protect Telia from having to make a large cash payment in connection with the exchange offer by allowing it to abandon the transaction under the circumstances described in the condition.

The terms of the combination agreement provide that this top-up payment condition will remain in effect after the expiration of the exchange offer period until such time Telia either completes or abandons the exchange offer, during which time holders of Sonera securities who have tendered their securities pursuant to the exchange offer will be unable to withdraw their securities. As a result, holders of Sonera securities, who tender their securities in the exchange offer, risk being unable to withdraw such securities for a substantial period of time after the scheduled expiration date of the exchange offer period, currently expected to be approximately 15 business days, during which time Telia may decide to terminate the offer.

> ***Whether Telia exercises its right to terminate the combination agreement and abandon the exchange offer based on the failure of this top-up payment condition to be satisfied depends in large part on the price development of Telia and Sonera shares. While the Finnish Financial Supervision Authority has recently issued a ruling that, if followed, would, at the prevailing price levels, mean that Telia would not have to make any top-up payment after the completion of the exchange offer, the Finnish Financial Supervision Authority s ruling remains subject to legal challenge in that it is not binding on Finnish courts.***

Cash Redemption Price for the Sonera Shares. In connection with a mandatory redemption offer under Finnish law, Telia would be required to offer to purchase the remaining Sonera shares at a cash redemption price which, in general, would be based on the volume-weighted average trading price of Sonera shares on the Helsinki Exchanges during the 12-month period prior to the expiration of the exchange offer period. For illustrative purposes only, based upon the volume-weighted average trading price of the Sonera shares for the 12 months ending on September 30, 2002, the cash redemption price Telia would have to pay in the mandatory redemption offer would be 4.91 per Sonera share.

Equivalent Cash Value of the Telia Shares based on the Interpretation of the Finnish Financial Supervision. For purposes of calculating the equivalent cash value of the Telia shares offered in the exchange offer in this situation, the Finnish Financial Supervision Authority has issued a ruling to the effect that the Telia shares received in connection with the exchange offer would be valued based upon the higher of the volume-weighted average trading price prevailing for Telia shares during a relatively short period prior to the expiration of the exchange offer period (for example, five trading days) and the market price prevailing for Telia shares immediately prior to the announcement of the exchange offer, which equalled 4.41 per Telia share (based upon the closing price per Telia share on the Stockholm Exchange on March 25, 2002). Based upon such method of valuation, after the application of the exchange ratio, the Telia shares to be received in the exchange offer would have an equivalent cash value of 6.68 per Sonera share.

Therefore, applying the interpretation of the Finnish law on mandatory redemption offers adopted in the ruling of the Finnish Financial Supervision Authority, Telia would not be required to make any top-up payment to the Sonera securityholders that tendered their Sonera shares in the exchange offer unless, in the subsequent mandatory redemption offer, the cash redemption price per Sonera share or Sonera ADS were to exceed 6.68 without the prevailing market price of the Telia shares having increased correspondingly.

Alternative Methods for Calculating the Equivalent Cash Value of Telia Shares. The ruling of the Finnish Financial Supervision Authority is, however, not binding on the Finnish courts, and there can be no assurance that its position would ultimately be accepted by the Finnish courts in the event that it were to be challenged by former Sonera shareholders subsequent to the completion of the exchange offer. If a Finnish

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court were to determine, contrary to the ruling of the Finnish Financial Supervision Authority, that the equivalent cash value of the Telia shares were to be based, for example, on the prevailing price of the Telia shares at the closing of the exchange offer, it would significantly alter the calculation of the difference between the mandatory cash redemption price and the equivalent cash value of the Telia shares offered in the exchange offer. On September 30, 2002, the closing price per Telia share on the Stockholm Exchange was SEK 23.30, or 2.55 (using the prevailing exchange rate), giving, under such a determination, an equivalent cash value to the Telia shares offered in the exchange offer of 3.86 per Sonera share.

The current market situation has created considerable uncertainty in relation to the top-up payment condition.

At the time of the announcement of the exchange offer on March 26, 2002, the equivalent cash value of Telia shares offered in the exchange offer was 6.68 per Sonera share and Sonera ADS based on the previous day s closing prices, representing a premium over both the then prevailing market price of the Sonera shares and Sonera ADSs as well as a premium over the volume-weighted average trading price of Sonera shares on the Helsinki Exchanges during the 12-month period prior to the announcement of the exchange offer. Due to a broad decline in the global equity markets, including those in Sweden and Finland, after such date, the equivalent cash value of Telia shares offered in the exchange offer, if calculated based upon the Telia closing price on September 30, 2002, currently is below the 12-month volume-weighted average trading price of Sonera shares even though it still represents a premium over the prevailing trading price of Sonera shares.

The following table illustrates for the period from March 25, 2002 until September 30, 2002 the development of:

the equivalent cash value of Telia shares offered in the exchange offer for each Sonera share (as calculated based on the closing price for Telia shares on each trading day and the prevailing Swedish krona to euro exchange rate as published by the European Central Bank),

the closing price for Sonera shares, and

the 12-month volume-weighted average trading price of Sonera shares.

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The following table sets forth the amount by which the 12-month volume-weighted average trading price of Sonera shares in the aggregate for all outstanding Sonera shares has exceeded the equivalent cash value of the Telia shares offered in the exchange offer (as calculated based on the then current Telia share price) during the period from March 25, 2002 until September 30, 2002:

As indicated above, in the event the exchange offer were to have been completed on September 30, 2002, Telia would have been obligated to make a top-up payment of 1.05 per Sonera share, or 1,175.4 million in the aggregate for all outstanding Sonera shares, to the shareholders of Sonera if the alternative method for calculating the equivalent cash value of Telia shares, as described above, were to be adopted.

Telia will only make a final determination of the risks addressed by the top-up payment condition immediately prior to the scheduled completion of the exchange offer.

Due to the legal uncertainties related to the possible obligation to make a top-up payment in connection with the exchange offer and due to the current volatility of the equity markets, Telia will not be in a position to make a final determination on whether to terminate the combination agreement and abandon the exchange offer by invoking the top-up payment condition until immediately prior to the completion of the exchange offer. In making such determination, Telia will consider various facts and circumstances including the following:

- the price development of the Telia shares and Sonera shares, including the development of the 12-month volume-weighted average trading price for Sonera shares;

- alternative interpretations of the relevant provisions of Finnish law; and

- any relevant legal or other developments that could make it more or less likely that the application of the provisions of the Finnish Securities Market Act related to the top-up payment obligation would be consistent with the ruling of the Finnish Financial Supervision Authority.

If Telia had to take a decision on whether to invoke the top-up payment condition on the basis of information available to Telia as of the date of this prospectus, including the ruling from the Finnish Financial Supervision Authority, the current trading prices for the Telia shares and Sonera shares and the 12-month volume-weighted average trading price for the Sonera shares as of September 30, 2002, Telia would invoke the top-up payment condition. However, Telia will not be in a position to finally determine whether to invoke the top-up payment condition until immediately prior to the scheduled completion of the exchange offer.

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> ***In the event Telia abandons the exchange offer by invoking the top-up payment condition, you will receive back your Sonera securities, without any additional compensation, after a period ending approximately 15 business days after the expiration of the exchange offer period.***

During the time from the expiration of the exchange offer period until either the completion of the exchange offer or Telia s abandonment of the exchange offer, those holders of Sonera securities will have no withdrawal rights. In the event Telia invokes the top-up payment condition, you will receive back your Sonera securities, without any additional compensation, after a period of approximately 15 business days, during which time you will not have any withdrawal rights.

Telia and Sonera may have difficulty integrating their large and complex businesses and realizing the anticipated benefits of the merger.

The merger involves the integration of two large and complex businesses that currently operate independently. Telia and Sonera may not be able to achieve the expected synergies and other benefits of the merger or may not be able to achieve them within the expected timescale. Neither Telia nor Sonera has previously undertaken a restructuring project comparable in size or complexity with the integration plans associated with the merger. The combined company may face difficulties integrating their businesses, operations and personnel in a timely and efficient manner. In particular, the combined company may have difficulty integrating the two companies information systems, product development and marketing and sales departments, and other functions. Integrating Telia and Sonera may also be difficult and unpredictable because of cultural conflicts. Members of the combined company s management team may also have difficulty adjusting to the corporate governance structure of the combined company and implementing the combined company s strategy. The combined company may experience disruption in its employee base as a result of uncertainty in connection with the merger, which may result in a loss of focus on the two companies respective ongoing businesses. The combined companies competitors may also seek to take advantage of potential integration problems to gain customers. There can be no assurance that the above factors or other integration issues will not result in a delay or a reduction in achieving the expected total annual cost and capital expenditure synergy from the merger of approximately 300 million after 2005. Finally, although work has been done on the development of detailed plans for achieving the synergy and other benefits from the merger, such plans have not been finalized and cannot be implemented until the completion of the merger.

Regulatory authorities have already imposed and may seek to impose conditions that could reduce the anticipated benefits of the merger.

Completion of the exchange offer requires consents or approvals of different regulatory authorities, including competition authorities. These regulatory authorities have already imposed conditions and may seek to impose additional conditions, such as operating restrictions or divestitures, on Telia and Sonera as a condition to giving their approval or consent to the combination, and meeting those conditions could jeopardize or reduce the anticipated benefits of the merger and/or have a material adverse effect on the business and financial condition of the combined company.

Sonera may not be able to enter into a merger or business combination with another party at a more favorable price because of provisions in the shareholders agreement between the Kingdom of Sweden and the Republic of Finland.

In accordance with the terms of the shareholders agreement between the Kingdom of Sweden and the Republic of Finland, the Republic of Finland has undertaken to Telia that it will, subject to certain exceptions, tender all of its shares in Sonera in the exchange offer, which is likely to deter any third-party from making an offer to Sonera shareholders on more attractive terms. As a result of this undertaking, Sonera may not be able to enter into an alternative transaction at a more favorable price.

You will likely recognize a gain or loss for U.S. federal income tax purposes on the exchange of Sonera shares, Sonera ADSs or Sonera warrants for Telia shares, Telia ADSs or Telia warrants 2002/2005:A.

Although not free from doubt, the receipt of Telia shares, Telia ADSs or Telia warrants 2002/2005:A in exchange for your Sonera shares, Sonera ADSs or Sonera warrants will likely be a taxable event for U.S. federal income tax purposes. If the exchange of Sonera shares, Sonera ADSs or Sonera warrants for Telia shares, Telia ADSs or Telia warrants 2002/2005:A is taxable, U.S. Holders and certain non-U.S. Holders (both as defined in the section entitled TAXATION United States Federal Income Tax Consequences) will recognize gain or loss equal to the difference between the sum of (1) the fair market value, as of the date of distribution, of Telia shares, Telia ADS or Telia warrants 2002/2005:A and (2) any cash received in the exchange or in connection with the mandatory redemption or compulsory acquisition provisions and your adjusted tax basis in Sonera shares, Sonera ADSs or Sonera warrants. The deductibility of capital losses is subject to limitations. For a more complete description of United States federal income tax consequences, see the section entitled TAXATION United States Federal Income Tax Considerations.

The tax consequences of the exchange offer to you will depend on your own situation. You should consult your tax advisors for a full understanding of the tax consequences of the exchange offer to you.

The exchange offer may trigger a change of control provision in Sonera s credit facilities, which may cause all outstanding debt under those facilities to become due.

A majority of Sonera outstanding debt is governed by loan agreements, which provide that a change of control may constitute an event of default. A breach of the covenants contained in these agreements could cause a default under the terms of these agreements and other financings of Sonera, potentially causing all debt under those financings to become due. In the event this were to occur, the combined company would have to refinance these loans, which might result in the combined company paying a higher rate of interest than Sonera currently pays on its existing loans.

The completion of the planned exchange offer will trigger the right of Sonera s partner in Group 3G to exercise a call option to purchase Sonera s 42.8 percent interest in Group 3G and may trigger a right of first offer with respect to the other shareholders of Ipse 2000 to purchase Sonera s 12.6 percent interest in Ipse 2000.

In November 2001, Sonera entered into a shareholders agreement with Telefónica Móviles Intercontinental with respect to Group 3G, Sonera s UMTS (Universal Mobile Telecommunications Systems) joint venture in Germany. The shareholders agreement contains a call option which may be exercised in the event the planned Telia/Sonera merger is completed that gives Telefónica Móviles the right to purchase all of Sonera s shares in Group 3G at a share price based on the fair market value of Group 3G less any outstanding indebtedness of Group 3G. The determination of fair market value shall be based on appraisals of at least two international investment banks, one appointed by Sonera and the other by Telefónica Móviles. Under the terms of the Group 3G shareholders agreement, upon completion of the exchange offer, Telefónica Móviles may request that the parties make a determination of the fair market value of Sonera s shareholding in Group 3G without undue delay. Telefónica Móviles shall then have the right to exercise its call option within ten business days of the determination of the fair market value of Sonera s shares in Group 3G.

Sonera has recorded a 3,844 million write-down of its investment in Group 3G for the second quarter of 2002, thereby reducing the carrying value of its investment in Group 3G to zero. This write-down reflects changes in the circumstances relating to Group 3G s business plans and operating environment. In July 2002, the board of directors of Group 3G decided to halt Group 3G s commercial operations after reviewing Group 3G s business plan and actual results of commercial operations, as well as receiving an external analysis of the German mobile market and Group 3G s competitive position in the market and determining that Group s 3G s business strategy was no longer viable. This led Sonera to perform an impairment analysis based on the changed circumstances of Group 3G, which resulted in the write-down. Telefónica Móviles has also provisioned for the write-down of a substantial portion of the aggregate carrying value of its UMTS investments in Germany and Italy. While there is no existing market for Group 3G shares or the UMTS

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licenses in Germany on which to base an estimate of the current fair market value of Sonera s investment in Group 3G for purposes of the exercise of the call option, it is reasonable to assume that the fair market value of Group 3G is substantially less than at the time Sonera initially made its investment in Group 3G. As a result, Telefónica Móviles may be able to acquire Sonera s 42.8 percent interest in Group 3G at a substantial discount to Sonera s total investment in Group 3G.

In August 2000, Sonera entered into an association agreement with respect to its shareholding in Ipse 2000, Sonera s UMTS joint venture in Italy. Under the terms of the agreement, in the event that one of the parties to the agreement wishes to transfer its shares to a third party outside of a public offering, such party is first required to offer its share to the other Ipse 2000 shareholders. Under the terms of the agreement, a transfer is deemed to include a succession by merger and, accordingly, such right of first refusal on the part of the other Ipse 2000 shareholders to offer to purchase Sonera s interest in Ipse 2000 may be triggered by the exchange offer. The price at which the other Ipse 2000 shareholders would make such an offer to purchase would be determined by an independent expert appointed by Sonera. As a result, the other shareholders in Ipse 2000 may be able to acquire Sonera s interest in Ipse 2000 at a substantial discount to Sonera s total investment in Ipse 2000.

The exchange offer may result in the combined company being obliged to make a tender offer for all of the issued and outstanding shares of Turkcell.

Currently, Sonera owns, directly and through its shareholding in Turkcell Holding A.S., approximately 37.1 percent of Turkcell. If the exchange offer is completed, the combined company would be deemed to acquire Sonera s ownership interest in Turkcell. This acquisition may trigger the tender offer requirements under Turkish capital markets regulations. Pursuant to these regulations, in the event a party or parties acting together acquire, either directly or indirectly, (a) 25 percent or more of the capital and voting rights of a public company, or (b) management control of a public company, such party or parties are required to make an offer to purchase all of the remaining issued and outstanding shares of such company. It is possible that such tender offer requirement might be triggered following the completion of the exchange offer. The Turkish Capital Markets Board (the CMB) may, however, at its discretion, grant an exemption from the requirement to conduct a mandatory tender offer in certain instances. CMB officials have indicated to Telia and Sonera that the CMB may be willing to grant an exemption provided that the CMB concludes that there is no change in the management control of Turkcell. TeliaSonera will file a petition promptly after the completion of the exchange offer to seek an exemption from the CMB.

There can be no assurance that the CMB will grant such an exemption. In the event the CMB refuses to grant an exemption, TeliaSonera would be required to make an offer to purchase all of remaining issued and outstanding shares of Turkcell. While the price the combined company would have to offer to Turkcell s shareholders is not clear under Turkish capital markets regulations, the CMB may require the offer price to be set at the then prevailing market price for Turkcell shares on the Istanbul Stock Exchange. Based on the closing price of Turkcell s shares on the Istanbul Stock Exchange on September 30, 2002, the issued and outstanding shares of Turkcell not held by Sonera had an estimated aggregate market value of approximately 1,469 million or $1,464 million (based on the respective Turkish lira to euro and Turkish lira to U.S. dollar exchange rates, as published by the Central Bank of Turkey on September 27, 2002). Any such acquisition by the combined company would, if paid for in cash, increase the interest-bearing debt of the combined company and would increase its financial expenses.

There can be no assurance that future impairment tests of goodwill and other intangible assets will not result in charges to earnings or affect the combined company s ability to pay out dividends.

The merger of Telia and Sonera will be accounted for as an acquisition of Sonera by Telia under the purchase method of accounting. Under such accounting, the amount of the purchase price of Sonera s securities not directly related to existing assets and liabilities of Sonera will, as a general matter, be treated as either goodwill or other intangible assets. Based on the unaudited condensed pro forma consolidated financial statements as of June 30, 2002 presented in this prospectus, the estimated additional goodwill that the

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combined company will record on its balance sheet if the merger is consummated is 2.0 billion (SEK 18.1 billion) under IAS and 3.2 billion (SEK 29.5 billion) under U.S. GAAP. As required by the applicable accounting rules, the combined company will have to regularly review the carrying value of its goodwill and other intangible assets and will recognize an impairment charge whenever the carrying value of goodwill or other intangible assets is not supported by the combined company s expected future cash flows attributable to such assets or other reasonable estimate of the fair value of such assets. Such an impairment test could be adversely impacted by many factors, including further negative trends in the telecommunications industry or in the general economy and the intensity of competition in the combined company s markets. If such an impairment test were to determine that the value of the goodwill or other intangible assets was ultimately not recoverable, a partial or full write-down in goodwill or other intangible assets could be required. Such a write-down could adversely affect the combined company s results of operations.

In addition, a write-down of the goodwill related to the merger as well as other future announced or potential write-downs, such as the announced write-down of the fixed assets of the Telia International Carrier business area, may adversely affect the combined company s ability to pay dividends. Under Swedish law, the amount of dividends that a Swedish company may pay is generally limited to profits and other non-restricted reserves available at the end of the preceding fiscal year for the parent company or for the consolidated company, whichever is lower. As of December 31, 2001, and before the announced write-down relating to the Telia International Carrier business area, Telia had consolidated non-restricted reserves of SEK 14.0 billion (1.5 billion) and the parent company had non-restricted reserves of SEK 9.8 billion (1.1 billion). At the time of the merger, the purchase price of Sonera will be added to the restricted equity as share capital and share premium reserve. The merger, thus, will not affect Telia s non-restricted reserves when the transaction is closed. Any write-down of tangible or intangible assets, including goodwill, will have the effect of reducing, or possibly eliminating, the combined company s non-restricted reserves that are available to pay dividends. Since the purchase price for Sonera will exceed the book value of Sonera s assets, the future annual amortization charges under IAS will also reduce the profits available for dividends.

However, under the provisions of the Swedish Companies Act, restricted equity may, in certain circumstances, be converted into non-restricted equity. The Telia board of directors has, accordingly, proposed that the shareholders shall vote upon a resolution at the extraordinary general meeting of shareholders to reduce Telia s existing share premium reserve by a maximum amount of SEK 11,957 million (1.3 billion). If such resolution is passed, this amount will be added to Telia s non-restricted reserves.

As of June 30, 2002, on a pro forma basis, the combined company had SEK 46.6 billion (5.1 billion) of goodwill and SEK 10.8 billion (1.2 billion) of other intangible assets on its balance sheet under IAS.

Risks Related to the Combined Company s Business

The revenues and profitability of the combined company could decline if the growth in the Nordic telecommunications markets slows.

The telecommunications industry in the Nordic countries is currently well developed relative to most other European countries. In particular, each of Denmark, Finland, Norway and Sweden has among the highest mobile penetration rates and lowest mobile calling tariffs in the world. The high penetration rate in the Nordic countries will make it more difficult for the combined company to match Telia s and Sonera s previous subscriber growth. In addition, economic growth in the Nordic countries has slowed considerably since the beginning of 2001, causing a decrease in the growth of customer demand for telecommunications services. These trends may result in the combined company recording slower revenue growth than Telia and Sonera achieved in the past.

Increased competition in the Nordic mobile and fixed network communications markets may result in decreased prices, loss of market share or inability to gain market share.

Both Telia and Sonera operate in the highly competitive Nordic telecommunications market. As competition continues to intensify, the mobile, fixed network and Internet services businesses of both Telia and Sonera may lose market share or fail to gain market share and be forced to reduce tariffs.

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Currently, Telia faces strong competition in the mobile telecommunications market in Sweden from Vodafone and Tele2 (Comviq). Sonera faces strong competition in Finland from Oy Radiolinja Ab, a subsidiary of Elisa Communications Corporation, which has recently entered into an extensive partner agreement with Vodafone, as well as from DNA Finland Ltd., which entered the Finnish GSM (Global System for Mobile Communication) market in 2001. The recent arrival of Vodafone, one of the world s leading wireless telecommunications companies, on the Finnish mobile market, is expected to result in an intensification of competition in the Finnish market. In Denmark, Telia faces strong competition from the incumbent operator TDC A/S, which also has entered into a partner agreement with Vodafone, as well as Tele2 and Sonofon, which is majority owned by Telenor, and, in Norway, Telia faces strong competition from the incumbent operator Telenor. In addition, the commercial introduction in each of the Nordic countries of third generation mobile services will open the Nordic telecommunications market to even more competition. The companies also expect to experience increased competition from non-traditional operators, including Mobile Virtual Network Operators (MVNOs) which are telecommunications service providers that typically do not own their own network infrastructure but rather lease capacity from the network operators.

In the Nordic fixed line market, both Telia and Sonera expect that competition from operators such as Song Networks, Utfors, Elisa Communications, TDC, Telenor and Tele2 will increase, resulting in further reductions of tariffs. With the continuation of the trend of traditional users of fixed network services to switch to mobile phone usage, a trend sometimes referred to as fixed-mobile substitution, the combined company s fixed network businesses are also expected to face increased competition from mobile operators. Moreover, new forms of telecommunications that do not use conventional tariff structures, such as Internet telecommunications, are expected to increase the sources of competition, which the combined company will face. In the Nordic Internet communications market, the combined company expects to face increased competition from large Nordic Internet service providers such as Tele2, Finnet, Utfors, Elisa Communications, Sonofon, Telenor, TDC, Spray and Tiscali.

In the International Carrier business area, the combined company faces strong competition from multinational operators such as France Telecom, British Telecom and Cable & Wireless. While several of the combined company s competitors, such as WorldCom and Global Crossing, are currently undergoing financial difficulties, there is also a risk that a financially stronger telecommunications operator may acquire the businesses or assets of these troubled carriers, resulting in increased competition and pricing pressure.

The combined company faces a number of significant risks relating to its investment in UMTS licenses and networks.

UMTS technology is new and not yet commercially tested and there can be no assurance that third generation services will achieve acceptance in the market.

The size of the market for third generation services is as yet unknown. The combined company cannot be certain that the demand for such services will justify the related costs. In particular, there can be no assurance that future levels of customer acceptance of third generation services will be sufficient to generate an acceptable return on the combined company s substantial investment in UMTS licenses and networks. Operators may be forced to pass on the high costs of obtaining UMTS licenses and rolling out the networks to users of third generation services, which may slow down market acceptance of third generation services by making existing, second generation services more attractive to consumers who are unwilling to pay a higher price for UMTS services. In addition, due to a variety of technical problems facing the development of third generation networks and handsets, the combined company does not expect that it will be in a position to launch third generation services on a commercial basis until 2003, which is significantly later than originally expected. These delays mean that it will take longer than expected for the combined company to realize revenue and profits, if any, from offering third generation services. In particular, the Spanish UMTS joint venture may never be profitable. If the combined company fails to generate significant revenue from planned UMTS services or fails to do so within the envisaged timeframe, it could have a material adverse effect upon the combined company.

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Moreover, a variety of new entrants in the third generation market could intensify competition and reduce the potential profitability of providing third generation services. Possible new entrants include MVNOs, which typically do not have their own network infrastructure and thus would not have the fixed cost burdens facing the combined company and its UMTS joint ventures. Competition from companies providing Wireless Local Area Network (WLAN) services, which are based on wireless short distance transmission networks, can deliver wireless data services at a lower cost than UMTS in concentrated areas, may also affect the market and pricing for third generation services.

In addition, operators utilitizing UMTS technology may face competition from other operators using other technological standards to deliver third generation services. Although most European operators, including Telia and Sonera, are committed under the terms of their UMTS licenses to UMTS technology, which uses Wideband Code Division Multiple Access (WCDMA) technology, there is currently no universally adopted technological standard for delivering third generation services. UMTS technology may face competition from other third generation standards, such as CDMA 2000 technology, a technology which is currently being used by certain mobile operators in Japan. Because CDMA 2000 technology can operate on existing GSM spectrum and is expected to be compatible with existing GSM networks, whereas UMTS technology uses different spectrum and requires that operators build entirely new networks, CDMA 2000 technology may prove both cheaper and faster to implement than UMTS technology. This may allow operators without UMTS licenses and networks to compete effectively in the market for third generation services, which may have a negative effect on the market and pricing of the combined company s third generation services.

The combined company s UMTS joint venture in Spain, Xfera, is a new entrant in its market without an existing customer base and will face strong competition from incumbent operators and other new entrants.

Xfera is a new entrant in its market. Xfera will have to gain customers either by attracting them away from other existing operators or by attracting people who do not currently use mobile communications services. Given the highly competitive nature of the Spanish market and the superior market position of incumbent operators, as well as the presence of other new entrants, the combined company cannot assure you that Xfera will be able to develop competitive and profitable businesses in the Spanish market.

Furthermore, the combined company expects that the cost of rolling out UMTS networks in the Xfera s market in Spain will be high. If Xfera is unable to obtain vendor and other third party financing, or is unable to enter into network sharing agreements on commercially desirable terms with other operators, it may have difficulties funding the cost of rolling out its UMTS network.

The combined company will assume Sonera s significant ongoing financial obligations in connection with its investment in its UMTS joint ventures in Spain and Italy, including commitments to provide additional capital and counter-guarantees provided to banks that issued guarantees on behalf of some of Sonera s UMTS joint ventures. Previous actions taken by Sonera to limit its financial exposure to these UMTS investments may not be successful in limiting the exposure of the combined company to these investments to the degree intended.

Sonera assumed significant ongoing financial obligations in connection with its investment in UMTS joint ventures in Spain and Italy. In Spain, under the shareholders agreements for Xfera, Sonera agreed to provide financing to the joint venture for ongoing operations in accordance with the business plan adopted by the company. Based on the initial business plan for Xfera, Sonera anticipated being obligated to contribute an additional 300 million to the company through 2004. Sonera, together with the other shareholders of Xfera, provided counter-guarantees to banks that have issued guarantees on behalf of Xfera in favor of the Spanish government relating to the fulfillment of Xfera s commitments in connection with its UMTS license. Sonera s outstanding counter-guarantees with respect to Xfera currently amount to 387 million. In addition, Sonera provided a counter-guarantee of 23 million in March 2002 as its pro rata share to cover the payment of Xfera s spectrum fee for 2001. In Italy, Ipse 2000 has committed to pay the remaining 1.2 billion portion (plus interest) of the UMTS license in ten yearly installments commencing at the end of 2001. Sonera, together with the other shareholders of Ipse 2000, issued counter-guarantees to banks that have issued payment guarantees on behalf of Ipse in favor of the Italian government. Sonera, together with the other shareholders of Ipse 2000, have also issued counter-guarantees on behalf of Ipse 2000 in connection with the rental of base station sites, which form an integral part of a mobile telecommunications network consisting of fixed transceiver equipment that communicates with mobile handsets. Sonera s counter-guarantees with respect to Ipse 2000 amount to 180 million, of which approximately 142 million relates to Sonera s pro rata portion of the deferred purchase price for the UMTS license.

In Spain, the board of directors agreed in October 2001 to significantly curtail Xfera s capital and operating expenditures until the necessary UMTS technology becomes commercially available for Xfera to launch commercial UMTS services or Xfera receives the necessary license and spectrum allocation to launch GPRS/GSM services. This is expected to defer, and possibly reduce, Sonera s existing capital commitment to Xfera. Sonera will, however, remain liable for the counter-guarantees it has issued on behalf of Xfera in connection with Xfera s fulfillment of certain conditions contained in its UMTS license.

Under applicable accounting rules, the combined company will regularly review the value of Xfera and will recognize an impairment if the carrying value of Xfera is not supported by the combined company s expectations of future cash flows attributable to Xfera at the time of the review. Factors such as potential difficulties in the build out and launch of Xfera s UMTS network, failure to obtain third party financing, lower than expected market acceptance of third generation services, and difficulties in gaining customers may result in the write-down of the carrying value of Xfera in the future.

In the fourth quarter of 2001, Sonera notified the board of directors of Ipse 2000 that it does not intend to provide any additional funding to Ipse 2000. Moreover, in July 2002, the board of directors of Ipse 2000 decided to halt Ipse 2000 s commercial operations. Sonera will, however, remain obligated to fund its pro rata share of the deferred purchase price of Ipse 2000 s UMTS license and remain liable on the counter-guarantees that it issued for Ipse 2000 in the aggregate amount of 180 million. In connection with the decision to halt Ipse 2000 s commercial operations, Sonera charged to expenses its remaining capital commitments with respect to its pro rata portion of the deferred purchase price for Ipse 2000 s UMTS licence of 142 million over the next nine years, and recorded the amount as a liability on its balance sheet.

Previous actions taken by Sonera to limit its financial exposure to these UMTS ventures may not prove successful and may not limit the combined company s potential exposure to these investments to the degree intended. Furthermore, the combined company s proportionate ownership interest in these UMTS joint ventures could be substantially diminished due to the dilution it will suffer if the funding requirements of these joint ventures are satisfied through equity investments from other parties.

As a result of the decision of Group 3G and Ipse 2000 to cease commercial operations, both of these associated companies may be required to forfeit their UMTS licenses.

In addition, as a result of the decision of Group 3G and Ipse 2000 to cease commercial operations, neither associated company may be able to fulfill their respective UMTS license requirements, which may result in either or both companies having to forfeit their licenses. If this were to happen, the combined company would not be able to realize any future potential benefits from holding such UMTS licenses, including the possibility of realizing proceeds from the sale of such license or the ability to trade frequencies granted under the license.

Telia s international carrier operations are expected to face continued intense competition, which may lead to further price declines and margin pressure. In light of continued turbulence in the market, Telia has decided to restructure its international carrier operations, which will result in Telia recording significant restructuring provisions and asset write-downs in the third quarter of 2002. In addition, certain of Telia s customers in the international carrier business are experiencing, or may in the future experience, financial difficulties, which may negatively impact the business.

Telia has experienced and expects that the combined company will face intense competition in the international carrier services area. Since the late 1990s, competition in the global data and voice

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communications services area has increased substantially. The entry of a considerable number of competitors in this area has created overcapacity and has resulted in a rapid decline in the price of wholesale bandwidth capacity in the markets where Telia s international carrier business operates. This led Telia to write down the carrying value of its international carrier business by approximately SEK 3 billion (330 million) in 2001. The industry is presently undergoing significant consolidation, with many market participants withdrawing. Telia expects the consolidation to continue and the industry to be marked by intense competition and continued price pressure.

In light of the ongoing turbulence in the market, Telia undertook a comprehensive review of Telia International Carrier s operations to clarify how the international carrier business can achieve a positive cash flow as quickly as possible. As a result of such review, which was completed in early September 2002, Telia has decided to change the strategic focus of Telia International Carrier and significantly restructure its operations. As part of Telia International Carrier s new strategy, it will focus on offering wholesale capacity and IP services to large customers over the profitable parts of its wholly owned European and trans-Atlantic networks. As part of the restructuring program, Telia has decided to close down Telia International Carrier s Asian operations as well as its national voice reseller business in the United Kingdom and Germany, discontinue offering domestic capacity services in the United States and terminate its co-location business. Telia will also significantly reduce the number of commercial points of presence of Telia International Carrier. Telia will also centralize Telia International Carrier s sales, finance, administration and customer care resources to Sweden. Telia also estimates that, as part of the restructuring, Telia International Carrier will reduce its current workforce of approximately 800 persons by more than 50 percent. While Telia believes that the refocusing and restructuring of Telia International Carrier will allow it to achieve positive cash flow in the future, there can be no assurance that such efforts will be successful. Furthermore, it may be difficult for a down-sized Telia International Carrier to compete effectively in the international carrier market.

The restructuring of Telia International Carrier will result in provisions of an estimated SEK 3.5 billion (385 million), most of which are expected to be recorded in the third quarter of 2002. In addition, due to the adverse market developments in the international carrier operations and the significant downscaling of Telia International Carrier, Telia will write down the value of its fixed assets relating to its international carrier operations by approximately SEK 6.0 billion (660 million) in the third quarter of 2002.

In addition, Telia International Carrier s principal customers include other international carriers, telecommunications operators and service providers, some of which have experienced, or may in the future experience, financial difficulties. In certain cases, Telia s international carrier customers and partners such as KPNQwest, have filed for bankruptcy. This may have an adverse short-term impact on Telia s international carrier operations. In addition, because of the nature of the contractual arrangements made between carriers, in which amounts paid for network capacity are often paid up-front, Telia may not be able to realize the full benefits of long-terms contracts with certain of its suppliers experiencing financial difficulties and may have to write down the carrying value of such contract rights.

As part of the combined company s strategy, it may seek to participate in the ongoing consolidation of the telecommunications industry through acquisitions, strategic alliances or business combinations. The failure to participate successfully in the consolidation of the industry could harm the combined company s business and its shareholders.

As part of its growth strategy, the combined company may seek to participate in the consolidation of the telecommunications industry. To implement this strategy, the combined company expects to review acquisition prospects, as well as proposals for business combinations and strategic alliances or partnerships that may complement the combined company s existing businesses. This strategy would entail a variety of risks that could negatively affect the combined company s business. There is, on the one hand, the risk that due to competition in the identification of acquisitions or strategic partners, the combined company will make an acquisition or enter into a strategic alliance on unfavorable terms. There is also the risk that the combined company will not be able to successfully integrate and manage any acquired company or strategic alliance, that the acquisition or strategic alliance will fail to achieve the synergies sought and that management s attention will be diverted away from other ongoing business concerns.

The combined company will have significantly more outstanding debt than Telia as a stand-alone entity. This may trigger a ratings downgrade for Telia and result in the combined company having higher borrowing costs and reduced financial flexibility as compared to Telia as a stand-alone entity.

Even though Sonera s average cost of debt is currently lower than Telia s, Sonera is a more highly leveraged company than Telia. As a result of the combination, the combined company will assume Sonera s outstanding debt and will have significantly higher levels of indebtedness than Telia as a stand-alone entity. On a pro forma basis, the combined company had approximately SEK 54.9 billion (6.0 billion) in interest-bearing liabilities as of June 30, 2002, as compared to SEK 25.6 billion (2.8 billion) for Telia as a stand-alone entity.

On March 26, 2002, Moody s Investor Services, or Moody s, placed Telia s long-term and short-term debt ratings on review for a possible downgrade. On April 18, 2002, Standard & Poor s Ratings Services, or S&P, lowered its long-term credit rating on Telia from AA to A+ and its short-term rating from A-1+ to A-1. S&P continues to keep Telia s ratings on CreditWatch for a possible downgrade. S&P stated that, based on current information, it considers that the ratings for the combined company would be in the mid-to-low single A category.

Possible future downgrades could increase the financing cost of the combined company by increasing the interest rates at which the combined company can refinance existing debt and incur new debt. Such downgrades might also harm the combined company s ability to obtain future financing and to refinance its existing debt.

Telia has made substantial investment in developing and marketing its broadband services. Broadband services are relatively new to the Nordic market and there can be no assurance that the combined company s broadband services will achieve profitability.

Telia Internet Services recorded an underlying EBITDA loss of SEK 970 million (105 million) in 2001, largely as a result of the build-up of its broadband services. While this was an improvement over the business area s results of operations in the previous year, prices for broadband services remain low in relation to the costs for providing such services. There can be no assurance that future levels of customer acceptance and use of broadband services will be sufficient to generate an acceptable return on Telia s substantial investment in developing and marketing such services. The combined company may be unable to successfully introduce broadband services for which customers are willing to pay higher prices than they currently pay. The combined company will periodically assess the carrying value of Telia s Internet Services operations and will recognize an impairment whenever the carrying value of such asset is not supported by the combined company s current expectations of the future cash flows attributable to such asset. In addition, the Swedish National Post and Telecommunications Agency, or NPTA (*Post-och Telestyrelsen or PTS*), has proposed new regulations relating to the provision of broadband services in Sweden, which may have a negative impact on the combined company s flexibility to set prices for broadband services.

Telia s operations in Denmark have generated significant losses to date and may continue to have a negative effect on the combined company s profitability.

Telia s Danish mobile and fixed network operations have to date had a negative effect on Telia s overall profitability. In 2001, Telia s Danish mobile telephony businesses generated underlying EBITDA losses of SEK 602 million (66 million) and Telia s Danish fixed network businesses generated a positive underlying EBITDA of SEK 19 million (2 million). In Denmark, Telia faces competition from, among others, incumbent operators with significantly greater market share than Telia. While Telia has made significant investments in its mobile and fixed network operations in Denmark, including investments related to the expansion of its GSM 900 network and the acquisition of the Danish infrastructure company Powercom, there can be no assurance that such investments will succeed in improving the results of operations generated by Telia s Danish operations. The combined company will periodically assess the carrying value of its Danish operations and will recognize an impairment whenever the carrying value of such asset is not supported by the combined company s current expectations of the future cash flows attributable to such asset.

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To obtain clearance for the merger from the European Commission, Telia has agreed to dispose of its mobile business in Finland and its cable TV business, Com Hem AB, in Sweden. Telia may be unable to find a buyer for such businesses on satisfactory terms. In addition, the sale of Com Hem may have a negative effect on the growth of Telia s Internet Services business.

In connection with the proposed exchange offer and the ensuing combination, Telia has agreed with the European Commission to dispose of its loss-making mobile business in Finland. For the year ended December 31, 2001, on a pro forma basis, Telia s consolidated net sales would have been SEK 663 million, (73 million), or 1.2 percent lower, excluding its mobile business in Finland. Telia may, however, be unable to find a buyer for the business on terms as favorable as it might if it were not required to dispose of the business and may incur a capital loss in connection with the disposal. Moreover, at the time Telia sells its Finnish mobile business, the Finnish State may have the right to cancel Telia s UMTS license in Finland and may have the option of re-granting the license to a third party mobile operator. This may result in the combined company facing additional competition in the third generation mobile communications market in Finland.

To obtain clearance for the merger from the European Commission, Telia has also agreed to dispose of its Cable TV network and related distribution business in Sweden owned and operated by Com Hem AB. As a result, Telia may be required to sell Com Hem on terms that it might not have otherwise found acceptable if it were not required to dispose of Com Hem and may incur a capital loss in connection with the sale. In addition, the sale of Com Hem may have a negative effect on the fast-growing business of Telia Internet Services. Com Hem, which has approximately 1.4 million cable television subscribers and has reported strong cable access broadband subscriber growth in recent periods, contributed to the recent revenue and subscriber growth of Telia s Internet Services. For the year ended December 31, 2001, on a pro forma basis, Telia s consolidated net sales would have been SEK 612 million (67 million), or 1.1 percent lower, excluding Com Hem s operations.

Telia s cooperation with Tele2 in connection with the build out and operation of a UMTS network in Sweden may not be successful.

As part of its long-term growth strategy, Telia plans to offer UMTS applications and services in the Nordic region. While Telia was not awarded a UMTS license in Sweden in connection with a license tender held by the Kingdom of Sweden in 2000, Telia has entered into a cooperation arrangement with Tele2 to build and operate a UMTS network in Sweden to exploit, through the joint venture Svenska UMTS-nät, the Swedish UMTS license originally granted to Tele2. Telia and Tele2 are significant competitors in both the mobile and fixed line telecommunications market in Sweden. As in any joint venture, there is a risk that the partners may disagree on important aspects of the venture, including the funding of the venture, and this risk may be magnified when the partners are competitors. A disagreement or deadlock regarding the joint venture or a breach by one of the parties of the material provisions of the joint venture arrangements would result in a setback to the joint venture s goal of building out and operating a UMTS network in Sweden, which, in turn, would have a negative effect on Telia s ability to pursue its UMTS strategy. In addition, the joint venture will be subject to review by the Swedish Competition Authority in 2007 after the current exemption from the anti-competitive agreements prohibition in the Swedish Competition Act expires. Accordingly, there can be no assurance that the Swedish Competition Authority will not in the future revoke or restrict the exemption granted the joint venture, which could have a material adverse effect upon the joint venture and the combined company s operations.

In addition, Telia has made an aggregate capital contribution of SEK 500 million (55 million) to the venture and has issued a guarantee of SEK 5.5 billion (0.6 billion) in favor of Svenska UMTS-nät. Telia has also pledged its interest in Svenska UMTS-nät to the joint venture s lenders. If Svenska UMTS-nät is unsuccessful, whether due to the failure of UMTS services to achieve market acceptance, the joint venture s inability to build out the network in a timely fashion, disagreements between the parties, or otherwise, Telia may face significant financial exposure with respect to its UMTS joint venture.

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Telia and Sonera have assumed various ongoing obligations in connection with their recent divestment of non-core businesses and assets.

As part of their strategy to focus on core businesses, both Telia and Sonera have recently divested or partially divested, or are in the process of divesting or partially divesting, several businesses and certain operations, including, in the case of Telia, its network construction and maintenance, installation and servicing of access and customer equipment operations and, in the case of Sonera, its network construction and maintenance, directory assistance, SmartTrust and Sonera Zed operations. In addition, as part of its efforts to concentrate its geographic presence, Telia divested several of its international investments, including its financial interests in the Brazilian mobile operator Tess S.A., its fixed network (wired telephone network) operations in Finland and its ISP (Internet Service Provider) businesses in Spain and the United States. Sonera has also divested several of its international investments, including Pannon GSM in Hungary and Libancell S.A.L. in Lebanon. As is customary in negotiated sales, in many of these transactions Telia and Sonera gave representations, warranties and indemnities relating to the sold businesses to the purchasers, some of which remain in force. Telia and Sonera, accordingly, have both assumed ongoing potential liabilities with respect to many of these divested or partially divested businesses. In addition, in some cases, such as in connection with its sale of a 51 percent interest in its former wholly owned subsidiary Telefos AB and the sale of its entire interest in the Orbiant Group, Telia entered into long-term commitments to purchase products and services from such divested or partially divested businesses, which may restrict the combined company s operational flexibility in the future.

The value of the combined company s investments in telecommunications companies outside of Western Europe may be adversely affected by political, economic and legal developments in these countries.

Both Telia and Sonera have made a number of significant equity investments in telecommunications operators in countries outside of Western Europe, such as Turkey, the Baltic States and Russia. The political, economic and legal systems in these countries are less predictable than in countries with more developed institutional structures. Political or economic upheaval, changes in laws and other factors, such as legal or regulatory proceedings brought against such companies, may have a material effect upon the operations of the companies in which the combined company has invested and, in turn, the amount of income from, and the value of, these investments. The more significant risks of operating in emerging market countries arise from the establishment or enforcement of foreign exchange restrictions, which could effectively prevent the combined company from receiving profits from, or from selling its investments in, these countries. While none of the countries in which Telia s or Sonera s associated companies are located currently has foreign exchange controls that affect them significantly, all of these countries have had such controls in the recent past and we cannot assure you that they will not reinstitute such controls in the future.

Turkcell continues to operate in a difficult economic environment.

The Turkish economy has experienced hyperinflation over the past five years and has been severely affected by adverse events including the economic crises of November 2000 and February 2001 and two major earthquakes in 1999. In February 2001, in the face of a potential financial and political crisis, Turkey abandoned its exchange rate controls which were a key part of its economic stabilization program. This and other factors caused the Turkish lira to fall sharply against the U.S. dollar in 2001, which had a material adverse effect on the operating profit and cash flow of Turkcell in 2001. In addition, Turkcell has stated that its operating results, including average monthly minutes of use and average revenues per user, have been negatively affected as a result of the economic crisis in Turkey and that it expects that the continuation of the crisis will have a negative impact on its future operating results, which could contribute to a decrease in its operating cash flow.

Several political crises in 2001 and 2002 have had a major impact on investor confidence in Turkey and precipitated an economic crisis. Turkey s current political crisis began in early May 2002, when Turkish Prime Minister Bülent Ecevit became ill and unable to work, cancelling many of his public appearances. On July 31, 2002, the Turkish parliament voted to hold an early general election on November 3, 2002. As a result of the current political crisis in Turkey, the Turkish lira has depreciated by approximately 18 percent

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since the beginning of May 2002. Any changes in the government of Turkey as a result of early elections or otherwise may create instability and may adversely affect the Turkish economy. In addition, any new government may fail to devise or implement appropriate economic programs as required to ensure continued IMF support, which may also adversely affect the Turkish economy.

In the aftermath of the major earthquakes that occurred in the Marmara Region of Turkey in August and November of 1999, the Turkish Parliament imposed a temporary earthquake relief tax on mobile telephone subscriptions representing 25 percent of a subscriber s monthly mobile telephone charges. The tax, initially in effect from December 1999 through the end of 2000 and recently extended up to the end of 2002, has negatively affected mobile usage in Turkey and Turkcell s net profit. Turkcell s management believes that Turkcell will continue to be negatively affected by this tax, if the tax is extended beyond 2002.

