

SONERA CORP
Form 425
October 04, 2002

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-9 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)

Anders Igel

President and CEO, Telia

Telia and Sonera

Creation of the leading Nordic and Baltic telecommunications company

Offer launched on September 30, 2002

Group strategy

Governance and management

Market position

Synergies verified

Financials

Offer conditions

Transaction summary

The offer period commences October 7 and closes November 8, 2002

1.51440 new shares for each Sonera share through a public tender offer

Telia shareholders will own around 64% of the combined company and Sonera shareholders will own around 36%

The TeliaSonera share to be listed in Stockholm, Helsinki and on Nasdaq

EU and other clearances granted

Timing of the offer

| | |
|-------------------------------------|---------|
| Posting of tender document | Sept 30 |
| Commencement of offer period | Oct 7 |
| Telia EGM | Nov 4 |
| Expiry of offer period | Nov 8 |
| Announcement of result | Nov 14 |
| Closing/Settlement | Nov 29 |
| Commencement of trading in Helsinki | Dec 2 |
| Commencement of trading on Nasdaq | Dec 2 |

Group strategy

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Strategic focus

Focus will be on best serving customers in core business and creating value for shareholders through stronger profit and cash flow

A passion for customers and profits

Group strategy

Focus on core business in the Nordic and the Baltic regions

Adopt strong customer-oriented approach

Pursue profitable growth opportunities in East

Increase profit and cash flow

Focus on core business

Home market

Nordic and Baltic countries

Customer focused service offering

Extension of service range driven by profitability

- 1) Non controlling interests in mobile and fixed operators
- 2) Non controlling interests in mobile operator

Adopt customer-oriented approach

Technology = Services based on strong
technology
Product approach = Customer segment approach

Governance based on real customer needs

Pursue profitable growth in home market

Customer driven

Improved service levels

Combined fixed, mobile and Internet offerings

Cross selling

Easy-to-use services

Innovative packaging of services

Pan Nordic services

Telecommunications-intensive IT-services through partnerships

Increased market shares in selected segments

Pursue profitable growth outside home market

Russia strong growth potential and extended home market

Turkey strong market position, 14 million customers

Eurasia strong growth potential

Refocused international carrier business

Long term: use of home market position in European telecom consolidation

Generate increased profits and cash flow

Implementation of synergies

Stand-alone efficiency improvements

Divestment of non-core assets

Improving under-performing businesses

 New strategy for Telia International Carrier

 Improve performance of Telia Denmark

 Continue restructuring of Sonera's Service's Businesses

Governance and management

Governance

An integrated company with strong central control over group matters

Day-to-day operations decentralized to profit centers

New name TeliaSonera

Management

Market position

Harri Koponen, President and CEO, Sonera

A Nordic and Baltic communications leader

Unmatched Nordic and Baltic mobile footprint

Unmatched Nordic and Baltic fixed footprint

Position outside home market

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TeliaSonera International Carrier

Provides wholesale international IP, capacity and voice services to large customers at selected high volume destinations in Europe and in New York

Its services are based on the high capacity European and trans-Atlantic network, the IP-network with peering points in Europe and the US and international voice switches in selected destinations

Synergies

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Synergies

Total annual pre-tax cash flow synergies post 2005 estimated to be approximately SEK 2.7 billion (EUR 300 million)

Annual cost synergies expected to reach SEK 2.3 billion (EUR 250 million) in 2005

Annual CAPEX synergies expected to amount to approximately SEK 640 million (EUR 70 million) in 2005

Implementation costs and CAPEX estimated to SEK 2 billion (EUR 220 million)

Cost synergies

SEK 2.3 billion (EUR 250 million) in 2005

Capex synergies
SEK 640 million (EUR 70 million) in 2005

Financials

Kim Ignatius, CFO, Sonera

Preliminary pro forma financials

Assumptions

Prepared in accordance with IAS

Consolidation of AB Lietuvos Telekomas, UAB Omnitel and Latvijas Mobilais Telefons SIA

Divestment of Telia Finland and ComHem

The preliminary transaction value of SEK 44.6 billion (EUR 4.9 billion), has been calculated based on Telia's closing share price as of June 28, 2002 (SEK 25.60) and a SEK/EUR exchange rate of 9.1015

Based on Sonera's equity as of June 30, 2002, after adjusting to IAS, the transaction creates goodwill of SEK 18.1 billion (EUR 2.0 billion), which under current accounting principles is amortized over 20 years, and other intangible assets and adjusted values of associates of SEK 11.0 billion (EUR 1.2 billion), which are amortized over 10 years on the average. Total annual amortization SEK 2.0 billion (EUR 0.2 billion)

The final combination of Telia and Sonera will, however, 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

