Nokia Cables and Machinery

manufactures optical and copper cables for telecommunications, power, rubber and installation cables, optical ground wires, radio frequency and automation cables, and cable machinery.

Contents

Nokia Consumer and Industrial Electronics'

product range comprises home entertainment products, including televisions, VCRs, cable and satellite receivers and systems, PC monitors for demanding professional users, audio systems and other electronics for the automotive industry, as well as mobile phone chargers.

Nokia Mobile Phones

is Europe's largest and the world's second-largest manufacturer of mobile phones with products for all the major digital and analog systems. Nokia's phones are sold in approximately 100 countries.

Highlights

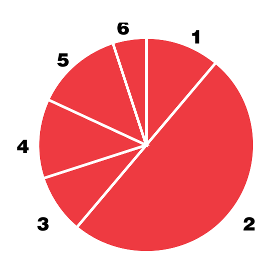
- In July Nokia became the first Finnish company to be listed on the New York Stock Exchange, and at the same time launched a FIM 2.5 billion international share issue.
- Nokia signed a broad cooperation agreement with NYNEX CableComms England. Over the next six years, it will supply NYNEX with telecom network systems valued at about FIM 900 million.
- GSM expanded to the Asia-Pacific region: Nokia supplied a GSM network to Beijing and the Philippines. In Europe, Nokia received an important GSM order from Omnitel Pronto in Italy.
- Nokia introduced digital cellular phones for all the digital standards used in the world and substantially increased its production.
- Nokia started selling its digital cellular phones in Japan.
- Nokia introduced a new data card for use in digital wireless communications.
- Nokia was the first manufacturer to launch PALplus wide-screen TVs on the market.
- The Nokia Multigraph 447X monitor was awarded "Monitor of the Year" by the American "PC Magazine".
- Nokia wins the contract to install high-voltage power cables beneath the Suez Canal.
- Nokia-Maillefer will have its largest-ever power cable factory delivery to China.

Net Sales
by Business Group

22%	Nokia Telecommunications
35%	Nokia Mobile Phones
22%	Nokia Consumer and Industrial Electronics
16%	Cables and Machinery
5%	Other Operations

Personnel
by Business Group 31 Dec.

28%	Nokia Telecommunications
27%	Nokia Mobile Phones
23%	Nokia Consumer and Industrial Electronics
16%	Cables and Machinery
6%	Other Operations



Net Sales
by Market Area

1.	11%	Finland
2.	50%	Other European Union countries
3.	9%	Other European countries
4.	12%	North America and Mexico
5.	13%	Asia/Pacific
6.	5%	Other countries

Nokia 1994

Key Data	1994	1993	Change, %
Net Sales, FIM million	**30 177**	23 697	**+ 27**
Operating profit, FIM million	**3 596**	1 465	**+ 146**
Profit before taxes, FIM million	**4 002**	1 146	**+ 249**
Earnings per share, FIM	**43.9**	12.3	**+ 257**
Return on capital employed, %	**25.4**	14.7	
Net debt to equity, %	**4**	52	
Research and development, FIM million	**1 937**	1 472	**+ 32**
Capital expenditure*, FIM million	**1 967**	1 186	**+ 66**
Average number of employees	**28 000**	25 800	**+ 9**

	Net Sales MFIM	Operating Profit/Loss MFIM	Personnel 31 Dec.
Nokia Telecommunications	**6 906**	**1 700**	**8 082**
Nokia Mobile Phones	**10 702**	**1 745**	**7 554**
Nokia Consumer and Industrial Electronics	**6 769**	**19**	**6 611**
Cables and Machinery	**4 768**	**191**	**4 560**
Other Operations	**1 589**	**– 59**	**1 786**
Inter-business group eliminations	**– 557**		
Nokia Group	**30 177**	**3 596**	**28 593**

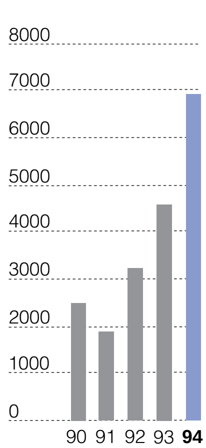
Currency Rates 31 Dec.	1994	1993	1992	1991	1990
USD	**4.743**	5.785	5.245	4.125	3.626
GBP	**7.409**	8.554	7.957	7.718	6.954
SEK	**0.636**	0.695	0.744	0.743	0.642
DEM	**3.062**	3.335	3.249	2.719	2.411
FRF	**0.887**	0.982	0.953	0.794	0.708

* Excl. acquisitions.

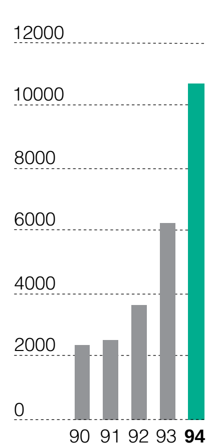
The key data above as well as the information given in the Review by the Board of Directors is based on financial statements according to International Accounting Standards, IAS, presented on pages 25 to 27.

Calculation of key ratios is explained on page 61.

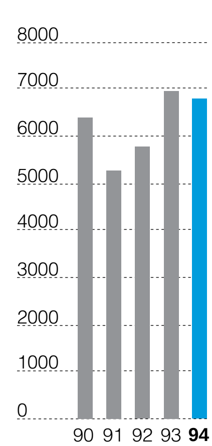
Nokia Telecommunications
Net Sales, MFIM



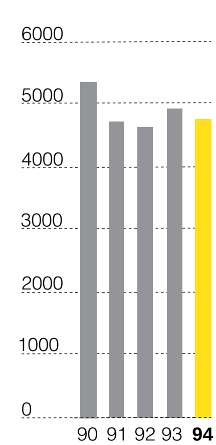
Nokia Mobile Phones
Net Sales, MFIM



Nokia Consumer and Industrial Electronics
Net Sales, MFIM



Cables and Machinery
Net Sales, MFIM



Accepting the Challenge of Growth

With the third year of Nokia's turnaround now behind us, we can look on 1994's results with pride. Our efforts to further develop our telecommunications sector, refocus our energies on our core competencies and strengthen the Group's shared values are now bearing fruit.

The increasing popularity of mobile communications together with the ongoing liberalisation of telecommunications markets continued to offer opportunities for Nokia. Our Mobile Phones and Telecommunications business groups reported growth rates of over 50%, leading to a rise in the company's total share of net sales attributable to telecommunications to 64%.

In Nokia's other industries, efforts continued to improve efficiency and competitiveness. Nokia Consumer and Industrial Electronics, following decisive restructuring moves, reported positive results for 1994 in sharp contrast to a loss of over FIM 700 million a year earlier. This impressive achievement by the business group and its personnel demonstrates how renewed commitment and adopting new ways of operating can lead to a marked turnaround.

Our Cables and Machinery business group also made important progress in preparation for intensifying competition facing it. In recent years, it has trimmed operations outside its core area of activity while strengthening its principal business units.

Globalisation continues

Nokia became a more globally-oriented company in 1994. The July listing on the New York Stock Exchange was a significant step for the company's financing strategy and a reflection of the expanding geographical scope of our operations. Last year, our domestic market accounted for only eleven percent of net sales. Though Europe continues to be our major market, our fastest growth took place in North America and the Asia-Pacific region. Due to our expanded global presence, we are no longer dependent on the development of any single market.

As liberalisation in telecommunications continues, competition is tightening among network operators as well as equipment manufacturers and impacting on the roles of both. Our operator customers are increasingly focusing on creating new services to satisfy the growing requirements of their own customers while transferring some of their traditional functions to the care of others. This is placing additional challenges on equipment manufacturers like Nokia. In addition to offering new technologies, it is necessary for us to render rapid and continuous support throughout all phases of network building and development. In the long-term, it is therefore paramount that we maintain our competitiveness both in technology as well as know-how in network services.

Common values are the foundation of operation

Growth in Nokia's telecommunications activities has averaged 50% annually for the past few years and remains strong. Our expanding operations combined with our commercial successes have established us as one of the world's leading companies in this field. Along with this growth has also been a parallel escalation in the number of our personnel. In 1994, Nokia hired approximately 6000 new employees, lifting our total to 28,600. We expect this to continue in 1995. Indeed, managing the growth of our company is emerging as one of the most important challenges we face in the years ahead. Our success in this endeavour is largely dependent upon how well our new employees internalise our company's values: Customer Satisfaction, Respect for the Individual, Achievement and Continuous Learning.

It is essential that we have a solid, common foundation for our operations. Nokia's orientation will continue to become more global. As this process moves forward, the importance of communicating our values to our personnel increases. True globalisation requires that we all think in new ways, which in turn, necessitates that we broaden our own intellect. The Nokia Way, which has drawn much from the Finnish culture, will have new resonance in the future. Our values will endure with their content enriched.

Despite our growth, we must preserve our challenger spirit and maintain our humility. Rapid decision making, flexibility and innovativeness – traditionally strong features of Nokia – must not be buried in bureaucracy and its fixtures which inhibit creativity.

We should recognize, however, that our growth will change our operations. Maintaining decentralised decision-making, further developing our business processes and remaining aware of our objectives will ensure that we continue to rapidly respond to our customers' needs.

Increased investment in our people

In order to cope with increasing competition in the future, we will continue to invest in our people. As a Group, we must examine how we can better exploit our core competencies; as individuals, we must consider ways to improve our own expertise. Last year we introduced the theme "Excellence in Performance". Recognising that strengthening our corporate culture and developing our way of operating is a continuous process, we will carry on with this theme in 1995.

In 1994, Nokia conducted a global employee survey which, among other things, examined our ability to impart our company's values. The results were encouraging when compared to our industry peers, though shortcomings were also identified. We still have room for improvement when it comes to our communication skills. I consider it, therefore, a challenge for all of us – myself included – that in 1995 we shall resolve to improve in this area.

The rapid changes we are witnessing today call for a new style of leadership. This year, we shall invest more than ever in our management. A leader must assume the role of a coach, with the responsibility to encourage each player to develop to the best of his or her abilities while building a team that aspires to excellence.

Achieving success in a knowledge-intensive business requires the courage and ability to perceive changes and make sound decisions. We are masters of our own destiny.

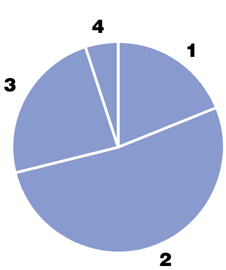
Jorma Ollila

Liberalisation Spreads in Telecommunications

Nokia Telecommunications is a global leader in telecommunications technology. Its focus is on the development and production of systems used in mobile and fixed networks.

The liberalisation of mobile communications markets started in the mid-'80s has led to the presence of two or more competing operators in most countries. This competition has opened up markets for different system suppliers and fostered growth in the number of cellular subscribers. Competition between system suppliers will intensify as global standards, such as GSM, which favor open interfaces of network elements, become more common.

In 1994, the concept of mobile communications as a limited service targeted for corporate customers proved to be outdated. As an example, in the Nordic countries, where fifteen percent of the population are mobile phone users, more than half of all new telephone connections last year were for private subscribers.



Net Sales by Market Area

1. **19%** Nordic countries
2. **52%** Other European countries
3. **24%** Asia/Pacific
4. **5%** Other countries

Nokia Telecommunciations net sales in 1994 totalled FIM 6,906 million (4,578 million). Operating profit rose 73% to FIM 1,700 million (983 million). The number of employees increased from 6,365 to 8,082 people.

GSM strengthens

1994 also saw a significant breakthrough in GSM-based digital cellular networks. In many markets, the majority of mobile phone users selected digital network services. Existing GSM networks expanded rapidly, and by the end of the year the GSM standard had already been adopted in about eighty countries. Nokia strengthened its position as one of the leading suppliers of GSM networks and GSM-based PCS (Personal Communications System) networks. The first PCS networks supplied by Nokia were launched

E-PLUS launched their network in Berlin and several other German cities in 1994.

NYNEX and Nokia signed a long-term agreement enabling NYNEX the possibility of offering its cable TV customers advanced telecommunications services.

Globe Telecom's GSM network opened in autumn 1994 in the Philippines. The network was built quickly following the signing of the agreement at the end of 1993.

Nokia's DX 200 switching system is the platform for both fixed and mobile network solutions which bring added value to operators competing in the growing market for telecommunications services.

Antenna works form a visible part of base station installation in Nokia's total system deliveries.

in 1994. The GSM-based DCS 1800 standard solidified its position, as it was adopted also in Asia for PCS.

Liberalisation of fixed networks

In many countries the liberalisation of markets is expanding to include all sectors of telecommunications. In the U.K., companies offering local cable TV and telephony services grew. Nokia strengthened its position as one of the leading suppliers of switching and transmission systems in this rapidly developing market by signing a long-term agreement with NYNEX CableComms in June of 1994. Nokia also signed a delivery agreement for digital exchanges and Intelligent Network systems with Sweden's TELE2. Nokia believes that fixed telecommunications network services will also be open to competition in most countries by the end of the decade. The impending liberalisation of fixed networks will offer new growth opportunities for system suppliers like Nokia.

Other significant agreements

In January 1994, Nokia and Hewlett-Packard announced a strategic partnership agreement on the development of Intelligent Networks. The network development work will take advantage of Nokia's expertise in telecommunication networks and Hewlett-Packard's know-how in Unix-based data-processing and communications. Intelligent Networks enable operators to offer their customers inexpensive, advanced telecommunications services.

With GSM-based systems becoming more popular and spreading beyond Europe, Nokia received orders for networks from the People's Republic of China, the Philippines and Malaysia. At the end of the year, Nokia also signed an agreement with the Italian company Omnitel Pronto on the delivery of the first phase of a GSM network.

Application of Synchronous Digital Hierarchy (SDH) technology became more widespread, and Nokia received new orders from Europe and Asia. At the end of the year, Nokia concluded an OEM (Original Equipment Manufacturer) agreement with Sweden's Ericsson. Under the agreement, Ericsson can use Nokia's SDH products as a part of its system deliveries.

Emphasis on complete system know-how

The growth of GSM markets remains strong; the number of networks is rising along with new licensees and networks already established are being expanded as the number of subscribers climbs. At the same time, competition among system suppliers is escalating. In response to the new needs of customers and to the new challenges posed by competition, Nokia is investing in R&D and in customer service.

The future deregulation of fixed networks places even greater demands on the capability of equipment suppliers to deliver complete systems. In order to meet these demands, at the turn of the year Nokia Telecommunications revised the organisation of its fixed networks business. The formation of the new Network and Access Systems division is similar to the formation of the Cellular Systems division in 1988. Both Network and Access Systems and Cellular Systems use Nokia's expertise in switching systems, Intelligent Networks and Network Management, and in services provided by the global Customer Service organisation.

The Nokia GSM/DCS 3rd Generation Mini Base Station is smart and very compact in size to enable installation and flexible network deployment in various environments.

Growth in consumer markets

Nokia Mobile Phones is Europe's largest and the world's second-largest manufacturer of mobile phones with products for all the major digital and analog systems. Nokia's phones are sold in approximately 100 countries.

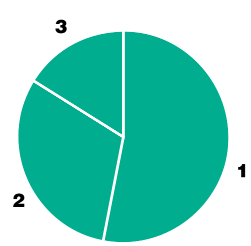
Wireless communication has become a significant part of the entire telecommunications market, with cellular phones already accounting for nearly ten percent of the world's telephone connections. New digital technologies emerging for a wide range of telecommunications applications will increasingly be accessible to cellular-based mobile telephones. Beyond speech, new capabilities such as high-speed data communication services are well within the realm of mobile telephony.

In 1994, cellular phone markets grew more rapidly than ever. At the end of the year, there were approximately fifty-four million cellular phone users, twenty million of whom acquired their first cellular phone during 1994. This strong growth was largely a result of the liberalisation of telecommunications markets and the successful adoption of digital standards. Last year, digital cellular phones for the first time accounted for a significant share of the market - approximately twenty percent.

Record number of new products

Nokia Mobile Phones focuses on development of future standards and new products. New analog and digital products launched during the year reached an all-time high and attest to Nokia's leading role in mobile phone technology.

At the beginning of 1994, the Nokia 2100 family of digital handportables was announced, with subsequent launches of models for various digital networks worldwide. In Japan, the most significant new market, Nokia commenced sales of digital phones in May. In the summer, the introduction of the Nokia 2010 featured the first digital



Net Sales by Market Area

1. 53% Europe and Africa
2. 31% Americas
3. 16% Asia/Pacific and Gulf

The number of digital mobile phones is growing rapidly, but the majority of the world's mobile phones are still analog. Early in the year, Nokia Mobile Phones introduced the Nokia 232 handportable for the analog AMPS and TACS networks. It is Nokia's smallest and lightest phone, weighing 185 grams when equipped with the lightest battery.

Nokia Mobile Phones net sales in 1994 totalled FIM 10,702 million (6,314 million). Operating profit rose 84% to FIM 1,745 million (950 million). The number of employees increased from 4,223 to 7,554 people.

Nokia Mobile Phones built a new cellular phone factory in Salo. The new building is about double the size of the production facility built in 1980. Future needs in automated mass production were taken into consideration in the new factory, to which the production lines from the current Salo factory will be moved this spring. Production in the new facilities commenced in spring 1995.

The distribution center of Nokia Mobile Phones in Fort Worth, Texas has moved to new premises at the beginning of 1995. The center supplies cellular phones primarily for the North and South American markets. Upon completion, the sales and distribution center will employ about 200 people. New production facilities are being completed in the same compound, to which the current factory will move at the end of 1995.

The majority of phones made by Nokia Mobile Phones are sold under the Nokia brand name, the identity of which is promoted through strong brand advertising.

The Nokia Cellular Data Card enables files to be transferred and e-mail and telefaxes to be sent in cellular networks.

handportable specifically designed for the wider consumer market.

Over eighty percent of the world's cellular phones today are analog, and analog cellular networks are expected to remain viable well into the next century. In 1994, Nokia substantially updated its selection of analog phones as well. The smallest phone Nokia has ever produced - the Nokia 232 - was introduced for the analog AMPS and TACS networks. The Nokia 250, developed for the NMT 450 standard, was launched in the Nordic countries and Eastern Europe at the end of the year.

Also among the new products Nokia Mobile Phones was first to introduce in 1994 were cellular data cards to support the expected strong growth in wireless data communications in the years ahead. The credit card-sized cellular data cards connect portable computers to cellular phones and allow for the wireless transmission and reception of e-mail, faxes, data files and text messages.

Phones to a hundred countries

In addition to its growth in digital markets, Nokia Mobile Phones also expanded its geographical focus. Mobile phones are sold in approximately 100 countries today. In light of this expansion, the company established new sales units to strengthen its presence in South Korea, India, Dubai, Hungary, Belgium and Mexico. Nokia Mobile Phones now has its own sales organisation in over 20 countries.

The increasing competition among operators and ongoing changes in distribution are having an impact on distribution in several markets. In the United States and some other countries, increased emphasis was placed on the Nokia brand name in 1994, long a focus of the company's marketing strategy. The majority of phones manufactured by Nokia Mobile Phones are already sold under the Nokia brand name, though a considerable share is produced for major OEM (Original Equipment Manufacturer) customers and operators. The focus on consumer sales and raising the recognition of the Nokia brand are being supported by vigorous brand advertising campaigns.

Production up at all factories

In manufacturing, all five of Nokia Mobile Phones' factories - in Salo, Fort Worth, Bochum, Hong Kong and Masan - increased production as planned in 1994. New flexible working arrangements in the factories had a positive impact on the goal to increase productivity and improve operations. Additionally, substantial investments were made to expand production capacity.

A new production unit was built in Salo, Finland, which commenced production in January of 1995, while in the U.S. city of Fort Worth construction was completed on a new distribution facility. By the end of 1995, the existing factory in Fort Worth will be relocated to adjoin the new distribution center. The space used for mobile phone production at Bochum was also expanded.

