NOKIA
CONNECTING PEOPLE

Annual Report 1996


NOKIA

Nokia

Nokia is a leading international telecommunications company. The Group employs 31 700 people in 45 countries and has sales in over 120 countries globally. Nokia's net sales in 1996 totaled FIM 39.3 billion.

Nokia is focused on the key growth areas of wireline/wireless telecommunications. The Group runs global R&D programs on audio-visual signal/data processing and communications, third-generation wireless systems as well as integrated, multiservice network solutions.

A pioneer in mobile telephony, Nokia is the world's second largest manufacturer of mobile phones and a leading supplier of digital cellular networks. The Group is also a significant supplier of advanced transmission systems and access networks, multimedia equipment, satellite and cable receivers and other telecom related products.

Nokia's shares are listed in Helsinki (since 1915), Stockholm, London, Paris, Frankfurt and New York.

Contents

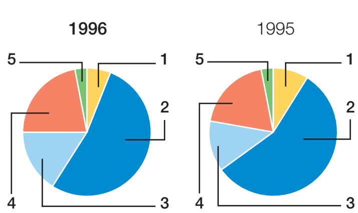
Cover:
Products clockwise from top: Nokia Mediamaster 9500 multimedia terminal, Nokia 8110 GSM phone, Nokia PrimeSite base station, Nokia 3110 GSM phone, Nokia Multigraph 445Xavc monitor, Nokia DX 200 switch and Nokia 9000 Communicator.

Nokia 1996

Ten Highlights

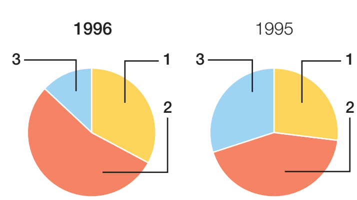
- Nokia won a significant contract for delivery of dual band and dual mode handsets, operating in three different networks to AT&T Wireless Services, Inc. (AWS).
- Nokia created an entirely new product category with the Nokia 9000 Communicator, the world's first all-in-one voice and data communications device. New product introductions also included the Nokia 8100 GSM series with slide-cover, the Nokia 1610 GSM phone, and the Nokia 2160, the world's first dual mode AMPS/TDMA phone.
- Nokia introduced its GSM 1900 Mobile Switching Center (MSC), and was selected sole supplier for Aerial Communications Inc´s GSM 1900 network.
- New Nokia production plants were inaugurated in China, Hungary, Sweden and the UK.
- Nokia signed notable agreements to deliver GSM 1900 handsets to American Personal Communications (Sprint Spectrum) and Powertel.
- Nokia announced that it will integrate Network Computer features as well as utilize JavaOS technology in its future multimedia products.
- Nokia started sales of its second-generation digital cellular phones in Japan and became the first foreign supplier of digital data/fax cards for the networks.
- Nokia signed 16 new contracts for GSM/DCS networks and had 53 GSM/DCS customers in over 30 countries at the end of 1996.
- Nokia made an important breakthrough in the German deregulated fixed network market when signing a fixed switching contract with VEW Telnet GmbH.
- A new mode of operation was announced to facilitate Group convergence and decision-making in the Asia-Pacific region and in the North and South Americas.

Net sales by market area



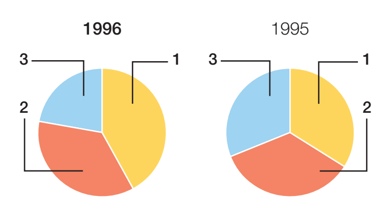
		1996 %	1995 %
1	Finland	6	9
2	Other European countries	53	56
3	Americas	16	13
4	Asia-Pacific	22	19
5	Other countries	3	3

Net sales by business group



		1996 %	1995 %
1	Nokia Telecommunications	33	27
2	Nokia Mobile Phones	54	43
3	Other Operations	13	30

Personnel, Dec. 31



		1996 %	1995 %
1	Nokia Telecommunications	42	34
2	Nokia Mobile Phones	36	35
3	Other Operations	22	31

Key Data

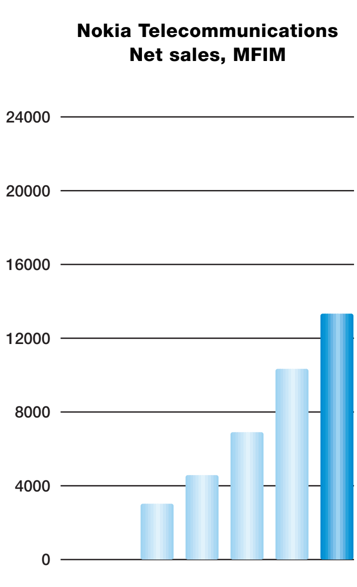
	1996	1995	Change, %
Net sales, FIM million	**39 321**	36 810	**+7**
Operating profit, FIM million	**4 266**	5 012	**-15**
Profit before taxes, FIM million	**3 898**	4 933	**-21**
Profit from continuing operations, FIM million	**3 044**	4 087	**-26**
Average number of shares (1 000 shares)	**283 561**	284 567	
Earnings per share, FIM	**10.73**	14.36	**-25**
Dividend per share, FIM	**3.50**	3.00	**+17**
Return on capital employed, %	**22.7**	29.1	
Net debt to equity (gearing), %	**-9**	17	
Research and development, FIM million	**3 514**	2 531	**+39**
Capital expenditure*, FIM million	**2 028**	3 299	**-39**

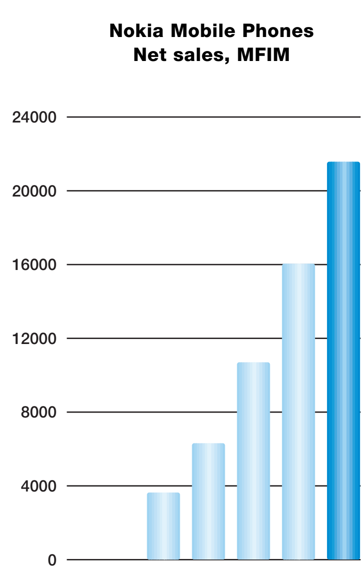
Currency rates at year-end

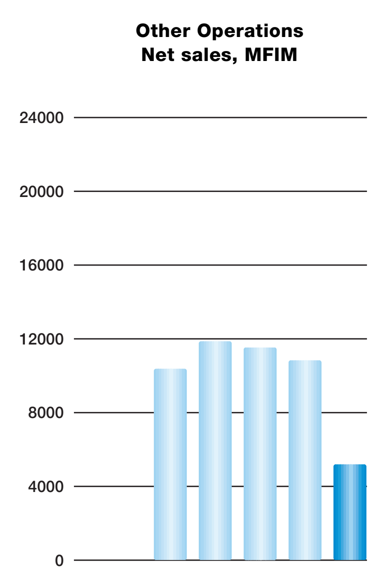
	1996	1995
1 FIM=		
USD	**0.215**	0.229
GBP	**0.129**	0.148
SEK	**1.476**	1.527
DEM	**0.335**	0.329
FRF	**1.133**	1.122
JPY	**24.618**	23.618
XEU	**0.174**	0.179

1996	Net sales MFIM	Operating profit/loss MFIM	Personnel Dec 31.
Nokia Telecommunications	**13 333**	**2 982**	**13 475**
Nokia Mobile Phones	**21 579**	**1 431**	**11 329**
Other Operations	**5 197**	**-147**	**6 919**
Inter-business group eliminations	**-788**		
Nokia Group	**39 321**	**4 266**	**31 723**

* Excl. acquisitions and R&D capitalization
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 29 to 31. Calculation of key ratios is explained on page 63.