Fintur operates in emerging markets that have weak and undeveloped market institutions and commercial practices.

Sonera s investment in Fintur, the holding company for Sonera s interests in mobile companies in Azerbaijan, Georgia, Kazakhstan and Moldova, could expose the combined company to economic, political and social risks in these countries, which were all a part of the former Soviet Union until each republic gained its independence in 1991. Azerbaijan, Georgia, Kazakhstan and Moldova are emerging markets and their legal systems, including telecommunications regulations, are relatively underdeveloped. Market institutions and commercial practices are weaker and less developed than in the European Union and corruption is more common. In addition, the political situation in each of these nations remains unstable, with each of Azerbaijan, Georgia and Moldova facing regional separatist movements. Each of these nations is also experiencing financial difficulties, including high inflation, weak currencies and high external debt. There can be no assurance that political, legal, economic, social or other developments in these nations will not have an adverse impact on the combined company s investments and businesses in these countries.

Economic or political instability in Russia could adversely affect MegaFon and the combined company s Baltic investments.

Russia has also been a focus of both Telia s and Sonera s international investments. The combined company will have an approximate 44 percent direct and indirect interest in the Russian GSM operator MegaFon. As recently as 1998, Russia experienced a period of high economic and political instability, marked by a currency devaluation, hyperinflation, a severe banking crisis and changes of government. While the Russian economy has recently improved, there can be no assurance that such trends will continue or will not be abruptly reversed. Consequently, there is a risk that the combined company s investments in Russia and the neighboring Baltic region may be adversely affected by potential political or economic upheaval or legal change in Russia.

The seizure of Pamukbank, one of Turkcell s shareholders and a member of the Cukurova Group of companies, by the Turkish banking authorities may have a negative impact on Turkcell and Sonera s shareholding in Turkcell.

On June 18, 2002, the Banking Regulation and Supervision Agency of Turkey (BRSA) decided to transfer the management and supervision of Pamukbank T.A.S., one of Turkcell s shareholders, to the Savings Deposit Insurance Fund of Turkey (SDIF). The SDIF, in turn, assumed all of the rights of the shareholders of Pamukbank, excluding their entitlement to dividends. In its decision, the BRSA cited, among other things, that Pamukbank failed to take measures required under the Turkish Banks Act, that its total liabilities exceeded its total assets and that it had a capital deficit of approximately $2 billion as of December 31, 2001. To the best of Turkcell s knowledge, Pamukbank currently holds a 0.51 percent direct ownership interest and a 7.87 percent indirect ownership interest in Turkcell. Pamukbank is majority owned by the Cukurova Group, a large industrial and financial conglomerate in Turkey, which is the largest shareholder of Turkcell. As part of its seizure of Pamukbank, the BRSA also decided to assume control of the voting rights held by the Pamukbank in Yapi Kredi Bankasi A.S., another bank controlled by the Cukurova Group, which, to the best of Turkcell s knowledge, holds a 1.05 percent direct ownership and a 10.21 percent indirect ownership interest in Turkcell. Among its various direct and indirect holdings in Turkcell, the Cukurova Group of

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companies holds a majority ownership in Turkcell Holding A.S., which in turn holds a 51 percent ownership interest in Turkcell.

It is currently too early to assess what consequences the seizure of Pamukbank by the Turkish banking authorities may have on Turkcell. Under the Turkish Bank Act, the BRSA may in certain circumstances assume management control over any company that is controlled by the shareholders of a bank which has been seized by the SDIF. As a result, the BRSA may have the legal authority to assume management control over one or more of the Cukurova Group companies, including Turkcell. The Turkish government may have interests, such as its holding in the Turkish telecommunications operator Türk Telekom, which may be adverse to Turkcell.

In addition, the Turkish authorities have the power to compel the Cukurova Group to dispose of its assets to satisfy the liabilities of Pamukbank. On June 29, 2002, the BRSA invited potential investors to submit bids by October 4, 2002 for the purchase of Pamukbank. This might require the Cukurova Group to dispose of part or all of its shareholdings in Turkcell, which could have a number of potentially negative consequences on Sonera s shareholding in Turkcell. As part of Sonera s shareholder agreement with the Cukurova Group, in the event the Cukurova Group intends to dispose of its shareholding it is obligated to first offer to sell such shares to Sonera. Sonera may accordingly decide to exercise its right to purchase such shares and thereby increase its shareholding in Turkcell. This could be costly and increase Sonera s financial exposure to Turkcell. On the other hand, to the extent Sonera were to decide not to exercise its right of first offer to purchase such shares, the shares might be sold to third parties with whom Sonera has had no previous business relationship. Sonera and the potential new owners of Turkcell might have different approaches with respect to Turkcell and might be unable to reach agreement on key business decisions. The potential sale of a large block of Turkcell shares might also have the effect of depressing the market price of Turkcell s shares.

Turkcell is presently subject to numerous legal and regulatory proceedings which may, if decided unfavorably, have a material adverse effect on Turkcell.

Turkcell is presently subject to numerous legal and regulatory proceedings relating to, among other things, the following:

- violations of the U.S. securities laws in connection with Turkcell s initial public offering;
- the calculation of payments owed by Turkcell to the Turkish Treasury and the Ministry of Transportation with respect to Turkcell s licenses;
- the payment of VAT by Turkcell on its upfront license fee to the Turkish Tax Office;
- license fees on value-added services and other charges owed by Turkcell to the Turkish Treasury and the Ministry of Transportation;
- license fees on interconnection revenues owed by Turkcell to the Turkish Treasury, the Ministry of Transportation and the Telecommunications Authority;
- fees charged by Türk Telekom to Turkcell for access to Türk Telekom s transmission lines;
- interconnection fees paid by Türk Telekom to Turkcell;
- monthly fixed payments by postpaid customers to Turkcell;
- fees relating to national roaming; and
- certain allegedly anticompetitive activities of Turkcell relating to its business dealings with KVK, the primary distributor of Ericsson GSM handsets in Turkey.

There can be no assurance that these or other proceedings will be determined in favor of Turkcell. Turkcell s failure to successfully defend itself against any such proceedings could have a material adverse effect on its consolidated financial position, results of operations, liquidity and prospects.

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Telia s and Sonera s investments in telecommunications companies outside of the Nordic countries will face increased competition.

Most of the associated companies in which Telia and Sonera hold an equity interest face significant competition in the markets in which they operate. The combined company s most significant GSM associated companies operate in Turkey, the Baltic States and Russia. The competition in Turkey and Russia is expected to increase as additional GSM licenses are granted and the competition in the Baltic States will increase as regulation favoring competition is adopted in line with EU directives. For instance, Turkcell is beginning to experience increased competition. In Turkey, two new GSM operators, Aria and Aycell, began offering services in March and December 2001, respectively. In Russia, the associated GSM operating company MegaFon faces strong competition from MTS and Vimpelcom, two New York Stock Exchange listed operators which have significantly larger subscriber bases. In Georgia, in addition to facing strong competition from the leading Georgian cellular provider Magticom, Geocell is also expected to face competition from two new operators which are anticipated to begin offering GSM 1800 services in Georgia in the near future.

In addition, the fixed line telecommunications market in Estonia was opened to competition in the beginning of 2001 and the combined company expects that the fixed line telecommunications markets in Latvia and Lithuania will be opened to competition in the beginning of 2003. As a result, the combined company expects that its associated companies, which offer fixed line services in the Baltic States (AS Eesti Telefon in Estonia and Lattelekom SIA in Latvia), and the combined company s subsidiary AB Lietuvos Telekomas in Lithuania may lose market share and be forced to reduce some of their tariffs in response to increased competition. In Poland, Polish membership negotiations with, and possible entry into, the European Union may lead to alterations to the current or currently anticipated regulatory environment that would be unfavorable to Netia, the leading alternative fixed line telecommunications provider in Poland, such as the introduction of the permit system in the Polish New Telecommunications Act allowing the low-cost entry of new competitors to provide fixed line telephone services.

The combined company currently cannot assess what specific effects increased competition will have on the business, results of operations or financial condition of the combined company s associated companies and other international investments and, in turn, the amount of income the combined company will derive from its associated companies and other international investments.

The value of the combined company s investments in associated GSM operating companies, and the income it derives from its associated GSM operating companies, could decrease due to possible future UMTS license costs and conditions imposed by those countries in which these companies operate.

Some of the countries where the combined company s associated GSM operating companies do business are planning or are expected to plan UMTS license tenders. The prices of, and conditions imposed by, UMTS licenses in those countries are not yet known. It is possible that UMTS license tenders may have a negative impact on the valuation of these associated companies, their ability to pay dividends and their need for external financing. The impact on these associated GSM operating companies will depend upon a number of factors, including the prices of the licenses, the conditions imposed by the licenses and whether the associated companies are successful in bidding for the licenses. In addition, UMTS license tenders give new operators a chance to enter the market, which may increase the overall level of competition for mobile telecommunications services in those markets.

MegaFon, an associated GSM company operating in Russia, has significant capital needs and may be required to change its strategy if it is unable to obtain financing on satisfactory terms.

MegaFon, a GSM operator in Russia in which the combined company will hold an approximate 44 percent interest, directly and indirectly, has significant capital needs and will have to secure additional financing if it is to implement its current strategy of becoming a provider of nationwide GSM services in Russia. In particular, MegaFon will need additional financing to build-out its GSM network. If MegaFon is unable to secure such financing on satisfactory terms or if the Russian mobile market does not develop as expected, MegaFon might have to revise its strategic focus, which may adversely affect its growth prospects.

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The combined company may not be able to fully realize anticipated tax benefits resulting from Sonera s recent write down of its UMTS investments in Germany and Italy.

As a result of its 4,280 million write-down of its UMTS investments in Germany and Italy, Sonera recorded a deferred tax benefit of 1,235 million in the second quarter of 2002. There can be no assurance, however, that Sonera or the combined company will be able to use this tax benefit in full to reduce their tax obligations in the future. The use of the tax benefit will depend, among other things, on the recognition by the Finnish tax authorities of the write-down for purposes of Finnish taxation. It is possible that the Finnish tax authorities may not recognize the write-down in whole or in part for purposes of reducing the combined company s tax liabilities in the future, if they argued that the impairment in value is not permanent. In addition, the ultimate realization of the deferred tax benefit is dependent upon the generation of sufficient taxable income by the combined company during the period the deferred tax benefit is applicable. Although Sonera currently estimates that the deferred tax asset can be realized in six to eight years under different scenarios, there can be no assurance of sufficient taxable income within this period. Tax loss carry-forwards in Finland expire after ten years.

If the combined company were to determine that its current expectations concerning future cash flows from NetCom ASA, the Norwegian mobile operator that Telia acquired in 2000, are not likely to be met, it may be required to write down the carrying value of NetCom.

As of December 31, 2001, the carrying value of the goodwill related to Telia s investment in NetCom amounted to SEK 23,998 million (2.6 billion). Under applicable accounting rules, the combined company will regularly review the value of its long-lived assets and will recognize an impairment whenever the carrying value of an asset is not supported by the combined company s current expectations of future cash flows attributable to such asset. Telia purchased NetCom in 2000, a time during which telecommunications operators generally had significantly higher market values than they currently have. As a consequence, Telia has been regularly performing a review of the carrying value of NetCom s goodwill. While Telia has not deemed it necessary to write down the value of NetCom to date, there can be no assurance that a change in Telia s or the combined company s business model or strategy, competitive pressures, regulatory environment or other factors will not require the company to write-down the carrying value of NetCom. While a write-down would not be cash negative to the combined company, a significant write-down in the value of NetCom would result in a reduction of the combined company s distributable equity and could impair its ability to declare dividends.

Netia, in which Telia is currently the largest shareholder, is in default of certain of its indebtedness and may be forced to go into bankruptcy.

Netia, in which Telia has a 48 percent interest, is the leading alternative fixed line telecommunications provider in Poland. Netia has had a history of operating losses and has been struggling under a heavy debt burden. As of December 31, 2001, it had an accumulated deficit of PLN 2.3 billion (0.65 billion) and a working capital deficit of PLN 3.5 billion (1 billion). In December 2001, one of its wholly owned subsidiaries failed to make interest payments on its outstanding notes and, in February 2002, Netia petitioned a Polish court to open arrangement proceedings under Polish law to allow it to restructure its debt obligations. In March 2002, Netia reached an agreement on restructuring its debt with an ad hoc committee of note holders, certain financial creditors and Netia s largest shareholders, including Telia. Under the restructuring plan, the note holders and certain financial creditors would receive new Netia shares representing 91 percent of Netia s post-restructuring share capital (on an undiluted basis) in exchange for relinquishing their claims with respect to Netia s existing notes and certain swap payments. If the restructuring is successfully completed, Telia s ownership interest in Netia will be diluted from 48 percent to approximately 2.1 percent on a fully diluted basis. If the restructuring is not successful, Netia may be forced to go into bankruptcy proceedings.

Telia already records the carrying value of its investment in Netia at zero, and so does not expect to be required to make any further impairment charges with respect to its investment in Netia. Nonetheless, Netia s

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financial crisis will adversely affect Telia s efforts to achieve growth in the less developed Polish telecommunications market.

The combined company will have only limited control of its associated companies.

Many of the combined company s business activities as a telecommunications operator principally outside of the Nordic and Baltic regions are conducted through joint ventures or associated companies in which the combined company will have less than a majority holding. As a result, the combined company will have limited control over the conduct of its international operator businesses. Under the governing documents for certain of these entities, certain key matters such as the approval of business plans and decisions as to timing and amount of cash distributions require the agreement of the combined company s partners. The risk of disagreement or deadlock is inherent in jointly controlled entities. The combined company s partners may have different approaches with respect to the associated companies and the combined company may be unable to reach agreement with its joint venture partners. Because the combined company will not have control of these entities, its partners may have the right to make certain decisions on key business matters with which it does not agree. In some cases, strategic or joint venture partners may choose not to continue partnerships that they have with the combined company. Any of these factors could impact the combined company s ability to pursue its stated strategies with respect to those entities and may harm its operating results and financial condition.

The value held by the combined company in its associated companies, and the income the combined company derives from its associated companies, could decrease if the exchange rate between the Swedish krona and the operating and accounting currencies of its associated companies change significantly.

Substantially all of the associated companies of the combined entity conduct their operations, prepare their financial statements and pay dividends in currencies other than the Swedish krona. Moreover, some of the associated companies of the combined company, including Turkcell, operate under currencies that are relatively volatile and may therefore fluctuate greatly against the Swedish krona. Any loss in value of any such currencies against the Swedish krona will have a negative impact on the value of the combined company s investments in the relevant associated company and the amount of income the combined company derives from the relevant associated company, in each case, as reflected in its krona-denominated financial statements.

The combined company will face increased currency risks compared to Sonera.

Because the large majority of Sonera s current operations are based in Finland and other member states of the European Union s Economic and Monetary Union that have adopted the euro as their common currency, Sonera does not have significant currency exposure with respect to its consolidated operations. The combined company will face increased currency exposure as compared to Sonera as a stand-alone entity. In particular, the combined company will have significant exposure to exchange rate movements between the Swedish krona and the euro as well as between the Swedish krona and each of the Norwegian krone and the Danish krone, which may have an adverse effect on its operating results and financial condition.

The combined company may not be able to remain competitive and implement its strategy if it cannot hire and retain skilled personnel.

To remain competitive and implement its growth strategy, the combined company will need to hire and retain highly skilled employees with particular expertise. In particular, competition is intense for qualified telecommunications and information technology personnel in the Nordic countries and elsewhere. To a considerable extent, the combined company s ability to hire and retain skilled personnel for high growth business areas will depend on its ability to offer them competitive incentive programs. The adoption of such incentive programs may require the support of the combined company s largest shareholders, including the Kingdom of Sweden and the Republic of Finland, and no assurance can be given that such shareholders will be supportive of such proposals. If the combined company cannot implement competitive incentive programs, it may be unable to hire and retain skilled employees, which may limit its ability to develop its high growth

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business areas and new business areas or remain competitive in its traditional business areas. Furthermore, the combined company will be particularly dependent on certain key members of management responsible for managing the integration of the two companies and developing the strategic direction for the company. The integration process of Telia and Sonera may, however, prove to be disruptive and may cause these and other key employees to leave.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to decreased mobile communications usage.

Concern has been expressed that the electromagnetic signals from mobile handsets and transmission masts, which serve as antennae for transmitting radio signals, may pose health risks and interfere with the operation of electronic equipment, including automobile braking and steering systems. These concerns may intensify in relation to third generation handsets and telecommunications equipment, which may emit higher maximum levels of radiation but, due to more advanced power control features and ongoing development, are not expected to emit higher average levels of radiation than GSM handsets or equipment. In the European Union, the European Council has adopted a recommendation on the limitation of exposure of the general public to electromagnetic fields (1999/S19/EC). These recommended levels are assessed on an ongoing basis and may be tightened based on new scientific findings. Actual or perceived risks of mobile handsets or transmission masts and related publicity or litigation could reduce the growth rate, customer base or average usage per customer of the combined company s mobile communications business area or may result in significant restrictions on the location and operation of transmission masts, any of which could have a negative impact on the combined company s operating results and financial condition.

If the combined company loses or is unable to renew licenses necessary for conducting its operations in any of the Nordic countries, the Baltic region or internationally, it may not be able to carry on parts of its current or planned business.

The combined company will in many cases only be permitted to provide telecommunications services and operate networks under licenses granted by competent authorities in each country where it carries out such activities. All of these licenses are issued for a limited period of time and may not be renewed or, if they are renewed, their terms may be changed.

These licenses contain a number of requirements regarding the way the combined company conducts its business, as well as regarding network quality and coverage. Failure to meet these requirements could result in fines or other sanctions, including, ultimately, revocation of the licenses.

The combination of Telia and Sonera brings about a change of ownership triggering notifications in a number of jurisdictions where licenses are held, including Europe, the Baltic States and Eurasia. There can be no assurance that the regulatory authorities in these jurisdictions will timely approve the change in ownership. Any failure to do so could result in a temporary disruption of service or the potential loss of licenses.

The combined company will depend on its relationships with various partners and suppliers and the disruption of these relationships may adversely affect its business.

The business of the combined company will depend on its ability to obtain adequate supplies of telecommunications equipment (and related software), its contractors ability to build and roll out telecommunications networks on schedule, and its suppliers ability to deliver dependable technical support and network maintenance. The combined company will also be reliant on mobile handset manufacturers to develop and market sophisticated and easy-to-use devices for mobile telecommunications. Its dependence on suppliers is now particularly important because of its strategy to market GPRS services, build and roll-out third generation networks, and launch third generation services. Telia and Svenska UMTS-nät currently have significant contracts with LM Ericsson with regard to mobile telecommunications equipment and networks. In addition, Sonera, which is to a large extent dependent on Nokia Corporation to deliver its UMTS networks and related equipment, could incur significant costs, in the form of lost revenues and added expenses, were it to be required to find alternative suppliers for this technology. The combined company also has significant long-term contracts with Flextronics to supply network planning and maintenance services for both the combined company s fixed line and mobile networks. The combined company cannot be certain that it will be able to obtain telecommunications equipment or network services from its alternative suppliers on a timely basis if its existing suppliers are unable to satisfy its requirements. This could lead to an interruption to the operation and build out of its networks and the networks of its associated companies, which could harm its operating results and financial condition.

Risks Related to Legal and Regulatory Matters

The combined company will operate in a regulated industry and changes in, or adverse applications of, the regulations affecting it could harm its operating results and financial condition.

The combined company s activities will, to a large extent, be regulated either at the national level or at an international level, such as by the European Union. Implementation and application of these regulations may be undertaken by one or more regulatory or competition authorities, which may challenge the combined company s compliance with one or more aspects of such regulation. If the combined company is found not to have complied with this regulation, it may be subject to damage awards, fines, penalties and suspensions.

In addition, changes in legislation, regulation or government policy affecting the combined company s business activities, as well as decisions by competition and other regulatory authorities or courts, could harm its operating results and financial condition and could have a negative impact on its share price.

The market position of the combined company will subject it to legal constraints that may negatively affect its revenues.

The combined company will be required to provide certain services on non-discriminatory, cost-oriented and transparent terms.

The NPTA has determined that Telia has significant market power in fixed telephony, leased lines, in the national market for interconnection through which telephone operators connect their network to the networks of other telephone operators and in mobile telephony. The Finnish Ministry of Transport and Communications has deemed Sonera to be an operator with significant market power in long distance, international and mobile telecommunications throughout Finland and in local telecommunications in its traditional service areas. As a result, the combined company will be required to provide certain services on non-discriminatory and cost-oriented terms in Sweden and Finland. This means that the amounts that the combined company charges for these services must be reasonably related to the costs of providing the services and that it cannot discriminate among customers. These obligations may hamper its future pricing flexibility. In particular, in the event that the NPTA or Finnish Communications Regulatory Authority (the FICORA) were to determine that the combined company s interconnection tariffs were not cost-related, these authorities would have the power to modify the terms and conditions of the combined company s interconnection arrangements, which could reduce the combined company s interconnection revenue and have a material adverse effect on its operating results or financial condition. Sonera is currently a party to a proceeding relating to the pricing of its mobile interconnection fees, the outcome of which could have a material adverse effect on its operating results and financial condition.

The combined company will also be subject to the European Union s competition law and to the competition laws of, among other countries, Sweden and Finland. In Finland, the combined company is deemed to have a dominant market position in the market for mobile services, which could impact the combined company s flexibility in marketing and pricing of its services, including its Short Messaging Services, also known as SMS, a mobile communications system, which allows users to send alpha-numeric messages from one mobile handset to another. The Finnish Competition Authority, or FCA, has stated that the pricing of Sonera s mobile services must be cost-based, non-discriminatory and transparent and Sonera is currently a party to several Finnish administrative proceedings, including a proceeding before the FCA relating to the pricing of its SMS services to content providers, the outcome of which could have a material adverse effect on its operating results and financial condition.

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In February 2002, the European Parliament and the European Council adopted a new regulatory framework for electronic communications networks and services that, among other things, would give national regulatory authorities the right to impose a variety of obligations on operators with significant market power which could have a material adverse effect upon the combined company s business.

The combined company will be required to provide access to the local loop at cost-based rates under supervision of the NPTA.

The local loop refers to the infrastructure that connects subscribers to the network. EC-regulation 2887/2000 on unbundled access to the local loop requires, among other things, Telia to give other operators direct access to and use of the infrastructure that Telia has traditionally controlled. As a result, the combined company will be required to provide access to the local loop to other operators at cost-based rates under the supervision of the NPTA. This may cause Telia to lose customers in its local fixed line business.

Additional regulatory requirements regarding the provision of national roaming services in Sweden or Finland or the fees the combined company charges for roaming services could have a material adverse effect on its business.

The introduction of national roaming in Sweden or Finland could have a negative impact on the combined company s results of operations or financial condition. Roaming allows subscribers to other operators services to use the combined company s networks when they are outside the reach of their own operators network service areas. To the extent Swedish, Finnish or European Union authorities were to require telecommunications operators in Sweden or Finland to offer national roaming, the combined company would be required to give other telecommunications providers, including competitors, access to its GSM networks. If this were to take place on terms and conditions that do not provide an adequate return on the investment in the combined company s GSM network, or if it were required to compensate one of its competitors for direct or indirect damages resulting from an alleged failure to provide national roaming, it could have a material adverse effect on the operating results or financial condition of the combined company. In addition, under Swedish and Finnish telecommunications law, holders of UMTS licenses may have a right to roam on the GSM networks of other operators under certain conditions.

Possible regulatory requirements regarding the universal service principle may have a material adverse effect on the combined company s business.

The combined company may, under universal service principles, in the future be required to offer functional Internet access using a fixed network throughout Sweden and Finland. If this were to take place on terms and conditions that do not provide an adequate return on the possible new investments required in the combined company s fixed network in its remote service areas in Sweden and Finland, it could have a material adverse effect on the combined company s operating results and financial condition.

Risks Related to the Combined Company s Ownership by the Kingdom of Sweden and the Republic of Finland

The combined company could be influenced by the Kingdom of Sweden and the Republic of Finland whose interests may not always be aligned with yours.

After the completion of the exchange offer, the Kingdom of Sweden will hold approximately 45 percent and the Republic of Finland will hold approximately 19 percent of the combined company s shares, assuming the exchange of all Sonera shares to Telia shares. The Kingdom of Sweden and the Republic of Finland have, furthermore, agreed to consult each other with respect to voting on matters to be resolved by the shareholders at general meetings of the combined company. Accordingly, the Kingdom of Sweden, acting alone, may have and the Kingdom of Sweden and the Republic of Finland, if they should choose to act together, will have the power to influence matters submitted for a vote of shareholders, including the approval of the annual financial statements, declarations of dividends, capital increases in connection with acquisitions, investments and the election and removal of members of the combined company s board of directors. The interests of the

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Kingdom of Sweden and the Republic of Finland in deciding these matters and the factors they consider in exercising their votes could be different from the interests of the combined company s other shareholders.

The Kingdom of Sweden and the Republic of Finland may sell significant amounts of shares in the combined company and this could significantly depress the market price of the combined company s shares.

The Kingdom of Sweden and the Republic of Finland, which will together hold approximately 64 percent of the shares of the combined company, have announced their intention to reduce their shareholdings in the combined entity during the five-year period following the closing of the exchange offer. Neither the Kingdom of Sweden nor the Republic of Finland is under any contractual commitment that would restrict their ability to sell any shares. Furthermore, both the Kingdom of Sweden and the Republic of Finland have the right to require the combined company to register their shares with the U.S. Securities and Exchange Commission (the SEC) for resale in the United States. It is currently not possible to assess the precise timing and manner of any future sales by the Kingdom of Sweden or the Republic of Finland of shares in the combined company. However, any sale by the Kingdom of Sweden or the Republic of Finland of a significant number of shares, or the public perception that these sales could occur, may cause the market price of the combined company s shares to decline significantly and may also make it more difficult for the combined company to issue new shares in the future.

Risks to Non-Tendering Securityholders

If you do not participate in the exchange offer you may choose to participate in a mandatory redemption offer or be required to participate in a compulsory acquisition proceeding that may result in a cash payment that may be either less or more than the value of the share consideration to be received in connection with the exchange offer.

Mandatory Redemption Offer

Under the Finnish Securities Market Act, in the event the exchange offer is completed and, as a consequence, Telia acquires Sonera shares, whether in the form of shares or ADSs, representing more than two-thirds of the total voting rights attaching to Sonera shares, Telia would be required, within one month after the expiration of the exchange offer period, to offer to purchase the remaining Sonera shares, whether in the form of shares or ADSs, and Sonera warrants that have not been tendered in the exchange offer. In connection with this so-called mandatory redemption offer, although Telia could continue to offer to exchange Sonera shares into Telia shares, Sonera ADSs into Telia ADSs and Sonera warrants into Telia warrants, Telia would be under no obligation to do so and would in any event be required to offer to purchase the remaining Sonera shares, including Sonera shares represented by Sonera ADSs, and warrants for cash at their fair price.

In the absence of any special circumstances and subject to certain other conditions, the volume-weighted average trading price of Sonera s shares and, to the extent applicable, Sonera warrants, on the Helsinki Exchanges during the 12-month period prior to the expiration of the exchange offer period would form a basis for the determination of the fair price of Sonera s shares, including shares underlying Sonera ADSs, and, to the extent applicable, Sonera warrants. However, no assurance can be given as to the amount of the cash redemption price to be paid in connection with any future mandatory redemption offer and such amount could be more or less than the amount of consideration per Sonera share to be received in connection with the exchange offer.

Compulsory Acquisition

Under the Finnish Companies Act, once Telia acquires more than nine-tenths of all Sonera shares, whether in the form of shares or ADSs, and more than nine-tenths of all votes entitled to be cast at a general meeting of shareholders of Sonera, it shall also have the right to require the minority shareholders of Sonera to sell the remaining Sonera shares, whether in the form of shares or ADSs, to Telia for a fair price in a compulsory acquisition proceeding. Any disputes concerning the right of redemption or the redemption price in a compulsory acquisition would be resolved by an arbitral panel of one or more arbitrators appointed by the Central Chamber of Commerce of Finland in accordance with the Finnish Companies Act. Under the Finnish Companies Act, the arbitration panel so appointed has considerable latitude in deciding upon the method or methods used in determining the fair price of the shares of the target company and in establishing the final amount of such fair price inasmuch as the Finnish Companies Act does not contain any similar provisions to those included in the Finnish Securities Market Act and used in the determination of the fair price in connection with a mandatory redemption offer pursuant to such the Finnish Securities Market Act, as described in more detail herein. Therefore, no assurance can be given as to the amount of the cash redemption price to be paid in connection with a compulsory acquisition that may follow the completion of the exchange offer and such amount could be more or less than the amount of consideration per Sonera share received in connection with either the exchange offer or a mandatory redemption offer that may be commenced after the completion of the exchange offer. In addition, under the Finnish Companies Act, the shareholders of a target company have the right to appeal the decision of the arbitral tribunal in respect of the cash redemption price to be paid in connection with a compulsory acquisition and, therefore, the final determination of such cash redemption price could be subject to protracted litigation.

If you do not participate in the exchange offer, the market for your Sonera securities may be less liquid than before the exchange offer and the value of your Sonera securities may be lower.

The exchange of Sonera securities pursuant to the exchange offer will reduce the number of Sonera securityholders and the number of Sonera securities that might otherwise trade publicly and, depending upon the number of Sonera securities so exchanged, could adversely affect the liquidity and market value of the remaining Sonera securities held by the public. Furthermore, Telia and Sonera intend to cause the delisting of Sonera ADSs from NASDAQ following the completion of the exchange offer. While it is possible that the Sonera ADSs would continue to be traded in the over-the-counter market and that price quotations would be reported, there can be no assurance that such an over-the-counter market would develop. The extent of the public market for the Sonera ADSs and the availability of such quotations would depend upon such factors as the number of holders remaining at such time, the interest on the part of securities firms in maintaining a market in Sonera ADSs, the intended termination of the deposit agreement for the Sonera ADSs and the possible termination of registration of Sonera s securities under the Exchange Act, which would adversely affect the amount of publicly available information on Sonera s securities.

Forward-Looking Statements

This prospectus contains forward-looking statements. Statements that are not strictly historical statements, including statements about Telia s and Sonera s beliefs and expectations, constitute forward-looking statements. By their nature, forward-looking statements are subject to risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The following factors, among others, could cause results to differ materially from those described in the forward-looking statements:

risks and uncertainties with respect to the expectations of Telia and Sonera regarding:

- the timing and completion of the exchange offer;
- the value of the exchange offer consideration;
- market positions;
- earnings improvements;
- costs and capital expenditure savings;
- Telia s and Sonera s outlook for growth in the telecommunications industry in Europe, including sources of increasing revenues to offset the impact of increasing competition;
- the adequacy of Telia s and Sonera s capacity and capital resources;
- other benefits anticipated from the merger of Telia and Sonera;

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- ° the implementation of the strategy of the combined company;

- the effects of potential mergers and consolidations within the telecommunications industry, Telia s and Sonera s ability to complete planned divestitures and the costs associated with possible future acquisitions and dispositions;
- the amounts of future capital expenditures;
- the timing and effect of the roll-out of UMTS networks and other new, enhanced or upgraded networks, systems, products and services, and their performance;
- uncertainties associated with developments related to fluctuations in interest rates, exchange rates, currency devaluations and other macroeconomic monetary policies;
- potential downgrades in credit ratings of Telia or the combined company by credit rating agencies;
- the level of demand for telecommunications services, particularly with respect to mobile services and new, higher value-added products;
- regulatory developments and changes, including with respect to the levels of tariffs, the terms of interconnection, customer access and issues related to national roaming;
- the outcome of legal and regulatory proceedings in which Telia, Sonera or both are involved or may become involved;
- the effects of competition;
- technological innovations, including the cost of developing new products and the need to increase expenditures to improve the quality of service;
- the success of the combined company s international investments;
- other economic, business, competitive and/or regulatory factors affecting the businesses of Telia and Sonera generally, including factors affecting the market for telecommunications services; and
- factors discussed under RISK FACTORS.

Telia and Sonera are under no obligation to, and expressly disclaim any such obligation to, update or alter their forward-looking statements, whether as a result of new information, future events or otherwise.

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THE TRANSACTION

Background of the TeliaSonera Merger

Telia General Background

Telia has as part of its growth strategy been seeking to expand in the Nordic region through acquisitions, investments and joint undertakings within all of its business areas. Telia considers expansion in the Nordic region to be one of the principal components of its overall business strategy.

One of the reasons underlying Telia s strategic focus on the Nordic region is management s belief that Telia needs to expand its customer base to stay competitive. Expanding its customer base would make it possible for Telia to achieve significant cost synergies through: (i) sharing fixed costs over a larger number of subscribers, (ii) centralizing certain administrative and other functions, and (iii) applying best practice programs to gain from different experiences within a larger organization. The focus on expansion within the Nordic market is premised in large part on Telia s existing presence in and familiarity with the Nordic market, the similarity of customers habits and needs in the market, and the high level of commercial activity and travel among the countries within the region. Telia expects that, through a strong presence in all major Nordic markets and the ability to offer attractive pan-Nordic services, Telia would be a strong partner for both corporate customers as well as providers of related services.

As part of its review of opportunities for Nordic expansion, Telia has engaged and may continue to engage in discussions with other parties that may lead to substantial cross-border acquisitions or mergers. In early 1999, for example, Telia agreed to a merger with the Norwegian operator Telenor, which was abandoned later that year due to differences in opinion between the management, boards of directors and owners of the two companies, including disagreements relating to the management of the merged company and the location of the headquarters of the mobile unit of the merged company. Among other transaction opportunities, Telia and its financial advisors, D. Carnegie AB and Merrill Lynch International, have explored acquisition or business combination opportunities in Finland, including a merger with Sonera. The management of Telia has, since the fall of 2000, from time to time engaged in discussions with the management of Sonera, aimed at establishing whether a common view existed concerning the business rationale for a combination of the two companies. Relative valuations and related topics have also been discussed. In particular, Telia had discussions with Sonera regarding a potential business combination in November 2000 - February 2001, and again in June 2001.

Sonera General Background

Since the Finnish Parliament s decision in June 2000 to allow the Finnish State to reduce its ownership interest in Sonera to zero, Sonera has actively explored opportunities to participate in the consolidation process of the telecommunications industry in Europe. Sonera believes that larger multinational operators are better able to serve the needs of corporate and other customers and have better resources to introduce new value-added data services to their customers. Sonera also believes that it has been well positioned to participate in the consolidation due to its leadership position in telecommunications services in the sophisticated Finnish market and due to its international investments.

During 2000 and the first half of 2001, Sonera, together with its financial advisers Goldman Sachs and Lehman Brothers, explored various merger, alliance, asset swap and other business combination alternatives in the Nordic region and the rest of Europe, including with Telia, the Danish operator TDC and other large European operators. None of these discussions resulted in firm agreements and all such discussions were terminated during the first half of 2001.

The following events relating to Sonera during the second half of 2001 and the beginning of 2002 had a significant impact on the development of discussions leading up to the execution of the business combination agreement between Telia and Sonera:

> *Mounting financial pressures.* In the summer of 2001, Sonera faced mounting financial pressures stemming largely from borrowings and ongoing contractual financial commitments related to its

investments in UMTS licenses. At June 30, 2001, Sonera had net debt of 5,122 million as compared to net debt of 1,181 million at December 31, 1999 as well as contractual financial commitments related to its UMTS investments in excess of 500 million.

Shift in strategic focus. From the summer of 2001 through November 2001, the attention of Sonera s management focused on the formulation of a new strategy, the limitation of the company s exposure to its UMTS investments and the execution of a rights issue. As part of Sonera s new strategy, Sonera committed to take decisive action to ensure its financial strength.

Completion of the rights offering and sale of non-core assets. Sonera successfully completed its rights offering in December 2001, as a result of which it received approximately 982 million in net proceeds. In addition, Sonera received approximately 1,018 million in proceeds from the disposal of non-core equity holdings, including its shareholding in Deutsche Telekom, in the second half of 2001. Sonera used the proceeds from the rights offering and the disposal of non-core equity assets to reduce its net debt from 5,122 million as of June 30, 2001 to 3,268 million as of December 31, 2001.

Stabilization of credit ratings. Following the announcement of the rights offering, Sonera s credit ratings stabilized, with Standard & Poor s confirming its rating of Sonera s long-term corporate credit and senior unsecured debt of BBB and Moody s confirming Sonera s senior unsecured credit rating of Baa2 and placing Sonera on stable outlook. In March 2002, S&P placed its BBB rating of Sonera on CreditWatch with positive implications and Moody s placed its Baa2 rating of Sonera on review for a possible upgrade.

Improved results of operations. Sonera reported improved results of operations and cash flows from operations in the second half of 2001 and the first quarter of 2002 partly as a result of reduced losses generated from its Service Businesses. In the three months ended March 31, 2002, Sonera realized an underlying EBITDA loss of 15 million from its Service Businesses as compared to a loss of 86 million in the three months ended March 31, 2001 and a loss of 244 million in the year ended December 31, 2001.

These developments contributed to an increase in Sonera s share price from 3.27 per share (as adjusted for the rights offering) on October 19, 2001, immediately prior to the announcement of Sonera s rights offering, to 5.83 per share on March 25, 2002, the date immediately prior to the announcement of the execution of the business combination agreement between Telia and Sonera. With its improved outlook, Sonera had transformed itself into a more attractive partner with less financial risk attached to its balance sheet and UMTS investments. These events provided improved circumstances for renewed discussions with Telia, which eventually led to the negotiation process outlined in more detail below.

The TeliaSonera Merger

During the course of 2001, several important changes in the telecommunications industry and in the business operations, results and financial situation of Telia and Sonera coincided to cause significant changes in the relative valuations of the two companies. Such important changes included:

Sharply reduced expectations regarding the anticipated growth and size of the market for third generation mobile services and delays in the commercial introduction of such services. Factors contributing to such lowered expectations include the low take-up of mobile data services utilizing WAP and GPRS technologies and the delay in the commercial availability of third generation handsets, networks and services. In 2000, when the majority of the auctions for UMTS licenses in Europe were conducted, the assumptions underlying the decision to invest in such licenses were overly optimistic, with most operators expecting that third generation services would be adopted by the mass market by 2003. Based on current market expectations, third generation services are not anticipated to have a positive impact on operators earnings until, at the earliest, 2004 or 2005. Further evidence of the unrealistic assumptions made in connection with earlier UMTS investments has recently been demonstrated by the write-downs and impairment losses reported by a number of operators since the beginning of 2002, indicating that the value of these UMTS investments has declined significantly.

Sharply reduced expectations regarding the future revenue growth for telecommunications services. Revenue growth for telecommunications operators has historically been driven mainly by subscriber growth. Future growth, however, was expected to be driven primarily by the introduction of new value-added mobile services and through a roll out of broadband in the fixed networks. However, the wireless market started to show signs of saturation in the second half of 2001 and, in combination with the limited adoption of new value-added mobile services, telecommunications operators, investors and analysts have fundamentally revised their view on the telecommunications industry s near- and medium-term growth prospects. In addition, operators have experienced and are continuing to experience higher pricing pressure, both as a result of regulatory changes and intensified competition resulting from overcapacity in the fixed telecommunications market. Overcapacity and pricing pressure has been particularly acute in the international carrier market.

Each of these developments had a negative impact on the market valuations of the telecommunications sector generally, including both Telia and Sonera. Sonera s valuation also declined relative to Telia s, primarily given Sonera s greater investment in UMTS licenses. During 2001, Sonera s share price on the Helsinki Exchanges fell from a high of 20.38 during the first quarter to a low of 2.23 (as adjusted for the rights issue) during the third quarter while Telia s share price on the Stockholm Exchange fell from a high of SEK 71.00 during the second quarter to a low of SEK 36.00 during the third quarter.

These changes in the industry also emphasized the importance for telecommunications operators of maximizing operating efficiencies and the benefit of having a larger customer base to achieve economies of scale. In view of the new circumstances in the industry, and the improvement in Sonera s outlook as a result of the decisive management action in the second half of 2001, contacts between the companies, which had terminated during the first half of 2001, were renewed towards the end of 2001, eventually leading up to the negotiation process described below.

On February 21, 2002, the chairman of the Telia board of directors agreed with the chairman of the Sonera board of directors to meet during the following week to discuss the viability and key terms of a potential merger of Telia and Sonera. On February 27, 2002, the two chairmen met in Stockholm and discussed the key terms of a possible transaction, including, but not limited to, relative valuation, governance issues, business rationale and corporate strategy. During the following days, several discussions were held during which the chairmen agreed on the key transaction terms and decided to start the transaction process between the companies.

On March 4, 2002, members of the management of Telia and Sonera met and were informed about the key transaction terms and principles. On March 5, 2002, members of the management of Telia and Sonera met to agree on the key items of the corporate strategy for the combined company and the process of merger discussion between the companies.

On March 8, 2002, members of the management of Telia and Sonera met to discuss the rationale of the proposed merger, including the potential synergies to be derived from the transaction.

On March 13, 2002, members of the management of Telia and Sonera met to discuss legal aspects of the merger and to conduct management presentations relating to Telia s and Sonera s legal and regulatory affairs. On March 14 and March 15, 2002, members of the management of Telia and Sonera met to discuss issues relating to the various business areas of the two companies as well as financial matters.

During the period between March 11 and March 26, 2002, members of the management of Telia and Sonera met repeatedly to discuss and formulate a framework on the future strategy of the merged company, to prepare preliminary pro forma financial information for the combined company and to prepare for the public announcement of the proposed merger.

During the period shortly preceding the date of the announcement of the transaction, representatives of the Kingdom of Sweden and the Republic of Finland met on several occasions to discuss and agree to the terms of a shareholders agreement between the Kingdom of Sweden and the Republic of Finland as well as the key principles of corporate governance for the combined company.

On March 26, 2002, Telia and Sonera entered into a combination agreement and the Kingdom of Sweden and the Republic of Finland entered into a shareholders agreement in connection with the proposed merger. Both companies and governments announced the proposed transaction later on the same day.

Reasons for the TeliaSonera Merger

Telia and Sonera are both active in some of the most developed telecommunications markets in the world. Both companies also have joint interests in leading mobile and fixed line operators in the Baltic and Russian markets.

Telia and Sonera believe that the merger will provide enhanced growth potential based on the current market positions and strategic fit of the two companies, and that the future prospects for both companies therefore will be improved through the merger.

Telia and Sonera expect that the close geographic proximity of the companies and the shared strategic values will be very important in realizing the benefits of the combination. Such benefits are expected to be incremental to the cost saving and capital efficiency focus programs that have been introduced at both Telia and Sonera. Both these programs will be continued and are expected to be further strengthened through the merger.

The most important benefits of the combination are summarized below:

Larger customer base in the Nordic region and strong market leadership. The combined company will be the largest telecommunications operator in the Nordic region. Based on the number of subscribers, the combined company will be the leading mobile operator in Sweden and Finland, the second ranking operator in Norway and the fourth ranking operator in Denmark. The total mobile subscriber base of the combined company in the Nordic region will be approximately 7.4 million following the merger. The combined company will also be the largest fixed voice and data provider in the Nordic region with leading positions in Sweden and Finland and a significant position in Denmark.

Telia and Sonera expect that its significantly increased scale will enable the combined company to serve its customers better. The combined company will be able to offer seamless services to corporate customers throughout the region. The customer base of the combined company will also allow for faster development of integrated fixed and mobile service offerings.

Consolidation of Baltic position. The combination will substantially strengthen the existing positions of Telia and Sonera in the Baltic region. AB Lietuvos Telekomas (in which the combined company will hold a 60 percent interest) and UAB Omnitel (combined interest of 55 percent), each of which are based in Lithuania, will become consolidated subsidiaries of the combined company. Latvijas Mobilais Telefons SIA (Latvia), in which the combined company will hold a 49 percent direct interest and an approximate 11 percent indirect interest through Sonera s holding in Lattelekom SIA, and with respect to which the combined company will have the right to nominate the majority of the members of the board of directors, will also become a consolidated subsidiary of the combined company. The combined company will also hold a 49 percent interest in each of AS Eesti Telekom (Estonia) and Lattelekom SIA (Latvia). As of June 30, 2002, the mobile operators and fixed line operators in the Baltic region in which the combined company has an interest had an aggregate of approximately 1.5 million subscribers and 2.2 million subscribers, respectively.

Strengthened position in growth areas of Russia and Eurasia. The combined company will have a direct and indirect holding of 43.8 percent in the Russian mobile operator MegaFon, a direct and indirect holding of 37.1 percent in the Turkish mobile operator Turkcell and a 58.55 percent holding in Fintur Holdings B.V., which operates in emerging mobile markets through its 51.3 percent interest in Azercell Telecom B.M. of Azerbaijan, its 83.2 percent interest in Geocell LLC of Georgia, its 51 percent interest in GSM Kazakhstan LLP OAO Kazakhtelecom of Kazakhstan, and its 77 percent interest in Moldcell S.A. of

Moldova. As of June 30, 2002, (i) the GSM operators within the MegaFon Group had approximately 1.7 million subscribers, (ii) Turkcell had approximately 13.8 million subscribers and (iii) the mobile operators in which Fintur had a controlling interest had an aggregate of approximately 1.4 million subscribers.

Significant synergies. Telia and Sonera expect to derive significant synergies as a result of the merger and have identified and quantified cost and capital expenditure synergies within a number of areas in their respective operations. Synergies are expected to be derived mainly from the combined company s wholly-owned operations in the Nordic countries. In addition, synergies are expected to be derived from the combining of Telia s and Sonera s interests in the Baltic region and Russia although such synergies have not been included in the figures presented below due to the fact that not all the telecommunications operators in the Baltic countries and Russia in which Telia and Sonera have interests will be consolidated for purposes of the combined company s financial statements. In addition to cost and capital expenditure synergies, Telia and Sonera expect to achieve revenue synergies, although such revenue synergies have not been quantified.