At the end of 1994, there were about 54 million cellular phone users in the world, 20 million of whom purchased their first cellular phone last year. Growth lies in the consumer markets and diversification of the product lines.

Digital Sound Processing enriches the acoustic performance in the car. Radio, CD-player or phone signals are digitally corrected to compensate for and minimise the influence of surrounding noises in a moving car, and are again converted into music and speech. The DSP system enhances the sound quality but it also significantly improves car safety. European car manufacturers such as Porsche and Volkswagen have adopted Nokia's DSP system.

PALplus is a wide-screen standard for terrestrial broadcasting introduced in Europe in 1994. It resembles a movie-format and allows the viewing of movies on television without the picture being "chopped" or without black bars at the top and bottom of the screen. PALplus improves picture quality for consumers and is the future-proof wide-screen format.

The Nokia approach to product design combines complex technologies with a sophisticated consumer-friendly user-interface. This includes ergonomic remote controls for televisions, VCRs and satellite receivers, on-screen menus to guide the user in adjusting settings, automatic programming of TV-channels, product design and user-manuals.

On the move toward a digital future

Nokia Consumer and Industrial Electronics' product range comprises home entertainment products, including televisions, VCRs, cable and satellite receivers and systems, PC monitors for demanding professional users, audio systems and other electronics for the automotive industry, as well as mobile phone chargers.

In 1994 the European television market remained at the previous year's level and the forecast for 1995 is for very modest growth. Nokia's sales in 1994 increased compared to the previous year. The polarization of demand continued: small screen size and high-end product segments grew, while demand for the mid-range lost ground.

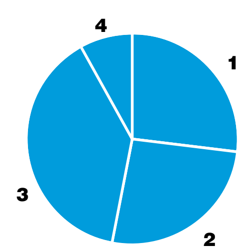
Nokia's product range has been adjusted to this trend. In the summer of 1994 Nokia launched its "Feature Plus" television family for the high-end segment. The range includes both 100 Hz, 50 Hz and wide-screen products. The user-interface of these products scored accolades across Europe from both consumers and the trade. In November 1994 Nokia was the first manufacturer to launch wide-screen PALplus receivers. PALplus transmissions will be tripled in 1995. In small screen sizes Nokia introduced a new portable stereo television.

In the cable and satellite field the predominant issue is the move toward a digital future. The digital market will expand demand for cable and satellite receivers. Nokia focuses on developing digital products for the consumer market, as well as strengthening ties with partners to offer complete systems to new service providers. Also the market for analog satellite receivers will continue to grow over the next years, a segment in which Nokia holds a leading position.

The convergence of technologies and the interactive future brings the PC and the consumer electronics industry together, bridging monitors and televisions. Competition in the PC industry continues to be extremely fierce. Nokia has responded by shifting production to bigger screen sizes and by equalising branded sales with OEM. The demand for monitors continued to be strong. Nokia successfully entered the US market with branded monitors in 1994 and the Nokia Multigraph 447X was awarded "Monitor of the Year" recognition by the American "PC Magazine".

Subcontractors to the European automotive industry are shifting toward a systems suppliers role. Nokia's leading position as a sound systems supplier was reinforced through contracts with two new car manufacturers. At the same time, volumes for airbag electronics have increased significantly. In 1995 Nokia will continue to develop new airbag solutions and make use of the Group's expertise in wireless communications when shifting towards a systems supplier role.

The charger business fared well in 1994 due to the booming mobile phone business. Volumes soared and managing growth emerged as a major challenge for 1995. Nokia formed a joint venture in the inductive components area with the Italian company Eldor, and founded a joint venture in China for the production and marketing of satellite and TV-tuners.



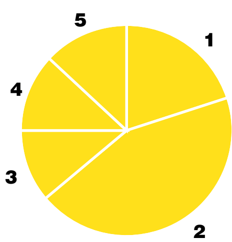
Net Sales by Market Area

1.	**27%**	Nordic countries
2.	**26%**	Germany
3.	**39%**	Other European countries
4.	**8%**	Other countries

Nokia Consumer and Industrial Electronics' net sales in 1994 totalled FIM 6,769 million (6,938 million). Operating profit was FIM 19 million (–747 million). The business group employed 6,611 people.

Cables and Machinery intensifies production

Nokia Cables and Machinery manufactures optical and copper cables for telecommunications, power, rubber and installation cables, optical ground wires, radio frequency and automation cables, and cable machinery.



Net Sales by Market Area

1.	**20%**	Finland
2.	**44%**	Other European Union countries
3.	**11%**	Other European countries
4.	**12%**	Asia/Pacific
5.	**13%**	Other countries

Cables and Machinery's net sales in 1994 totalled FIM 4,768 million (4,933 million). Operating profit was FIM 191 million (261 million). The business group employed 4,560 people.

Severe price competition in the cable industry continued in 1994, while Europe's economic recovery left overall demand for cables unaffected. Notable exceptions were sales of optical cables and other cables requiring specialised expertise. Optical cable connections increased throughout the world and the outlook for demand of other types of cables is expected to improve.

Product responsibility redefined

Cable Industry's customer base decreased in 1994 primarily due to the consolidation of the power industry throughout Europe and the allying of telecommunications operators. However, the European Union's practice of open bidding on public projects increases the opportunities for Nokia.

In 1994, Nokia Cable Industry continued to strengthen its competitiveness by boosting the efficiency of its production, the division of product responsibility among its various units and by further developing its range of products. New product groups include RF cables, used in cellular network exchanges, and composite cables, which integrate power transmission and optical fiber for telecommunications in the same cable. Nokia Cable Industry is a leading supplier of cables in strategically important market areas.

Nokia-Maillefer's markets grow

Nokia-Maillefer strengthened its position as the world's leading supplier of cable machinery and cable production lines. Growth of its markets continued, and demand for power and optical cable machinery is expected to continue. By contrast, the demand for machinery used in the production of copper-based telecommunications cables is declining.

Market development continues to fluctuate substantially by market area. In 1994 the strongest growth in demand was again in Southeast Asia, though South America is developing into a significant cable machinery market area. Nokia-Maillefer strengthened its position in these areas by establishing sales and service offices in China and Brazil.

NKF, a part of Nokia Cable Industry, built the Optopower connection between Holland and the island of Texel.

The two three-phase composite submarine cables with a 12-fiber optical element were produced at the Delft factory.

Nokia Cables Oy and the Chinese company Cable-Wire Group of Shanghai established a cable factory in Shanghai. The primary products of Shanghai Nokia Optical Cables Ltd (SNOC) are optical cables incorporating the Spiral Space design. The factory will start production in spring 1995.

Nokia-Maillefer will supply China with a production facility to manufacture mainly plastic-insulated medium-voltage cables. The factory will be delivered on a turnkey basis, and equipment deliveries are scheduled for 1995.

Nokia Power divested, Nokia Tyres to be floated

Other Operations in 1994 comprised Nokia Tyres, Nokia Power and Nokia Research Center among other units.

At year end, **Nokia Power** was sold, for which Nokia received a profit net of tax of FIM 760 million. In addition, Nokia announced its intention to sell the majority shareholding in Nokia Tyres during 1995. After the sale, Nokia Tyres - in which Nokia will remain a significant minority shareholder - will be floated on the Helsinki Stock Exchange.

Nokia Tyres is the leading tyre manufacturer in the Nordic countries. It develops, manufactures and markets passenger car and delivery van tyres, heavy tyres, bicycle tyres and retreading materials. It aspires to maintain its leading position in all product groups in the Nordic countries. In certain specialised products, such as winter tyres and forest machinery tyres, it strives to strengthen its position as a significant supplier globally.

Car sales, like machinery and equipment sales, started to grow in 1994, and development in Nokia Tyres' main markets thus appears favourable. In 1994 sales of passenger cars in the Nordic countries increased 30%, which favourably affects the demand for tyres as well.

With the supply of passenger car tyres exceeding demand, fierce price competition continued in 1994. Sales of Nokia Tyres' passenger car tyres increased 11%, and the unit strengthened its position in its main market areas.

The demand for heavy tyres grew in all product groups and sales were up 23%. The largest increase was in original equipment sales to machinery and equipment manufacturers. Favourable development in the bicycle industry continued and even though competition intensified, Nokia Tyres boosted its sales of bicycle tyres 12%. Thanks to the modernisation of the Retreading Materials' production unit, it was possible to significantly increase the output of retreading materials, and sales were up 29%.

Profitability was weakened by the strengthening of the Finnish markka as well as by the rise in the cost of raw materials that started at the end of 1994. In response to these challenges, Nokia Tyres is updating its product line while boosting production efficiency and the quality of its products. Sales are estimated to grow in 1995.

Other Operations' net sales in 1994 totalled FIM 1,589. They employed a total of 1,786 people.

Nokia Research Center – Active Research Cooperation

Nokia Research Center's mission is to enhance Nokia's technological competitiveness, core competencies and knowledge of new systems. Its efforts are carried out in cooperation with Nokia's business groups as well as with universities, research institutions and telecommunications companies.

To date, the Research Center has co-operated in over thirty European Union programs and EUREKA projects. It will participate in the forthcoming 4th European Framework Program.

Dating back to 1985, the Research Center's activities have been rapidly growing in response to Nokia's technology requirements. Among its main areas of focus are fixed and mobile communications systems, digital signal processing, audio-visual signal processing and other fields in software development and electronics. The number of employees in the Research Center is approaching 400.

Strong expertise in digital technology

In the area of GSM, the Nokia Research Center has long been in the forefront, having acquired substantial competence well before its widespread implementation in many parts of the world. The success of GSM as a digital cellular standard, service and platform technology has been encouraging.
The Research Center will continue its standardisation efforts and support of open interfaces characteristic of GSM and GSM-based technologies.

The next step in mobile communication

For the future, the areas of multimedia and third-generation mobile communications systems will be key focuses. Research activities into multimedia cut across all technology areas at the Nokia Research Center. In connection with this, Nokia is organising a Finnish national program for multimedia technology in conjunction with the Finnish National Information Highway Initiative.

Nokia Research Center carries out long- and medium-term research and development for Nokia's core business areas.

The development of the third-generation mobile communications standard, UMTS (Universal Mobile Telephone System), also gathered momentum in 1994. International standardisation activities are currently underway due in part to results from R&D projects carried out with the support of the European Union. The Nokia Research Center has participated in several key projects related to UMTS and will continue to maintain an active role in its development in the future.

Review by the Board of Directors

Nokia's strategy is to invest in telecommunications and closely associated business operations. It focuses on industry segments and geographic regions that have good opportunities for growth and profitability. In 1994 Nokia continued to internationalise and to concentrate on its core businesses.

The deregulation of telecommunications markets and the growing number of cellular networks have created growth opportunities for Nokia's telecommunications sector. The telecommunications sector, which consists of Nokia Telecommunications, Nokia Mobile Phones and telecommunication cables, generated 64% of the Group's FIM 30.2 billion net sales in 1994 compared to 52% of net sales in 1993.

At the turn of the year, Nokia sold its Power division and announced its intention to sell its majority shareholding in Nokia Tyres during 1995. Nokia Consumer and Industrial Electronics discontinued the operations of its Picture Tubes unit and Nokia Cables and Machinery sold units outside its core business. It focused on its main products, cables and cable machinery. Additionally, Nokia and ICL signed an agreement for the early redemption of Nokia's preferred share interest in ICL.

Growth in North American and Asia-Pacific markets

Nokia's objective is to further establish its position as a truly international telecommunications company by continuing to exploit the rapidly growing opportunities in the global telecommunications industry. During the year the Group showed strongest growth in North America and in the Asia-Pacific region. These two areas accounted for 25% of the Group's net sales; the corresponding figure for the previous year was 20%. Europe remains Nokia's largest market area, and thus Finland's decision to join the European Union at the beginning of 1995 was important for

Net Sales by Business Group 1.1. – 31.12.

	1994 MFIM	%	1993 MFIM	%	Change %
Nokia Telecommunications	**6 906**	**23**	4 578	19	**50.9**
Nokia Mobile Phones	**10 702**	**36**	6 314	27	**69.5**
Nokia Consumer and Industrial Electronics	**6 769**	**22**	6 938	29	**– 2.4**
Cables and Machinery	**4 768**	**16**	4 933	21	**– 3.3**
Other Operations	**1 589**	**5**	1 500	6	**5.9**
Inter-business group eliminations	**– 557**	**– 2**	– 566	– 2	
Nokia Group	**30 177**	**100**	23 697	100	**27.3**
Exports from Finland and subsidiaries outside Finland	**26 728**	**89**	20 150	85	**32.6**

Operating Profit/Loss, IAS, 1.1. – 31.12.

	1994 MFIM	% of net sales	1993 MFIM	% of net sales
Nokia Telecommunications	**1 700**	**24.6**	983	21.5
Nokia Mobile Phones	**1 745**	**16.3**	950	15.0
Nokia Consumer and Industrial Electronics	**19**	**0.3**	– 747	– 10.8
Cables and Machinery	**191**	**4.0**	261	5.3
Other Operations	**– 59**	**– 3.7**	18	1.2
Nokia Group	**3 596**	**11.9**	1 465	6.2

Nokia. Of the Group's 1994 net sales, 70% were generated in Europe. The Finnish market now accounts for only 11% of net sales, compared to 15% the previous year. Nevertheless, a sizeable share of Nokia's telecommunications sector product development and production operations are located in Finland. The Group's exports from Finland increased 37%, from FIM 10 billion to 14 billion.

Nokia continued internationalisation of its businesses in July 1994 when it became the first Finnish company to list on the New York Stock Exchange. The listing permitted the expansion of Nokia's foreign ownership base and increases the liquidity of Nokia's preferred share. Nokia's preferred shares are now traded on five international stock exchanges in addition to Helsinki: New York, London, Paris, Frankfurt and Stockholm. In conjunction with the New York listing, Nokia launched a share issue of six million preferred shares directed primarily at U.S. investors. As a result of the share issue, the Group raised approximately FIM 2.5 billion in new capital. The Group used the funds generated from the share issue to finance the strong growth in its telecommunications sector and to strengthen its capital structure.

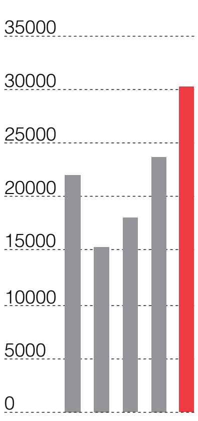
Production boosted, R&D costs up 32%

In 1994 Nokia made substantial investments in product development and production. Its fixed assets investments amounted to FIM 2 billion, an increase of 66% over the previous year. The largest investments were for the construction of the new cellular phone factory in Salo and the expansion of the base station factory in Oulu. Substantial investments were also made to boost productivity, with the objective of increasing operational efficiency.

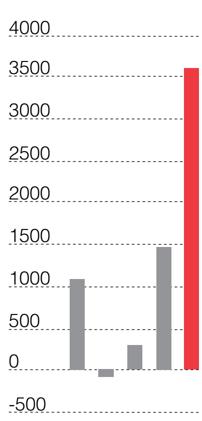
Nokia's employment has grown commensurate with its operations. The telecommunications business groups Nokia Telecommunications and Nokia Mobile Phones increased the amount of employees by 5,048 people during the year, the majority of which in Finnish units. At the end of 1994 the Group employed 28,593 people, with the average number of personnel for the year being 28,043.

Nokia spent a total of FIM 1.9 billion, or 6.4% of net sales, on research and development. Product development costs grew 32% compared to the previous year when they totalled FIM 1.5 billion (6.2 %). Nokia significantly increased the number of its R&D personnel in its different research units. There was particularly strong growth in the Nokia Research Center, which focuses on long-term research. The Research Center nearly doubled the number of personnel during the year. Nokia Research Center's resources will be clearly strengthened during 1995 as well.

Net Sales, MFIM



Operating Profit/Loss, IAS, MFIM



Net sales up 38%

The Nokia Group's net sales climbed to FIM 30.2 billion in 1994 (FIM 23.7 billion in 1993). This represents growth of 38% when allowing for changes in currency exchange rates and in the structure of the Group. The strongest growth was reported by Nokia Mobile Phones (70% in 1994), which for the first time distinctively became the Group's largest business group, and by Nokia Telecommunications (51%). Nokia Consumer and Industrial Electronics' net sales declined compared to the previous year due to changes in its structure, and Cables and Machinery's net sales declined slightly, due in part to the structural changes carried out within the business group.

Favourable profit trend continued

The Nokia Group's operating profit (IAS) increased 146% and was FIM 3,596 million (1,465 million in 1993). The operating margin was 11.9% (6.2% in 1993). The continued favourable development in the telecommunications sectors as well as the distinct and positive change in the results of Nokia Consumer and Industrial Electronics contributed to the increased operating profit. Nokia Telecommunications' operating profit increased to FIM 1,700 million (983 million) and Nokia Mobile Phones' operating profit increased to FIM 1,745 million (950 million). Nokia Consumer and Industrial Electronics also reported an operating profit of FIM 19 million compared to the previous year when the business group reported a loss of FIM 747 million. Cables and Machinery's operating profit decreased slightly and was FIM 191 million (261 million). Other Operations incurred an operating loss of FIM 59 million (operating profit of 18 million in 1993).

The Group's net financial items were a gain of FIM 384 million, whereas in the previous year they were a loss of FIM 347 million. A reduction in net interest expenses as well as exchange rate gains of FIM 450 million contributed to the change. The exchange rate gains were incurred in connection with the hedging of foreign currency flows when the Finnish markka strengthened in 1994. Correspondingly, the weakening of the markka in 1993 produced a FIM 134 million exchange rate loss in financial expenses. The Group's profit before taxes, minority interests and extraordinary items (IAS) increased to FIM 4,002 million (1,146 million in 1993).

Minority shareholders' share of Nokia Group companies' profits totalled FIM 75 million (80 million). The Group's taxes rose to FIM 932 million (299 million).

The Group's profit after taxes and minority interests but before extraordinary items was FIM 2,995 million (767 million). The profit per share was up 257% to FIM 43.89 (FIM 12.29 in 1993).

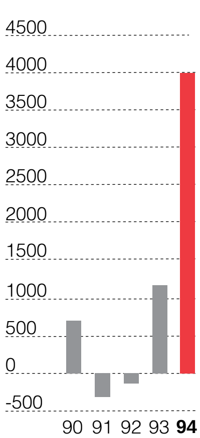
In addition to the FIM 760 million profit net of tax incurred in the sale of the Power business, the FIM 944 million extraordinary item also includes, among other things, the compensation on the sale of the fixed assets from the discontinued TV picture tube factory. In 1993 the extraordinary item was an expense of FIM 1,917 million.

After extraordinary items, Nokia's profit for the financial period was FIM 3,939 million (a loss of 1,150 million).

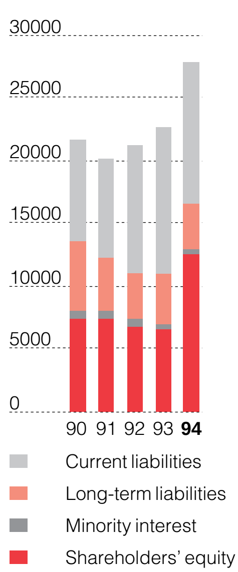
Financing situation clearly improved

The Group's financing situation continued to improve during 1994 due to the

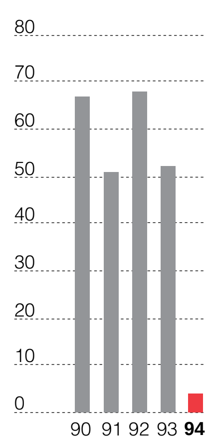
Profit/Loss before Tax and Minority Interests, IAS, MFIM



Liabilities and Shareholders' equity, IAS, MFIM



Net Debt to Equity, %



share issue in July and the substantial improvement in the net cash flow from operations. The net debt-to-equity ratio was 4% (52%) at the end of the year.