Review by the President and CEO

To our Shareholders

1996 was another year of good financial performance and significant changes forming Nokia for the future. We continued on our determined route towards a focused telecommunications company. At the same time, we continued to further strengthen our core competencies.

Strong financials

We have every reason to be pleased with our financial performance. In comparable figures, net sales increased by 25% to FIM 39.3 billion. Strong growth in both Nokia Telecommunications (29%) and Nokia Mobile Phones (34%) continued and, together with a number of actions improving our productivity, contributed to the healthy profitability levels.

The profit level of Nokia Telecommunications was excellent throughout the year and increased by 10% over 1995. The business group increased its profits and order inflow for the fifth successive year. The continued high level of operating margin is a result of both successful focusing of operations and our dedication to serving customers.

In Nokia Mobile Phones, the logistics and other related problems that we experienced in late 1995 and early 1996, were addressed with determination by the whole organization, and we returned to healthy levels of profitability during the third quarter of 1996. The speedy turnaround is a show of strength from our organization. All employees of Nokia Mobile Phones should be duly proud of their achievement.

The favorable financial performance, particularly in the second half of the year, had a positive impact on the cash flow from operations, bringing it to FIM 8.3 billion. Improved working capital management and better cost control were major contributors to this development. The end result is that we now have a stronger balance sheet than ever in the history of the company.

Building future competitive strength

1996 was an important milestone in our efforts to streamline our structure to a focused telecommunications company. The divestment of our interests in cables, color TV and chemicals businesses completed the restructuring. We are now fully equipped to concentrate on what we do best. I am convinced that by putting all of our resources to work for the best of our telecommunications clients, we will improve the shareholder value more effectively.

It was our customer orientation that led us to take a new step in developing our organization. We want to improve our local and regional responsiveness by implementing a group-wide area organization in the Americas and in the Asia-Pacific. The global profit responsibility will continue to be assigned to our key business groups, while added senior executive attention and overall client orientation will be further enhanced in order to serve our customers even better in the future.

Wealth of new business opportunities

1996 was a milestone year also in terms of our strengthened market position. At the end of the year, Nokia was the global market leader in digital cellular phones, one of the two largest suppliers of GSM networks and the world's leading supplier of DCS 1800 systems.

I am convinced that we are now well-positioned to exploit new business opportunities. To further improve our future competitiveness, we will continue our targeted R&D investments. We believe that the on-going deregulation, the rapid technological development and the convergence of wireless/wireline as well as voice/data will produce us new business opportunities. We are investing in these new growth areas, including wireless data, broadband and fixed wireless solutions as well as Internet Protocol based network solutions. These will enable operators to provide new services to their corporate and residential subscribers.

Looking ahead

Throughout our change process during the past years, our corporate culture and the Nokia Values have provided us with an important internal point of reference, linking the different parts of the company into a whole that exceeds the sum of its parts. As we go along, we will continue to seek new ways to develop our internal culture. We will also ascertain that they are perceived and appreciated by our customers and partners as “the Nokia Way”. This is a joint team effort in which all the Nokia employees take part.

In the past three years we have welcomed some 16 000 new employees into the Nokia organization. 1996 showed us that this team is equipped to tackle the challenges as they emerge and to stretch to exceptional performances. Our ability to systematically analyze and identify improvement areas and adapt our operations to new realities gives us great confidence for the future. My thanks go to all our people for their deep enthusiasm and agility.

The strength demonstrated by our total work-force of over 31 000 people worldwide is our asset which we will continue to leverage to the best of our capabilities for the benefit of our shareholders.

Jorma Ollila

Nokia is Building the Future of Telecommunications

The future need for telecommunications has no limits. More and more users will want a thousand times more bits than are being transmitted in today's networks. But the increased number of bits does not only mean that a single person will require and receive larger amounts of information. It means that the data quality will be vastly enhanced, resulting in clearer images and sounds at the chosen location. Telecommunications will eliminate distances.

Digitalization makes the difference

Digitalization has ushered in a completely new telecommunications age. Peoples' ideas of the nature of telecommunications will fundamentally change within the next decade. All operations will be focused on the users. The future networks will offer them broader spectrum of services.

Deregulation of telecommunications and decreasing prices of new technology will attract new service providers to the market. National operators will be joined by multinational private operators who will provide their customers with a multitude of services. This explains why one of the focuses of Nokia's technological advancement projects is the development of intelligent applications for fixed and wireless network infrastructures.

More and more bits transmitted over the phone represent data or graphics in addition to speech. Therefore, new technologies are being developed to enhance the capacities of access networks. In two or three years, it will be possible to cost-effectively transmit about a hundred times more information over access networks than today. These and the home multimedia terminals of the future will allow integrated use of telecommunications, computer applications and media technologies.

Different networks can be operated jointly and reach the user via one terminal. Continuous development in wireless connections ensures that the new multimedia services can also be utilized by wireless equipment.

> " *Early in the next millennium your right and left cuff links or earrings may communicate with each other... and have more computer power than your present PC.*
> *– Nicholas Negroponte: Being Digital (1995)* "

A trailblazing veteran

One explanation of Nokia's success is the early investments in digital and wireless technologies. We introduced our first digital transmission systems already in 1969. The decision to develop digital periodic switches was made already in the 1970s. At that time there was no general consensus to start digitalizing. As a result of this decision, Nokia could deliver Europe's first fully digital switch which started operating in 1982. The world's first digital GSM (Global System for Mobile Communications) network, including exchange, was delivered in 1991 by Nokia.

Nokia, having developed and expanded in a challenging market environment, has created solutions on the cutting edge of international technology. The strength of our know-how and pioneering vision has been demonstrated many times. Examples are our introductions of new mobile phone generations and base stations, our state-of-the-art solutions facilitating wireless data traffic and the almost futuristic world-class Nokia Communicator 9000.

> *Radio has no future.*
> – Lord Kelvin, (1897)

Standards of the new millennium

Our in-depth know-how of radiophone systems is acknowledged world-wide, and Nokia plays a central role in the creation of new-generation wireless telecommunications technology and standards.