Preliminary pro forma financials 2001¹⁾

Income statement and cash flow

| SEK billion | Telia | Sonera | Baltic | EU conditions ²⁾ | Pro forma adjustments | TeliaSonera pro forma |
|---|-------------|-------------|------------|-----------------------------|-----------------------|-----------------------|
| Net sales | 57.2 | 20.2 | 5.7 | -1.3 | -1.0 | 80.9 |
| Underlying EBITDA | 12.9 | 5.3 | 2.9 | 0.7 | | 21.8 |
| Underlying EBITDA margin | 22.6% | 26.0% | 49.8% | | | 26.9% |
| Depreciation, amortization and write-off | -14.0 | -4.5 | -1.5 | 0.6 | -2.1 | -21.5 |
| Items not reflecting underlying business operations | 0.4 | 7.4 | | | | 7.8 |
| Operating income before associated companies | -0.7 | 8.1 | 1.4 | 1.3 | -2.1 | 8.0 |
| Income from associated companies | 6.1 | -3.5 | | | -0.5 | 2.1 |
| Operating income | 5.5 | 4.6 | 1.4 | 1.3 | -2.6 | 10.2 |
| Income after financial items | 4.8 | 1.0 | 1.3 | 1.4 | -2.6 | 5.8 |
| Net income | 1.9 | 1.4 | 1.3 | 1.0 | -2.9 | 2.7 |
| Earnings per share (SEK) | 0.62 | 1.56 | | | | 0.57 |
| Cash flow from operating activities | 10.4 | 1.8 | 2.1 | 0.2 | -0.3 | 14.2 |
| Capital expenditure | -16.9 | -3.3 | -2.0 | 1.0 | | -21.2 |
| Free cash flow ³⁾ | -6.5 | -1.5 | 0.1 | 1.2 | -0.3 | -7.0 |

1) Financials are unaudited under IAS for TeliaSonera, Sonera and Omnitel

2) Effects of excluding Telia's operations in Finland and ComHem

3) Excluding effects of other investments and divestments

Preliminary pro forma financials¹⁾

Income statement and cash flow January-June 2002

| SEK billion | Telia | Sonera | Baltic | EU conditions ²⁾ | Pro forma adjustments | TeliaSonera pro forma |
|---|-------------|--------------|------------|-----------------------------|-----------------------|-----------------------|
| Net sales | 28.2 | 9.9 | 3.0 | -0.9 | -0.4 | 39.9 |
| Underlying EBITDA | 7.0 | 3.5 | 1.5 | 0.2 | | 12.2 |
| Underlying EBITDA margin | 24.7% | 35.3% | 50.0% | | | 30.5% |
| Depreciation, amortization and write-off | -5.7 | -7.5 | -0.8 | 0.3 | -1.0 | -14.8 |
| Items not reflecting underlying business operations | -0.8 | 0.8 | | 0.1 | | 0.1 |
| Operating income before associated companies | 0.5 | -3.2 | 0.7 | 0.5 | -1.0 | -2.5 |
| Income from associated companies | 0.4 | -30.5 | | | -0.2 | -30.4 |
| Operating income | 0.8 | -33.7 | 0.7 | 0.5 | -1.3 | -32.9 |
| Income after financial items | 0.5 | -33.5 | 0.7 | 0.5 | -1.3 | -33.2 |
| Net income | 0.2 | -22.9 | 0.5 | 0.4 | -1.4 | -23.2 |
| Earnings per share (SEK) | 0.05 | -20.54 | | | | -4.95 |
| Cash flow from operating activities | 4.7 | 2.6 | 1.3 | -0.7 | -0.2 | 7.7 |
| Capital expenditure | -4.1 | -1.0 | -0.7 | 0.3 | | -5.5 |
| Free cash flow ³⁾ | 0.6 | 1.7 | 0.6 | -0.5 | -0.2 | 2.2 |

1) Unaudited

2) Effects of excluding Telia's operations in Finland and ComHem

3) Excluding effects of other investments and divestments

Preliminary pro forma financials(1)

Underlying profitability from consolidated operations

| SEK billion | Full year 2001 | Jan-June 2002 |
|--|-------------------|------------------|
| Operating income before associated companies | 8.0 | -2.5 |
| Deduct: | | |
| Gains from asset sales | -9.2 | -1.4 |
| Other items not reflecting underlying business operations | -0.1 | |
| Add-back: | | |
| Write-offs | 4.1 | 6.0 |
| Losses from asset sales | 0.6 | 0.3 |
| Restructuring expenses | 0.9 | 0.6 |
| Other items not reflecting underlying business operations | | 0.4 |
| Underlying operating income before associated companies | 4.4 | 3.4 |