The non-recurring savings resulting from the elimination of the overlapping mobile operations in Finland (i.e., the planned divestiture of Telia Mobile Finland and the elimination of the need to build two separate UMTS networks in Finland) are excluded. Similarly, the one-off costs resulting from the combination have been excluded from the analysis of recurring synergies.

Following the announcement of the merger, both companies have jointly undertaken detailed analyses in order to identify, quantify and develop implementation plans for potential synergies. A number of working groups have been established across the business lines and geographical areas of both companies. These efforts have been coordinated and managed by an Integration Office staffed by representatives of the management of both Telia and Sonera. However, it is important to note that the work relating to the analysis of synergy benefits has been limited by the inability of the joint working groups to mutually disclose confidential information relating, among other things, to confidential contractual terms, due principally to competition law restraints.

Telia and Sonera have estimated the magnitude of the cost synergies and capital expenditure savings using various assumptions, including:

- the magnitude of Telia s and Sonera s projected costs and capital expenditures for IT systems and infrastructure, product and service development, network operations and production, purchasing and general and administrative functions;

- the mix of these costs and capital expenditures across different areas; and

- the proportion of the projected costs and capital expenditures that could be eliminated as a result of combining Telia s and Sonera s activities, eliminating unnecessary duplication, coordinating purchasing activities and capital expenditure programs and adopting best practices in cost control throughout the combined company.

Cost synergies 2002-2005. Telia and Sonera expect that the annual cost synergies will reach SEK 2.3 billion (250 million) by the end of 2005. Measured on a monthly basis, TeliaSonera is expected to achieve approximately 20 percent of this annual level by the end of 2003, and 50 percent by the end of 2004. These percentages represent an average across all areas of the combined company and may vary in different areas.

Cost synergies are expected to be derived within the following areas:

- Product and service development (approximately 32 percent of all cost synergies) These synergies are expected to be achieved mainly through eliminating overlapping activities in product and competence development, and product management as well as in research.

- IT systems and infrastructure (approximately 27 percent of all cost synergies) These synergies are expected to be achieved mainly through moving to common IT systems and technology infrastructure, eliminating overlapping technical platforms and activities, resulting in savings in system development and maintenance costs.

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Purchasing (approximately 18 percent of all cost synergies)   These synergies are expected to be achieved mainly through improved bargaining power and optimizing existing supplier contracts between the two companies.

Network operations and production (approximately 14 percent of all cost synergies)   These synergies are expected to be achieved mainly through modifying roaming arrangements and unifying network technologies, technical platforms and processes in network control, development and support functions for mobile, fixed and lP networks.

Corporate functions (approximately 9 percent of all cost synergies)   These synergies are expected to be achieved mainly through eliminating overlapping corporate activities.

Capital expenditure synergies 2002-2005. Annual capital expenditure savings are expected to amount to approximately SEK 640 million (70 million) by the end of 2005. Measured on a monthly basis, TeliaSonera is expected to achieve approximately 30 percent of this annual level by the end of 2003, and 60 percent by the end of 2004. These percentages represent an average across all areas of the combined company and may vary in different areas.

Capital expenditure synergies are expected to be derived within the following areas:

Product and service development (approximately 38 percent of all capital expenditure synergies)   These synergies are expected to be achieved mainly through elimination of overlapping investments in platforms and product development and management.

Purchasing (approximately 38 percent of all capital expenditure synergies)   These synergies are expected to be achieved mainly through improved bargaining power and optimizing existing supplier contracts between the two companies.

IT systems and infrastructure (approximately 20 percent of all capital expenditure synergies)   These synergies are expected to be achieved mainly through economies of scale and elimination of overlapping investments in system development and maintenance.

Network operations and production (approximately 4 percent of all capital expenditure synergies)   These synergies are expected to be achieved mainly through unifying network technologies and technical platforms.

Revenue synergies. Revenue synergies have not been quantified, but are expected to be achieved mainly by combining the offerings of both companies and actively marketing such offerings to the combined company s larger customer base, through improved customer retention and customer relationship management as well as through the implementation of best practices. The combined company is expected to have a more attractive customer offering for current and potential customers of both companies.

One-off expenses 2002-2005. One-off expenses (excluding transaction expenses) resulting from the merger are expected to be limited in 2002 and to total approximately SEK 2 billion (220 million) over the years 2003-2005, of which approximately one-third will be in the form of capital expenditure. Most of the costs are related to the elimination of overlapping activities and most of the capital expenditure are related to investments in telecommunications and IT systems. On a pro forma basis, the total transaction expenses related to the merger are expected to amount to approximately SEK 1.2 billion (135 million).

Total pre-tax cash flow synergies after 2005. Telia and Sonera estimate that the total recurring annual pre-tax cash flow synergies to be generated from the TeliaSonera merger will be approximately SEK 2.7 billion (300 million) after 2005.

Implementation process. The identification of potential synergies has been conducted by eight separate working teams and overseen by a joint Integration Office. The eight synergy areas comprise all of Telia s and Sonera s businesses, and have been defined according to the nature of the relevant businesses.

The working groups have been assigned the task of verifying the synergy estimates and developing an implementation plan. Implementation plans contain a summary of the main activities and milestones, primary

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responsibilities and key performance indicators for follow-up. The execution of the implementation plan will commence immediately upon closing of the merger.

Strong financial resources and cash flows. The financial position of the combined company is expected to provide a solid and stable base from which to execute its strategy. In addition, management expects that the cash flow generation of the combined company will increase its ability to maintain its strong financial condition.

As of June 30, 2002, Telia had interest-bearing liabilities of SEK 25.6 billion (2.8 billion), cash and short-term investments of SEK 3.3 billion (0.4 billion), and short-term and long-term interest-bearing receivables of SEK 12.0 billion (1.3 billion). Telia s interest-bearing liabilities net of cash and short-term investments totaled SEK 22.3 billion (2.5 billion), and its interest-bearing liabilities net of cash and short-term investments and all interest-bearing receivables totaled SEK 10.3 billion (1.1 billion) as of June 30, 2002.

As of June 30, 2002, Sonera under IAS had interest-bearing debt of 3.2 billion (SEK 28.8 billion), cash and short-term investments of 1.0 billion (SEK 9.5 billion), and short-term and long-term interest-bearing receivables of 0.2 billion (SEK 1.8 billion). Sonera s interest-bearing debt net of cash and short-term investments totaled 2.1 billion (SEK 19.3 billion), and its interest-bearing debt net of cash and short-term investments and all interest-bearing receivables totaled 2.0 billion (SEK 17.6 billion) as of June 30, 2002.

Management estimates that on a pro forma basis as of June 30, 2002, the combined company had interest-bearing liabilities of SEK 54.9 billion (6.0 billion), cash and short-term investments of SEK 13.4 billion (1.5 billion), and short-term and long-term interest-bearing receivables of SEK 13.9 billion (1.5 billion). On a pro forma basis, the combined company s interest-bearing liabilities net of cash and short-term investments totaled SEK 41.6 billion (4.6 billion), and its interest-bearing liabilities net of cash and short-term investments and all interest-bearing receivables totaled SEK 27.7 billion (3.0 billion) as of June 30, 2002.

The combined company is expected to have relatively strong credit ratings, although lower than Telia s current credit ratings. Standard and Poor s currently has ratings of A+/A-1 on Telia s long-term and short-term debt, respectively, and ratings of BBB/A-2 on Sonera s long-term and short-term debt, respectively. Moody s currently has ratings of A-1/Prime-1 on Telia s long-term and short-term debt, respectively, and ratings of Baa2/Prime-2 on Sonera s long-term and short-term debt, respectively. S&P has placed Telia s A+/A-1 ratings on CreditWatch with negative implications and Moody s has placed its A-1/Prime-1 ratings of Telia on review for a possible downgrade. S&P has placed Sonera s BBB/A-2 ratings on CreditWatch with positive implications and Moody s has placed its Baa2/Prime-2 ratings of Sonera on review for a possible upgrade.

On a combined basis, the combined company s cash provided by operating activities totaled SEK 14.2 billion (1.6 billion) for the year ended December 31, 2001. In comparison, cash provided by operating activities during the same period for Telia was SEK 10.4 billion (1.1 billion) and for Sonera it was SEK 1.8 billion (0.2 billion). Similarly, on a combined basis for the six months ended June 30, 2002, the combined company s cash provided by operating activities totaled SEK 7.7 billion (0.9 billion), while for Telia it was SEK 4.7 billion (0.5 billion) and for Sonera SEK 2.6 billion (0.3 billion). The combined cash flows also reflect the fact that the Baltic telecommunications operators AB Lietuvos Telekomas, UAB Omnitel and Latvijas Mobilais Telefons SIA, which are currently treated by each of Telia and Sonera as associated companies accounted for under the equity method, will become consolidated subsidiaries of the combined company and their cash flows will be under the control of the combined company and will be included in the consolidated financial statements of the combined company. Furthermore, the combined cash flows reflect the fact that Telia has to divest its mobile operations in Finland and its Swedish cable TV operations to comply with the EU conditions for the merger.

Footprint and customer base will attract best partners. Telia and Sonera believe that the transaction constitutes a major step in the consolidation of the Nordic telecommunications industry. Further, Telia and Sonera expect that the larger scale operation and the combined competence of the two companies will make

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the combined company a strong partner in the future shaping of the telecommunications industry in the Nordic and Baltic regions and, in the longer term, in Europe.

Considerations of the Sonera Board of Directors

At a meeting on March 26, 2002, the Sonera board of directors concluded that the exchange offer was in the best interests of Sonera and its shareholders and unanimously passed a resolution to recommend that Sonera shareholders accept the exchange offer.

In arriving at its determination, the Sonera board of directors consulted with Sonera s management, as well as its financial and legal advisers, and considered a number of factors, including, without limitation, the following:

The significant benefits described above that the Sonera board of directors believes will occur as a result of the merger. See Reasons for the TeliaSonera Merger.

Current industry, economic and market conditions and trends, including the likelihood of continuing consolidation and increasing competition in the telecommunications industry and the suitability of Telia as a merger partner for Sonera.

The written opinion of Goldman Sachs, delivered to the Sonera board of directors, that, as of the date of such opinion, the exchange ratio was fair from a financial point of view to the holders of Sonera shares. The Sonera board of directors accepted that Goldman Sachs conclusion as to fairness was based on its experience, professional judgment and the financial analyses it performed as a whole. Sonera s board of directors did not reach a conclusion as to the significance of any of the individual analyses contained in the Goldman Sachs presentation materials presented to the Sonera board of directors on March 26, 2002 and summarized in Opinion of Financial Adviser to Sonera below.

That the business combination provides for balanced representation of each company on the board of directors, and that the combined company would benefit from the best of the management from both companies.

The commitment of the Republic of Finland, as Sonera s largest shareholder, to support the business combination and tender its Sonera shares in the exchange offer.

That the TeliaSonera shares are expected to be listed on the Helsinki Exchanges as well as the Stockholm Exchange, and that the TeliaSonera ADSs are expected to be quoted on NASDAQ.

The belief of the Sonera board of directors, based upon its review of other strategic alternatives available to Sonera, including remaining independent, that the merger would generate higher value for Sonera s shareholders than other strategic alternatives.

The limited overlap in the markets and customer base of Sonera s and Telia s respective businesses.

In view of the wide variety of factors considered in connection with its evaluation of the proposed merger, the Sonera board of directors did not otherwise find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the special factors considered in reaching its determination.

Considerations of the Telia Board of Directors

On March 26, 2002, the Telia board of directors voted to approve the combination agreement between Telia and Sonera. The Telia board of directors has determined that the exchange offer is fair to, and in the best interests of, Telia and its securityholders.

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In arriving at its determination, the Telia board of directors consulted with Telia s management, as well as its financial and legal advisers, and considered a number of factors, including, without limitation, the following:

The significant benefits described above that the Telia board of directors believes will occur as a result of the merger. See Reasons for the TeliaSonera Merger.

Current industry, economic and market conditions and trends, including the likelihood of continuing consolidation and increasing competition in the telecommunications industry and the suitability of Sonera as a merger partner for Telia.

The commitment of the Kingdom of Sweden, as Telia s largest shareholder, to support the business combination and to vote its shares in favor of the resolutions to be proposed by the Telia board of directors at the extraordinary general meeting of Telia shareholders.

The fact that current Telia shareholders would hold approximately 64 percent of the share capital of the combined company, assuming full acceptance of the exchange offer by Sonera shareholders.

The belief of the Telia board of directors, based upon its review of other strategic alternatives available to Telia, including remaining independent, that the merger would generate higher value for Telia s shareholders than other strategic alternatives.

The limited overlap in the markets and customer base of Sonera s and Telia s respective businesses.

In view of the wide variety of factors considered in connection with its evaluation of the proposed merger, the Telia board of directors did not otherwise find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the special factors considered in reaching its determination.

The Combined Company Following the Exchange Offer

Business and Operations

The combined company will be the leading telecommunications group in the Nordic and Baltic regions. Based on number of customers, the combined company will be the largest mobile operator in Sweden and Finland, the second largest operator in Norway and the fourth largest operator in Denmark. The combined company will also be the largest fixed voice and data provider in the Nordic region with leading positions in Sweden and Finland and a significant position in Denmark. Further, the combined company will be the largest operator in the Baltic region, with consolidated mobile and fixed line operations in Lithuania, consolidated mobile operations in Latvia, a minority interest in fixed line operations in Latvia and minority interests in mobile and fixed line operations in Estonia. The combined company will also have holdings in mobile companies in Russia, Turkey, Azerbaijan, Georgia, Kazakhstan and Moldova.

On a combined basis as of June 30, 2002, adjusted for the disposal of Telia Finland and Com Hem AB and the consolidation of Fintur Holdings as of September 1, 2002, the combined company had:

approximately 9.8 million mobile customers across the Nordic, Baltic and Eurasian regions,

approximately 8.6 million fixed network access lines, and

approximately 1.5 million Internet subscriptions across the Nordic and Baltic regions.

Additionally, on a combined basis as of June 30, 2002, the associated companies of the combined company had approximately 15.9 million mobile customers in Turkey, Russia and the Baltic region; and approximately 1.2 million fixed network access lines in the Baltic region and approximately 0.1 million fixed network access lines in Finland.

For the year ended December 31, 2001 and for the six months ended June 30, 2002, on a pro forma basis and not including the results of Fintur Holdings, net sales of the combined company amounted to SEK 80.9 billion (8.9 billion) and SEK 39.9 billion (4.4 billion), respectively.

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As of June 30, 2002, the combined company had 30,045 employees on a combined basis, adjusted for the disposal of Telia Finland and Com Hem AB and the consolidation of Fintur Holdings as of September 1, 2002.

The combined company is proposed to be renamed TeliaSonera. The combined company will, however, retain its current brand names, using Telia in Sweden and Denmark, Sonera in Finland, and NetCom in Norway.

TeliaSonera will use the Swedish krona as its reporting currency but will also, in all investor information, show key information in relation to its results of operations, financial condition and cash flows in euros.

Strategy of the Combined Company

The implementation of the strategy and business structure for the combined company will not commence until the exchange offer has been completed. Until such time, Telia and Sonera will continue their respective operations under their current strategies and business structures.

Members of the senior management of Telia and Sonera have undertaken the task of formulating a strategy for and defining the governance of the combined company. Following a review of the operations, financial condition and strategic direction of Telia and Sonera as stand-alone companies, Telia and Sonera have reached the following preliminary conclusions with respect to the strategy of the combined company:

Group Strategy

The combined company s overall focus will be on best serving its customers in its core business and creating value for its shareholders through stronger profits and cash flows.

Focus on core business

The principal focus of the combined company will be to further develop its business in its home market, which comprises the Nordic and Baltic markets. In Sweden, Finland and the Baltic countries, the combined company will provide a full range of telecommunications services to its customers, whereas in Norway and Denmark the combined company will initially offer a selected range of services with a focus on services that can be delivered profitably. Provided that the right expansion opportunities develop, the combined company intends to become a provider of a full range of services in all countries within its home market.

Growth opportunities outside of the home market

The combined company intends to achieve growth through the further development of its Russian businesses with the aim, in the longer term, of having Russia form part of the combined company s extended home market.

The combined company will seek to grow and create value in the international mobile businesses of Turkcell in Turkey and Fintur in Eurasia.

The combined company will also seek growth in the refocused international carrier business.

Adopt customer-oriented approach

The combined company will be in the business of providing telecommunications services to customers rather than providing technology or access to networks as such. Accordingly, the combined company will aim at accelerating the refocusing of its operations from a technology-driven approach to a customer-oriented approach, thereby enhancing its ability to achieve growth in its core businesses. The combined company will seek to be innovative in packaging its product and service offerings for both retail and business customers to better meet the needs of its customers for integrated and easy-to-use services.

Pursue profitable growth

The combined entity will seek balanced growth in its home market and target selected growth opportunities outside its home market where requirements for return on investment and other factors are satisfied as well as continue to evaluate participation in the consolidation of the European telecommunications services industry.

Increase revenues in its home market.

The combined company will seek to achieve profitable growth in its core business through combined product and service offerings, cross selling and an intensified customer service approach.

The combined company is committed to strengthening its customer-oriented focus by offering its customers a comprehensive range of telecommunication services. For consumers, the combined company s goal is to offer simple, easy-to-use services that combine fixed network, mobile and Internet communications capabilities. For corporate customers, the combined company will work to enhance its ability to deliver communication services through its diverse portfolio of voice and data services. The combined company will also expand its services, together with its partners, in a focused manner to include telecommunications-intensive IT services when they are related to the telecommunications needs of its corporate customers.

This full service approach, capitalizing on the breadth and competence of the combined company, will be pursued not only in Sweden, Finland and the Baltic countries but also in Norway and Denmark to the extent the combined company believes that it can be carried out profitably.

Management believes that these initiatives will provide substantial opportunities to increase revenues both from Telia s and Sonera s existing customer base and from new customers in selected market segments and, consequently, will strengthen the combined company s market position in both the consumer and corporate segments in its home market.

Management believes that there are significant growth opportunities to be achieved through increased use of telecommunications services in the Baltic countries, where penetration rates are lower than in the Nordic countries. The combined company will aim to benefit from these growth opportunities by obtaining controlling interests in its Baltic operations, to the extent practicable and financially viable, while maintaining strong cooperation and joint ownership with its local partners.

Pursue growth in Russia.

The Russian market represents a significant growth opportunity for TeliaSonera. The combined company will own a 43.8 percent direct and indirect interest in MegaFon, the first Russian GSM operator with licenses to offer services nationwide. The combined company will seek to take advantage of the growth opportunities presented by increasing the penetration of mobile services in Russia. Management believes that the combined company can enhance the value of MegaFon by making available its competence in telecommunications operations on the basis of its home market experience. TeliaSonera may consider capitalizing on such growth opportunities by increasing its ownership interest in its Russian operations, to the extent practicable and financially viable, while maintaining strong cooperation and joint ownership with its local partners. While the combined company s focus is on its mobile operations, it may also consider other opportunities. Because investing in Russia involves a higher degree of risk than investing in the combined company s home markets, the combined company will only decide on making additional investments in Russia where it believes it can achieve a higher return on its investment than in its home market.

Pursue growth in international mobile operations in Turkey and Eurasia.

TeliaSonera foresees significant growth potential in its international operations in Eurasia and Turkey, as the market for mobile services in these areas continues to grow. Management believes that, through its majority owned investments in Azerbaijan, Georgia, Kazakhstan and Moldova through Fintur and its 37.1 percent investment in Turkey through Turkcell, the combined company will be able to capitalize on the strong market position of its majority owned and associated companies in these regions that have comparatively low penetration rates for mobile services. Management believes that, with the combined company s expertise in mobile communications, TeliaSonera will be able to enhance the ability of these companies to achieve significant growth.

Participate in the consolidation of the European telecommunications services industry.

TeliaSonera expects that the consolidation of the telecommunications services industry will continue. Before pursuing any potential transaction, TeliaSonera s management will carefully evaluate whether the transaction would improve its ability to serve its customers and enhance shareholder value.

The first priority is to strengthen the combined company s position in its home market and to develop the home market business into a valuable asset.

In the longer term, TeliaSonera s intention is to use its home market business as a strong base from which to build a larger company by participating in the consolidation of the European telecommunications services industry. This could take the form of acquisitions, business combinations or partnership arrangements.

Generate increased profits and cash flow

The combined company aims to significantly increase profits in the longer term, both on an operating income level as well as on an EBITDA and net income per share level. Management expects increased profits to come from profitable growth, anticipated cost synergies from the merger, stand-alone efficiency improvements, improvement of under-performing businesses and divestment of non-core assets.

The combined company will have an equally strong focus on increasing operating cash flows, which management expects to come from increased profits, from anticipated capital expenditure synergies resulting from the merger and from a cautious business-oriented approach to capital expenditures.

The combined company plans to maintain a strong financial position to enable it to develop its core business.

The following actions will be undertaken to support increased profits and cash flows:

Increased profits and cash flow from implementation of synergies.

TeliaSonera will seek to realize the expected synergy benefits for the merger. Management estimates that the total recurring annual pre-tax cash flow synergies to be generated from the merger will amount to approximately SEK 2.7 billion (300 million) after 2005. See Reasons for the TeliaSonera Merger Significant synergies.

Increased profits and cash flow from stand-alone efficiency improvements.

TeliaSonera aims to achieve cost and capital expenditure savings on a stand-alone basis to improve its profits and cash flow. The combined company plans to realize these savings from both the continuation of the independent companies on-going efficiency programs as well as from new efficiency improvement programs. The areas designated for improvement are similar to those in which expected synergy benefits are to be achieved in connection with the merger. The larger size of the combined company is expected to allow it to use benchmarking more efficiently as a tool to achieve cost and capital expenditure savings.

Increased profits from divestment of non-core assets.

Both Telia and Sonera have divested non-core assets in recent years. The combined company intends to continue to streamline its businesses by divesting operations and assets that are not essential to

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its core business. In particular, TeliaSonera is considering the potential divestment of the following businesses:

TeliaSonera is planning to divest the remainder of Telia s present non-core investments in telecommunications operators outside of the Nordic countries, the Baltic region and Russia in light of market conditions or otherwise in an effort to maximize return on such investments.

Sonera has entered into an agreement to divest a portion of its shareholdings in SmartTrust AB and has divested a portion of Sonera Zed, and TeliaSonera intends to continue the process of working with third parties to further develop the SmartTrust AB and Sonera Zed businesses.

The combined company will consider the disposal of certain operations that could be sourced more efficiently from outside providers.

The combined company will continue to cap its expenditure and investments in its international UMTS ventures to no more than 450 million (SEK 4.1 billion) during the years 2002-2011. In the second quarter of 2002, Sonera wrote down its investments in each of Group 3G and Ipse 2000 to zero reflecting changes in the circumstances relating to such companies business plans and operating environments. In July 2002, the board of directors of each of Group 3G and Ipse 2000 decided to halt the commercial operations of the companies. These UMTS holdings are now being treated as financial investments.

TeliaSonera has agreed to dispose of Telia s existing mobile business in Finland and Telia s existing cable TV business in Sweden as a condition to the receipt of competition clearance for the merger from the European Commission.

Generate increased profitability from improving under-performing businesses

TeliaSonera plans to improve the performance of its under-performing businesses with the goal of having such businesses achieve profitability on an operating profit level and also result in a positive operating cash flow. Specifically, TeliaSonera plans to:

Transform the International Carrier business into a financially viable operation.

The combined company will aim to make its international carrier business cash flow positive as quickly as possible. In September 2002, Telia completed a comprehensive review of its international carrier operations, and decided to change the strategic focus of Telia International Carrier and significantly restructure its operations. As part of Telia International Carrier s new strategy, it will focus on offering wholesale capacity and IP services to large customers over the profitable parts of its wholly owned European and trans-Atlantic networks. As part of the restructuring program, Telia has decided to close down Telia International Carrier s Asian operations as well as its national voice reseller business in the United Kingdom and Germany, discontinue to offer domestic capacity services in the United States and terminate its co-location business. Telia will also significantly reduce the number of commercial points of presence of Telia International Carrier. Telia will also centralize the sales, finance, administration and customer care resources of Telia International Carrier in Sweden. Telia also estimates that, as part of the restructuring, Telia International Carrier will reduce its current workforce of approximately 800 persons by more than 50 percent. The strategic refocusing and restructuring will also enable Telia International Carrier to substantially scale down the number of offices and technical facilities it maintains, as well as reduce the number of its operation and maintenance contracts and leased lines. Adjusted for the estimated restructuring charges, Telia expects its refocused international carrier operations to achieve positive cash flow during 2003.

Continue improvement of the operational performance in Telia s Danish units.

Telia has already taken actions to improve the performance of its Danish operations. Management expects that its current initiatives related to the Danish fixed voice and Internet services operations will improve the combined company s market position in Denmark. Management expects Telia s new Danish GSM 900 network, which is due to be completed in 2002, to improve its market position in

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Denmark. Starting from a small market share, challenging the largest operator in Denmark, the combined company will aim to pursue growth. Telia s Danish mobile operations have recently recorded strong customer growth, having increased its subscriber base by over 40 percent in the first half of 2002.

Continue restructuring of Sonera s Service Businesses.

Sonera commenced restructuring its Service Businesses in 2001 and has made a commitment that underlying EBITDA losses from the Service Businesses will not exceed 50 million (SEK 450 million) in 2002, and will reach at least break-even in 2003. This restructuring is proceeding according to plan and will be continued following the TeliaSonera merger. Underlying EBITDA losses have already been reduced substantially to 23 million (approximately SEK 210 million) for the first six months of 2002 compared to 155 million (approximately SEK 1.4 billion) for the same period in 2001.

Group Governance

The combined company intends to ensure that the appointment of the combined company s executives and the members of management will be based only on competence and ability.

Board of Directors

In accordance with the terms of the shareholders agreement between the Kingdom of Sweden and the Republic of Finland relating to the merger of Telia and Sonera, the board of directors of the combined company will comprise a total of nine non-executive members. Initial members, in addition to the current chairmen of the boards of directors of Telia and Sonera, will include three representatives from each of the current boards of directors of Telia and Sonera and one newly appointed independent director. As of the annual general meeting of the shareholders of the combined company in the year 2003, two of the members appointed from the current boards of directors (one from each board of directors), will step down and two new independent directors will be appointed.

In addition, the board of directors of the combined company will include up to three employee representatives.

The nomination committee of the combined company will comprise the chairman and deputy chairman of its board of directors. The nomination committee shall organize a consultation procedure to provide the principal shareholders of the combined company an opportunity to participate in the nomination process. It is the intention that the board members initially appointed in connection with the exchange offer and re-appointed at the annual general meeting of the shareholders of the combined company in 2003 will serve at least until the annual general meeting of the shareholders of the combined company in 2004.

Tapio Hintikka, the chairman of the board of directors of Sonera, is proposed to be the chairman of the board of directors of the combined company and Lars-Eric Petersson, the chairman of the board of directors of Telia, is proposed to be the deputy chairman.

Management

TeliaSonera will operate as an integrated company with strong central control over strategic matters and over achievement of synergies and stand-alone improvements. At the same time, responsibilities for achieving profitability, day-to-day operations and local business will be decentralised to country-based profit centers managed without frequent corporate headquarter management involvement. Central control of the combined company will be carried out by the corporate headquarters and two operational units.

Corporate Headquarters

The principal executive officers of TeliaSonera upon completion of the exchange offer will be as follows:

Anders Igel will be the chief executive officer of the combined company.

Harri Koponen will be the deputy chief executive officer of the combined company.

Kim Ignatius will be the chief financial officer of the combined company.

Michael Kongstad will be responsible for corporate communications.

Jan Henrik Ahrnell will be responsible for corporate legal affairs.

Harri Koponen will also be responsible for the operational unit Marketing, Products and Services, with responsibility for the control of common product and services development in the combined company s home markets and key account responsibility for large multi-domestic home market accounts.

Lars-Gunnar Johansson will be responsible for the operational unit Networks and Technology, which will be responsible for the common telecommunications platforms and IT support platforms in the combined company s home markets and will also have responsibility for procurement.

The two operational units will have authority over country-based profit centers on central control matters and over decisions involving a longer time horizon. Country-based profit centers and the two operational units will use the same financial reporting systems, including customer segment profits, product segment profits and selected key performance indicators.

Country-based Profit Centers

Country-based profit centers will be grouped into four units. Upon completion of the exchange offer, the persons responsible for such profit centers will be as follows:

Anders Igel will, for the time being, be responsible for the profit center Sweden.

Anni Vepsäläinen will be responsible for the profit center Finland.

Kenneth Karlberg will be responsible for the profit center Norway, the Baltic countries and Denmark.

Aimo Eloholma will be responsible for the profit center International Operations, which will include Russia, Turkey, Eurasia and International Carrier.

Country-based profit centers are to be responsible for all operational resources, including marketing, sales, network operations and development of products and services. In Sweden and Finland, the network operations units will be maintained separately from the units carrying out the corresponding retail activities, with transparent financial reporting and will also provide wholesale services to third-party operators. In Sweden and Finland, profit center responsibilities will be allocated based on the following customer segments: consumer, business and large corporate customers.

The combined company s corporate governance structure will be based on the current corporate governance structure of each of Telia and Sonera to the extent possible, with a goal of limiting changes primarily to control structure changes. Thus, it is expected that Sonera s new governance model in Finland will continue to be implemented mainly as planned. Telia s current corporate governance model in Sweden will be modified mainly to reflect the combined company s new customer-focused approach. Existing business area responsibilities based on product and service offerings, such as mobile and fixed network services, will be discontinued and replaced by customer segment responsibilities.

Opinion of Financial Adviser to Sonera

On March 26, 2002, Goldman Sachs delivered its written opinion to the Sonera board of directors that, as of that date, and based upon and subject to the factors and assumptions referred to in the opinion, the

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exchange ratio of 1.51440 shares of Telia to be received for each share of Sonera pursuant to the combination agreement was fair from a financial point of view to the holders of the outstanding shares of Sonera.

The full text of the written opinion of Goldman Sachs, dated March 26, 2002, which sets forth assumptions made, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D to this prospectus. Goldman Sachs provided its opinion for the information and assistance of the Sonera board of directors in connection with its consideration of the transaction contemplated by the combination agreement. The Goldman Sachs opinion is not a recommendation as to whether or not any holder of Sonera shares or Sonera ADSs should tender such Sonera shares or Sonera ADSs in connection with the transaction. We urge you to read the opinion in its entirety.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

- the combination agreement;
- the shareholders agreement between the Republic of Finland and the Kingdom of Sweden;
- certain publicly available information relating to Sonera, including the audited consolidated annual reports of Sonera to its shareholders for each of the years ended December 31, 1999, December 31, 2000 and December 31, 2001, the Annual Reports on Form 20-F of Sonera for each of the years ended December 31, 2000 and December 31, 2001, the Prospectus, dated as of November 9, 2001, relating to the rights offering of 371,767,243 shares of Sonera, and certain interim reports of Sonera to its shareholders;
- certain publicly available information relating to Telia, including the audited consolidated annual reports of Telia to its shareholders for each of the years ended December 31, 1999 and December 31, 2000 and certain interim reports of Telia to its shareholders;
- certain internal financial analyses and forecasts for Sonera and Telia prepared by their respective managements, including certain cost savings and operating synergies projected by the managements of Sonera and Telia to result from the transaction contemplated by the combination agreement; and
- certain pro forma consolidation calculations of the effect of a merger between Sonera and Telia prepared by their respective managements.

Goldman Sachs also held discussions with members of the senior managements of Sonera and Telia regarding their assessment of the strategic rationale for, and the potential benefits of, the transaction contemplated by the combination agreement and the past and current business operations, financial condition and future prospects of their respective companies. In addition, Goldman Sachs:

- reviewed the reported price and trading activity for the shares of Sonera and the shares of Telia;
- compared certain financial and stock market information for Sonera and Telia with similar information for certain other companies, the securities of which are publicly traded; and
- reviewed the financial terms of certain recent business combinations in the telecommunications industry specifically and in other industries generally, and performed such other studies and analyses as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial, accounting and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering its opinion described above. In that regard, with the consent of the board of directors of Sonera, Goldman Sachs assumed that the internal financial analyses and forecasts for Sonera and Telia prepared by their respective managements, including certain cost savings and operating synergies projected by the managements of Sonera and Telia to result from the transaction, have been reasonably prepared on a basis reflecting the best currently available estimates of Sonera and Telia and that such synergies will be realized in the amounts and time periods contemplated thereby. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities of Sonera or Telia or any of their subsidiaries and Goldman Sachs has not been furnished with any such evaluation or appraisal.

The following is a summary of the material financial analyses used by Goldman Sachs in connection with rendering the opinion described above. A summary, by its nature, does not purport to be a complete description of the information it summarizes. The order of the analyses described below and the results of those analyses do not represent the relative importance or weight given to those analyses by Goldman Sachs. To the extent that the following quantitative information is based on market data, internal financial analyses or forecasts prepared by the management of Sonera or Telia, or published analysts reports or estimates, such quantitative information is based on such market data, financial analyses or forecasts and analyst reports and estimates as they existed at or about March 22, 2002 and is not necessarily indicative of current conditions.

Some of the summaries of the financial analyses below include information presented in tabular format. The tables alone are not a complete description of Goldman Sachs financial analyses and should be read together with the full text of each summary.

(i) *Historical Stock Trading Analysis.* Goldman Sachs reviewed the historical trading prices and volumes for the shares of Sonera and the shares of Telia, in each case, for the one-year period ended March 22, 2002.

Goldman Sachs observed that the high, low and volume-weighted average closing prices of the Sonera shares for the year ended March 22, 2002 were 10.12, 2.25 and 5.62, respectively. Goldman Sachs observed that the high, low and volume-weighted average closing prices of the Sonera shares for the six months ended March 22, 2002 were 6.20, 2.25 and 5.00, respectively. Goldman Sachs observed that the high, low and volume-weighted average closing prices of the Sonera shares for the three months ended March 22, 2002 were 6.12, 4.69 and 5.38, respectively. The Sonera shares closed at 5.70 on March 22, 2002.

Goldman Sachs also observed that the high, low and volume-weighted average closing prices of the Telia shares for the year ended March 22, 2002 were SEK 70.50, SEK 33.70 and SEK 49.86, respectively. Goldman Sachs observed that the high, low and volume-weighted average closing prices of the Telia shares for the six months ended March 22, 2002 were SEK 53.50, SEK 33.70 and SEK 45.18, respectively. Goldman Sachs observed that the high, low and volume-weighted average closing prices of the Telia shares for the three months ended March 22, 2002 were SEK 47.90, SEK 33.70 and SEK 40.75, respectively. The Telia shares closed at SEK 39.30 on March 22, 2002.

Such analysis indicated that the exchange ratio of 1.51440 Telia shares to be received for each Sonera share pursuant to the combination agreement represented a premium of 15.9 percent based on the closing prices for the Sonera shares and the Telia shares on March 22, 2002.

As of the close of business on March 22, 2002, the last trading day before wide spread speculation in the Finnish and Swedish media as to an imminent Telia/ Sonera transaction, the Sonera share price on the Helsinki Exchanges was 5.70 per share and the Telia share price on the Stockholm Exchange was SEK 39.30 per share. Based upon the exchange ratio of Telia shares for Sonera shares in the combination agreement, the closing price of Telia shares on the Stockholm Stock Exchange on March 22, 2002 and Swedish krona to euro exchange rate of 9.0117 on the same date, the implied consideration pursuant to the combination agreement was 6.60 per Sonera share.

(ii) *Selected Companies Analysis.* Goldman Sachs reviewed and compared certain financial information for Sonera and Telia to corresponding financial information, ratios and public market multiples for the following 12 companies in the European mobile telecommunications industry:

Europolitan Holdings AB,

Libertel-Vodafone NV,

mmO2 plc,

Mobistar SA,

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Orange SA,

Panafon Hellenic Telecoms Company SA,

Stet Hellas Telecommunications SA,

Vodafone Telecel-Comunicacoes Pessoais SA,

Teléfonica Móviles SA,

Telecom Italia Mobile SpA,

Turkcell Iletisim Hizmetleri A.S., and

Vodafone Group plc.

Goldman Sachs also reviewed and compared certain financial information for Sonera and Telia to corresponding financial information, ratios and public market multiples for the following 12 companies in the European fixed line telecommunications industry:

BT Group plc,

Deutsche Telekom AG,

France Telecom SA,

Koninklijke KPN NV,

Hellenic Telecommunications Organization,

Portugal Telecom SGPS SA,

Swisscom AG,

Telecom Italia SpA,

TDC A/S,

Teléfonica SA,

Telekom Austria AG, and

Telenor ASA.

Although none of the selected companies is directly comparable to Sonera or Telia, the selected companies included in this analysis were chosen because they are companies with operations that, for purposes of analysis, may be considered similar to certain operations of Sonera and Telia.

Goldman Sachs also calculated and compared various financial multiples and ratios based on information it obtained from published research analysts estimates and other publicly available information. The multiples and ratios for Sonera and Telia were based on information provided by their respective managements. The multiples and ratios of Sonera and Telia were calculated using the respective closing prices on March 22, 2002. With respect to the selected companies, Goldman Sachs calculated enterprise value, which is the market value of the common equity plus the actual or estimated fiscal year 2001 net book value of debt and the value of minority interests less the estimated value of associated companies, as a multiple of the projected fiscal year 2002 and 2003 earnings before interest, taxes, depreciation and amortization, or EBITDA.

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The results of this analysis are summarized as follows:

	Selected Companies					
	European mobile telecommunications companies		European fixed line telecommunications companies			
Enterprise Value as a multiple of:	**Range**	**Median**	**Range**	**Median**	**Sonera**	**Telia**
EBITDA						
2002E	5.3-12.3x	8.3x	5.4-8.5x	7.5x	8.4x	8.2x
2003E	4.3-13.6x	7.2x	4.4-8.0x	7.1x	7.2x	7.3x

Goldman Sachs also calculated:

projected fiscal year 2002 and 2003 EBITDA margins, and

three-year compound annual growth rate, or CAGR, of projected EBITDA for the period ending in the fiscal year 2005.

The results of this analysis are summarized as follows:

	Selected Companies					
	European mobile telecommunications companies		European fixed line telecommunications companies			
	Range	**Median**	**Range**	**Median**	**Sonera**	**Telia**
EBITDA 2002E	13.0-43.0%	34.0%	24.8-41.6%	31.2%	34.0%	24.8%
Margin 2003E	17.0-42.0%	33.0%	26.4-41.7%	31.4%	36.0%	26.4%
2002-2005 EBITDA CAGR	4.0-31.0%	11.0%	2.6%-11.2%	6.5%	10.0%	10.0%

(iii) *Discounted Cash Flow Analysis.* Goldman Sachs performed a discounted cash flow analysis of Telia and Sonera using projections prepared by the respective managements of Telia and Sonera. Goldman Sachs calculated an implied net present value of free cash flows for the fiscal years 2002 through 2005, using a range of weighted average cost of capital as the discount rate. Goldman Sachs calculated the implied net present values for the cash flows for the fiscal year 2006 and subsequent periods based on the perpetuity method. The implied equity values per Sonera share and per Telia share derived from this discounted cash flow analysis are presented in the following table:

	Implied Equity Value Per Share	
Sonera	5.49	7.12
Telia	SEK 32.7	SEK 47.4

(iv) *Synergies Analysis.* Goldman Sachs reviewed the synergy estimates provided by the managements of Sonera and Telia. For the purposes of analyzing the potential impact of the synergy estimates on the implied premium to the holders of the shares of Sonera as well as the potential impact on the future trading level of the combined company, Goldman Sachs used the annual revenue and cost synergy estimates of 300 million for each fiscal year beginning in the fiscal year 2006, which were prepared by the managements of Sonera and Telia. Goldman Sachs then applied an EBITDA multiple derived from publicly available information to these synergy estimates. In addition, Goldman Sachs used the implied net present value of the capital expenditure synergy estimates of approximately 400 million, prepared by the managements of Sonera and Telia. The total implied value of the synergy estimates based on this analysis was approximately 2.3 billion.

Goldman Sachs also analyzed the total profit synergies in 15 selected transactions in the telecommunications industry announced since 1996. Goldman Sachs obtained all of the information for the analysis from publicly available sources. The analysis showed that the total profit synergies as a percentage of the combined revenues ranged from 1.6 percent to 31.8 percent, the total profit synergies as a percentage of the combined EBITDA ranged from 5.9 percent to 415.7 percent and the total profit synergies as a percentage of the combined capital expenditures ranged from 0.0 percent to 36.5 percent, in each case for the fiscal year in which such transaction was announced. Goldman Sachs compared this data to the total profit synergy estimates as a percentage of the combined revenues of 3.3 percent, the total profit synergy estimates as a percentage of the combined EBITDA of 13.3 percent and the total profit synergy estimates as a percentage of the combined capital expenditures of 2.6 percent, in each case, of Sonera and Telia on a pro forma basis, assuming completion of the transaction contemplated by the combination agreement and based on the synergy estimates prepared by the managements of Sonera and Telia.

(v) *Combination Analysis.* Goldman Sachs prepared analyses of the financial impact of the transaction contemplated by the combination agreement for each of the fiscal years 2001 through 2004. The analysis was performed using the earnings estimates for Sonera and Telia prepared by their respective managements, excluding amortization costs relating to Sonera s 3G telecommunications license and assuming, in the alternative, that no synergies will be realized and that full synergies will be realized from the transaction contemplated by the combination agreement. Goldman Sachs compared the estimated earnings per Telia share on a stand-alone basis, to the estimated earnings per share of the combined company. Goldman Sachs performed this analysis based on the respective closing prices of Sonera shares and Telia shares on March 22, 2002. Based on management estimates, the proposed transaction would have been dilutive to the holders of Telia shares on an estimated earnings per share basis in both scenarios in the fiscal year 2001 and would be accretive to the holders of Telia shares on an estimated earnings per share basis in each of the fiscal years 2002 through 2004.

(vi) *Contribution Analysis.* Goldman Sachs performed a contribution analysis in which it analyzed and compared the relative contributions to be made by each of Sonera and Telia to:

revenues,

EBITDA,

EBITDA less capital expenditures,

market capitalization, and

enterprise value,

in each case, of the combined company on a pro forma basis and assuming completion of the transaction contemplated by the combination agreement. Goldman Sachs obtained all of the information for the analysis from publicly available information regarding Sonera and Telia, as well as certain published analysts reports and estimates and information provided by the managements of Sonera and Telia. Goldman Sachs performed the analysis using the respective closing prices of Sonera shares and Telia shares on March 22, 2002.

For comparison purposes, Goldman Sachs then derived the relative implied ownership of the combined company using the exchange ratio of 1.51440 Telia shares to be received for each Sonera share pursuant to the combination agreement. Goldman Sachs observed that based on such exchange ratio, the holders of Sonera shares would contribute 36.0 percent of the equity value of the combined company and 40.9 percent of the enterprise value of the combined company. The average equity contribution by the holders of Sonera shares would be 27.4 percent for the six-month period ending March 22, 2002, 31.5 percent for the three-month period ending March 22, 2002 and 32.7 percent for the month ending March 22, 2002.

The results of Goldman Sachs contribution analysis of the relative percentage contributions to be made by each of Sonera and Telia to the combined company are presented in the table below. The contribution to the combined company based on the combined revenues, the combined EBITDA and the combined EBITDA less capital expenditures should be compared to the contribution by the holders of Sonera shares of 40.9 percent of the combined enterprise value.

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Percentage Contribution to the Combined Company

	Sonera	Telia
Combined revenues		
2000A	25.5%	74.5%
2001A	25.6%	74.4%
2002E	25.2%	74.8%
2003E	25.2%	74.8%
2004E	24.6%	75.4%
Combined EBITDA		
2000A	25.6%	74.4%
2001A	28.2%	71.8%
2002E	31.6%	68.4%
2003E	29.5%	70.5%
2004E	28.0%	72.0%
Combined EBITDA less capital expenditures		
2000A	Not meaningful	Not meaningful
2001A	Not meaningful	Not meaningful
2002E	61.2%	38.5%
2003E	44.7%	55.0%
2004E	34.4%	65.3%
Combined market capitalization	32.7%	67.3%
Combined enterprise value	38.1%	61.9%

(vii) *Selected Transactions Analysis.* Goldman Sachs analyzed certain information relating to 104 merger of equals business combinations across a variety of industries since 1992. Goldman Sachs obtained all of the information for the analysis from publicly available sources. Goldman Sachs analyzed each transaction by comparing the relative equity values of the target company involved in the transaction as of one day prior to the announcement of the transaction to the equity value of the target company after giving effect to the transaction. This analysis indicated that the mean premium in terms of the equity value of the target company after giving effect to the transaction to the equity value of the target company prior to the announcement of the transaction, based on closing market prices one day prior to the announcement of the transaction, was 12.7 percent. Goldman Sachs also analyzed each transaction by comparing the equity value of the target company involved in the transaction as of one day prior to announcement of the transaction to the implied equity value of the target company based on the agreed split of ownership in the transaction. This analysis indicated that the mean premium in terms of implied equity value of the target company over the equity market value of the target company based on closing prices one day prior to the announcement of the transaction was 6.2 percent.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all such analyses and did not attribute any particular weight to any factor or analysis that it considered. No company or transaction used in the above analyses as a comparison is directly comparable to Sonera or Telia or the contemplated transaction.