The third-generation telecommunications systems UMTS (Universal Mobile Telephone System) and FPLMTS (Future Public Land Mobile Telecommunications System) will be standardized during the next few years and they are designated for market introduction at the beginning of the next millennium. Future solutions will include new platforms on which operators will build their service ranges. Third-generation wireless telecommunications will support versatile broadband services largely based on various combinations of image, voice and data.

The investments necessitated by the new systems are so sizable that the networks must be developed in stages. Operators must be able to utilize their existing networks also in the future. That is why third-generation solutions will probably be built on existing second-generation solutions to ensure compatibility. Approximately 60% of the mobile systems market at the moment is based on GSM. Unlike the other mobile technologies, GSM has facilitated the versatile development of services. GSM technology will also be part of next generation mobile telecommunications.

> *Any sufficiently advanced technology is indistinguishable from magic.*
> – Arthur C. Clarke, Technology and the Future

Data traffic will increase

As broadband systems become more popular, the share of data in all network traffic will increase. New product possibilities include Internet whose rapid expansion is stunning the world. Internet will generate a new demand for broadband services, thereby offering new challenges as well as business potential to Nokia.

The highly entangled Internet websites provide neither sure access to the data required nor guarantees as to their accuracy. In the future, there will be many opportunities for those who can offer a professionally managed Internet network to operators.

In order to speed up data transfer, Nokia is developing circuit switched and packet switched data traffic. Both can be realized within the GSM system up to speeds of 80 kbit/s while the present GSM transfer rate is 9.6 kbit/s. Packet switching will make it possible to transfer very large data volumes within wireless telecommunications networks in a quick and easily accessed way for the user.

> *The science of today is the technology of tomorrow.*
> – Edward Teller

Differentiating to get a competitive edge

In the future, telecommunications and information technology as well as different media technology applications will increasingly often merge. More differentiation from the competition is required in these new markets.

In mobile telephony, Nokia differs from computer manufacturers not only because of its high frequency technology know-how. Radio technology is one of Nokia's core competencies. We have a leading edge in the related system and circuitry solutions and integration. Additionally, our know-how in digital signal processing is extensive.

Focus is reflected on research

Nokia's innovativeness accelerates our future progress. The company's research and development units are placed in the world's leading technology centers. The best possible know-how is obtained from all over the world to support our own development efforts. Nokia's focus on growth areas is reflected in our R&D investments.

At the same time, we cooperate closely with leading centers of excellence in other fields, something that clearly benefits Nokia. An illustrative example of this is the semiconductor industry. Although Nokia itself does not manufacture semi-conductors, it searches for functioning future solutions together with the manufacturers. Research and development work reaching out to the future is carried out in collaboration with our business partners.

" *Computers in the future may... perhaps only weigh 1.5 tons.*
– Popular Mechanics, (1949) "

Technology has a face

For high-tech companies technological sophistication also includes knowledge and appreciation of different cultures. Understanding technical equations is not enough. Technology has a face, and we must never forget people and different cultural values. What do people really want, and why? Will they want that tomorrow? Equipment and services must be reliable and easy-to-use. Service applications are not produced to wait passively on storeshelves for customers. Our product and system development is always carried out in close cooperation with the customer and based on the understanding of the changing demands.

Technological progress and telecommunications deregulation accelerate the advent of the information society. Simultaneously as telecommunications is being adapted to social change, it also serves as an instrument in promoting changes. Telecommunications of the future will help solve many socially important matters faster, less expensively and more humanely than at present. In Nokia, we feel privileged to be among the developers of the information society.

" *It is difficult to say what is impossible, for the dream of yesterday is the hope of today and the reality of tomorrow.*
– Robert H. Goddard "

Juhani Kuusi
Professor, Senior Vice President, Head of Nokia Research Center

Yrjö Neuvo
Professor, Senior Vice President, Product Creation, Nokia Mobile Phones

Nokia has a global chain of R&D units. One of the focus areas in the R&D is new applications for GSM technology.

Review of Operations

Nokia is a global telecommunications systems and equipment company. Its core businesses include the development, manufacture and delivery of operator-driven infrastructure solutions and end-user-driven mobile phones and other terminals.

Continued growth in infrastructure business

Nokia is a leading supplier of digital cellular networks. The company´s objective is to grow in importance as a strong partner for both cellular and fixed telecom operators. Nokia offers systems and solutions for analog and digital wireless networks as well as fixed networks for telecom operators and dedicated networks for utilities. The systems include switching, base stations, transmission, network management, intelligent network (IN) solutions and related customers services.

As the proliferation of digital GSM/DCS (Global System for Mobile Communications/ Digital Cellular System) cellular networks continued during 1996, new potential emerged in several access and fixed network markets around the world spurred on by accelerating deregulation in telecommunications. Concurrent with this, operators increased their efforts on offering differentiated services to their customers while improving their own competitiveness. This produced new opportunities for Nokia.

In 1996, research and development investments in the area of telecommunications infrastructure represented 14% of Nokia Telecommunications' net sales. The R&D network was enlarged to encompass units in Australia, Finland, Germany, the UK and the USA.

Nokia´s DX 200 switching system is the platform for fixed and mobile networks alike.

New wireless network customers

Growth in GSM and DCS networks continued in 1996. At the end of the year, 172 networks in 97 countries were in operation worldwide serving over 30 million subscribers. During the year, Nokia concluded agreements with 16 new GSM/DCS operators, increasing the total number of these customers to 53.

Particularly noteworthy was the strong growth in the Asia-Pacific region. Nokia won several GSM/DCS deals in China and India. In the United States, the deal with Aerial Communications Inc. marked the first North American GSM 1900 turnkey agreement for Nokia. Additionally, several new customers and sizable GSM/DCS expansion agreements in Europe helped Nokia maintain its position as one of the two largest suppliers of GSM networks and the world's largest supplier of DCS systems.

To accommodate growth and delivery requirements, Nokia opened new base station production facilities in China, the UK and the USA.

”The year proved that GSM/DCS is the winning technology of second-generation wireless systems,” comments Matti Alahuhta, President of Nokia Telecommunications. ”Now, it is time to further develop its strengths and accelerate the development of third-generation wireless systems.”

In Professional Mobile Radio (PMR), a number of new orders were placed for Nokia's ACTIONET trunked mobile solution, sustaining its position as the leading MPT 1327-based PMR system in the world.

Growing potential in fixed networks

During the year, Nokia made good progress also in its fixed network business. With the growing demand for broadband, markets developed promisingly especially in access networks.

