

***Case No COMP/M.2803 -
TELIA / SONERA***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(2) NON-OPPOSITION
Date: 10/07/2002

*Also available in the CELEX database
Document No 302M2803*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10/7/2002

SG (2002) D/230597

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(2) DECISION

To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M.2803 – Telia/Sonera
Notification of 28.05.2002 pursuant to Article 4 of Council Regulation
No 4064/89¹**

1. On 28.05.2002, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 (“Merger Regulation”) by which the undertaking Telia AB (“Telia”) of Sweden acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of Sonera Corporation (“Sonera”) of Finland by way of exchange of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

I. THE PARTIES

3. **Telia** is the largest telecommunications and cable TV operator in Sweden. It is also the parent company of the Telia group. It is active in all Nordic countries and the Baltic

¹ OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

States. Its activities include *inter alia* fixed and wireless telecommunications services in Sweden, Norway, Denmark and wireless services in Finland. It is also the owner of one of the largest international carrier networks (from which capacity is leased to other communications providers) in Europe. Telia is 70% owned by the Swedish Government.

4. **Sonera's** activities are primarily in Finland where it is the largest mobile telephony operator, and the largest provider of long distance national and international network services. Sonera is also the third largest provider of local loop infrastructure (PSTN) and cable TV networks in Finland.
5. Telia and Sonera are also significant providers of fixed and mobile communications services in the Baltic States.

II. THE OPERATION AND CONCENTRATION

6. Under an agreement dated 26 March 2002 ("the Combination Agreement"), Telia has agreed to acquire the whole of Sonera's business and assets by way of an exchange offer to all shareholders of Sonera. On completion, current Telia shareholders will account for 64% of the combined company, and Sonera shareholders 36%. As a result of the exchange offer Telia will take sole control over Sonera. The proposed operation is therefore a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

III. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion [Telia € 6 180 million and Sonera € 2 116.5 million]. Each of Telia and Sonera also has a Community-wide turnover in excess of EUR 250 million [...] but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State². The operation has therefore a Community dimension.

IV. THE RELEVANT MARKETS

A. Relevant Product markets

8. Both Telia and Sonera are providers of a full range of fixed and wireless, data and Internet services to residential and corporate customers. Such retail services include fixed and mobile voice telephony services, Internet access services and cable TV network services. Telia and Sonera are also active as providers of wholesale services to each other and to other network operators and service providers (including Internet Service Providers) that require access to Telia's and Sonera's networks to provide services to its end-customers and/or to other network operators or service providers. Such services include *inter alia* interconnection and termination of national and international calls on Telia's and Sonera's fixed and mobile networks and wholesale international roaming.

² Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1988, p. 25)

9. In its notification, Telia identified three product markets that it considered affected markets for the purpose of the proposed transaction; (i) mobile communications services in Finland (horizontal overlap) and (ii) wholesale international roaming (vertically affected markets, in Sweden and Finland). In addition, Telia identified a large number of other markets where Telia or Sonera currently have market shares in excess of 25% (so-called conglomerate markets)³. For the purpose of the assessment of the proposed transaction, the Commission has concluded that the following markets are relevant.

1. Mobile telephony services

10. The Commission has in a number of decisions recognised that there exists a market for the operation of mobile communications networks that cannot be seen as substitutable to fixed line telephony services⁴. The key difference between mobile and fixed services is the mobility inherent in all mobile services, even though technological advances may mean that similar services could be offered over both fixed and mobile networks, fixed services do not offer this mobility.
11. According to the parties to the current transaction, the market for mobile communications services should be considered as including both analogue and digital GSM 900/1800 network standards. They claim that the provision of such services to end-customers forms part of the same market, not least due to the fact that almost all handsets currently available on the market are dual or tri-band and automatically switch between these networks. The parties argue that no distinction should be made between corporate and residential customers.

(a) Corporate vs. residential customers

12. A number of respondents to the Commission's market investigation supports the view that no distinction should be made between retail mobile communications services to private/residential customers and corporate customers. The investigation has, however, shown that from a demand side perspective it appears that the demands of corporate customers differ from those of residential customers. For example, they may often request GPRS and other more advanced solutions, which may not be requested by residential customers. For corporate customers, international roaming tariffs are often very important. The market investigation has also shown that suppliers of retail mobile

³ These markets are:

I. Within the fixed/wireline network services segment: (a) subscriber access to (i) national calls in Sweden, (ii) local calls in Finland, and (iii) international calls in Sweden and Finland; (b) retail access to the Internet for end-users (retail IPS services) - including dial-up, ADSL and cable network access - in Sweden and Finland; (c) provision of (i) local loop; (ii) long-distance, and (iii) international infrastructure in Sweden and Finland; (d) operator access to the (i) local loop; (ii) long-distance, and (iii) international infrastructure in Sweden and Finland; (e) business data communications services in Sweden and Finland; (f) Internet advertising in Finland; (g) Internet Portals in Sweden and Finland; (h) switchboards and telephone systems in Finland and (i) Cable television networks in Sweden.

II. Within the wireless communications services segment: (a) mobile communications services in Sweden and Norway, (b) mobile Internet portals in Finland; and (c) the construction and maintenance of mobile communications masts and related equipment in Finland.

⁴ See e.g. Case No COMP/M.1439 – Telia/Telenor and Case No COMP/M.1795 – Vodafone/Mannesmann

communications services are able to (and do in practice) price discriminate between residential and (large) corporate customers by offering separate prices and discount packages to these two groups of customers. However, for the purpose of the current transaction it is not necessary to conclude on this matter since irrespective of whether such a distinction is made, this does not affect the final conclusion (see further below). In particular, since the proposed commitment to divest Telia's mobile communications businesses in Finland covers services to both corporate and residential customers.

(b) Mobile communications services to corporate customers with pan-Nordic needs

13. A number of respondents have also argued that there is a distinct market for the provision of mobile communications services to corporate customers with pan-Nordic (i.e. at least two Nordic countries) needs. This view is to some extent supported by the Commission's investigation in so far as the investigation has shown that there is a demand from corporate customers with significant cross-border requirements to find a customized solution for their cross-border mobile communications services. This demand is mainly driven by high international roaming charges and a demand for advanced seamless cross-border services. Depending on the geographic location of the corporation, the demand can be pan-Nordic, if this is where the company's main activity is located, or pan-European or even global if this is the geographic location of the corporation's main activities. The market investigation has shown that corporate customers with significant pan-Nordic needs would choose e.g. a seamless offer from one supplier if this would be advantageous for them. Otherwise they would continue to source from one or more suppliers across the Nordic region. Overall, customers have, however, responded that in their view there is no operator that currently can provide a truly pan-Nordic offer and that they therefore source their mobile communications services predominantly on a national basis (cf. also corporate communication services, below).
14. For the purpose of the current transaction it is, however, not necessary to conclude on whether there is a distinct product market for pan-Nordic mobile communications services since a determination of this issue does not affect the final conclusion.

2. *Wholesale International Roaming*

15. The Commission has in a number of cases identified a potential market for the provision of wholesale international roaming to foreign network operators⁵. The Commission has found that the provision of such services could be seen as distinct from national roaming, airtime provision, indirect access through carrier pre-selection (i.e. call origination) or pre-selection⁶.
16. As mobile communications network operators Sonera (in Finland, Baltic States) and Telia (in Finland, Sweden, Denmark, Norway and Baltic States) are providers of wholesale international roaming through agreements with foreign network operators enabling foreign operators' customers to roam on their respective networks. Further,

⁵ See e.g. Case No COMP/M.2726 – KPN/E-Plus. Commission decision of 07.03.2002.

⁶ See *inter alia* Case No COMP/M.2282 – BT/Esat Digifone, Commission decision of 16.03.2001, Case No COMP/M.1863 – Vodafone/BT/Airtel, Commission decision of 18.12.2000.

Sonera and Telia have entered into such agreements with operators in other countries to allow their customers to roam on foreign networks when their customers are abroad.

17. International roaming agreements are bilateral agreements between mobile telephony operators in different countries. Most operators endeavour to enter into as many roaming agreements as possible in each country. Most network operators have also one (or more) preferred roaming partner(s) in each country. Overall, such arrangements are non-exclusive and [...] In general, network operators maintain as many roaming agreements as possible in each country (at least in the short to medium term) to ensure maximum service coverage to their subscribers when roaming abroad and to maximise revenues by ensuring that as many customers of foreign network operators will use their network when roaming into their country and thus increase the inbound roaming revenue.
18. The provision of wholesale international roaming to foreign mobile network operators satisfies primarily a demand by foreign mobile network operators whose main objective is to enable them to offer their own subscribers a 'seamless service', not limited to the territory in which they have their own physical network. Downstream there is also a demand from end-users (i.e. subscribers) to be able to use their mobile phones while outside their home countries without having to acquire a new SIM card, or to enter into another subscription. The bilateral nature of the agreements also allows mobile network operators to earn revenue from visiting subscribers of foreign networks with whom they have entered into agreements.
19. The results of the market investigation have confirmed that wholesale international roaming can and is considered by most market participants as a distinct wholesale product. This is also the view taken by many national authorities. The Commission's assessment has therefore been made on this basis.

3. *Wireless Local Area Network- services (WLAN)*

20. The market investigation has revealed that there is an additional horizontal overlap between the parties' activities to that originally identified by them. This concerns the provision of public wireless LAN ("WLAN") services in Finland. WLAN is a technology used basically to provide two functionalities: (i) at public locations for broadband Internet access, and (ii) in buildings to avoid cabling. It is used for data communication, not for voice. There are basically two principal business models used to offer WLAN. The first (used by Telia and Sonera) is to offer the service on a subscriber basis (some combination of starting/monthly/usage fee). The second is where the WLAN platform is sold to e.g. a hotel, and the hotel then becomes a service provider. Target customers are mainly mobile business users.
21. According to some third parties, the provision of WLAN services constitutes a separate product market. Others, however, see the provision of WLAN services as a value-added wireless Internet access service offered to corporate customers, often as part of a mobile communications services package. As such, it could be argued that the provision of WLAN services is either part of a mobile communications services market or part of a corporate communications services market. The parties have not disagreed that WLAN may be a distinct market in its own right. However, to the extent there may exist a separate market for WLAN services, it is in their view at an infant stage.
22. For the purpose of the current transaction it is not necessary to conclude on whether the provision of WLAN services should be considered as a separate product market or part

of a wider mobile communications services and/or corporate communications services market since irrespective of the market definition chosen, this will not change the final conclusion (see further below). The relevant product market definition is therefore left open.

4. *Operator access to networks – Interconnection and call termination*

23. As described in Case COMP/M.1439 - *Telia/Telenor*⁷, interconnection is broadly considered to cover the means by which two separate networks exchange traffic between each other. In addition to the network interconnection service itself, interconnection agreements cover a range of wholesale services that the operators provide to each other. One of these service categories is call termination, which consists of the service offered by a network operator to another operator to terminate traffic originating on another network. This would be the case when a network operator completes on its network a call from another network operator. Termination services thus allow users of the respective networks to communicate with each other.
24. More precisely, public telecommunications network operators originate and terminate calls on their own networks in order to allow their retail subscribers to communicate with each other. For this purpose they provide their retail subscribers call origination and termination for “on-net” calls. In addition, for commercial reasons and in order to meet regulatory requirements, they must offer their subscribers also the ability to make calls to and to receive calls from subscribers of other networks (“off-net calls”). In order to be able to offer “off-net” calls, each operator has to procure call termination at wholesale level in order to be able to send outgoing calls to other public networks. Each operator must also sell this service to terminate incoming calls on its own network. Call termination is indispensable in order to complete a call to its recipient.
25. Call termination is a wholesale network service that can be distinguished from other wholesale network services, even though it can be provided in combination of one or more of these services. Regardless of the method used to provide the service, the termination charges are determined by the terminating operator.
26. For the purpose of the assessment of the current case, the parties did not identify any separate markets for call termination. However, due to the specific competition concerns related to the ability of the merged entity to foreclose an adjacent market by raising termination charges and degrading termination services, the potential separate markets for call termination have been further investigated with third parties.
27. In the course of the market investigation it has been argued that at least the following termination markets are relevant for the assessment of the proposed transaction: mobile termination on Telia Mobile’s networks, mobile termination on Sonera’s networks and termination in fixed networks.
28. According to the results of the market investigation carried out in this case, call termination is a wholesale service; that is resold or used as an input for the provision of downstream services. In order to be a credible public network operator, a carrier must be able to purchase call termination from all the other operators running public networks, either fixed or mobile network operators.

⁷ Commission decision of 13.10.2002.

29. As regards mobile networks, there is lack of demand-side substitution at wholesale level. First, there cannot be a substitute for mobile termination on each individual network since the operator needs to be able to terminate the call on the network that has the subscriber connected to its network. As a result, if there were an increase in termination charges, the terminating network operator would have to offset an increase in the termination charge by another operator by an increase in the retail price. Furthermore, there is also lack of demand-side substitution at retail level because the calling party has no choice regarding which mobile network to call. The only possibility to reach a specific party is to terminate the call in the specific mobile network to which this called party has chosen to subscribe. Further, there is no evidence, according to third parties, that the subscribers responsible for choosing mobile networks take into account the prices of incoming calls since the users of the terminating network are not billed for the calls they receive. As a consequence, there appears to be no competitive pressure for mobile network operators from the end-customers to lower termination charges.
30. The Commission's market investigation has also indicated that there is no evidence of substitutability between different types of calls. Calls to fixed lines are not seen as an adequate substitute for calls to mobiles in view of their different functionalities, or vice versa. Further, off-net mobile-to-mobile calls are not considered to be effective substitutes because the terminating mobile operator controls the termination charge for the off-net mobile calls. Moreover, the scope for on-net mobile-to-mobile calls to serve as a substitute is inherently limited because it requires that calling and called parties subscribe to the same network. In addition, third parties consider that increasing the number of on-net mobile-to-mobile calls has no downward effect on the termination charges for off-net mobile-to-mobile and fixed-to-mobile. In addition, it has been argued that other services, such as call-back, voicemail, SMS and paging have not proven to be effective substitutes for mobile termination, and will not be so in the foreseeable future.
31. Based on the above, it may be concluded that there is a distinct wholesale product market for the provision of call termination on each of Telia's and Sonera's mobile telephony networks.
32. As regards fixed networks, the Commission described in Case COMP/M.1439 - *Telia/Telenor* different types of operator access to local, long distance and international networks. According to that decision, operators need access to networks in order to terminate calls on other networks, or to receive calls for termination. In the fixed telephony networks, this access is necessary on two levels: the local loop and long distance and/or international networks. Some form of contractual consideration is usually necessary in order to have wholesale access to the local loop for call termination. In the *Telia/Telenor* decision, the Commission considered that since deregulation had permitted the entry of competing operators, a distinct market existed for operator access to the local loop. As with call termination in mobile networks, there cannot be a substitute for call termination on each individual fixed network since the operator can only reach the relevant end-customers by terminating the call on that specific network. Thus, the same arguments laid out above as regards call termination to mobile networks apply to a large extent to call termination on fixed networks. As a result, it can be concluded that there may also be a distinct wholesale product market for the provision of call termination on each of Telia's and Sonera's fixed telephony networks.