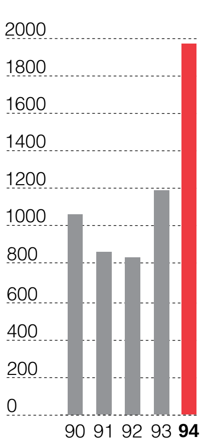
Business groups

Nokia Telecommunications' net sales increased 51% and totalled FIM 6,906 million (4,578 million). All divisions experienced growth, with the strongest growth in the Cellular Systems systems division. Sales grew in both Europe and the Far East. Product development costs were up 32% and totalled FIM 992 million in 1994. Operating profit rose 73% to FIM 1,700 million (983 million). The operating margin increased to 25%, compared to 21% in 1993. All divisions in the business group, Cellular Systems, Transmission Systems and Switching Systems, reported good profitability. The business group's order book total was FIM 4.7 billion at the end of the year, compared to 36% more than at year-end 1993.

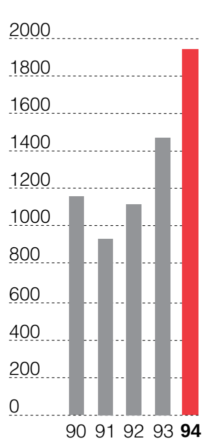
Nokia Mobile Phones' net sales increased 70% and totalled FIM 10,702 million (6,314 million). The number of cellular phones sold more than doubled in all major market areas: North America, Europe and Asia-Pacific. Due to the strong demand, the reduction in prices during the year was moderate and averaged 15–20%. R&D investments increased 71% and totalled FIM 661 million. Operating profit was up 84% to FIM 1,745 million (950 million). The operating margin increased to 16%, compared to 15% in the previous year.

Nokia Consumer and Industrial Electronics' net sales totalled FIM 6,769 million (6,938 million). The decline in net sales is mainly attributable to the fact that the Picture Tubes operations are not included in the figures for 1994. With comparable figures, the net sales of the business group increased by 4%. Rationalisation measures in the Consumer Electronics division (called Home Electronics in 1993) were continued according to plan and the division's profitability improved substantially. The operations of the Picture Tubes unit were discontinued, and the factory's fixed assets were sold to Matsushita of Japan. The strengthened markka and technical problems in production contributed to the weakened results and lower profitability for the year by the Monitors unit, which is part of the Industrial Electronics division. By contrast, both the Car Electronics and the Components units, which are part of the Industrial Electronics division, reported strong growth and improved profits. Nokia Consumer and Industrial Electronics' operating result improved substantially and the business group recorded a profit of FIM 19 million (a loss of 747 million in 1993).

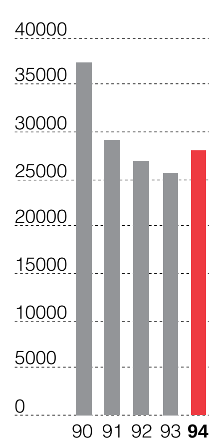
Capital Expenditure, MFIM
(excl. acquisitions)



R&D, MFIM



Average Personnel



Cables and Machinery continued its streamlining process in 1994. Furthermore, the business group will sell its aluminium operations in 1995, after which the group will consist only of the cables and cable machinery divisions. The business group's net sales in 1994 totalled FIM 4,768 million (4,933 million). Cable Industry's net sales increased to FIM 3,268 million (2,734 million). The market situation in Germany and the Netherlands continued to be strained. The growth in Cable Industry's net sales is primarily attributable to the fact that the net sales of the units acquired from Germany in 1993 are included in the cables division for all of 1994. The rationalisation measures in the German units have progressed according to plan. The division's profitability remained at the previous year's level. Net sales by the cable machinery manufacturer Nokia-Maillefer increased 15% to FIM 1,117 million (973 million). Nokia-Maillefer's operating profit remained at the previous year's level. Far Eastern markets again accounted for the strongest growth. Net sales by the Aluminium unit increased and its results improved. Cables and Machinery's operating profit totalled FIM 191 million (261 million).

Other Operations accounted for a combined net sales figure of FIM 1,589 million (1,500 million). At the end of the year, the Group sold its Power operations. In addition, it announced its intention to sell its majority shareholding in Nokia Tyres and to list the company on the Helsinki Stock Exchange in 1995.

Outlook for 1995

The good development seen in 1994 and our strengthened financial situation provide a solid foundation for favourable development in 1995.

Average Personnel	**1994**	1993
Nokia Telecommunications	**7 187**	5 867
Nokia Mobile Phones	**5 826**	3 759
Nokia Consumer and Industrial Electronics	**8 307**	8 675
Cables and Machinery	**4 963**	5 893
Other Operations	**1 760**	1 607
Nokia Group	**28 043**	25 801
Finland	**14 984**	13 813
Other European Union countries	**10 151**	9 895
Other European countries	**951**	989
Other countries	**1 957**	1 104
Parent Company	**416**	374

Research and Development	**1994 MFIM**	1993 MFIM
Nokia Telecommunications	**992**	752
Nokia Mobile Phones	**661**	386
Nokia Consumer and Industrial Electronics	**181**	220
Cables and Machinery	**74**	83
Other Operations	**29**	31
Nokia Group	**1 937**	1 472

Consolidated Profit and Loss Account, IAS

Financial year ended 31 December	Notes**	1994 MFIM	1993 MFIM
Net sales		**30 177**	23 697
Costs of goods sold		**– 20 808**	– 17 216
Research and development expenses		**– 1 937**	– 1 472
Selling, general and administrative expenses		**– 3 836**	– 3 544
Operating profit	**2,3,4 and 5**	**3 596**	1 465
Share of results of associated companies		**22**	28
Financial income and expenses	**6**	**384**	– 347
Profit before tax, minority interests and extraordinary items		**4 002**	1 146
Tax	**9**	**– 932**	– 299
Minority interests		**– 75**	– 80
Profit before extraordinary items		**2 995**	767
Extraordinary items	**7**	**944**	– 1 917
Net profit/loss		**3 939**	– 1 150

* The accounting principles adopted by Nokia in preparing the financial statements according to IAS are set out on pages 33 to 34.

** Notes are shown on pages 33 to 49.

Key Ratios

	1994	1993
Earnings per share [1], FIM	**43.9**	12.3
Dividend per share [2], FIM	**10.00**	2.80
Shareholders' equity per share [3], FIM	**174.6**	99.5
Return on capital employed [4], %	**25.4**	14.7
Return on shareholders' equity [5], %	**31.6**	11.6

[1] Profit/loss before extraordinary items divided by average of adjusted number of shares.

[2] The Board's proposed dividend for 1994.

[3] Adjusted number of shares at the end of the year.

[4] Profit/loss before tax, minority interests and extraordinary items plus interest and other financial expenses as a percentage of the total of average shareholders' equity, short-term and long-term loans and minority shareholders' interests.

[5] Profit/loss before extraordinary items as a percentage of average shareholders' equity.

Consolidated Balance Sheet, IAS

31 December	Notes*	1994 MFIM	1993 MFIM
ASSETS			
Fixed assets and other non-current assets			
Goodwill and other intangible assets	10	541	590
Property, plant and equipment	11	5 097	4 770
Investments	12	1 810	2 092
Long-term loan receivables		222	278
Other non-current assets		273	264
		7 943	7 994
Current assets			
Inventories	15	6 803	5 129
Accounts receivable *		7 835	6 227
Short-term investments		3 989	2 201
Bank and cash		1 279	1 096
		19 906	14 653
Total assets		27 849	22 647

* less allowances for doubtful accounts (31.12.1994 MFIM 197, 31.12.1993 MFIM 159)

31 December	Notes*	1994 MFIM	1993 MFIM
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	17	1 498	1 378
Other restricted equity	17	5 494	3 329
Treasury shares	17	– 437	– 348
Untaxed reserves	17, 18	1 727	1 717
Retained earnings	17	4 136	435
		12 418	6 511
Minority interests		555	536
Long-term liabilities	20		
Long-term debt		3 071	3 397
Other long-term liabilities		486	683
		3 557	4 080
Current liabilities			
Short-term borrowings		2 453	3 435
Current portion of long-term debt	20	278	139
Accounts payable and accrued liabilities	23	8 086	5 976
Advance payments		502	534
Restructuring provision		–	1 436
		11 319	11 520
Total shareholders' equity and liabilities		27 849	22 647

* Notes are shown on pages 33 to 49.

Consolidated Cash Flow Statement, IAS

Financial year ended 31 December	Notes*	1994 MFIM	1993 MFIM
Cash flow from operating activities			
Profit before tax, minority interests and extraordinary items		**4 002**	1 146
Adjustments, total	**29**	**886**	1 219
Operating profit before change in net working capital		**4 888**	2 365
Change in net working capital	**29**	**– 1 450**	– 1 064
Cash generated from operations		**3 438**	1 301
Interest received		**349**	531
Interest paid		**– 568**	– 908
Income taxes paid		**– 326**	– 133
Cash flow before extraordinary items		**2 893**	791
Extraordinary expenses paid		**– 350**	– 86
Net cash from operating activities		**2 543**	705
Cash flow from investing activities			
Acquisition of Group companies, net of acquired cash		**– 80**	– 471
Treasury shares acquired		**– 78**	–
Investments in other shares		**– 351**	– 100
Capital expenditures		**– 1 967**	– 1 186
Proceeds from disposal of shares in Group companies, net of disposed cash		**45**	191
Proceeds from sale of other shares		**634**	864
Proceeds from sale of fixed assets		**24**	177
Dividends received		**142**	152
Net cash used in investing activities		**– 1 631**	– 373
Cash flow from financing activities			
Proceeds from issuance of share capital		**2 490**	918
Capital investment by minority shareholders		**23**	5
Proceeds from (+), payments of (–) long-term liabilities		**– 267**	479
Proceeds from (+), payments of (–) short-term borrowings		**– 571**	– 1 582
Proceeds from (+), payments of (–) long-term receivables		**29**	– 24
Proceeds from (+), payments of (–) short-term receivables		**– 145**	116
Dividends paid		**– 211**	– 173
Net cash from/used in financing activities		**1 348**	– 261
Net increase in cash and cash equivalents		**2 260**	71
Cash and cash equivalents at beginning of period		**3 008**	3 226
Cash and cash equivalents at end of period		**5 268**	3 297

The above figures cannot be directly traced from the balance sheet without additional information as a result of acquisitions and disposals of subsidiaries and net foreign exchange differences arising on consolidation.

The schedule shown below reconciles cash and cash equivalents at the end of the previously reported period to cash and cash equivalents reported for the beginning of the current period.

Reconciliation:

As previously reported for 1993 and 1992, respectively	**3 297**	3 118
Foreign exchange adjustment	**– 289**	108
	3 008	3 226
Net increase in cash and cash equivalents	**2 260**	71
As reported for 1994 and 1993	**5 268**	3 297

Reconciliation between the Financial Statements under FAS and IAS

	Notes*	1994 MFIM	1993 MFIM
Net profit/loss for the year under FAS		**3 658**	– 246
Untaxed reserves		**49**	– 827
		3 707	– 1 073
Share of results of associated companies	**28**	**24**	– 2
Financial income and expenses			
Dividend income from associated companies	**28**	**–**	– 5
Minority interests		**–**	6
Extraordinary items	**7**	**208**	– 76
Net profit/loss for the year under IAS		**3 939**	– 1 150
Shareholders' equity under FAS		**10 857**	5 319
Untaxed reserves		**1 727**	1 717
		12 584	7 036
Associated companies		**–**	– 143
Profit on the sale of fixed assets		**– 166**	– 382
Shareholders' equity under IAS		**12 418**	6 511

* Notes are shown on pages 33 to 49.

Consolidated Profit and Loss Account, FAS

Financial year ended 31 December	Notes*	1994 MFIM	%	1993 MFIM	%
Net sales		**30 177**	**100.0**	23 697	100.0
Costs of goods sold		**– 20 808**		– 17 216	
Gross margin		**9 369**	**31.0**	6 481	27.3
Research and development expenses		**– 1 937**		– 1 472	
Selling, general and administrative expenses		**– 3 836**		– 3 523	
		– 5 773		– 4 995	
Operating profit	**2, 3, 4 and 5**	**3 596**	**11.9**	1 486	6.3
Shares of results of associated companies		**– 2**		–	
Financial income and expenses	**6**	**384**		– 334	
Profit before extraordinary items, appropriations and taxes		**3 978**	**13.2**	1 152	4.9
Extraordinary items	**7**				
Extraordinary income		**870**		149	
Extraordinary expenses		**– 134**		– 1 990	
Extraordinary items total		**736**		– 1 841	
Profit/loss before appropriations and taxes		**4 714**	**15.6**	– 689	– 2.9
Difference between actual and planned depreciation, increase (–), decrease (+)	**5**	**– 356**		199	
Movements on untaxed reserves, increase (–), decrease (+)	**8**	**307**		628	
Direct taxes	**9**	**– 932**		– 299	
Profit/loss before minority interests		**3 733**	**12.4**	– 161	– 0.7
Minority interests		**– 75**		– 85	
Net profit/loss		**3 658**	**12.1**	– 246	– 1.0

* Notes are shown on pages 33–49.

Consolidated Balance Sheet, FAS

31 December	Notes*	1994 MFIM	%	1993 MFIM	%
ASSETS					
Fixed assets and other non-current assets					
Intangible assets	10				
Intangible rights		136		110	
Goodwill		333		405	
Other intangible assets		72		75	
		541	1.9	590	2.6
Tangible assets	11				
Land and water areas		529		718	
Buildings and constructions		1 232		1 402	
Machinery and equipment		2 585		2 141	
Other tangible assets		336		320	
Advance payments and fixed assets under construction		415		189	
		5 097	18.2	4 770	20.6
Long-term investments					
Investments in associated companies	12	188		385	
Investments in other shares	12	1 788		2 232	
Long-term loan receivables		222		278	
Other non-current assets		273		264	
		2 471	8.8	3 159	13.6
Current assets					
Inventories					
Raw materials and supplies		2 835		1 822	
Work in progress		983		882	
Finished goods		2 955		2 410	
Advance payments		30		15	
		6 803	24.3	5 129	22.1
Receivables	16				
Accounts receivable		5 490		5 139	
Short-term loan receivables		455		311	
Prepaid expenses and accrued income		384		440	
Other current trade receivables		1 506		338	
		7 835	28.0	6 228	26.9
Short-term investments		3 989	14.2	2 201	9.5
Bank and cash		1 279	4.6	1 096	4.7
		28 015	**100.0**	23 173	100.0

* Notes are shown on pages 33 to 49.

Consolidated Balance Sheet, FAS

31 December	Notes*	1994 MFIM	%	1993 MFIM	%
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	**17**				
Restricted equity					
Share capital		**1 498**		1 378	
Additional paid in capital		**4 376**		2 065	
Other restricted equity		**870**		1 076	
		6 744		4 519	
Distributable reserves					
Retained earnings		**455**		1 046	
Net profit/loss for the year		**3 658**		– 246	
		4 113		800	
Total shareholders' equity		**10 857**	**38.7**	5 319	23.0
Minority interests		**555**	**2.0**	536	2.3
Accumulated appropriations	**18**				
Accumulated depreciation in excess of plan		**976**	**3.5**	653	2.8
Untaxed reserves					
Investment reserve		**21**		22	
Other reserves		**730**		1 042	
		751	**2.7**	1 064	4.6
Provisions	**19**	**486**	**1.7**	301	1.3
Liabilities					
Long-term liabilities	**20**				
Bonds	**21**	**842**		1 105	
Convertible bonds	**22**	**24**		42	
Loans from financial institutions		**391**		1 007	
Pension premium loans		**1 719**		1 166	
Other long-term finance loans		**95**		77	
Other long-term liabilities		**486**		683	
		3 557	**12.7**	4 080	17.6
Short-term liabilities					
Current finance liabilities		**2 453**		3 435	
Current maturities of long-term loans		**278**		139	
Advance payments		**502**		534	
Accounts payable		**3 353**		2 302	
Accrued expenses and prepaid income		**3 699**		2 945	
Restructuring provision		**–**		1 436	
Other current trade liabilities		**548**		429	
		10 833	**38.7**	11 220	48.4
Total liabilities		**14 390**	**51.4**	15 300	66.0
		28 015	**100.0**	23 173	100.0

Consolidated Cash Flow Statement, FAS

Financial year ended 31 December	Notes*	1994 MFIM	1993 MFIM
Cash flow from operating activities			
Profit before extraordinary items, appropriations and taxes		**3 978**	1 152
Adjustments, total	**29**	**910**	1 203
Operating profit before change in net working capital		**4 888**	2 355
Change in net working capital	**29**	**– 1 450**	– 1 144
Cash generated from operations		**3 438**	1 211
Interest received		**349**	531
Interest paid		**- 568**	– 899
Income taxes paid		**– 326**	– 133
Cash flow before extraordinary items		**2 893**	710
Extraordinary expenses paid		**– 350**	– 10
Net cash from operating activities		**2 543**	700
Cash flow from investing activities			
Acquisition of Group companies, net of acquired cash		**– 80**	– 471
Treasury shares acquired		**– 78**	–
Investments in other shares		**– 351**	– 100
Capital expenditures		**– 1 967**	– 1 186
Proceeds from disposal of shares in Group companies, net of disposed cash		**45**	191
Proceeds from sale of other shares		**634**	864
Proceeds from sale of fixed assets		**24**	177
Dividends received		**142**	157
Net cash used in investing activities		**– 1 631**	– 368
Cash flow from financing activities			
Proceeds from issuance of share capital		**2 490**	918
Capital investment by minority shareholders		**23**	5
Proceeds from (+), payments of (–) long-term liabilities		**– 267**	479
Proceeds from (+), payments of (–) short-term borrowings		**– 571**	– 1 582
Proceeds from (+), payments of (–) long-term receivables		**29**	– 24
Proceeds from (+), payments of (–) short-term receivables		**– 145**	116
Dividends paid		**– 211**	– 173
Net cash from/used in financing activities		**1 348**	– 261
Net increase in cash and cash equivalents		**2 260**	71
Cash and cash equivalents at beginning of period		**3 008**	3 226
Cash and cash equivalents at end of period		**5 268**	3 297

The above figures cannot be directly traced from the balance sheet without additional information as a result of acquisitions and disposals of subsidiaries and net foreign exchange differences arising on consolidation.

The schedule shown below reconciles cash and cash equivalents at the end of the previously reported period to cash and cash equivalents reported for the beginning of the current period.

Reconciliation:

As previously reported for 1993 and 1992, respectively	**3 297**	3 118
Foreign exchange adjustment	**– 289**	108
	3 008	3 226
Net increase in cash and cash equivalents	**2 260**	71
As reported for 1994 and 1993	**5 268**	3 297

* Notes are shown on pages 33 to 49.

Notes to the Financial Statements

1. Accounting Principles

The consolidated financial statements of Nokia Corporation (Nokia or the Group) prepared in accordance with International Accounting Standards (IAS) are presented on pages 25 to 27, while financial statements prepared in accordance with Finnish Accounting Standards (FAS) are on pages 29 to 32 and 50 to 53.

Apart from the exceptions indicated in italic type in the following, the accounting principles adopted by Nokia are in compliance with IAS. A reconciliation between the financial statements under FAS and IAS is presented on page 28.

Changes in accounting principles

The FAS accounts have been made for the first time in accordance with the new Finnish Accounting Act. The only change in principles effecting the profit and loss account is the associated companies that have been included in the consolidated accounts according to the equity method. The opening balance of retained earnings has been adjusted with the accumulated shares of results of associated companies from the previous years. Certain changes to the format of the previously reported profit and loss account and balance sheet have been made.