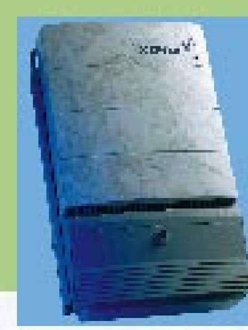
TOP10

Top 10 Telecommunication Equipment Manufacturers 1995

1. Alcatel
2. Motorola
3. AT&T
4. Siemens
5. Ericsson
6. NEC
7. Northern Telecom
8. Nokia
9. Fujitsu
10. Bosch

Source: ITU/BDT/INFS

Nokia started volume manufacturing of the Nokia PrimeSite base station at the end of 1996.



Nokia has established a strong position in Europe's most competitive fixed network markets.

As European-wide deregulation came closer to its deadline of January 1, 1998, strong signs of its impact were seen and Nokia's growth accelerated. In Germany, Nokia achieved a significant breakthrough in winning contracts to supply network solutions to new local and regional operators. "As deregulation accelerates, the fixed network segment is also becoming more market-driven. Consequently, a systems business approach is now becoming essential here as well," notes Mr. Alahuhta.

Progress also continued in the supply of telecommunications solutions to the UK cable TV/telecomms sector, where Nokia continued to increase market share.

In increasingly important fixed access networks, operator investments in high-speed SDH (Synchronous Digital Hierarchy) systems gradually picked up. In both Europe and the Asia-Pacific region, Nokia's market position developed positively with the number of SDH customers growing to 48 in 18 countries.

To strengthen their competitiveness, many operators began deploying IN (Intelligent Networks) solutions that enhance the creation, differentiation and delivery of new services to their customers. Nokia's IN solution was successfully deployed in fixed networks during the year. Similarly, deals were signed for the delivery of IN for mobile networks.

Furthermore, Nokia's GSM-based fixed wireless solution made its inroads as a promising alternative for providing rapid, cost-effective service in developing markets.

Beginning of the data communications era

One of the key drivers in the coming years will be the dramatic growth in data communications. The opportunities offered to suppliers and operators are great, both in mobile and fixed networks.

The emergence of Internet as a universal technology reference, facilitating the exchange of information and commerce across networks, is just one example of the data communications phenomenon.

In the wireless world, cellular subscriber penetration rates continue to rapidly rise, approaching over 30% levels. To respond to these trends, Nokia has made notable progress on two fronts. Nokia has developed a number of capacity-enhancing solutions that better optimize limited radio resources for operators. It has also become the leader in wireless data delivery through advanced network server solutions and data terminals. These two areas will continue to be in the focus of Nokia's development projects.

Nokia´s new PrimeHopper radio, with the Nokia PrimeSite base station, is a unique, optimized combination for cellular sites.

In fixed access networks, where broader bandwidth requirements exceed the capacity of wireless networks, Nokia is working closely with operators to provide solutions that match their targeted service strategies. For demanding, data-intensive business environments, Nokia's ATM (Asynchronous Transfer Mode) solutions and high-capacity SDH technologies give operators flexibility in regional transport and direct business access. For hybrid solutions that combine optical transport with existing copper connections into homes and offices, Nokia offers a growing range of digital subscriber line technologies to boosting the capacity to fulfill operators' service objectives. And to serve both business and residential Internet and Intranet use, IP (Internet Protocol) -based application development continues.

Referring to the impact that the growing data traffic will have, Mr. Alahuhta says, "Mobile communications and data communications as key drivers will shape the telecomms industry significantly by the end of the decade. Nokia is well positioned to exploit the coming changes."

To efficiently manage the necessary supporting network structures, Nokia enhanced its family of network management systems.

From technology-driven to market-driven solutions

With deregulation and intensified competition among operators, the boundaries between wireless and fixed networks will continue to diffuse. Services that were technology-driven are now progressively market-driven, encouraging operators to expand their service portfolios. In the new competitive environment, operators pay increasing attention to marketing and sales efforts as well as customer care, while outsourcing many network-related activities.

"For Nokia, this development underlines the importance of understanding the changing end-user needs and the ability to develop the right solutions for our teleoperator customers. In addition, the share of service sales, such as network planning, installation, maintenance and training, will increase. Here, our growing global customer services network plays an essential role," says Matti Alahuhta.

To be better prepared to deal with these new challenges successfully, a new operative structure was established in Nokia Telecommunications in the beginning of 1997, based on the company core competencies. This will help Nokia to offer more attractive, versatile evolution paths for the success of its customers.

The Nokia 9000 Communicator, the first-ever integrated digital voice and data communications device, was sold in more than 30 countries at the end of 1996. The product is already in volume production.

new

Launches 1996

Digital
- Nokia 9000 Communicator
- Nokia 8100 product family
- Nokia 1610 handportable

Analog
- Nokia 638 AMPS phone
- Nokia 450 NMT 450 phone
- Nokia 239 AMPS phone

Dual-mode
- Nokia 232N AMPS/N-AMPS handportable
- Nokia 2160 AMPS/TDMA handportable

Other
- Asian language interfaces for the Nokia 8110
- HATIS (Hearing Aid Telephone Interconnect System) adapter
- Nokia Digital Data/Fax Card

Standards

Major wireless system standards

Digital	Analog
GSM	NMT
DCS 1800	TACS
GSM 1900	NETZ C
PDC	RTMS
D-AMPS	RADIOCOM 2000
CDMA	AMPS
TDMA	NTT

Nokia – a leading terminal supplier

Nokia is Europe´s largest and the world´s second largest mobile phone manufacturer, the leader in digital handsets and wireless data products, and a significant supplier of interactive multimedia terminals. Nokia also develops and manufactures PC monitors and car audio systems.