5. *Corporate communications services*

33. In Case COMP/M.1439 - Telia/Telenor⁸, the Commission identified a distinct market for the provision of business data communications services that form a separate product market from those related to traditional switched voice services since they use different underlying network equipment and often use technologies such as Frame Relay or ATM.
34. Business data communications services involve the transfer of often large quantities of data, securely and quickly, nationally and internationally. Business data communications services connect a company's local area network (LAN) in one location with its other LAN located elsewhere; these services can also link third parties to a company's network. The customers of this type of services are companies with substantial communications requirements. The provision of business data communications services thus satisfies a demand from end-customers to find an integrated seamless solution to their data communications needs on a national and cross-border basis.
35. Providers of business data communications services may either build their own network(s), combining their own infrastructure with leased lines, or buy network transport services (such as Frame Relay) from fixed switched telephony network operators and other network infrastructure providers. In order to provide such services, providers of data communications need access to the local loop. To this end their demand may be satisfied by the use of leased lines, optical fibre, and/or unbundled PSTN and ISDN to reach end-customers. For long distance connectivity, the demand is satisfied by providers of long distance and international network infrastructure of lease lines and transport/transit services.
36. The Commission has in previous decisions found that there is also a distinct market for the provision of global telecommunications services to multinational corporations (GTS)⁹. GTS consists of a broad category of voice and/or data communications services to multinational companies. Generally speaking, such services are provided end-to-end and cover multiple countries and continents. Because of the complex nature and the variability of the customers' needs, contracts for such services are normally awarded through international tendering procedures (request for proposals, RFPs). The parties did not consider this market relevant for the purpose of the current transaction since neither Telia nor Sonera is active in such a market.
37. A number of respondents to the Commission's market investigation have argued that in addition to domestic data communications and voice services provided by Sonera in Finland and Telia in Sweden, the proposed merger affects the market for the provision of pan-Nordic and Baltic customized communications services to regionally-based large businesses or corporate customers. According to third parties, there is a growing demand from corporate customers to find a single operator to provide their entire domestic and/or pan-Nordic and/or Baltic communications requirements, including

⁸ See footnote 7 *supra*.

⁹ See further Case No IV/M.856 – British Telecom/MCI (II) (Commission decision of 14.05.1997), Case No IV/JV.15 – BT/AT&T (Commission decision of 30.03.1999) and Case No COMP/M.1741 – MCI WorldCom/Sprint (Commission decision of 28.06.2002).

fixed and mobile communications services. The large businesses or corporate customers' demand characteristics for such customized corporate communications services in the Nordic (and Baltic) region are claimed to be similar to those associated with global telecommunications services as referred to above, but on a more limited geographic scale.

38. The Commission's investigation has also shown that there is a growing demand from large businesses and corporate customers with significant Nordic/Baltic requirements to find a single, one-stop-shop, voice (fixed and mobile) and data communication solution for such needs. The investigation has, however, shown that despite such requirements, many corporate customers still make a distinction between, on the one hand, their purchasing of fixed voice and mobile communications services, which they still see as domestic products, and their purchasing of data communications services, which they see as either domestic, pan-Nordic (at least to Nordic countries), pan-European or global products depending on their specific needs.

In fact, despite the growing demand for pan-Nordic (and possibly Baltic) integrated solutions, still only a limited number of customers have entered into an agreement with one or more providers for all such services under a single contract. A majority prefers still to purchase their voice and data services requirements in an unbundled manner and under more than one contract. First, because even corporate customers with significant pan-Nordic/Baltic needs require a strong national presence to satisfy their domestic needs, in particular for voice (fixed and mobile) services. Second, given that international roaming charges for mobile telephony calls are very costly, mobile telephony service providers rarely make it economic for customers in one country to obtain their mobile services on a permanent basis from a supplier operating in a different national market. Third, for pure practical reasons, since contracts for voice services are normally shorter than the contracts for data communications services, corporations enter into separate contracts for voice and data communications services. Overall, customers have responded that voice services (whether fixed or mobile), notwithstanding cross-border service providers such as e.g. Vodafone, which are beginning to provide retail mobile communications products on a wider than national basis, are essentially supplied at the national level.

39. Taken as a whole, corporate customers find that there is today no single provider with a sufficiently strong national presence in all Nordic countries to satisfy their demand for a seamless integrated voice (fixed and mobile) and data communications solution on a pan-Nordic/Baltic basis.
40. In response to the arguments put forward by third parties, the parties agree that Pan-Nordic or other cross-border fixed, data and mobile services can be offered as a technically integrated solution (i.e. integrated networks) or as a commercial package putting together essentially national elements to corporate customers. According to the parties, such solutions apply when a customer has a presence in more than one of the relevant countries. These packages range, according to the parties, from simple price plans and discount models to nationally based common solutions like a virtual local network for the company in question. Depending on the number of users and their current infrastructure, the solution might be partly fixed, partly mobile, pure mobile, or pure fixed.
41. The parties do not consider that such a pan-Nordic market for voice (including fixed and mobile) and data communications services exists today. First, according to the

parties, with regard to the geographical scope, there are very few companies with pure pan-Nordic needs. Most Nordic corporate customers are either SMEs with a need for fixed and mobile services at predominantly national level, or they are international corporations typically from the IT or manufacturing sectors (companies such as Ericsson, Nokia, UPM-Kymmene) whose needs for fixed and mobile services may extend to a pan-European or global level rather than a national level. These companies may require a single global supplier or, if they choose multiple providers, at least a Europe-wide service provider. In other words, the geographical scope of a pan-Nordic solution is unnecessarily large for Nordic SMEs but too narrow for international Nordic companies. Second, Nordic corporate customers are very sophisticated when buying telecommunications services. Most Nordic corporate customers require that the individual services be split out in individual offers. They will then choose the cheapest total solution, often combining offers from several operators (such as Orkla, which choose Telenor as supplier of fixed/mobile voice services and TDC as supplier of data communications). Finally, neither Telia nor Sonera today offer, or have customers for, product/services in such a manner on a pan-Nordic level.

42. For the purpose of the assessment of the current transaction it can be left open whether there exists today a distinct market for the provision of pan-Nordic (at least two Nordic countries) and/or pan-Nordic/Baltic (at least two Nordic countries and one Baltic State) customized voice (fixed and mobile) and data corporate communications services as opposed to pan-European and/or global communications markets, or whether this is an emerging market, since this has no impact on the final conclusion. It is clear, however, from the investigation that there is a growing demand for such services. For the same reason it can also be left open whether the provision of communications solutions to corporate customers should include both fixed and mobile communications services and data communications services as one bundled product offering or whether these services should be seen as distinct product markets as suggested by the parties, since irrespective of this finding, the merged entity position even on such a narrower market definition would lead to the same conclusion. The relevant market definition is therefore left open.

6. *Internet Access Services*

43. During the course of the Commission's investigation, it has been argued by third parties that also the provision of (retail) Internet access services is relevant for the assessment of the current transaction, in particular broadband Internet access services.
44. Obtaining access at the retail level means access to the Internet via an Internet Service Provider (ISP). This can be done by "dedicated access" via a fixed line cable link between the final user and his ISP, or by "dial-up" access over a normal PSTN line. The Commission has in previous decisions suggested that there may be discreet markets for dial-up access via a personal computer (PC) modem and dedicated (private/leased lines) connections. It has also found that it could be possible to distinguish between the provision of dial-up services to residential and business customers since business customers may more generally require dedicated Internet access, while residential end-users prefer dial-up.¹⁰ Previous Commission

¹⁰ See Case No COMP/M.1838 – *BT/Esat* (Commission Decision of 27.3.2000, para. 7); Case No COMP/M.2222 – *UGC/Liberty Media* (Commission Decision of 24.04.2001; Case No COMP/M.2648 – *KPNQwest/Ebone/GTS* (Commission decision of 16.01.2002).

investigations have indicated that a distinction, given the significant differences in demand (standards and price) and supply (profit maximisation), could be made between corporate and household customers. However, the demands of residential customers and corporate customers without significant needs, are converging since the introduction of xDSL and high-speed (sometimes referred to as “broadband”) Internet access via cable networks.

45. For the purposes of the current transaction it is not necessary to decide on the relevant market definition(s) given that irrespective of the definition(s) chosen this does not affect the final conclusion.

B. Relevant geographic markets

1. Provision of mobile communications services

46. The relevant geographic scope of the market for mobile communications services is determined among other things, by the legal and regulatory system. In e.g. the *Telia/Telenor* decision, the Commission found that the relevant geographic market was national due to different national licensing obligations in different Member States, that frequency allocation is limited to the operators licensed under national law etc. Further, roaming charges made while outside the home territory of the service provider rarely made it economic for customers in one country to obtain their mobile services on a permanent basis from a supplier operating in a different national market, largely because they would have to pay all domestic calls in their country of residence as internationally roamed calls.
47. This has also been confirmed in the Commission’s market investigation even as regards the provision of mobile communications services to corporate customers with significant cross-border since such offers are still purchased on a mainly national basis. However, the latter is an evolving market and the geographic scope of such services may become wider than national in the near future.
48. Nevertheless, for the purpose of the current transaction it is not necessary to conclude on the relevant geographic market since this will have no impact on the final conclusion. The relevant geographic market/s is therefore left open.

2. Wholesale International roaming

49. The Commission has previously indicated that the relevant market for wholesale international roaming is national in scope¹¹. The parties have not contested this view and in any event that view is also overall shared by third parties. For the purpose of the current transaction, the assessment has therefore been made on the basis of a national geographic market definition.

¹¹ See e.g. Case No CMP/M.1863 – *Vodafone/BT/Airtel* (Commission decision of 18.12.2000), Case No COMP/M.2305 – *Vodafone Group/Eircell* (Commission decision of 02.03.2001), Case No COMP/M.2469 – *Vodafone/Airtel* (Commission decision of 26.06.2001) and Case No COMP/M.2726 – *KPN/E-Plus* (Commission decision of 07.03.2002).

3. *Wireless Local Area Network services (WLAN)*

50. According to third parties, the geographic scope of this market is essentially national in scope. This has not been challenged by the parties. For the purpose of the assessment of the current decision the Commission has therefore made its assessment on the basis of a national market.

4. *Access to fixed networks – Interconnection and call termination*

51. According to the market investigation, terminating access services are typically offered on a national basis. As regards mobile networks, licences are required to operate them and they are provided at national level. The market for terminating access services in mobile networks may be concluded to be national (i.e. the relevant mobile telephony network) in scope as mobile networks normally provide national coverage and the scope of the wholesale offer is thus national. The geographic market for call termination in fixed networks is similarly considered to be essentially national in scope. In the *Telia/Telenor* decision, the Commission considered that the geographic reach of this market could be wider than national if the local loop under the control of one operator were enlarged to cover an area that was wider than national, and if the network is re-configured to reflect the fact that it is now all under the control of the same operator.

5. *Corporate communications services*

52. A number of third parties have argued that the provision of customized voice (fixed and mobile) and data communications services to corporate customers with pan-Nordic and/or pan-Nordic/Baltic needs is at least Nordic (including Sweden, Finland, Denmark and Norway) in scope and including at least one Baltic country if pan-Nordic/Baltic.
53. From responses from corporate customers active in more than one Nordic country purchasing such voice and data communications solutions it appears that they consider that the provision of voice services is still mainly national and either national or wider than Nordic (pan-European or global) for data communications services today.
54. Many corporate customers agree, however, that there are businesses and corporate customers that have specific pan-Nordic or pan-Nordic/Baltic needs. In their view, however, no single provider is today able to provide a fully customized solution integrated voice (fixed/mobile) and data communications solution on a Nordic basis. A number of providers are, according to these customers, able to provide customized services in at least two countries, in particular as regards a “Scandinavian” (as opposed to Nordic) solution covering Sweden, and/or Denmark and/or Norway. This is also confirmed by answers from providers of such services in the Nordic region.
55. The Commission also finds that if one considers that there is a distinct market for the provision of customized voice and data communications services to businesses and corporate customers with significant pan-Nordic (and/or pan-Nordic/Baltic) requirements, it could also be considered that the geographic reach of the market/s could be wider than national if the services and underlying networks under the control of one operator were enlarged to cover an area that was wider than national, and if the network is reconfigured to reflect the fact that it is now all under the control of the same operator. This is in line with previous Commission’s decisions. However, since it

is not necessary for the purpose of the current decision to conclude on this matter, the relevant geographic market/s definition is left open.

6. *Internet Access Services*

56. The Commission has in previous decisions found that Internet access services to retail customers, whether narrow-band or broadband are essentially national in scope due to the necessity for local loop access and availability of free-phone/local call rate number to the nearest point of presence (POP) and the existing regulatory framework. This has also been confirmed in the current investigation.

C. **Assessment**

(i) Horizontal issues:

1. *Provision of mobile communications services in Finland*

57. Telia is a mobile network operator that provides wholesale and retail mobile communications services in Sweden, Finland, Norway and Denmark as well as in the Baltic States. Sonera provides such services in Finland and the Baltic States. With the proposed transaction Telia will acquire sole control over Sonera. Since both Telia and Sonera are active as providers of mobile communications service in Finland the proposed transaction thus leads to an overlap in the provision of such services in the Finnish market.
58. There are currently four¹² main providers of mobile communications services in Finland. In addition to these operators, there are a number of smaller service providers/resellers that also offer mobile communications services to end-users. However, these latter providers represent in total only about [0-5%] of the total retail services market.
59. Sonera is the largest provider of mobile communications services to retail customers with an estimated [55-70%] market share on the basis of subscribers. Sonera holds one of three national wide GSM 900 network licenses and one of four GSM 1800 network licenses. Its network covers approximately [...] of Finland's geographical area and [...] of the population. In addition to its own service provisions, Sonera offers similar services to two service providers, Jippii and RSLCom.
60. The second largest mobile communications provider is the integrated mobile network and service provider Radiolinja with an estimated market share of about [20-35%]. Radiolinja has a GSM 900 network that covers, in principle, the whole of Finland.
61. Telia is the third largest network operator with an estimated market share of [0-15%]. Since Telia's network only covers about [...] of Finland's geographic area, Telia had entered into a service provider agreement with Radiolinja and recently it entered into a national roaming agreement with Suomen 2G to complete its service offering and to enable it to provide services to its own subscribers in the whole of Finland. The fourth player is DNA/Suomen 2G with an estimated [0-15%] market share. DNA and Suomen 2G both belong to the Finnet Group. DNA Finland is a nation-wide mobile

¹² Sonera, Radiolinja, Telia Mobile Finland and DNA/Suomen 2G.

communication service provider that offers services to end-users over Suomen 2G's nation-wide mobile telephony network.