To reduce the effects of exchange rate fluctuations on the Group's shareholders' equity, part of the foreign subsidiaries' shareholders' equity and untaxed reserves has been hedged during 1994 with foreign currency loans and financial instruments. Exchange gains and losses resulting from these loans and financial instruments have been offset against the translation differences arising from consolidation.

Accounting convention

The financial statements are presented in Finnish markkas and are prepared under the historical cost convention.

Principles of consolidation

The consolidated financial statements include the accounts of the parent company, Nokia Corporation, and each of those companies in which it owns, directly or indirectly through subsidiaries, over 50 % of the voting rights. The accounts of certain companies in which Nokia has management control are also consolidated. Certain real estate and housing companies, as well as small companies which had no operations during the financial year, have, however, been left out of the consolidated financial statements. The effect of these companies on the Group's result and distributable reserves is immaterial. The companies acquired during the financial period have been consolidated from the date the responsibility for their operations was transferred to the Group. Similarly the result of a Group company divested during an accounting period is included in the Group accounts only to the date of disposal.

All inter-company transactions are eliminated as part of the consolidation process. Minority interests are presented separately in arriving at the results before extraordinary items but after taxes. They are also shown separately from shareholders' equity and liabilities in the consolidated balance sheet.

Acquisitions of companies are accounted for using the purchase method. Goodwill represents the excess of the purchase cost over the fair value of assets less liabilities of acquired companies, after provision for direct reorganisation costs. Goodwill is amortised over a period not exceeding ten years.

The Group's share of profits and losses of associated companies (voting rights between 20% and 50%) is included in the consolidated profit and loss account in accordance with the equity method of accounting. The Group's share of post acquisition reserves (retained earnings, untaxed reserves and other restricted equity) is added to the cost of associated company investments in the consolidated balance sheet.

Profits incurred in connection with the sale of fixed assets between the Group and associated companies are eliminated in proportion to share ownership. The item is deducted from the Group's equity and fixed assets. The eliminated sales profit is released in Group accounts over the same period as depreciation is made. *Sales profits arisen before 1 January 1994, have not been eliminated in FAS financial statements*.

Investments in other companies (voting rights less than 20%) and also some joint ventures in the start-up phase are stated at cost; provision is made where necessary to reduce the cost to estimated net realisable value.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the accounting period the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales and purchases. Foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

Foreign Group companies

In the consolidated accounts all items in the profit and loss accounts of foreign subsidiaries are translated into Finnish markka at the average exchange rates for the year. The balance sheets of foreign subsidiaries are translated into Finnish markka at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the application of the purchase method are treated as an adjustment item affecting the consolidated shareholders' equity. Translation differences related to the restricted equity at the acquisition moment are treated as a part of restricted equity. Differences resulting from the translation of profit and loss account items at the average rate and the balance sheet items at the closing rate are taken to retained earnings.

Revenue recognition
Sales are recorded upon shipment of products and customer acceptance, if any, or performance of services, net of sales taxes and certain other sales related expenses. Revenues from long-term contracts are recognised on the completed contract method.

Research and development
Research and development costs are expensed in the financial period during which they are incurred.

Maintenance, repairs and renewals
Maintenance, repairs and renewals are generally charged to expense during the financial year in which they are incurred. However, major renovations are capitalised and depreciated over their expected useful lives.

Pensions and coverage of pension liabilities
The Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations. Any deficits or benefits requiring additional contributions are funded through payments allocated over a period of years not exceeding the expected remaining working lives of the participating employees.

The Group has met minimum funding requirements for the countries in which it maintains pension schemes.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the expected useful lives of the assets, based on the following useful lives:

Buildings	20–40	years
Machinery and equipment	3–15	years

Land and water areas are not depreciated.

Gains and losses on the disposal of fixed assets are included in operating profit/loss or extraordinary items depending on the nature of the transaction.

Leasing
Leasing payments are treated as rentals. The Group has no significant finance lease agreements.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in first out (FIFO) basis. Net realisable value is the amount that can be realised from the sale of the asset in the normal course of business after allowing for the costs of realisation.

In addition to the cost of materials and direct labour, an appropriate proportion of production overheads is included in the inventory values.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and balances with banks and liquid financial instruments.

Extraordinary items
Certain income and expenses of an abnormal nature, such as divestments of operations, are presented net of tax as extraordinary items in the consolidated profit and loss account.

Appropriations
In Finland and certain other countries, companies are permitted to reduce or increase taxable income by net charges or by income representing adjustments to untaxed reserve accounts, provided that such amounts are reflected in the Group's financial statements.

In the consolidated IAS financial statements, accumulated appropriations are included in the balance sheet as part of shareholders' equity as "Untaxed reserves". Transfers to and from untaxed reserves are reflected through retained earnings.

Taxes
The consolidated financial statements include direct taxes, which are based on the results of the Group companies and are calculated according to local tax rules.

Provision is made for deferred tax at corporate income tax rate in effect at the end of the accounting period, except in the case of any tax reduction that can reasonably be expected to continue in the foreseeable future. Because no tax is expected to arise in the foreseeable future in respect of untaxed reserves, no provision for deferred tax has been made.

Dividends
Dividends proposed by the Board of Directors are not entered in the financial statements but are recorded subject to their approval by the Annual General Meeting.

Consolidated cash flow statement
The amended IAS 7 Cash Flow Statement, has been adopted by the Group for all the periods presented. The previously reported statement of consolidated source and application of funds has been changed to a cash basis cash flow statement.

Changes in International Accounting Standards
Effective from the beginning of 1995, the Group will adopt the revised IAS 9, Research and development costs, and capitalise the development expenses meeting the criteria stated in the standard.

From 1 January 1995, the Group will recognise the revenue of long-term contracts in accordance with the percentage of completion method, revised IAS 11 (Construction Contracts).

2. Segment Information

	Telecommuni-cations	Mobile Phones	Consumer and Industrial Electronics	Cables and Machinery	Other Operations	Eliminations	Group total
Net Sales							
1994, MFIM	**6 906**	**10 702**	**6 769**	**4 768**	**1 589**	**– 557**	**30 177**
1993, MFIM	4 578	6 314	6 938	4 933	1 500	– 566	23 697
Operating profit/loss, IAS							
1994, MFIM	**1 700**	**1 745**	**19**	**191**	**– 59**	**–**	**3 596**
1993, MFIM	983	950	– 747	261	18	–	1 465
Capital expenditures*							
1994, MFIM	**506**	**971**	**237**	**144**	**109**	**–**	**1 967**
1993, MFIM	236	358	392	95	105	–	1 186
Identifiable assets, IAS							
1994, MFIM	**4 448**	**6 772**	**3 946**	**3 819**	**9 584**	**– 720**	**27 849**
1993, MFIM	3 044	4 204	4 497	4 298	6 917	– 313	22 647

* Excluding acquisitions.

3. Personnel Expenses

	GROUP **1994 MFIM**	GROUP 1993 MFIM	PARENT COMPANY **1994 MFIM**	PARENT COMPANY 1993 MFIM
Wages and salaries	**4 409**	4 248	**87**	73
Pension expenses	**402**	402	**20**	8
Other social expenses	**704**	834	**20**	18
Personnel expenses as per profit and loss account	**5 515**	5 484	**127**	99
Monetary value of fringe benefits	**80**	40	**2**	2
Total	**5 595**	5 524	**129**	101
Remuneration of the members of the Board of Directors, Group Executive Board, President and Chief Executive Officer, and Presidents and Managing Directors *	**72**	66	**3**	2
*Salaries include incentives	**4**	1	**1**	–

Pension commitments for the management:
The retirement age of the management of the Group companies has been agreed to be between 60 – 65 years. For the Chief Executive Officer of the Parent Company the retirement age has been agreed to be 60 years.

4. Selling and Marketing Expenses, Administration Expenses and Other Operating Income and Expenses

	GROUP **1994 MFIM**	GROUP 1993 MFIM
Selling and marketing expenses	**– 2 501**	– 2 276
Administration expenses	**– 1 292**	– 1 220
Other operating expenses	**– 268**	– 273
Other operating income	**225**	246
Total, FAS	**– 3 836**	– 3 523
IAS-adjustments	**–**	– 21
Total, IAS	**– 3 836**	– 3 544

5. Depreciation

	GROUP		PARENT COMPANY	
	1994 MFIM	1993 MFIM	**1994 MFIM**	1993 MFIM
Depreciation according to plan				
Goodwill and other intangible assets				
Intangible rights	**38**	35	**4**	4
Goodwill	**69**	74	**–**	–
Other intangible assets	**20**	40	**2**	22
Property, plant and equipment				
Buildings and constructions	**77**	92	**4**	4
Machinery and equipment	**691**	607	**9**	10
Other tangible assets	**114**	148	**–**	1
Total	**1 009**	996	**19**	41
Change in accumulated depreciation in excess of plan				
Goodwill and other intangible assets				
Intangible rights	**– 3**	– 4	**–**	–
Other intangible assets	**– 21**	7	**–**	7
Property, plant and equipment				
Buildings and constructions	**– 106**	19	**3**	4
Machinery and equipment	**– 224**	165	**4**	8
Other tangible assets	**– 2**	12	**2**	– 1
Total	**– 356**	199	**9**	18
Depreciation by function				
Costs of goods sold	**574**	554	**–**	–
R & D	**171**	140	**6**	7
Selling, marketing and administration	**156**	177	**13**	34
Other operating expenses	**39**	51	**–**	–
Goodwill	**69**	74	**–**	–
Total	**1 009**	996	**19**	41

6. Financial Income and Expenses

	GROUP		PARENT COMPANY	
	1994 MFIM	1993 MFIM	**1994 MFIM**	1993 MFIM
Dividend income	**142**	157	**83**	467
Interest income from long-term investments	**26**	50	**147**	184
Interest income from short-term investments	**379**	474	**395**	378
Other financial income	**22**	38	**3**	4
Exchange gains and losses	**450**	– 134	**243**	– 48
Interest expenses	**– 580**	– 850	**– 426**	– 592
Other financial expenses	**– 55**	– 69	**– 28**	– 28
Total, FAS	**384**	– 334	**417**	365
IAS-adjustments	**–**	– 13		
Total, IAS	**384**	–347		

7. Extraordinary Items

	1994 MFIM	GROUP 1993 MFIM
Change in accounting principles:		
production overheads in the opening balance of inventories	**–**	80
Profit on the sale of shares	**–**	69
Valuation difference of shares	**– 134**	–
Profits incurred in divesting operations	**552**	–
Losses incurred in divesting operations	**–**	– 125
Divesting and restructuring costs	**–**	– 1 865
Gain on the sale of Tubes unit's fixed assets	**318**	–
Total, FAS	**736**	– 1 841
IAS-adjustments	**208**	– 76
Total, IAS	**944**	– 1 917

The British pound sterling denominated ICL shares sold at the beginning of 1995 have been valued at the rate of exchange prevailing at the balance sheet date. The difference resulting from the valuation has been recorded to the extraordinary items.

The gain incurred in divesting the Power operations is presented net of tax.
Taxes paid on the disposal were MFIM 240.

The parent company's extraordinary income is mainly profits on the sale of fixed assets. Extraordinary expenses include mainly write-offs of Group company shares.

8. Change in Untaxed Reserves

	1994 MFIM	GROUP 1993 MFIM
Investments	**2**	2
Others	**305**	626
Total	**307**	628

9. Direct Taxes

	1994 MFIM	GROUP 1993 MFIM
For the year	**– 863**	– 261
From previous years	**– 69**	– 38
Total	**– 932**	– 299

10. Goodwill and Other Intangible Assets

	GROUP 1994 MFIM	GROUP 1993 MFIM	PARENT COMPANY 1994 MFIM	PARENT COMPANY 1993 MFIM
Intangible rights				
Acquisition cost 1 Jan	**324**	293	**19**	19
Additions	**66**	75	**3**	2
Disposals	**– 28**	– 45	**– 1**	– 2
Translation differences	**–**	1	**–**	–
Accumulated depreciation 31 Dec	**– 226**	– 214	**– 13**	– 10
Net carrying amount 31 Dec	**136**	110	**8**	9
Goodwill				
Acquisition cost 1 Jan	**1 306**	1 332	**2**	2
Additions	**4**	25	**–**	–
Disposals	**– 5**	– 53	**–**	–
Translation differences	**–**	2	**–**	–
Accumulated depreciation 31 Dec	**– 972**	– 901	**– 2**	– 2
Net carrying amount 31 Dec	**333**	405	**–**	–
Other intangible assets				
Acquisition cost 1 Jan	**239**	249	**137**	133
Additions	**26**	13	**2**	6
Disposals	**– 9**	– 25	**– 2**	– 2
Translation differences	**– 1**	2	**–**	–
Accumulated depreciation 31 Dec	**– 183**	– 164	**– 114**	– 112
Net carrying amount 31 Dec	**72**	75	**23**	25

11. Tangible Assets

	GROUP 1994 MFIM	GROUP 1993 MFIM	PARENT COMPANY 1994 MFIM	PARENT COMPANY 1993 MFIM
Land and water areas				
Acquisition cost 1 Jan	**718**	503	**112**	109
Additions	**14**	243	**–**	6
Disposals	**– 173**	– 32	**– 29**	– 3
Translation differences	**– 30**	4	**–**	–
Net carrying amount 31 Dec	**529**	718	**83**	112
Buildings and constructions				
Acquisition cost 1 Jan	**2 414**	2 372	**116**	117
Additions	**161**	252	**1**	3
Disposals	**– 329**	– 226	**– 3**	– 4
Translation differences	**– 66**	16	**–**	–
Accumulated depreciation 31 Dec	**– 948**	– 1 012	**– 38**	– 34
Net carrying amount 31 Dec	**1 232**	1 402	**76**	82
Machinery and equipment				
Acquisition cost 1 Jan	**5 836**	5 134	**75**	79
Additions	**1 248**	1 149	**12**	6
Disposals	**– 420**	– 462	**– 6**	– 10
Translation differences	**– 96**	15	**–**	–
Accumulated depreciation 31 Dec	**– 3 983**	– 3 695	**– 52**	– 47
Net carrying amount 31 Dec	**2 585**	2 141	**29**	28

	GROUP		PARENT COMPANY	
	1994 MFIM	1993 MFIM	**1994 MFIM**	1993 MFIM
Other tangible assets				
Acquisition cost 1 Jan	**1 007**	943	**17**	18
Additions	**169**	179	**–**	–
Disposals	**– 163**	– 121	**– 7**	– 1
Translation differences	**– 22**	6	**–**	–
Accumulated depreciation 31 Dec	**– 655**	– 687	**– 9**	– 10
Net carrying amount 31 Dec	**336**	320	**1**	7
Advance payments and fixed assets under construction				
Acquisition cost 1 Jan	**189**	198	**36**	45
Additions	**364**	106	**–**	8
Disposals	**– 130**	– 115	**–**	– 17
Translation differences	**– 8**	–	**–**	–
Net carrying amount 31 Dec	**415**	189	**36**	36

12. Shares

	GROUP		PARENT COMPANY	
	1994 MFIM	1993 MFIM	**1994 MFIM**	1993 MFIM
Acquisition cost 1 Jan	**2 617**	2 478	**5 602**	5 488
Additions	**362**	219	**627**	2 676
Disposals	**– 728**	– 131	**– 906**	– 307
Write downs	**– 132**	–	**– 215**	– 2 255
Associated companies	**– 143**	–	**–**	–
Translation differences	**–**	51	**–**	–
Net carrying amount 31 Dec, FAS	**1 976**	2 617	**5 108**	5 602
IAS-adjustments	**– 166**	– 525		
Net carrying amount 31 Dec, IAS	**1 810**	2 092		

13. Revaluations

	GROUP		PARENT COMPANY	
	1994 MFIM	1993 MFIM	**1994 MFIM**	1993 MFIM
Revaluations 1 Jan	**255**	307	**220**	222
Increase	**–**	11	**–**	–
Decrease	**– 255**	– 18	**– 220**	– 2
Translation differences	**–**	– 1	**–**	–
Accumulated depreciation 31 Dec	**–**	– 44	**–**	–
Revaluations 31 Dec, FAS	**–**	255	**–**	220
IAS-adjustments	**–**	– 15		
Revaluations 31 Dec, IAS	**–**	240		

A significant decrease in revaluations was due to the sale of Nokia Power operations. The rest of the revaluations have been reversed as well.

14. Fixed Asset Valuation by Local Tax Authorities

	GROUP 1994 MFIM	GROUP 1993 MFIM	PARENT COMPANY 1994 MFIM	PARENT COMPANY 1993 MFIM
Land and water areas	**239**	169	**64**	63
Buildings and constructions	**603**	605	**65**	67
Investments	**2 069**	2 832	**1 761**	2 408
Total	**2 911**	3 606	**1 890**	2 538

The fixed asset valuation by the local tax authorities relates to the values reported by the Parent Company and the subsidiaries in Finland.

15. Inventories

	GROUP 1994 MFIM	GROUP 1993 MFIM	PARENT COMPANY 1994 MFIM	PARENT COMPANY 1993 MFIM
Raw materials, supplies and other	**2 865**	1 837	**–**	–
Work in progress	**983**	882	**3**	1
Finished goods	**2 955**	2 410	**–**	–
Total	**6 803**	5 129	**3**	1

16. Receivables

	GROUP 1994 MFIM	GROUP 1993 MFIM	PARENT COMPANY 1994 MFIM	PARENT COMPANY 1993 MFIM
Current receivables falling due after one year				
Accounts receivable	**51**	51	**–**	–
Total	**51**	51	**–**	–

17. Shareholders' Equity

	Common	Share capital Preferred	Other restricted equity	Treasury shares	Untaxed reserves	Retained earnings	Total
Group, MFIM							
IAS Balance at Dec 31, 1992	822	436	2 491	– 345	2 533	790	6 727
Share issue		120	798				918
Dividend						– 126	– 126
Purchase of treasury shares				– 3			– 3
Translation differences			67			86	153
Release of accumulated appropriations					– 827	827	–
Other increase/decrease, net			– 27		11	8	– 8
Net loss						– 1 150	– 1 150
IAS Balance at Dec 31, 1993	822	556	3 329	– 348	1 717	435	6 511
Share issue		120	2 370				2 490
Dividend						– 193	– 193
Purchase of treasury shares				– 89			– 89
Translation differences			– 206			14	– 192
Release of accumulated appropriations					49	– 49	–
Other increase/decrease, net	– 101	101	1		– 39	– 10	– 48
Net profit						3 939	3 939
IAS Balance at Dec 31, 1994	**721**	**777**	**5 494**	**– 437**	**1 727**	**4 136**	**12 418**
IAS Balance at Dec 31,1993	822	556	3 329	– 348	1 717	435	6 511
Treasury shares			– 188	348		-160	–
Associated companies						143	143
Other FAS-adjustments						382	382
Untaxed reserves					– 1 717		– 1 717
FAS Balance at Dec 31, 1993	822	556	3 141	–	–	800	5 319
IAS Balance at Dec 31,1994	721	777	5 494	– 437	1 727	4 136	12 418
Treasury shares			– 248	437		– 189	–
Other FAS-adjustments						166	166
Untaxed reserves					– 1 727		– 1 727
FAS Balance at Dec 31, 1994	**721**	**777**	**5 246**	**–**	**–**	**4 113**	**10 857**

Exchange differences arisen from loans and financial instruments hedging equities in foreign subsidiaries in 1994 amounted to MFIM 259 and were offset against the translation differences arising from consolidation.