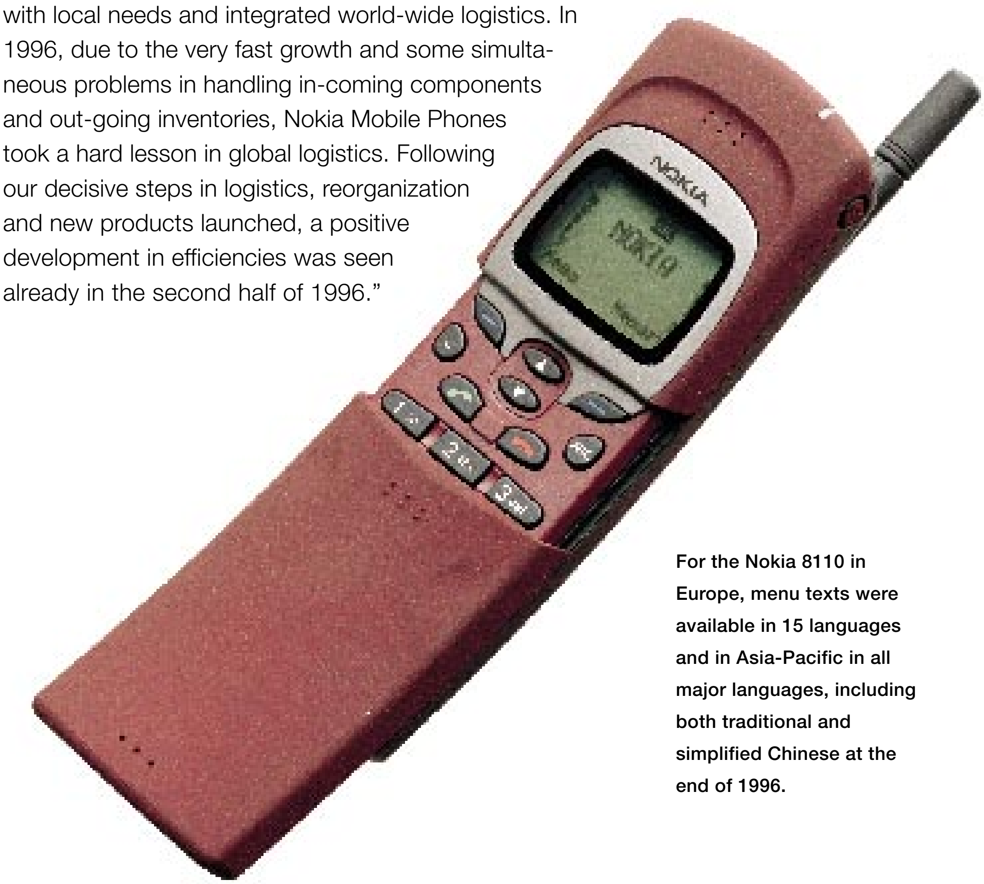
In the market development of mobile communications, there are clear regional differences. In Europe, major part of the market is already digital with increasing amount of data traffic in the networks. In the Americas, an accelerating shift from analog to digital is taking place. Asia-Pacific is wittnessing growth in several mobile digital telecommunication standards, while Japan is experiencing an unprecedented speed in volume growth. In total, mobile telecommunications equipment is generally expected to grow into the world's biggest volume electronics industry by the end of 1997.

Priority to value-added products

"You can simplify only when you master the complexity of required technologies," states Pekka Ala-Pietilä, President of Nokia Mobile Phones. "As a communications tool manufacturer, Nokia's strength lies in the profound understanding of different technologies and expertise in both wireless voice and data communication."

Nokia has a good foundation for the on-going convergence in telecommunications where mobility brings the added value. Additionally, Nokia's wide market presence and the Nokia brand provide competitive advantages. Nokia has become a symbol of user-friendliness, simplicity and style combined with high technology and broad choice of features.

Referring further to Nokia Mobile Phones' strengths, Mr. Ala-Pietilä says: "We have combined volume production with local needs and integrated world-wide logistics. In 1996, due to the very fast growth and some simultaneous problems in handling in-coming components and out-going inventories, Nokia Mobile Phones took a hard lesson in global logistics. Following our decisive steps in logistics, reorganization and new products launched, a positive development in efficiencies was seen already in the second half of 1996."



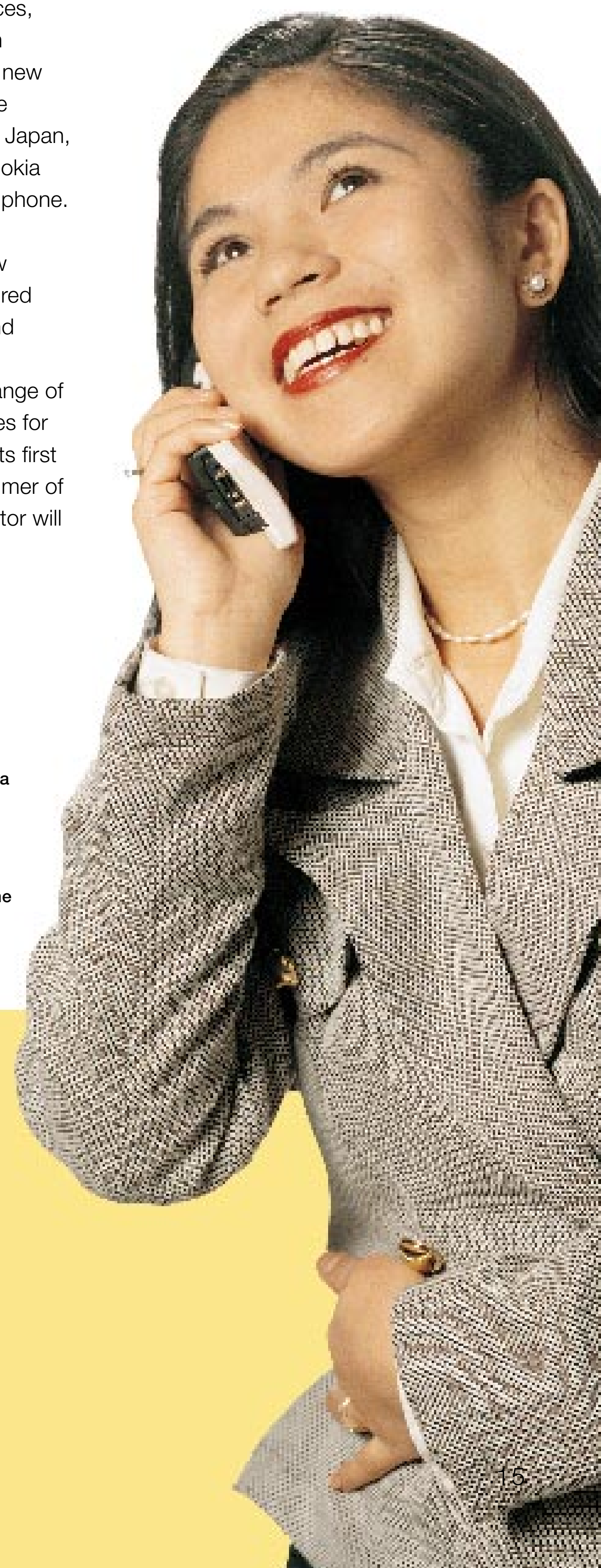
For the Nokia 8110 in Europe, menu texts were available in 15 languages and in Asia-Pacific in all major languages, including both traditional and simplified Chinese at the end of 1996.

Different car kits, ranging from basic to professional, are available for Nokia´s mobile phones.

Addressing every major user segment, Nokia's new GSM phones in 1996 include the Nokia 8110, a state-of-the-art and lightweight digital phone for which Nokia also was the first manufacturer to introduce various new Asian language user interfaces, including Chinese, Thai and Bahasa. Nokia 1610 is an easy-to-use handset with outstanding operating times. In the United States, Nokia began deliveries of the new Nokia 2160, the first available dual mode AMPS/TDMA (Advanced Mobile Phone Service/Time Division Multiple Access) phone for the IS-136 TDMA networks. In Japan, where operators introduced a half rate standard to increase network capacity, Nokia started shipping its new half rate PDC (Personal Digital Communications) digital phone. In 1996, Nokia introduced a total of 14 new phone models.