62. The Finnish Competition Authority has previously found that Sonera is the dominant provider of mobile communications services in Finland. This also appears to be the general view of most respondents to the Commission's investigation and a market share of [50-65%] is an indication in itself of a dominant position.
63. Barriers to entry for the provision of mobile communications services in Finland are high. First, market entry is, as in other Member States, regulated at national level. This necessarily restricts entry to the market, since all network operators must gain a licence from the national regulatory authorities as well as obtain frequency allocations from the relevant authority. The national regulator's possibility to award further licenses is in itself restricted by the limited amount of available frequencies. It is also the Commission's understanding that there is no additional spectrum currently available in Finland that would allow a fifth network operator to enter the market.
64. The only potential competition in this market will come from UMTS licensees. However, three out of four such licenses were awarded to the existing GSM 900/1800 operators Sonera, Radiolinja and Telia. The fourth license was awarded to Suomen 3G, which is part of the Finnet Group.
65. By the proposed transaction the merged entity would increase its combined market share to about [55-70%], i.e. a market share more than twice the size of its closest competitor in the Finnish market. In the light of the above, it can be concluded that the proposed transaction raises serious doubts as to its compatibility with the common market in relation to the provision of mobile communications services in Finland.

2. *Provision of WLAN services in Finland*

66. Both Sonera and Telia are providers of WLAN services in Finland. Sonera is present with its "wGate"- brand name and Telia with "HomeRun". Thus, the proposed transaction leads to a horizontal overlap in the provision of WLAN services in Finland.
67. Telia HomeRun is currently installed at [...] locations all over the Nordic region. Telia began to offer WLAN services in Finland only in 2002. This service is marketed under the name "HomeRun" and basically consists of around [...] locations (Vanda International Airport in Helsinki and Scandic Hotels being the most significant) where equipment has been installed to enable users with subscriptions to the HomeRun service to connect to the Internet (and via the Internet possibly to their corporate networks, for example, if their network permits such access). HomeRun does not comprise any service other than broadband Internet access.
68. Sonera's service is marketed under the name "wGate" and has a similar business concept, offering mobile business users the chance to connect to corporate intranets or to the Internet from "hot-spot bases" such as hotels, airports, business parks and meeting/convention centres where equipment has been installed. wGate was introduced in 2000 and has been installed at around [...] locations in Finland.
69. The parties have been unable to estimate their market shares but they agree with third parties that Sonera is the principal provider of WLAN services in Finland. Telia's share is presently insignificant since it only entered the market in 2002. According to third parties, Sonera's position is close to being dominant.

70. A number of competitors have entered the market for similar services in Finland but none of these have gained any significant shares of the market. The market investigation has shown that in principle there are no significant entry barriers for companies possessing the relevant know-how to install the relevant equipment since there are a number of potential locations, as well as new and innovative business models, to be developed. However, WLAN services in Finland are normally sold as value-added services when selling mobile communications services to corporate customers. There are therefore indications that a strong position in the mobile communications market has an impact on the providers possibility to sell subscriptions for such services to corporate customers. This is also evidenced by the fact that Telia, which is only active in the provision of mobile communications services in Finland, also offers WLAN services to its corporate customers. The investigation has also shown that even though there are a number potential locations for WLAN equipment to be installed, Sonera and Telia already have installed their equipment in some of the most important locations (“hot-spots”) such as airports, hotels etc. in Finland.
71. On this basis, the proposed transaction could raise serious doubts as to the compatibility with the common market irrespective if the provision of WLAN services is considered as a separate product market, or part of a bundled product offering to corporate customers. However, given that the parties have included in their divestiture of Telia’s mobile communications business also WLAN equipment, it is not necessary to finally conclude on these doubts.

3. *Wholesale International Roaming Services in Finland*

72. Since both Telia and Sonera are active as mobile network operators in Finland there is a horizontal overlap in the provision of such services in the Finnish market.
73. Sonera has estimated its market share on the Finnish market to be [40-55%], followed by Radiolinja with [40-55%], Suomen 2G with [0-15%] and Telia [0-15%]. The market investigation has shown, however, that Sonera’s share of the Finnish market is about [55-70%] and Radiolinja’s market share is about [20-35%]. Furthermore, Telia has a market share about [0-10%] and DNA/Suomen 2G a market share of about [0-10%]. Sonera is thus clearly the market leader in this market in Finland.
74. With the proposed transaction the merged entity would increase its combined market share to more than [55-70]%, i.e. a market share more than twice the size of its closest competitor in the Finnish market. In the light of this, it can be concluded that the proposed transaction could raise serious doubts as to its compatibility with the common market in relation to the provision of wholesale international roaming in Finland. However, it is not necessary to conclude on this matter, since Telia will divest its mobile telephony activities in Finland and any addition of market shares in this market will thus be removed.

(ii) *Potential competition:*

75. During the market investigation it was brought to the Commission’s attention that the loss of competitive pressure brought about by the merger would be higher than the market shares of Telia in Finland might indicate. As a strong incumbent in the most significant neighbour country with substantial financial resources, Telia was in a position to exercise competitive pressure through potential entry into markets where it was not already present in Finland. This potential entry was all the more credible due to the fact that Telia was already present in Finland through Telia Mobile Finland.

76. There are a number of examples in other European countries where entry by foreign incumbents in neighbouring countries has provided valuable competitive pressure in particular in markets upstream to the ISP market. Such examples include Telecom Italia's entry into France, British Telecom's entry into inter alia Germany and Spain etc.
77. The elimination of Telia as an actual and potential competitor for a wide range of telecommunications services in Finland creates serious doubts as to the strengthening of Sonera's dominant position in a number of fixed and mobile telecommunications markets, in particular as regards mobile communications services.

(iii) Vertical issues:

78. Both Telia and Sonera have significant positions on several of the markets relevant to this transaction. For example, Telia has a strong position in the provision of mobile communications services in Sweden. It is also the leading (if not dominant) provider of data communications services in Sweden and the market leader as regards the provision of wholesale international roaming services in Sweden. Furthermore, it is the leading provider of local, national and international calls in Sweden. Similarly Sonera has a dominant, or close to dominant position, on the market for the provision of mobile communications services in Finland, in data communications services and it is also the market leader for the provision of wholesale international roaming services in Finland as well as the largest provider of international calls in Finland. In addition, both Telia and Sonera are essential in order to terminate calls to end-customers of the two operators' fixed and mobile networks.
79. These markets are all characterised by vertical relationships to a larger and lesser extent. In order to produce a phone call between one of its own mobile subscriber in Finland and a fixed line subscriber of Telia, Sonera must at the wholesale level purchase call termination to Telia's fixed telephony network and transit and leased lines from network providers (or produce that service in-house). This is not a vertical relationship in the most traditional sense where production, wholesale and retail distribution are considered to be the vertically related markets, but it is a vertical relationship that calls upon the Commission to investigate carefully whether the merger will create anti competitive incentives across markets.
80. The investigation has shown that as a result of the merger the merged entity will have new incentives to foreclose markets. The competitive concerns in this regard can be limited to markets (i) that are vertically related to another market where either Telia or Sonera have a dominant position (condition 1) and (ii) where the other party is present (condition 2).
81. To illustrate, one such market is the provision of mobile communication services. As described above, Finnish mobile operators must buy (wholesale) call termination from Telia in order to provide international calls to Sweden to its subscribers (condition 1) and at the same time they are competing with Sonera for the provision of retail mobile communications services in Finland (condition 2). The Commission has found that for this to be credible, both conditions 1 and 2 are necessary for the transaction to raise competition concerns. As a result of the proposed transaction, the merged entity will have the incentive to foreclose Sonera's competitors in order to strengthen Sonera's position on the markets where such a situation applies.

82. In other words, for Sonera's competitors in Finland the merger is between a competitor and a supplier of a necessary facility to offer retail services on an international basis.
83. The Commission has identified three upstream markets in both Sweden and Finland where Telia or Sonera have sufficiently strong positions that could be used to foreclose vertically related downstream markets. These upstream markets are (a) the markets for wholesale call termination to Telia and Sonera's fixed and mobile communications networks and (b) the provision of wholesale international roaming. The vertically related markets in the other country that would be affected directly by the foreclosure are the markets for the provision of fixed international voice telephony, corporate communications services and mobile communication services. In these markets both Telia and Sonera already have significant presence in their respective home countries, and the Commission's investigation has shown that as a result of the proposed transaction the merged entity would be able strengthen these positions.
84. The transaction will also give the merged entity control over the major fixed and mobile communications operators in the three Baltic States. Even though the assessment of the impact on these geographic markets in themselves falls outside the scope of the Merger Regulation, the Commission has found that the merged entity will also be in a position to use its strong position in these countries with ramification in downstream markets in Sweden and Finland.
85. Table 1 illustrates the identified markets where Telia is sufficiently strong upstream to raise Sonera's competitors' costs downstream and those downstream markets where Sonera is sufficiently strong for such a foreclosure to possibly raise serious doubts as to its compatibility with the common market.

Table 1: Foreclosure with effect in Finland (As regards termination markets, the numbers do not indicate market shares, since each network is considered a distinct market).

Telia upstream	Termination	Termination	Termination	Termination	Wholesale Int. roaming
	Fixed, Sweden	Fixed, Baltic States	Mobile, Sweden	Mobile, Baltic States	Sweden
National presence ¹³ :	>[85-100%] ¹⁴	N.A. ¹⁵	[40-55%]	[45-60%] ¹⁶	40-55%
Sonera Downstream¹⁷	Mobile communication services		Fixed international calls		Business Data Communication services

¹³ In relation to the termination markets, the numbers does not indicate market shares, since its network is considered a distinct market. Rather they indicate the importance of the foreclosure tool available to the merged entity with respect to traffic terminating in that market.

¹⁴ Share of total number of access lines.

¹⁵ [...] million lines in the Baltic states

¹⁶ Relates share of total subscribers in the mentioned countries that either use Telia's network or networks that are jointly controlled by Sonera and Telia (including Eesti Mobiltelefon, where the joint shareholding is 49%)

¹⁷ Parties estimates.

Domestic market share:	[50-65%]	[40-55/40-55%] ¹⁸	[40-55%]
Biggest competitor:	[20-35%] (Radionlinja)	[20-35/20-35%] (Elisa)	[20-35%] (Elisa)

86. Similarly, Table 2 illustrates markets where Sonera is sufficiently strong upstream to raise competitors' costs downstream and the relevant downstream markets affected by the foreclosure in Sweden.

Table 2: Foreclosure with effect in Finland (As regards termination markets, the numbers do not indicate market shares, since each network is considered a distinct market).

Sonera Upstream	Termination	Termination	Termination	Termination	Int. wholesale roaming	Int. wholesale roaming
	Fixed, Finland	Fixed, Baltic States	Mobile Finland	Mobile, Baltic States	Finland	Baltic States
National presence ¹⁹ :	[20-35%] ²⁰	N.A. ²¹	[50-65%]	[45-60%] ²²	55-70%	N.A.

¹⁸ Market share in value/volume of international calls combined

¹⁹ In relation to the termination markets, the numbers does not indicate market shares, since its network is considered a distinct market. Rather they indicate the importance of the foreclosure tool available to the merged entity with respect to traffic terminating in that market.

²⁰ Shares of total number of access lines.

²¹ [...] million lines in the Baltic states

²² Relates share of total subscribers in the mentioned countries that either use Telia's network or networks that are jointly controlled by Sonera and Telia (including Eesti Mobiltelefon, where the joint shareholding is 49%)

Telia Downstream²³	Mobile communication services	Fixed international calls	Business Data Communication services
Domestic market share:	[40-55%]	[35-50/30-45%] ²⁴	[60-75/65-80%] ²⁵
Biggest competitor:	[30-45%] (Tele 2)	[5-20/5-20%] (Tele 2)	[5-20%] (Telenor)

87. Without having to assess in detail to what extent each of the vertical links *in isolation* would be sufficient to conclude that the transaction would create or strengthen a dominant position, the Commission has concluded that *taken together* they raise serious doubts as to the proposed transaction compatibility with the common market. In particular, the proposed transaction raises competition concerns for the provision of mobile communication services and corporate communication services to large businesses and corporate customers with significant pan-Nordic needs.
88. Though the underlying mechanisms of foreclosure are the same, the context in which they apply are different in the identified markets. The upstream markets where the foreclosure could be exercised are treated separately below.

(a) *Call termination*

89. Both Sonera and its competitors need to negotiate with Telia for wholesale access to terminate calls to all end-customers that use networks controlled by Telia in Sweden, Denmark, Norway and the Baltic states. This applies both to Telia's fixed and mobile networks, and both to Finnish network operators and service providers. Prior to the transaction there were no reason for Telia to give Sonera more favourable terms of termination than its competitors, but after the transaction the merged entity will have an incentive to distort competition to Sonera's advantage, and will be able to do so by discriminating against Sonera's competitors. This could be done in a variety of ways:
90. Telia would have an incentive to raise (or not decrease) termination charges to calls from the Finnish market. High termination charges are an advantage for Sonera since they constitute a real cost to Sonera's competitors, but only an internal transfer within the merged Sonera/Telia entity. Telia could use other means to increase Sonera's competitors' costs. These other means would be in particular, the application of particular technical standards, requirement to have traffic handed over at inconvenient interconnection points and degrading quality of termination, offering of technical add on services only to Sonera (number translation services etc.). A similar argument applies in the other direction.
91. In assessing whether the foreclosure problem is significant, it is necessary to establish not only that the merged entity will have the *incentive* to foreclose, but also whether it

²³ Parties estimates.

²⁴ Market share measured in value/volume of international calls

²⁵ Value and volume respectively

has the *ability* to do so, and whether it will have *any significant effect* on competition on the market in question.

92. The parties have argued that the merged entity will not have the ability to use termination to foreclose downstream markets. They have argued that the cost of interconnection (origination and termination) is fixed for all market participants and that the regulatory regimes, even if not perfect, are “hard” and that interconnection rates are regulated on a cost oriented basis. According to the parties there is no regulatory deficit in the two Member States, which would permit the merged entity to lessen competition by discriminating against third parties or post merger raising interconnection rates²⁶ to third party operators.
93. A number of third parties have argued that in both countries the regulatory regime provides only an insufficient shelter from foreclosing behaviour:
- The regulatory regimes in both countries are based on ex post regulation. The merged entity can thus, in principle, only be disciplined after a formal litigation procedure, which is time-consuming.
 - Price squeezes can be hard to detect due to lack of sufficient accounting transparency.
 - The non-price methods of raising competitors’ costs are difficult to detect.
94. The parties have argued that even if carried out, foreclosure would not have any *significant effect* on the Finnish and Swedish mobile communications markets. They argue that in general it is not the major operators in Finland, but mainly third parties who are able to offer lower international call rates by looking for alternative and more efficient ways to convey national and international calls.
95. The Commission agrees that calls between Finland and Sweden do not only require origination and termination, but also a carrier service between the two networks. The Commission’s investigation has also shown that there is ample capacity and sufficient competition in this market, even on a Finland/Sweden international network route.²⁷ The Commission also agrees that if prices for calls to Sweden were sufficiently important to persuade customers to change supplier, it would make the foreclosure even more efficient. The key issue is, however, whether foreclosure would still be effective because it raises competitors’ costs, hence undermine their ability to finance new investments and increase the probability of competitors leaving the market. If the foreclosure can raise competitors’ costs it can either provide a disciplining force that would make the competitor less inclined to compete aggressively, or in the worst case, it could increase the likelihood of exit. Due to the significant fixed costs related to building a network, only companies with a large customer base make profits. The experience in most European countries confirms also that it is very difficult for the smaller mobile network operators to obtain positive margins unless they have a

²⁶ Interconnection rates cover both termination and origination charges.