	Common	Share capital Preferred	Other restricted equity	Contingency reserve	Retained earnings	Total
Parent Company, MFIM						
Balance at Dec 31, 1992	822	436	1 455	127	1 664	4 504
Share issue		120	798			918
Dividend					– 126	– 126
Reserved for public worthy causes decided by the Board					– 1	– 1
Other decrease, net					– 2	– 2
Net profit					285	285
Balance at Dec 31, 1993	822	556	2 253	127	1 820	5 578
Share issue		120	2 370			2 490
Dividend					– 193	– 193
Reserved for public worthy causes decided by the Board					– 2	– 2
Other increase/decrease, net	– 101	101			– 20	– 20
Net profit					1 455	1 455
Balance at Dec 31, 1994	**721**	**777**	**4 623**	**127**	**3 060**	**9 308**

18. Accumulated Appropriations

	GROUP 1994 MFIM	GROUP 1993 MFIM	PARENT COMPANY 1994 MFIM	PARENT COMPANY 1993 MFIM
Accumulated depreciation in excess of plan	**976**	653	**68**	77
Untaxed reserves	**751**	1 064	**428**	621
Accumulated appropriations	**1 727**	1 717	**496**	698

For tax purposes, companies in Finland and in certain other countries have been able to claim substantial tax deductions by charging income for tax purposes for adjustments to untaxed reserves and accumulating these charges in the balance sheet in untaxed reserve accounts. Due to changes in Finnish tax law, all untaxed reserves in Finnish companies, except for the depreciation in excess of plan reserve, must be utilised or released to income for tax purposes by the end of 1997.

No provision for deferred tax in respect of accumulated appropriations has been made under IAS, since management does not consider that the tax will become payable in the near future, either because

– such reserves are unlikely to decrease and therefore tax will continue to be deferred; or
– if they decrease, it is because they are used in a manner in line with fiscal legislation, in which event any liability to tax would continue to be deferred.

Deferred tax liability for the accumulated appropriations computed using the tax rate of 25% totalled MFIM 432.

19. Provisions

Provisions include those future expenditure or future losses to which the company is commited or the realisation of which is considered to be probable and which are not likely to yield any further income. These include for instance warranty accruals and litigation settlements.

20. Long-term Liabilities

	GROUP Outstanding 31 Dec 1994 MFIM	GROUP Repayment date beyond 5 years	PARENT COMPANY Outstanding 31 Dec 1994 MFIM	PARENT COMPANY Repayment date beyond 5 years
Long-term loans are repayable as follows:				
Bonds	**842**	150	**882**	150
Convertible bonds	**24**	–	**–**	–
Loans from financial institutions	**391**	9	**5**	–
Pension loans	**1 719**	834	**1 020**	378
Other long-term finance loans	**95**	11	**72**	–
Other long-term liabilities	**486**	487	**–**	–
	3 557	1 491	**1 979**	528

The long-term liabilities as of 31 December 1994 mature as follows:

1995	278	7.2%	173	8.0%
1996	843	22.0%	686	31.9%
1997	900	23.5%	745	34.6%
1998	158	4.1%	10	0.5%
1999	165	4.3%	10	0.4%
Thereafter	1 491	38.9%	528	24.6%
	3 835	100.0%	2 152	100.0%

The currency mix of the Group long-term liabilities as at 31 December 1994

FIM	DEM	GBP	CHF	NLG	Others
56.2%	16.3%	10.8%	8.7%	5.8%	2.2%

As permitted in Finland, the Group may borrow from its pension fund and related insurance companies amounts contributed during the year at minimum specified interest rates. The interest rate on pension fund loans was

6.5%.The loan period is between 2 and 6 years.

Included in long-term debt is a 11.375% fixed-rate loan with a face amount of 50 million British pound sterling. The loan is callable by the creditor on a three-month notice basis beginning July 24, 1994. Although the loan matures in the year 2004, the Group estimates the loan will be called in 1997 due to a guarantee given on the loan through August 1997. The Group has a number of uncommitted credit facilities that are available for short-term financing. The Group has received guarantees in respect of certain portions of its indebtedness by various financial institutions.

At 31 December 1994, the Group's borrowings were collateralized by mortgages totalling MFIM 327 and assets (principally shares of real estate companies) were pledged with a net book value of MFIM 297.

21. Bonds

	Million		Interest	GROUP 1994 MFIM	GROUP 1993 MFIM	PARENT COMPANY 1994 MFIM	PARENT COMPANY 1993 MFIM
1989–2004	50.0	GBP	11.375%	**370**	427	**370**	427
1990–1997	100.0	CHF	6.750%	**305**	351	**362**	391
1993–2003	150.0	FIM	Floating	**150**	150	**150**	150
1992–1995	150.0	FIM	12.200%	**–**	150	**–**	150
1987–1997	25.0	NLG	Floating	**17**	27	**–**	–
				842	1 105	**882**	1 118

22. Convertible Bonds

	Million		Interest	GROUP 1994 MFIM	GROUP 1993 MFIM	PARENT COMPANY 1994 MFIM	PARENT COMPANY 1993 MFIM
Convertible bonds							
1988–1999	35.0	NLG	6.250%	**23.6**	41.9	**–**	–
Bonds issued with warrants							
1994–2000	0.2	FIM	2.000%	**0.2**	–	**0.2**	–
				23.8	41.9	**0.2**	–

23. Accounts Payable and Accrued Liabilities

	GROUP 1994 MFIM	GROUP 1993 MFIM
Accounts payable and accrued liabilities consist of the following at 31 December:		
Accounts payable	**3 353**	2 302
Accrued expenses and prepaid income	**4 185**	3 245
Other	**548**	429
	8 086	5 976

24. The Shares of the Parent Company

At shareholders meetings, each common share is entitled to ten (10) votes, and each preferred share to one (1) vote.

The preferred shares are entitled before the common shares to receive out of available retained profit a fixed annual dividend amounting to ten (10)% of the nominal value of the share. Should it be impossible in any year to distribute such a dividend, the preferred shares are entitled to receive the remainder out of the retained profit that is available in the following year before any dividend can be distributed on the common shares. Should a dividend higher than ten (10)% of the nominal value of the share be distributed on the common shares, a supplementary dividend is so distributed on the preferred shares that the dividends will be of equal size for both share classes.

Nokia Corporation's Extraordinary General meeting held in June 1994 approved amendments to Nokia's Articles of Association which established the right of holders of common shares to convert their holdings to preferred shares. By 31 December a total of 5 048 794 common shares had been converted to preferred shares.

The shares of the Parent Company are distributed into common shares and preferred shares as follows:

	units	FIM each	FIM
Common shares	36 049 472	20	720 989 440
Preferred shares	38 838 023	20	776 760 460
Total	74 887 495	20	1 497 749 900

The above mentioned shares include 3 745 125 shares owned by the Group.

The minimum share capital stipulated in the Articles of Association is MFIM 957 and the authorised share capital FIM 3 828 million. The share capital may be increased or reduced within these limits without amending the Articles of Association.

In April 1994, Nokia's shareholders approved the issuance of MFIM 0.2 principal amount of 2% bonds with warrants. Such bonds have been issued to certain members of Nokia's management as part of an employee incentive scheme. The term of the bonds is five years. The warrants attached thereto confer the right to subscribe to an aggregate of 200,000 preferred shares during the period 1 December 1998 – 31 January 2000. Such warrants are exercisable at FIM 374 per preferred share, which was the average closing price per preferred share during March 1994 as reported by the Helsinki stock exchange.

25. Contingent Liabilities

	GROUP		PARENT COMPANY	
	1994 MFIM	1993 MFIM	**1994 MFIM**	1993 MFIM
Pension fund liability				
Liability of pensions funds [1]	**27**	53	**–**	20
Group companies' own pension liabilities	**–**	28	**–**	23
Liability for Bills of Exchange	**93**	50	**–**	–
Mortgages				
As security for loans				
For own debts	**327**	483	**5**	83
Other mortgages				
For own commitments	**142**	239	**–**	9
For Group company commitments	**78**	10	**–**	–
Assets pledged				
As security for own debt	**240**	192	**169**	149
As security for debts of Group companies	**–**	–	**21**	21
Guarantees				
As security for loans of Group companies	**–**	–	**1 797**	1 469
As security for loans of associated companies	**340**	363	**325**	363
As security for loans of other companies [2]	**35**	317	**25**	287
Other guarantees				
As security for own commitments	**980**	864	**–**	–
As security for Group company commitments	**58**	–	**288**	646
On behalf of associated companies	**–**	1	**–**	–
On behalf of other companies [2]	**1**	97	**–**	95

[1] After payments to the Parent Company's pension fund the schemes are fully funded in 1994. In 1993 the book value of the liability deficits of the pension fund represented 1.7% of the total liability of the fund. However, when the pension fund's net assets are valued at market value the schemes are fully funded.

[2] The contingent liabilities related to the divested Power operations, MFIM 289, will be transferred to the buyer by 31.3.1995.

26. Leasing Contracts

The Group leases office, manufacturing and warehouse space under various non-cancellable operating leases. Certain contracts contain renewal options for various periods of time.

The future costs for finance lease contracts exceeding one year and for non-cancellable leasing contracts are as follows:

MFIM		Finance lease	Operating lease
Leasing payments	1995	4	267
	1996	4	195
	1997	2	185
	1998	–	138
	1999	–	110
	and thereafter	–	168
Total		10	1 063

Rental expense amounted to MFIM 421 and MFIM 374 in 1994 and 1993, respectively.

27. Loans Granted to Top Management

	GROUP 1994 MFIM	GROUP 1993 MFIM	PARENT COMPANY 1994 MFIM	PARENT COMPANY 1993 MFIM
Loans granted to top management	**5**	7	**–**	–

The loan period is generally between 5–10 years. The interest rates vary between 3–10% depending on the level of interest rate in the respective country.

28. Associated Companies

	GROUP 1994 MFIM	GROUP 1993 MFIM
Share of results of associated companies (IAS)	**22**	28
Share of results of associated companies (FAS)	**– 2**	–
From the above included in the financial statements of a subgroup	**–**	30
Dividend income	**2**	5
Share of shareholders' equity of associated companies (IAS)	**284**	242
Share of shareholders' equity of associated companies (FAS)	**220**	–
Receivables from associated companies		
Current receivables	**52**	98
Short-term loan receivables	**28**	8
Long-term loan receivables	**148**	180
Liabilities to associated companies		
Current liabilities	**90**	14

29. Notes to Cash Flow Statement

	GROUP		PARENT COMPANY	
	1994 MFIM	1993 MFIM	**1994 MFIM**	1993 MFIM
Adjustments for:				
Depreciation	**1 009**	996	**19**	41
Equity hedging	**259**	–	**–**	–
Unrealised foreign exchange gains (–) and losses (+)	**– 171**	79	**– 170**	185
Share of result of associated companies	**2**	–	**–**	–
Other operating income and expenses	**– 222**	– 41	**– 60**	– 101
Dividend income	**– 142**	– 157	**– 83**	– 467
Interest income	**– 405**	– 524	**– 542**	– 562
Interest expense	**580**	850	**426**	592
Adjustments, total FAS	**910**	1 203	**– 410**	– 312
IAS-adjustments	**– 24**	16		
Adjustments, total IAS	**886**	1 219		
Change in net working capital				
Short-term trade receivables, increase (–), decrease (+)	**– 1 312**	– 697	**114**	– 46
Inventories, increase (–), decrease (+)	**– 2 262**	– 1 262	**– 2**	1
Interest-free short-term liabilities, increase (+), decrease (–)	**2 124**	815	**43**	6
Change in net working capital, FAS	**– 1 450**	– 1 144	**155**	– 39
IAS-adjustments	**–**	80		
Change in net working capital, IAS	**– 1 450**	– 1 064		

30. Financial Instruments and Risk Management

The Group operates internationally, giving rise to significant exposure to market risks from changes in interest and foreign exchange rates. Derivative financial instruments are utilised by the Group to reduce those risks, as explained in this note. The Group does not currently hold or issue derivatives for trading purposes.

The Group uses various methodologies to assess the market risk of its financial assets and liabilities, including derivatives. Market risk represents the potential losses for an instrument or portfolio from adverse changes in market factors. The Group estimates market risk across all its financial assets and liabilities using, for instance, duration based price risk techniques and monitoring the exposures to these market factors closely.

The forward contracts, options and swap agreements contain an element of risk that the counterparties may be unable to meet the terms of the agreements. However, the Group minimises the credit risk for these instruments by limiting the counterparties to major domestic and international banks and financial institutions. Management does not expect the counterparties to default given their high credit-ratings. Financial instruments which potentially subject the Group to concentrations of credit risk consist principally of trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Group's customer base, and their dispersion across different businesses and geographic regions.

(a) Foreign Exchange Risk Management

The Group enters into various types of foreign exchange contracts to hedge its transaction risk in various currencies. Transaction risk is calculated in each foreign currency and includes currency denominated assets and liabilities and certain off-balance sheet items such as firm and probable purchase and sale commitments. The currency risks of the Group occur in various currency combinations due to the fact that the Group operates and has production and sales in different countries world-wide. As of 31 December 1994 and 31 December 1993 the FIM equivalent of such forward foreign exchange contracts outstanding was FIM 16,575 million and FIM 12,608 million, respectively. The total FIM amount of purchased currency options outstanding as at year-end balance sheet dates was FIM 5,298 million and FIM 1,023 million, respectively, and of options written in combination with purchased options FIM 5,328 million and FIM 682 million, respectively. The term of the currency derivatives is rarely more than one year.

The Group's policy is to hedge currency risk mostly based on net exposures. The impact of these hedging transactions is shown as a separate item in net financial income and expense. The impact of unrealised and realised hedging transactions on the profit and loss account of 1994 was FIM 450 million. The currency fluctuations have had a corresponding impact on the Group's sale and purchase transactions in 1994.

The impact of hedging transactions of firm and anticipated commitments is shown as a part of the sale or purchase transaction when it is recognised. Deferred realised and unrealised gains and losses from these transactions as of 31 December 1994 are FIM 61 million and they are expected to be recognized in income during the year 1995.

As of the beginning of 1994, the Group also uses foreign exchange contracts to hedge its net investments in foreign subsidiaries. The outstanding amount of forward foreign exchange contracts used for hedging foreign currency denominated net investments as of 31 December 1994 is FIM 1,834 million. Foreign exchange differences relating to these contracts are reported in translation differences in the Group's equity.

(b) Interest Rate Risk Management

The Group enters into various types of interest rate derivative contracts to lower its funding costs, to diversify sources of funding, or to alter interest rate exposures arising from mismatches between assets and liabilities.

Interest rate swaps allow the Group to synthetically adjust the floating rate receivables and borrowings into fixed rates or vice versa. The Group's interest rate swaps outstanding as of 31 December 1994 were FIM 937 million and as of 31 December 1993 FIM 1,064 million, respectively. Swap contracts are principally between two and five years in maturity. Interest rate swaps are accounted for as hedges of designated assets and liabilities on an accrual basis. The interest payable and interest receivable under the swap terms is accrued and recorded as an adjustment to the interest income or expense on the designated asset or liability.

Forward rate agreements and interest rate futures are used by the Group to offset changes in the interest rates on short-term floating-rate debt or short-term investments. As of 31 December 1994 the FIM equivalent of interest rate forward and futures contracts outstanding was FIM 2,145 million. Most FRA's are accounted for as hedges on short-term debt or short-term investments. The amounts received or paid on cash settlement which represent the gain or loss on an interest rate forward contract are deferred and recognized over the life of the underlying financial instrument as an adjustment to interest income or expense.

The Group enters into *interest rate option contracts*, including cap, floor and collar agreements, to reduce the impact of changes in interest rates on its net interest rate exposure. Those agreements are normally entered into when the fixed rates available under interest rate swaps are considered too high relative to the Group's view about the level of future interest rates. The notional amount of interest rate options outstanding as of 31 December 1994 and 31 December 1993 was FIM 3,180 million and FIM 882 million, respectively. The Group's option contracts have terms of up to five years.

The premiums paid for interest rate options purchased are included in other current finance receivables and the premiums received for interest options sold in other current finance liabilities in the balance sheet and are amortised to interest income or expense over the terms of the agreements. Amounts receivable and payable under the agreements and gains or losses realised on options are recognised as yield adjustments over the life of the contract.

31. Fair Value of Financial Instruments

The following table presents the carrying amounts and fair values of the Group's financial instruments outstanding at December 31, 1994 and 1993. The carrying amounts in the table are included in the balance sheet under the indicated captions, except for derivatives, which are included in accounts receivable and accounts payable and accrued liabilities. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

		1994		1993
MFIM	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	**5 268**	**5 263**	3 297	3 313
Receivables	**7 673**	**7 673**	6 065	6 065
Investments	**1 810**	**1 769**	2 092	2 294
Other non-current assets	**273**	**272**	264	270
Financial liabilities				
Accounts payable	**3 901**	**3 901**	2 731	2 731
Short-term borrowings	**2 731**	**2 731**	3 574	3 574
Long-term debt	**3 071**	**3 131**	3 397	3 534
Off-balance-sheet instruments				
Currency options purchased [1]	**70**	**70**	26	26
Currency options written	**– 42**	**– 42**	– 5	– 5
Forward foreign exchange contracts [1]	**90**	**90**	– 38	– 38
Interest rate swaps	**15**	**–**	25	47
Interest rate FRA's and futures	**–**	**1**	–	–
Interest rate options	**1**	**6**	–	–

[1] The carrying amount and fair value of forward foreign exchange contracts and currency options for 1994 include unrealized gains and losses relating to hedges of firm and anticipated commitments, which have been deferred.

Estimation of Fair Values

Receivables, accounts payable, short-term borrowings

The carrying amounts are a reasonable estimate of the fair values because of the short maturity of such instruments.

Cash and cash equivalents, investments and other non-current assets

The carrying amounts of cash and certain other financial assets approximate fair values. The fair value of publicly traded instruments is based on quoted market values. All other instruments have been valued using discounted cash flow analyses.

Long-term debt

The fair value of fixed rate and market-based floating rate long-term debt is estimated using the expected future payments discounted at market interest rates. The fair value of non-market based floating rate long-term loans, including pension loans, approximates fair value.

Currency option and forward foreign exchange contracts

The carrying amounts of currency option contracts and forward foreign exchange contracts are based on quoted market rates at year-end balance sheet dates. Therefore, the carrying amounts approximate market value.

Interest rate and currency swaps

Fair value of swap instruments have been estimated by using discounted cash flow analyses.

Forward rate agreements, interest rate option and futures contracts

Fair value of FRA's, interest rate option and futures contracts have been estimated based on quoted market rates at year-end balance sheet dates.

32. Principal Nokia Group Companies on 31 December 1994

		Net sales MFIM	Number of shares	Parent holding %	Group majority %	Total nominal value in 1 000 units	Book value FIM 1 000
Nokia Telecommunications							
FI	Nokia Cellular Systems Oy	3 220	36 000		100.0	36 000 FIM	36 000
FI	Nokia Telecommunications Oy	2 559	226 000	100.0	100.0	226 000 FIM	376 000
GB	Nokia Telecommunications Ltd	1 793	7 300 000		100.0	7 300 GBP	54 086
Nokia Mobile Phones							
FI	Nokia Matkapuhelimet Oy	6 117	665	60.2	100.0	33 250 FIM	106 704
HK	Nokia Mobile Phones (HK) Ltd	2 062	5 000 000		100.0	5 000 HKD	11 607
KR	TMC Company Limited	1 795	232 080	100.0	100.0	2 320 800 KRW	134 332
DE	Nokia Mobile Phones Produktions-gesellschaft mbH	1 793	2		100.0	90 DEM	276
US	Nokia Mobile Phones Manu-facturing (USA) Inc.	1 002	100		100.0	0.1 USD	168 384
Nokia Consumer and Industrial Electronics							
DE	Nokia Unterhaltungselektronik GmbH	2 309	5		100.0	18 001 DEM	56 335
FI	Salcomp Oy	1 865	30 000	100.0	100.0	30 000 FIM	30 000
DE	Nokia Electronics Bochum GmbH	1 376	2		100.0	5 000 DEM	15 308
FI	Nokia Kulutuselektroniikka Oy	1 039	500 000		100.0	50 000 FIM	54 349
SE	Nokia Satellite Systems AB	714	1 050		100.0	1 050 SEK	72 631
Nokia Cables and Machinery							
Cable Industry							
FI	Nokia Kaapeli Oy/Nokia Cables Ltd	1 036	79 000		100.0	79 000 FIM	110 000
NL	NKF Kabel B.V.	987	30 000		55.6	30 000 NLG	82 011
DE	Nokia Kabel GmbH	708			55.6	50 DEM	61 306
DE	Kaiser Kabel GmbH	434	3000		55.6	3000 DEM	120 972
Machinery							
FI	Nokia-Maillefer Oy	724	50 015		61.5	50 015 FIM	88 037
CH	Nokia-Maillefer S.A.	539	15 000		61.5*	1 500 CHF	60 066
Other Operations							
Nokia Tyres							
FI	Nokia Renkaat Oy/Nokia Tyres Ltd	767	80 000	80.0	80.0	80 000 FIM	80 000
Other							
NL	Nokia Finance International B.V.		229	99.6	100.0	229 NLG	1 119 105

* The Group's voting rights are 74%.