In 1996, the pioneering Nokia 9000 Communicator created an entirely new category of digital all-in-one communications devices. Deliveries of this full-featured GSM phone with fax, e-mail, short message service, address-book, calender and Internet connection started in 1996 in major GSM markets.

With the new Nokia 9000 Communicator, Nokia offers a comprehensive range of mobile phones in all major standards, including analog phones and digital phones for GSM, TDMA, DCS and Japanese digital standards. Nokia has also announced its first IS-95 CDMA (Code Division Multiple Access) phone to be introduced in the summer of 1997. Additionally, in 1997, a GSM 1900 version of the Nokia 9000 Communicator will start selling in the Americas.



With its unique curved shape, the Nokia 8100 product family is the first with an innovative, ergonomically comfortable design. The sliding cover protects the keypad and enables to adjust the phone to a perfect ear-to-mouth length.

Awards

Major awards for Nokia's mobile phone advertising in 1996

The European Advertising Achievement Award (European Association of Advertising Agencies, EAAA)

Advertiser of the Year, "Most Creative Use Of Media" Award for excellence (Media Magazine) in Asia-Pacific

Milestones

Nokia's milestones 1996

- Nokia 9000 Communicator, the world's first all-in-one mobile communications tool
- Nokia 2160, the first available dual mode AMPS/ TDMA phone
- Nokia Mediamaster, the first digital multimedia terminal in the world
- Nokia 8110, the first available mobile phone with Asian user interfaces
- First digital data/fax card for the Japanese digital cellular networks

From speech to data and multimedia

Following the rapid change in cellular usage and the upgrading of networks, new opportunities are emerging, and together with growth, segmentation is expected to continue.

”In creating equipment and solutions for data and multimedia communication, innovativeness and speed in understanding customer needs are as important as technological expertise,” notes Mr. Ala-Pietilä. ”To be successful we have to continuously broaden our views. We will benefit from our accumulated know-how and our cooperation with our partners.” Emerging technologies will open new opportunities for telecom operators in serving different user groups with different network features and tariffs. In addition, there will continuously be new space for product innovations.

”Our strategy is to provide mobile phones for all major standards,” says Pekka Ala-Pietilä. ”This enables us to make the best possible decisions for the benefit of cellular users. In the near future, we expect to see a lot more different product hybrids of speech and data as well as combinations with multimedia. There will be totally new approaches and concepts, as well.”

In general, speech is becoming more and more mobile as telephony is a matter of being connected to a person, not a place. Also, as mobile data gets more individualized, mobile multimedia might well be the next feature to surprise the world with fast growth.

Future products for the automotive industry

Nokia is actively developing future products for the automotive industry. These products cover a wide range of applications for Intelligent Transport Systems (ITS).

The Nokia 8110 weighs only 152 grams with the standard Lithium-ion battery. However, the operating times are excellent, with up to 5 hours, and standby time up to 6 days with the extended battery.

Currently, car manufacturers are looking at possibilities to integrate navigation and road guidance systems, remote engine management and other communication between vehicles and third parties into their products. The existing wide coverage digital cellular networks can be utilized in many of these solutions.

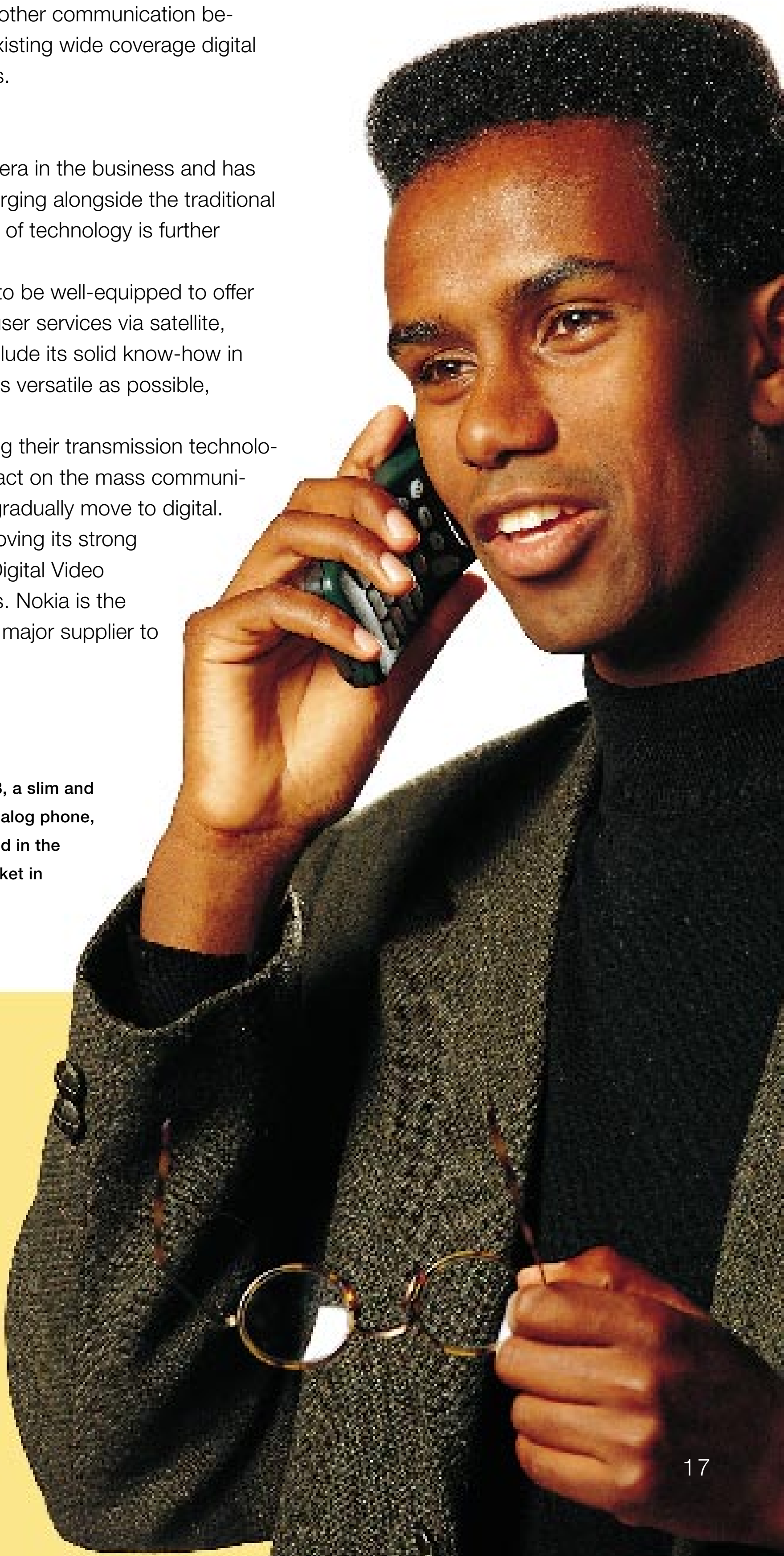
Digitalization calls for new concepts

Digitalization has marked the beginning of an entirely new era in the business and has resulted in stronger competition. New businesses are emerging alongside the traditional TV companies and telecom operators. The rapid evolution of technology is further increasing the versatility of the equipment and services.