²⁷ The fact that some operators offer even cheaper rates for international calls thus prima facie indicates that these products are of a different quality (requires to remember pre-select codes, or provide lower voice quality etc.) or that international calls are purchased as a part of a package, thus bundled with other services.

significant market share. Sonera's competitors, in particular smaller competitors, are thus vulnerable to increases in costs.

96. The parties have also argued, that since they are already required to set call termination rates on a non-discriminatory basis, they would not set those charges on the basis of incoming international traffic from a single country. They would mainly be set with reference to national and not international incoming traffic. Furthermore, they argue that the proportion of traffic between Sweden and Finland is a marginal part of all their national and international traffic both for fixed and mobile operators.
97. It has not been possible to obtain data describing exactly how much traffic originates in Finland and terminates in Telia's networks²⁸. The parties have provided data indicating that in 2001 [...] of all international outbound voice traffic from Finland terminated in Sweden ([...] million minutes went to Sweden out of [...] million minutes total outbound international traffic from Finland). Data provided also indicates that more than [...] terminated in Estonia ([...] million minutes in 2000). Data for the other Baltic States were not available. Similarly [...] of the international calls from Sweden terminated in Finland ([...] million out of 1300 million minutes).
98. These calling patterns indicate that a significant part of each country's international traffic terminates in the other country. Furthermore, they indicate that the competitive concerns may be stronger on the Finnish market than on the Swedish market.

(b) Wholesale International Roaming Services

99. As mobile network operators both Telia and Sonera provide wholesale international roaming services to foreign network operators and, at the same time, receive such services from operators in other countries, in order to offer its customers a seamless mobile telephony service outside their own national territory. In order to offer and receive such services, Telia and Sonera have entered into bilateral international roaming agreements with each other as well as with other network operators. Due to the cross-border element of wholesale international roaming, there is thus in addition to the horizontal overlap identified above, an existing vertical link between Telia's mobile network operations in Sweden and Sonera's mobile communications services and Telia's mobile network service operations in Finland, and vice-versa.
100. According to third parties, the proposed transaction could allow Telia's and Sonera's customers to roam on their networks in Sweden, Denmark, Norway and the Baltic States at terms not offered to their competitors given the possibility to internalise their international roaming services. If these concerns were correct, this would raise rivals' costs and thus could strengthen Sonera's dominant position in Finland for retail mobile communications services. Similarly, Sonera's network in Finland could be used to foreclose Telia's competitors in Sweden.
101. The Commission observes that the geographic proximity and the extensive cultural connections and economic exchanges between Finland and Sweden, renders access to

²⁸ The transaction would allow a Sonera customer to reach more than [...] of all mobile subscribers in the Nordic/Baltic region outside of Finland (Norway, Denmark, Sweden and the Baltic States) through on-net calls whereas for Sonera's competitors would remain off-net. The number for fixed line subscribers is currently not available (presumably significant, but below that of mobile subscribers)

international roaming in the other country very important for retail customers. Furthermore, corporate customers have indicated that international roaming costs constitute a significant part of their overall communication expenditures.

102. It could be argued that since there are several GSM-networks in Sweden, access to Telia's network is not an essential requirement for Sonera's competitors in Finland.
103. In order to provide optimal coverage to their customers, operators have up to now usually sought to obtain wholesale international roaming agreements with as many operators in each country as possible. Consequently, Telia's customers in Sweden can today roam on all four networks in Finland and Telia is one of the major customers in each of the four Finnish networks with respect to wholesale international roaming.
104. From the roaming patterns observed prior to the transaction, it is clear that Sonera is the market leader in Finland with [55-70%] of all inbound international wholesale roaming in Finland taking place in Sonera's network. Telia has also a significant market share in Sweden ([40-55%] of all roaming in Sweden takes place in Telia's network). This indicates strongly that Sonera's competitors in Finland to a certain extent depend on Telia to provide high quality international roaming to its subscribers when those subscribers are in Sweden. This dependence on Telia is even greater when including Telia's other networks in Denmark, Norway and the Baltic States. Similarly, it can be concluded that Telia's competitors to a certain extent depend on Sonera to offer high quality roaming in Finland.

(i) Mobile communications services

105. For the reasons stated above, there are indications that Telia and Sonera have dominant positions in their respective national markets for wholesale international roaming. However, whether they are dominant or not, the Commission believes that the positions are sufficiently strong to allow the merged entity to raise its competitors' costs downstream in the mobile communications markets and strengthen the parties' positions in the provision of mobile communications services, in particular for services directed to corporate customers that may require international roaming services and other advanced seamless services on a wider than national basis.

(ii) Corporate communications services

106. The three foreclosure tools mentioned above, termination in fixed and mobile networks and wholesale international roaming, can be used upstream in one country to distort competition downstream in the other country. The downstream markets are mainly the markets for the provision of fixed voice, and mobile communication services and possibly, to a lesser extent, data communications services. During the market investigation the Commission's attention was also drawn to the fact that the merged entity will have an unrivalled position regarding the provision of voice and data communication services to corporate users in their respective home markets.
107. As regards corporate communications services, there is no horizontal overlap in the parties' activities in the EEA (Finland and Sweden) if such markets are found to be national in scope.
108. However, the Commission's investigation has shown that the proposed transaction will increase the merged entity's ability to leverage its strong positions in the mobile communications services market in Finland, data communications services in Finland

and Sweden and (international) fixed voice services in Finland through bundling into broader markets such as the market for customized corporate communication services in Finland and Sweden. This will particularly be the case for customers with pan-Nordic and pan-Nordic/Baltic cross-border requirements that covers the Finnish and Swedish countries.

109. There is a growing trend among corporate customers to demand integrated communication solutions comprising both voice (fixed and mobile) and data communications services. In order to provide such an integrated solution, suppliers must assemble “packages” of products to put before the customers. The larger the geographic scope of the services in question, the more agreements are needed to provide the services in question. A number of providers are today able to provide on a national basis such services. Furthermore, competitors to Telia and Sonera are aiming to, in order to obtain better profitability, harmonize and integrate their platforms in the Nordic countries. However, no current competitor is able to match the actual footprint of the merged entity in the Nordic (particularly Finland and Sweden) and Baltic States.
110. In the provision of bundled service offerings there is generally a risk that providers of essential parts of the package (such as call termination, access to the local and national infrastructure, and wholesale international roaming) can foreclose providers of the other parts either through direct bundling or by offering prices structures that only makes it attractive to buy its solution.
111. For large corporate clients the demand for fixed traffic is generally sufficient to justify that the provider connects the client with dedicated infrastructure. For this reason the local loop may not be considered an essential facility for these clients. Telia may therefore not be in a position to use its dominant position on the local loop to foreclose this market. But the above described foreclosure strategies with respect to termination of calls and access to wholesale international roaming in Telia’s networks could be used to win market shares with regards to provision of other parts of the integrated packages that large corporate customers demand. These related services include basic data transfer services for corporate networks (LAN and WLAN), basic data access services such as access to corporate network and Internet access, video conferencing and tele-meeting services.
112. For the above reasons, the proposed transaction raises serious doubts as regards the possibility of the merged entity to foreclose competitors in the provision of corporate communication services, in particular for services on a pan-Nordic (at least two Nordic countries) and pan-Nordic/Baltic (at least two Nordic and one Baltic State basis. This would in particular affect competitors in the EEA offering such services to customers with significant Finnish, Swedish and Baltic needs.

(iii) Internet Access Services

113. It has been argued by third parties during the course of the investigation that the proposed transaction would also raise concerns about the effect of the merger in this market, in particular the possibility for the merged entity to foreclose Sonera’s competitors for Internet access services in Finland due to Telia’s leading position as a fixed network provider in Sweden. These concerns relate equally to corporate and residential Internet access services. However, given that these concerns would in any event be removed by, inter alia, the parties’ undertakings to divest Telia’s cable TV business there is no need to make a final determination on these doubts.

VI. COMMITMENTS

114. On 19 June 2002, Telia offered, pursuant to Article 6(2) of the Merger Regulation, certain commitments to remove the competition concerns identified by the Commission. The proposed commitments were refined and improved following the Commission's assessment and comments from third parties and Member States. The full text of the final commitments is annexed and forms an integral part of this Decision.
115. The purpose of the divestiture of Telia's mobile communications business, including equipment for the provision of WLAN services, in Finland is to remove the serious doubts identified in relation to the horizontal overlap between the parties' activities in the provision of *mobile communications services* in this market. In addition, their purpose is to remove any serious doubts as regards any horizontal overlaps for the provision of *WLAN services* as well as the provision of *wholesale international roaming services* in Finland.
116. The purpose of the second divestiture commitment together with the additional commitments, which will be further explained below, is to remedy in particular the likelihood of foreclosure, the elimination of potential competition in the following downstream markets: *the provision of corporate communications services* and *mobile communications services*.

A. Summary of the commitments

(i) Divestiture commitments

117. Telia commits to divest the following assets:

- (a) Its *mobile communications services business in Finland*, comprising of the Telia Mobile Finland branch of Telia Mobile AB, and of Telia Product Oy. In relation to the divestiture of the mobile services business, Telia also commits to divest its equipment relating to the wireless LAN business in Finland operated under the "HomeRun" name, excluding the brand itself.

Furthermore, in relation to the divestiture of its mobile business in Finland, Telia shall procure that a purchaser of this business, not already having a nation-wide GSM network, shall have the right to be granted a national roaming agreement with Sonera on commercial terms for the territory of Finland. As regards international roaming agreements, Telia shall also, if required by the purchaser, use its best endeavours to procure that Telia Mobile Finland is able to obtain international roaming for a period of 6 months, or until it has been able to negotiate its own agreements (whichever period is shorter).

However, the Divested Businesses shall not include (i) Telia Product's 50% shareholding in Telia Service Oy, unless the purchaser requests its inclusion in the divestiture of the mobile business; (ii) the benefit of Telia's existing international roaming agreements, except for what was described above in relation to the divestiture of the mobile business; (iii) the benefit of existing equipment supply agreements between Telia [...] (iv) trademarks and other marks including the Telia brand (subject to transitional arrangements to be negotiated with the purchaser); (v) personnel currently seconded to Telia

Mobile Finland branch, save that if the purchaser so requests, Telia shall offer the seconded personnel the opportunity to remain.

- (b) Its *cable TV network and related distribution business in Sweden* owned and operated by its wholly owned subsidiary, ComHem AB.

118. The final binding sale and purchase agreements on the above-explained divestitures will be subject to the Commission express approval. Until then, the businesses to be divested are to be held separate under the monitoring supervision of a Monitoring Trustee approved by the Commission. If Telia has not completed the divestiture of the mobile business by the end of the first divestment period ([...] from the effective date), the Divestiture Trustee will have the mandate to sell the businesses to be divested at no minimum price (within a time period of [...]). For the divestiture of the cable TV network business, the first divestment period ([...] from the effective date) may, following a request made by Telia and the approval of the Commission, be extended by [...] (within a time period of [...]). If by then no final sale and purchase agreement has been concluded, the Divestiture Trustee will have the mandate to sell the businesses to be divested at no minimum price.

(ii) Additional commitments

119. Telia additionally commits to:

- (c) ensure that its *fixed and mobile (NMT, GSM and UMTS) network businesses in Sweden and Finland are held in separate legal entities* (“Network Companies”), which are distinct from related retail activities. Such Network Companies shall have a Board of Directors, and each such Board shall include an external director not related to Telia or to Sonera, appointed in accordance with applicable governance principles.

Telia commits to achieve this legal separation within a period of 9 months from the effective date, unless it shows good cause and applies to the Commission for a reasonable extension. Until the legal separation has been achieved, as an interim solution, Telia commits to cause *separate accounts* to be kept and to be available to the arbitration panel, for the fixed and mobile network businesses.

- (d) apply: a) a *non-discrimination obligation* in relation to the provision of *regulated wholesale fixed and mobile network services* as between the Telia group and specified third party operators in Sweden and Finland; and b) a *non-discrimination obligation* in relation to making available of *access to international wholesale roaming in its GSM networks* in Sweden and Finland, between the Telia group and third party mobile network operators in Sweden and Finland.
- (e) offer a *Fast Track dispute resolution procedure* in the event of disputes regarding the application of the non-discrimination obligations described above.

B. Assessment of the commitments

Divestiture of Telia's mobile business in Finland

120. This divestiture is designed to remove serious doubts as to the creation or strengthening of a dominant position in the mobile telecommunications services in Finland.
121. The branch to be divested is an operational unit of Telia Mobile AB, which is responsible for mobile telecommunications service provision in Finland. Telia Product, which is to be divested as part of the same package, is a wholly owned subsidiary of Telia AB group companies and is a registered company based in Finland. It is responsible for selling mobile subscriber connections of the branch as well as mobile phones and accessories. Telia has clarified that the remaining company Telia Service Oy is simply a holding company, but that it may be included in the divestiture package at a fair price, if so requested by the purchaser.
122. Telia has clarified that for contractual reasons Telia's existing international roaming agreements cannot as such be extended to cover the branch to be divested as the existing agreements have been concluded with the parent company, Telia AB. Consequently, unless special arrangements are entered into, the new entity would not automatically have the benefit of any international roaming agreements. Such agreements are essential to provide end-customers with the possibility of utilising their phones outside Finland. Without the benefit of special arrangements, the purchaser of Telia Mobile Finland would have to carry out bilateral negotiations with a great number of mobile network operators outside Finland in order to become a viable mobile communications services provider. Furthermore, unless the purchaser has an existing nation-wide GSM network in Finland, it needs to have also national roaming in order to be a viable competitor. Therefore, Telia has committed to offer the purchaser of the divested mobile business, at its option/requirement, the benefit of international (this undertaking is to be read in combination with the relevant commitments which will be described below) as well as national roaming agreements (unless the purchaser has its own nation-wide networks) in order support its viability to operate as a competitor in the Finnish market.
123. The Commission's market test, which was carried out on the basis of the commitments submitted on 19 June 2002 confirms that the proposed divestiture fully eliminates the direct overlap between Telia and Sonera in the provision of mobile communications services, including as a consequence the overlap in the provision of international wholesale roaming services in Finland. The divestiture package also includes the assets relating to the provision of WLAN services, thereby fully eliminating the Parties' overlap in Finland. It has been indicated that the divestiture of Telia's mobile services business in Finland would have to be carried out rapidly in order to retain as much as possible of the existing subscriber base. Thus, the divestment period for Telia Mobile Finland is [...] from the Commission's decision.
124. It is concluded that the commitment offered by Telia represents a sufficient remedy to remove the serious doubts raised by the transaction as regards the creation or strengthening of Sonera's dominant position in the provision of mobile communications services and wholesale international roaming services in Finland due to the horizontal overlap created by the transaction as regards the provision of these services. This commitment would also remove any serious doubts as regards a

horizontal overlap in the provision of WLAN services in Finland. This commitment is further supplemented by the additional commitments, which are described in detail below.