Shares in other listed companies

Group holding more than 5%	Group holding %	Group voting %
Tietotehdas Oy	8.2	10.0

A complete list of all shareholdings is included in Nokia's Statutory Accounts.

Profit and Loss Account, Parent Company, FAS

Financial year ended 31 December	Notes*	1994 MFIM	1993 MFIM
Net sales		**644**	617
Costs of goods sold		**– 548**	– 528
Gross margin		**96**	89
Research and development expenses		**– 69**	– 51
Administrative expenses		**– 175**	– 212
Other operating expenses		**– 23**	– 16
Other operating income		**85**	145
Operating loss	**3, 4 and 5**	**– 86**	– 45
Dividend income from Group companies		**69**	458
Dividend income from other investments		**14**	9
Interest income from Group companies from long-term investments		**124**	142
Interest income from other companies from long-term investments		**23**	42
Interest income from Group companies from short-term investments		**157**	119
Interest income from other companies from short-term investments		**238**	259
Other financial income from Group companies		**1**	1
Other financial income from other companies		**2**	3
Exchange gains and losses		**243**	– 48
Interest expenses to Group companies		**– 137**	– 195
Interest expenses to other companies		**– 289**	– 397
Other financial expenses		**– 28**	– 28
Financial income and expenses		**417**	365
Profit before extraordinary items, appropriations and taxes		**331**	320
Extraordinary items	**7**		
Extraordinary income		**740**	88
Extraordinary expenses		**– 215**	– 2 255
Group contributions		**891**	2 069
Extraordinary items, total		**1 416**	– 98
Profit before appropriations and taxes		**1 747**	222
Difference between actual and planned depreciation, decrease (+)	**5**	**9**	18
Movements on untaxed reserves, decrease (+)		**208**	80
Direct taxes			
for the year		**– 416**	– 50
from previous years		**– 93**	15
Net profit		**1 455**	285

* Notes are shown on pages 33 to 49.

Cash Flow Statement, Parent Company, FAS

Financial year ended 31 December	Notes*	1994 MFIM	1993 MFIM
Cash flow from operating activities			
Profit before extraordinary items, approriations and taxes		**331**	320
Adjustments, total	**29**	**– 410**	– 312
Operating profit/loss before change in net working capital		**– 79**	8
Change in net working capital	**29**	**155**	– 39
Cash generated from operations		**76**	– 31
Interest received		**511**	584
Interest paid		**– 496**	– 643
Income taxes paid		**– 110**	– 21
Cash flow before extraordinary items		**– 19**	– 111
Extraordinary expenses paid		**2 071**	– 32
Net cash from/used in operating activities		**2 052**	– 143
Cash flow from investing activities			
Investments in shares		**– 584**	– 2 556
Capital expenditures		**– 19**	– 23
Proceeds from sale of shares		**669**	612
Proceeds from sale of fixed assets		**9**	8
Dividends received		**83**	467
Net cash from/used in investing activities		**158**	– 1 492
Cash flow from financing activities			
Proceeds from issuance of share capital		**2 490**	918
Proceeds from (+), payments of (–) long-term liabilities		**– 295**	403
Proceeds from (+), payments of (–) short-term borrowings		**– 1 740**	389
Proceeds from (+), payments of (–) long-term receivables		**626**	– 351
Proceeds from (+), payments of (–) short-term receivables		**– 929**	350
Dividends paid		**– 195**	– 127
Net cash used in/from financing activities		**– 43**	1 582
Net increase (+), decrease (–) in cash and cash equivalents		**2 167**	– 53
Cash and cash equivalents at beginning of period		**1 425**	1 478
Cash and cash equivalents at end of period		**3 592**	1 425

Balance Sheet, Parent Company, FAS

31 December	Notes*	1994 MFIM	1993 MFIM
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	10		
Intangible rights		8	9
Other intangible assets		23	25
		31	34
Tangible assets	11		
Land and water areas		83	112
Buildings and constructions		76	82
Machinery and equipment		29	28
Other tangible assets		1	7
Advance payments and fixed assets under construction		36	36
		225	265
Long-term investments			
Investments in subsidiaries	12	4 473	4 670
Investments in associated companies	12	193	315
Investments in other shares	12	442	617
Long-term loan receivables from Group companies		764	1 372
Long-term loan receivables from other companies		148	195
Other non-current assets		246	225
		6 266	7 394
Current assets			
Inventories and work in progress			
Work in progress		3	1
		3	1
Receivables	16		
Trade debtors from Group companies		38	21
Trade debtors from other companies		65	63
Short-term loan receivables from Group companies		4 023	3 297
Short-term loan receivables from other companies		297	108
Prepaid expenses and accrued income from Group companies		90	57
Prepaid expenses and accrued income from other companies		72	169
Other current trade receivables from Group companies		18	18
Other current trade receivables from other companies		851	20
		5 454	3 753
Short-term investments		3 251	1 107
Bank and cash		341	318
		15 571	12 872

* Notes are shown on pages 33 to 49.

31 December	Notes*	**1994 MFIM**	1993 MFIM
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	**17**		
Restricted equity			
Share capital		**1 498**	1 378
Additional paid-in capital		**4 623**	2 253
		6 121	3 631
Distributable reserves			
Contingency reserve		**127**	127
Retained earnings		**1 605**	1 535
Net profit for the year		**1 455**	285
		3 187	1 947
Total shareholders' equity		**9 308**	5 578
Accumulated appropriations	**18**		
Accumulated depreciation in excess of plan		**68**	77
Untaxed reserves			
Other reserves		**428**	621
		428	621
Liabilities			
Long-term liabilities	**20**		
Bonds	**21**	**882**	1 118
Loans from financial institutions		**5**	709
Pension premium loans		**1 020**	457
Other long-term liabilities		**72**	70
		1 979	2 354
Short-term liabilities			
Current finance liabilities from Group companies		**2 649**	3 003
Current finance liabilities from other companies		**321**	867
Current maturities of long-term loans		**173**	22
Advance payments from other companies		**3**	2
Trade creditors to Group companies		**22**	6
Trade creditors to other companies		**63**	67
Accrued expenses and prepaid income to Group companies		**23**	38
Accrued expenses and prepaid income to other companies		**516**	163
Other current trade liabilities to Group companies		**1**	62
Other current trade liabilities to other companies		**17**	12
		3 788	4 242
Total liabilities		**5 767**	6 596
		15 571	12 872

* Notes are shown on pages 33 to 49.

Proposal of the Board to the Annual General Meeting

The distributable reserves in the balance sheet of the Group amount to FIM 4 113 million and those of the Company to FIM 3 187 million.

The Board proposes that the funds at the disposal of the Annual General Meeting be paid out as follows:

– a dividend of 50% (FIM 10.00 per share) be paid on 36 049 472 common shares (nominal value FIM 721 million)	FIM 361 million
– a dividend of 50% (FIM 10.00 per share) be paid on 38 838 023 preferred shares (nominal value FIM 777 million)	FIM 388 million
	FIM 749 million

Helsinki, 28 February 1995

Casimir Ehrnrooth **Yrjö Niskanen**

Pirkko Alitalo **Edward Andersson** **Ahti Hirvonen**

Jouko K. Leskinen **Vesa Vainio**

Jorma Ollila
President and CEO

Auditors' Report

To the shareholders of Oy Nokia Ab

We have audited the accounting records, the accounts and the administration of Oy Nokia Ab for the year ended 31 December 1994. The accounts prepared by the Board of Directors and the President and Chief Executive Officer include the report of the Board of Directors, consolidated financial statements prepared in accordance with International Accounting Standards (IAS), consolidated and Parent company profit and loss accounts, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these accounts and the Parent company's administration.

We conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the Board of Directors and the President and Chief Executive Officer have complied with the rules of the Finnish Companies' Act.

In our opinion, the financial statements prepared in accordance with International Accounting Standards (IAS) present fairly, in all material respects, the financial position of Nokia Corporation and subsidiary companies at the end of the financial period and the consolidated results of their operations, for the year then ended in accordance with International Accounting Standards.

The accounts showing a consolidated profit of FIM 3 657 834 000 have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and Parent company result of operations, as well as of the financial position. The accounts can be adopted and the members of the Board of Directors and the President and Chief Executive Officer of the Parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors concerning the disposition of the profit for the year is in compliance with the Companies' Act.

We have acquainted ourselves with the interim reports published by the company during the year. In our opinion they have been prepared in accordance with the rules and regulations governing the preparation of such reports in Finland.

Helsinki, 28 February 1995

Eric Haglund,
Authorised Public Accountant
(KPMG)

Lars Blomquist,
Authorised Public Accountant
(Coopers & Lybrand)

Jussi Hyyppä **Heikki Niskakangas** **Henry Wiklund**

U.S. GAAP

The principal differences between IAS and U.S. GAAP are presented below together with explanations of certain adjustments that affect consolidated net income/loss and total shareholders' equity as of and for the years ended December 31:

	1994 MFIM	1993 MFIM
Reconciliation of net income/loss:		
Net income /loss reported under IAS	**3 939**	– 1 150
U.S. GAAP adjustments:		
Deferred income taxes	**91**	242
Pension expense	**3**	– 50
Software development costs	**64**	46
Revaluation of assets	**200**	7
Sale-leaseback transactions	**261**	21
Marketable securities	**13**	–
Nonmonetary transactions	**49**	24
Investment	**94**	33
Goodwill	**– 6**	13
Restructuring charges	**11**	– 148
Deferred tax effect of U.S. GAAP adjustments	**– 59**	46
Approximate net income/loss under U.S. GAAP	**4 660**	– 916
Presentation of net income/loss under U.S. GAAP:		
Income from continuing operations	**3 126**	416
Discontinued operations:		
Income/loss from operations, net of income tax of MFIM 6 in 1994 and income tax benefit of MFIM 71 in 1993	**47**	– 212
Gain/loss on disposal, net of income tax of MFIM 294 in 1994 and income tax benefit of MFIM 250 in 1993	**1 487**	– 1 120
Gain/loss from discontinued operations	**1 534**	– 1 332
Net income/loss	**4 660**	– 916
Reconciliation of shareholders' equity:		
Total shareholders' equity reported under IAS	**12 418**	6 511
U.S. GAAP adjustments:		
Deferred income taxes	**– 55**	– 146
Pension expense	**– 85**	– 88
Software development costs	**277**	213
Revaluation of assets	**–**	– 240
Sale-leaseback transactions	**– 40**	– 301
Marketable securities	**– 67**	–
Nonmonetary transactions	**– 166**	– 215
Investment	**– 76**	– 103
Goodwill	**13**	40
Restructuring charges	**– 115**	– 148
Deferred tax effect of U.S. GAAP adjustments	**35**	73
Cumulative effect of adopting SFAS No. 115, net of tax	**88**	–
Approximate total shareholders' equity under U.S. GAAP	**12 227**	5 596

Deferred income taxes

Under IAS deferred income taxes have not been provided for differences between taxable income and accounting income that are not expected to reverse for some considerable period. U.S. GAAP requires recognition of deferred income taxes on a comprehensive basis for all temporary differences. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect at year-end.

No deferred tax liability has been recognised for undistributed earnings of domestic subsidiaries since, in most cases, such earnings can be transferred to the parent company without tax consequences. The Group also does not provide deferred income taxes on undistributed earnings of foreign subsidiaries because such earnings are intended to be permanently reinvested in those operations.

Pension expense

Under IAS, the determination of pension expense for defined benefit plans differs from the methodology set forth in U.S. GAAP. For purposes of U.S. GAAP, the Group has estimated the effect on net income/loss and shareholders' equity assuming the application of SFAS No. 87 in calculating pension expense as of 1 January 1992.

The Group maintains many pension plans for its operations throughout the world. Most of these programs are defined benefit pension schemes with retirement, disability, death and termination income benefits. The retirement income benefits are generally a function of years of employment and final salary with Nokia and are generally coordinated with local national pensions. The Group's policy for funding its defined benefit plans is to satisfy local statutory funding requirements for tax deductible contributions. The Group also maintains some fully insured schemes, multiemployer pension arrangements and defined contribution pension arrangements.

Software development costs

Under IAS, software development costs have been expensed in the year incurred. Under U.S. GAAP, such costs would be capitalised after the product involved has reached a certain degree of technical feasibility. Capitalisation ceases and depreciation would begin when the product becomes available to customers. The depreciation period of these capitalised assets would be from three to five years.

Nonmonetary transactions

Under IAS, gains were recorded from certain nonmonetary transactions involving exchanges of assets. Under U.S. GAAP, such gains would be fully or partially reversed.

Restructuring charges

In 1993, negative goodwill was recorded under IAS based on two acquisitions that were made in contemplation of restructuring of certain Group operations. In addition, charges related to the restructuring of entities that are unrelated to the two acquired companies were charged against such negative goodwill. Net goodwill was recorded as a result.

Under U.S. GAAP, such negative goodwill would be reversed pursuant to purchase accounting under which certain non-current assets would first be written down. Moreover, the restructuring charges would be charged to continuing operations since such charges would not be considered acquisition costs related to the purchased entities.

Discontinued operations

In 1993, the Group established the plan to discontinue the Picture Tubes division of the Consumer and Industrial Electronics business group. In 1994, the Group discontinued production and liquidated the operations for an amount in excess of the plan. Accordingly, a gain on disposal was realised in 1994.

In 1993, the Group sold its electrical wholesale division and certain businesses of the electrotechnical industry, both of which formed part of the Cables and Machinery business group. In addition, in 1993 the Group recorded an adjustment to the 1991 disposal of its computer hardware company, Nokia Data.

In 1994, the Group sold its investments in power companies and in the power division, which formed part of the business group entitled Other Operations.

NOKIA 1990 – 1994, IAS

	1994	1993	1992	1991	1990
Profit and Loss Account, MFIM					
Net sales	**30 177**	23 697	18 168	15 457	22 130
Costs and expenses	**– 26 581**	– 22 232	– 17 880	– 15 553	– 21 047
Operating profit/loss	**3 596**	1 465	288	– 96	1 083
Share of results of associated companies	**22**	28	– 5	9	22
Financial income and expenses	**384**	– 347	– 441	– 237	– 394
Profit/loss before tax, minority interests and extraordinary items	**4 002**	1 146	– 158	– 324	711
Tax	**– 932**	– 299	– 167	– 231	– 253
Minority interests	**– 75**	– 80	– 88	– 49	– 114
Profit/loss before extraordinary items	**2 995**	767	– 413	– 604	344
Extraordinary items	**944**	– 1 917	– 310	393	– 69
Net profit/loss	**3 939**	– 1 150	– 723	– 211	275
Balance Sheet Items, MFIM					
Fixed assets and other non-current assets	**7 943**	7 994	7 630	8 263	8 451
Current assets	**19 906**	14 653	13 608	11 890	13 243
Inventories	**6 803**	5 129	3 840	3 409	4 020
Accounts receivable and prepaid expenses	**7 835**	6 227	6 650	4 754	6 070
Cash and cash equivalents	**5 268**	3 297	3 118	3 727	3 153
Shareholders' equity	**12 418**	6 511	6 727	7 393	7 501
Minority shareholders' interests	**555**	536	695	600	540
Long-term liabilities	**3 557**	4 080	3 705	4 373	5 594
Long-term debts	**3 071**	3 397	3 124	3 896	5 151
Other long-term liabilities	**486**	683	581	477	443
Current liabilities	**11 319**	11 520	10 111	7 787	8 059
Short-term borrowings	**2 453**	3 435	3 835	2 797	3 098
Current portion of long-term loans	**278**	139	1 221	1 086	280
Accounts payable and accrued liabilities	**8 086**	5 976	4 314	3 389	4 464
Advance payments	**502**	534	399	202	217
Restructuring provision	**–**	1 436	342	313	–
Total assets	**27 849**	22 647	21 238	20 153	21 694
Key Ratios					
Earnings per share, FIM	**43.9**	12.3	neg.	neg.	5.5
Dividend per share, FIM	**10.0**	2.8	2.0	2.0	2.8
Profit/loss before tax, minority interests and extraordinary items, % of net sales	**13.3**	4.8	– 0.9	– 2.1	3.2
Return on capital employed, %	**25.4**	14.7	5.9	3.4	9.7
Return on shareholders' equity, %	**31.6**	11.6	neg.	neg.	4.7
Net tangible assets per share, FIM	**166.9**	90.5	100.6	100.2	94.1
Net debt to equity, %	**4**	52	68	51	67

Calculation of Key Ratios, see page 61.

See also Key Ratios according to Finnish Accounting Standards on page 60.

Net Sales by Business Group, MFIM

	1994	1993	1992	1991	1990
Nokia Telecommunications	**6 906**	4 578	3 207	1 849	2 503
Nokia Mobile Phones	**10 702**	6 314	3 641	2 516	2 333
Nokia Consumer and Industrial Electronics	**6 769**	6 938	5 761	5 281	6 399
Nokia Data	**–**	–	–	–	4 893
Cables and Machinery	**4 768**	4 933	4 619	4 719	5 359
Basic Industries *	**–**	–	–	1 525	1 821
Other Operations	**1 589**	1 500	1 354	–	–
Inter-business group eliminations	**– 557**	– 566	– 414	– 433	– 1 178
Nokia Group	**30 177**	23 697	18 168	15 457	22 130

Net Sales by Market Area, MFIM

	1994	1993	1992	1991	1990
Finland	**3 449**	3 547	3 691	4 014	6 579
Other European countries	**17 758**	14 448	10 693	8 877	13 581
North America and Mexico	**3 496**	1 985	1 532	768	564
Asia/Pacific	**3 821**	2 768	1 383	1 141	834
Other countries	**1 653**	949	869	657	572
Total	**30 177**	23 697	18 168	15 457	22 130

Operating Profit/Loss, MFIM

	1994	1993	1992	1991	1990
Nokia Telecommunications	**1 700**	983	427		
Nokia Mobile Phones	**1 745**	950	437		
Nokia Consumer and Industrial Electronics	**19**	– 747	– 783		
Electronics business group total **				– 230	522
Cables and Machinery	**191**	261	114	97	383
Basic Industries *	**–**	–	–	216	246
Other Operations	**– 59**	18	93	– 179	– 68
Nokia Group	**3 596**	1 465	288	– 96	1 083

Average Personnel

	1994	1993	1992	1991	1990
Nokia Telecommunications	**7 187**	5 867	4 905	4 474	3 821
Nokia Mobile Phones	**5 826**	3 759	3 147	3 545	3 271
Nokia Consumer and Industrial Electronics	**8 307**	8 675	10 261	10 854	11 573
Nokia Data	**–**	–	–	–	7 719
Cables and Machinery	**4 963**	5 893	6 682	7 766	8 373
Basic Industries *	**–**	–	–	1 874	2 112
Other Operations	**1 760**	1 607	1 775	654	467
Nokia Group	**28 043**	25 801	26 770	29 167	37 336
In Finland	**14 984**	13 813	13 752	14 588	18 096
Outside Finland	**13 059**	11 988	13 018	14 579	19 240

* 1992–1994 Nokia Tyres and Nokia Power are included in the group "Other Operations".