In addition, Goldman Sachs prepared its analyses for purposes of rendering an opinion to the Sonera board of directors as to the fairness from a financial point of view to the holders of the Sonera shares of the exchange ratio of 1.51440 shares of Telia to be received for each Sonera share pursuant to the combination

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agreement. The analysis that Goldman Sachs performed in connection with rendering its opinion were not appraisals and do not necessarily reflect the prices at which businesses or securities actually may be sold. In addition, Goldman Sachs analyses were, in part, based upon forecasts of future results that are not necessarily indicative of actual future results, and which may be significantly more or less favorable than suggested by these analyses. Because these analyses performed by Goldman Sachs in connection with rendering its opinion are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Sonera, Telia, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

As described above, Goldman Sachs opinion to the Sonera board of directors was one of many factors taken into consideration by the Sonera board of directors in making its determination to approve the combination agreement. A summary, by its nature, does not purport to be a complete description of the information it summarizes. The foregoing summary is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex D to this prospectus.

Goldman Sachs, as part of its investment banking business, is continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities and private placements as well as for estate, corporate and other purposes. Goldman Sachs is familiar with Sonera having acted as global coordinator in connection with the offering of 143,950,000 Sonera shares by the Republic of Finland in October 1999 and having provided certain investment banking services to Sonera from time to time, including having acted as financial adviser to Sonera and as joint global coordinator in connection with the rights offering of 371,767,253 Sonera shares in November 2001 and having acted as the financial adviser to Sonera in connection with the sale of Sonera Info Communications Ltd. and in connection with the combination agreement.

Goldman Sachs has provided certain investment banking services to Telia from time to time, including having acted as the financial adviser to the Kingdom of Sweden in connection with the merger of Telia and Telenor ASA in 1998, which was subsequently unwound. Goldman Sachs provides a full range of financial advisory and securities services and, in the course of its normal trading activities, may from time to time effect transactions and hold securities, including derivative securities, of Sonera or Telia, for its own account and for the accounts of customers.

Sonera selected Goldman Sachs as its financial adviser because it is a globally recognized investment banking firm that has substantial experience in transactions similar to the transaction contemplated by the combination agreement.

Pursuant to a letter agreement dated March 18, 2002, Sonera engaged Goldman Sachs to act as its financial adviser in connection with the contemplated transaction. Pursuant to the terms of this engagement letter, Sonera has agreed to pay Goldman Sachs a transaction fee of 20 million, of which 7 million was payable upon announcement of the transaction contemplated by the combination agreement and the remainder is due upon the completion of the contemplated transaction. Sonera also has agreed to reimburse Goldman Sachs for its reasonable out-of-pocket expenses, including attorneys fees, and to indemnify Goldman Sachs against certain liabilities, including certain liabilities under the U.S. federal securities laws.

Board Recommendation

At a meeting on March 26, 2002, the Sonera board of directors concluded that the exchange offer was in the best interests of Sonera and its shareholders and unanimously passed a resolution to recommend that Sonera shareholders participate in the exchange offer.

Please refer to THE EXCHANGE OFFER Interest of Members of Sonera s Board and Management; Potential Conflicts of Interest for a description of, among other things, potential conflicts of interest the Sonera board of directors may have in recommending that Sonera shareholders participate in the exchange offer. You should note the potential for conflicts of interest and the benefits available to Sonera s directors when considering the Sonera board of directors recommendation to approve the exchange offer and the

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merger. Sonera s officers and directors have employment agreements, benefit plans, stock options and rights to indemnification that provide them with interests in the merger that may be considered different from, or in addition to, interests of Sonera s shareholders.

Irrevocable Undertaking by the Republic of Finland

The Republic of Finland, which owns 52.8 percent of the shares of Sonera, has irrevocably undertaken to Telia that it will tender all of its shares in Sonera in the exchange offer, provided that neither Sonera nor Telia has terminated the combination agreement in accordance with its terms.

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THE EXCHANGE OFFER

General Terms of the Exchange Offer

Sonera Shares and ADSs

Telia is offering:

- 1.51440 Telia shares, nominal value SEK 3.20 each, in exchange for each Sonera share, with no nominal value, validly tendered in the exchange offer; and
- 0.30288 Telia ADSs in exchange for each Sonera ADS, each representing one Sonera share, validly tendered in the exchange offer. Each Telia ADS represents five Telia shares.

Fractional entitlements to Telia shares or Telia ADSs will not be delivered to holders of Sonera securities validly tendered in the exchange offer. Instead, fractional entitlements to Telia shares or Telia ADSs following from the exchange ratio will subsequently be combined and sold on the Stockholm Exchange or the Helsinki Exchanges, in the case of Telia shares, or on NASDAQ, in the case of Telia ADSs, in each case on behalf of, and proceeds of the sales will be distributed pro rata to, the Sonera security holders entitled to fractional entitlements. See Fractional Shares and ADSs below.

Pursuant to the terms of the combination agreement, as amended, the 550,000 Sonera shares currently held by Sonera in treasury are excluded from the exchange offer.

Upon completion of the exchange offer, the share capital of Telia will be increased by a maximum of SEK 5,460,175,724.80 from SEK 9,603,840,000 to SEK 15,064,015,724.80. If all the holders of Sonera shares, including holders of Sonera ADSs, elect to receive Telia shares or Telia ADSs, respectively, a maximum of 1,706,304,914 Telia shares (assuming that all holders of exercisable Sonera warrants elect to exercise their Sonera warrants and subscribe for Sonera shares, and thereafter tender such Sonera shares), including Telia shares represented by Telia ADSs, will be issued, and the number of issued Telia shares will increase from 3,001,200,000 to 4,707,504,914. The maximum of 1,706,304,914 Telia shares offered to holders of Sonera shares represents approximately 36 percent of the share capital and voting rights of Telia after the completion of the exchange offer. The issue of a maximum of 1,706,304,914 Telia shares is not expected to affect the operations or liabilities of Sonera.

Sonera Warrants

Telia is offering one warrant to be issued by Telia in exchange for each warrant issued pursuant to Sonera 1999 and 2000 stock option programs, validly tendered in the exchange offer. In this connection Telia is offering:

- one Telia warrant 2002/2005:A for each Sonera warrant 1999A;
- one Telia warrant 2002/2005:B for each Sonera warrant 1999B;
- one Telia warrant 2002/2008:A for each Sonera warrant 2000A1;
- one Telia warrant 2002/2008:B for each Sonera warrant 2000B1;
- one Telia warrant 2002/2008:C for each Sonera warrant 2000C1;
- one Telia warrant 2002/2008:D for each Sonera warrant 2000A2;
- one Telia warrant 2002/2008:E for each Sonera warrant 2000B2;
- one Telia warrant 2002/2008:F for each Sonera warrant 2000C2;

one Telia warrant 2002/2010:A for each Sonera warrant 2000A3;

one Telia warrant 2002/2010:B for each Sonera warrant 2000B3;

one Telia warrant 2002/2010:C for each Sonera warrant 2000C3;

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one Telia warrant 2002/2010:D for each Sonera warrant 2000A4;

one Telia warrant 2002/2010:E for each Sonera warrant 2000B4; and

one Telia warrant 2002/2010:F for each Sonera warrant 2000C4.

In furtherance of the exchange offer for Sonera warrants, Telia will issue debentures with a maximum of 31,220,339 detachable Telia warrants (assuming that all holders of exercisable Sonera warrants elect to tender such Sonera warrants, instead of exercising their Sonera warrants and subscribing for Sonera shares, and thereafter tendering such Sonera shares). Under Swedish law, warrants may only be issued in connection with the issuance of debentures, to which the warrants are attached at the time of issuance. Each Telia warrant entitles its holder to subscribe for 1.5 Telia shares. The 31,220,339 Telia warrants entitle the holders to subscribe for a total of 46,830,508 Telia shares (leading to an increase of the share capital by a maximum of SEK 149,857,625.60). The maximum of 46,830,508 Telia shares represents 1.0 percent of the share capital and voting rights of Telia after the completion of the exchange offer (assuming that all outstanding Sonera shares, including ADSs, are tendered in the exchange offer). The debentures with attaching Telia warrants will be subscribed for by Telia Förlagslan AB, a wholly owned subsidiary of Telia. Upon completion of the exchange offer, Telia Förlagslan AB will detach the warrants and transfer them in consideration of the Sonera warrants tendered in the exchange offer. The transferred warrants are subject to terms and conditions complying with Swedish market practice for listed companies as well as certain additional terms and conditions, reflecting the terms and conditions of the Sonera warrants. The approximately 0.95 percent difference between the exchange ratio for Sonera shares, whereby holders of Sonera shares will receive 1.51440 Telia shares for each Sonera share they tender, and the terms of the Telia warrants, whereby each Telia warrant will entitle the holder thereof to subscribe for 1.5 Telia shares, has been compensated for by setting the exercise price of each Telia warrant at a correspondingly lower level than the exercise price for the Sonera warrants. The terms of the new warrants to be issued by Telia are described below under the caption Terms and Conditions of the New Telia Warrants.

Restrictions on Ability of Certain Persons to Participate in the Exchange Offer

Due to restrictions under securities laws of Australia, the Hong Kong Special Administrative Region of the People s Republic of China, Italy, Japan, New Zealand and South Africa, the exchange offer will not be extended to persons with registered addresses in, and who are residents of, any of Australia, the Hong Kong Special Administrative Region of the People s Republic of China, Italy, Japan, New Zealand or South Africa.

Conditions to Completion of the Exchange Offer

The obligation of Telia to accept for payment and pay for Sonera shares, Sonera ADSs and Sonera warrants tendered pursuant to the exchange offer shall be subject only to the satisfaction or, if permitted by applicable law, prior waiver by both Telia and Sonera, of the following conditions:

that (i) the capital increase necessary to complete the exchange offer through the issuance of new Telia shares and Telia warrants and (ii) the election as directors of Telia, effective as of the completion of the exchange offer, of the persons nominated pursuant to the shareholders agreement between the Kingdom of Sweden and the Republic of Finland, shall have been approved by the vote of Telia shareholders;

that a number of Sonera shares (including shares represented by ADSs) representing more than 90 percent of the shares and votes in Sonera (on a fully diluted basis), shall have been validly tendered and not withdrawn;

that no court of competent jurisdiction or any governmental or regulatory (including stock exchange) authority, agency, commission, body or other governmental entity shall have issued or entered any order which has the effect of making any of the transactions related to the exchange offer illegal or otherwise prohibiting their consummation and that such transactions shall not otherwise be illegal under any applicable competition law or regulation;

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that any waiting period (and any extension thereof) applicable to the consummation of the transactions related to the exchange offer under any competition, merger control or similar law of the European Union, Sweden, Finland or any other relevant jurisdiction, shall have expired or been terminated;

that all consents, approvals, authorizations and registrations required to be obtained from the applicable governmental entities to consummate the transactions related to the exchange offer shall have been obtained (unless the failure to obtain any such consents, approvals and authorizations would not result in a event that is, or is reasonably likely to be, materially adverse to the business, assets, financial condition or results of operations of either Telia or Sonera);

that the Telia shares to be issued pursuant to the exchange offer shall have been authorized for listing on the Stockholm Exchange and the Helsinki Exchanges and the Telia ADSs to be issued in connection with the exchange offer have been approved for quotation on the Nasdaq National Market;

that the combination agreement, as amended, shall not have been terminated by either Telia or Sonera in accordance with its terms;

that there are no circumstances which prevent or materially hinder the implementation of the combination of the businesses of Telia and Sonera due to legislation, legal rulings, decisions by public authorities or the like in Sweden, Finland or elsewhere, which exist or are anticipated at the time, or due to other circumstances beyond the control of Telia, including without limitation, that Telia determines in good faith, following consultation with Sonera, that the cash offer price to be paid by Telia for each share of Sonera in connection with the mandatory redemption offer that Telia may be required to make pursuant to Finnish law following the completion of the exchange offer would, pursuant to an opinion of independent, reputable legal counsel based upon a ruling of or consultation with the Finnish Financial Supervision Authority, be higher than the equivalent cash value of the Telia shares offered in exchange for each such share pursuant to the terms of the exchange offer as determined pursuant to Finnish law; provided that the difference between such offer price to be paid in such mandatory redemption offer and such cash value of the Telia shares multiplied by the aggregate number of shares issued and outstanding in Sonera shall exceed 300 million; and

that this registration statement relating to the Telia shares and Telia warrants offered in connection with the exchange offer shall have become effective in accordance with the provisions of the U.S. Securities Act of 1933, as amended, no stop order suspending the effectiveness of this registration statement shall have been issued by the SEC and no proceedings for that purpose shall have been initiated by the SEC and not concluded or withdrawn and all state securities or blue sky authorizations necessary to consummate the exchange offer shall have been obtained and be in effect.

Telia will only be in a position to determine immediately prior to the completion of the exchange offer whether to invoke the eighth condition listed above. In making such determination, Telia will consider various facts and circumstances, including the price development of Telia s and Sonera s shares, interpretations of the relevant provisions of Finnish law and any relevant legal or other developments. If Telia had to take a decision on whether to invoke such condition on the basis of information available to Telia as of the date of this prospectus, Telia would invoke such condition. For additional information on Telia s right to terminate the exchange offer by invoking the eighth condition listed above, see SUMMARY Telia s Termination Right and RISK FACTORS Risks Related to the Exchange Offer Telia has a right to terminate the combination agreement and abandon the exchange offer after the exchange offer period has ended if one of the conditions to the exchange offer is not satisfied. Under this condition and subject to certain additional requirements, Telia may elect to terminate the combination agreement and abandon the exchange offer if it determines in good faith that the cash amount it may be required to pay for each Sonera share not tendered in the exchange offer were to, in a mandatory redemption offer made under Finnish law after the completion of the exchange offer, exceed by more than approximately 0.27 per Sonera share, or by

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more than 300 million in the aggregate for all outstanding Sonera shares, the equivalent cash value of the Telia shares offered for Sonera shares in connection with the exchange offer.

Any of the exchange offer conditions may, subject to applicable law, be waived, but only if both Telia and Sonera agree in writing to such waiver.

To the extent Telia and Sonera waive a material condition to the exchange offer, including the minimum condition, Telia will notify Sonera securityholders of such waiver and will hold the offer open for acceptances and withdrawals for at least five business days after the notification of the waiver of such condition.

Exchange Offer Period and Extension

The offer to holders of Sonera shares, ADSs and warrants will commence on October 7, 2002 and expire at 9:00 a.m. New York City time (4:00 p.m., Helsinki time) on November 8, 2002 unless the offer is extended.

Telia may, from time to time, extend the period of time during which the exchange offer is open until all the conditions listed above under the caption Conditions to Completion of the Exchange Offer have been satisfied or waived. The maximum duration of the exchange offer is three months from the commencement of the exchange offer period, provided, however, that, if all consents, approvals, authorizations and registrations required to be obtained from the applicable governmental entities have not been obtained within three months from the commencement of the exchange offer period, the exchange offer period may be further extended until all such consents, approvals, authorizations and registrations have been obtained. Telia will not be required to extend the exchange offer beyond December 31, 2002.

If Telia extends the period of time during which the exchange offer is open, the exchange offer will expire at the latest time and date to which Telia extends the exchange offer. Telia expects to announce by press release on or about four business days following the expiration date of the exchange offer, (i) the percentage of outstanding Sonera shares, Sonera ADSs and Sonera warrants that have been validly tendered pursuant to the offer and (ii) whether the exchange offer will be completed, extended or abandoned. These announcements will also be posted on Telia s website at www.telia.com.

If all conditions to the exchange offer are satisfied or, where appropriate, waived, Telia will accept for exchange all Sonera securities that have been validly tendered and not withdrawn pursuant to the terms of the exchange offer. The exchange offer will lapse unless all of the conditions to completion of the exchange offer have been and continue to be satisfied or, where appropriate, have been waived. Pursuant to the combination agreement, either Telia or Sonera may require that the exchange offer be terminated if the exchange offer has not been completed on or before December 31, 2002. Upon termination of the exchange offer, Telia will release all Sonera shares, Sonera ADSs and Sonera warrants tendered pursuant to the exchange offer as soon as reasonably possible after such termination. Telia reserves the right, at any time and from time to time beginning two business days after the commencement of the exchange offer period, to extend or terminate this exchange offer or to amend this exchange offer in any respect in accordance with applicable law.

Procedures for Tendering

Telia has retained Nordea Bank Finland Plc to act as Finnish share agent in connection with the exchange offer made to holders of Sonera shares and warrants. Telia has retained Citibank, N.A. to act as the U.S. exchange agent in connection with the exchange offer made to Sonera ADS holders.

Holders of Sonera Shares

If you are a holder of Sonera shares who is directly registered in the shareholders register held by the Finnish Central Securities Depository on or about October 3, 2002, you will receive an acceptance form with tender instructions from the account operator managing the book-entry account where your Sonera shares are registered. The acceptance forms are also available from your book-entry account operator.

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If your Sonera shares are registered in the name of a nominee (or other custodial institution) and you wish to accept the exchange offer, you have to make such acceptance in accordance with such nominee s instructions. Telia will not send you any documents relating to the exchange offer directly.

If your Sonera shares have been pledged, the consent of the appropriate pledgee is required for acceptance of the exchange offer and it is your responsibility to obtain such consent.

If you wish to accept the exchange offer, you have to complete, sign and return the acceptance form to your account operator in accordance with such account operator s instructions on or before 4:00 p.m. Helsinki time on November 8, 2002 or, if the exchange offer period has been extended, before the expiry of the exchange offer period as extended. Your book-entry account operator may ask you to return your acceptance form at an earlier date. Do not send your acceptance form to Telia or Sonera.

You may accept the exchange offer only in relation to all of your Sonera shares. If you hold both Sonera shares and Sonera warrants, or Sonera warrants of more than one series, you are not obligated to tender all of your Sonera securities but may elect instead to tender only your Sonera shares or your Sonera warrants of a particular series. Except as provided in the foregoing sentence, any partial tender of your Sonera shares or Sonera warrants may be rejected as a non-acceptance of the exchange offer.

By accepting the exchange offer, you authorize Nordea Bank Finland Plc or your account operator to effect the exchange of the relevant Sonera shares for Telia shares, including the necessary registrations in the book-entry account and the authorization to subscribe for Telia shares, and to transfer the title of tendered Sonera shares to Telia as the payment for the subscription for the Telia shares offered in the exchange offer. The authorization also covers the sale of any fractional entitlements to Telia shares by Nordea Bank Finland Plc as described below under Fractional Shares and ADSs.

Following receipt of a duly completed acceptance form by your account operator or any asset management branch of the Finnish share agent, each Sonera share you have tendered for exchange will be converted into one Sonera exchanged share, which represents a Sonera share in the book-entry system that has been tendered and designated for exchange. The Sonera exchanged shares will be registered on your book-entry account. You must allow five business days for the registration of the acceptance before the Sonera exchanged shares are entered into your book-entry account. During the exchange offer period and until the listing of Sonera exchanged shares commences on the pre-list of the Helsinki Exchanges, you may not transfer any of your Sonera exchanged shares. A transfer restriction in respect of such exchanged shares will be registered in the book-entry system. The transfer restriction in respect of Sonera exchanged shares will be removed when the listing of Sonera exchanged shares commences on the pre-list of the Helsinki Exchanges. During the exchange offer period and until the announcement of the completion of the exchange offer by Telia, each one Sonera exchanged share is equal to and, with the exception of the transfer restriction, carries the same rights as one Sonera share.

An application will be made to the Helsinki Exchanges to list Sonera exchanged shares on the pre-list of the Helsinki Exchanges. The listing is expected to commence on the first trading day following announcement by Telia that the exchange offer will be completed. The trading in Sonera exchanged shares will cease as soon as the Sonera exchanged shares have been converted into Telia shares and such Telia shares are registered on the book-entry accounts of each tendering shareholder.

Following completion of the exchange offer, each Sonera exchanged share will be converted into 1.51440 Telia shares. See Fractional Shares and ADSs.

The conversion will take place after the increase in Telia s share capital has been registered with the Swedish Patent and Registration Office.

If the exchange offer is not completed, the Sonera exchanged shares will be converted back into Sonera shares on the book-entry accounts of the holders of the Sonera exchanged shares as soon as practically possible.

The method of delivery of acceptance forms and all other required documents is at your option and risk, and the delivery will be deemed made only when actually received by an asset management branch of the

Finnish share agent or your book-entry account operator. In all cases, you should follow the instructions sent to you by your book-entry account operator and allow sufficient time to ensure timely delivery.

If you are a holder of Sonera shares located outside Finland and the United States, please see Restrictions on Ability of Certain Persons to Participate in the Exchange Offer above.

Holders of Sonera ADSs

If you hold your Sonera ADSs in the form of a Sonera ADR certificate, you may tender your Sonera ADSs to the U.S. exchange agent by delivering to the U.S. exchange agent a properly completed and duly executed letter of transmittal, with all applicable signature guarantees from an eligible guarantor institution, together with the Sonera ADR certificate evidencing your Sonera ADSs specified on the face of the letter of transmittal, prior to the expiration date for the U.S. exchange offer.

If you hold your Sonera ADSs in a brokerage account, you should instruct your broker, dealer, commercial bank, trust company or other entity through which you hold your Sonera ADSs to arrange for the DTC participant holding the Sonera ADSs in its DTC account to tender your Sonera ADSs in the exchange offer to the U.S. exchange agent by means of delivery through the book-entry confirmation facilities of DTC of your Sonera ADSs to the DTC account of the U.S. exchange agent, together with an agent s message acknowledging that the tendering participant has received and agrees to be bound by the letter of transmittal, prior to the expiration date of the U.S. exchange offer.

Tendered Sonera ADSs will be held in an account controlled by the U.S. exchange agent, and consequently you will not be able to sell, assign, transfer or otherwise dispose of such securities, until such time as (1) you withdraw your Sonera ADSs from the exchange offer; (2) your Sonera ADSs have been exchanged for Telia ADSs (in which case you will only be able to sell, assign, transfer or otherwise dispose of the Telia ADSs received in respect of your Sonera ADSs); or (3) your Sonera ADSs have been returned to you if the exchange offer is terminated or because they were not accepted for exchange.

Please note that registered holders of Sonera ADSs should send their properly completed and duly executed letters of transmittal together with the corresponding ADR certificate only to the U.S. exchange agent and not to Telia. Letters of transmittal properly completed and duly executed, together with the corresponding Sonera ADR certificates, must be received by the U.S. exchange agent before 9:00 a.m., New York City time, on November 8, 2002 to be accepted for exchange. The method of delivery of ADR certificates and letters of transmittal and all other required documents is at your option and risk, and the delivery will be deemed made only when actually received by the exchange agent. In all cases, you should allow sufficient time to ensure timely delivery.

You may accept the exchange offer only in relation to all of your Sonera ADSs.

Guaranteed Delivery Procedures

If you desire to tender your Sonera ADSs in the exchange offer and your Sonera ADSs are not immediately available or time will not permit all required documents to reach the U.S. exchange agent prior to the expiration date or the procedure for book-entry transfer cannot be completed on a timely basis, you may nevertheless properly tender your Sonera ADSs if all the following conditions are satisfied:

- your tender is made by or through an eligible institution;

- a properly completed and duly executed notice of guaranteed delivery, substantially in the form provided with this prospectus, is received by the U.S. exchange agent as provided below prior to the expiration date; and

- Sonera ADSs in proper form for transfer, together with, in the case of Sonera ADSs evidenced by ADR certificates properly completed and duly executed letter of transmittal (or a copy thereof), together with any required signature guarantees or, in the case of a book-entry transfer, a book-entry confirmation along with an agent s message and any other required documents, are received by the

U.S. exchange agent within three NASDAQ trading days after the date of execution of the notice of guaranteed delivery. A NASDAQ trading day is a day on which NASDAQ is open for business.

Any notice of guaranteed delivery may be delivered by hand or mail to the U.S. exchange agent and must include a guarantee by an eligible institution in the form set forth in the notice of guaranteed delivery. In the case of Sonera ADSs held through the book-entry transfer system of DTC, the notice of guaranteed delivery must be delivered to the U.S. exchange agent by a DTC participant by means of the DTC book-entry transfer confirmation system.

If you are a holder of Sonera shares located outside Finland and the United States, please see Restrictions on Ability of Certain Persons to participate in the Exchange Offer above.

Holders of Sonera Warrants

If you are a holder of Sonera warrants who is directly registered in the register of warrantholders held by the Finnish Central Securities Depository on or about October 3, 2002, you will receive an acceptance form with tender instructions from the account operator managing the book-entry account where your Sonera warrants are registered. The acceptance forms are also available from your book-entry account operator.

If your Sonera warrants are registered in the name of a nominee (or other custodial institution) and you wish to accept the exchange offer, you have to make such acceptance in accordance with such nominee s instructions. Telia will not send you any documents relating to the exchange offer directly.

If your Sonera warrants have been pledged, the consent of the appropriate pledgee is required for acceptance of the exchange offer and it is your responsibility to obtain such consent.

If you wish to accept the exchange offer, you have to complete, sign and return the acceptance form to your account operator in accordance with such account operator s instructions on or before 4:00 p.m. Helsinki time on November 8, 2002 or, if the exchange offer period has been extended, before the expiry of the exchange offer period as extended. Your book-entry account operator may ask you to return your acceptance form at an earlier date. Do not send your acceptance form directly to Telia or Sonera.

You may accept the exchange offer only in relation to all of your Sonera 1999A warrants, Sonera 1999B warrants, Sonera 2000A1 warrants, Sonera 2000A2 warrants, Sonera 2000A3 warrants or Sonera 2000A4 warrants. If you hold both Sonera shares and Sonera warrants, or Sonera warrants of more than one series, you are not obligated to tender all of your Sonera securities but may elect instead to tender only your Sonera shares or your Sonera warrants of a particular series. Except as provided in the foregoing sentence, any partial tender of Sonera shares or warrants may be rejected as a non-acceptance of the exchange offer. By tendering your Sonera 2000A warrants of a certain series, you are also deemed to tender your Sonera 2000B and 2000C warrants attached to your Sonera 2000A warrants of that series.

By accepting the exchange offer, you authorize Nordea Bank Finland Plc or your account operator to effect the exchange of relevant Sonera warrants for warrants to be issued by Telia, including necessary registrations in the book-entry accounts, the authorization to transfer the title of tendered warrants to Telia as the payment for the purchase of warrants offered in the exchange offer.

Following receipt of a duly completed acceptance form by your account operator or any asset management branch of the Finnish share agent, each Sonera 1999A warrant will be converted into one Sonera 1999A exchanged warrant, each Sonera 1999B warrant will be converted into one Sonera 1999B exchanged warrant, each Sonera 2000A1 warrant will be converted into one Sonera 2000A1 exchanged warrant, each Sonera 2000A2 warrant will be converted into one Sonera 2000A2 exchanged warrant, each Sonera 2000A3 warrant will be converted into one Sonera 2000A3 exchanged warrant and each Sonera 2000A4 warrant will be converted into one Sonera 2000A4 exchanged warrant. Each Sonera 2000A exchanged warrant represents one Sonera 2000A warrant, one Sonera 2000B warrant and two Sonera 2000C warrants.
The Sonera exchanged warrants will be registered on your book-entry account. You must allow five business days for the registration of the acceptance before the Sonera exchanged warrants are entered into your book-entry account. During the exchange offer period and until the listing of Sonera 1999A exchanged warrants commences on

the pre-list of the Helsinki Exchanges, you may not transfer any of your Sonera 1999A exchanged warrants. You may not transfer any of your Sonera 1999B exchanged warrants, Sonera 2000A1 exchanged warrants, Sonera 2000A2 exchanged warrants, Sonera 2000A3 exchanged warrants or Sonera 2000A4 exchanged warrants. A transfer restriction in respect of such exchanged warrants will be registered in the book-entry system. The transfer restriction in respect of Sonera 1999A exchanged warrants will be removed when the listing of Sonera 1999A exchanged warrants commences on the pre-list of the Helsinki Exchanges. During the exchange offer period and until the completion of the exchange offer by Telia, each Sonera exchanged warrant is equal to, and carries, with the exception of the transfer restriction, the same rights as, one underlying Sonera warrant.

An application will be made to the Helsinki Exchanges to list Sonera 1999A exchanged warrants on the pre-list of the Helsinki Exchanges. The listing is expected to commence on the first trading day following announcement by Telia that the exchange offer will be completed. The trading in Sonera 1999A exchanged warrants will cease as soon as the Sonera 1999A exchanged warrants have been converted into Telia warrants 2002/2005:A and such Telia warrants are registered on the book-entry accounts of each tendering warrant holder.

Following completion of the exchange offer, Sonera exchanged warrants will be converted into Telia warrants in the book-entry system as follows:

- each Sonera 1999A exchanged warrant will be converted into one Telia warrant 2002/2005:A;
- each Sonera 1999B exchanged warrant will be converted into one Telia warrant 2002/2005:B;
- each Sonera 2000A1 exchanged warrant will be converted into one Telia warrant 2002/2008:A, one Telia warrant 2002/2008:B and two Telia warrants 2002/2008:C;
- each Sonera 2000A2 exchanged warrant will be converted into one Telia warrant 2002/2008:D, one Telia warrant 2002/2008:E and two Telia warrants 2002/2008:F;
- each Sonera 2000A3 exchanged warrant will be converted into one Telia warrant 2002/2010:A, one Telia warrant 2002/2010:B and two Telia warrants 2002/2010:C; and
- each Sonera 2000A4 exchanged warrant will be converted into one Telia warrant 2002/2010:D, one Telia warrant 2002/2010:E and two Telia warrants 2002/2010:F.

The conversion will take place after the increase in Telia s share capital and the issue of debentures with attached warrants has been registered with the Swedish Patent and Registration Office.

If the exchange offer is not completed, the Sonera exchanged warrants will be converted back into Sonera warrants in the book-entry accounts of the holders of the Sonera exchanged warrants as soon as practically possible.

The method of delivery of acceptance forms and all other required documents is at your option and risk, and the delivery will be deemed made only when actually received by an asset management branch of the Finnish share agent or your book-entry account operator. In all cases, you should follow the instructions sent to you by your book-entry account operator and allow sufficient time to ensure timely delivery.

If you are a holder of Sonera warrants located outside Finland and the United States, please see Restrictions on Ability of Certain Persons to Participate in the Exchange Offer above.

Withdrawal Rights

Withdrawal of Tendered Sonera Shares and Sonera Warrants

Sonera securities tendered for exchange, including the Sonera exchanged shares and Sonera exchanged warrants, may be withdrawn at any time prior to the applicable expiration of the exchange offer period.

In addition, in accordance with the U.S. tender offer laws, you may withdraw tendered securities if they are not yet accepted for exchange at any time 60 days after the commencement of the exchange offer.

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For your withdrawal to be effective, you must follow the procedures described below and the instructions sent to you by your book-entry account operator, including:

- in the event that you are a holder of Sonera exchanged shares or Sonera exchanged warrants who is directly registered in the shareholders register or the register of warrantholders held by the Finnish Central Securities Depository, you must submit a written notice of withdrawal to your book-entry account operator, for arrival prior to the expiration date and time of the exchange offer; and

- in the event that you are a holder of Sonera exchanged shares or Sonera exchanged warrants that are registered in the name of a nominee (or other custodial institution), you must instruct such nominee (or other custodial institution) to submit a written notice of withdrawal to the book-entry account operator of your nominee, for arrival prior to the expiration date and time of the exchange offer.

The written notice of withdrawal must be submitted to the book-entry account operator to which the original acceptance form was delivered. Account details for the redelivery of the tendered securities must be included in the notice of withdrawal.

Your book-entry account operator is entitled to charge a fee for withdrawals as agreed between you and your account operator.

After the expiration of the exchange offer period, holders who tendered their Sonera securities will have no withdrawal rights unless the exchange offer period is extended.

Withdrawal of Tendered Sonera ADSs

If you tendered your Sonera ADSs to the U.S. exchange agent by means of delivery of a letter of transmittal together with the Sonera ADR certificate evidencing your Sonera ADSs, you may withdraw your tender by delivering to the U.S. exchange agent a properly completed and duly executed notice of withdrawal, guaranteed by an eligible guarantor institution (unless the notice of withdrawal related to a tender made for the account of an eligible guarantor institution), prior to the expiration of the exchange offer period in the United States.

If you tendered your Sonera ADSs by means of the book-entry confirmation procedures of DTC, you may withdraw your tender by instructing your broker, dealer, commercial bank, trust company or other entity to cause the DTC participant through which your Sonera ADSs were tendered to deliver a notice of withdrawal to the U.S. exchange agent by means of an agent s message transmitted through the book-entry confirmation facilities of DTC, prior to the expiration of the exchange offer period in the United States.

Other

Neither Sonera, Telia, the U.S. exchange agent, the Finnish share agent, the information agent, the dealer manager nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal nor will any of them incur any liability for failure to give any notification. Any Sonera shares, Sonera ADSs or Sonera warrants properly withdrawn will be deemed not to have been validly tendered for purposes of Telia s offer. However, you may re-tender withdrawn Sonera shares, Sonera ADSs or Sonera warrants by following one of the procedures discussed under Procedures for Tendering at any time prior to the expiration of the exchange offer period.

Validity of the Tender of Securities

Telia will determine questions as to the validity, form, eligibility, including time of receipt, and acceptance for exchange of any tender of Sonera shares, Sonera ADSs and Sonera warrants, in its sole discretion and Telia s determination shall be final and binding. Telia reserves the right to reject any and all tenders of Sonera shares, Sonera ADSs and Sonera warrants that it determines are not in proper form or the acceptance of or exchange for which may be unlawful. No tender of Sonera shares, Sonera ADSs or Sonera warrants will be deemed to have been validly made until all defects and irregularities in tenders of Sonera shares have been cured or waived. Neither Telia, the U.S. exchange agent, the Finnish share agent nor any other person will be under any duty to give notification of any defects or irregularities in the tender of any Sonera shares, Sonera ADSs or Sonera warrants or will any of them incur any liability for failure to give any such notification. Telia s interpretation of the terms and conditions of the offer, including the acceptance forms and instructions thereto, will be final and binding.

Announcement of the Results of the Exchange Offer

Telia will make the results of the exchange offer public by an announcement to be issued on or about four business days after the expiration of the exchange offer period or the expiration of the extended exchange offer period, if applicable. The announcement will be made by means of a press release which will also be posted on Telia s website at www.telia.com and will include information as to whether or not the exchange offer will be completed by Telia. At the time of such announcement, completion of the exchange offer will remain subject to the eight condition listed under Conditions to the Completion of the Exchange Offer above.

Transactions Involving a Waiver of a Minimum Condition

The tender offer is subject to the condition that prior to the expiration of the exchange offer period, Sonera shares, including Sonera ADSs, representing more than 90 percent of the shares and votes in Sonera on a fully diluted basis shall have been validly tendered and not withdrawn. In the event that this minimum condition is not satisfied, the completion of the exchange offer would require the waiver of the minimum condition by both Telia and Sonera. Currently, Telia and Sonera have no intention to waive the minimum condition.

In the event that, at the time of the expiration of the exchange offer period, including any extention thereof, Sonera shares (including shares represented by ADSs) representing 90 percent or less of Sonera shares and votes attaching to Sonera shares (on a fully diluted basis) would have been tendered, Telia and Sonera may consider waiving the minimum condition taking into account various factors that they deem relevant for such decisions, including the level of valid tenders received, the prevailing market prices for Telia and Sonera shares and the anticipated cash redemption price for Sonera shares to be paid in connection with any mandatory redemption offer to follow the completion of the exchange offer.

According to the Finnish Securities Market Act, if a tender offer is conditioned upon the acquisition of a minimum proportion of ownership or voting rights of the target company, and those conditions are subsequently waived, any securityholder that has accepted the offer may, within one month after the publication of the result of the exchange offer, withdraw securities so tendered if the offeror does not acquire such minimum portion of ownership or voting rights. The right to withdraw subsequent to the completion of the exchange offer in the event of a waiver of such a condition to the offer does not exist, however, in cases where the offeror undertakes, in the event that the offeror purchases any additional securities that were the subject of the tender offer or sells any tendered securities within one year from the end of the tender offer period, to pay such tendering securityholder the difference, if any, between the price paid or received in connection with the subsequent purchase or sale, as the case may be, and the price paid for the subject company s securities in connection with the tender offer.

In accordance with the above provisions, Telia hereby undertakes, in the event Telia and Sonera waive the minimum condition and Telia completes the exchange offer even though the minimum condition has not been satisfied, to inform Sonera securityholders who have accepted the exchange offer in the event that Telia, within one year from the end of the exchange offer period, purchases or sells Sonera securities at a higher price than that paid for the Sonera securities tendered in the exchange offer and to pay the difference between such higher price and the price of the securities tendered in connection with the exchange offer to such securityholders who have accepted the exchange offer. Therefore, Sonera securityholders who have accepted the exchange offer may not withdraw their acceptances pursuant to the above described provision of the Finnish Securities Market Act.

In its ruling (no. 2/263/2002) issued on September 30, 2002, the Finnish Financial Supervision Authority has stated that, for the purposes of the relevant provisions of the Finnish Securities Market Act related to a possible waiver of the minimum condition in the event Telia acquires in the exchange offer Sonera shares, whether in the form of shares or ADSs, representing more than two-thirds of the total voting rights but 90 percent or less of Sonera shares and votes attaching to Sonera shares, the above described provision on the obligation to notify Sonera securityholders and to pay any difference in consideration would not be applied in respect of any purchases of Sonera shares and Sonera warrants pursuant to a mandatory redemption offer following the completion of the exchange offer. Therefore, any purchase of Sonera securities in the mandatory redemption offer would not result in any obligation to notify or to pay any price difference to such securityholders who have accepted the exchange offer. Accordingly, the undertaking included in the preceding paragraph shall not apply as a result of any purchase of Sonera securities by Telia in connection with a mandatory redemption offer in such case. In addition, such obligation would not apply in connection with any later purchase in the event that Telia would, in connection with such purchase, continue to offer to exchange Sonera securities to Telia securities on the same terms as in connection with the exchange offer. According to such ruling, in order to determine whether the cash price paid in connection with a compulsory acquisition or any other purchase or any sale of Sonera securities within one year from the end of the exchange offer period were to be considered higher than the amount of consideration received in connection with the exchange offer in the form of Telia shares, including Telia shares represented by Telia ADSs, the Telia shares received in connection with the exchange offer would be valued based upon the higher of the volume-weighted average trading price prevailing for Telia s shares during a relatively short period prior to the expiration of the exchange offer period (for example five trading days) and the volume-weighted average trading price prevailing for Telia s shares for a relatively short period prior to the time of such later purchase or sale (for example, five trading days). According to the ruling of the Finnish Financial Supervision Authority, in connection with a compulsory acquisition, the highest price offered by Telia in connection therewith shall be taken into account for purposes of the obligation to notify Sonera securityholders and to pay any difference in consideration. The obligation to pay any difference in consideration would not apply in the event such difference were to be insignificant.

Acceptance and Delivery of Securities

If the conditions referred to above under Conditions to Completion of the Exchange Offer have been fulfilled or, if permitted by applicable law, waived by both Telia and Sonera, Telia will accept for exchange and will exchange all Sonera securities that have been validly tendered and not withdrawn pursuant to the terms of the exchange offer at the earliest practicable time following the expiration date and deliver Telia securities to tendering holders or, in the case of tendered Sonera ADSs, to the depositary for Telia ADSs, which, in the case of Sonera shares or Sonera warrants, shall be on or about 15 business days following the expiration date of the exchange offer. Holders of Telia shares delivered in the exchange offer will be able to exercise their rights as Telia shareholders from the date of the registration of the shares in the holders securities accounts with the VPC (the Swedish Central Securities Depositary) or the FCSD (the Finnish Central Securities Depository), respectively. Holders of Telia warrants will be able to exercise their rights as Telia warrant holders from the date of the registration of the warrants in the holders securities accounts with the VPC or the FCSD, respectively. The rights of holders of Telia shares and Telia warrants that are held through VPC or FCSD are subject to the rules and regulations of VPC and FCSD concerning, among other matters, voting at shareholders meetings, payment of dividends and trading and settlement. For a further discussion of VPC and FCSD, see DESCRIPTION OF SHARES AND SHARE CAPITAL OF TELIA FCSD Registered Telia Shares and Telia Warrants, THE SWEDISH SECURITIES MARKET and THE FINNISH SECURITIES MARKET.

Title to Sonera shares and Sonera warrants tendered in the exchange offer will transfer to Telia upon the acceptance by Telia of the exchange of the Sonera exchanged shares and Sonera exchanged warrants for Telia shares and Telia warrants, respectively, in accordance with the above.

Delivery of Telia Shares and Telia Warrants. Telia shares and Telia warrants will be delivered to the Finnish book-entry accounts of the holders of the Sonera exchanged shares or Sonera exchanged warrants, through a book-entry link between the Finnish Central Securities Depository and the Swedish Central Securities Depository. See DESCRIPTION OF SHARES AND SHARE CAPITAL OF TELIA

FCSD Registered Telia Shares and Telia Warrants. As to fractional entitlements, see Fractional Shares and ADSs.

Provided that the exchange offer is completed by Telia, the Telia shares and Telia warrants are expected to be entered into the relevant book-entry accounts on or about November 29, 2002 and Telia shares and Telia warrants 2002/2005:A are expected to become eligible for trading on December 2, 2002 from which date the trading in Telia shares and Telia warrants 2002/2005:A is also expected to commence on the Helsinki Exchanges.

Delivery of Telia ADSs. Subject to the terms and conditions of the exchange offer, upon Telia s acceptance of Sonera ADSs tendered in the exchange offer and confirmation from the Telia depositary of Telia s deposit of the applicable number of Telia shares to be represented by the Telia ADSs to be issued in the exchange offer, the U.S. exchange agent will deliver the applicable whole number of Telia ADSs, together with any cash in respect of fractional entitlements to Telia ADSs, to the tendering holders of Sonera ADSs in the following manner:

if you tendered your Sonera ADSs to the U.S. exchange agent by means of delivery of a letter of transmittal together with the Sonera ADR certificate(s) evidencing your Sonera ADSs, the U.S. exchange agent will deliver a single Telia ADR certificate evidencing the applicable number of Telia ADSs, together with a check in U.S. dollars for any cash in lieu of fractional entitlements to Telia ADSs according to the issuance and delivery instructions of the tendering Sonera ADS holder provided in the letter of transmittal; or

if you tendered your Sonera ADSs by means of DTC s book-entry confirmation system, the U.S. exchange agent will deliver the applicable whole number of Telia ADSs, together with any cash in lieu of fractional entitlements to Telia ADSs in U.S. dollars, to the account of the DTC participant who tendered the Sonera ADSs on your behalf in the U.S. exchange offer.

In the event that Telia invokes the eighth condition described above under Conditions to Completion of the Exchange Offer, the U.S. exchange agent shall, upon receipt of notice from Telia of such decision, promptly return the Sonera ADSs properly tendered in the exchange offer to the tendering holders thereof.

If you trade in Telia ADSs on a when issued basis, please note that if the Telia board of directors invokes the eighth condition described under Conditions to Completion of the Exchange Offer your trade may be required to be unwound.

Dividend Payments

The Telia shares to be issued in connection with the exchange offer, including the Telia shares to be represented by Telia ADSs, will have the same dividend rights as the other currently outstanding Telia shares with respect to the fiscal year 2002 and subsequent years.

The Telia ADS depositary will deliver any dividends paid upon deposited Telia shares to the holders of Telia ADSs in the manner set forth under the Telia deposit agreement.

The Swedish Central Securities Depository will transfer any dividend paid by Telia on the Telia shares held in Finnish book-entry accounts in a single sum in Swedish kronor to the Finnish Central Securities Depository who in turn is responsible for distributing the dividends to the book-entry account operators in euros. The book-entry account operators will pay the dividend to the bank accounts related to the book-entry accounts of the holders entitled to the dividend.

For a description of Swedish, Finnish and United States federal income tax consequences of dividend payments see TAXATION.

Fractional Shares and ADSs

Fractional entitlements to Telia shares or fractional entitlements to Telia ADSs will not be delivered to holders of Sonera securities validly tendered in the exchange offer. To the extent that holders of Sonera

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securities are entitled to receive fractions of Telia shares or fractions of Telia ADSs, in exchange for their Sonera securities, those fractional entitlements will be combined with the other holders fractional entitlements and subsequently sold on behalf of such holders on the Stockholm Exchange or the Helsinki Exchanges in the case of Telia shares or, on NASDAQ in the case of Telia ADSs. Each such holder of Sonera securities who would not receive full consideration as Telia shares or Telia ADSs will receive a cash consideration corresponding to the fraction of the price of the Telia share or Telia ADS, which price shall be based on the average net sale price (after deduction of related fees and expenses, excluding any commission) of all the shares, in the case of shareholders, and of all the ADSs, in the case of ADS holders, combined from the fractional entitlements and sold on behalf of those tendering holders.

By the acceptance of the exchange offer, the tendering Sonera shareholder, or tendering holder of Sonera ADSs, authorizes Nordea Bank Finland Plc, in the case of fractional entitlements to Telia shares, or the U.S. exchange agent, in the case of fractional entitlements to Telia ADSs, to combine such holders fractional entitlements to a Telia share or Telia ADS with other such fractional entitlements and sell them on the Stockholm Exchange or the Helsinki Exchanges, in the case of Telia shares, or on NASDAQ, in the case of Telia ADSs. The sales are intended to take place promptly after the conditions referred to above under Conditions to Completion of the Exchange Offer have been fulfilled.

The payment of the consideration for the fractional entitlements will be made, in the case of a tendering Sonera shareholder, into the bank account related to the book-entry account of the tendering Sonera shareholders entitled to fractional entitlements and, in the case of a tendering Sonera ADS holder, (a) by book-entry transfer of the applicable amount in U.S. dollars into the DTC account of the DTC participant which tendered the Sonera ADSs on behalf of such holder in the exchange offer by means of the DTC book-entry confirmation system or (b) by means of a check in U.S. dollars to the order of the tendering Sonera ADS holder as provided in the corresponding letter of transmittal, within ten business days after the sale of the combined fractional entitlements on the Stockholm Exchange or the Helsinki Exchanges or on NASDAQ, as the case may be.

No commissions will be charged from the holders for the sale of fractional entitlements.