Divestiture of ComHem AB

125. This divestiture commitment has been designed, together with the additional commitments, which will be described below, to address the serious doubts raised as regards the strengthening of Sonera's position in the Finnish markets for (i) mobile communications services and for (ii) corporate communications services, due to Telia's monopoly and the identified likelihood of foreclosure regarding call termination in Telia's own fixed communications networks in Sweden. At the same time, this commitment addresses the concerns expressed by some third parties as regards the possibility for the merged entity to foreclose Sonera's competitors for Internet access services in Finland.
126. ComHem is a wholly owned subsidiary of Telia AB, which is responsible for the provision of both analogue and digital television services and Internet access, content and services to subscribers in Sweden.
127. Telia submits that this divestiture is a major undertaking due to the considerable investments that have been made during the last few years. Telia also submits that approximately [...] of its cable TV network has been modernised and upgraded and that currently the lines to [...] Swedish households are equipped for broadband connection.
128. Supported by the results of the market test carried out on the commitments submitted by Telia on 19 June 2002, the Commission considers that a cable TV network can, with sufficient investments and upgrading, become an alternative for the public switched telephony network in the provision of fixed voice services. It is obvious that the emergence of this type of an alternative would not take place immediately, as it would require additional investments.
129. In fact, according to some third parties incumbent telecommunications operators have been slow to proceed in the necessary upgrading of cable TV networks because their upgrading would indeed lead to the introduction of rival services, especially in the field of voice telephony and broadband Internet services. It has also been stated that as a consequence of the current transaction cable TV networks in Sweden will assume an even greater importance as an alternative platform for a variety of existing and new service sectors (including voice telephony).
130. Based on the results of the Commission market investigation and market test of the commitments, the Commission therefore considers that in the medium to long term, the commitment to divest Telia's cable TV network would enhance the emergence of an alternative fixed network to the local loop in Sweden. This would form an alternative to Telia's fixed network for the purposes of originating and terminating calls in Sweden.
131. As the emergence of an alternative network is only a medium to long term solution to remove competition concerns caused by the current transaction in Finland due to the vertical links between Sonera's retail activities in Finland and the provision of call termination in Telia's fixed network in Sweden, the divestiture of ComHem AB would alone not be a sufficient remedy to remove serious doubts as to the transaction's

compatibility with the common market. Consequently, additional commitments are considered necessary to supplement the proposed divestiture.

Additional commitments

132. These additional commitments, together with the above described divestiture of ComHem AB, are designed to address the serious doubts raised as regards the strengthening of Sonera's position in the Finnish markets for (i) mobile communications services and for (ii) corporate communications services, due to Telia's monopoly and the identified likelihood of foreclosure regarding call termination and the provision of wholesale international roaming services in Telia's fixed and mobile communications networks in Sweden, and similarly, due to Sonera's dominant position and the likelihood of foreclosure regarding call termination and the provision of wholesale international roaming services in Sonera's mobile communications network.
133. The additional commitments are designed to serve as an effective remedy only if applied as a package.
134. The market investigation and the market test carried out on the commitments submitted on 19 June 2002 confirm clearly, that in addition to the divestitures described above, there is a need, in the short or medium term, for additional remedies. The replies of third parties indicate clearly that given the dominance of the parties in mobile telephony services, these remedies should not apply only to the fixed telephony services, but also to the mobile telecommunications services. More specifically, the commitments should, in the short term, provide for an increase in transparency and non-discrimination in the provision of network services by the merged entity. Each of the additional commitments are assessed below;

Legal separation

135. As explained above, third parties consider that the internalisation of traffic would give the merged entity the possibility to define the termination costs in both countries and that it could raise termination costs for its competitors. According to third parties, the lack of clear interfaces between the different activities of the merged entity makes it difficult to fully control that their termination charges are cost oriented (as the legislation stipulates) and that there are no price squeezes. More specifically, third parties consider it to be very important to have clear interfaces between service and network operations, in both fixed and mobile telephony services, in order to apply and to monitor the application of the legal obligations as regards cost oriented pricing
136. To remedy the existing lack of transparency and the particular competition concerns, Telia has committed to ensure that its fixed and mobile (NMT, GSM and UMTS) network businesses in Sweden and Finland are held in separate legal entities ("Network Companies"), which are distinct from related retail activities. Furthermore, Telia has committed to appoint an external director to each of the Boards of Directors. The duration of this commitment is not as such limited in time. As an interim solution, until the full legal separation has been achieved, Telia has committed to cause separate accounts to be kept for the entities to be legally separated. These accounts shall also be made available to the arbitration panel for the purposes of the Fast track dispute resolution procedures (which will be described below).
137. Based on the above, the Commission considers that Telia's commitment on legal separation contributes to remedy the competition problems identified in the various

vertical relationships, both in the fixed and mobile communications services. The fact that also external directors are appointed to the boards, enhances the positive impact of this remedy. It may therefore be concluded that the proposed remedy, in combination with the divestiture of ComHem AB and the other additional commitments (which will be described below) is sufficient to contribute to removing serious doubts as regards the likelihood of foreclosure in the upstream markets concerned.

Non-discrimination obligation

138. The purpose of this commitment is to eliminate the ability of the merged entity to discriminate its competitors in the provision of fixed or mobile communications services at wholesale level. Telia's commitment provides for non-discrimination as regards access to the specified services as well as their pricing and quality, in order to remedy the likelihood of foreclosure. The duration of this commitment is limited to three years from the effective date.
139. In order to be targeted to those markets in which serious doubts as regards the likelihood of foreclosure have been identified, the scope of application of this obligation is two-fold;
140. The first obligation applies to the provision of those *wholesale fixed and mobile network products that are regulated in Sweden or Finland*, e.g. in relation to which the national regulatory authority in Sweden or Finland imposes from time to time an obligation on Telia to offer wholesale prices on a cost-oriented basis. The products that are regulated at the time of this decision are, for the avoidance of doubt, specified in more detail in Schedules 4(A) and 4(B) of the Commitments. However, this listing of products is non-exhaustive to the extent that the scope of regulation may change during the duration of the commitment. In order to limit the scope of application of this obligation to those markets that are directly affected by the transaction, the specific description of third parties benefiting of the application of this obligation has been introduced in paragraph 24 of the commitments.
141. The second obligation applies to the *access to wholesale international roaming in Telia's GSM networks* in Sweden and Finland, between the Telia group and third party mobile network operators in Sweden and Finland. This obligation will apply subject to the availability of network capacity and subject to technical feasibility.
142. The Commission considers that this commitment forms an important element of the commitment package. As it is backed by a clear structural remedy leading to the legal separation of the merged entity's activities in order to enhance transparency, these commitments are together considered to contribute to removing serious doubts as regards the likelihood of foreclosure in the specified upstream markets.

Fast Track dispute resolution

143. Telia's commitment provides third parties with specific means to dispute in an arbitration procedure whether the non-discrimination obligations described above have been correctly applied. This arbitration also provides for a faster alternative to the procedure provided by the national regulatory authorities. The duration of this commitment is limited to three years from the effective date.

144. The Commission considers that the application of a non-discrimination obligation, supported by a Fast track dispute resolution and backed by greater transparency, will provide third parties with sufficient means to detect discriminatory practices and to react to them. As above, this commitment also forms an essential element of the proposed package of additional commitments, which are partly behavioural in nature. These commitments are together considered to sufficiently contribute to eliminating serious doubts as regards the likelihood of foreclosure in the specified upstream markets.

C. Conclusion on the Commitments

145. The Commission considers that the commitments are sufficient to limit the ability/incentive for the merged entity to foreclose competitors in Sweden and Finland.

146. In the light of the above, it is concluded that the commitments submitted by Telia are sufficient to remove the serious doubts identified by the Commission during its investigation of the proposed transaction in the provision of mobile communications and wireless LAN services as well as the provision of wholesale international roaming services in Finland. It is also concluded that the commitments submitted by Telia are sufficient to remove the serious doubts identified by the Commission in the downstream markets for corporate communications services in Finland and Sweden as well as mobile communications services in Finland.

VII. CONDITIONS AND OBLIGATIONS

147. Pursuant to the second subparagraph of Article 6(2) of the Merger Regulation, the Commission may attach to its decision conditions and obligations intended to ensure that the undertakings concerned comply with the commitments they have entered into vis-à-vis the Commission with a view to rendering the concentration compatible with the common market.

148. The requirement for achievement of each measure that gives rise to the structural change of the market is a condition, whereas the implementing steps, which are necessary to achieve this result, are generally obligations on the Parties. Where a condition is not fulfilled, the Commission's decision declaring the concentration compatible with the common market no longer stands; where the undertakings concerned commit a breach of an obligation, the Commission may revoke its clearance decision, acting pursuant to Article 6(3)(b) of the Merger Regulation²⁹.

149. In view of the foregoing, the Commission's decision in the present case must be conditional upon full compliance with the divestments of Telia Mobile Finland branch of Telia Mobile AB, and of Telia Product Oy as well as equipment owned by Telia relating to the wireless LAN business in Finland, according to the conditions set out in sections B-D of the commitments in Annex I. The Commission's decision is also conditional upon the divestiture of ComHem AB, according to the conditions set out in sections B-D of the commitments. Furthermore, the Commission's decision in the

²⁹ cf. the Commission Notice on remedies acceptable under Council Regulation (EEC) No 4064/89 and under Commission Regulation (EC) No 447/98.

present case must be conditional upon full compliance with the additional commitments described in Section F of the commitments.

150. Only by fulfilling the above conditions the transaction may be considered as compatible with the common market. The other undertakings constitute obligations, since they concern the implementing steps necessary to achieve the structural change intended.

VII. CONCLUSION

151. For the above reasons, the Commission has, subject to full compliance with the submitted undertakings, decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) and 6(2) of Council Regulation (EEC) No 4064/89.

For the Commission

Mario MONTI
Member of the Commission

By hand and by fax: 00 32 2 296 4301
European Commission – Merger Task Force

DG Competition

Rue Joseph II 70 Jozef-II straat

Case M. 2803 – Telia/Sonera

COMMITMENTS TO THE EUROPEAN COMMISSION

Pursuant to Article 6(2) of Council Regulation (EEC) No. 4064/89 as amended (the “Merger Regulation”), Telia AB (“Telia”) hereby provides the following Commitments (hereafter “the Commitments”) in order to enable the European Commission (hereafter “the Commission”) to declare Telia's acquisition of sole control over Sonera Corporation compatible with the common market and the EEA Agreement by its decision pursuant to Article 6(1)(b) of the Merger Regulation (hereafter “the Decision”).

These Commitments shall take effect upon the date of adoption of the Decision.

Any term used in this text shall be interpreted in the light of the Commission Notice on remedies acceptable under Council Regulation (EEC) No 4064/89 and under Commission Regulation (EC) No 447/98³⁰.

Section A. Definitions

In these Commitments, the following expressions shall have the following meaning:

Affiliated Undertakings: undertakings under the control of Telia and/or of the ultimate parents of Telia, whereby the notion of control shall be interpreted pursuant to Article 3 Merger Regulation and in the light of the Commission Notice on the concept of concentration under Council Regulation (EEC) No 4064/89.

Closing: the transfer of the legal title of each of the Divested Businesses to the Purchaser.

Commission Standard Trustee Mandate: the Commission’s recommended model trustee mandate in the case of commitments accepted under Council Regulation (EEC) No 4064/89.

Divested Businesses: the businesses as defined in Section B that Telia commits to divest within the time period provided for in Section D.

³⁰ *Official Journal C 68, 02.03.2001, pages 3-11.*

Divestment Trustee: one or several natural or legal persons, independent from Telia, which are approved by the Commission and appointed by Telia, which have received from Telia the irrevocable and exclusive mandate to sell the Divested Businesses to a Purchaser at no minimum price.

Effective Date: the date of the adoption of the Decision.

Extended Divestment Period: the period from the date of expiration of the First Divestment Period within which the Divestment Trustee shall have an irrevocable and exclusive mandate from Telia to sell the Divested Businesses at no minimum price.

First Divestment Period: the period within which Telia can propose a Purchaser for each of the Divested Businesses.

Hold Separate Manager: the person or persons employed by the Divested Businesses, who will be in charge of running the day-to-day business under the supervision of the Monitoring Trustee.

Key Personnel: all personnel necessary to maintain the viability and competitiveness of the Divested Businesses, as listed in Schedules 1 and 2.

Monitoring Trustee: one or several natural or legal persons, independent from Telia, which are approved by the Commission and appointed by Telia, which have the duty to monitor Telia's compliance with the conditions and obligations attached to the Decision.

Personnel: all personnel retained by the Divested Businesses.

Purchaser: the entity or entities approved by the Commission as acquirer or acquirers of the Divested Businesses in accordance with the criteria set out in Section E.

Sale: the entering into binding sale and purchase agreements for the selling of each of the Divested Businesses to the Purchaser.

Trustee(s): the Monitoring Trustee and the Divestment Trustee.

Telia: Telia AB, incorporated under the laws of Sweden, with its registered office at Mårbackagatan 11, SE-123 86 Farsta, Sweden and registered with the Company Register kept by the Companies Department of the Patent and Registration Office under number 556103-4249.

Sonera: Sonera Corporation, incorporated under the laws of Finland, with its registered office at Teollisuuskatu 15, Helsinki, P.O. Box 154, FIN-00510 Sonera, Finland and registered with the National Board of Patents and Registration of Finland under Business Identity Code number 1475607-9.

Section B. The Divested Businesses

Commitment to divest

1. Telia commits to divest, or procure the divestment of the Divested Businesses as going concerns to the Purchaser according to the procedure described in Section D.

Structure and definition of the Divested Businesses

2. The Divested Businesses consist of

- (i) Telia Mobile AB branch in Finland ("the Branch") and Telia Product Oy ("Telia Product") (together "Telia Mobile Finland"). The Branch is an operational unit of Telia Mobile AB, which is responsible for mobile telecommunications service provision in Finland. Telia Product is a wholly owned subsidiary of Telia AB group companies and is a registered company based in Helsinki, Finland. Telia Product is responsible for selling mobile subscriber connections of the Branch and sales of mobile phones and phone accessories through its retail distribution network.
- (ii) ComHem AB ("ComHem"). ComHem is a wholly owned subsidiary of Telia AB, which is responsible for the provision of both analogue and digital television services and Internet access, content and services to residential subscribers in Sweden.