Nokia is closely following the major carriers in order to be well-equipped to offer terminal concepts that operators need for delivering end-user services via satellite, terrestial or cable networks. Nokia's competitive edges include its solid know-how in digital signal processing. The aim is to develop terminals as versatile as possible, solving various service needs for most operators.

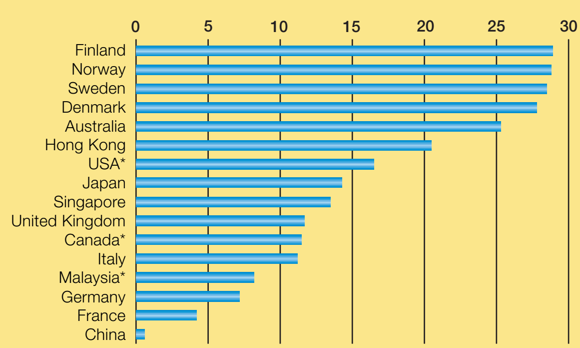
Satellite and cable TV operators are globally changing their transmission technologies from analog to digital. This will have a siginificant impact on the mass communication market. Also terrestrial television broadcasting will gradually move to digital.

Nokia is a major player in this convergence, while moving its strong position in analog satellite receivers towards digital DVB (Digital Video Broadcasting) standard based satellite and cable terminals. Nokia is the exclusive producer to the German Kirch Group and also a major supplier to the Italian operator Telepiù and the Scandinavian markets.



The Nokia 918, a slim and lightweight analog phone, was introduced in the American market in early 1997.

Cellular penetration in major markets in 1996, %



*** Estimates**

Source: EMC/NMP Global Market Analysis, 1997

Awards

Editorial awards for Nokia displays

- Byte Magazine
- Windows Magazine
- Family PC Magazine
- Mac Home Journal
- PC World
- Kapital Data
- Chip
- PC Activ
- MAC World
- Mikrobitti
- PC Expert

Nokia Multigraph 445Xavc is an award-winning 21" multimedia monitor with integrated microphone, camera, and sound system with subwoofer. It is designed for the growing desktop multimedia needs, desktop publishing and videoconferencing. Due to the success of the new 21" products, Nokia has been able to increase its market share in large displays, both in Europe and in the USA.

Network computer features to multimedia terminals

Multimedia terminals are developed for the residential and business user market as multimedia is growing to yet another new product segment in telecommunications industry. "For the end-users", says Heikki Koskinen, President of Nokia Multimedia Network Terminals Division, "one of the key elements in choosing between different options will be downloading of the applications and software from the networks."

In 1996, Nokia announced that the Nokia Mediamaster multimedia network terminal supporting Internet services such as the WWW (World Wide Web), will also support Network Computers (NC) standards. This reference profile, defined by industry leaders, opens a new class of devices and ensures inter compatibility among them.

"Easy-to-use, low-cost terminal devices based upon Internet standards are a way of connecting oneself, not only to one operator, but globally", states Mr. Koskinen. Nokia Mediamaster is the first product of the Nokia strategy of supporting major multimedia delivery platforms, including satellite, cable and telecommunications networks.

In 1996, Nokia also announced that it will apply Sun´s JavaOS technology in its telecommunications terminals. The Java platform, with design advantages from Java programming language to an operating system, supports Nokia´s strategy of advancing major multimedia and Internet standards.

The Nokia Multimedia Terminal turns a TV set into a multimedia station. Services include interactive video and audio. New applications, which will be downloaded automatically are under development. These will include e-mails and faxes, as well as other interactive data services.

Even battery chargers can be provided with colors. Together with the charger, here is the digital phone classic Nokia 2110.

High quality monitors and audio systems

Nokia's award-winning monitors are renowned for their ergonomics and user-friendliness. Over 50% are sold under the Nokia brand name. The OEM (Original Equipment Manufacturer) customer base consists of major PC manufacturers. To satisfy the demand, Nokia increased its monitor production. The production plant ramp up in Pécs, Hungary continued according to plan. During 1996, Nokia introduced a new product range of 15", 17" and 21" monitors.

Nokia is a major supplier of tailor-made, high-end audio systems for the European car industry. "More than ten leading European car manufacturers are currently Nokia's customers", says Hannu Suominen, President of Nokia Industrial Electronics Division. To satisfy the increasing demand for high quality sound systems inside a car, Nokia has developed the Digital Sound Processing (DSP) system. The sound quality enhancements provided by DSP have been welcomed by the European car industry. The penetration of DSP is expected to increase in 1997.

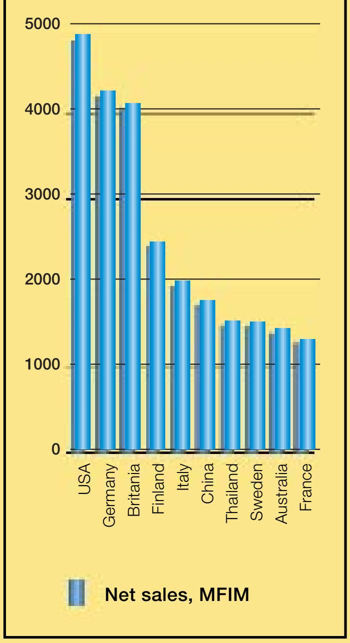
Mobile phone accessories – a growing business

There is a steadily increasing demand for mobile phone battery chargers with quick chargers becoming more and more popular. In 1996 Nokia continued to be one of the most significant suppliers of quick chargers globally. Approximately 60% of the chargers manufactured represented inter-company sales.

In 1996, the production volumes of duplex filters for mobile phones decreased due to the technology change from helical to ceramic.