** Nokia Data was included in Electronics business groups in 1990.

NOKIA 1990 – 1994, FAS

	1994	1993	1992	1991	1990
Net sales, MFIM	**30 177**	23 697	18 168	15 457	22 130
Change, %	**27.3**	30.4	17.5	– 30.2	– 2.9
Exports from Finland, MFIM	**13 723**	9 997	6 449	4 350	5 778
Exports and foreign subsidiaries, MFIM	**26 728**	20 150	14 477	11 443	15 551
Salaries and social expenses, MFIM	**5 515**	5 484	4 841	4 525	5 965
Operating profit/loss, MFIM	**3 596**	1 486	314	– 81	969
% of net sales	**11.9**	6.3	1.7	– 0.5	4.4
Financial income and expenses, MFIM	**384**	– 334	– 427	– 225	– 375
% of net sales	**1.3**	–1.4	–2.4	–1.5	–1.7
Profit/loss before extraordinary items, MFIM	**3 978**	1 152	– 58	– 262	731
Profit/loss before appropriations and taxes, MFIM	**4 714**	– 689	– 99	398	731
% of net sales	**15.6**	– 2.9	– 0.5	2.6	3.3
Taxes, MFIM	**932**	299	167	163	321
Dividends, MFIM	**749***	193	126	126	176
Capital expenditure, MFIM	**2 410**	1 930	1 626	2 560	1 667
R&D expenditure, MFIM	**1 937**	1 472	1 113	933	1 164
Average personnel	**28 043**	25 801	26 770	29 167	37 336
Non-interest bearing liabilities, MFIM	**9 074**	8 630	5 636	4 381	5 124
Interest bearing liabilities, MFIM	**5 802**	6 971	8 060	7 659	8 409
Accumulated appropriations, MFIM	**1 727**	1 717	2 533	3 464	3 515
Shareholders' equity, MFIM	**10 857**	5 319	4 637	4 003	3 626
Total assets, MFIM	**28 015**	23 173	21 583	20 128	21 231
Return on capital employed, %	**24.7**	14.2	6.4	3.8	10.0
Return on equity, %	**29.4**	11.0	neg.	neg.	5.5
Equity ratio, %	**47.8**	33.5	37.2	40.6	36.6
Earnings per share, FIM (adjusted)	**43.56**	12.20	neg.	neg.	5.00
Dividend per share (nominal), FIM	**10.00***	2.80	2.00	2.00	2.80
Shareholders' equity per share, FIM	**177**	108	121	119	114
P/E ratio, common	**16.0**	23.6	– 16.1	– 8.4	12.0

* Board's proposal.

Calculation of Key Ratios, see page 61.

Calculation of Key Ratios

Key Ratios under IAS

Operating profit/loss =
Profit/loss after depreciation

Shareholders' equity =
Share capital + reserves

Earnings per share =
$\frac{\text{Profit/loss before extraordinary items}}{\text{Average of adjusted number of shares during the year}}$

P/E ratio =
$\frac{\text{Adjusted share price, 31 December}}{\text{Earnings per share}}$

Cash flow per share =
$\frac{\text{Profit/loss before extraordinary items + minority interests + depreciation}}{\text{Average of adjusted number of shares during the year}}$

Dividend per share =
$\frac{\text{Nominal dividend per share}}{\text{The adjustment coefficients of the share issues that have taken place during or after the year in question}}$

Dividend cover =
$\frac{\text{Earnings per share}}{\text{Dividend per share}}$

Dividend yield, % =
$\frac{\text{Nominal dividend per share}}{\text{Share price}}$

Shareholders' equity per share =
$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at year end}}$

Market capitalisation =
Number of shares x share price per share class

Adjusted average share price =
$\frac{\text{Amount traded, in FIM, during the period}}{\text{Adjusted number of shares traded during the period}}$

Share turnover, % =
$\frac{\text{Number of shares traded during the period}}{\text{Average number of shares during the period}}$

Return on capital employed, % =
$\frac{\text{Profit/loss before taxes, minority interests and extraordinary items + interest and other financial expenses}}{\text{Average shareholders' equity + short-term borrowings + long-term loans (including the current portion thereof) + minority shareholders' interests}}$

Return on shareholders' equity, % =
$\frac{\text{Profit/loss before extraordinary items}}{\text{Average shareholders' equity during the year}}$

Net tangible assets per share =
$\frac{\text{Shareholders' equity – goodwill and other intangible assets}}{\text{Adjusted number of shares at year end}}$

Net debt to equity, % =
$\frac{\text{Long-term loans (including the current portion thereof) + short-term borrowings – cash and cash equivalents}}{\text{Shareholders' equity + minority shareholders' interests}}$

Key Ratios under FAS

Return on capital employed, % =
$\frac{\text{Profit/loss before extraordinary items + interest and other financial expenses}}{\text{Average total assets – interest-free liabilities}}$

Return on equity, % =
$\frac{\text{Profit/loss before extraordinary items – taxes}}{\text{Average shareholders' equity + minority shareholders' interests + accumulated appropriations}}$

Equity ratio, % =
$\frac{\text{Shareholders' equity + minority shareholders' interests + accumulated appropriations}}{\text{Total assets – advance payments received}}$

Earnings per share =
$\frac{\text{Profit/loss before extraordinary items – taxes – minority shareholder's interests}}{\text{Average of adjusted number of shares outstanding}}$

Shareholders' equity per share =
$\frac{\text{Shareholders' equity + accumulated appropriations}}{\text{Adjusted number of shares outstanding at the year end}}$

P/E ratio =
$\frac{\text{Adjusted share price, 31 December}}{\text{Earnings per share}}$

Currency Rates 31 Dec.

	1994	1993	1992	1991	1990
USD	**4.743**	5.785	5.245	4.125	3.626
GBP	**7.409**	8.554	7.957	7.718	6.954
SEK	**0.636**	0.695	0.744	0.743	0.642
DEM	**3.062**	3.335	3.249	2.719	2.411
FRF	**0.887**	0.982	0.953	0.794	0.708

Average Rates

	1994	1993	1992	1991	1990
USD	**5.230**	5.692	4.475	4.031	3.829
GBP	**7.989**	8.541	7.827	7.129	6.780
SEK	**0.675**	0.731	0.765	0.669	0.645
DEM	**3.217**	3.447	2.872	2.444	2.364
FRF	**0.941**	1.008	0.846	0.717	0.700

Board of Directors, Group Executive Board and Auditors, 1 March 1995

Board of Directors

Chairman
Casimir Ehrnrooth, 63
Chairman of the Board,
Kymmene Corporation

Vice Chairman
Yrjö Niskanen, 62
Chairman and CEO,
Pohjola Insurance Company Ltd

Pirkko Alitalo, 45
Chief Financial Officer,
Pohjola Insurance Company Ltd

Edward Andersson, 61
Professor,
University of Helsinki

Ahti Hirvonen, 63
Chairman of the Board,
Unitas Ltd

Jouko K. Leskinen, 51
CEO,
Sampo Insurance Company Ltd

Vesa Vainio, 52
President and CEO,
Unitas Ltd

Secretary
Harry Collin

Group Executive Board

Chairman
Jorma Ollila, 44
President and CEO

Matti Alahuhta, 42
Pekka Ala-Pietilä, 38
Sari Baldauf, 39
Hannu Bergholm, 45
Tapio Hintikka, 52
Olli-Pekka Kallasvuo, 41
Yrjö Neuvo, 51
Paavo Rantanen, 61

Auditors

Eric Haglund, 60
Authorised Public Accountant (KPMG)
Lars Blomquist, 51
Authorised Public Accountant
(Coopers & Lybrand)
Jussi Hyyppä, 64
Heikki Niskakangas, 47
Henry Wiklund, 46

Deputies
KPMG Wideri Oy Ab
Authorised Public Accountant
(Deputy to Eric Haglund)
Paavo Hohti, 50
Jorma Routti, 56

Organization

Nokia Group

Jorma Ollila
President and CEO

Nokia Telecommunications

Matti Alahuhta
President

Nokia Mobile Phones

Pekka Ala-Pietilä
President

Nokia Consumer and Industrial Electronics

Hannu Bergholm
President

Cables and Machinery

Tapio Hintikka
President

Head Office

Chief Financial Officer
Olli-Pekka Kallasvuo

Multimedia
Heikki Koskinen

Group Treasurer
Kirsi Sormunen

Group Controller
Maija Torkko

International Trade Policy
Paavo Rantanen

Technology
Kaj Lindén

Research Center
Juhani Kuusi

General Counsel
Ursula Ranin

Human Resources
Pii Kotilainen

Communications
Seppo Härkönen

International Trade Affairs
Stefan Widomski

Business Groups

Nokia Telecommunications
Matti Alahuhta

Cellular Systems Sari Baldauf
Mobile Switching Lauri Melamies
Base Stations Christian Kurtén
New Radio Technologies Eero Vallström
US PCS 1900 Jyrki Salo
Private Mobile Radio Tapio Heikkilä

Network and Access Systems Mikko Heikkonen
Network Systems Mikael v. Hertzen
Access Systems Kari Suneli
Cellular Transmission Jukka T. Bergqvist

System Platforms and Customer Services
Tero Laaksonen
Switching Platforms Keijo Olkkola
Intelligent Networks and
Network Management Systems
Jussi Ilmarinen
Customer Services Pekka Oranen

Special Systems Pentti Koponen

Area Management - Europe Pekka Vartiainen
Area Management - Southeast Asia
and Pacific Kari Ahola
Area Management - Greater China
Folke Ahlbäck

Finance and Control Tapio Lindfors
Business Planning Aarne Sipilä
(as of 1 April 1995)
Legal Affairs Timo Ruikka
Human Resources Raimo Nordfors
Communications Martin Sandelin
Arja Suominen (as of 1 April 1995)

Nokia Mobile Phones
Pekka Ala-Pietilä

Sales and Marketing
Americas Kari-Pekka Wilska
Europe and Africa Anssi Vanjoki
APAC and Gulf Jouko Häyrynen
Product Marketing Nigel Litchfield

Research and Development Yrjö Neuvo
Product Development Pekka Valjus

Production Frank McGovern

Sourcing Veikko Laakko

Control and Planning Tuomo Alamäki
Legal Affairs Urho Ilmonen
Human Resources Juhani Hokkanen
Quality Paul Malyon
Communications Lauri Kivinen

Nokia Consumer and Industrial Electronics
Hannu Bergholm

Nokia Consumer Electronics

Televisions Markku Alasaari
VCR Hartmut Voss
Satellite and Cable Products
Hannu Bergholm
Monitors Reijo Lantto

Technology and New Businesses
Helmut Stein
Marketing Michael Schmohl
Sales and Channel Management
Stefan Majurin

Finance and Control Riitta-Liisa Hiillos
Personnel Maila Bergman
Legal Affairs Juhani Anttila
Strategic Planning Timo Ellilä

Nokia Industrial Electronics
Hannu Suominen

Audio Systems Ulrich Gamm
Car Electronics Sami Baghdadi
Components Kari Kiiskinen

Control Matthew Symcox

Nokia Group has operations in over 40 countries, including 13 with manufacturing facilities. The Corporate Head Office is in Helsinki.

Cables and Machinery
Tapio Hintikka

Business Development Risto Suonio
Administration and Finance Ove Karlsson
Legal Affairs Risto Rämö
Personnel Tuula Granroth

Nokia Cable Industry
Tapio Hintikka
Central Region Tonn van de Laar
Telecommunication Cables
Hans-Peter Friedrichsen
Power Cables Winfried Wollek
Projects Tonn van de Laar
Northern Region Petteri Walldén
Telecommunication Cables Pekka Böök
Power Cables Olli-Heikki Kyllönen
Installation Cables Kirsi Väljä
Optical Fibres Claus Hohenthal
Turkey Jan Cieremans

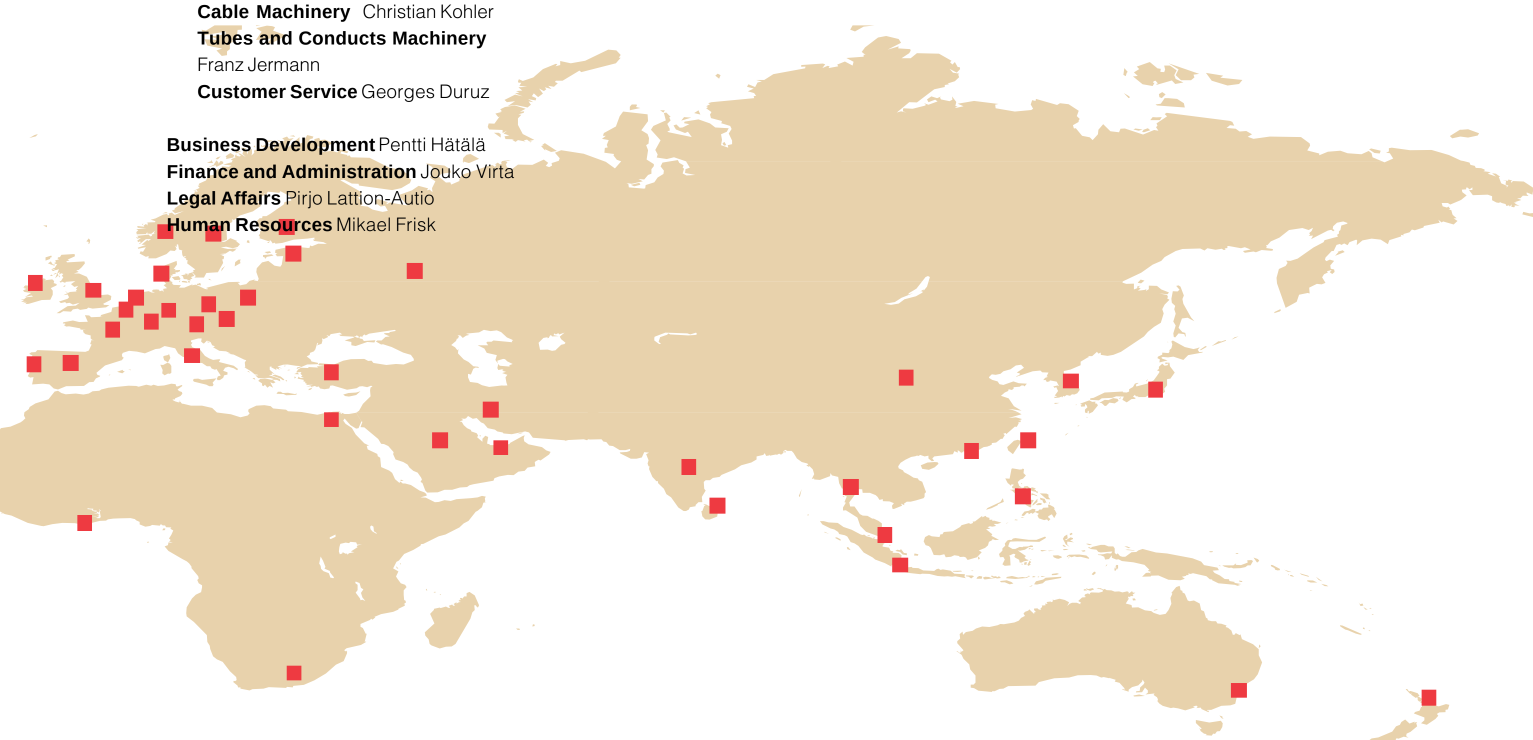
Cable Machinery
Jaakko Asanti
Telecommunication Cable Machinery
Kari Saarinen
Sales and Marketing & Research and Development
Plants Projects
Tero Larmia
Tapio Lano
Power Cable Machinery Oiva Miettinen
Fibre Optic Cable Machinery
Markku Ellilä
Pentti Hätälä
Building, Appliance and Automotive Cable Machinery Christian Kohler
Tubes and Conducts Machinery
Franz Jermann
Customer Service Georges Duruz

Business Development Pentti Hätälä
Finance and Administration Jouko Virta
Legal Affairs Pirjo Lattion-Autio
Human Resources Mikael Frisk

Nokia Tyres
Lasse Kurkilahti

Car and Van Tyres Kim Gran
Heavy Tyres Antero Turunen
Bicycle Hannu Hemánus
Retreading Materials Keijo Vikman
Retail Matti Vesala

Finance and Control Jukka Lahti
Marketing Pentti Rantala
Production Reijo Korpela
Product Development Antero Juopperi
Quality Ari Arvio
Purchasing Vesa Rantanen
Personnel Sirkka Hagman
Communications Raila Hietala-Hellman



Data on Nokia Shares

Key Ratios 31.12., IAS

	1994	1993	1992	1991	1990
Share Capital					
Common	**721**	822	701	701	701
Free common			121	121	121
Preferred	**777**	556	308	308	308
Free preferred			128	128	128
Total	**1 498**	1 378	1 258	1 258	1 258
Shares (1 000, nominal value FIM 20)					
Common	**36 049**	41 098	35 065	35 065	35 065
Free common			6 033	6 033	6 033
Preferred	**38 838**	27 789	15 401	15 401	15 401
Free preferred			6 388	6 388	6 388
Total	**74 887**	68 887	62 887	62 887	62 887
Shares owned by the Group at year end (1 000)	**3 745**	3 445	3 385		
Number of shares excl. shares owned by the Group at year end (1 000)	**71 142**	65 442	59 502	62 887	62 887
Average number of shares excl. shares owned by the Group during the year (1 000)	**68 232**	62 407	60 349	62 887	62 887
Earnings per share, FIM	**43.89**	12.29	– 6.84	– 9.60	5.47
P/E ratio					
Common	**15.9**	23.4	neg.	neg.	11.0
Free common			neg.	neg.	10.4
Preferred	**15.9**	23.5	neg.	neg.	6.6
Free preferred			neg.	neg.	10.1
Cash flow per share, FIM	**59.8**	29.5	10.4	6.1	25.0
Nominal dividend per share, FIM	**10.00***	2.80	2.00	2.00	2.80
Total dividends paid, MFIM	**749***	193	126	126	176
Dividend per share, FIM	**10.00***	2.80	2.00	2.00	2.80
Dividend cover	**4.4**	4.4	neg.	neg.	1.95
Dividend yield, %					
Common	**1.4**	1.0	2.2	3.1	4.7
Free common			2.1	3.0	4.9
Preferred	**1.4**	1.0	2.5	4.2	7.8
Free preferred			2.4	4.3	5.1
Shareholders' equity per share, FIM	**174.6**	99.5	113.1	117.6	119.3
Market capitalisation, MFIM	**49 657**	18 875	5 267	3 692	3 354
Number of shareholders	**24 770**	31 486	38 041	50 924	50 975

* Proposed

Calculation of key ratios, see page 61.

Shares and Voting Rights

Nokia's share capital comprises common shares and preferred shares. Each common share carries ten votes and each preferred share one vote at the Annual General Meeting. The preferred shares are entitled to a dividend of 10% before the common shares. If this can not be paid in full the shares bear entitlement to the remainder the following year, before a dividend can be paid on common shares. In the event of a dividend in excess of 10% being paid on common shares a supplementary dividend shall be paid on the preferred shares to ensure that the dividend for both classes of shares is the same.

Nokia's common shares were issued on 21 April 1966 and Nokia's preferred shares on 31 March 1981.

The minimum share capital stipulated in the Articles of Association is FIM 957 million and the authorised share capital FIM 3 828 million. The share capital may be increased or reduced within these limits without amending the Articles of Association. On 31 December 1994, the share capital fully paid and entered in the commercial register was FIM 1 498 million and the total number of votes 399 332 743.