The present legal and functional structure of the Divested Businesses as operated to date is described in these Schedules attached to these Commitments. Telia commits that these Schedules identify all the relevant functions of the Divested Businesses. The Divested Businesses include:

- (a) all tangible and intangible (including intellectual property rights) assets, which contribute to the current operation or may be necessary to ensure the viability and competitiveness of the Divested Businesses;
- (b) all licences, permits and authorisations issued by any governmental organisation for the benefit of the Divested Businesses;
- (c) all contracts, agreements, leases, commitments and understandings of the Divested Businesses; all customer, credit and other records of the Divested Businesses (items referred to under (a)-(c) hereinafter collectively referred to as "*Assets*"); and
- (d) the Personnel;
- (e) in relation to Telia Mobile Finland, Telia shall procure that a Purchaser that is part of a group that does not have a nationwide GSM network in Finland shall, at Purchaser's option, have the right to negotiate and to be granted a national roaming agreement with Sonera for the territory of Finland on commercial terms and at a fair price; Telia shall also, if required by the Purchaser, use its best endeavours to procure that Telia Mobile Finland is able to obtain international roaming for a period of 6 months following Closing or until such time as the Purchaser, acting reasonably, has been able to negotiate its own international roaming agreements, whichever is the shorter;
- (f) also in relation to Telia Mobile Finland, equipment relating to the wireless LAN business in Finland operated under the "HomeRun" name, but not the HomeRun brand itself.

The Divested Businesses are described in more detail in the Schedules attached to these Commitments.

Transfer of Personnel

3. The transfer of Personnel will be achieved in the following manner:

(a) The Hold Separate Manager will, in co-operation with the Monitoring Trustee, establish objective criteria to complete the matrix of functions and specific skills required for the Divested Businesses;

(b) Telia shall, subject to customary confidentiality assurances, permit potential purchasers of the Divested Businesses to have reasonable access to the Hold Separate Manager to discuss the transfer of the Personnel. The Hold Separate Manager shall, subject to review by the Monitoring Trustee, decide upon the requests of prospective purchasers to have access to the Personnel of the Divested Businesses;

(c) Telia and/or the Hold Separate Manager shall provide to the Purchaser information relating to the Personnel to enable the Purchaser to make offers of employment;

(d) Telia shall take all reasonable steps to encourage all Key Personnel as currently employed by the Divested Businesses to remain with the Divested Businesses and shall consult in this respect with the Monitoring Trustee and the Hold Separate Manager.

4. If the Purchaser wishes that all or any of the Personnel shall not be transferred, Telia shall indicate to the Commission why the Purchaser considers not necessary to have access to the Personnel and the Monitoring Trustee shall report on this.

Non-divested businesses

5. The Divested Businesses shall not include:

(i) Telia Product's 50% shareholding in Telia Service Oy (an empty holding company), unless the Purchaser requests the inclusion of Telia Service Oy in the divestment package (in which case the company shall be sold at a fair price to the Purchaser, but excluding rights to the "Telia" name);

(ii) Subject to the second phrase of paragraph 2(e) above, the benefit of Telia's existing international roaming agreements;

(iii) The benefit of existing equipment supply agreements between Telia and [...];

(iv) Trademarks and other marks including the Telia brand (subject to such transitional arrangements as may be negotiated with the Purchaser);

(v) Personnel currently seconded ("Seconded Personnel") to Telia Mobile Finland and listed in Schedule 3; save that if the Purchaser so requests Telia shall offer the Seconded Personnel the opportunity to remain with Telia Mobile Finland.

Section C. Related commitments

Preservation of Viability, Marketability and Competitiveness

6. Telia undertakes to preserve from the Effective Date the full economic viability, marketability and competitiveness of the Divested Businesses until Closing, in accordance with past commercial practice, and to reduce to the minimum any risk of loss of competitive potential of the Divested Businesses. In particular, until Closing, Telia undertakes not to carry out any act upon its own authority which may have a significant negative impact on the economic value, the management or the competitiveness of the Divested Businesses or which may be likely to alter the nature and scope of activity, or the industrial or commercial strategy or the investment policy of the Divested Businesses. Sufficient resources shall be made available for the Divested Businesses to develop until Closing, based on the existing business plans.

Hold-separate obligations of Telia

7. Telia commits to keep from the Effective Date the Divested Businesses separate from their other retained businesses and they will ensure that the Key Employees of the Divested Businesses – including the Hold Separate Manager – have no involvement in any other retained business and vice versa and they will also ensure that the Personnel do not report to any individual outside of the Divested Businesses.
8. Prior to Closing, Telia shall assist the Monitoring Trustee in ensuring that the Divested Businesses are managed as distinct and saleable entities separate from the retained businesses. Telia shall appoint a Hold Separate Manager for each of the Divested Businesses who will be responsible for the management of the Divested Businesses, under the supervision of the Monitoring Trustee, and who shall manage the Divested Businesses on an independent basis in the best interest of the businesses and ensuring their continued economic viability, marketability and competitiveness as well as their independence from Telia's retained businesses.
9. To ensure that the Divested Businesses are held and managed as separate entities the Monitoring Trustee shall exercise Telia's rights as shareholder in the Divested Businesses, with the aim of acting in the best interest of the businesses, determined on a stand-alone basis, as an independent financial investor, and with a view to fulfilling its obligation under the Mandate. Furthermore, the Monitoring Trustee shall have the power to replace the members of the supervisory board, being appointed as representatives of Telia, and/or the directors of the board of directors of the Divested Businesses, and to appoint new members to these boards as replacements. Telia will resign as member of such boards or will cause the members of such boards to resign upon request of the Monitoring Trustee. Dividends due before Closing are to be paid to Telia.
10. To ensure that the Divested Businesses are managed as separate entities, their participation in central purchasing or marketing arrangements, the central IT network and other central operational functions will be severed to the extent possible, without compromising the full economic viability, marketability and competitiveness of the Divested Businesses. The Hold Separate Manager, after having heard Telia, shall propose appropriate measures, subject to the approval of the Monitoring Trustee.

Ring-fencing

11. Telia shall implement all necessary measures to ensure that it shall not after the Effective Date obtain any business secrets, know-how, commercial information, or any other information of a confidential or proprietary nature relating to the Divested Businesses, with the exception of information reasonably necessary for the divestment of the Divested Businesses or to ensure compliance with legal or accounting requirements. The Monitoring Trustee, upon application of Telia and after having heard the Hold Separate Manager, shall decide on the exercise of this exception.

Non-solicitation

12. Telia undertakes not to solicit, and to procure that Affiliated Undertakings shall not solicit, the Key Personnel transferred with the Divested Businesses and listed in the Schedule for a period of two years after the Closing Date. For a period of [...] following the Closing, Telia further undertakes not to actively solicit in a targeted manner the customers of the Divested Businesses as at the date of Closing, provided that nothing shall prevent Telia from conducting general advertising and marketing campaigns in the ordinary course of business.

Section D. The Divestment Procedure

The First Divestment Period

13. Telia undertakes to find a Purchaser for each of the Divested Businesses and to enter into a final binding sale and purchase agreement with such a Purchaser for the sale of Telia Mobile Finland within [...] from the Effective Date and for ComHem within [...] from the Effective Date. If Telia shall have failed to enter into a final binding sale and purchase agreement for the sale of ComHem within the [...] period, it shall have the right to request an additional [...] from the end of such period ("the Additional First Divestment Period") to enter into such an agreement.

The Extended Divestment Period

14. If Telia is not able to enter into binding agreements for the sale of the Divested Businesses in accordance with paragraph 13 above, the First Divestment Period shall be extended by another [...] from the date of the expiration of the First Divestment Period in relation to Telia Mobile Finland and from the date of the expiration of the Additional First Divestment Period in relation to ComHem. Telia undertakes to give the Divestment Trustee an irrevocable and exclusive mandate to sell the Divested Businesses within the Extended Divestment Period at no minimum price.

Closing

15. Telia shall be deemed to have complied with this undertaking if, within a period not exceeding [...] from the Effective Date, it has entered into a binding agreement for the sale of Telia Mobile Finland and, within a period not exceeding [...] from the Effective Date, it has entered into a binding agreement for the sale of ComHem in accordance with paragraphs 18, 19 and 20 below, provided that the closing of the sale takes place within three calendar months after the conclusion of the respective sale and purchase agreements.

Reporting

16. Telia shall submit written reports in English to the Commission and the Monitoring Trustee on potential purchasers of the Divested Businesses on developments in the negotiations with such potential purchasers, on the steps taken towards implementation of legal separation, and on the operation of the other additional commitments at Section F of these commitments, within 10 calendar days after the end of every month following the Effective Date (or otherwise at the Commission's request). For the avoidance of doubt, these reporting obligations on Telia shall continue only until Closing in respect of the Divested Businesses, and only until the implementation of legal separation in respect of the commitments at Section F.

17. Telia shall inform the Commission and the Monitoring Trustee on the preparation of the data room documentation, the information memorandum and on the due diligence procedure. Telia shall submit to the Commission and the Monitoring Trustee a copy of the information memorandum prepared for the sale of Telia Mobile Finland. Telia shall submit to the Commission and the Monitoring Trustee, prior to sending it out to potential purchasers, a copy of the draft information memorandum prepared for the sale of ComHem to allow the Commission to verify the information memorandum's consistency with the terms of these Commitments.

Section E. The Purchaser

18. The Purchaser shall be independent of and unconnected to Telia, possessing the financial resources, proven expertise and having the incentive to maintain and develop the Divested Businesses as a viable and active competitive force in competition with Telia and other competitors. In addition, the Purchaser must reasonably be expected to obtain all necessary approvals from the relevant competition and other regulatory authorities for the acquisition of the Divested Businesses. Telia must be able to demonstrate to the Commission that the Purchaser meets the requirements of these Commitments and that the Divested Businesses are sold in a manner consistent with these Commitments. In order to maintain the structural effect of these Commitments, Telia will not subsequently directly or indirectly acquire influence over the whole or part of the Divested Businesses, unless the Commission has previously found that the structure of the market has changed to such an extent that the absence of influence over the Divested Businesses is no longer necessary to render the proposed concentration compatible with the common market.
19. When Telia has or is about to reach an agreement with the Purchaser referred to in the paragraph above, it shall submit a fully documented and reasoned proposal, including a copy of the sale and purchase agreement, to the Commission and the Monitoring Trustee. The proposal shall enable the Commission to verify that the above requirements with regard to the identity of the Purchaser are fulfilled and that the Divested Businesses are sold in a manner consistent with the conditions and obligations attached to the Decision.
20. The final binding sale and purchase agreements shall be conditional upon the Commission's approval. The verification that the Divested Businesses are sold in a manner consistent with the conditions and obligations attached to the Decision shall include the Commission's approval of the Purchaser and of the final binding sale and purchase agreements.

Section F. Additional commitments

(a) Legal separation

21. Telia commits to ensure that its fixed and mobile (NMT, GSM and UMTS) network businesses in Sweden and Finland are held in separate legal entities ("Network Companies") which are distinct from related retail activities. Such Network Companies shall have a Board of Directors, and each such Board shall include an external director not related to Telia or to Sonera appointed in accordance with applicable governance principles. The Network Companies' accounts shall include a balance sheet and a profit and loss account and shall be prepared in accordance with statutory requirements and generally accepted accounting principles in the relevant company's jurisdiction of incorporation, which accounts shall be audited by an external auditor. The accounts shall be available to the arbitration tribunal referred to in paragraph 28 below for the purposes of any Fast Track Procedure under that paragraph. Nothing in this paragraph shall prevent Telia from in the future reorganizing the internal legal structure of the Network Companies within the Telia Group provided that the principle of legal separation of network and retail activities shall be respected.

22. The legal separation referred to at paragraph 21 above shall be achieved within a period of 9 months following the Effective Date, provided that if Telia shows good cause it may apply to the Commission for a reasonable extension to that period in accordance with Section H below. Telia shall cause separate accounts to be kept for the fixed and mobile network businesses in respect of the period between completion of the merger of Telia and Sonera and the achievement of legal separation, and such accounts shall be made available to the arbitration panel in accordance with the principles set out at paragraph 21 above.

(b) Non-discrimination obligation

(i) Regulated Products

23. The provision of all reasonable requests for regulated wholesale fixed and mobile network products as further defined below in Sweden and Finland shall be made on a non-discriminatory basis as between Affiliated Undertakings and third party telecommunications operators falling within the category described at paragraph 24 below. Products covered by this obligation shall be limited to those products in relation to which the national regulatory authority in Sweden or in Finland imposes from time to time an obligation on Telia or the Affiliated Undertakings to offer wholesale prices to third parties on a cost-oriented basis (“Regulated Products”). For the avoidance of doubt, Regulated Products currently covered by this obligation are set out in Schedules 4(A) (Sweden) and 4(B) (Finland); the listed products are non-exhaustive to the extent that the scope of regulation may change during the duration of this commitment. The non-discrimination obligation shall apply both to the pricing and the quality of such products.

24. Third party operators entitled to benefit from the non-discrimination obligation set out at paragraph 23 above shall be:

- an operator 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 and who requests access to Regulated Products in what was Telia’s Swedish network; and
- an operator 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 and who requests access to Regulated Products in what was Sonera’s Finnish network.

(ii) International Wholesale Roaming

25. Subject to the availability of network capacity and subject to technical feasibility, Telia shall make access to International Wholesale Roaming in its GSM networks in Sweden and Finland available on a non-discriminatory basis as between Affiliated Undertakings and third party mobile network operators in Finland and Sweden. Bilateral arrangements will be accepted such that there can be a requirement for a reciprocal improvement of tariffs, quality and other conditions by the third party.

(c) Fast track dispute resolution

26. In the event that a third party telecommunications operator to whom rights have been granted pursuant to paragraphs 23-25 above disputes the non-discriminatory nature of terms offered to it pursuant to paragraphs 23 and 25 above, the following Fast Track Procedure shall be available to such third party operator.

27. A third party operator who wishes to avail itself of the Fast Track Procedure (a “requesting party”) must notify Telia and - where the facts at issue relate to Sweden - the Stockholm Chamber of Commerce or - where the facts at issue relate to Finland - the Helsinki Chamber of Commerce in writing specifying the offer challenged, establishing its entitlement to benefit from rights under this commitment, and nominating an arbitrator.