Costs and Finnish Transfer Taxes

If a holder of Sonera shares or Sonera warrants is directly registered in the shareholders or warrantholders register held by the Finnish Central Securities Depository, such holder will not have to pay any duties and fees in Finland relating to book-entry registrations in connection with his or her acceptance of the exchange offer or the conversion of Sonera shares into Telia shares or Sonera warrants into Telia warrants. The book-entry account operator may charge a fee for other services in connection with the exchange offer as agreed between the holder and the account operator. If a holder has Sonera shares or Sonera warrants registered in the name of a nominee (or other custodial institution) such nominee may charge such holder for tendering Sonera shares or Sonera warrants on such holder s behalf.

Telia shall be responsible for the payment of Finnish transfer taxes, if any, levied on the exchange of Sonera securities as well as fees relating to the registrations of Sonera exchanged securities and Telia securities in the Finnish book-entry system in connection with the exchange offer.

The holder of Sonera exchanged shares and Sonera 1999A exchanged warrants shall be responsible for any fees charged by the account operator for trading in the Sonera exchanged shares and Sonera 1999A exchanged warrants as agreed between the holder and the account operator.

Mandatory Redemption Offer and Compulsory Acquisition

In the event that the minimum condition is not satisfied, the completion of the exchange offer would require the waiver of the minimum condition by both Telia and Sonera. See Withdrawal Rights Transactions Involving a Waiver of a Minimum Condition above.

Under the Finnish Securities Market Act, in the event the exchange offer is completed and, as a consequence, Telia acquires Sonera shares, whether in the form of shares or ADSs, representing more than

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two-thirds of the total voting rights attaching to Sonera shares, Telia would be required, within one month after the expiration of the exchange offer period, to offer to purchase the remaining Sonera shares, whether in the form of shares or ADSs, and Sonera warrants that have not been tendered in the exchange offer. In connection with this so-called mandatory redemption offer, although Telia could continue to offer to exchange Sonera shares into Telia shares, Sonera ADSs into Telia ADSs and Sonera warrants into Telia warrants, Telia would be under no obligation to do so and would in any event be required to offer to purchase the remaining Sonera shares, including Sonera shares represented by Sonera ADSs, and Sonera warrants for cash at their fair price.

According to the Finnish Securities Market Act, in the event that, following completion of a voluntary tender offer, the bidder would be obligated to commence a mandatory redemption offer and, if the consideration paid for securities of the target company in connection with the voluntary tender offer would be deemed to be lower than the consideration offered to holders of such securities in connection with the mandatory redemption offer, then the bidder would be required to pay, before the completion of the mandatory redemption procedure, the difference in cash to all securityholders who tendered their securities in the voluntary tender offer. The applicability and interpretation of the relevant provisions of the Finnish Securities Market Act is, however, unclear in connection with voluntary tender offers taking the form of an exchange offer which results in the obligation to commence a mandatory redemption offer. Under the circumstances and subject to the conditions set forth under the eighth condition indicated under Conditions to Completion of the Exchange Offer above, Telia would have the right not to complete the exchange offer. In such event and absent a mutual waiver by Telia and Sonera of such condition, the exchange offer would not be completed.

To clarify the applicability and interpretation of the relevant provisions of the Finnish Securities Market Act, Telia has sought a ruling on the matter from the Finnish Financial Supervision Authority. In its ruling (no. 2/263/2002) issued on September 30, 2002, the Finnish Financial Supervision Authority has stated that, in its opinion, the provisions of the Finnish Securities Market Act relating to the obligation to pay additional consideration to holders of a target company s securities that have accepted a voluntary tender offer followed by a mandatory redemption offer with a higher cash redemption price than the consideration offered in the voluntary tender offer would also apply in connection with voluntary tender offers taking the form of an exchange offer. The Finnish Financial Supervision Authority further stated that, in order to determine whether the cash redemption price paid in connection with the mandatory redemption offer were to be considered higher than the amount of consideration received in connection with the exchange offer in the form of Telia shares, including Telia shares represented by Telia ADSs, the Telia shares received in connection with the exchange offer would be valued based upon the higher of the volume-weighted average trading price prevailing for Telia shares during a relatively short period prior to the expiration of the exchange offer period (for example, five trading days) and the trading price prevailing for Telia shares prior to the announcement of the exchange offer, which equalled 4.41 per Telia share (based upon the closing price per Telia share on the Stockholm Exchange on March 25, 2002, converted into euros at the currency exchange rate for that day). After the application of the exchange ratio, the Telia shares received in the exchange offer would have an implied cash value of 6.68 per Sonera share or Sonera ADS. Therefore, applying the interpretation of the Finnish Securities Market Act adopted in the ruling of the Finnish Financial Supervision Authority, additional consideration would be payable to the Sonera securityholders that tendered their Sonera shares or ADSs in the exchange offer only if, in the subsequent mandatory redemption offer, the cash redemption price per Sonera share or Sonera ADS were to exceed 6.68 or a higher implied cash value of the Telia shares offered in the exchange offer and prevailing during a relatively short period prior to the expiration of the exchange offer period.

According to the Finnish Securities Market Act, the fair price to be paid in connection with a mandatory redemption offer shall be determined by taking into account: (i) the volume-weighted average trading price of the target company s shares during the 12-month period prior to the time when the obligation to commence a mandatory redemption offer first arises, (ii) any higher price paid by the bidder for the target company s shares purchased during such 12-month period; and (iii) any special circumstances. In its ruling dated September 30, 2002, the Finnish Financial Supervision Authority has stated that, in the case of the

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exchange offer, the redemption duty, if any, under the Finnish Securities Market Act, shall arise at the expiration of the exchange offer period and the 12-month period referred to in item (i) and item (ii) above should be deemed to refer to the 12-month period ending at the time of the expiration of the exchange offer period. Accordingly, for illustrative purposes only, based upon the volume-weighted average trading price of the Sonera shares for the 12 months ending on September 30, 2002, item (i) above would result in the cash redemption price of 4.91 if the exchange offer period were to have expired on September 30, 2002. In relation to item (ii) above, the Finnish Financial Supervision Authority has stated in its ruling that the purchases of Sonera shares by Telia pursuant to the exchange offer would be taken into account as purchases of Sonera shares and that, in order to determine whether the cash redemption price paid in connection with such purchases were to be considered higher than the 12-month volume-weighted average trading price determined pursuant to item (i) above, the Telia shares offered in connection with the exchange offer should be valued based upon the lower of the volume-weighted average price prevailing for the Telia shares during a relatively short period prior to the expiration of the exchange offer period (for example, five trading days) and the market price prevailing for Telia shares prior to the announcement of the exchange offer, which equalled 4.41 per Telia share (based upon the closing market price per Telia share on March 25, 2002, converted into euros at the currency exchange rate for that day). In the event that the exchange offer, based upon such method of valuation, represented a value more than insignificantly higher than the volume-weighted average trading price of the Sonera shares during the 12-month period prior to the expiration of the exchange offer period, such higher value should be taken into account in establishing the fair price. In addition, the Finnish Financial Supervision Authority stated that, by extending the exchange offer on terms unchanged to the remaining shareholders of Sonera in connection with the mandatory redemption offer so that the shareholders of Sonera would have an opportunity to choose between the cash redemption price and share consideration in the form of Telia shares, Telia would be released from any obligation to pay a higher cash redemption price as a result of item (ii) above. For illustrative purposes only, in the event that the exchange offer period were to expire on September 30, 2002, and the closing price of the Telia shares for September 30, 2002, were to be used for this purpose, the price paid for Sonera shares in the exchange offer would be deemed to equal 3.86 for the purposes of item (ii) above. Consequently, assuming no major changes in the trading price and trading volumes for Telia shares and Sonera shares during the exchange offer period and absent any special circumstances of the kind referred to in item (iii) above, the cash redemption price for each Sonera share in connection with the mandatory redemption offer could be expected to be equal to the volume-weighted average trading price of Sonera shares during the 12 months preceding the expiration of the exchange offer period regardless of whether or not Telia extends the exchange offer to the remaining shareholders of Sonera in connection with the mandatory redemption offer. However, no assurance can be given as to the amount of the cash redemption price to be paid in connection with any future mandatory redemption offer and such amount could be more or less than the amount of consideration per Sonera share to be received in connection with the exchange offer. The discussion above also applies, *mutatis mutandis*, to Sonera warrants.

Under the Finnish Companies Act, once Telia acquires more than nine-tenths of all Sonera shares, whether in the form of shares or ADSs, and more than nine-tenths of all votes entitled to be cast at a general meeting of shareholders of Sonera, it shall also have the right to require the minority shareholders of Sonera to sell the remaining Sonera shares, whether in the form of shares or ADSs, to Telia for a fair price in a compulsory acquisition proceeding. In addition, such minority shareholders would have the right to require that Telia purchase their Sonera shares, whether in the form of shares or ADSs, for a fair price. Any disputes concerning the right of redemption or the redemption price in a compulsory acquisition would be resolved by an arbitral panel of one or more arbitrators appointed by the Finnish Central Chamber of Commerce in accordance with the Finnish Companies Act. Under the Finnish Companies Act, the arbitration panel so appointed has considerable latitude in deciding upon the method or methods used in determining the fair price of the shares of the target company and in establishing the final amount of such fair price inasmuch as the Finnish Companies Act does not contain any similar provisions to those included in the Finnish Securities Market Act and used in the determination of the fair price in connection with a mandatory redemption offer pursuant to such the Finnish Securities Market Act, as described in more detail

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above. Therefore, no assurance can be given as to the amount of the cash redemption price to be paid in connection with a compulsory acquisition that may follow the completion of the exchange offer and such amount could be more or less than the amount of consideration per Sonera share received in connection with either the exchange offer or a mandatory redemption offer that may be commenced after the completion of the exchange offer. However, the fair price offered in connection with compulsory acquisitions following a mandatory redemption offer has, typically, been the same as the cash redemption price offered in connection with such mandatory redemption offer. Under the Finnish Companies Act, the shareholders of a target company have the right to appeal the decision of the arbitral tribunal in respect of the cash redemption price to be paid in connection with a compulsory acquisition. Any such appeal is to be launched, in the first instance, with the local district court in the domicile of the target company, with the decision of such local district court being subject to further appeal to the relevant Court of Appeals in Finland and, in the event that a permission is granted, to the Finnish Supreme Court. Therefore, the final determination of such cash redemption price could be subject to protracted litigation.

Under the terms of Sonera s stock option programs, in the event the conditions for the commencement of a compulsory acquisition are met, holders of Sonera warrants shall be given an opportunity to exercise the Sonera warrants to subscribe for shares within a specified period of time and otherwise in accordance with the terms of the option programs. In addition, under the terms of Sonera s 2000 stock option program, in the event a shareholder has an obligation to make a mandatory redemption offer, holders of Sonera warrants issued pursuant to such program shall be given an opportunity to exercise such Sonera warrants within a specified period of time and otherwise in accordance with the terms of Sonera s 2000 stock option program and to sell all or a part of their respective warrants to said shareholder, Sonera or to another party appointed by Sonera at the price defined in the terms of Sonera s 2000 stock option program. Holders of such Sonera warrants shall notify Sonera, said shareholder or such other party appointed by Sonera of their intention to sell such Sonera warrants within two months after the obligation to make a mandatory redemption offer was made public.

In the combination agreement, Telia has undertaken to take all action necessary and proper to complete a mandatory redemption offer for, and compulsory acquisition of, Sonera shares and Sonera ADSs as soon as reasonably practicable after the completion of the exchange offer but only so long as the minimum condition has been satisfied.

Ownership of Sonera Shareholders in the Combined Company

Assuming full acceptance of the exchange offer, former Sonera shareholders will own in the aggregate approximately 36 percent of the outstanding shares of the combined company after the exchange offer is completed.

Trading in Sonera Securities During the Exchange Offer Period and After the Expiration of the Exchange Offer Period

Sonera shares and Sonera 1999A warrants not tendered in the exchange offer will continue to trade on the Helsinki Exchanges and Sonera ADSs not tendered in the exchange offer will continue to trade on NASDAQ during the exchange offer period. The trading in Sonera shares and Sonera 1999A warrants will continue on the Helsinki Exchanges after the completion of the exchange offer in case all such shares and warrants are not tendered in the exchange offer. See Delisting of Sonera Securities. Sonera exchanged shares and Sonera 1999A exchanged warrants are expected to be listed on the pre-list of the Helsinki Exchanges as from the first trading day after Telia s announcement of the results of the exchange offer.

Listing of Telia Shares, Telia ADSs and Telia Warrants 2002/2005:A

An application will be made to the Helsinki Exchanges to list Telia shares and Telia warrants 2002/2005:A on the main list of the Helsinki Exchanges. The listings on the Helsinki Exchanges are expected to commence on or about December 2, 2002, subject to the completion of the exchange offer.

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An application has been made to have the Telia ADSs to be issued in connection with the exchange offer quoted for trading on NASDAQ.

Delisting of Sonera Securities

Sonera will seek to delist its shares and warrants from the Helsinki Exchanges and its ADSs from NASDAQ as soon as practicable under applicable rules and regulations. Sonera expects to have its ADSs delisted from NASDAQ shortly after completion of the exchange offer. The rules of the Helsinki Exchanges permit the discontinuation of listing of Sonera s securities after all the Sonera shares have been exchanged for Telia shares or redeemed by Telia.

Terms and Conditions of the New Telia Warrants

Below is a brief description of the terms and conditions of the Telia warrants to be issued in 14 series to mirror the terms and conditions of the outstanding series of Sonera warrants. The approximately 0.95 percent difference between the exchange ratio for Sonera shares, whereby holders will receive 1.51440 Telia shares for each Sonera share they tender, and the terms of the Telia warrants, whereby each Telia warrant will entitle the holder thereof to subscribe for 1.5 Telia shares, has been compensated for by setting the exercise price of each Telia warrant at a correspondingly lower level than the exercise price for the Sonera warrants. The complete terms and conditions and the complete additional terms and conditions of the Telia warrants to be issued in connection with the exchange offer are included as Annex F and Annex G, respectively, to this prospectus and are incorporated herein by reference.

Pursuant to the terms and conditions of the Telia warrants:

The Telia warrants will be registered by VPC in a securities register pursuant to Chapter 4 of the Swedish Act on Operation of Financial Instruments Accounts and, consequently, no physical securities will be issued.

Each Telia warrant entitles the holder to subscribe for 1.5 new Telia shares.

The exercise price per Telia share for each of the series is:

(i) SEK 72.02 for Telia warrants 2002/2005:A;

(ii) SEK 132.82 for Telia warrants 2002/2005:B;

(iii) SEK 347.38 for Telia warrants 2002/2008:A, 2002/2008:B and 2002/2008:C;

(iv) SEK 108.17 for Telia warrants 2002/2008:D, 2002/2008:E and 2002/2008:F;

(v) SEK 49.09 for Telia warrants 2002/2010:A, 2002/2010:B and 2002/2010:C; and

(vi) SEK 33.64 for Telia warrants 2002/2010:D, 2002/2010:E and 2002/2010:F.

The exercise period for each of the series is:

(i) June 1, 2001 June 30, 2005 for Telia warrants 2002/2005:A;

(ii) June 1, 2003 June 30, 2005 for Telia warrants 2002/2005:B;

(iii) November 2, 2002 May 31, 2008 for Telia warrants 2002/2008:A and 2002/2008:D;

(iv) May 2, 2003 May 31, 2008 for Telia warrants 2002/2008:B and 2002/2008:E;

(v) May 2, 2004 May 31, 2008 for Telia warrants 2002/2008:C and 2002/2008:F;

(vi) November 2, 2002 May 31, 2010 for Telia warrants 2002/2010:A and 2002/2010:D;

(vii) May 2, 2003 May 31, 2010 for Telia warrants 2002/2010:B and 2002/2010:E; and

(viii) May 2, 2004 May 31, 2010 for Telia warrants 2002/2010:C and 2002/2010:F.

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The exercise price and the number of Telia shares, which each Telia warrant entitles the holder to subscribe for, may be recalculated in the event Telia carries out a bonus issue or a rights issue and in certain other circumstances.

The exercise period may be brought forward in connection with mergers and in certain other situations.

The additional terms and conditions for the Telia warrants, which are applicable to each series of Telia warrants except Telia warrants 2002/2005:A, which further reflect the terms and conditions of the Sonera warrants, include the following:

The holder shall not be entitled to transfer the Telia warrants until the exercise period begins.

If the holder s employment with Telia or any of its subsidiaries terminates before a Telia warrant has become exercisable, the holder shall transfer all his/her Telia warrants to Telia Förlagslan AB without compensation.

If the holder changes employment and becomes employed by a company within the Telia group, which has its own incentive program which entitles the holder to subscribe for shares, warrants or the like and if the holder is entitled to participate in the program, he/she shall transfer all his/her Telia warrants to Telia Förlagslan AB without compensation. This restriction is not applicable to Telia warrants 2002/2005 B.

Holders of Telia warrants 2002/2008:A, 2002/2008:B, 2002/2008:D, 2002/2008:E, 2002/2010:A, 2002/2010:B, 2002/2010:D and 2002/2010:E are not entitled to subscribe for Telia shares unless the development of the value of the Sonera share during the period from April 1, 1999 to December 31, 2002, inclusive, exceeds the development of the value of a certain index during the same period or unless the development of the value of the Sonera share during the period from April 1, 1999 to December 31, 2003, inclusive, exceeds the development of the value of this index during the same period.

Holders of Telia warrants 2002/2008:C, 2002/2008:F, 2002/2010:C and 2002/2010:F are not entitled to subscribe for Telia shares unless the development of the value of the Sonera share during the period from April 1, 1999 to December 31, 2003, inclusive, exceeds the development of the value of a certain index during the same period.

Holders of Telia warrants 2002/2005:B are not entitled to subscribe for Telia shares unless the cumulative earnings per share of the Sonera group for the period from January 1, 1999 to December 31, 2002, inclusive, is at least 1.66 and unless the operating profit of Sonera on a consolidated basis for the same period is, on the average, at least 15 percent of the revenues.

Holders of Telia warrants 2002/2005:B, who were members of the executive management team of Sonera Corporation prior to the merger, are, in addition to the above, not entitled to subscribe for Telia shares unless the development of the value of the Sonera share during the period from April 1, 1999 to December 31, 2002, inclusive, exceeds the development of the value of a certain index during the same period.

After completion of the exchange offer, the value of the Sonera shares shall be calculated on the basis of the quoted prices of Telia shares on the Helsinki Exchanges multiplied by the exchange ratio of 1.51440 Telia shares per Sonera share as used in the exchange offer.

Interests of Members of the Sonera Board of Directors and Management; Potential Conflicts of Interest

You should be aware that Sonera s executive officers who negotiated the combination agreement and directors who discussed, deliberated over and passed a resolution to approve the combination agreement may have interests in the combination that are in addition to or may be different from the interests of Sonera shareholders generally.

Board Seats

The shareholders agreement provides that Tapio Hintikka, the current chairman of the Sonera board of directors, will be nominated to the board of directors of the combined company and shall, as of the completion of the exchange offer and subject to election by Telia s shareholders, serve as the chairman of the board of directors of the combined company for at least three years. In addition, three current members of the Sonera board of directors who are nominated by the current nomination committee of the Sonera board of directors will be nominated to the board of directors of the combined company and shall, as of the completion of the exchange offer and subject to election by the Telia s shareholders, serve as members of the board of directors of the combined company, two of whom shall serve as members of the board of directors at least until the annual general meeting of shareholders of the combined company in 2004.

Treatment of Warrants

Sonera warrants held by the directors and the executive management team of Sonera as of September 30, 2002, will, upon their exercise, entitle them to subscribe for an aggregate of 3,660,004 Sonera shares. If the directors and members of the executive management team of Sonera decide to tender their Sonera warrants issued pursuant to Sonera 1999 and 2000 stock option programs, each such Sonera warrant will be exchanged for a warrant to subscribe for Telia shares, entitling the holders to subscribe for an aggregate of 5,490,006 Telia shares.

Certain Agreements of Sonera Management

Generally, the executive agreements entered into by Sonera with members of its management do not contain any change of control provisions that would entitle members of management to additional compensation or other benefits in the event that a change of control event in respect of Sonera has occurred. However, executive agreements entered into by Sonera with certain members of its management provide that, in the event that a change of control event, as defined in the terms and conditions of the Sonera 2000 stock option program, has occurred and such members of management are thereafter within 18 months reassigned to perform tasks that do not correspond to their capabilities, then they have the right, contrary to the general terms of the Sonera stock option program, to retain the options granted to them pursuant to the Sonera 2000 stock option program even if they choose to resign at their own initiative. In addition, the Sonera board of directors has on April 23, 2002 granted to each of the seven members of Sonera s executive management team as well as 66 other key employees of Sonera cash transaction bonuses that represent up to one year s salary and are payable in three installments with 25 percent being payable upon completion of the exchange offer, 25 percent payable three months after the completion of the exchange offer and 50 percent payable on December 31, 2002, provided that members of management continue to be employed by Sonera or the combined company at the relevant times. If paid in full, the transaction bonuses would amount, in the aggregate, to approximately 8.2 million.

Extraordinary General Meeting of Telia s Shareholders

In connection with the exchange offer, the Telia board of directors has convened an extraordinary general meeting of Telia s shareholders to be held on November 4, 2002. At the meeting, Telia s shareholders will be asked, among other things:

- to authorize the Telia board of directors to decide upon the issuance of Telia shares, including Telia shares that will allow for the creation and issuance of Telia ADSs, necessary to complete the exchange offer, as unanimously proposed by the Telia board of directors;
- to authorize the Telia board of directors to decide upon the issuance of Telia warrants in deviation from shareholders pre-emptive rights, necessary to complete the exchange offer, as unanimously proposed by the Telia board of directors;

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to elect as directors of Telia, effective as of the completion of the exchange offer, the persons nominated pursuant to Section 4 of the shareholders agreement between the Kingdom of Sweden and the Republic of Finland;

to change, subject to completion of the exchange offer, Telia s name to TeliaSonera; and

to change, subject to completion of the exchange offer, the composition of the nomination committee.

The affirmative vote of holders of a majority of the votes cast at the extraordinary general meeting is required to approve the authorization to issue the Telia shares necessary to complete the exchange offer and to change the composition of the nomination committee. The affirmative vote of two-thirds by number and voting power of the Telia shares is required to approve the authorization to issue the Telia warrants necessary to complete the exchange offer and to change the company name. The election of directors will be determined by a plurality of the votes cast.

The Kingdom of Sweden, which holds 70.6 percent of the Telia shares and votes attaching to the Telia shares, has undertaken, subject to the terms of the shareholders agreement with the Republic of Finland, that it will vote in favor of the resolutions necessary to implement the exchange offer to be proposed by the Telia board of directors at the extraordinary general meeting of Telia shareholders.

In addition, the Telia board of directors has proposed that the shareholders shall vote upon a resolution at the extraordinary general meeting of shareholders to reduce Telia s share premium reserve by a maximum amount of SEK 11,957 million. If such resolution is passed, this amount will be added to Telia s non-restricted reserves.

As of August 31, 2002, members of the Telia board of directors and managers as a group held an aggregate of 75,001,033 shares of Telia AB, including 74,959,933 shares held by affiliated companies and as to which members of the Telia board of directors disclaim beneficial ownership, which represents approximately 2.5 percent of the outstanding shares of Telia AB. See OWNERSHIP OF SECURITIES OF TELIA AND SONERA Ownership of Telia and DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES OF TELIA Compensation.

Certain Legal and Regulatory Matters

One of the conditions to the completion of the exchange offer is the receipt of all applicable governmental consents, approvals, authorizations and registrations. Telia and Sonera have received or are in the process of pursuing all required regulatory approvals. However, apart from the approvals Telia and Sonera have already obtained, there can be no assurance that other necessary approvals will be obtained, or, if they are obtained, that (i) they will be obtained in a timely manner or (ii) conditions which are imposed to obtain such approvals will not have an adverse effect on the combined company.

European Union Merger Control

Telia and Sonera each conduct business in member states of the European Union. EU Council Regulation 4064/89, as amended, requires that certain mergers or acquisitions involving parties with aggregate worldwide sales and individual European Union sales exceeding certain thresholds be formally notified to and approved by the European Commission before such mergers or acquisitions are implemented. Telia formally notified the European Commission of the proposed merger on May 28, 2002. On July 10, 2002, the European Commission granted its approval of the notified merger.

In response to certain competition concerns raised by the European Commission, Telia has agreed to certain obligations and conditions vis-à-vis the European Commission in those markets where competition concerns have been identified. In particular, Telia has agreed to the following obligations and conditions:

The combined company has committed to sell Telia s existing mobile operations, dealership chain and equipment related to its wireless LAN business in Finland. In addition, the combined company has agreed to provide to the purchaser of its mobile operations in Finland national roaming on

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commercial terms and at a fair price if the purchaser does not already belong to a group that has a nationwide GSM network in Finland.

The combined company has committed to sell Telia s existing Com Hem AB cable TV business in Sweden.

The combined company has committed to ensure that its fixed and mobile network businesses in Sweden and Finland are held in separate legal entities which are distinct from related retail activities, with an independent director appointed to the board of directors of each of these companies. The independent directors will be appointed in accordance with applicable governance principles. These commitments will not prevent the combined company from, in the future, reorganizing the internal legal structure of the network companies with the combined company s group provided that the principle of legal separation of network and retail activities is respected. After five years, these commitments may be reviewed by the European Commission, at the request of the combined company, to determine whether they should be withdrawn or modified in the event that the competition concerns identified in the European Commission s decision in relation to such commitments are no longer present and the commitments are hampering the combined company s ability to compete on an equal footing with its major European competitors, having regard, for example, to developments in the competitive and/or regulatory environment.

The combined company has committed to make available the combined company s wholesale fixed and mobile network products and services in Sweden and Finland, which are already subject to cost-oriented regulation, to third party telecommunication operators on a non-discriminatory basis compared to the terms on which they are offered internally within the combined company. Third party operators entitled to benefit from the non-discrimination obligation shall be: (1) operators active in a market in Finland, where Sonera was present prior to the merger and where Telia is present at the relevant time following the merger, that request access to regulated products in what was Telia s Swedish network; and (2) operators active in a market in Sweden, where Telia was present prior to the merger and where Telia is still present at the relevant time following the merger, that request access to regulated products in what was Sonera s Finnish network.

The combined company has committed to make available international GSM-wholesale roaming in Sweden and Finland to third party mobile network operators in Sweden and Finland on a non-discriminatory basis compared to the terms on which they are offered internally within the combined company. The combined company may require a reciprocal improvement of tariffs, quality and other conditions from requesting third parties.

The obligation to provide services on a non-discriminatory basis, as specified above, shall be subject to a fast-track dispute resolution procedure in accordance with the rules of the Stockholm/Helsinki Chamber of Commerce in Stockholm or Helsinki, as applicable. Such obligations shall expire after three years.

In relation to the agreed dispositions, Telia has agreed to appoint a trustee who shall, on behalf of the European Commission, ensure that Telia and Sonera will comply with the obligations and conditions set forth above. The trustee as well as Telia shall submit regular reports to the European Commission on the progress and the current status of their compliance with such obligations and conditions.

Telia and Sonera do not believe that giving effect to these commitments will have a material effect on the results of operations, financial condition or cash flows of the combined company.

A third party or a member state of the European Union may still challenge the clearance decision of the European Commission within two months of the publication of the decision. The outcome of such challenge, if it were to be made, cannot be predicted.

Other Jurisdictions

Telia and Sonera conduct operations in a number of countries where regulatory filings are required or advisable in connection with the completion of the exchange offer and the consummation of the merger. Telia

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and Sonera have made filings with national competition authorities in the following countries: Estonia, Latvia, Lithuania and Russia.

On September 25, 2002, the Estonian Competition Board approved the merger without conditions.

On August 13, 2002, the Latvian Competition Council approved the merger subject to the condition that beginning January 1, 2003 until December 31, 2005, SIA Lattelekom and SIA Datatel will meet all reasonable third-party requests for access to their international telecommunications infrastructure between Latvia and other countries on an open and non-discriminatory basis for the purposes of allowing third parties to provide telecommunications services in Latvia, subject to the availability of network capacity and technical feasibility. Lattelekom and Datatel will be under an obligation through December 31, 2005 to inform the Latvian Competition Council of all such requests within one month after conclusion of a contract or refusal to conclude a deal. Lattelekom and Datatel will also provide to the Latvian Competition Council any necessary additional information related to such third party requests. In addition, the Latvian Competition Council has indicated that it will request the Latvian Public Utilities Commission to include a condition in the license of SIA Latvijas Mobilais Telefons requiring it to conclude a national roaming agreement, upon request, with the third mobile communications operator, as soon as the third operator begins its operations.

On July 18, 2002, the Lithuanian authorities approved the merger, subject to an undertaking that Telia will not increase its control over UAB Omnitel and UAB Omnitel will not be reorganized by way of a merger with AB Lietuvos Telekomas or any other companies directly or indirectly controlled by Telia, without the prior approval of the Lithuanian Competition Council.

On June 28 and July 12, 2002, the Russian authorities gave their unconditional approval of the merger.

Telia and Sonera do not believe that giving effect to the foregoing commitments will have a material effect on the results of operation, financial condition or cash flows of the combined company. A third party may still challenge the clearance decisions. The outcome of such a challenge, were it to be made, cannot be predicted.

In addition, Telia and Sonera or its associated companies have filed or will file certain non-merger control notifications in connection with the proposed merger in a number of countries, including Moldova, Germany, the United Kingdom, Spain and Italy. The consent of the U.S. Federal Communications Commission to the Telia-Sonera transfer of control was deemed granted on June 14, 2002. Despite Telia and Sonera s efforts, (i) approvals in these countries may not be obtained or (ii) authorities in such countries may impose conditions which will have a material adverse effect on the business of the combined company in these countries. Telia and Sonera are not aware of any other foreign governmental approvals or actions that are required to complete the exchange offer.

Certain Consequences of the Offer

Reduced Liquidity; Delisting

The exchange of Sonera securities pursuant to the exchange offer will reduce the number of Sonera securityholders and the number of Sonera shares and Sonera ADSs that might otherwise trade publicly and, depending upon the number of Sonera securities so exchanged, could adversely affect the liquidity and market value of the remaining Sonera shares and Sonera ADSs held by the public. Furthermore, Telia and Sonera intend to cause the delisting of Sonera ADSs from NASDAQ following the completion of the exchange offer. While it is possible that the Sonera ADSs would continue to be traded in the over-the-counter market and that price quotations would be reported, there can be no assurance that such an over-the-counter market would develop. The extent of the public market for the Sonera ADSs and the availability of such quotations would depend upon such factors as the number of holders remaining at such time, the interest on the part of securities firms in maintaining a market in Sonera ADSs, the intended termination of the deposit agreement for the Sonera ADSs and the resulting cancellation of Sonera ADSs in accordance with the termination

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provisions of that deposit agreement as described below and the possible termination of registration under the Exchange Act as described below.

It is the intention of Telia and Sonera to delist the Sonera shares from the Helsinki Exchanges once all of the outstanding Sonera shares have been exchanged for Telia shares or otherwise redeemed by Telia in accordance with the rules of the Helsinki Exchanges and applicable Finnish laws and regulations.

Termination of the Sonera Deposit Agreement

At or before the completion of the mandatory redemption offer, Sonera intends to terminate the Sonera deposit agreement in accordance with the provisions of the Sonera deposit agreement. Sonera has the right to direct the depositary bank to terminate the deposit agreement upon giving holders of Sonera ADSs at least 30 calendar days notice prior to termination. Upon termination, the following will occur under the deposit agreement:

For a period of six months after termination, holders of Sonera ADSs will be able to request the cancellation of their ADSs and the withdrawal of the Sonera shares represented by their ADSs and the delivery of all other property held by the depositary bank in respect of those shares on the same terms as prior to the termination. During such six month period, the depositary bank will continue to collect all distributions received on the shares on deposit (i.e., dividends) but will not distribute any such property to holders of Sonera ADSs until such holders request the cancellation of their ADSs.

After the expiration of such six month period, the depositary bank may sell the securities held on deposit. The depositary bank will hold the proceeds from such sale and any other funds then held for the holders of ADSs in a non-interest-bearing account. At that point, the depositary bank will have no further obligation to holders other than to account for the funds then held for the holders of ADSs still outstanding.

Deregistration under the Exchange Act; Public Availability of Information

Sonera shares in the form of Sonera ADSs currently are registered under the Securities Exchange Act of 1934, as amended (the Exchange Act). Registration of such Sonera shares may be terminated upon application of Sonera to the SEC if Sonera ADSs are neither listed on a U.S. national securities exchange or quotation system nor held by 300 or more holders of record in the United States. Termination of registration of the Sonera shares under the Exchange Act would substantially reduce the information required to be furnished by Sonera to Sonera securityholders and to the SEC and would make certain provisions of the Exchange Act, such as the requirement in Rule 13e-3 thereunder with respect to going private transactions, no longer applicable to Sonera. Further, affiliates of Sonera and persons holding restricted securities of Sonera, if any, may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act. If, as a result of the exchange of Sonera securities, pursuant to the exchange offer or otherwise and prior to the compulsory acquisition or mandatory redemption proceeding, if any, Sonera is no longer required to maintain registration of the Sonera shares evidenced by the Sonera ADSs under the Exchange Act, Sonera intends to apply for termination of such registration.

Following the exchange of Sonera securities pursuant to the exchange offer, Sonera shareholders who have not tendered their Sonera shares pursuant to the exchange offer will continue to receive the same financial and other information from Sonera that Sonera is presently required by the rules of the Helsinki Exchanges or by Finnish law to send to Sonera securityholders.

Sonera Securities May Cease Being Margin Securities

Sonera ADSs currently are margin securities under the regulations of the Board of Governors of the U.S. Federal Reserve System, which status has the effect, among other things, of allowing U.S. brokers to extend credit on the collateral of Sonera ADSs for purposes of buying, carrying and trading in securities. With the delisting of Sonera s ADSs from NASDAQ, Sonera ADSs might no longer constitute margin securities and, therefore, could no longer be used as collateral for purpose of loans made by U.S. brokers.

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In addition, if registration of the Sonera shares represented by Sonera ADSs under the Exchange Act were terminated, Sonera ADSs would not longer constitute margin securities.

Accounting Treatment

The merger will be accounted for as an acquisition under IAS by use of the purchase method of accounting and as a business combination for purposes of U.S. GAAP by use of the purchase method of accounting. For accounting purposes, Telia will be the acquirer and Sonera will be the acquired entity.

Dealer Manager and Related Fees and Expenses

Telia has retained Merrill Lynch to act as dealer manager in the United States in connection with the exchange offer. Merrill Lynch will perform certain services in connection with the exchange offer, including soliciting tenders pursuant to the exchange offer and communicating generally with brokers, dealers, commercial banks and trust companies and other persons. Merrill Lynch will receive approximately $500,000 for providing these services and will be reimbursed for its reasonable out-of-pocket expenses, including reasonable attorneys fees, incurred in connection with performing such function. Telia has agreed to indemnify Merrill Lynch and related persons against certain liabilities and expenses in connection with their services, including liabilities and expenses under the Securities Act and the Exchange Act, or contribute to payments that the dealer manager may be required to make in that respect. Merrill Lynch is currently engaged by Telia and has in the past provided, and may in the future provide, financial advisory or financing services to Telia and has received, and may receive, fees for rendering these services. In the ordinary course of Merrill Lynch s business, Merrill Lynch and its affiliates may actively trade securities of Telia and Sonera for their own account and for the accounts of their customers and, accordingly, may at any time hold a long or short position in these securities.

Other Fees and Expenses

Telia has retained Georgeson Shareholder Communications Inc. as information agent in connection with the exchange offer. The information agent may contact holders of Sonera shares, Sonera ADSs and Sonera warrants by mail, telephone, telex, telegraph and personal interview and may request brokers, dealers and other nominee stockholders to forward material relating to the offer to beneficial owners of Sonera shares and Sonera ADSs. Telia will pay the information agent reasonable and customary compensation for these services in addition to reimbursing the information agent for its reasonable out-of-pocket expenses. Telia has agreed to indemnify the information agent against certain liabilities and expenses in connection with the offer, including certain liabilities under the U.S. federal securities laws.

In addition, Telia has retained Citibank, N.A. to act as the U.S. exchange agent to receive Sonera ADSs validly tendered in the exchange offer and Nordea Bank Finland Plc to act as the Finnish share agent in connection with the exchange offer for Sonera shares and warrants. Telia will pay these agents reasonable and customary compensation for their services in connection with the offer, will reimburse them for their reasonable out-of-pocket expenses and will indemnify them against certain liabilities and expenses, including, in the case of Citibank, N.A., certain liabilities under the U.S. federal securities laws.

The cash expenses to be incurred in connection with the exchange offer to be paid by Telia and Sonera are estimated in the aggregate to be approximately 135 million (approximately SEK 1.2 billion). Such expenses include fees paid to financial advisors, transaction-related accounting and legal fees, printing costs, registration fees and Finnish transfer tax, among others. If the exchange of Telia shares for Sonera shares is not deemed to represent a public sale, as defined in the Finnish Transfer Tax Act and the Finnish Securities Market Act, Finnish transfer tax may be payable in connection with such exchange. The costs due to possible Finnish transfer tax have been estimated to be 52 million (SEK 472 million), when calculated using the Telia closing price of SEK 23.30 per Telia share (2.55 per Telia share) as of September 30, 2002, and assuming that 100 percent of Sonera shares held by Finnish shareholders are exchanged for Telia shares.

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Except as set forth above, Telia will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Sonera shares, Sonera ADSs or Sonera warrants pursuant to the exchange offer. Telia will reimburse brokers, dealers, commercial banks and trust companies and other nominees, upon request, for customary clerical and mailing expenses incurred by them in forwarding offering materials to their customers.

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SUMMARY OF THE COMBINATION AGREEMENT

Telia believes that this summary describes all material terms of the combination agreement, as amended. However, the following description is only a summary, and Telia recommends that you read carefully the complete text of the combination agreement, which is included as Annex A to this prospectus, and the amendment to the combination agreement, which is included as Annex B to this prospectus, and are incorporated herein by reference.

The Exchange Offer

The combination agreement provides that Telia must commence the exchange offer as promptly as practicable, and, in any event, no later than two business days following the later of (1) the approval by the Finnish Financial Supervision Authority of the combined tender offer document/ listing particulars to be issued in relation to the exchange offer and (2) the effectiveness of the registration statement of which this prospectus forms a part.

Subject to the conditions described below under Conditions to the Exchange Offer, Telia is required to make an offer:

to the holders of Sonera shares, to exchange 1.51440 Telia shares for each Sonera share held;

to the holders of Sonera ADSs, to exchange 0.30288 Telia ADSs for each Sonera ADS held, each Telia ADS representing five Telia shares; and

to the holders of Sonera warrants issued under the Sonera 1999 and 2000 stock option programs, to exchange one new warrant to be issued by Telia for each Sonera warrant. The Telia warrants will be exercisable for Telia shares and will, to the extent possible, reflect the terms and conditions of the Sonera warrants adjusted by the exchange offer ratio referred to above.

Telia will issue only whole Telia securities in the exchange offer. To the extent that holders of Sonera securities are entitled to fractions of Telia shares, Telia ADSs or Telia warrants in exchange for their securities, those fractional entitlements will be sold, in the case of fractional entitlements to Telia shares, on the Stockholm Exchange or the Helsinki Exchanges (or, in the case of the Telia warrants, in the over-the-counter market) or, in the case of fractional entitlements to Telia ADSs, on NASDAQ, and the cash consideration will be distributed to the holders in lieu of the fractional securities.

Conditions to the Exchange Offer

Telia s obligation to accept for payment and pay for Sonera securities tendered pursuant to the exchange offer is subject to the satisfaction or, if permitted by applicable law, prior waiver by both parties of the conditions set forth under the heading THE EXCHANGE OFFER Conditions to Completion of the Exchange Offer.

Telia and Sonera agreed to use their reasonable best efforts to assist and cooperate with each other in doing all things necessary or advisable to cause the conditions to the combination agreement to be satisfied in the most expeditious manner reasonably possible.

Expiration of the Offer; Lapse of the Offer

The combination agreement provides that the initial expiration date of the exchange offer will be the date which is not later than 20 U.S. business days after the date on which the exchange offer commences and, provided that the combination agreement shall not have been terminated in accordance with its terms, will be extended by Telia from time to time after that date until such time as all of the exchange offer conditions described above under Conditions to the Exchange Offer have been satisfied. Subject only to those conditions, Telia will accept for exchange and will exchange all Sonera securities that have been validly tendered and not withdrawn pursuant to the terms of the exchange offer at the earliest practicable time following the expiration date (which is referred to as the closing date).

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The combination agreement provides that the exchange offer will lapse:

unless the exchange offer conditions have been and continue to be satisfied or, where appropriate, have been waived by both parties by 4:00 p.m. (Helsinki time) on the expiration date; or

if the combination agreement is terminated in accordance with its terms (described below under Termination).

In the event that the exchange offer lapses, Telia will release all Sonera securities tendered pursuant to the exchange offer as soon as reasonably possible.

Mandatory Redemption Offer and Compulsory Acquisition

As soon as reasonably practicable after the completion of the exchange offer, and subject only to the condition that the minimum condition has been satisfied, Telia shall take all actions necessary and proper under the Finnish Securities Market Act and the Finnish Companies Act of 1978, as amended (the Finnish Companies Act), to complete a mandatory redemption offer under Chapter 6, Section 6 of the Finnish Securities Market Act and a compulsory acquisition under Chapter 14, Section 19 of the Finnish Companies Act to acquire all the remaining issued and outstanding Sonera shares, whether in the form of Sonera shares or Sonera ADSs.

Approval by Telia Shareholders

Telia has agreed that it will, as promptly as reasonably practicable, call an extraordinary general meeting of its shareholders at which its shareholders will be asked, conditional on the closing of the transactions contemplated by the combination agreement:

to approve the capital increase necessary to complete the exchange offer by the issuance of up to 1,706,304,914 new Telia shares, in the form of Telia shares or Telia ADSs, entitled to the same rights, as of the date of their issuance, as the existing ordinary shares of Telia and Telia ADSs, as the case may be, and the issuance of up to 35,000,000 Telia warrants; and

to elect as directors of Telia, effective as of the closing date, the persons nominated pursuant to the shareholders agreement.

Representations and Warranties

In the combination agreement, Telia and Sonera each made representations and warranties with respect to, among other things:

corporate matters, including due organization, power and authority;

capital structure and securities;

authorization, execution, delivery and enforceability of the combination agreement;

absence of conflicts under organizational documents, violations of laws and regulations and breaches of or defaults under contracts as a result of the transactions contemplated by the combination agreement;

required consents and approvals by governmental entities;

compliance with laws and contracts;

accuracy of financial statements and documents submitted to the Stockholm Exchange, in the case of Telia, and to the SEC and the Helsinki Exchanges, in the case of Sonera;

the absence of any material adverse effect or other specified changes or events;

litigation; and

taxes.

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Covenants

Interim Conduct of Business

Telia and Sonera each agreed that, unless the other party otherwise agreed, its business would be conducted in the ordinary course of business consistent with past practice. The parties agreed that the following actions would be deemed to be outside the ordinary course of business:

- issuing or agreeing to issue any shares or securities that may be converted into or exercised for shares, other than in accordance with existing option programs;
- recommending, declaring or paying any shareholder bonus, dividend or distribution (other than, in the case of Telia, a dividend of no more than SEK 0.20 per share with respect to the year 2001);
- purchasing, redeeming or repaying any of its shares or securities or proposing the reduction of or any changes to its share capital; and
- entering into any contract, transaction or arrangement (1) regarding any material acquisition, disposition or incurrence of material indebtedness, (2) that could materially restrict the business operations of the company or (3) that is of an onerous or unusual nature or magnitude.

Approvals and Waivers

Each of Telia and Sonera agreed to use its reasonable best efforts to complete in the most expeditious manner reasonably possible the transactions contemplated by the combination agreement, including obtaining all necessary approvals and waivers from governmental entities and third parties and making all necessary registrations and filings. Telia and Sonera each agreed to take all steps necessary to obtain approvals or waivers from governmental entities, including disposing or altering any operations of Telia and Sonera in a manner that would not have a material adverse effect on Telia or Sonera, as the case may be.

Board Recommendations

Telia agreed that its board of directors would unanimously and unconditionally recommend to the Telia shareholders that they approve the matters described above under Approval by Telia Shareholders, provided, however, that the Telia board may amend, modify, withdraw, condition or qualify its recommendation if the board determines in its good faith judgment, after taking advice from independent legal counsel and after consulting with Sonera, that failure to do so would cause the board to breach its fiduciary duties to Telia or the Telia shareholders.

Sonera agreed that its board of directors would unanimously and unconditionally recommend to the Sonera shareholders that they accept the exchange offer, provided, however, that the Sonera board may amend, modify, withdraw, condition or qualify its recommendation if the board determines in its good faith judgment, after taking advice from independent legal counsel and after consulting with Telia, that failure to do so would cause the board to breach its fiduciary duties to Sonera or the Sonera shareholders.

Information Documents and Stock Exchange Listing

Telia and Sonera agreed that they would jointly prepare the documents to be used for the exchange offer, the listing of Telia shares on the Stockholm Exchange and the Helsinki Exchanges, the approval of Telia ADSs for quotation on Nasdaq National Market and the meeting of Telia shareholders.

Solicitation of Transactions

The combination agreement contains an agreement by each of Telia and Sonera that it will not solicit any inquiries or facilitate or solicit any proposal or offer that could lead to a competing transaction or otherwise hinder the completion of the transactions contemplated by the combination agreement, and that it will notify the other party if any proposal or offer, or any inquiry or contact with any person regarding such a proposal, is made.

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Other Covenants

The combination agreement contains other covenants relating to:

- cooperation between the parties in connection with the preparation of documents, filings with governmental entities and other actions required to effect the transactions contemplated by the combination agreement;
- mutual notification of specified events;
- confidentiality;
- public announcements regarding any transactions contemplated by the combination agreement; and
- stock exchange listings and de-listings.