(1) Unaudited

Cash generation pro forma

Preliminary pro forma financials⁽¹⁾
Balance sheet June 30, 2002

| SEK million | Telia | Sonera | TeliaSonera pro forma |
|-------------------------------------|----------------|---------------|--------------------------|
| Intangible fixed assets | 27,233 | 995 | 57,425 |
| Tangible fixed assets | 45,700 | 10,992 | 61,225 |
| Financial fixed assets | 19,695 | 26,669 | 43,822 |
| Current assets | 23,328 | 5,327 | 28,979 |
| Short-term investments and cash | 3,253 | 9,498 | 13,356 |
| Total assets | 119,209 | 53,481 | 204,807 |
| Equity | 59,728 | 18,696 | 103,186 |
| Minority interests | 245 | 7 | 2,663 |
| Interest bearing debt | 25,577 | 28,841 | 54,935 |
| Other liabilities | 33,659 | 5,937 | 44,023 |
| Total equity and liabilities | 119,209 | 53,481 | 204,807 |

(1) Unaudited

Preliminary pro forma financials¹⁾

Breakdown of net interest-bearing liability June 30, 2002 (SEK million)

Strong pro forma financial position

Financial Strategy

Focus on long-term liquidity position

Retain solid capital structure

Sustain a high level of financial flexibility

Targeting no financial covenants, including rating covenants

Balancing the combined debt portfolio

Continue stringent derivative policy

Focus on profit and cash flow

Increased revenue

Improved profitability

Reduced CAPEX

Strong free cash flow

Offer conditions

Anders Igel, President and CEO, Telia

Main conditions of the offer

Tendering by more than 90 per cent of Sonera shares

Cash offer for remaining shares based on 12-month average price

No top-up payment (RATA)

Approval by Telia extraordinary shareholders meeting on November 4

Authorization for listing in Stockholm, Helsinki and on Nasdaq

Telia and Sonera

Creation of the leading Nordic and Baltic telecommunications company

Strategic fit

Strong market leader with a larger customer base in its Nordic and Baltic home market

Strengthened position in growth areas of Russia, Turkey, Eurasia and International Carrier

Significant synergies

Strong financial resources and cash flow

Footprint and customer base will attract best partners

Disclaimer

Cautionary Disclaimer/Legend

The combination of Telia and Sonera will be implemented through an exchange offer made by Telia to all shareholders of Sonera. This presentation is neither an offer to purchase nor a solicitation of an offer to sell shares of Sonera. Any offer in the United States will only be made through a prospectus which is part of a registration statement on Form F-4 that will be filed with the U.S. Securities and Exchange Commission (the SEC). Sonera shareholders who are U.S. persons or are located in the United States are urged to carefully review the registration statement on Form F-4 and the prospectus included therein, the Schedule TO and other documents relating to the offer that will be filed by Telia with the SEC because these documents will contain important information relating to the offer. You are also urged to read the related solicitation/recommendation statement on Schedule 14D-9 that will be filed with the SEC by Sonera relating to the offer. You may obtain a free copy of these documents after they are filed with the SEC and other documents filed by Telia and Sonera with the SEC at the SEC's web site at www.sec.gov. Once such documents are filed with the SEC, you will also be able to inspect and copy the registration statement on Form F-4, as well as any documents incorporated by reference therein, the Schedule TO and the Schedule 14D-9 at the public reference room maintained by the SEC at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. These documents may also be obtained free of charge by contacting Telia AB, Investor Relations, SE-123 86 Farsta, Sweden Attention: Investor Relations (tel: 46 8 7137143), or Sonera Corporation, Investor Relations, Teollisuuskatu 15, P.O. Box 106, FIN-00051 SONERA, Finland, Attention: Investor Relations (tel: 358 20401). **YOU SHOULD READ THE PROSPECTUS AND THE SCHEDULE 14D-9 CAREFULLY BEFORE MAKING A DECISION CONCERNING THE OFFER.**

Forward-Looking Statements

This document 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 forward-looking statements in this document include, but are not limited to, statements addressing the following subjects: expected timing of the merger; future financial and operating results; actions to be taken by the combined company following the merger; and the timing and benefits, including synergy benefits, of the merger.

The following factors, among others, could cause results to differ materially from those described in the forward-looking statements: the failure of the shareholders of Telia to approve the capital increase necessary to implement the transaction, the failure of the minimum tender condition, or the failure of other conditions to the offer; the risk that the businesses will not be integrated successfully and that the expected synergies and cost savings will not be achieved; and other economic, business, competitive and/or regulatory factors affecting the businesses of Telia and Sonera generally, including factors affecting the market for telecommunications services.

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

Due to restrictions under the 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.

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SCHEDULE 14-D CAREFULLY BEFORE MAKING A DECISION CONCERNING THE OFFER.