28. Telia shall within two weeks of receiving a notification in writing from a requesting party nominate its arbitrator and provide to the requesting party in writing justification for its offer. The arbitrators nominated by Telia and the requesting party shall, within one week from the nomination of the former, agree to appoint a third arbitrator. Unless otherwise agreed by the parties, the arbitrators shall be instructed to establish an arbitration tribunal and to make a decision within one month of the appointment of the third arbitrator as to the compliance by Telia with its obligations under paragraphs 23 and 25 above.
29. The Tribunal will be entitled to request any relevant information or documentation from Telia or the requesting party.
30. The burden of proof in any dispute under the Fast Track Procedure set out in this Clause is as follows: i) the requesting party must produce evidence of a prima facie case, and ii) if the requesting party produces evidence of a prima facie case, the arbitrator must find in favour of the requesting party unless Telia, having had an opportunity to comment on evidence so produced, can produce evidence to the contrary.
31. The arbitrators shall be instructed not to disclose confidential information. Throughout this Undertaking the standards attributed to confidential information and business secrets are those as set out in accordance with European Community competition law. The arbitration shall be in Swedish where the facts at issue relate to Sweden and shall be conducted in Stockholm in accordance with the rules of the Stockholm Chamber of Commerce whose rules shall be amended accordingly. The arbitration shall be in Finnish where the facts at issue relate to Finland and shall be conducted in Helsinki in accordance with the rules of the Helsinki Chamber of Commerce whose rules shall be amended accordingly. The losing party shall compensate the other party in relation to its reasonable costs and expenses for presenting its case.

(e) Duration

32. The commitments at paragraphs 23 to 31 above shall become effective on the date of completion of the merger between Telia and Sonera and continue for a period expiring 3 years after the Effective Date.

Section G. Trustee

I. Appointment Procedure

33. Telia shall appoint one or more Trustees, such as an investment bank or consultant or auditor, subject to the prior approval of the Commission. The Trustee shall be independent of Telia and Sonera, possess the necessary qualifications to carry out its mandate and shall not be, or become, exposed to a conflict of interest. The Trustee shall be remunerated by Telia in such a way as not to impede its independence and effectiveness in fulfilling its mandate. In particular, if the remuneration package of the Divestment Trustee includes a success premium linked to the final sale value of the Divested Businesses, the fee should also be linked to a timely divestment.

Proposal by Telia

34. Telia shall propose a list of proposed Trustees and the full terms of the mandate for approval to the Commission within one week after the Effective Date for the Monitoring Trustee and not

later than one month before the end of the First Divestment Period for the Divestment Trustee. The proposal shall contain adequate information for the Commission to verify that the Trustee fulfils the requirements set out in the paragraph above and the outline of a work plan in which the Trustee describes how it intends to carry out the tasks assigned to it under the conditions and obligations attached to the Decision. Telia shall indicate to the Commission whether the proposed Trustee will act as Monitoring Trustee as well as Divestment Trustee or whether different trustees are proposed for the two functions. The mandate submitted for approval shall be drawn up taking due account of the Commission Standard Trustee Mandate and shall include all provisions necessary to enable the Trustee to fulfil its duties under these Commitments.

Approval or rejection by the Commission

35. The Commission shall have the discretion to approve or reject the proposed Trustee or Trustees, and to approve the proposed mandate subject to modifications, that the Commission deems necessary for the Trustee to fulfil its obligations. If only one name is approved, Telia shall appoint or cause the individual or institution concerned to be appointed as Trustee, in accordance with the mandate approved by the Commission. If more than one name is approved, Telia shall be free to choose the Trustee to be appointed from among the names approved. The Trustee shall be appointed within one week after the Commission's approval, in accordance with the mandate approved by the Commission.

New proposal by Telia

36. If all the proposed Trustees are rejected, Telia will submit the names of at least two further such individuals or institutions within one week of being informed of the rejection, together with the other requirements set out in paragraph 34. For the further procedure, paragraph 35 shall apply by analogy.

Trustee nominated by the Commission

37. If all further proposed Trustees are rejected by the Commission, the Commission shall nominate a Trustee which Telia will appoint or cause to be appointed in accordance with a Trustee mandate approved by the Commission.

II. Functions of the Trustee

38. The Trustee shall assume its specified duties on behalf of the Commission in order to ensure compliance with the Commitments, taking into account the legitimate interest of Telia. The Commission may, on its own initiative or at the request of the Trustee or Telia, issue any orders or instructions to the Trustee as it may deem necessary or appropriate to ensure compliance with the conditions and obligations attached to the Decision.

Duties and obligations of the Monitoring Trustee

39. The Monitoring Trustee shall, following its appointment:
- (i) propose to the Commission in its first report a detailed work plan in which the Monitoring Trustee describes how it intends to monitor the full respect of the obligations and conditions attached to the Decision.

- (ii) oversee the on-going management of the Divested Businesses with a view to ensuring their continued economic viability, marketability and competitiveness and monitor the compliance by Telia with the conditions and obligations attached to the Decision. Therefore the Monitoring Trustee shall:
 - (a) monitor the preservation of the economic viability, marketability and competitiveness of the Divested Businesses, and the keeping separate of the Divested Businesses from Telia's retained businesses, in accordance with paragraphs 6 and 7 of these Commitments;
 - (b) supervise the management of the Divested Businesses as distinct and saleable entities, in accordance with paragraphs 8 to 10 of these Commitments;
 - (c) in consultation with Telia, determine an appropriate management structure to ensure that the obligation of non-disclosure of competitively sensitive information is observed by Telia, and monitor the non-disclosure of competitively sensitive information concerning the Divested Businesses (except insofar as necessary to allow Telia to carry out the divestment or as otherwise required by law), as set out in paragraphs 7 and 11 of these Commitments;
 - (d) monitor (i) the allocation of personnel between the Divested Businesses and Telia or Affiliated Undertakings as well as the transfer of personnel from Telia or Affiliated Undertakings to the Divested Businesses and (ii) the splitting of assets between the Divested Businesses and Telia or Affiliated Undertakings; and
 - (e) monitor the compliance by Telia with the additional commitments at paragraphs 23 to 32;
- (iii) assume the other functions assigned to the Monitoring Trustee under the conditions and obligations attached to the Decision;
- (iv) propose to Telia such measures as the Monitoring Trustee considers necessary to ensure Telia's compliance with the conditions and obligations attached to the Decision, in particular the maintenance of the full economic viability, marketability or competitiveness of the Divested Businesses, the holding separate of the Divested Businesses, the non-disclosure of competitively sensitive information and compliance with the additional commitments at Section F.;
- (v) review and assess the progress of the implementation of legal separation described at paragraph 21 above, provided that such obligation of the Monitoring Trustee shall end 3 years after the Effective Date;
- (vi) review and assess the progress of the divestment process as well as potential purchasers and verify that potential purchasers receive sufficient information;
- (vii) provide to the Commission, with a simultaneous non-confidential copy to Telia, a written report within 15 calendar days after the end of every month concerning the monitoring of the operation and management of the Divested Businesses in order to

assess whether the business is held in a manner consistent with these Commitments and concerning the progress of the divestment process as well as potential purchasers. The Monitoring Trustee shall provide to the Commission every 3 months, with a simultaneous non-confidential copy to Telia, a written report concerning the compliance by Telia with its obligations under paragraphs 21 to 32, in particular covering steps taken towards implementation of legal separation, requests that have been made for access to Regulated Products or to international wholesale roaming, and dispute resolution proceedings that have taken place under the Fast Track Procedure. In addition to these reports, the Monitoring Trustee shall promptly report in writing to the Commission, with a simultaneous non-confidential copy to Telia, if the Monitoring Trustee concludes on reasonable grounds that Telia is failing to comply with any of the conditions or obligations under these Commitments;

- (viii) assess the independence and suitability of the proposed Purchaser and the viability of the Divested Businesses after the sale to the Purchaser and give its opinion to the Commission on whether the proposed divestment complies with the conditions and obligations attached to the Decision;

Duties and obligations of the Divestment Trustee

- 40. Within the Extended Divestment Period, the Divestment Trustee shall sell at no minimum price (including, for the avoidance of doubt, a negative price) the Divested Businesses to a Purchaser independent of Telia, provided that the Commission has approved both such a Purchaser and the final binding sale and purchase agreement in accordance with procedures laid down in paragraphs 18, 19 and 20. The Divestment Trustee shall include terms and conditions in the sale and purchase agreement which it considers appropriate for an expedient sale. In particular, the Divestment Trustee may include such customary representations and warranties as well as indemnities in the sale and purchase agreement which are reasonably required to effect the Sale.
- 41. The Divestment Trustee shall report in full in writing in English to the Commission on developments in the negotiations with potential purchasers of the Divested Business within 15 calendar days after the end of every month following the expiration of the First Divestment Period (or otherwise at the Commission's request). A simultaneous non-confidential copy of these reports shall be provided to the Monitoring Trustee and Telia.

III. Duties and obligations of Telia

- 42. Telia shall provide the Trustee with all such assistance and information, including copies of all relevant documents, as the Trustee may reasonably require for fulfilling its tasks. The Trustee shall have full and complete access to Telia's books, records, documents, personnel, facilities, sites and technical information necessary for fulfilling its duties under the Commitments. Telia shall make available to the Trustee one or several offices on their premises and shall be available for meetings in order to provide the Trustee with all information necessary for the completion of its tasks.
- 43. Telia shall provide all managerial and administrative support to the Monitoring Trustee which may reasonably be requested on behalf of the management of the Divested Businesses. This shall include all administrative support functions relating to the Divested Businesses which are currently carried out at headquarters level. Telia shall provide the Monitoring Trustee, upon request, with access to the information submitted to potential purchasers, in particular to the data room documentation and all other information granted to potential purchasers in the due diligence procedure. Telia shall inform the Monitoring Trustee on the identification of possible purchasers, submit a list of potential purchasers and shall inform on the development of the Divestment process. Telia shall inform the Trustee about meetings with potential purchasers and grant the Trustee access to such meetings.

44. Telia shall grant comprehensive powers of attorney, duly executed, to the Divestment Trustee for the Sale, the Closing and all actions and declarations which the Divestment Trustee considers necessary or appropriate for achieving the Sale and the Closing, including the appointment of advisors to assist with the Sale process. Upon request of the Divestment Trustee, Telia shall cause the documents required for effecting the Sale and the Closing to be duly executed.
45. Telia shall indemnify the Trustee and its employees and agents (each an *Indemnified Party*) and hold each Indemnified Party harmless against, and shall agree that an Indemnified Party shall have no liability to Telia for, any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the Trustee's duties pursuant to the conditions and obligations attached to the Decision, including reasonable fees of counsel or other expenses incurred in connection with the preparation for, or defence of any claim, whether or not resulting in any liability, except to the extent that such losses, claims, damages, liabilities, or expenses result from an Indemnified Party's wilful default, recklessness, gross negligence or bad faith.
46. At the expense of Telia, the Trustee may appoint advisors (e.g. for corporate finance or legal advice), incurring reasonable fees and other expenses, subject to Telia's approval (this approval not to be unreasonably withheld) if the Trustee considers the advisors necessary or appropriate for the performance of its duties. In the case that Telia refuses to approve the advisors proposed by the Trustee the Commission may approve the appointment of such advisors instead. Only the Trustee shall be entitled to issue instructions to the advisors. Paragraph 45 shall apply to advisors by way of analogy. In the Extended Divestment Period, the Divestment Trustee may use Telia's advisors who served during the First Divestment Period if the Divestment Trustee considers this in the best interest of an expedient Sale.

IV. Replacement, discharge and reappointment of the Trustee

47. The Commission may, after hearing the Trustee, order Telia to remove the Trustee in the event that the Trustee has not acted in accordance with the provisions of these Commitments or for any other good cause.
48. The Trustee may also be removed by Telia with the prior approval of the Commission and after the Commission has heard the Trustee in the event that the Trustee has not acted in accordance with the provisions of these Commitments or for any other good cause.
49. The Trustee may be required to continue in its function until a new Trustee is in place to whom the Trustee has effected a full hand over of all relevant information. Regarding the appointment of a new Trustee the same procedure applies as described in this section.
50. The Trustee shall cease to act as Trustee only after the Commission has discharged it from its duties, following a request from the Trustee or Telia after all the Commitments with which the Trustee has been entrusted have been implemented. However, the Commission may at any time require the reappointment of the Monitoring Trustee if it subsequently appears that the relevant remedies might not have been fully and properly implemented.

Section H. Review

51. The Commission may, upon request from Telia showing good cause and attaching a report of the Monitoring Trustee, and where relevant allow for:
 - (i) an extension of the Divestment Period, or of the period at paragraph 22 above for the implementation of legal separation, or

- (ii) the sale of the Divested Businesses, at the request of the proposed Purchaser, without one or more assets, facilities, contracts or other rights or obligations that are part of the Divested Businesses as described in the Schedule, or
- (iii) waive or modify, in exceptional circumstances, one or more of the conditions and obligations in these Commitments.

Telia shall address any request for an extension of time periods no later than one month prior to the expiry of such time period, showing good cause. Only in exceptional circumstances shall Telia be entitled to request an extension within the last month of any period.

52. In addition to the foregoing, the Commission may, upon request from Telia, waive or modify the commitment under paragraph 21 of the Commitments in the event that

- (i) the competition concerns identified in the Decision are no longer present, and
- (ii) the commitment is hampering Telia's ability to compete on an equal footing with its major European competitors having regard inter alia to developments in the competitive and/or regulatory environment.

Requests for review under this paragraph may not be submitted until 5 years following implementation of legal separation.

.....
duly authorised for and on behalf of
Telia AB

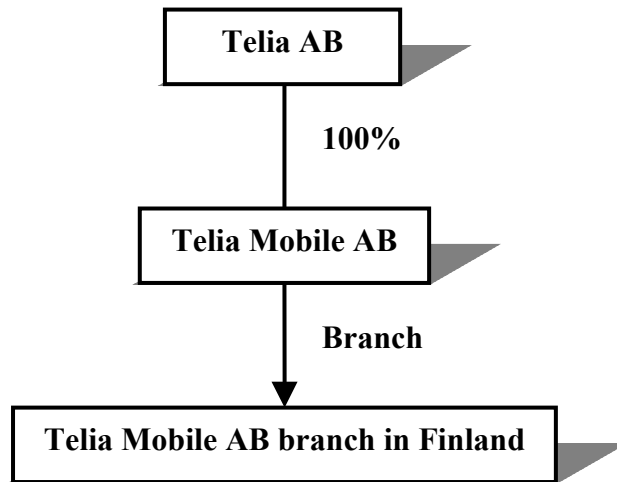
Jan Henrik Ahrnell

Vice President and General Counsel

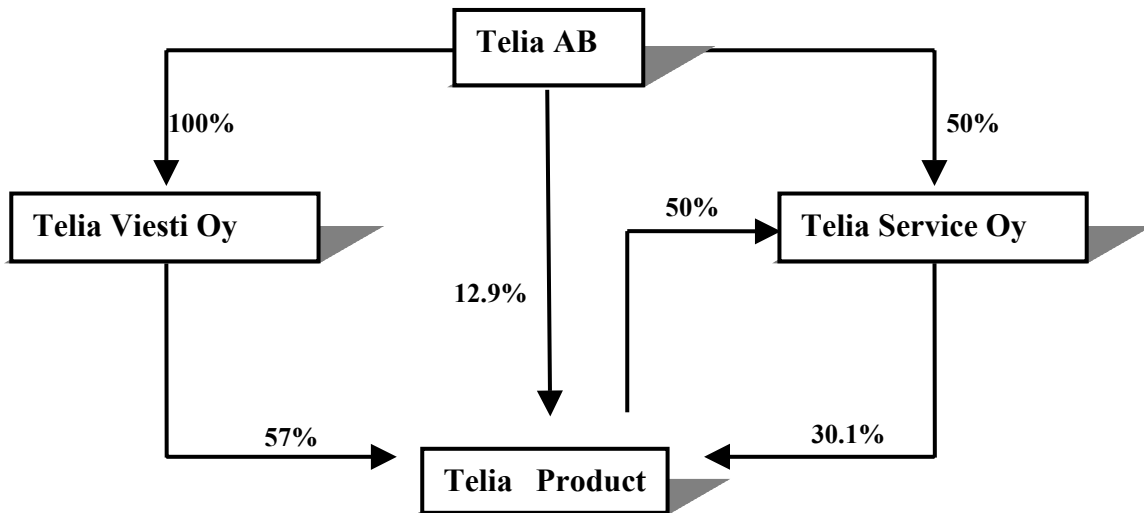
SCHEDULE 1

1. Telia Mobile Finland as operated to date has the following legal and functional structure:

Telia Mobile Finland consists of two main operational units in Finland, which are Telia Mobile's branch in Finland and Telia Product.