Termination

The combination agreement may be terminated and the exchange offer may be abandoned at any time prior to the completion of the exchange offer as follows:

- by mutual written consent of each of Telia and Sonera;
- by either Telia or Sonera, if:

(1) the exchange offer has not closed by December 31, 2002;

(2) any court or governmental entity has entered a final and nonappealable order preventing the consummation of the transactions contemplated by the combination agreement;

(3) the proposals described above under Approval by Telia Shareholders are not adopted by the Telia shareholders; or

(4) the other party breaches any representation, warranty, covenant or agreement in the combination agreement, except if the breach would not reasonably be expected to result in a material adverse effect (provided that a change in the general economic or market conditions or in the general conditions prevailing in the industry of the parties or a change resulting from the announcement of the transactions contemplated by the combination agreement will not be deemed to be a material adverse effect).

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SUMMARY OF THE SHAREHOLDERS AGREEMENT

Telia believes that this summary describes all material terms of the shareholders agreement. However, the following description is only a summary, and Telia recommends that you read carefully the complete text of the shareholders agreement, which is included as Annex C to this prospectus and is incorporated herein by reference.

Undertakings by the Parties

The Republic of Finland has agreed with the Kingdom of Sweden that it will irrevocably undertake to Telia to tender all of its Sonera shares in connection with the exchange offer, unless the combination agreement has been terminated by either party in accordance with its terms. An undertaking to such effect was delivered by the Republic of Finland to Telia on March 26, 2002.

The Kingdom of Sweden has agreed that it will vote all of its Telia shares in favor of the resolutions to be proposed by the Telia board of directors to the shareholders of Telia in connection with the exchange offer, unless the combination agreement has been terminated by either party in accordance with its terms.

Board of Directors

In the shareholders agreement, the Republic of Finland and the Kingdom of Sweden agreed that the board of directors of TeliaSonera will consist of nine non-executive board members to be elected based only on their competence and ability. The parties agreed that the board of directors of TeliaSonera will consist of the following members after the completion of the exchange offer, for the minimum period specified below:

Identity	Current Relationship with Telia or Sonera	Position on TeliaSonera Board	Minimum Period of Service(1)
Tapio Hintikka	Chairman of Sonera board of directors	Chairman	2005
Lars-Eric Petersson	Chairman of Telia board of directors	Deputy Chairman	2005
Three persons to be nominated by the nomination committee of the board of directors of Sonera	Members of Sonera board of directors	Director	2004(2)
Three persons to be nominated by the nomination committee of Telia	Members of Telia board of directors	Director	2004(2)
One independent member to be nominated by Messrs. Hintikka and Petersson	Not a member of Telia board of directors or Sonera board of directors	Director	2004

(1) Until the closing of the annual general meeting of Telia shareholders to be held in the year indicated.

(2) In 2003, one of the three members who are nominated by the nomination committee of the board of directors of Sonera and one of the three members who are nominated by the nomination committee of Telia will be replaced with two new independent members who will serve at least until the closing of the annual general meeting of TeliaSonera to be held in 2004.

At the annual general meeting of the shareholders of TeliaSonera to be held in 2004, the two remaining members who are nominated by the nomination committee of the Sonera board of directors and the nomination committee of Telia, respectively, the one independent member who is nominated by Messrs. Hintikka and Petersson and two new independent members to be elected at the annual general meeting of the shareholders of TeliaSonera to be held in 2003, as described above, will be re-elected in the

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event that they will continue to fulfill the competence and ability requirements and that they are not civil servants or any politicians active in the national politics of either Finland or Sweden.

In addition, the board of directors of TeliaSonera will include up to three employee representatives.

Corporate Governance

The parties have agreed that they will use their respective voting power at general meetings of TeliaSonera in a manner which is consistent with TeliaSonera exercising the highest standards of corporate governance principles.

In addition, the parties agreed that they will, in advance of any shareholders meeting of TeliaSonera, consult with each other on any matter to be resolved by the general meeting of TeliaSonera shareholders.

Agreements on Shareholding

Reduction of Shareholdings

The parties have agreed that they will support TeliaSonera s participation in further industry consolidation if this is consistent with enhancing shareholder value. Subject to market conditions, each party intends to reduce its shareholding in TeliaSonera during the five-year period following the consummation of the exchange offer.

In the event that either party decides to sell any or all of its shares in TeliaSonera otherwise than pursuant to an accelerated equity offering, block trade or other non-marketed offering, the other party will have the right to participate in such sale.

Prior Written Approval

The parties have agreed that they will not dispose of any of their respective shares of Telia or Sonera during the period of the exchange offer. However, the Republic of Finland will have the right and obligation to tender its shares of Sonera in exchange for shares of Telia in accordance with the terms and conditions of the exchange offer and its irrevocable undertaking to Telia.

Moreover, the parties have agreed that they will not, without the prior written approval of the other party, purchase any new shares of Telia, after March 26, 2002, except pursuant to a rights offering undertaken by Telia or pursuant to a similar transaction recommended by the Telia board of directors.

Term of the Agreement

Provided that the combination agreement has not terminated, the shareholders agreement will remain in force until the shareholdings of the parties fall below certain thresholds or, in any case, not later than five years from the consummation of the exchange offer.

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TAXATION

The following description is based on the tax laws of Finland, Sweden and the United States and the relevant tax treaties between these countries as in effect on the date of this prospectus, and is subject to changes in Finnish, Swedish and U.S. law or the above mentioned treaties, possibly with retroactive effect. You should consult a professional advisor as to the tax consequences of the exchange offer and the ownership, purchase and disposition of Telia shares ADSs or warrants, including, in particular, the effect of tax laws of any other jurisdiction. Holders of shares, ADSs and warrants who are tax residents outside of Finland and the United States are urged to consult their own tax advisor as to the consequences resulting from the exchange offer. This advice applies especially for employees holding and exchanging warrants.

Finnish Tax Considerations

The following is a description of the material Finnish income and net wealth tax consequences that may be relevant with respect to the exchange offer of Sonera shares, ADSs or warrants and the ownership or disposition of Telia shares or ADSs. The description below only addresses Finnish tax legislation and does not take into account the tax laws of any other countries.

The description below is only applicable to residents in Finland for the purposes of Finnish internal tax legislation. This description does not address tax considerations applicable to holders of shares or warrants that may be subject to special tax rules, including among others business carrying entities, tax-exempt entities or general or limited partnerships. Furthermore this description addresses neither Finnish inheritance nor gift tax consequences.

This description is based on:

The Income Tax Act (*Tuloverolaki 30.12.1992/1535*);

The Net Wealth Tax Act (*Varallisuusverolaki 30.12.1992/1537*);

The Business Income Tax Act (*Laki elinkeinotulon verottamisesta 24.6.1968/360*); and

The Transfer Tax Act (*Varainsiirtoverolaki 29.11.1996/931*).

In addition, relevant case law, decisions and statements made by the tax authorities in effect and available on the date of the Prospectus have also been taken into account.

All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

You are advised to consult your own tax advisors as to the Finnish tax consequences resulting from the exchange offer as well as with regard to any redemption or option rights.

Tax Consequences related to the Exchange Offer

Under Finnish tax law, a share exchange made pursuant to an exchange offer is generally not considered to be a disposal of shares for tax purposes so long as the transaction falls under the definition of a share exchange provided by the Finnish Business Income Tax Act. Under the Finnish Business Income Tax Act, a share exchange offer is defined as a transaction where a company acquires a portion of a target company s shares which entitles it to more than half of the votes of all shares in the target company and, in exchange, the acquiring company issues its own new shares to the shareholders of the target company. Under the Finnish Business Income Tax Act, the consideration for the acquired company s shares may also be paid in cash. However, such cash payment must not exceed ten percent of the nominal value of the shares or, if the acquired shares do not have a nominal value, of the accounting par value of the shares, in order for the transaction to qualify as a share exchange. Under Finnish tax law, as a share exchange is not considered to be a disposal of shares for tax purposes, the shares offered in exchange will have the same acquisition cost and date as the original shares held by the shareholder in the acquired company. However, if a shareholder of the target company receives a cash payment, Finnish tax law will treat the transaction as a realization event and such shareholder will be liable for taxes on possible capital gains.

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If the conditions included in Section 52(f) of the Finnish Business Income Tax Act are met, the exchange of Sonera shares for Telia shares pursuant to the exchange offer will not give rise to any immediate Finnish capital gains tax consequences. The acquisition cost of the shares received by a shareholder in exchange for shares in the target company is deemed to be the acquisition cost of the target shares transferred. Any capital gains taxes or losses on the exchanged shares are deferred until the shares are further transferred. If a Finnish resident who has received shares in a share exchange ceases to be a resident of Finland within three years of the end of the tax year in which the exchange of shares was carried out, the non-taxed capital gain which would have been subject to tax in the absence of the share exchange provisions will be taxed in the year in which the person ceases to be a resident of Finland.

As fractional Telia shares will not be delivered to holders of Sonera securities in connection with the exchange offer, holders of Sonera shares will receive consideration to the extent of their entitlement to fractions of Telia shares. (See THE EXCHANGE OFFER Fractional Shares and ADSs). Any cash payment that holders of Sonera shares may receive in connection with the exchange offer for fractional entitlements may be subject to Finnish capital gains taxes. In addition, any subsequent disposal of Telia shares received pursuant to the exchange offer may be subject to Finnish capital gains taxes.

In determining the taxation in relation to capital gains or losses under Finnish tax law, an individual investor has an option to deduct from the sales proceeds either the actual acquisition cost of the shares, calculated on a pro rata basis on the shares and their fractions received and other costs related to the exchange of shares. Alternatively, a natural person taxed according to the Income Tax Act can deduct from the sales proceeds a presumptive cost equal to 20 percent, or if the shares have been held for at least ten years, 50 percent of the sales proceeds. The capital gains from the disposal of shares by non-residents of Finland are not considered taxable income in Finland unless the shares are connected with a permanent establishment or a fixed base in Finland. As of the date of this prospectus, the Finnish capital gains tax rate is 29 percent. According to the Income Tax Act, a possible capital loss is deductible from other capital gains received by the taxpayer during the sales year and the three following years. See also Swedish Tax Considerations Taxation of Capital Gains.

Taxation of Dividend Income

Dividend income received on Telia shares, which are received in connection with the exchange offer, will not qualify for a tax credit under the Finnish imputation system. Therefore, any dividend income, which a Finnish resident shareholder receives on Telia shares, will generally be subject to Finnish tax.

Dividends received from a company listed on a foreign stock exchange are taxed in Finland as investment income. Therefore, the dividend distributed by Telia to a Finnish resident is taxable at a rate of 29 percent in Finland. However, dividend income received by a company, which is resident of Finland and which directly owns ten percent or more of Telia s voting shares, will be exempt from Finnish income taxes.

As discussed under the caption Swedish Tax Considerations below, a withholding tax is generally imposed under Swedish tax law on dividends paid by a Swedish company to a non-resident shareholder. Swedish withholding tax imposed may, under Finnish tax law and the Nordic tax treaty, be credited against taxes levied in Finland. This tax credit is not received automatically and has to be claimed specifically. A Finnish resident association of public utility or an association for the public good may upon application get an exemption from the tax in Sweden.

Transfer Tax

If a Sonera shareholder having accepted the exchange offer is a Finnish resident, a Finnish branch office of a foreign credit institution or a Finnish branch of a foreign investment service institution, then a transfer tax may be levied in Finland on the resulting transfer of Sonera shares. Telia has, pursuant to the terms of the exchange offer, undertaken to pay such a transfer tax, if any. Generally, transfer tax is not payable in respect of a public sale as defined in the Finnish Transfer Tax Act and the Finnish Securities Market Act.

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Wealth Tax

The listed Telia shares and Sonera shares, which are held by Finnish residents, are valued at 70 percent of their fair market value for Finnish wealth tax purposes. Net wealth tax is levied on property owned by a Finnish taxpayer on December 31 of a given tax year. As of the date of this prospectus, the wealth tax in Finland amounted to 80 on net wealth of 185,000 and an additional 0.9 percent on any net wealth in excess of this amount. Most Finnish corporations are exempt from the net wealth tax.

Taxation of Stock Warrants

Under the Finnish Income Tax Act, any benefit derived from employee stock warrants is taxed as employment income at the time the employee stock warrants are exercised. Employment income is taxed at a progressive rate. The exercise of an employee stock warrant is deemed to take place when the warrants are exchanged for the shares to which they are entitled to or when the warrants are disposed of. Taxable employment income will be calculated using the fair market value of the shares at the exercise date less the price paid for the shares and/or stock warrants.

As stock warrants are not specifically mentioned in the share exchange provision contained in the Finnish Business Income Tax Act, Finnish tax treatment in connection with a share exchange is unclear. Following an advance ruling application made by an individual warrantholder regarding the exchange of Sonera stock warrants for Telia stock warrants, the Finnish Central Tax Board has stated that this exchange is not regarded to be an exercise of the employee stock warrant.

Although in light of this recent decision stating that the exchange of Sonera stock warrants for Telia stock warrants should not result in taxation of employment income for the concerned Sonera employees, it should be noted, that the decision is not yet legally binding and may be revised by the Finnish Supreme Administrative Court due to the appeal made by the representative of the state.

Mandatory Redemption of Sonera Shares and Sonera Warrants or Compulsory Acquisition of Sonera Shares

If the exchange offer is completed, holders of Sonera shares or Sonera warrants who do not participate in the exchange offer may choose to receive cash consideration, in accordance with a possible mandatory redemption offer under the Finnish Securities Markets Act or, in the case of Sonera shares, under the compulsory acquisition provisions of the Finnish Companies Act.

Amounts received for Sonera shares or Sonera warrants by shareholders or warrant holders in a mandatory redemption offer or, in the case of Sonera shares, a compulsory acquisition will be subject to regular Finnish capital gains taxation. However, the exercise of an employee stock warrant is deemed to take place when the warrant is redeemed. Therefore, amounts received for employee stock warrants in mandatory redemption, deducted with any amounts paid for them, are taxed as employment income.

Any compensation payable to holders of Sonera shares or Sonera warrants that have accepted the exchange offer due to any difference between the fair price paid for Sonera shares or Sonera warrants purchased pursuant to a mandatory redemption offer and the value of the consideration received pursuant to the exchange offer by the Sonera shareholders would likewise be subject to regular Finnish capital gains taxation. In case of employment stock warrants, the value of the consideration received pursuant to the exchange offer will be taxed as employment income.

The effect of a mandatory redemption offer or compulsory acquisition on a tax neutral share exchange has not been addressed in Finnish tax legislation and is partly open to interpretation. Following an advance ruling application made by an individual shareholder regarding mandatory redemption offer or compulsory acquisition of Sonera shares, the Finnish Central Tax Board has stated that cash amounts received by shareholders or warrant holders due to a mandatory redemption, due to a compulsory acquisition or due to the difference between the fair price as determined in connection with a mandatory redemption offer and the value of the consideration received pursuant to the exchange offer should not be regarded as cash consideration for the purposes of calculating whether the exchange offer transaction qualifies as a tax neutral share exchange, i.e., whether such cash consideration exceeds 10 percent of the nominal value (or, in the absence of nominal value, accounting par value) of the shares subject to the exchange offer. It should be noted that the decision is not yet legally binding and may be revised by the Finnish Supreme Administrative Court upon appeal. We recommend that shareholders and warrant holders participating in the exchange offer seek advise from their tax advisors in order to acquire more exact information on such tax consequences.

Swedish Tax Considerations

The following is a description of the material Swedish income and net wealth tax consequences with respect to the exchange offer for holders of Sonera shares, Sonera ADSs or Sonera warrants that are non-residents of Sweden. This section applies only to holders of portfolio investments representing less than 10 percent of the capital and votes and is not applicable if the Sonera shares, Sonera ADSs or Sonera warrants pertain to a permanent establishment or fixed base of business in Sweden. Holders of shares, ADSs or warrants should consult their own tax advisors regarding the Swedish and other tax consequences of acquiring, owning and disposing of shares, ADSs or warrants.

The description below is based on the Income Tax Act (*Inkomstskattelag* (1999:1229)), the Net Wealth Tax Act (*Lag om statlig förmögenhetsskatt* (1997:323)) and relevant tax treaties as currently in effect.

Taxation of Capital Gains

Generally, the exchange offer may be accepted by non-residents of Sweden and corporations not domiciled in Sweden without any Swedish tax consequences.

Non-residents of Sweden are generally not liable for Swedish capital gains taxation with respect to the sale of shares, ADSs or warrants. However, under Swedish tax law, capital gains from the sale of certain Swedish securities, such as the Telia shares, Telia ADSs or Telia warrants, by private individuals may be taxed in Sweden if such individuals have been residents of Sweden or have lived permanently in Sweden at any time during the year of the sale or the ten calendar years preceding the year of the sale, absent applicable treaty provisions to the contrary, at a rate of 30 percent. This provision may, however, be limited by tax treaties which Sweden has concluded with other countries. The Nordic tax treaty currently in force reduces this period to the five years following the year when the individual became a non-resident of Sweden. The tax treaty currently in force between Sweden and the United States limits this time period to ten years from the date the individual became a non-resident of Sweden.

Taxation of Dividends

A Swedish dividend withholding tax at a rate of 30 percent is imposed on dividends paid by a Swedish company, such as Telia, to non-residents of Sweden. The same withholding tax applies to certain other payments made by a Swedish company, including payments as a result of redemption of shares and repurchase of stock through an offer directed to its shareholders. Exemption from the withholding tax or a lower tax rate may apply by virtue of a tax treaty. Under both the current Nordic tax treaty and the tax treaty currently in force between Sweden and the United States, the withholding tax on dividends paid on portfolio investments to eligible U.S. holders or Finnish holders, as the case may be, is capped at 15 percent.

Under all Swedish tax treaties, with the exception of the tax treaty currently in force between Sweden and Switzerland, the withholding tax at the applicable treaty rate should be withheld by the payer of the dividends. With regard to dividends paid from shares in companies registered with the VPC (such as Telia shares), a reduced rate of dividend withholding tax under a tax treaty is generally applied at the source by VPC or, if the shares are registered with a nominee, the nominee, so long as the person entitled to the dividend is registered as a non-resident and sufficient information regarding the tax residency of the beneficial owner is available to VPC or the nominee.

In those cases where Swedish tax is withheld at the rate of 30 percent and the person that received the dividends is entitled to a reduced rate of withholding tax under an applicable tax treaty, a refund may be claimed from the Swedish tax authorities not later than at the end of the fifth calendar year after the distribution.

The Swedish withholding tax provisions are currently under review, and new or amended provisions may be introduced as a result of this review.

It should be noted that due to technical issues, a Swedish withholding tax of 30 percent will also be withheld for dividends and similar payments to Swedish tax residents on Telia shares that are registered at the Finnish Central Securities Depositary, or the FCSD.

Net Wealth Taxation

The Telia shares, Telia ADSs or Telia warrants are not subject to Swedish net wealth taxation in the hands of a holder that is not a resident in Sweden.

United States Federal Income Tax Considerations

The following is a description of the material U.S. federal income tax consequences that may be relevant with respect to the exchange offer and the ownership and disposition of Telia shares or Telia ADSs, which are evidenced by Telia ADRs. Subject to the qualifications and limitations set forth below, the following description of the material U.S. federal income tax consequences is the opinion of White & Case LLP. This description addresses only the U.S. federal income tax considerations of holders that hold Sonera shares, Sonera ADSs or Sonera warrants or that will hold Telia shares or Telia ADSs, as capital assets. Except as set forth below, this description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- dealers or traders in securities or currencies;
- tax-exempt entities;
- persons that received Sonera shares, Sonera ADSs or Sonera warrants or that will receive Telia shares or Telia ADSs as compensation for the performance of services;
- persons that held Sonera shares, Sonera ADSs or Sonera warrants or that will hold Telia shares or Telia ADSs as part of a hedging or conversion transaction or as a position in a straddle for United States federal income tax purposes;
- persons that have a functional currency other than the U.S. dollar; or
- holders that own or are deemed to own ten percent or more, by voting power or value, of Sonera shares, including Sonera shares held in the form of Sonera ADSs.

Moreover, this description does not address the U.S. federal estate and gift or alternative minimum tax consequences of the exchange offer and the ownership and disposition of Telia shares or Telia ADSs.

This description is based

- on the Internal Revenue Code of 1986, as amended (the Code), existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof; and
- in part, on the representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

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For purposes of this description, a U.S. Holder is a beneficial owner of Telia shares or Telia ADSs or Sonera shares or Sonera ADSs that, for U.S. federal income tax purposes, is:

- a citizen or resident of the United States;
- a partnership or corporation created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if such trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

A Non-U.S. Holder is a beneficial owner of Telia shares or Telia ADSs or Sonera shares or Sonera ADSs that is not a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Sonera shares, Sonera ADSs or Sonera warrants or Telia shares or Telia ADSs, the tax treatment of the partnership or a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership or a partner in a partnership that holds Sonera shares or Sonera ADSs or Telia shares or Telia ADSs should consult its own tax advisor.

You should consult your own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of the exchange offer and owning or disposing of Telia shares or Telia ADSs.

Exchange Offer

Your exchange of Sonera shares or Telia ADSs for Telia shares or Telia ADSs, respectively, will likely be a taxable exchange for U.S. federal income tax purposes due to the potential cash to be paid by Telia pursuant to the mandatory redemption or compulsory acquisition. The Internal Revenue Service provides that, in order to receive a ruling to the effect that the exchange offer will be treated as a tax-free reorganization for U.S. federal income tax purposes, no exchange offer expenses may be paid by Telia and you may not receive any cash in connection with the exchange offer. With respect to the exchange offer, however, expenses incurred in connection with the offer will be paid by Telia and the possibility exists that you would receive cash as a result of the mandatory redemption and compulsory acquisition proceeding. Thus, although there is no direct authority, the payment by Telia of exchange offer expenses and the possible cash payment to you pursuant to the mandatory redemption and compulsory acquisition will likely cause the exchange offer to be taxable for U.S. federal income tax purposes. The remainder of the description assumes that such exchange will be a taxable exchange for U.S. federal income tax purposes because such description assumes that some cash will be paid by Telia pursuant to the mandatory redemption or compulsory acquisition.

Subject to the discussion below under Sonera Passive Foreign Investment Company Considerations, if you are a U.S. Holder:

- you will recognize gain or loss on the exchange of your Sonera shares or Sonera ADSs for Telia shares or Telia ADSs, respectively, equal to the difference between the sum of (1) the fair market value, as of the date of distribution, of any Telia shares or Telia ADSs and (2) any cash you receive in either the exchange offer or the mandatory redemption or compulsory acquisition and your adjusted tax basis in Sonera shares or Sonera ADSs,
- your tax basis in the Telia shares or Telia ADSs that you receive will be the sum of (1) the fair market value, as of the date of distribution, of the Telia shares or Telia ADSs you receive and (2) any cash you receive in connection with the exchange offer or mandatory redemption or compulsory acquisition,
- your holding period in the Telia shares or Telia ADSs that you receive will begin from the date of distribution of the Telia shares or Telia ADSs, and

your gain or loss will be a capital gain or loss. If you are a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if your holding period for such Sonera shares or Sonera ADSs exceeds one year and will be further reduced if your holding period exceeds five years. The deductibility of capital losses is subject to limitations.

Subject to the discussion below under Ownership of Telia Shares or Telia ADSs Backup Withholding Tax and Information Reporting Requirements, if you are a Non-U.S. Holder, you generally will not be subject to U.S. federal income or withholding tax on any gain realized on the exchange of Sonera shares or Sonera ADSs for Telia shares or Telia ADSs, respectively, unless:

such gain is effectively connected with your conduct of a trade or business in the United States; or

you are an individual and have been present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

Treatment of the Receipt of Telia Warrants in Exchange for Sonera Warrants

The U.S. federal income tax treatment of the exchange of Sonera warrants by employees of Sonera for Telia warrants will depend on the series of Telia warrants you receive. An exchange of Sonera warrants for Telia 2002/2005:A warrants should be a taxable exchange for U.S. federal income tax purposes.

Any employee who:

is subject to U.S. federal income taxation on his or her compensation from Sonera;

receives Telia 2002/2005:A warrants for Sonera warrants that were issued to such employee as compensation for services rendered; and

has not previously included as ordinary income the value of Sonera warrants

will recognize taxable ordinary income in an amount equal to the excess of:

(1) the fair market value of the Telia warrants received over

(2) the amount paid, if any, by such employee, for the Sonera warrants. Any income recognized on the exchange of Sonera warrants for Telia 2002/2005:A warrants will be subject to United States employment taxes.

Any employee who is subject to U.S. federal income taxation on his or her compensation from Sonera and who has previously included as ordinary income the value of Sonera warrants will recognize capital gain or loss on the exchange of Sonera warrants for Telia 2002/2005:A warrants equal to the difference between:

(1) the fair market value, as of the date of distribution, of the Telia 2002/2005:A warrants and

(2) the adjusted tax basis in the Sonera warrants.

Your tax basis in the Telia 2002/2005:A warrants you receive will be equal to the fair market value, as of the date of distribution, of the Telia 2002/2005:A warrants. Your holding period for the Telia 2002/2005:A warrants will begin from the date of distribution of the Telia 2002/2005:A warrants.

If you sell or exchange Telia 2002/2005:A warrants after the completion of the exchange offer you will recognize gain or loss equal to the difference between the amount realized on the sale or exchange and your adjusted tax basis in the Telia 2002/2005:A warrants. Such gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, the maximum marginal United States federal income tax rate applicable to such gain will be lower than the maximum marginal United States federal income tax rate applicable to ordinary income if your holding period for such Telia 2002/2005:A warrants exceeds one year. The deductibility of capital losses is subject to limitations.

The exchange of Sonera warrants for Telia warrants other than the Telia 2002/2005:A warrants should not be taxable exchange for U.S. federal income tax purposes. If you are subject to U.S. federal income

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taxation on your compensation from Sonera, you should recognize taxable ordinary income when you exercise your Telia warrants other than Telia 2002/2005:A warrants in an amount equal to the excess of:

(1) the fair market value of the Telia purchased on the exercise date over;

(2) the amount paid, if any, for the Telia shares.

If you sell or exchange Telia warrants other than Telia 2002/2005:A warrants after the completion of the exchange offer you will recognize taxable ordinary income equal to the excess of:

(1) the amount realized on the sale or exchange over;

(2) your adjusted tax basis, if any, in the Telia warrants other than the Telia 2002/2005:A warrants.

If you are subject to U.S. federal income taxation on your compensation from Sonera, any income you realize on the exercise, sale or exchange of Telia warrants other than Telia 2002/2005:A warrants will be subject to U.S. employment taxes. Your tax basis in the Telia shares purchased under the Telia warrants other than the Telia 2002/2005:A warrants will be equal to the amount paid for the Telia shares upon exercise of the warrant plus the amount of income taxable upon exercise. Your holding period for the Telia shares purchased under the Telia warrants other than the Telia 2002/2005:A warrants will begin on the date you exercise the Telia warrants other than the Telia 2002/2005:A warrants.

If you are a holder of Sonera warrants you should note, however, that the U.S. federal income tax consequences of the exchange of compensatory stock warrants are complicated and are not free from doubt. Therefore, if you are a holder of Sonera warrants, we urge you to consult your own tax advisor regarding the exchange of Sonera warrants for Telia warrants.

Sonera Passive Foreign Investment Company Considerations.

A Non-U.S. corporation will be classified as a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either:

- at least 75 percent of its gross income is passive income, or

- at least 50 percent of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on certain estimates of its gross income and gross assets and the nature of its business, Sonera believes that it will not be classified as a PFIC for its current taxable year. Sonera has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC, but because the market price of Sonera shares and Sonera ADSs and the market prices of the shares of technology-related companies have been especially volatile, there can be no assurance that it will not be considered a PFIC for any taxable year. If Sonera were a PFIC, and you are a U.S. Holder, you generally would be subject to imputed interest charges and other disadvantageous tax treatment with respect to any gain from the sale or exchange of, and certain distributions with respect to, your shares or ADSs.

If Sonera were a PFIC, you could make a variety of elections that may alleviate the tax consequences referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in the case of Sonera shares or Sonera ADSs. You should consult your own tax advisor regarding the tax consequences that would arise if Sonera were treated as a PFIC.

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Ownership of Telia Shares or Telia ADSs

Ownership of ADSs in General

For U.S. federal income tax purposes, if you are a holder of Telia ADSs, you generally will be treated as the owner of Telia shares represented by such Telia ADSs.

Distributions on Telia Shares or ADSs

Subject to the discussion below under Telia Passive Foreign Investment Company Considerations, if you are a U.S. Holder, for U.S. federal income tax purposes, the gross amount of any distribution made to you of cash or property, other than certain distributions, if any, of Telia shares distributed pro rata to all of its shareholders, including holders of Telia ADSs, with respect to your Telia shares or Telia ADSs, before reduction for any Swedish taxes withheld therefrom, will be includible in your income as dividend income to the extent such distributions are paid out of Telia s current or accumulated earnings and profits as determined under U.S. federal income tax principles. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. To the extent, if any, that the amount of any distribution by Telia exceeds Telia s current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of your adjusted tax basis in your Telia shares or Telia ADSs and thereafter as capital gain. Telia does not maintain calculations of its earnings and profits under U.S. federal income tax principles.

If you are a U.S. Holder, and Telia pays a dividend in Swedish kronor, any such dividend will be included in your gross income in an amount equal to the U.S. dollar value of Swedish krona amount on the date of receipt, which, in the case of Telia ADSs, is the date they are received by the depositary. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

If you are a U.S. Holder, dividends paid to you with respect to your Telia shares or Telia ADSs will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, Swedish tax withheld on dividends may be deducted from your taxable income or credited against your U.S. federal income tax liability. See Swedish Tax Considerations Taxation of Dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends that Telia distributes generally will constitute passive income, or, in the case of certain U.S. Holders, financial services income.

Subject to the discussion below under Backup Withholding Tax and Information Reporting Requirements, if you are a Non-U.S. Holder, you generally will not be subject to U.S. federal income or withholding tax on dividends received by you on your Telia shares or ADSs, unless you conduct a trade or business in the United States and such income is effectively connected with that trade or business.

Sale or Other Exchange of Telia Shares or ADSs

Subject to the discussion below under Telia Passive Foreign Investment Company Considerations, if you are a U.S. Holder, you generally will recognize gain or loss on the sale or exchange of your Telia shares or Telia ADSs equal to the difference between the amount realized on such sale or exchange and your adjusted tax basis in your Telia shares or Telia ADSs. Such gain or loss will be a capital gain or loss. If you are a noncorporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if your holding period for such Telia shares or Telia ADSs exceeds one year and will be further reduced if you acquired such Telia shares or Telia ADSs on or after January 1, 2001 and your holding period exceeds five years. Gain or loss, if any, recognized by you generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

With respect to the sale or exchange of Telia shares or Telia ADSs, the amount realized generally will be the U.S. dollar value of the payment received determined on (1) the date of receipt of payment in the case of a cash basis U.S. Holder and (2) the date of disposition in the case of an accrual basis U.S. Holder. If the Telia shares or Telia ADSs are treated as traded on an established securities market, a cash basis taxpayer, or, if it elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

Subject to the discussion below under Backup Withholding Tax and Information Reporting Requirements, if you are a Non-U.S. Holder, you generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of such Telia shares or Telia ADSs unless:

- such gain is effectively connected with your conduct of a trade or business in the United States; or
- you are an individual and have been present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

See also Swedish Tax Considerations Taxation of Capital Gains.

Telia Passive Foreign Investment Company Considerations

Based on certain estimates of its gross income and gross assets and the nature of its business, Telia believes that it will not be classified as a PFIC for its current taxable year. Telia s status in future years will depend on its assets and activities in those years. Telia has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC, but there can be no assurance that Telia will not be considered a PFIC for any taxable year. If Telia were a PFIC, and you are a U.S. Holder, you generally would be subject to imputed interest charges and other disadvantageous tax treatment with respect to any gain from the sale or exchange of, and certain distributions with respect to, your Telia shares or Telia ADSs.

If Telia were a PFIC, you could make a variety of elections that may alleviate the tax consequences referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in the case of Telia shares or Telia ADSs. You should consult your own tax advisor regarding the tax consequences that would arise if Telia were treated as a PFIC.

Backup Withholding Tax and Information Reporting Requirements

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, Telia shares or Telia ADSs made within the United States to a holder of Telia shares or Telia ADSs, other than an exempt recipient, including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons. Information reporting also generally will apply to any payments of cash within the United States to a holder of Sonera shares or Telia ADSs pursuant to the exchange offer. A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, Telia shares or Telia ADSs to a holder or any payments of cash to a holder of Sonera shares or Telia ADSs pursuant to the exchange offer within the United States, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is 30 percent for years 2002 and 2003, 29 percent for years 2004 and 2005, and 28 percent for 2006 through 2010.

In the case of such payments made within the United States to a foreign simple trust, a foreign grantor trust or a foreign partnership, other than payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that qualifies as a withholding foreign trust or a withholding foreign partnership within the meaning of the applicable U.S. Treasury Regulations and payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that are effectively connected with the conduct of a trade or business in the United States, the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements. Moreover, a payor may rely on a certification provided by a payee that is

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not a U.S. person only if such payor does not have actual knowledge or a reason to know that any information or certification stated in such certificate is incorrect.

The above description is not intended to constitute a complete analysis of all tax consequences relating to exchange offer and ownership and disposition of Telia shares or Telia ADSs. You should consult your own tax advisor concerning the tax consequences of your particular situation.

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CURRENCY AND EXCHANGE RATES INFORMATION

Telia presents its financial statements in Swedish kronor. A substantial portion of Telia s revenues and expenses is denominated in Swedish kronor and a portion is denominated in currencies other than the Swedish krona. Sonera presents its financial statements in euros. A substantial majority of Sonera s revenues and expenses are denominated in euros and a portion is denominated in currencies other than the euro. The first table below sets forth, for the periods and dates indicated, the average, high, low and period-end noon buying rates for the krona expressed in kronor per U.S. dollar. The second table below sets forth, for the periods and dates indicated, the average, high, low and period-end noon buying rates for the euro expressed in euros per U.S. dollar.

On January 1, 1999, the 11 member states of the European Union initially participating in the Economic and Monetary Union (known as the EMU) introduced a single European currency known as the euro. Following the adoption by Greece of the euro as its national currency as of January 1, 2001, the following 12 member states of the European Union participate in the EMU and have adopted the euro as their national currency: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain. The irrevocable conversion rate between the Finnish markka and the euro was fixed on January 1, 1999 at 1.00 = FIM 5.94573. On January 1, 2002, the euro was introduced as a commercial currency in the EMU member states. Before January 1, 1999, there was no exchange rate between the euro and U.S. dollar. For any time or period before January 1, 1999, the noon buying rates for the euro have been derived from the noon buying rates for the Finnish markka converted into euros at the irrevocable conversion rate between the Finnish markka and the euro.

Other than for the monthly information, the average noon buying rates have been calculated based on the noon buying rate for the last business day of each month or portion of a month during the relevant period. This information is being provided to you for your convenience. These are not necessarily the rates that were used in the preparation of Telia s or Sonera s financial statements and neither Telia nor Sonera make any representation that the Swedish kronor, Finnish markka or euros could have been converted into U.S. dollars at the rates shown or at any other rate for such periods or at such dates.

Solely for the convenience of the reader, certain krona amounts in this prospectus have been translated into U.S. dollars at the noon buying rate on June 28, 2002, which was $1.00 = SEK 9.2070. Further euro amounts in this prospectus have been translated into U.S. dollars at the noon buying rate on June 28, 2002, which was $1.00 = 1.0146.

Swedish Krona Exchange Rate

Year	Average	High	Low	Period End
		(Swedish Kronor per U.S. Dollar)		
1997	7.6843	8.0825	6.8749	7.9400
1998	7.9658	8.3350	7.5800	8.1030
1999	8.3007	8.6500	7.7060	8.5050
2000	9.1735	10.3600	8.3530	9.4440
2001	10.3425	11.0270	9.3250	10.4571
2002				
First Quarter	10.5017	10.7290	10.1975	10.3630
Second Quarter	9.7438	10.3820	9.2070	9.2070
Third Quarter	9.3829	9.6855	9.1930	9.2740
April	10.3070	10.3820	10.2200	10.2800
May	10.0368	10.2950	9.7210	9.7445
June	9.5376	9.7560	9.2070	9.2070
July	9.3474	9.5685	9.1990	9.5150
August	9.4610	9.6855	9.2875	9.4000
September	9.3429	9.4520	9.1930	9.2740

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Euro Exchange Rate

Year	Average	High	Low	Period End
		(Euros per U.S. Dollar)		
1997	0.8774	0.9419	0.7759	0.9171
1998	0.8989	0.9466	0.8240	0.8518
1999	0.9455	0.9984	0.8466	0.9930
2000	1.0864	1.2092	0.9676	1.0652
2001	1.1180	1.1947	1.0488	1.1235
2002				
First Quarter	1.1553	1.1636	1.1073	1.1472
Second Quarter	1.0654	1.1429	1.0146	1.0146
Third Quarter	1.0162	1.0373	0.9846	1.0122
April	1.1628	1.1429	1.1077	1.1109
May	1.0905	1.1084	1.0669	1.0708
June	1.0460	1.0650	1.0116	1.0146
July	0.9963	1.0277	0.9846	1.0208
August	1.0224	1.0373	1.0119	1.0198
September	1.0198	1.0325	1.0019	1.0122

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MARKET PRICE AND DIVIDEND INFORMATION

Market Prices

The principal trading market for Telia s shares is the Stockholm Exchange. The table below sets forth, for the periods indicated, the reported high and low market quotations for the Telia shares on the Stockholm Exchange.

	Price Per Share	
	Low	High
	(in Swedish kronor)	
2000		
Second Quarter (beginning June 13, 2000)	82.00	94.00
Third Quarter	59.00	89.00
Fourth Quarter	49.60	66.00
2001		
First Quarter	45.50	64.50
Second Quarter	49.50	71.00
Third Quarter	36.00	57.00
Fourth Quarter	44.10	54.00
2002		
First Quarter	33.30	48.60
Second Quarter	21.20	36.80
Third Quarter	21.10	32.20
April	30.40	36.80
May	24.70	32.00
June	21.20	26.50
July	21.10	28.50
August	24.00	32.20
September	22.80	29.80

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The principal trading market for the Sonera shares is the Helsinki Exchanges. The table below sets forth, for the periods indicated, the reported high and low market quotations for the Sonera shares (as adjusted for Sonera s rights offering in December 2001) on the Helsinki Exchanges based on its Daily Official List.

	Price Per Share	
	Low	High
	(in)	
1998 (from November 10, 1998)	8.13	13.79
1999	10.16	58.30
2000		
First Quarter	38.95	79.54
Second Quarter	32.55	58.22
Third Quarter	21.73	46.58
Fourth Quarter	14.06	25.34
2001		
First Quarter	6.67	20.38
Second Quarter	5.82	10.65
Third Quarter	2.23	7.79
Fourth Quarter	2.48	6.50
2002		
First Quarter	4.50	6.35
Second Quarter	3.26	5.72
Third Quarter	3.19	4.91
April	4.80	5.72
May	3.90	5.03
June	3.26	4.08
July	3.19	4.46
August	3.67	4.91
September	3.57	4.56

Effective as of January 1, 1999, shares of companies listed on the Helsinki Exchanges have traded in euros. The share price information set forth above for 1998 represents the euro equivalent of such share prices in Finnish markkas at the conversion rate of FIM 5.94573 to one euro.

The average trading price of Sonera shares weighted by the trading volume on the Helsinki Exchanges for the 12 months through September 30, 2002 was 4.91 per Sonera share.

The average trading price of Sonera 1999A warrants issued pursuant to Sonera s 1999 stock option program weighted by the trading volume on the Helsinki Exchanges for the 12 months through September 30, 2002 was 1.18 per Sonera 1999A warrant.

Neither Telia nor any of its affiliates as defined in Chapter 6, Section 6 of the Finnish Securities Market Act own any Sonera securities and, consequently, has not purchased any Sonera securities at a price higher than the 12-month volume-weighted average price of Sonera securities.

To the best knowledge of Telia, Sonera does not own any Telia shares or any securities entitling Sonera to receive Telia shares.

Sonera 1999B warrants issued pursuant to Sonera s 1999 stock option program and the Sonera warrants issued pursuant to Sonera s 2000 stock option program are not traded on the Helsinki Exchanges.

Since October 13, 1999, Sonera s shares have been traded in the United States on the Nasdaq National Market under the symbol SNRA in the form of ADSs, which are evidenced by ADRs. Each Sonera ADS represents one Sonera share. The depositary for the Sonera ADSs is Citibank, N.A.

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The table below sets forth, for the periods indicated, the reported high and low sales prices for the Sonera ADSs (as adjusted for Sonera s rights offering in December 2001) on the Nasdaq National Market.

	Low	High
	(U.S. dollars per ADS)	
1999 (from October 13, 1999)	20.65	59.96
2000		
First Quarter	43.87	76.36
Second Quarter	29.74	58.22
Third Quarter	20.29	43.77
Fourth Quarter	13.12	22.04
2001		
First Quarter	5.94	18.96
Second Quarter	5.05	9.28
Third Quarter	1.99	6.62
Fourth Quarter	2.26	5.75
2002		
First Quarter	3.99	5.72
Second Quarter	3.10	5.02
Third Quarter	3.15	4.61
April	4.16	5.02
May	3.35	4.49
June	3.10	3.85
July	3.15	4.30
August	3.56	4.61
September	3.40	4.60

Dividend Data

Telia

The Telia shares and Telia ADSs to be issued in connection with the exchange offer will have the same dividend rights as the other currently outstanding Telia shares with respect to the fiscal year 2002 and subsequent years. With respect to the fiscal year ended December 31, 2001, the annual general meeting of shareholders of Telia approved a dividend payment of SEK 0.10 per Telia share and an extra dividend of SEK 0.10 per Telia share, totaling SEK 0.20 per Telia share.

At an annual general meeting of shareholders of Telia, shareholders may declare dividends upon the recommendation of the Telia board of directors. The amount of dividends may not exceed the amount proposed or approved by the Telia board of directors and is limited by Swedish law.

According to Swedish law, equity is divided into funds available for distribution, which are called non-restricted funds, and funds not available for distribution, which are called restricted funds. Telia s shareholders can receive as a distribution only the non-restricted funds in the parent company or the group, whichever is lower. Restricted equity is made up of the share capital, share premium reserve and statutory or legal reserve. Telia s non-restricted equity in the consolidated accounts includes only that part of a subsidiary s non-restricted equity that can be assigned to the parent company without having to write down the value of the shares in the subsidiary.

Telia s balance sheet also shows the equity component of untaxed reserves as restricted equity. Earnings in associated companies that have not been distributed are reported in Telia s equity as an equity reserve in restricted reserves. The equity effect of reporting financial instruments at fair value is attributed to a fair value reserve in restricted reserves. Likewise, the difference in equity effect between Telia s principles for accounting for pensions and relevant Swedish standards is reported in restricted reserves.

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On a long-term basis, Telia intends to distribute as dividends the equivalent of 15 to 25 percent of its annual net income after taxes, unless commercial circumstances at such time dictate another level. Telia will also take into account the dividend payment practices of other major Swedish companies and other European telecommunications operators. Although Telia currently intends to pay annual dividends on Telia s shares, Telia cannot assure you that dividends will be paid or of the amount of any dividends. Future dividends will depend on a number of factors, including:

- the then-existing general business conditions;
- current and expected future financial performance;
- funding and investment requirements; and
- other factors that the Telia board of directors considers to be relevant.

As of December 31, 2001, the total distributable funds of Telia AB amounted to SEK 9,814 million and, for Telia on a consolidated basis, to SEK 14,020 million.

The Telia board of directors has proposed that Telia s shareholders shall vote upon a resolution at the extraordinary general meeting of shareholders to reduce Telia s share premium reserve by a maximum amount of SEK 11,957 million. If such resolution is passed, this amount will be added to Telia s non-restricted reserves.

The following table sets forth the annual dividends paid per share with respect to each of the fiscal years indicated.

	Dividend paid per Telia share		
Year	**SEK**	**(1)**	**$(2)**
1997	0.42	0.05	0.05
1998	0.49	0.05	0.06
1999	0.52	0.06	0.06
2000	0.50	0.06	0.05
2001	0.20	0.02	0.02

(1) Dividend amounts have been translated into euros at the exchange rate published by the European Central Bank for the relevant dividend payment date, from 1998 and onwards. Dividends from prior years have been translated into ECU (European Currency Unit), the forerunner of the euro.

(2) Dividend amounts have been translated into U.S. dollars at the noon buying rate for the relevant dividend payment date.

See DESCRIPTION OF SHARES AND SHARE CAPITAL OF TELIA Payment of Dividends.

Because Telia will pay dividends in Swedish kronor, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of Telia ADSs.

Sonera

Under the Finnish Companies Act, the amount of any dividend is limited to the profits and other distributable funds available at the end of the preceding fiscal year for Sonera Corporation or for Sonera on a consolidated basis, whichever is lower.

Future dividends, and the amount of those dividends, will depend upon, among other things, the following:

- Sonera s earnings;

Sonera s financial condition;

Sonera s net debt levels;

debt service obligations;

Sonera s capital requirements;

development requirements;

cash provided by operating activities;

applicable restrictions on the payment of dividends under the Finnish Companies Act; and

other factors as the Sonera board of directors may deem relevant.

Subject to the foregoing constraints, the objective of the Sonera board of directors is to recommend to Sonera s shareholders the payment of an aggregate dividend representing approximately 25 percent of its annual free cash flow, equal to cash provided by operating activities less capital expenditures on fixed assets, for any particular year.