Conversion of Common Shares to Preferred Shares

The Extraordinary Shareholders' Meeting held on 23 June 1994 resolved to add a provision to the Articles of Association, according to which common shares may at the request of holders of such shares or, for shares registered in the name of a nominee, by the custodian registered as administrator of such shares in a book-entry register, be converted into preferred shares. Such conversion is possible within the limits set forth the minimum and maximum numbers of shares in each class of shares.

By the end of 1994 5 048 794 common shares had been converted to preferred shares.

Nokia's Shares in the Book-Entry Securities System

The Company's shares are in the book-entry securities system to which 99.9% of Nokia's shares had been transferred by the end of 1994.

On 31 December 1994 Nokia's shares registered in the name of a nominee accounted for 56.2% of the total number of shares and 31.6% of the total number of voting rights.

Dividend Policy

Nokia's intention is that dividends paid should, over the long term, reflect the development of the Group's earnings per share.

Development of Nokia Shares

The internal rate of return on Nokia's whole share capital has averaged 54.73% per annum over the past five years. The internal rate of return is calculated on the basis of the market capitalisation figures at the beginning and end of the time period, adjusted for payments to and from shareholders, i.e. dividends and rights issues.

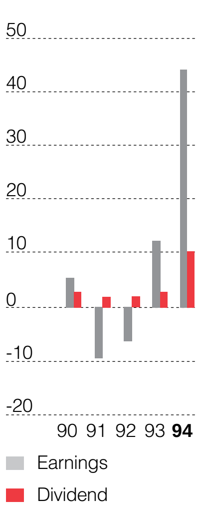
Shareholders have also received a dividend yield of 1–8% per annum.

The effect of the imputation system

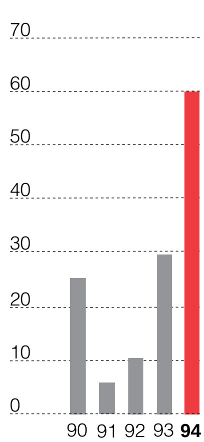
This system (avoir fiscal) will apply to the 1994 dividends payable by Nokia, i.e. when a Finnish company pays dividends to its shareholders it is required to pay tax amounting to a minimum of one-third of the dividend. A resident of Finland, receiving dividends from a Finnish company, is entitled to tax credit amounting to one-third of the dividend. As the Board´s proposed dividend for 1994 is FIM 10 per share the tax credit thus amounts to FIM 3.33 thereby increasing the shareholder's profit to FIM 13.33, taxable at 25 per cent.

Tax credit is granted to non-resident shareholders only when the tax treaty between Finland and the shareholder's resident country specifically includes a provision of the credit. According to this tax treaty, a resident of the United Kingdom of Great Britain

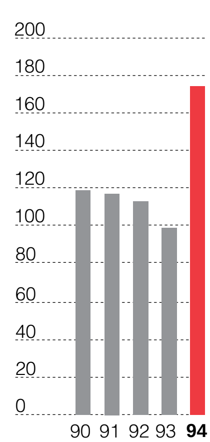
Earnings and Dividend per Share, FIM



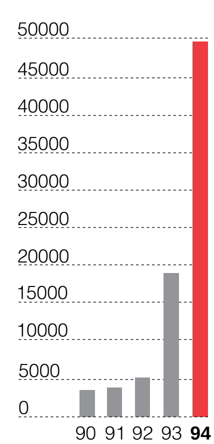
Cash Flow per Share, FIM



Shareholders' Equity per Share, FIM



Market Capitalisation 31.12., MFIM



and Northern Ireland and of the Republic of Ireland is entitled to a partial tax credit.

Listing and Turnover on Foreign Stock Exchanges

Nokia's shares have been listed on the Helsinki Stock Exchange since 1915. The preferred shares are also listed in Stockholm, London, Paris, Frankfurt and New York (NYSE). Trading with Nokia preferred shares on the New York Stock Exchange commenced on 1 July 1994. The shares are in the form of ADS (American Depositary Shares). One preferred share equals two ADS.

Volumes of preferred shares traded in 1994:

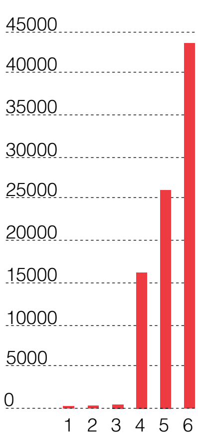
London	43 661 633
Helsinki	25 940 112
New York *	16 353 200
Frankfurt	441 920
Stockholm	168 323
Paris	68 507

Authorisations to Issue Shares or Bonds

The Extraordinary Shareholders' Meeting held on 23 June 1994 authorised the Board to make a decision within one year from the resolution by the Extraordinary Meeting to increase the share capital through a new issue in one or more allotments of shares with a par value not exceeding FIM 120 000 000 by offering for subscription a maximum of 6 000 000 new preferred shares of par value FIM 20, at a price and on terms to be decided by the Board of Directors. The authorisation included the right to waive the preferential rights of the shareholders should the Company have a significant financial cause to do so.

At the end of 1994, the Board had no unused authorisations to issue shares, convertible bonds or bonds with warrants.

Volume of Preferred Shares Traded in 1994, 1 000 Shares



1 Paris
2 Stockholm
3 Frankfurt
4 New York*
5 Helsinki
6 London

* ADS-volume in New York converted to preferred shares

Share Issues 1990–1994

Authorised by the Extraordinary Shareholders' Meeting held on 23 June 1994, the Board of Directors resolved on 1 July 1994 to increase the share capital by FIM 105 000 000 from FIM 1 377 749 900 to FIM 1 482 749 900 by issuing 5 250 000 new preferred shares of FIM 20 each.

Pursuant to the aforementioned authorisation the Board resolved on 6 July 1994 to increase the share capital, in addition to the amount already decided by the Board at its meeting held on 1 July 1994, by FIM 15 000 000 from FIM 1 482 749 900 to FIM 1 497 749 900 by issuing 750 000 new preferred shares of FIM 20 each.

Disapplying the preferential rights of existing shareholders the aforementioned capital increases were effected in such a manner that all 6 000 000 preferred shares were subscribed to on 1 July and 6 July 1994 by foreign arrangers for the purpose of selling the shares to final investors and by domestic institutional investors.

Furthermore, it was resolved to offer the aforementioned 750 000 new preferred shares for subscription on 6 July 1994 by CS First Boston Corporation for the purpose of selling the shares to investors on the conditions set forth below.

The offering price for those shares that were offered for subscription at a price expressed in the Finnish currency was FIM 418.046, i.e. the offering price of the share less aggregate underwriting discounts and commissions of FIM 13.954.

Those shares that were sold at a price expressed in U.S. dollars were offered for subscription by investors in the form of ADS. The offering price for these shares was U.S. dollars 78.142, i.e. the equivalent of the offering price for two ADS, U.S. dollars 80.75, less the aforementioned aggregate discounts and commission, U.S. dollars 2.608.

In addition to the FIM 120 000 000 received as share capital, Nokia obtained as share premium an aggregate amount of FIM 2 370.3 million. The net proceeds of the share issues were FIM 2 490.3 million. The payment date of the new shares issued was 11 July 1994.

In 1993, the share capital was increased by FIM 120.000.000 by two issues of new shares, disapplying the preferential rights of existing shareholders. For this purpose, 6.000.000 new preferred shares were offered to and subscribed by a group of investors at a net subscription price of FIM 153,04 and USD 27,02. The net proceeds of the share issues were FIM 918,2 million.

Convertible Bonds and Bonds with Warrants

The Annual General Meeting of Shareholders held on 7 April 1994 resolved that bonds with warrants be issued to the management of the Nokia Group, disapplying the pre-emptive rights of existing shareholders. The aggregate nominal value of the bonds should not exceed FIM 200 000. The bonds are part of an incentive scheme for the management.

The term of the bonds is five years. An interest rate of 2% p.a. is paid on the bonds. The warrants pertaining to the bonds confer the right to subscribe to a maximum number of 200 000 preferred shares, each with a par value of FIM 20, during the period 1 December 1998 – 31 January 2000.

The subscription price of the shares is FIM 374, i.e. the average closing price for Nokia's preferred share on the Helsinki Stock Exchange in March 1994, rounded-up to the next full mark. There were no other bonds with warrants outstanding during the year 1994.

There were no convertible bonds outstanding during the year 1994.

Share prices, FIM

	1994	1993	1992	1991	1990
Common share					
Low	**284**	95	42	47	45
High	**711**	350	101	94	91
Average	**482**	188	73	82	76
Year end	**698**	288	92	65	60
Free common share					
Low			42	50	48
High			101	120	111
Average			72	92	90
Year end			94	66	57

	1994	1993	1992	1991	1990
Preferred share					
Low	**287**	82	38	30	33
High	**712**	344	90	66	58
Average	**493**	186	69	58	47
Year end	**698**	289	82	48	36
Free preferred share					
Low			38	44	45
High			90	105	105
Average			63	72	79
Year end			82	47	55

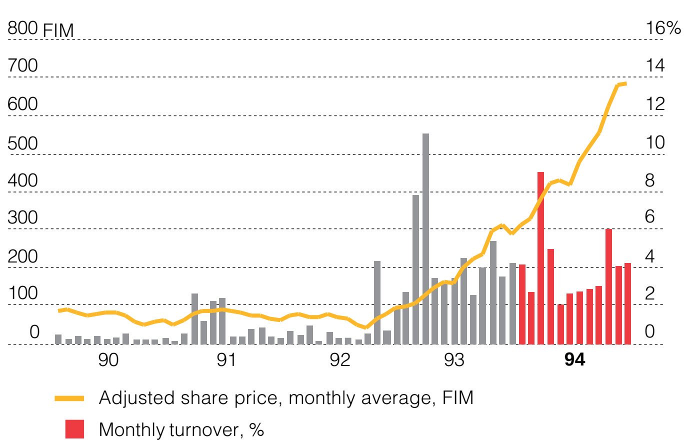
Share turnover

	1994	1993	1992	1991	1990
Common share					
1000 shares class	**18 921**	22 539	3 613	4 064	1 104
%	**52**	55	10	12	3
Free common share					
1000 shares class			3 809	3 044	1 073
%			63	50	18

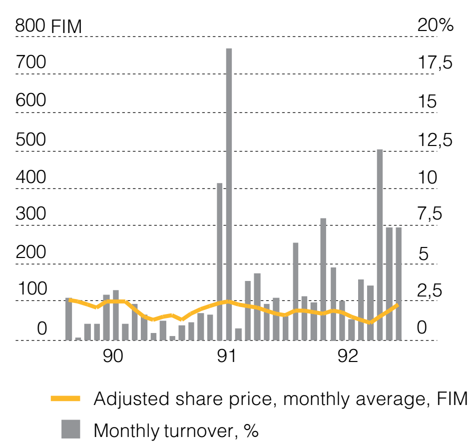
	1994	1993	1992	1991	1990
Preferred share					
1000 shares class	**25 940**	25 444	3 546	2 381	712
%	**67**	92	23	15	5
Free preferred share					
1000 shares class			4 077	1 760	1 773
%			64	28	28

Share price, monthly average, FIM and monthly turnover, %

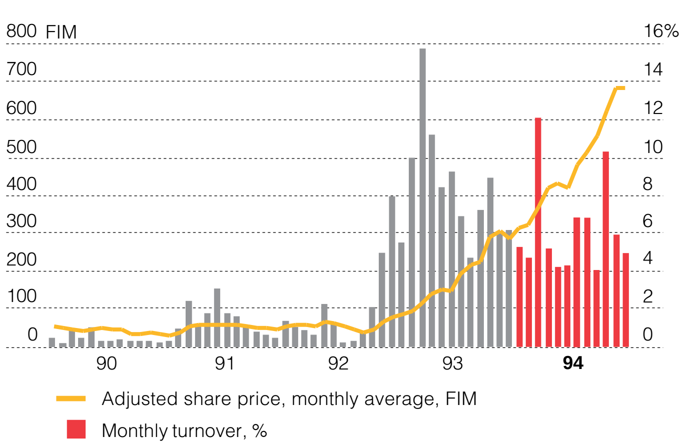
Common share



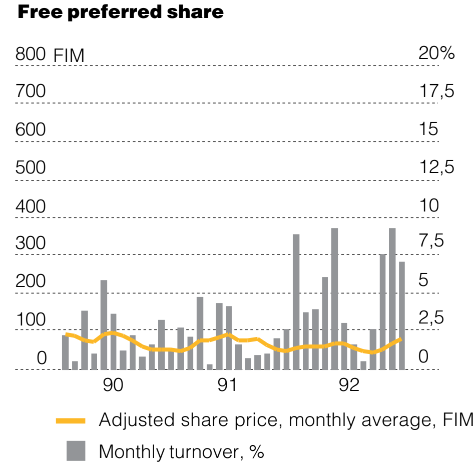
Free common share



Preferred share



Free preferred share



Shareholders

Largest Shareholders as per Shareholder Register on 31 December 1994

	Common shares	Preferred shares	Total	% of shares	Number of voting rights	% of voting rights
Nokia Finance International B.V.	3 178 346	566 779	3 745 125	5.0	32 350 239	8.1
Kymmene Corporation	3 029 996	7 430	3 037 426	4.1	30 307 390	7.6
Union Bank of Finland Pension Fund	2 518 600	–	2 518 600	3.4	25 186 000	6.3
Pohjola Insurance Company Ltd	2 100 807	–	2 100 807	2.8	21 008 070	5.3
Industrial Mutual Insurance Company	1 330 000	–	1 330 000	1.8	13 300 000	3.3
Suomi Mutual Life Assurance Company	1 082 594	–	1 082 594	1.4	10 825 940	2.7
Society of Swedish Literature in Finland	944 914	–	944 914	1.3	9 449 140	2.4
Pension Insurance Company Ilmarinen	834 000	23 490	857 490	1.1	8 363 490	2.1
Finnish National Fund for Research and Dev.	840 716	–	840 716	1.1	8 407 160	2.1
Government Guarantee Fund	235 754	488 830	724 584	1.0	2 846 370	0.7
Pension Foundation of Nokia Group	499 490	54 598	554 088	0.7	5 049 498	1.3

Shares Registered in the Name of a Nominee on 31 December 1994

	Common shares	Preferred shares	Total	% of shares	Number of voting rights	% of voting rights
Kansallis-Osake-Pankki	5 682 376	17 468 493	23 150 869	30.91	74 292 253	18.60
Union Bank of Finland Ltd	3 478 521	15 061 894	18 540 415	24.76	49 847 104	12.48
Other nominees	163 602	243 727	407 329	0.55	1 879 747	0.47

Share Ownership by Top Management

Members of Nokia's Board of Directors and Group Executive Board owned a total of 1 064 Nokia common shares and 11 390 preferred shares, representing 0.01% of the total voting rights, on 31 December 1994.

Shares Owned by the Group

On 31 December 1994, Nokia Finance International B.V., a wholly owned subsidiary of Nokia, owned 3 745 125 Nokia shares, being 5.0% of the total amount of shares and representing 8.1% of the total voting rights.

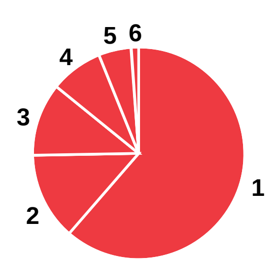
Breakdown of Share Ownership on 31 December 1994

By Number of Shares Owned

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital	Average holdings
1 – 100	13 408	54.1	556 446	0.8	42
101 – 500	8 055	32.5	1 887 324	2.5	234
501 – 1 000	1 697	6.9	1 210 492	1.6	713
1 001 – 10 000	1 459	5.9	3 654 329	4.9	2 505
over 10 000	151	0.6	25 480 291	34.0	168 744
Total	24 770	100.0	32 788 882	43.8	1 324
Shares registered in the name of a nominee			42 098 613	56.2	
Total			74 887 495	100.0	

By Shareholder Category, %

	Common shares	Preferred shares	Total
1. Foreign shareholders *	35.1	85.9	61.4
2. Foundations and charities	23.7	3.5	13.3
3. Banks, insurance comp. and financial inst.	21.6	1.6	11.2
4. Private individuals in Finland	9.2	6.6	7.9
5. Companies	9.3	1.1	5.0
6. State, local authorities and religious bodies	1.1	1.3	1.2
Total	100.0	100.0	100.0



* Includes also shares registered in the name of a nominee and the shares owned by Nokia Finance International B.V.

Addresses

NOKIA GROUP

Eteläesplanadi 12
P.O. Box 226,
FIN-00101 HELSINKI
Tel. +358 0 180 71
Fax +358 0 656 388

Nokia Research Center
Heikkiläntie 7
P.O. Box 45,
FIN-00211 HELSINKI
Tel. +358 0 437 61
Fax +358 0 437 6227

NOKIA TELECOMMUNICATIONS

Upseerinkatu 1
P.O. Box 33, FIN-02601 ESPOO
Tel. +358 0 511 21
Fax +358 0 5112 5560

Nokia Cellular Systems
Upseerinkatu 1
P.O. Box 44, FIN-02601 ESPOO
Tel. +358 0 511 21
Fax +358 0 5112 3435

Network and Access Systems
Karaniityntie 1
P.O. Box 12, FIN-02611 ESPOO
Tel. +358 0 511 21
Fax +358 0 5112 4302

Customer Services and System Platforms
Mäkkylän puistotie 1
P.O. Box 33, FIN-02601 ESPOO
Tel. +358 0 511 21
Fax +358 0 5112 5298

NOKIA MOBILE PHONES

Metsänneidonkuja 6
P.O. Box 47, FIN-02131 ESPOO
Tel. +358 10 5051
Fax +358 10 505 5768

Nokia Paging
Örninkatu 11
P.O. Box 86, FIN-24101 SALO
Tel. +358 10 5051
Fax +358 10 505 4481

NOKIA CONSUMER AND INDUSTRIAL ELECTRONICS

Nokia Consumer Electronics
Metsänneidonkuja 6
P.O. Box 46, FIN-02131 ESPOO
Tel. +358 0 682 571
Fax +358 0 5024 0430

Nokia Consumer Electronics
Opitzstraße 12
Postfach 33 04 04
D-40437 DÜSSELDORF
Tel. +49 211 908 9502
Fax +49 211 9089 5505

Nokia Industrial Electronics
Salorankatu 5-7
P.O. Box 14, FIN-24101 Salo
Tel. +358 24 7711
Fax +358 24 771 2024

CABLES AND MACHINERY

Cable Industry

NKF Holding N.V.
Schieweg 9
P.O. Box 26
NL-2600 MC DELFT
Tel. +31 15 605 905
Fax +31 15 615 489

Nokia Cables Ltd
Kimmeltie 1, Espoo
P.O. Box 419,
FIN-00101 HELSINKI
Tel. +358 0 682 51
Fax +358 0 682 1545

Cable Machinery

Nokia-Maillefer Holding S.A.
Route du Bois 37
P.O. Box 259
CH-1024 ECUBLENS-LAUSANNE
Tel. +41 21 694 4111
Fax +41 21 694 4714

OTHER OPERATIONS

Nokia Tyres
P.O. Box 20, FIN-37101 NOKIA
Tel. +358 31 340 7111
Fax +358 31 342 0677, 342 0101

Nokia publishes the
Annual Report in Finnish
as well as translations in
Swedish and English

NOKIA
CONNECTING PEOPLE

Corporate Communications
tel. +358 0 180 71
fax +358 0 652 409

Investor Relations
tel. +358 0 180 7424
fax +358 0 176 406
P.O. Box 226
FIN 00101 HELSINKI, Finland

Investor Relations, USA
tel. +1 214 257 9880
fax +1 214 257 9831
2300 Valley View Lane
Suite 100
Irving
Texas, 75062
USA