Current legal structure of Telia Product:

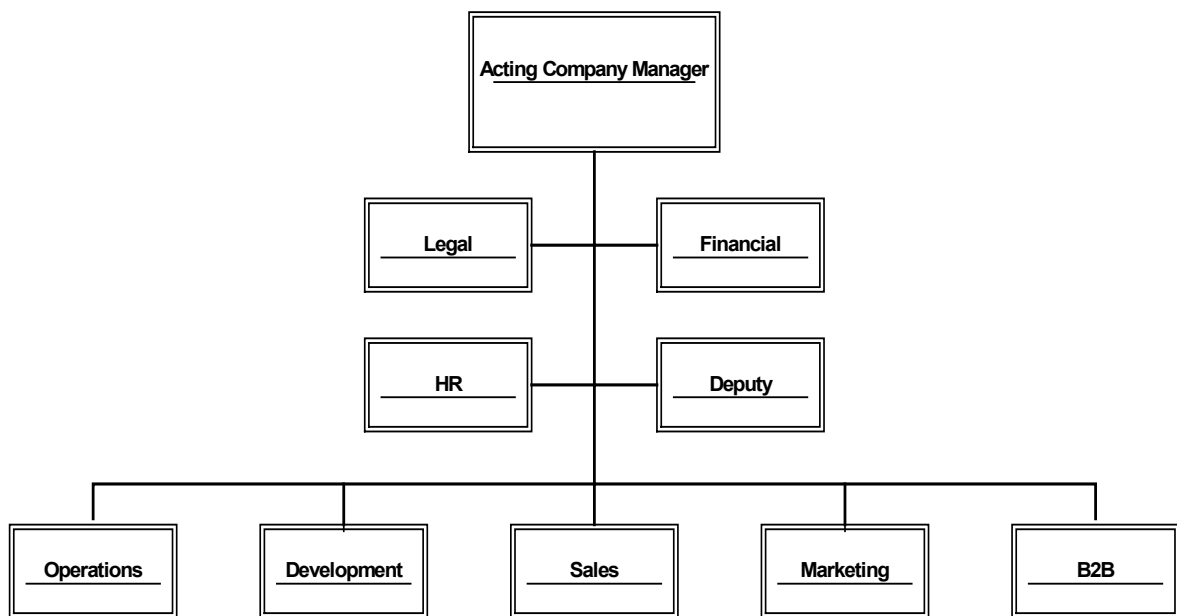


Telia Product's 50% shareholding in Telia Service Oy will be retained by a Telia group company. It is an empty holding company.

Telia Product has three subsidiaries, Keski-Uusimaan GSM-Viestimet Oy, Turun GSM-Viestimet Oy and Itä-Suomen GSM-Viestimet Oy. Telia plans to merge the first two companies into Telia Product Oy and liquidate the third company.

The Branch and Telia Product's operations are overseen by their respective boards of directors.

The organisational structure of the Branch consists of management, support functions and five strategic units. Telia Mobile Finland is led by acting country manager [...]. The sales unit is led by [...] who is also the managing director of Telia Product [...]. The following figure shows the organisational chart of the Branch:

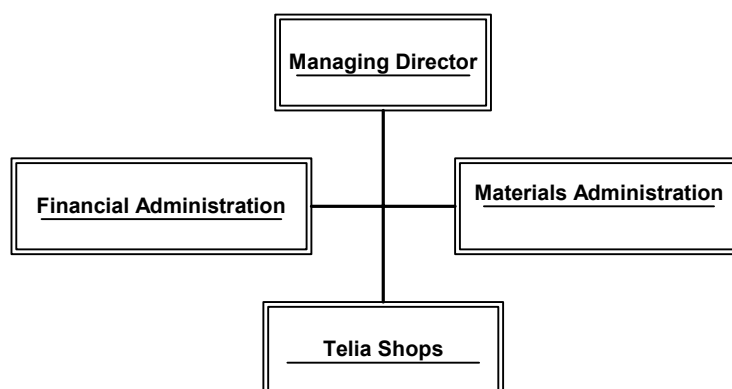


The following table lists the board members of Telia Product:

Telia Product Board

Member	Position
[...]	Acting Country Manager, TMF
[...]	Marketing Director, TMF
[...]	Chief Legal Counsel

Telia Product has a simple organisation with [...] acting as the managing director of the business. Financial and material administration is organised to support the Telia Product shops. The following figure illustrates the organisational chart of Telia Product:



2. In accordance with paragraph 2 of these Commitments, the Divested Business includes, but is not limited to:

- (a) the following main tangible assets: the DCS 1800 network and related assets; computers and peripheral devices; retail shops; furniture and equipment; cars and improvements made in rented outlets;
- (b) the following main intangible assets: all the intangible assets owned by Telia Mobile Finland with the exception of the Telia and HomeRun brand names and related intellectual property rights;
- (c) the following main licences, permits and authorisations (the transfer of licences is conditional upon approval by the Ministry of Transport and Communications): a nationwide DCS 1800 licence in Finland (channels 803-870; frequency bands 1,768.4 - 1,781.8 MHZ and 1,863.4 - 1,876.8 MHZ); a nationwide UMTS licence in Finland;
- (d) the following main contracts, agreements, leases, commitments and understandings:
 - leases on all properties currently occupied by the Divested Business
 - site rental agreements for all Telia Mobile Finland's base stations
 - national roaming agreement with Suomen 2G in Finland
 - existing agreements with customers;
- (e) customer, credit and other records;
- (f) the following personnel and Key Personnel:
 - all personnel employed in Telia Mobile Finland on the date of completion (at end April 2002, Telia Mobile Finland employed [...] professional and [...] contractors)

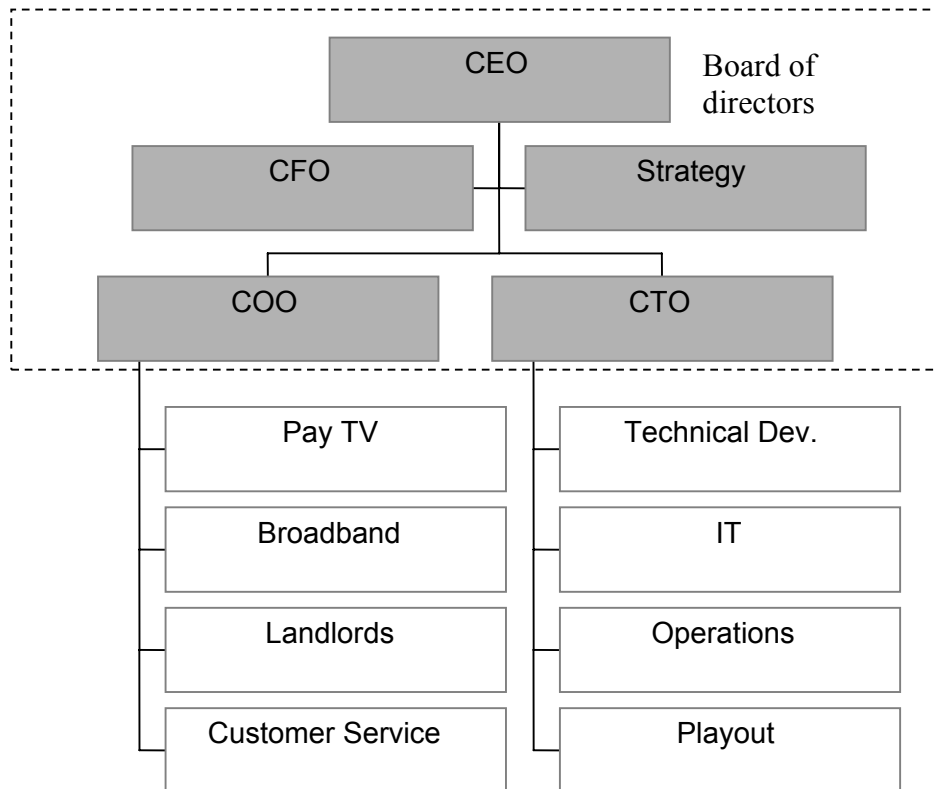
- the entire management of Telia Mobile Finland and Telia Product Oy, as identified above with the exception of the seconded personnel (subject to paragraph 5 (v) of the commitment).
3. Transitional service or supply arrangements with Telia AB or Affiliates to be negotiated between Telia and the Purchaser.

SCHEDULE 2

1. The company has the following legal and functional structure:

com hem (org no 556181-8724) is a fully owned subsidiary of Telia AB. The head office is located at Tegeluddsvägen 64 in Stockholm, Sweden.

com hem owns a shelf company – *hem com ab* – (100% holding). It is intended that the shareholding in the *hem com* company will be transferred from *com hem* to Telia AB.



Description of the departments within *com hem ab*:

Department	Description
Pay-TV	Digital and analogue Pay-TV, PPV (movies and sport), interactive TV services
Broadband	Internet service over cable network
Sales/Marketing	Sales activities on the consumer market (retail, direct marketing) and brand management
Landlords	Collective offer of basic tier
Customer Service	Com hem management and 2 nd line. First line is outsourced
Technical dev.	Technical architecture, guarantee of quality
IT	Internal support systems and SAS
Operations	Network operations and construction
Playout	Digital super headend

2. In accordance with paragraph 3 of these Commitments, the company includes, but is not limited to:

(a) the following main tangible assets:

com hem's fixed assets consists mainly of primary and in-house cable networks, head-end equipment and set top boxes. A major part of the infrastructure (national backbone, fibre, ducts, head-end facilities and internet capacity) is not owned by *com hem*, but leased, mainly from Skanova.

Below is set out the book value of *com hem's* assets year end 2001.

[...]

(b) the following main intangible assets:

(i) *com hem ab* owns the brand name *com hem*, which was successfully launched in 1999. The brand is established in the broadband and TV market and has a brand recognition of nearly 90%. *com hem* is also the brand for the broadband portals *comhem.se* and *comhjem.dk*.

(ii) *com hem* has a large number of content rights for instance: Discovery, BBC, CNN, Eurosport, Canal+, TV1000 among others. In addition *com hem* has exclusive PPV rights to major Swedish sport events, such as Allsvenskan (Swedish Premier

League) and Elitserien (Swedish Hockey League).

- (c) the following main licences, permits and authorisations:

The Swedish cable television market is fully deregulated. Since 1992, there has been no requirement that cable television service providers obtain licenses or that they confine the services they offer to franchise areas.

- (d) the following main contracts, agreements, leases, commitments and understandings:

Listed below are the most important contracts and agreements for *com hem's* business:

[...]

- (e) the following customer, credit and other records: and

com hem is Sweden's largest cable network operator with 1,375,000 cable households. *Com hem* has collective agreements with 14,000 landlords and the largest of these are:

Landlord	City	Households
----------	------	------------

[...]

The contracts with the [...] largest landlords represent over 500,000 households.

com hem also has (May 2002) 130,000 individual pay-TV subscribers and 55,000 individual cable broadband subscribers.

- (f) the following personnel and Key Personnel:

com hem has [...] employees, which can be analysed by department as follows:

Department	No of staff
------------	-------------

Board of directors

Pay TV

Broadband

Sales/Marketing consumer

Landlords

Customer Service

Technical Development

IT

Operations

Playout

Finance

Other support functions

Key personnel/board of directors:

- [...] CEO
- [...] COO
- [...] CFO
- [...] Strategy

3. Transitional service or supply arrangements with Telia or Affiliates can be negotiated between Telia and the Purchaser.

SCHEDULE 3

Seconded personnel that, subject to paragraph 5 (v) of the commitment, will not pass with the Divested Businesses but will return to Telia:

[...]

SCHEDULE 4(A) - SWEDEN

Interconnection (Fixed)

Termination (Mobile)

Local loop unbundling (Fixed)

Leased lines:

- Ordinary quality voice bandwidth
- Special quality voice bandwidth
- 64 kbit/s digital
- 2 048 kbit/s digital unstructured
- 2 048 kbit/s digital structured

Number portability for fixed networks

Number portability for mobile networks

Carrier pre selection for fixed networks

SCHEDULE 4(B) - FINLAND

Fixed subscriber line 2-wire O.

Fixed subscriber line 2-wire S.O.

Fixed subscriber line 4-wire S.O.

Fixed subscriber line 2Mbit/s

Leased line, 2-wire O.

Leased line, 2-wire S.O.

Leased line, 4-wire S.O.

Leased line, 2Mbit/s G.703

Interconnection to fixed networks

Interconnection to mobile networks (mobile-to-mobile and international(fixed and mobile)-to-mobile)

Number portability for fixed networks

Carrier pre-selection for fixed networks

Carrier pre-selection for mobile networks (international calls only)

Parallel band access

to the extent that it is required by national law, the provision of free transmission capacity of a subscribing user's fixed subscriber line in order to technically equip the subscriber line in such a way that it can simultaneously provide with several services, unless the transmission capacity is necessary for the telecommunications network operator's own use or reasonable future need ("parallel band access");

Co-location

to the extent that parallel band access is required to be made available by Sonera, Sonera will also offer co-location facilities, that is, third parties will have the right to lease room for equipment of a fixed telecommunications network that is essential in order to place a few equipment that are necessary in providing services with the help of a telecommunications

network, if the room is not needed for the telecommunications network operator's own use or reasonable future need;

to the extent that it is required by national law, compulsory roaming as referred to in section 9 b of Law 396/1997 of the Telecommunications Market Act, as may be amended from time to time;

Cable and Mast sites

to the extent required by national law, the provision to other telecommunications operators for the operation of public telecommunications of any free segments of cable channels constructed by it and any free antenna places in radio masts belonging to Sonera's public telecommunications network.