As of December 31, 2001, the total distributable funds of Sonera Corporation amounted to 2,587.3 million and, for Sonera on a consolidated basis, to 3,069.2 million.

The following table sets forth the annual dividends per share, as adjusted for Sonera s rights offering in December 2001, paid by Sonera during each of the financial years indicated:

	Dividend paid per Sonera share(1)	
Year		**$**
1997	0.04	0.05
1998	0.15	0.16
1999	0.07	0.07
2000	0.10	0.09
2001	0.07	0.06

(1) Dividend amounts before January 1, 1999 have been restated in euros using the irrevocable conversion rate of 1.00 = FIM 5.94573. Dividend amounts have been translated into U.S. dollars at the noon buying rate for the relevant dividend payment date.

OWNERSHIP OF SECURITIES OF TELIA AND SONERA

Ownership of Telia

As of August 31, 2002, Telia s issued and outstanding share capital was SEK 9,603,840,000 consisting of 3,001,200,000 Telia shares, with a par value of SEK 3.20 each. The calculation of percentages in the Percentage of outstanding shares column in the table below is based upon the number of Telia shares issued and outstanding on August 31, 2002, plus Telia shares subject to options held by the respective persons or entities on August 31, 2002 and exercisable within 60 days of that date. As of August 31, 2002, the principal shareholders of Telia and their respective holdings were as follows:

Shareholder	Number of shares	Percent of outstanding shares
		(%)
Swedish State[1]	2,118,278,261	70.6
Robur-Fonder	81,621,200	2.7
Alecta	77,727,342	2.6
Fjärde AP-Fonden	40,085,400	1.3
SEB-Fonder	39,833,567	1.3
Nordea Fonder	38,771,670	1.3
Livförsäkrings AB Skandia	34,874,533	1.2
AFA Försäkring	27,359,700	0.9
Andra AP-Fonden	25,305,655	0.8
SEB-Trygg Försäkringar	23,376,500	0.8
Tredje AP-Fonden	18,609,311	0.6
SHB/SPP Fonder	14,081,079	0.5
Första AP-Fonden	13,225,095	0.4
KP Pension & Försäkring	9,267,200	0.3
AMF Pension	7,700,000	0.3
Länsförsäkringar	6,226,497	0.2
Euroclear Bank S.a/n.v lmy	6,159,690	0.2
AMF Pension Fonder	6,095,000	0.2
Nordea Bank Finland Plc	5,756,884	0.2
Skandia Carlson Fonder	2,329,142	0.2
Praktikertjänst Pensionsstiftelser	4,800,000	0.2
Folksam Fonder	4,719,334	0.2
Folksam Försäkringar	4,559,729	0.2
Försäkringsföreningen FSO	4,500,000	0.1
Boston Safe Deposit and Trust Co.	4,264,643	0.1
Total	2,622,527,432	87.4
Members of the Telia board of directors and managers (as a group)[2][3]	75,001,033	2.5

(1) The business address and telephone number of the Swedish State is c/o The Swedish Ministry of Industry, Employment and Communications, Jacobsgatan 26, SE-103 33 Stockholm, Sweden, +46-8-4051000.

(2) Includes 40,085,400 Telia shares beneficially owned by Fjärde AP-Fonden. Marianne Nivert, Telia s former President and Chief Executive Officer and a current member of the Telia board of directors, is a member of the board of directors of Fjärde AP-Fonden boards of directors. Ms. Nivert may be deemed to have an interest in the Telia shares beneficially owned by Fjärde AP-Fonden within the meaning of Rule 13d-3 under the Exchange Act; however, Ms. Nivert believes that she does not possess the power to direct the voting of these

shares and disclaims beneficial ownership of the Telia shares held by Fjärde AP-Fonden.

(3) Includes 34,874,533 Telia shares beneficially owned by Livförsäkrings AB Skandia, a wholly owned subsidiary of Försäkringsaktiebolaget Skandia. Lars-Eric Petersson, Chairman of the Telia board of

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directors is also President, Chief Executive Officer and director of Försäkringsaktiebolaget Skandia. Mr. Petersson may be deemed to have an interest in the Telia shares beneficially owned by Livförsäkrings AB Skandia within the meaning of Rule 13d-3 under the Exchange Act; however, Mr. Petersson believes that he does not possess the power to direct the voting of these shares and disclaims beneficial ownership of the Telia shares held by Livförsäkrings AB Skandia.

VPC has advised Telia that as of August 31, 2002 Telia had 563 shareholders in the United States, representing approximately 0.4 percent of the total number of issued and outstanding Telia shares.

Interest of Telia s Management

As of August 31, 2002, members of the Telia board of directors and managers as a group held an aggregate of 75,001,033 shares of Telia AB, including 74,959,933 shares held by affiliated companies and as to which members of Telia s board of directors disclaim beneficial ownership, which represents approximately 2.5 percent of the outstanding shares of Telia AB. See DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES OF TELIA Compensation for a discussion of stock options held by Telia s board of directors and management.

Ownership of Sonera in Telia

To the best knowledge of Telia, neither Sonera, members of the Sonera board of directors or management, any associated company of Sonera or the Republic of Finland owns any Telia shares or securities.

Ownership of Sonera

As of August 31, 2002, Sonera s issued and outstanding share capital was 479,579,743.47, consisting of 1,115,301,729 Sonera shares, without nominal value. Each Sonera share entitles the holder to one vote at general meetings of shareholders. The Finnish State, Sonera s largest shareholder, does not have different voting rights from Sonera s other shareholders. The calculation of percentages in the Percentage of outstanding shares column in the table below is based upon the number of Sonera shares issued and outstanding on August 31, 2002, plus Sonera shares subject to Sonera warrants held by the respective persons or entities on August 31, 2002 and exercisable within 60 days of that date.

The principal shareholders of Sonera and their respective holdings were as follows:

Shareholder	Number of shares	Percent outstanding shares
Finnish State(1)	588,880,237	52.8
Ilmarinen Mutual Pension Insurance Company	8,597,552	0.8
The Local Government Pensions Institution	5,304,183	0.5
State s Pension Institution	4,800,000	0.4
Varma-Sampo Mutual Pension Insurance Company	4,342,675	0.4
LEL Employment Pension Fund	3,473,240	0.3
Mutual Insurance Company Eläke-Fennia	2,784,675	0.2
Suomi Mutual Life Insurance Company	2,270,000	0.2
Kuningas H.& Co	2,125,000	0.2
Suomi Insurance Company	2,000,000	0.2
Members of the Sonera board of directors and managers (as a group)(2)	43,104	(3)

(1) The business address and telephone number of the Finnish State is c/o The Finnish Ministry of Transport and Communications, Eteläesplanadi 16-18, FIN-00131 Helsinki, Finland, +358-9-16002.

(2) Members of the Sonera board of directors and managers also hold warrants exercisable for 3,660,004 Sonera shares, which represent approximately 0.3 percent of the total number of Sonera shares.

(3) Less than 0.1 percent.

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Sonera currently holds 550,000 of its own shares, equal to approximately 0.05 percent of Sonera s outstanding shares.

The depositary has advised Sonera that, as of September 27, 2002, approximately 0.7 percent of outstanding Sonera shares were held in the United States in the form of ADSs by 92 record holders. A significant number of Sonera ADSs are held of record by broker nominees. The number of beneficial owners of Sonera ADSs is unknown but Sonera estimates that the number of beneficial owners of Sonera ADSs was approximately 11,800 as of June 30, 2002.

Interests of Sonera s Management

As of September 27, 2002, members of the Sonera board of directors and the members of the executive management team of Sonera held an aggregate of 43,104 Sonera shares, which represented less than one percent of the outstanding shares of Sonera Corporation. In addition, the warrants held by the members and the executive management team, as of September 27, 2002, will, upon their exercise, entitle them to subscribe for an aggregate of 3,660,004 additional shares of Sonera Corporation, which would represent less than one percent of the then outstanding Sonera shares, including the Sonera shares to be subscribed for through exercise of Sonera warrants. See DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES OF SONERA Employee Option Rights, for a discussion of the warrants held by members of the Sonera board of directors and executive management team.

Ownership of Telia in Sonera

Neither Telia nor any of its affiliates, as defined in Chapter 6, Section 6 of the Finnish Securities Market Act, owns any Sonera securities or possess any voting rights in Sonera and, consequently, has not purchased any Sonera securities at a price higher than the 12-month volume-weighted average price of Sonera securities.

Ownership of the Combined Company

Assuming full acceptance of the exchange offer:

former Sonera shareholders will own in the aggregate approximately 36 percent and current Telia shareholders will own in the aggregate approximately 64 percent of the issued and outstanding shares of the combined company after the exchange offer is completed; and

the Kingdom of Sweden will own approximately 45 percent and the Republic of Finland will own approximately 19 percent of the issued and outstanding shares of the combined company after the exchange offer is completed. The Kingdom of Sweden and Republic of Finland have entered into a shareholders agreement regarding, among other things, the voting of their shares in Telia in certain matters. See SUMMARY OF THE SHAREHOLDERS AGREEMENT.

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UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited condensed pro forma consolidated financial statements give effect to the merger of Telia and Sonera and the related issuance of Telia shares and Telia warrants assuming that 100 percent of the outstanding shares and warrants of Sonera will be exchanged, no warrants are exercised, and that no cash consideration will be paid. For accounting purposes, the merger will be accounted for as Telia s acquisition of Sonera using the purchase method of accounting. The final combination of Telia and Sonera will, under IAS, be calculated based on the transaction value and the fair values of Sonera s identifiable assets and liabilities at the date of exchange of control. Therefore, the actual goodwill amount, as well as other balance sheet items, could differ from the preliminary unaudited condensed pro forma consolidated financial statements presented herein, and in turn affect items in the preliminary condensed pro forma consolidated income statement, such as goodwill amortization, income from associated companies and income taxes. The unaudited condensed pro forma consolidated income statements for the year ended December 31, 2001 and for the six months ended June 30, 2002 give effect to the merger as if the transaction had occurred on January 1, 2001. The unaudited condensed pro forma consolidated balance sheet as of June 30, 2002 gives effect to the merger as if the transaction had occurred on June 30, 2002.

Telia has presented these unaudited condensed pro forma consolidated financial statements for illustrative purposes only. The unaudited condensed pro forma consolidated financial statements are not necessarily indicative of the actual results of operations or financial position that would have occurred had the merger occurred on the dates indicated, nor are they necessarily indicative of future operating results or financial position. No account has been taken within the unaudited condensed pro forma consolidated financial statements to any synergy or any severance and restructuring costs that may, or may be expected to, occur following the exchange offer.

The European Commission has conditioned its consent to the merger of Telia and Sonera on Telia s disposal of its Finnish operations and its Swedish cable TV company Com Hem (the EU conditions). We have included these disposals in the unaudited condensed pro forma consolidated financial statements based on historical financial statements, as if they had taken place on January 1, 2001. Other applicable competition or regulatory authorities may also condition their approval of the merger on the disposal of certain operations. No account has been taken within the unaudited condensed pro forma consolidated financial statements to any such additional condition of approval.

The unaudited condensed pro forma consolidated financial statements are based on the historical financial statements of Telia and Sonera, which are prepared in accordance with IAS and Finnish GAAP, respectively. Finnish GAAP differs in some respects from IAS. Accordingly, the historical financial statements of Sonera have been adjusted to IAS for all periods presented in these unaudited condensed pro forma consolidated financial statements.

Telia and Sonera each have ownership interests in three entities in Latvia and Lithuania (the Baltic entities). Telia and Sonera each account for their investments in those entities under the equity method. After the merger has been completed, these Baltic entities will become controlled subsidiaries of the combined entity. We have included the Baltic entities in the unaudited condensed pro forma consolidated financial statements based on their historical financial statements, as if these entities had been controlled by the combined entity since January 1, 2001.

Telia has presented the unaudited condensed pro forma consolidated financial statements in accordance with IAS, and have also presented additional information in accordance with U.S. GAAP, for the year ended December 31, 2001, and as of June 30, 2002 and for the six-month period then ended in order to fulfill regulatory requirements in the United States. IAS differs in some respects from U.S. GAAP. We have presented in the notes to the unaudited condensed pro forma consolidated financial statements a reconciliation of the unaudited pro forma consolidated net income and shareholders equity under IAS to net income and shareholders equity under U.S. GAAP, together with a description of the principal differences. The combined entity will continue to prepare its consolidated financial statements in accordance with IAS, and will also provide additional information in accordance with U.S. GAAP in order to fulfill regulatory requirements in the United States.

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These unaudited condensed pro forma consolidated financial statements are only a summary and should be read in conjunction with the historical consolidated financial statements and related notes of Telia and Sonera and other information included or incorporated by reference in this document.

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UNAUDITED CONDENSED PRO FORMA CONSOLIDATED INCOME STATEMENT

for the year ended December 31, 2001
(in millions, except shares and per share data)

	Telia IAS SEK	Sonera Finnish GAAP SEK	Sonera IAS adjustments SEK	Sonera IAS SEK	Baltic entities IAS SEK	EU conditions IAS SEK	Pro forma adjustments IAS SEK	Pro forma consolidated TeliaSonera SEK	Pro forma consolidated TeliaSonera IAS	Pro forma consolidated TeliaSonera $
	Note 1	Note 2	Note 3		Note 4	Note 5	Note 6		Note 7	Note 8
INCOME STATEMENT DATA										
Net sales	57,196	20,245		20,245	5,744	(1,275)	(986)(b)	80,924	8,891.3	8,789.5
Cost of sales	(40,435)	(9,598)	(818)(a,c,g)	(10,416)	(2,743)	1,437	(288)(a,b,c)	(52,445)	(5,762.1)	(5,696.1)
Gross income	16,761	10,647	(818)	9,829	3,001	162	(1,274)	28,479	3,129.2	3,093.4
Sales, administrative and research and development expenses	(17,943)	(8,798)	53 (b,g,k)	(8,745)	(1,607)	1,136	(831)(a,c)	(27,990)	(3,075.3)	(3,040.1)
Other operating revenues and expenses	506	6,949	69 (d,k)	7,018	17	13		7,554	830.0	820.5
Income from associated companies	6,136	(1,872)	(1,615)(e,k)	(3,487)			(518)(a,c)	2,131	234.1	231.4
Operating income	5,460	6,926	(2,311)	4,615	1,411	1,311	(2,623)	10,174	1,118.0	1,105.2
Financial revenues and expenses	(652)	(2,811)	(833)(d,f,h)	(3,644)	(116)	79		(4,333)	(476.1)	(470.6)
Income before taxes and minority interests	4,808	4,115	(3,144)	971	1,295	1,390	(2,623)	5,841	641.9	634.6
Income taxes	(2,917)	(321)	795 (j)	474	(42)	(387)	320(a,c)	(2,552)	(280.5)	(277.3)
Minority interests	(22)	(6)		(6)			(570)(c)	(598)	(65.7)	(65.0)
Net income	1,869	3,788	(2,349)	1,439	1,253	1,003	(2,873)	2,691	295.7	292.3
Earnings per share:										
Basic	0.62			1.56				0.57	0.06	0.06
Diluted	0.62			1.56				0.57	0.06	0.06
Weighted average number of shares outstanding (in thousands)										
Basic	3,001,200			924,346				4,689,380	4,689,380	4,689,380
Diluted	3,001,200			924,346				4,689,380	4,689,380	4,689,380

The accompanying notes are an integral part of the unaudited condensed pro forma

consolidated financial statements.

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UNAUDITED CONDENSED PRO FORMA CONSOLIDATED INCOME STATEMENT

for the six-month period ended June 30, 2002
(in millions, except shares and per share data)

		Sonera						Pro forma consolidated TeliaSonera		
	Telia IAS SEK	Finnish GAAP SEK	IAS adjustments SEK	IAS SEK	Baltic entities IAS SEK	EU conditions IAS SEK	Pro forma adjustments IAS SEK	SEK	IAS	$
	Note 1	Note 2	Note 3		Note 4	Note 5	Note 6		Note 7	Note 8
Net sales	28,231	9,923		9,923	3,048	(856)	(414)(b)	39,932	4,387.4	4,337.1
Cost of sales	(18,344)	(4,704)	(103)(a,c,g)	(4,807)	(1,469)	847	(220)(a,b,c)	(23,993)	(2,636.3)	(2,606.0)
Gross income	9,887	5,219	(103)	5,116	1,579	(9)	(634)	15,939	1,751.1	1,731.1
Sales, administrative and research and development expenses	(9,004)	(3,271)	(42)(b,g)	(3,313)	(885)	516	(413)(a,c)	(13,099)	(1,439.1)	(1,422.7)
Other operating revenues and expenses	(430)	(1,024)	(3,932)(d,g,k)	(4,956)	19	(9)		(5,376)	(590.7)	(583.8)
Income from associated companies	375	(36,443)	5,906(c,e,k)	(30,537)			(228)(a,c)	(30,390)	(3,339.0)	(3,300.8)
Operating income	828	(35,519)	1,829	(33,690)	713	498	(1,275)	(32,926)	(3,617.7)	(3,576.2)
Financial revenues and expenses	(371)	(279)	430 (d,f,h)	151	(54)	38		(236)	(25.9)	(25.6)
Income before taxes and minority interests	457	(35,798)	2,259	(33,539)	659	536	(1,275)	(33,162)	(3,643.6)	(3,601.8)
Income taxes	(308)	11,415	(776)(j)	10,639	(131)	(154)	147(a,c)	10,193	1,119.9	1,107.1
Minority interests	8						(248)(c)	(240)	(26.3)	(26.1)
Net income	157	(24,383)	1,483	(22,900)	528	382	(1,376)	(23,209)	(2,550.0)	(2,520.8)
Earnings per share:										
Basic	0.05			(20.54)				(4.95)	(0.54)	(0.54)
Diluted	0.05			(20.54)				(4.95)	(0.54)	(0.54)
Weighted average number of shares outstanding (in thousands)										
Basic	3,001,200			1,114,752				4,689,380	4,689,380	4,689,380
Diluted	3,001,200			1,114,752				4,689,380	4,689,380	4,689,380

The accompanying notes are an integral part of the unaudited condensed pro forma

consolidated financial statements.

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UNAUDITED CONDENSED PRO FORMA CONSOLIDATED BALANCE SHEET

as of June 30, 2002
(in millions)

		Sonera						Pro forma consolidated TeliaSonera		
	Telia IAS SEK	Finnish GAAP SEK	IAS adjustments SEK	IAS SEK	Baltic entities IAS SEK	EU conditions IAS SEK	Pro forma adjustments IAS SEK	SEK	IAS	$
	Note 1	Note 2	Note 3		Note 4	Note 5	Note 6		Note 7	Note 8
ASSETS										
Intangible fixed assets	27,233	823	172 (g)	995	630	(44)	28,611 (a,c)	57,425	6,309.4	6,237.1
Tangible fixed assets	45,700	10,904	88 (a,c)	10,992	6,259	(1,726)		61,225	6,727.0	6,649.9
Interest-bearing financial fixed assets	7,869	1,633	(129)(d)	1,504	2	142		9,517	1,045.6	1,033.6
Deferred tax benefit	1,814	10,604	(142)(j)	10,462		(9)		12,267	1,347.9	1,332.4
Other non-interest-bearing financial fixed assets	10,012	12,889	1,814 (b,c,e, f)	14,703	13		(2,690)(c)	22,038	2,421.4	2,393.7
Total fixed assets	92,628	36,853	1,803	38,656	6,904	(1,637)	25,921	162,472	17,851.3	17,646.7
Interest-bearing current receivables	4,119	280		280		(2)		4,397	483.1	477.6
Inventories, other non-interest-bearing current receivables	19,209	4,973	74 (h,i)	5,047	1,129	(503)	(300)(b)	24,582	2,700.8	2,669.8
Short-term investments	226	8,751		8,751				8,977	986.3	975.0
Cash and cash equivalents	3,027	747		747	609	(4)		4,379	481.1	475.6
Total current assets	26,581	14,751	74	14,825	1,738	(509)	(300)	42,335	4,651.3	4,598.0
TOTAL ASSETS	119,209	51,604	1,877	53,481	8,642	(2,146)	25,621	204,807	22,502.6	22,244.7
SHAREHOLDERS EQUITY AND LIABILITIES										
Shareholders equity	59,728	16,894	1,802	18,696	5,582		19,180 (a,c)	103,186	11,337.3	11,207.3
Minority interests	245	7		7	2		2,409 (c)	2,663	292.6	289.2
Provisions for pensions	1,794					(35)		1,759	193.3	191.1
Deferred tax liability	7,270	288	181 (j)	469	1,081	(7)	3,148 (a,c)	11,961	1,314.1	1,299.1
Other provisions	3,411					(9)		3,402	373.8	369.5
Total provisions	12,475	288	181	469	1,081	(51)	3,148	17,122	1,881.2	1,859.7
Long-term loans	20,933	20,352	(154)(h)	20,198	364	(401)	1,184 (a)	42,278	4,645.2	4,591.9
Short-term loans	2,850	8,643		8,643	531	(1,126)		10,898	1,197.4	1,183.7
Non-interest-bearing liabilities	22,978	5,420	48 (h)	5,468	1,082	(568)	(300)(b)	28,660	3,148.9	3,112.9
Total liabilities	46,761	34,415	(106)	34,309	1,977	(2,095)	884	81,836	8,991.5	8,888.5
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	119,209	51,604	1,877	53,481	8,642	(2,146)	25,621	204,807	22,502.6	22,244.7

The accompanying notes are an integral part of the unaudited condensed pro forma consolidated financial statements.

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED

FINANCIAL STATEMENTS

Note 1: Historical financial statements of Telia

These columns reflect Telia s historical consolidated income statements for the year ended December 31, 2001 and for the six months ended June 30, 2002 and balance sheet as of June 30, 2002, prepared and presented in accordance with IAS.

Note 2: Historical financial statements of Sonera

These columns reflect Sonera s historical consolidated income statements for the year ended December 31, 2001 and for the six months ended June 30, 2002 and balance sheet as of June 30, 2002, prepared and presented in accordance with Finnish GAAP.

Certain reclassifications have been made to Sonera s income statement to conform to the presentation format in these unaudited condensed pro forma consolidated financial statements. Such reclassifications have no impact on income before income taxes and minority interests or net income.

Certain reclassifications have also been made to Sonera s balance sheet to conform to the presentation format in these unaudited condensed pro forma consolidated financial statements. Such reclassifications have no impact on shareholders equity or total assets.

Sonera presents its financial statements in euros. For the purposes of these unaudited condensed pro forma consolidated financial statements, Sonera s income statements and balance sheet have been translated into SEK at the following exchange rates:

	SEK/EUR
Income statement for the year ended December 31, 2001: average exchange rate for the year	9.2551
Income statement for the six months ended June 30, 2002: average exchange rate for the six months	9.1579
Balance sheet as of June 30, 2002: exchange rate as of June 28, 2002	9.1015

Certain of Sonera s long-term debt agreements contain provisions that could require Sonera to repay the debt upon a change in control. The unaudited condensed pro forma consolidated balance sheet assumes that the change in control will not result in the repayment of the debt outstanding under these agreements, and therefore, outstanding long-term debt amounts have not been reclassified as current.

Note 3: Sonera IAS adjustments

Sonera prepares its consolidated financial statements in accordance with Finnish GAAP, which differs in certain material respects from IAS. For purposes of preparing the unaudited condensed pro forma consolidated financial statements, Sonera s historical financial statements have been restated to conform to IAS. Many of the adjustments are the same or substantially the same as the adjustments to conform to U.S. GAAP. See Note 24 to Sonera s consolidated financial statements as of and for the years ended December 1999, 2000 and 2001 and Note 12 to Sonera s unaudited condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2002, each included elsewhere in this document.

Those adjustments that have a material effect are as follows. The euro-denominated adjustments that Sonera has made to restate its historical financial statements to IAS, have been converted into Swedish kronor using the exchange rates in Note 2 above.

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(a) 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 IAS, Sonera has followed the straight-line method also for all periods prior to 1997, and has adjusted the depreciation expense accordingly.

For the year ended December 31, 2001, this adjustment resulted in cost of sales increasing by SEK 120 million (13 million). As of and for the six months ended June 30, 2002, tangible fixed assets were increased by SEK 45 million (5 million) and cost of sales increased by SEK 30 million (3 million).

(b) Pensions and other post-retirement benefits

Under Finnish GAAP, pension expense consists of the contributions paid to the Sonera Pension Fund or to insurance companies. As with U.S. GAAP, Sonera has concluded that its pension plan for services provided up to the age of 55 is a defined benefit plan under IAS and has determined its pension expense and liability using the same assumptions as in its U.S. GAAP reconciliation. Sonera has concluded that the pension obligation for services provided from age 55 to 65 are multi-employer plans accounted for as defined contribution plans under IAS and U.S. GAAP, and there is no difference from the Finnish GAAP expenses recorded. As Sonera shares disability expense with the Finnish state for a majority of its employees, based on years of service, Sonera accounts for its disability plan liability and expense as a defined benefit plan as service is rendered.

For the year ended December 31, 2001, this adjustment resulted in sales, administration and research and development expenses being reduced by SEK 68 million (7 million). As of and for the six months ended June 30, 2002, other non-interest-bearing financial fixed assets were increased by SEK 417 million (46 million) and sales, administration and research and development expenses were increased by SEK 41 million (5 million).

(c) Write-downs

Under Finnish GAAP, Sonera recorded a write-down on certain assets related to its analog NMT network in 1998. Some of these assets are commonly used by several operations. Under IAS, it is not allowed to record an impairment loss on the commonly used assets. Instead, the useful lives of these assets were accelerated under IAS.

For the year ended December 31, 2001, this adjustment increased cost of sales by SEK 88 million (9 million). As of and for the six months ended June 30, 2002, the carrying value of tangible fixed assets was increased by SEK 43 million (5 million) and cost of sales increased by SEK 43 million (5 million).

As of June 30, 2002, under Finnish GAAP, Sonera recorded write-downs on its UMTS investments in Group 3G UMTS Holding GmbH of Germany and Ipse 2000 S.p.A. of Italy, totaling 4,280 million before deferred tax benefit. Under IAS, the write-downs amounted to SEK 36,609 million (3,998 million), of which SEK 3,997 million (437 million) increased other expenses. The carrying value of Sonera s investment in Group 3G under IAS before the write-down was different from Finnish GAAP due to differences in interest capitalization. See Note 3(f). Additionally, under IAS, the carrying value of SEK 1,820 million (200 million) after the write-down reflects the weighted average of expected option value in these investments.

For the six months ended June 30, 2002, this adjustment decreased the loss from associated companies by SEK 2,588 million (283 million).

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(d) 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 as write-downs or reversals of write-downs. Under IAS, Sonera reports all marketable securities classified as available-for-sale at fair value, and records the unrealized gains and losses as a separate component of shareholders equity, unless there is an impairment, in which case a write-down is recorded in the income statement. A reversal of impairment is recognized only if a subsequent increase in value can be related objectively to an event occurring after the loss was recognized. Sonera has not recognized any impairment reversals under IAS.

For the year ended December 31, 2001, adjusting to IAS resulted in other operating expenses and financial expenses net increasing by SEK 62 million (7 million) and SEK 586 million (63 million), respectively. For the six months ended June 30, 2002, the adjustment resulted in other operating expenses decreasing by SEK 16 million (2 million) and financial expenses net decreasing by SEK 525 million (57 million). As of June 30, 2002, interest-bearing financial fixed assets decreased by SEK 129 million (14 million).

(e) 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.

Accounting for hyperinflationary economies

Turkcell Iletisim Hizmetleri A.S., a company in which Sonera currently has a 37.1 percent direct and indirect interest and Fintur Holdings B.V., a company in which Sonera had a 35.31 percent interest during the periods presented, report their consolidated financial statements under U.S. GAAP in U.S. dollars, in accordance with SFAS No. 52 Foreign Currency Translation as applied to entities in hyper inflationary economies and therefore remeasure their transactions into U.S. dollars. IAS has a different technique to restate the financial statements of entities in hyper inflationary economies. IAS 21 The Effects of Changes in Foreign Exchange Rates would require Turkcell and Fintur to prepare Turkish lira financial statements and to restate those financial statements for the impact of inflation, based on the general price index. After restating for inflation, the financial statements would be translated into euros for inclusion in Sonera s financial statements using the equity method of accounting.

For the year ended December 31, 2001, adjusting to IAS 21 would entail an estimated reduction in income from associated companies by SEK 1,441 million (156 million). As of and for the six months ended June 30, 2002, the adjustment would entail an estimated reduction of other non-interest-bearing financial fixed assets by SEK 369 million (41 million) and an estimated increase in income from associated companies by SEK 1,295 million (141 million).

Other adjustments

Other adjustments that Sonera has made to adjust to IAS in relation to its associated companies reduced income from associated companies by SEK 30 million (3 million) for the year ended December 31, 2001, and by SEK 12 million (1 million) for the six months ended June 30, 2002. As of June 30, 2002, these adjustments reduced other non-interest-bearing financial fixed assets by SEK 55 million (6 million).

(f) Capitalization of interest

Under Finnish GAAP, Sonera capitalizes interest cost on all assets that require a period of time to get them ready for their intended use. The accounting principle used by Sonera is the same as would be required under U.S. GAAP. Under IAS, interest cost can not be capitalized in the consolidated financial statements

NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

when the construction activities are undertaken by an associated company. Accordingly, the interest capitalization related to Sonera s investments in associated companies has been reversed for IAS purposes.

For the year ended December 31, 2001, reversing the interest capitalization resulted in financial expenses being increased by SEK 415 million (45 million). As of and for the six months period ended June 30, 2002, the adjustment resulted in the carrying value of other non-interest-bearing financial fixed assets being reduced by SEK 751 million (83 million) and financial expenses being increased by SEK 191 million (21 million).

(g) Business combinations

Sonera s acquisitions in 2000 of Across Holding AB and iD2 Holding AB are accounted for under the purchase method of accounting under IAS. Under IAS, an impairment loss of 704 million (SEK 6,407 million) was recorded for the year ended December 31, 2000, to reduce the carrying value of goodwill and identified intangible assets down to their estimated recoverable amount. Under Finnish GAAP, Sonera did not record goodwill on these two acquisitions in accordance with the interpretation No. 1591/ 1999 by the Finnish Accounting Board.

For the year ended December 31, 2001, applying the purchase method led to an increase in cost of sales and in sales, administration and research and development expenses by SEK 610 million (66 million) and SEK 28 million (3 million), respectively. As of June 30, 2002, adjusting led to an increase of the carrying value of intangible fixed assets by SEK 171 million (19 million). For the six months ended June 30, 2002, cost of sales and sales, administration and research and development expenses increased by SEK 30 million (3 million) and SEK 1 million (0.1 million), respectively.

Under IAS, Sonera has performed an impairment test for all assets of Sonera SmartTrust, including goodwill paid for the Across and iD2 acquisitions, as of June 30, 2002. The outcome of the impairment test did not support the remaining carrying value of goodwill and identified intangible assets and Sonera recorded an impairment loss of SEK 1,913 million (209 million) on those assets for the six months ended June 30, 2002. The carrying values of goodwill and identified intangible assets after recording the impairment loss as of June 30, 2002 were reduced by SEK 163 million (18 million) and by SEK 9 million (1 million), respectively.

(h) Derivative financial instruments

Under Finnish GAAP, Sonera does not record interest rate derivatives at fair value. Under IAS, all derivatives are 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.

For the year ended December 31, 2001, adjusting to IAS resulted in net financial expenses being reduced by SEK 168 million (18 million). As of June 30, 2002, the carrying value of inventories and other non-interest-bearing current receivables were increased by SEK 99 million (11 million), while long-term loans decreased by SEK 154 million (17 million) and non-interest-bearing liabilities were increased by SEK 48 million (5 million). For the six months ended June 30, 2002 net financial expenses were reduced by SEK 96 million (11 million).

(i) Allowance for doubtful accounts

Under Finnish GAAP, Sonera uses the direct write-off method for bad debt. Amounts are generally written off directly after 90 days after the due date. Under IAS, an allowance for doubtful accounts is established for estimated bad debt included in accounts receivable. Sonera continuously evaluates the collectibility of accounts receivable, and has established a valuation allowance for IAS based on its past experience.

NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2001 and for the six months ended June 30, 2002, the adjustment did not affect the income statement. As of June 30, 2002, adjusting entailed reducing the carrying value of inventories and other non-interest-bearing current receivables by SEK 25 million (3 million).

(j) Income taxes

This item includes the deferred tax effects of the adjustments to conform to IAS. For the year ended December 31, 2001, the above-mentioned adjustment items in total entailed a net reduction of income tax expense by SEK 250 million (27 million). As of June 30, 2002, the adjustment in total entailed increasing the deferred tax liability by SEK 181 million (20 million) and decreasing the deferred tax benefit by SEK 491 million (54 million). For the six months ended June 30, 2002, income tax expense net increased by SEK 588 million (64 million).

Additionally, under Finnish GAAP, Sonera is allowed to choose not to record a deferred tax asset in certain circumstances. As of December 31, 2001 and as of June 30, 2002, Sonera has chosen not to record a deferred tax benefit for the excess of the tax basis over the amount for financial reporting purposes of an investment in a consolidated subsidiary. Under IAS, Sonera has recognized a deferred tax benefit for this temporary difference to the extent it is probable that the temporary difference will be realized.

For the year ended December 31, 2001, adjusting to IAS in this respect resulted in a reduction in income tax expense by SEK 545 million (59 million). As of and for the six months ended June 30, 2002, the adjustment resulted in an increase of the deferred tax benefit by SEK 349 million (38 million) and an increase in income tax expense by SEK 188 million (21 million).

(k) Reclassifications

Two items in Sonera s application of IAS have been reclassified to comply with Telia s application of IAS.

In its historical financial statements adjusted for IAS, Sonera reports capital gains and losses from sale of shares in associated companies in other income statement line items than Telia, which classifies them as income from associated companies. For the year ended December 31, 2001, these reclassifications reduced sales, administration and research and development expenses and other operating expenses by SEK 13 million (2 million) and SEK 131 million (14 million), respectively, and reduced income from associated companies by SEK 144 million (16 million). For the six months ended June 30, 2002, reclassifying increased other operating expenses net by SEK 2,035 million (222 million) and increased income from associated companies by the same amount.

In its historical financial statements adjusted for IAS, Sonera includes in Trade accounts receivable amounts due by customers, which have not yet been invoiced. Such items are reclassified to Prepaid expenses and accrued income to conform to Telia s presentation.

Note 4: Jointly controlled Baltic entities

These columns reflect the historical financial statements of the following companies that will become controlled subsidiaries of the combined company:

AB Lietuvos Telekomas. Together Telia and Sonera hold a 60 percent interest in the company, which is the largest provider of fixed-line telecommunications services in Lithuania. In 2001, Lietuvos Telekomas reported under IAS revenues of SEK 2,735 million (300 million) and net income of SEK 469 million (51 million). For the six months ended June 30, 2002, Lietuvos Telekomas reported revenues of SEK 1,298 million (143 million), net income of SEK 102 million (11 million). Total assets were SEK 5,234 million (575 million) as of June 30, 2002.

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

UAB Omnitel. Together Telia and Sonera hold a 55 percent interest in the company, which is the largest GSM operator in Lithuania. In 2001, Omnitel reported under U.S. GAAP revenues of SEK 1,270 million (140 million) and net income of SEK 292 million (32 million). For the six months ended June 30, 2002, Sonera and Telia used preliminary results which showed Omnitel s revenues to be SEK 859 million (94 million), net income to be SEK 164 million (18 million), and total assets as of June 30, 2002 to be SEK 1,665 million (183 million). These amounts are not expected to differ significantly when finalized.

Latvijas Mobilais Telefons SIA (LMT). Together Telia and Sonera hold a 49 percent interest in the company, which is the largest GSM operator in Latvia. Additionally, Lattelekom SIA, in which Sonera has a 49 percent interest, holds a 23 percent interest in Latvijas Mobilais Telefons. In 2001, Latvijas Mobilais Telefons reported under IAS revenues of SEK 1,739 million (191 million) and net income of SEK 492 million (54 million). For the six months ended June 30, 2002, Sonera and Telia used preliminary results which showed LMT s revenues to be SEK 890 million (98 million), net income to be SEK 262 million (29 million), and total assets as of June 30, 2002 to be SEK 1,518 million (167 million). These amounts are not expected to differ significantly when finalized. Together Telia and Sonera have the power to nominate four members to the board of directors of LMT consisting of seven members. For purposes of preparing the unaudited condensed pro forma consolidated financial statements, Telia and Sonera have determined that the power to nominate a majority of the members of the board of directors of LMT will give the combined company control in LMT.

Telia and Sonera have determined that there are currently no such terms or conditions in the shareholders agreements or the company statutes related to these companies, which would prevent the combined company from exercising its control in these companies.

The Baltic entities have been included in the unaudited condensed pro forma consolidated financial statements based on their historical financial statements. Certain reclassifications have been made to the income statements and balance sheets of these companies to conform to the presentation format in these unaudited condensed pro forma consolidated financial statements. Such reclassifications do not impact the results of operations and shareholders equity of these companies.

For purposes of these unaudited condensed pro forma consolidated financial statements, the income statements of the Baltic entities have been translated into Swedish kronor using the average exchange rate for the applicable period. The balance sheets have been translated into Swedish kronor using the exchange rate as of the balance sheet date.

Note 5: Complying with EU conditions for the merger

These columns reflect the fact that the European Commission, among other things, conditioned its consent to the TeliaSonera merger on Telia s disposal of its Finnish operations and its Swedish cable TV company Com Hem. Telia s Finnish operations comprise mobile telephony operations, a dealership chain and a wireless LAN business.

The disposals of these operations have been included in the unaudited condensed pro forma consolidated financial statements based on historical financial statements as included in Telia s consolidated financial statements under IAS and as if they had taken place on January 1, 2001.

For purposes of these unaudited condensed pro forma consolidated financial statements, we have anticipated the proceeds from the disposals to equal the value of the net assets in the operations to be divested.

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6: Pro forma adjustments

(a) Accounting acquirer and application of the purchase method of accounting

Telia has concluded that it is the accounting acquirer under IAS based on an analysis of the terms of the merger and related agreements and the requirements of IAS 22. Among the factors considered were:

The fair value (based on market capitalization) of Telia and Sonera was SEK 76.8 billion (8.4 billion) and SEK 39.1 billion (4.3 billion), respectively, as of June 28, 2002.

Under IAS, Telia s total assets were SEK 119.2 billion (13.1 billion) and Sonera s total assets were SEK 53.5 billion (5.9 billion) as of June 30, 2002. For the year ended December 31, 2001, revenues and net income were SEK 57.2 billion (6.3 billion) and SEK 1.9 billion (200 million), respectively, for Telia and SEK 20.2 billion (2.2 billion) and SEK 1.4 billion (200 million), respectively, for Sonera. For the six months ended June 30, 2002, revenues and net income were SEK 28.2 billion (3.1 billion) and SEK 0.2 billion (20 million), respectively, for Telia and SEK 9.9 billion (1.1 billion) and SEK (22.9) billion ((2.5) billion), respectively, for Sonera.

After the TeliaSonera merger, the voting interest in Telia of the current Telia shareholders and former Sonera shareholders will be approximately 64 percent and approximately 36 percent, respectively, assuming that all Sonera shares are exchanged for Telia shares.

After the TeliaSonera merger, the minority interests of Telia s and Sonera s two principal shareholders, the Kingdom of Sweden and the Republic of Finland, will be 45 percent and 19 percent, respectively, assuming that all Sonera shares are exchanged for Telia shares.

Telia will pay a premium of 10.4 percent for Sonera shares in the exchange offer based upon the average of the market price of both companies shares during the period from March 22 to March 28, 2002, a few trading days before and after the announcement of the transaction.

Pursuant to the shareholders agreement between the Kingdom of Sweden and the Republic of Finland, the board of directors of the combined company will consist of nine members, including Tapio Hintikka, the current chairman of the board of Sonera, Lars-Eric Petersson, the current chairman of the board of Telia, three members to be nominated by the nominating committee of the Sonera board of directors, three members to be nominated by the nominating committee of the shareholders of Telia and one independent director, who is currently not a member of the board of directors of either Telia or Sonera, to be nominated by the current chairmen of the boards of directors of Telia and Sonera.

After considering all these factors, we have concluded that the preponderance of evidence supports Telia as the accounting acquirer.

Under the purchase method of accounting, Telia will allocate the total purchase price to Sonera s assets and liabilities based on their relative fair values. The allocation reflected herein is subject to completion of valuations as of the date of the consummation of the acquisition. Consequently, the actual allocation of the purchase price could differ from that presented herein.

Some of the assets of Sonera that may affect the amount of goodwill at the completion of the exchange offer are as follows:

Intangible assets other than goodwill. Sonera has licenses in Finland to provide NMT, GSM, UMTS and fixed network telephony services. All licenses have been granted either free of charge or against a nominal payment. Accordingly, Sonera s licences in Finland have a zero book value. As of June 30, 2002, the number of Sonera mobile customers in Finland was approximately 2.5 million and the number of fixed network access lines was approximately 0.7 million.

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tangible assets. Sonera has a nationwide GSM 900 network in Finland, complemented by an integrated GSM 1800 network in densely populated areas. For its fixed network operations, Sonera has a digital local network in its service areas, digital regional and trunk networks in Finland, and an international network. The book value of Sonera s telecommunications networks was 860 million (SEK 7,831 million) under IAS as of June 30, 2002.

Investments. Sonera has significant investments in associated companies and other minority shareholdings. As of June 30, 2002, under IAS, the carrying value of Sonera s investments and shareholder loans receivable in associated companies totaled 1,551 million (SEK 14,120 million) and the carrying value of investments in other minority shareholdings totaled 132 million (SEK 1,200 million). As of June 30, 2002, the largest individual carrying values of investments (investments in shares and loans receivable) in associated companies were 467 million (SEK 4,250 million) in Turkcell Iletisim Hizmetleri A.S., 306 million (SEK 2,785 million) in Lattelekom SIA, and 210 million (SEK 1,910 million) in AB Lietuvos Telekomas. The largest individual carrying value of investments (investments in shares and loans receivable) in other minority shareholdings was 72 million (SEK 654 million) in Xfera Móviles, S.A.

The above list is not exhaustive, and there may be other assets and liabilities which may have to be adjusted for fair value when the actual and final valuations and allocations are made after completing the exchange offer.

Telia will complete the determination of fair values and the allocation of purchase price after the completion of the exchange offer. The determination of fair values will be based on an independent appraisal. Given the information available when preparing these unaudited condensed pro forma consolidated financial statements, management does not anticipate the final purchase price allocation to differ materially from the one presented herein.

These unaudited condensed pro forma consolidated financial statements have been prepared and presented using an assumption that 100 percent of the outstanding Sonera shares and Sonera warrants will be exchanged into Telia shares and Telia warrants, respectively, that no Sonera warrants are exercised and that no cash consideration will be paid.

Under IAS, the aggregate purchase price was calculated as follows:

Sonera shares outstanding	1,114,751,729
Exchange ratio into Telia shares	1.51440
Equivalent number of Telia shares	1,688,180,018
Telia share price[(1)]	SEK 25.60

	SEK million	million[(2)]
Estimated fair value of Telia shares issued	43,217	4,749
Estimated fair value of Telia warrants issued[(3)]	248	27
Estimated transaction related expenses[(4)]	1,184	130
Total estimated purchase price consideration[(5)]	44,649	4,906

(1) Telia shares issued to Sonera shareholders in consideration for the merger would be valued based on the quoted market price as of the completion date of the transaction. The share price used herein is based on the closing price of Telia share on June 28, 2002. For each SEK 1.00 increase or decrease in Telia share price, the merger consideration amount would increase or decrease by approximately SEK 1,688 million (approximately 185 million) and annual amortization would increase or decrease by approximately SEK 84 million (approximately 9 million).

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) The unaudited condensed pro forma consolidated Swedish krona amounts have been converted into euros solely for the convenience of the reader at the June 28, 2002 exchange rate, which was SEK 1.00 = 0.1099 (1.00 = SEK 9.1015).

(3) This amount represents the estimated fair value, based on a Black-Scholes valuation, of the Telia warrants expected to be issued in exchange for outstanding Sonera warrants upon completion of the Telia/ Sonera merger. The calculation is based on the number of Sonera warrants outstanding and the closing market price of Telia, calculated as a weighted average price, and assuming an exchange ratio of one Telia warrant for each Sonera warrant. Assumptions were also made based on the current information or plans for the exercise prices and other terms and conditions of the Telia warrants, expected volatility of the share of the combined company, expected dividend rate of the combined company, expected average life of options, and the discount rate. Actual and final valuations may differ from those reflected herein. There was no intrinsic value for the outstanding unvested warrants.

(4) Anticipated transaction related expenses to be capitalized by the combined company as a result of the TeliaSonera merger represent bankers fees, the possible 1.6 percent Finnish share transfer tax payable by Telia for all shares acquired from Sonera shareholders residing in Finland, and the transaction related legal, accounting and other fees and expenses.

(5) As discussed under the RISK FACTORS Risks Related to the Exchange Offer The exchange offer may result in the combined company being obliged to make a tender offer for all of the issued and outstanding shares of Turkcell, elsewhere in this prospectus, the TeliaSonera merger could under certain circumstances trigger a requirement for the combined company to make an offer to purchase all of the remaining issued and outstanding shares of Turkcell, a Turkish mobile operator in which Sonera currently, directly and indirectly, holds an approximately 37.1 percent interest. While the Turkish Capital Markets Board officials have indicated to Telia and Sonera that the Turkish Capital Markets Board may be willing to grant an exemption, there can be no assurance that such an exemption will ultimately be granted. In the event an exemption were not granted, TeliaSonera could be required after the completion of the TeliaSonera merger to make an offer to purchase all the outstanding shares of Turkcell not held by Sonera at the then prevailing market price.

On June 28, 2002, the closing price of the Turkcell shares on the Istanbul Stock Exchange was 7,000 Turkish lira, giving the issued and outstanding shares of Turkcell not currently held by Sonera an estimated aggregate market value of approximately SEK 13,209 million (1,451 million), based on the Turkish lira to Swedish kronor exchange rate on June 28, 2002. An acquisition by the combined company would under this assumption, if paid in cash, mean an increase in interest-bearing debt of the combined company by the same amount. Furthermore, an acquisition would result in additional goodwill of approximately SEK 5,915 million (650 million), after valuing the trade name to approximately SEK 921 million (101 million) resulting in a deferred tax liability of SEK 304 million (33 million). Assuming an amortization period of 20 years for the trade name and for the additional goodwill, the annual amortization would increase by approximately SEK 342 million (38 million) and the deferred tax would decrease by approximately SEK 15 million (1.6 million).

For each 10 percent increase or decrease in Turkcell share price, with other things constant, the purchase price and interest-bearing debt would increase or decrease by approximately SEK 1,321 million (145 million) and annual amortization would increase or decrease by approximately SEK 66 million (7 million), while deferred tax would not change. For each 10 percent increase or decrease in the Turkish lira to Swedish krona exchange rate, with other things constant, the purchase price and interest-bearing debt would increase or decrease by approximately SEK 1,321 million (approximately 145 million) and annual amortization would increase or decrease by approximately SEK 34 million (4 million) and the deferred tax would decrease or increase by approximately SEK 2 million (0.2 million).

NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The estimated excess of purchase price consideration over the approximate value of Sonera s net assets, the estimated fair value adjustments and the estimated goodwill are as follows:

	SEK million	million(1)
Total estimated purchase price consideration	44,649	4,906
Less: approximate value of Sonera s net assets under IAS	(18,696)	(2,054)
Estimated excess of purchase price consideration over approximate value of Sonera s net assets under IAS	25,953	2,852
Less: Estimated fair value of trade names	(1,638)	(180)
Less: Estimated fair value of licenses and contractual agreements	(5,735)	(630)
Less: Estimated fair value adjustment of investments in associated companies and other equity holdings	(3,622)	(398)
Deferred tax	3,189	350
Estimated goodwill	18,147	1,994

(1) The unaudited condensed pro forma consolidated Swedish krona amounts have been converted into euros solely for the convenience of the reader at the June 28, 2002 exchange rate, which was SEK 1.00 = 0.1099 (1.00 = SEK 9.1015).

Remaining useful economic lives have been estimated to be five years for trade names and leased lines, 15 years for GSM licenses in Finland, and 20 years for mobile roaming and interconnection agreements and the UMTS license in Finland. The preliminary estimated amortization on fair value adjustments of these other intangible assets would be 74 million per year, recorded as operating expenses by function as follows:

	Year ended December 31, 2001		Six months ended June 30, 2002	
	SEK million	million	SEK million	million
Cost of sales	352	38	174	19
Sales, administration and research and development	333	36	165	18
Total effect on operating income	685	74	339	37

Amortization on other intangible assets reduces deferred tax expenses by SEK 199 million (21 million) for the year ended December 31, 2001 and by SEK 98 million (11 million) for the six months ended June 30, 2002.

Remaining useful economic lives for fair value adjustments to the book values of investments in associated companies have been estimated to be ten years. The preliminary estimated amortization on these fair value adjustments would be 40 million per year (SEK 368 million for the year ended December 31, 2001 and SEK 182 million for the six months ended June 30, 2002), recorded under income from associated companies. Amortization reduces deferred tax expenses by 12 million per year (SEK 107 million for the year ended December 31, 2001 and SEK 53 million for the six months ended June 30, 2002).

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

It has further been estimated that the combined company will amortize goodwill arising from the merger over an economic useful life of 20 years under IAS. The estimated adjustment necessary to record the amortization on the resulting goodwill would be 100 million per year, recorded as operating expenses by function as follows:

	Year ended December 31, 2001		Six months ended June 30, 2002	
	SEK million	million	SEK million	million
Cost of sales	549	60	271	30
Sales, administration and research and development	374	40	185	20
Total	923	100	456	50

After the completion of the exchange offer and the allocation of the purchase price to assets and liabilities of Sonera, the actual and final amount of goodwill and the resulting annual amortization may be lower or higher than the amount presented in these unaudited condensed pro forma consolidated financial statements. However, given the information available when preparing these unaudited condensed pro forma consolidated financial statements, management does not anticipate the final purchase price allocation to differ materially from the one presented herein.

(b) Intercompany transactions

All estimated intercompany receivables, payables, income and expenses have been eliminated. These amounts consist of intercompany transactions between Telia and Sonera, between Telia and the Baltic entities included in this pro forma consolidation, between Sonera and the Baltic entities, and among the Baltic entities.

The amount of intercompany sales and purchases totaled SEK 986 million (107 million) for the year ended December 31, 2001 and SEK 414 million (45 million) for the six months ended June 30, 2002. As the intercompany purchases are network-related, like interconnect, roaming and international settlements, they were classified as cost of sales. The amount of intercompany receivables and payables totaled SEK 300 million (33 million) as of June 30, 2002.

(c) Consolidation of Baltic entities

As discussed in Note 4 above, three Baltic entities in Latvia and Lithuania will become controlled subsidiaries of the combined entity, and have been included in the unaudited condensed pro forma consolidated financial statements as subsidiaries. Telia and Sonera each have accounted for their investments in the Baltic entities under the equity method in their historical financial statements.

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The pro forma adjustments related to these entities are as follows:

Reversal of income from associated companies, including goodwill amortization, totaling SEK 150 million (16 million) for the year ended December 31, 2001 and SEK 46 million (5 million) for the six months ended June 30, 2002, that Telia and Sonera have recorded in respect of these entities in their historical financial statements. The goodwill amortization, annually amounting to Lithuanian litas 192 million (SEK 497 million), is reclassified as operating expenses to functional line items, as follows:

	Year ended December 31, 2001		Six months ended June 30, 2002	
	SEK million	million	SEK million	million
Cost of sales	373	41	189	20
Sales, administration and research and development	124	14	63	7
Total	497	55	251	27

As of June 30, 2002 the total investment, including goodwill, by Telia and Sonera in the Baltic entities was SEK 6,313 million (694 million), of which SEK 3,221 million (354 million) was eliminated. The goodwill amount of SEK 3,092 million (340 million) was reclassified from investments in associated companies to goodwill.

Reversal of a deferred tax liability, as of June 30, 2002 amounting to SEK 41 million (4 million), on undistributed retained earnings that Sonera has recorded related to these entities in its historical financial statements. The effect on net income for the year ended December 31, 2001 was SEK 14 million (1.5 million) and for the six-month period ended June 30, 2002, SEK (4) million ((0.4) million).

Recording minority interest in income for these entities amounting to SEK 570 million (62 million) for the year ended December 31, 2001 and to SEK 248 million (27 million) for the six months ended June 30, 2002. Minority interest in equity as of June 30, 2002 amounted to SEK 2,409 million (265 million).

The pro forma adjustments have been based on the Baltic entities audited financial statements as of and for the year ended December 31, 2001. As of and for the six months ended June 30, 2002 the pro forma adjustments have been based on Lietuvos Telekomas published unaudited financial statements and preliminary financial statements for Omnitel and LMT. When preparing their own financial statements, Telia and Sonera had to make estimates as to the net income and shareholders equity of all the three Baltic entities. The difference between the actual financial statements and these estimates has been reflected in the accompanying pro forma financial statements and has affected pro forma adjusted net income by SEK 65 million (7 million) for the year ended December 31, 2001 and by SEK (21) million ((2) million) for the six months ended June 30, 2002. Pro forma shareholders equity was affected by SEK (7) million ((1) million) as of June 30, 2002.

Note 7: Convenience translation into euros

The unaudited condensed pro forma consolidated Swedish krona amounts have been translated into euros solely for the convenience of the reader at the June 28, 2002 exchange rate, which was SEK 1.00 = 0.1099 (1.00 = SEK 9.1015).

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8: Convenience translation into U.S. dollars

The unaudited condensed pro forma consolidated Swedish krona amounts have been translated into U.S. dollars solely for the convenience of the reader at the June 28, 2002 noon buying rate, which was SEK 1.00 = $0.1086 ($1.00 = SEK 9.2070).

Note 9: U.S. GAAP information

The following summarizes the principal adjustments to reconcile the unaudited pro forma consolidated net income and shareholders equity under IAS to the amounts that would have been reported had U.S. GAAP been applied.

Telia adjustment items are discussed in Note 39 to Telia s consolidated financial statements as of and for the years ended December 31, 2001, 2000 and 1999, and in Note 23 to Telia s unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2002, each included elsewhere in this document. Note 24 to Sonera s consolidated financial statements as of and for the years ended December 31, 1999, 2000 and 2001, and Note 12 to Sonera s unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2002, each included elsewhere in this document, discuss adjustment items related to Sonera s consolidated financial statements that are prepared under Finnish GAAP. As disclosed in Note 3, Sonera IAS adjustments, a number of these adjustments are the same or substantially the same as the adjustments to conform to IAS. The remaining adjustment items are presented below.

	Year ended December 31, 2001			Six months ended June 30, 2002		
	SEK	€(a)	$(b)	SEK	€(a)	$(b)
	(in millions, except for shares and per share data)					
Unaudited pro forma net income under IAS	2,691	295.7	292.3	(23,209)	(2,550.0)	(2,520.8)
Adjustments to reconcile to U.S. GAAP:						
Telia						
Revenue recognition	(239)	(26.2)	(26.0)	(78)	(8.6)	(8.5)
Impairment charge	3,027	332.6	328.8	(59)	(6.5)	(6.4)
Sale and leaseback	(274)	(30.1)	(29.8)	228	25.1	24.8
Alecta/SPP funds	138	15.2	15.0	92	10.1	10.0
Share of earnings in associated companies	29	3.2	3.1	0	0.0	0.0
Financing associated companies	(15)	(1.6)	(1.6)	0	0.0	0.0
Goodwill amortization	2	0.2	0.2	915	100.5	99.4
Changes in accounting principles	4	0.4	0.4			
Deferred tax	(7)	(0.8)	(0.8)	(68)	(7.5)	(7.4)
Sonera						
(c) Associated companies in hyper inflationary economies	1,441	158.3	156.5	(1,295)	(142.3)	(140.6)
(d) Capitalization of interest on equity method investments	415	45.6	45.1	(565)	(62.1)	(61.4)
(e) Share of earnings in associated companies				13	1.4	1.4
(f) Goodwill amortization				308	33.9	33.4
(g) Changes in accounting principles	(56)	(6.1)	(6.0)			
(h) Deferred tax	(174)	(19.0)	(18.8)	58	6.4	6.3
Combination						
(i) Goodwill amortization	1,291	141.8	140.2	639	70.2	69.4
(j) Amortization of other intangible assets	(1,006)	(110.5)	(109.3)	(498)	(54.7)	(54.1)
(k) Deferred tax	186	20.4	20.2	91	10.0	9.9
Unaudited pro forma net income under U.S. GAAP	7,453	818.9	809.5	(23,428)	(2,574.1)	(2,544.6)
Pro forma earnings per share under U.S. GAAP:						
Basic	1.59	0.17	0.17	(5.00)	(0.55)	(0.54)

Diluted	1.59	0.17	0.17	(5.00)	(0.55)	(0.54)

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year ended December 31, 2001			Six months ended June 30, 2002		
	SEK	(a)	$(b)	SEK	(a)	$(b)
	(in millions, except for shares and per share data)					
Average number of shares outstanding:						
Basic	4,689,380	4,689,380	4,689,380	4,689,380	4,689,380	4,689,380
Diluted	4,689,380	4,689,380	4,689,380	4,689,380	4,689,380	4,689,380
With respect to goodwill and intangible assets acquired prior to July 1, 2001, Telia and Sonera began applying the amortization provisions of SFAS No. 142 Goodwill and Other Intangible Assets, beginning January 1, 2002. The effects on pro forma goodwill amortization, and consolidated pro forma net income and earnings per share, had SFAS 142 been applied as of January 1, 2001, are as follows.						
Reported pro forma net income under U.S. GAAP	7,453	818.9	809.5	(23,428)	(2,574.1)	(2,544.6)
Add-back: Pro forma goodwill amortization, net of tax, on						
Telia subsidiaries	1,375	151.1	149.3			
Telia associated companies	902	99.1	98.0			
Sonera subsidiaries	693	76.1	75.3			
Sonera associated companies	534	58.6	58.0			
Adjusted pro forma net income under U.S. GAAP	10,957	1,203.8	1,190.1	(23,428)	(2,574.1)	(2,544.6)
Adjusted pro forma earnings per share under U.S. GAAP:						
Basic	2.34	0.26	0.25	(5.00)	(0.55)	(0.54)
Diluted	2.34	0.26	0.25	(5.00)	(0.55)	(0.54)

	As of June 30, 2002		
	SEK	(a)	$ (b)
		(in millions)	
Unaudited pro forma shareholders equity under IAS	103,186	11,337.3	11,207.3
Adjustments to reconcile to U.S. GAAP:			
Telia			
Revenue recognition	(4,034)	(443.2)	(438.1)
Impairment charge	2,968	326.1	322.4
Sale and leaseback	(1,416)	(155.6)	(153.8)
Alecta/SPP funds	(157)	(17.2)	(17.1)
Financial associated companies	3	0.3	0.3
Goodwill amortization	926	101.7	100.6
Deferred tax	1,454	159.8	157.9
Combination			
(h) Calculation of purchase price	18,824	2,068.2	2,044.5
Unaudited pro forma shareholders equity under U.S. GAAP	121,754	13,377.4	13,224.0

(a) Convenience translation into euros

The unaudited condensed pro forma consolidated Swedish krona amounts have been converted into euros solely for the convenience of the reader at the June 28, 2002 exchange rate, which was SEK 1.00 = 0.1099 (1.00 = SEK 9.1015).

(b) Convenience translation into U.S. dollars

The unaudited condensed pro forma consolidated Swedish krona amounts have been converted into U.S. dollars solely for the convenience of the reader at the June 28, 2002 noon buying rate, which was SEK 1.00 = $0.1086 ($1.00 = SEK 9.2070).

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(c) Associated companies in hyper inflationary economies

This item refers to Sonera s associated companies in Turkey and Eurasia as set forth in Note 3(e). The technique used when restating financial statements of entities in hyper inflationary economies differs between IAS and the rules set out in SFAS No. 52 Foreign Currency Translation.

(d) Capitalization of interest on equity method investments

Under IAS, interest cost can not be capitalized in the consolidated financial statements when an associated company undertakes the construction activities.

U.S. GAAP requires that interest cost be capitalized on all assets that require a period of time to get them ready for their intended use, including investments in associated companies when such associated companies use the invested funds in the construction of qualified assets.

(e) Share of earnings in associated companies

Sonera s share of net income of its associated companies is determined using the equity method of accounting and is based on the net income of the investees prepared in accordance with IAS. This reconciliation item reflects adjustments for the differences between IAS and U.S. GAAP relating to the associated companies.

(f) Goodwill amortization

This item represents Sonera s adoption of SFAS No. 142 Goodwill and Other Intangible Assets.

(g) Changes in accounting principles

This item represents Sonera s adoption of SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 138 Accounting for Certain Derivative Instruments and Certain Hedging Activities, an Amendment of FASB Statement No. 133.

(h) Calculation of purchase price

Telia has concluded that it is the accounting acquirer under U.S. GAAP as well as under IAS. This has been based on a careful analysis and consideration of the terms of the merger and related agreements and the requirements of SFAS No. 141 Business Combinations. A number of factors considered are discussed in the beginning of Note 6 (a). After considering all these factors, we have concluded that the preponderance of evidence supports Telia as the accounting acquirer.

Under IAS, the Telia shares issued in consideration for the TeliaSonera merger to Sonera shareholders will be valued based on the quoted market price as of the closing date of the transaction. For the purposes of these unaudited condensed pro forma consolidated financial statements, the purchase price consideration under IAS has been estimated using the closing share price of Telia on June 28, 2002. The actual and final valuation under IAS may differ from that reflected herein.

Under U.S. GAAP, the market price for a reasonable period before and after the date the terms of the transaction are agreed to and announced shall be considered in determining the fair value of securities issued. Accordingly, under U.S. GAAP, the Telia shares issued in consideration for the TeliaSonera merger to Sonera shareholders are valued based on a weighted average for the five consecutive trading days between March 22 and 28, 2002, which was SEK 36.75 per share. Under U.S. GAAP, the fair value of Telia shares issued is SEK 62,041 million (6,817 million), as compared to an estimate of SEK 43,217 million (4,749 million) under IAS, creating a difference of SEK 18,824 million (2,068 million).

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The estimated excess of purchase price consideration over the approximate value of Sonera s net assets, the estimated fair value adjustments and the estimated goodwill under U.S. GAAP are as follows:

	SEK million	million(1)
Fair value of Telia shares issued	62,041	6,817
Fair value of Telia warrants issued	248	27
Estimated transaction related expenses	1,184	130
Total estimated purchase price consideration(4)	63,473	6,974
Less: approximate value of Sonera s net assets under U.S. GAAP(2)	(19,369)	(2,128)
Estimated excess of purchase price consideration over approximate value of Sonera s net assets under U.S. GAAP	44,104	4,846
Less: Estimated fair value of trade names	(1,638)	(180)
Less: Estimated fair value of licenses and contractual agreements	(5,735)	(630)
Less: Estimated fair value adjustment of investments in associated companies and other equity holdings	(2,831)	(311)
Less: Estimated fair value of customer list(3)	(10,331)	(1,135)
Deferred tax	5,956	654
Estimated goodwill	29,525	3,244

(1) The unaudited condensed pro forma consolidated Swedish krona amounts have been converted into euros solely for the convenience of the reader at the June 28, 2002 exchange rate, which was SEK 1.00 = 0.1099 (1.00 = SEK 9.1015).

(2) Based on Sonera s U.S. GAAP reconciliation as of June 30, 2002.

(3) In addition to the fair value adjustments determined for IAS purposes, U.S. GAAP also requires that fair value be assigned to the customer base acquired.

(4) As discussed under RISK FACTORS Risks Related to the Exchange Offer The exchange offer may result in the combined company being obliged to make a tender offer for all of the issued and outstanding shares of Turkcell, elsewhere in this prospectus, the TeliaSonera merger could under certain circumstances trigger a requirement for the combined company to make an offer to purchase all of the remaining issued and outstanding shares of Turkcell, a Turkish mobile operator in which Sonera currently, directly and indirectly, holds an approximately 37.1 percent interest. While the Turkish Capital Markets Board officials have indicated to Telia and Sonera that the Turkish Capital Markets Board may be willing to grant an exemption, there can be no assurance that such an exemption will ultimately be granted. In the event an exemption were not granted, TeliaSonera could be required after the completion of the TeliaSonera merger to make an offer to purchase all the outstanding shares of Turkcell not held by Sonera at the then prevailing market price.

On June 28, 2002, the closing price of the Turkcell shares on the Istanbul Stock Exchange was 7,000 Turkish lira, giving the issued and outstanding shares of Turkcell not currently held by Sonera an estimated aggregate market value of approximately SEK 13,209 million (1,451 million), based on the Turkish lira to Swedish krona exchange rate on June 28, 2002. An acquisition by the combined company would under this assumption, if paid in cash, mean an increase in interest-bearing debt of the combined company by the same amount. Furthermore, an acquisition would result in additional goodwill of approximately SEK 3,604 million (396 million), after valuing other intangibles (trade name and customer list) to approximately SEK 3,223 million (354 million) resulting in a deferred tax liability of SEK 1,063 million (117 million) under U.S. GAAP. Assuming an amortization period of 20 years for trade name and seven years for customer list, the annual amortization would increase by approximately SEK 375 million (41 million) and the deferred tax would decrease by approximately SEK 124 million (14 million) under U.S. GAAP.

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NOTES TO THE UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For each 10 percent increase or decrease in Turkcell share price, with other things constant, the purchase price and interest-bearing debt would increase or decrease by approximately SEK 1,321 million (145 million), while annual amortization and deferred tax would not change. For each 10 percent increase or decrease in the Turkish lira to Swedish krona exchange rate, with other things constant, the purchase price and interest-bearing debt would increase or decrease by approximately SEK 1,321 million (145 million) and annual amortization would increase or decrease by approximately SEK 37 million (4 million) and the deferred tax would decrease or increase by approximately SEK 12 million (1.3 million).

After the completion of the exchange offer, management will finalize the allocation of the purchase price to assets and liabilities of Sonera, based on independent appraisal of fair values. The valuation of Sonera s intangible assets will include in-process research and development, if any. As a result of the final purchase price allocation the actual amount of goodwill may be lower or higher than the amount presented herein. However, given the information available when preparing this unaudited condensed pro forma consolidated financial information under U.S. GAAP, management does not anticipate the final purchase price allocation to differ materially from the one presented herein.

(i) Goodwill amortization

The difference in the method of calculating the fair value of Telia shares issued affects the amount of pro forma goodwill from the transaction under U.S. GAAP.

Under IAS, the purchase price allocated to identifiable assets and liabilities is amortized based on the estimated useful life of the identifiable assets and liabilities. The excess purchase price after this allocation is described as goodwill and recognized as a separate asset. It has been estimated that the combined entity will amortize goodwill arising from the merger over an economic useful life of 20 years under IAS.

Under U.S. GAAP, goodwill arising in a business combination for which the transaction date is after June 30, 2001 shall not be amortized. Accordingly, amortization of goodwill from the transaction has been reversed in the unaudited pro forma net income under U.S. GAAP for the year ended December 31, 2001 and the six months ended June 30, 2002.

(j) Amortization of other intangible assets

The customer list (portfolio of customers) includes mobile and fixed-line residential and corporate customers. Under IAS, the customer list is not deemed to meet the definition of intangible assets. Therefore, Telia has not assigned any value to Sonera s customer list under IAS.

Under U.S. GAAP, the estimated fair value of the customer list is recorded as an intangible asset and amortized over its economic useful life. The remaining useful lives have been estimated to be 11 years for mobile residential, nine years for mobile corporate, 15 years for fixed-line residential, and 11 years for fixed-line corporate customers.

(k) Deferred tax

This item represents the deferred tax effects of the adjustments to reconcile to U.S. GAAP.

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THE TELECOMMUNICATIONS INDUSTRY IN THE NORDIC COUNTRIES

Overview

The Nordic telecommunications industry is one of the most developed in the world and is characterized by its innovation and ability to rapidly identify and adopt new trends and technologies. The Nordic telecommunications industry has been strongly influenced by the digitalization of its networks and the radical progress in transmission and access technology. In addition, the price of mobile services has steadily decreased while mobility and the number of applications and services available to mobile users has greatly increased. The Nordic market has demonstrated its ability to adopt new technologies and services at an early stage. In addition, there has been strong growth in the demand for broadband services by both business and residential customers.

Telia and Sonera believe that the continued growth of the Internet as a communications tool will result in the telecommunication industry shifting its focus towards technologies based on IP (Internet Protocol). IP is the protocol used in the Internet for communication among multiple networks. IP-based networks have been developed to carry all types of services including voice, audio, text, data, images and video services. In addition, the move towards an information-based economy, increased PC ownership and improved access technology is expected to lead to a dramatic increase in the volume of global data traffic. The Nordic region has one of the highest penetration rates for PCs and for the number of computers linked to the Internet in the world. Telia and Sonera believe that, as a result, the Nordic market is at the forefront of this shift and is leading the way in the development and use of innovative IP-based technologies and services.

The Nordic region has a high density of technology companies. Historically, national telecommunications operators have enjoyed a close relationship with equipment manufacturers, such as Ericsson and Nokia, which has encouraged project-based cooperation in the region and produced pioneering technological developments, particularly in wireless communications.

The Nordic region is characterized by high mobile penetration rates. As of December 31, 2001, the mobile penetration rate was approximately 80 percent in Sweden, 75 percent in Norway, 68 percent in Denmark and 77 percent in Finland. Telia expects growth in the Nordic mobile communications market to continue through the introduction of UMTS-based products and services as well as through other new data transmission and Internet-based services.

Sweden

The mobile communications market in Sweden has been competitive since its inception in 1981 and all segments of the Swedish telecommunications market enjoy active competition. As a result, Telia has been operating in a competitive environment for a longer period than most European telecommunications operators.

Prior to 1993, there had been little regulation of the telecommunication sector in Sweden and few legal barriers to competition. In 1993, the Swedish Parliament enacted the Swedish Telecommunications Act (*Telelagen 1993:597*) with the goal of establishing a liberal, open regulatory regime for the Swedish telecommunications market, five years ahead of the European Commission s 1998 deadline for the implementation of its liberalization directives.

Finland

The historical development of a local telephone service market in Finland and the early liberalization of the Finnish domestic long distance, international, mobile and data service markets has resulted in Finland having one of the most liberalized and competitive telecommunications markets in Europe. Due to a tradition of local telephone companies in Finland owning and operating their own telecommunications networks and benefiting from a base of local subscribers, they were able to assume substantial market shares in the areas of domestic long distance, international and mobile voice services and other telecommunications services when these areas were opened to competition in the 1980s and the 1990s.

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In 1994, local, domestic long distance and international voice services were opened to competition. In 1990, the provision of mobile communications was opened to competition in Finland. Finland s liberal telecommunications environment has resulted in low tariffs and contributed to high rates of consumption of telecommunications services and products.

Denmark

In 1996, the Danish government fully liberalized the Danish telecommunications infrastructure and services and further abolished all exclusive and special rights for companies providing fixed line telephone services. Between 1998 and 1999, local loop unbundling and carrier pre-selection were introduced in the Danish telecommunications market. As a result of these reforms, the market for fixed and mobile telephone services as well as Internet services have been increasingly competitive.

Norway

The Norwegian telecommunications industry was only recently deregulated. Prior to 1998, the Norwegian telecommunications market was gradually liberalized and, on January 1, 1998, the market was fully opened to competition. The Norwegian regulatory regime currently poses few barriers to entry for new competitors and, as a result, there is significant competition between telecommunications services providers in Norway. This increased competition has placed a downward pressure on market prices and has contributed to high rates of consumption of telecommunications services and products in Norway.

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INFORMATION ABOUT TELIA

Overview

Telia is the leading telecommunications company in the Nordic region and a market leader in a number of growth areas, including mobile communications, broadband Internet services and IP-based network services. Telia has a long tradition of innovation in the telecommunications sector. This tradition extends from the earliest developments in fixed line telecommunications to Telia s central role in the development of the digital mobile telecommunications standard, GSM, in the early 1990s and its recent launch of GPRS (General Packet Radio Service) in Sweden, Finland and Norway. At June 30, 2002, Telia provided mobile telecommunications services to approximately 5.1 million subscribers in the Nordic region and had approximately 6.5 million equivalent fixed telephone access lines in Sweden. Telia also offers advanced data transmission services and, with approximately 1.2 million residential and business subscribers, Telia is the leading dial-up and broadband Internet service provider in the Nordic region. Telia also has extensive international carrier operations located primarily in Europe. In 2001, Telia had consolidated net sales of SEK 57,196 million and net income of SEK 1,869 million. For the six months ended June 30, 2002, Telia had consolidated net sales of SEK 28,231 million, and net income of SEK 157 million. At June 30, 2002, Telia had consolidated total assets of SEK 119,209 million and a total net interest-bearing liability of SEK 10,336 million.

History

Telia was originally managed directly by the Swedish State as a public service corporation (*affärsverk*), Televerket. Televerket was the successor to the state-owned Telegraph Administration which acquired virtually all privately owned telephone networks in Sweden between 1890 and 1920. Although Telia has never operated under a statutorily sanctioned monopoly, Televerket was virtually the sole provider of public voice telecommunications services in Sweden. In 1993, the Swedish State decided to transform Televerket into a state-owned public company through the transfer of Televerket s assets to TeleInvest AB, a limited liability company (*aktiebolag*) previously incorporated in 1966 that was subsequently renamed Telia AB. Telia AB became a public limited company (*publikt aktiebolag*) in 1994. During the 1980s and 1990s, Telia developed from a near monopoly to a competitor in an open market for telecommunications.

Prior to June 2000, all of the shares of Telia were owned by the Swedish State. In June 2000, the Swedish State sold 733 million shares and Telia issued 150 million shares each at a price of SEK 85 per share in an initial public offering carried out in reliance on Regulation S and Rule 144A under the Securities Act to institutional and retail investors in Sweden and abroad. Telia received net proceeds of SEK 12,429 million from the offering. Telia s shares were quoted on the A-list of the Stockholm Exchange in connection with the offering.

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Parent Company and Significant Subsidiaries

Telia AB is the ultimate parent company of the Telia group and is primarily responsible for carrying out the group s fixed network operations. Telia carries out the remainder of its operations through subsidiaries, the most significant of which are listed below:

Name of company	Domicile	Ownership	External net sales for the year ended December 31, 2001
		(%)	(SEK in millions)
Parent Company:			
Telia AB	Stockholm, Sweden		4,167
Significant Subsidiaries:			
Telia Mobile AB	Nacka, Sweden	100.0	10,903
Telia e-bolaget AB	Stockholm, Sweden	100.0	1,233
Com Hem AB(1)	Stockholm, Sweden	100.0	877
Telia Sverige AB	Gothenburg, Sweden	100.0	14,924
Telia Partner AB	Stockholm,Sweden	100.0	8,117
Telia Online AB	Stockholm, Sweden	100.0	2,298
Telia Handel AB	Stockholm, Sweden	100.0	571
Telia Telecom A/S	Glostrup, Denmark	100.0	794
NetCom AS	Oslo, Norway	100.0	4,287
Telia International Carrier AB	Stockholm, Sweden	100.0	1,407
Telia International Carrier GmbH	Frankfurt am Main, Germany	100.0	409
Telia International Carrier, Inc.	Reston, Virginia, United States	100.0	380
Telia UK Ltd.	London, England	100.0	892

(1) To obtain clearance from the European Commission for the merger, Telia has agreed to dispose of its Com Hem AB cable TV business in Sweden.

Competitive Strengths

Telia has a number of competitive strengths that management believes position Telia to build upon its role as the leading telecommunications company in the Nordic region.

Market leader in mobile communications in the Nordic region.

Leading dial-up and broadband Internet service provider in Sweden.

Market leader in wholesale and retail fixed network services in Sweden.

High quality international backbone network supporting the offering of services in Europe.

Group-wide adoption of IP-based services.

Large, sophisticated customer base.

Strategy

Telia s principal goal is to strengthen its position as the leading telecommunications company in the Nordic region by further developing each of its four business areas. Telia intends to achieve this goal by pursuing the following strategies:

Focus on the Nordic Countries and the Baltic States

Telia is presently focusing its efforts and resources on developing and rationalizing its four business areas: Telia Mobile, Telia Internet Services, Telia International Carrier and Telia Networks. Telia believes

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these businesses are growth areas in which Telia is well-placed to compete and generate profit as a result of the strong market positions that they have already achieved.

During 2001, Telia completed its refine and focus initiative in which operations outside of Telia s core businesses, as well as certain areas within its core businesses, were divested. Non-core businesses that were divested include directory operations, directory assistance, call center operations, international consulting operations and certain operations outside of Telia s principal geographical focus in Brazil, Spain, the United States, Ireland and Finland. The areas supporting Telia s core businesses that were divested include network construction and maintenance, installation and servicing of accesses and customer equipment and certain administrative functions. Since the fall of 2000, Telia has reduced the number of its employees as part of its refine and focus initiative by approximately 13,000, from 30,000 employees to 17,000 employees. At the same time as Telia has refined its core operations, Telia has also concentrated the geographical focus of its business activities on the Nordic countries and the Baltic States, which have generally similar cultural backgrounds and a large, continuous flow of information, goods and services among them. Telia believes that a sharper geographic focus will create effective synergies and lead to economies of scale, reduced costs and greater revenue potential.

As a result of the increased focus on its core business areas, divestitures and other measures that Telia has carried out as part of its refine and focus initiative, Telia believes it has created new opportunities to increase shareholder value.

Secure and Strengthen Market Leading Positions in its Mobile, Internet Services and Fixed Network Business Areas

Telia Mobile

Telia aims to secure its position as the leading mobile operator in the Nordic region while continuing to strengthen its market position in the Baltic States and Russia. Telia believes that the continuing evolution of the mobile data service market is an important business opportunity for the company. Among other initiatives, Telia is concentrating on the development of new premium rated SMS services as well as Multimedia Messaging Services (MMS), which allow for the transmission of images and video over wireless devices. As the only mobile operator with GPRS networks and access to UMTS licenses in all of the Nordic countries, Telia has plans to enhance its pan-Nordic service offerings to include a variety of wireless data services. Telia also aims to take advantage of the continuing migration of voice and other telecommunications traffic from fixed line to mobile devices by enhancing its fixed-mobile communications services for its business customers, such as fixed-wireless Private Branch Exchanges (PBXs) and private computerized telephone switching systems for businesses and organizations, and by encouraging fixed line residential subscribers to switch to mobile services through creative pricing strategies and combined services. Telia seeks to gain subscribers, stimulate usage and maintain customer loyalty by providing more highly segmented product and service offerings. Telia also seeks to expand its residential subscriber base through a mix of organic growth, business combinations or other strategic relationships. In addition, Telia aims to continue developing its mobile portals as natural points of service to allow its subscribers to utilize and customize existing services as well as to acquire new services. Telia also seeks to support the efforts of its associated companies operating in the Baltic States and Russia to achieve subscriber growth in their relatively less developed mobile markets.

As a market leader in the Nordic region, Telia expects to realize benefits of scale and reduced costs from its common platform and pan-Nordic service capabilities. Telia will also endeavor to achieve cost reductions by sharing resources through joint ventures or other partnership arrangements, such as Telia s UMTS joint venture in Sweden, Svenska UMTS-nät AB.

Telia Internet Services

In the Internet services market, Telia believes that the roll-out of broadband service combined with the rapidly increasing demand for high speed Internet access has opened a market window creating a potential for long-term revenue growth and market leadership. Telia s aim is to capitalize on this opportunity by leveraging its market leading position in Sweden s dial-up and broadband Internet services markets to increase its sales of access services, Telia offers access-related services designed to attract and retain residential subscribers, and Telia is pursuing partnerships with content providers for Telia s portal business. At the same time, Telia aims to secure its market position by implementing creative pricing strategies and combining its services to provide a tailored portfolio of access and access-related services to its subscribers.

Telia Networks

Telia intends to strengthen its market leading position in the wholesale and retail markets for fixed network services in Sweden. Although faced with increasing competition and significant price reductions, Telia aims to secure its market share in its fixed network business and to generate increased revenue growth by developing its wholesale broadband network capabilities to meet the expected future increase in market demand. Telia also seeks to sell additional value-added services, such as conference calling and calling services, which are generally not subject to price regulation, to its corporate customers, both as a means of generating additional revenue and as a means of differentiating itself in the market. With its strong market position in Sweden, Telia s fixed network strategy also includes the pursuit of business opportunities throughout the Nordic region and the Baltic States. In particular, following the acquisition of the Denmark-based infrastructure provider Powercom A/S in 2001, Telia has substantially enlarged its fixed network wholesale operations in Denmark and is presently the second largest owner of infrastructure in Denmark. Telia believes that it will also be able to improve the overall efficiency of its fixed network operations by refining its product portfolio, reducing its sales costs and enhancing the quality of its services. Telia believes it will continue to derive a substantial share of its total revenue from its traditional fixed line telecommunications operations in Sweden.

Transform the International Carrier Business into a Financially Viable Operation

In September 2002, Telia completed a comprehensive review of its international carrier operations and decided to change the strategic focus of Telia International Carrier and significantly restructure its operations. As part of Telia International Carrier s new strategy, it will focus on offering wholesale capacity and IP services to large customers over the profitable parts of its wholly owned European and trans-Atlantic networks. As part of the restructuring program, Telia has decided to close down Telia International Carrier s Asian operations as well as its national voice reseller business in the United Kingdom and Germany, discontinue offering domestic capacity services in the United States and terminate its co-location business. Telia will also significantly reduce the number of commercial points of presence of Telia International Carrier. Telia will also centralize the sales, finance, administration and customer care resources of Telia International Carrier to Sweden. Telia estimates that, as part of the restructuring, Telia International Carrier will reduce its current workforce of approximately 800 persons by more than 50 percent. The strategic refocusing and restructuring will enable Telia International Carrier to substantially scale down the number of offices and technical facilities it maintains, as well as reduce the number of its operation and maintenance contracts and leased lines.

In light of the continued growth in demand from end users, Telia believes that the current turbulence and uncertainty in the international carrier market present a number of possibilities for Telia International Carrier. In the near term, Telia will focus on creating profitability by limiting production costs and working to increase its sales of carrier services, as well as through targeted sales activities aimed at capturing revenues from carriers with struggling operations. Telia International Carrier will also maintain a selective investment policy.

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Telia s Business Structure

Telia s business activities are organized into four business areas: Telia Mobile, Telia Internet Services, Telia Networks and Telia International Carrier.

Telia Mobile offers a comprehensive range of mobile services for residential and business customers in the Nordic region. Telia has also established a market presence in the Baltic States and Russia through its strategic investments in leading mobile operators in these areas.

Telia Networks provides a wide range of fixed line services to residential and business subscribers in Sweden and Denmark as well as to wholesale customers in Sweden and Denmark. Telia has also established a market presence in Estonia and Lithuania through its strategic investments in leading fixed line operators in these countries.

Telia Internet Services offers dial-up and broadband Internet access services, value-added communications related services and cable and digital television services principally in Sweden and Denmark.

Telia International Carrier focuses on offering international wholesale capacity and IP telecommunications services to large customers, which are primarily other carriers, mobile and fixed line operators, incumbents and service providers, over the profitable parts of its wholly owned European and trans-Atlantic networks.

Until April 2002, Telia treated Telia Equity, which was responsible for managing Telia s non-core ownership interests and business operations outside of its core business, as a separate business area. Following the recent completion of Telia s refine and focus initiative in 2001, in which a substantial portion of Telia s non-core assets were divested, Telia Equity is no longer treated as a separate business area and has been renamed Telia Holding. Telia Holding is a business unit that is responsible for managing Telia s ownership interests in companies outside of Telia s core operations and, as of April 2002, its results are reported as part of group-wide operations.

Telia Mobile

Telia is the leading mobile communications operator in the Nordic region in terms of aggregate number of subscribers, market share and sales. Telia has also established a strong market presence in the Baltic States and Russia through its strategic investments in leading mobile operators in these regions. In 2001, Telia Mobile generated external net sales of SEK 17,857 million, representing approximately 31.2 percent of Telia s total consolidated net sales for the period. Approximately 66.8 percent of Telia Mobile s sales revenues in 2001 were derived from Telia s operations in Sweden.

Telia currently offers the following mobile telecommunications services in the Nordic countries:

GSM 900, GSM 1800, GPRS and NMT 450 services in Sweden through Telia Mobile AB;

GSM 900, GSM 1800 and GPRS services in Norway through its wholly owned subsidiary NetCom ASA;

GSM 900 and GSM 1800 services and a GPRS network in Denmark through its Telia Mobile Denmark unit; and

GSM 1800 and GPRS services in Finland through its Telia Mobile Finland unit. To obtain clearance for the Telia-Sonera merger from the European Commission, Telia has agreed to dispose of its mobile business in Finland.

Telia is the only mobile operator with GSM and GPRS networks and access to UMTS licenses in all of the Nordic countries. In 2001, Telia launched GPRS services in Sweden, Norway and Finland and expects to commercially launch GPRS services in Denmark during the second half of 2002. In the first quarter of 2002, Telia introduced GPRS roaming in the Nordic region. Telia also offers Telia HomeRun, a service that offers a mobile broadband connection in locations such as airports, hotels, conference halls, roadside inns, and cafés.

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Telia and Tele2 (Comviq) have been the only providers of analog mobile telecommunications services in Sweden since the launch of their respective NMT (Nordic Mobile Telephony) 450 networks in 1981. NMT is an analog mobile communications system originally developed in the Nordic countries. Telia s NMT 900 service, which was launched in 1986, was phased out in December 2000 following the NPTA s re-allocation of certain portions of the 900 MHz (Megahertz) frequency band entirely to GSM networks. Telia s NMT 450 service provides superior coverage in remote areas and thus remains attractive within certain subscriber segments, such as within the transportation sector. Telia has modernized its analog NMT 450 network to complement its digital GSM services.

Telia s Nordic Mobile Concept

Telia Mobile s primary focus is on the Nordic market where it maintains a leading market position in mobile communications. With Telia s existing GSM and GPRS networks and roaming agreements in Finland and Denmark, as of June 30, 2002, Telia had access to more than five million mobile users in one of the world s most sophisticated and advanced mobile telecommunications markets. During 2001, Telia launched the first pan-Nordic mobile service in order to capitalize on its position as the only mobile operator with GPRS networks and access to UMTS licenses in all of the Nordic countries. Telia aims to implement a shared Nordic network architecture and shared billing platforms, as well as a Nordic segmentation model for its range of services, as part of its strategy of strengthening its position in the Nordic mobile telecommunications market.

Sweden

Telia offers digital mobile services through its dual band GSM 900/ 1800 network and analog mobile services through its NMT 450 network. As of June 30, 2002, Telia had 3.3 million direct subscribers in its digital GSM network, as well as an additional 87,000 subscribers via service providers which offer their own services using Telia s network. In its analog NMT 450 network, Telia had 140,000 subscribers. In 2001, Telia s Swedish mobile business recorded external net sales of SEK 10,047 million. Telia has achieved this market position despite an intensely competitive environment in which penetration rates for mobile communications services are among the highest in the world.

Telia is one of three licensed providers of GSM digital mobile telecommunications services in Sweden and, as of December 31, 2001, Telia s GSM network covered over 99 percent of its population. Telia also holds one of three GSM 1800 licenses in Sweden. Telia launched its GSM 1800 network in December 1997 in order to provide a dual band service and to increase the capacity of its GSM network in urban areas, which tend to have the highest mobile traffic volumes. Telia s principal competitors in the GSM market in Sweden are Europolitan (Vodafone) and Tele2 (Comviq).

Norway

In 2000, Telia acquired NetCom ASA, the second largest mobile operator in Norway. As of June 30, 2002, NetCom had 996,000 direct subscribers as well as an additional 92,000 subscribers via service providers which offer their own service packages and billing operations but utilize NetCom s network. In 2001, Telia s Norwegian mobile business recorded external net sales of SEK 4,287 million.

NetCom offers both GSM 900 and GSM 1800 services and launched a GPRS service in 2001. NetCom is one of two GSM operators in Norway, the other being Telenor, the incumbent operator. NetCom was one of four operators to receive a UMTS license in Norway in 2000 together with Telenor AS, Tele2 Norge AS and Broadband Mobile ASA. In September 2001, the Norwegian regulatory authorities withdrew Broadband Mobile s license due to its insolvency.

Denmark

Telia offers mobile telecommunication services in Denmark through its Telia Mobile Denmark unit. Telia began offering GSM 1800 services in Denmark in 1997 and as of June 30, 2002, Telia had 413,000 subscribers. In 2001, Telia s Danish mobile business recorded external net sales of SEK 633 million.

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Telia offers both GSM 900 and GSM 1800 services in Denmark and expects to launch GPRS services on a commercial basis during the second half of 2002. Telia has a national roaming agreement with Sonofon A/S regarding its GSM 900 service. Telia was one of four operators to receive a UMTS license in Denmark, together with the incumbent mobile operator TDC A/ S, Orange A/ S and Hi3G Denmark ApS.

Finland

Telia offers mobile telecommunication services in Finland through its Telia Mobile Finland unit. Telia began offering GSM 1800 services in Finland in 1998. In 1999, Telia entered into a service provider agreement with Radiolinja, which expanded Telia s coverage in Finland nationwide. Telia has also signed a national roaming agreement with Suomen 2G Oy, allowing Telia s mobile subscribers in Finland to use Suomen s national network beginning May 2002. As of June 30, 2002, Telia had 235,000 subscribers. In 2001, Telia s Finnish mobile business recorded external net sales of SEK 648 million.

Telia offers both GSM 1800 and GPRS services in Finland. Telia was also one of four operators to receive a UMTS license in Finland, together with Sonera, Radiolinja and Finnish 3G Ltd.

To obtain clearance for the Telia-Sonera merger from the European Commission, Telia has agreed to dispose of its mobile business in Finland.

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Subscriptions

The table below shows selected subscription data for Telia s digital GSM and analog NMT systems in the Nordic market as of the dates specified:

	As of December 31,			As of June 30,	
	1999	2000	2001	2001	2002
	(in thousands)				
Sweden:					
By type of network:					
GSM	2,348	3,076	3,295	3,175	3,344
of which, prepaid	923	1,321	1,536	1,425	1,643
NMT 450	160	154	144	148	140
NMT 900	130	27			
Total subscribers	2,638	3,257	3,439	3,323	3,484
By type of subscriber:					
Business	1,081	1,215	1,083	1,073	1,089
Residential	1,557	2,042	2,356	2,250	2,395
Total subscribers	2,638	3,257	3,439	3,323	3,484
Norway:					
By type of network:					
GSM		850	970	884	996
of which, prepaid		433	501	453	495
NMT 450					
NMT 900					
Total subscribers		850	970	884	996
By type of subscriber:					
Business		143	176	159	187
Residential		707	794	725	809
Total subscribers		850	970	884	996
Denmark:					
By type of network:					
GSM	170	263	288	295	413
of which, prepaid	115	151	154	153	143
NMT 450					
NMT 900					
Total subscribers	170	263	288	295	413
By type of subscriber:					
Business	32	39	38	41	56
Residential	138	224	250	254	357

Total subscribers	170	263	288	295	413
Finland:					
By type of network:					
GSM	33	149	239	167	235
of which, prepaid		2	40	9	59
NMT 450					
NMT 900					
Total subscribers	33	149	239	167	235