Markets

Nokia's 10 major market areas in 1996



R&D

Nokia's R&D cooperation

- IMMP (Integrated Multimedia Project)
- ARES (Architectural Reasoning for Embedded Software)
- LP-DSP (Low Power and Cost DSP Subsystems for Portable Products)
- PROMISE (Personal Mobile Traveller and Traffic Information Service)
- FAMOOS (Framework-based Approach for Mastering Object-Oriented Software Evolution)
- MOMENTS (Mobile Media and Entertainment Services)
- WAND (Wireless ATM Network Demonstrator)
- EUREKA
- COST (Cooperation in Science and Technology)
- ESA (European Space Agency)
- MIT: Things That Think, WWW Consortium, Internet Telephony
- MCC (Microelectronics and Computer Technology Corporation)
- WINLAB (Wireless Information Network Laboratory)

Research and Development activities

Nokia continued to significantly invest in research and development activities in several areas in 1996. Total R&D expenditures for the year were FIM 3 514 million, representing 8.9% of net sales, an increase of 39% over 1995. The number of personnel engaged in R&D throughout the Group approached 8 000 in 33 facilities worldwide.

While Nokia business units work in close cooperation with customers in the development of network solutions and end-user products, Nokia Research Center focuses on longer-range research projects aimed at strengthening the company's core competencies and technological competitiveness.

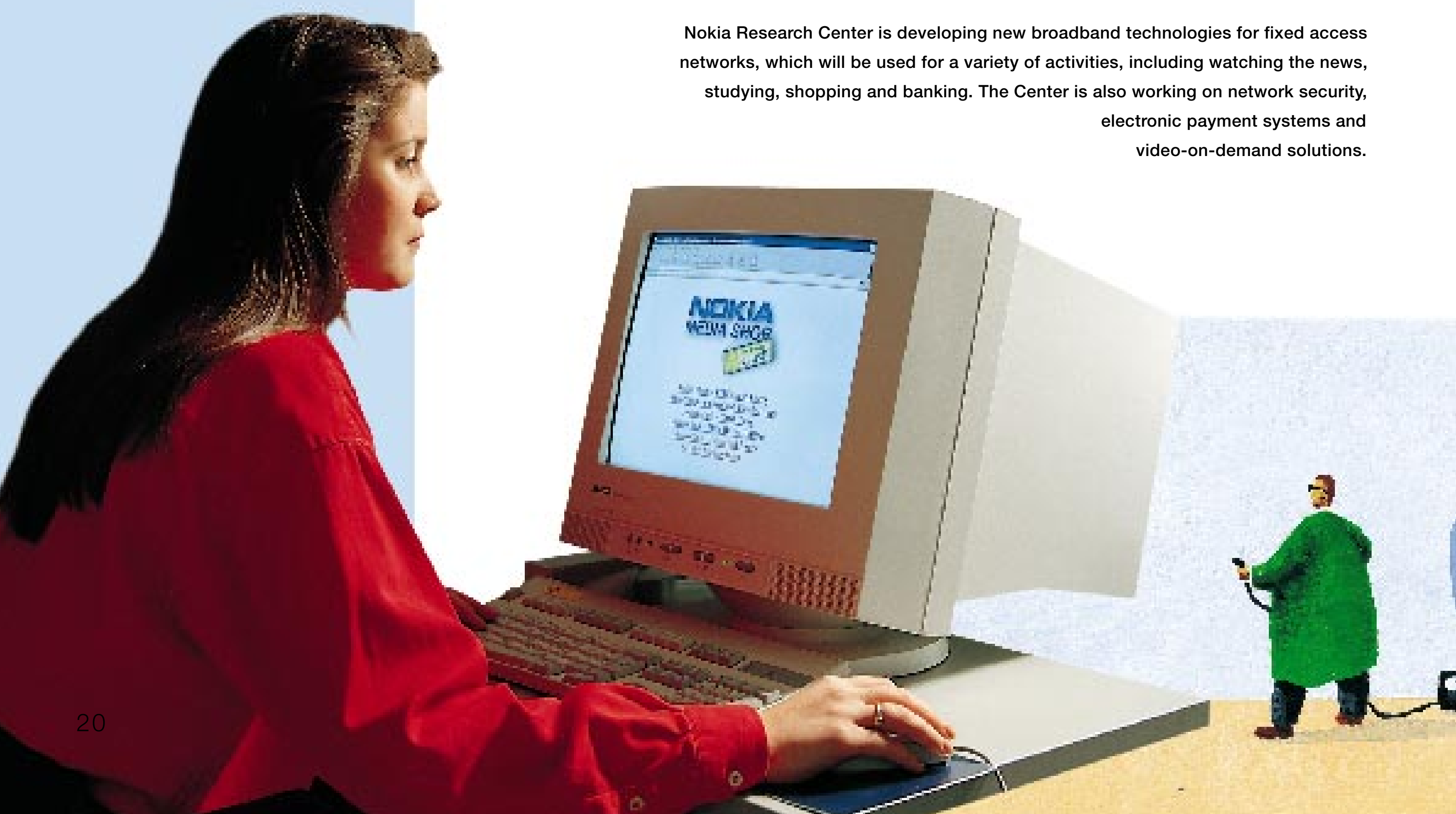
In 1996, among the areas drawing intense focus in R&D was the further development of data capabilities in cellular networks, where Nokia enjoys industry leadership. Ways to increase bandwidth for data transmission in GSM/DCS continued, with increasing importance to cellular operators who plan to provide more data-based services, such as wireless Internet.

Nokia's efforts also progressed in the field of SDH technology, increasing transmission capacity by improving the flexibility and manageability of operators' networks.

Following Nokia's policy of supporting open interfaces, access solutions based on international V5 standards moved ahead. Research also focused on IP/ATM -based broadband access solutions as well as on technologies to substantially increase the capacity of existing copper lines.

Furthermore, R&D investments were made in mobile and fixed IN solutions which allow a rapid creation of end-user services. Nokia's network management systems, an increasingly important tool in improving operators competitiveness, was another area of intense focus.

Nokia Research Center is developing new broadband technologies for fixed access networks, which will be used for a variety of activities, including watching the news, studying, shopping and banking. The Center is also working on network security, electronic payment systems and video-on-demand solutions.



10 YEARS		
R&D expenditures		
Year	MFIM	% of net sales
1987	581	4.2
1988	1045	4.8
1989	1152	5.1
1990	1164	5.3
1991	933	6.0
1992	1113	6.1
1993	1472	6.2
1994	1937	6.4
1995	2531	6.9
1996	3514	8.9

Product development continued in digital cellular phones and multi-purpose devices that combine both voice and wireless data, like the Nokia 9000 Communicator.

Nokia also made significant progress in voice quality over digital mobile networks. Nokia's Enhanced Full Rate (EFR) codec method was selected by ETSI (European Telecommunication Standards Institute) for GSM and DCS systems. Similarly, Nokia recommended a speech codec for the American TDMA (IS-136), based on the same solution. Also in the American CDMA (IS-95), Nokia had a clear influence on its speech codec choice.

While the digitalization of television is opening markets for interactive information and program services, Nokia remains involved in multimedia terminal development that will make it possible to use future services such as electronic money and Internet access through television sets.

Important role in standardization activities

Nokia remained active in the international R&D arena. Cooperation persisted on a number of fronts including the European Union's Framework program as well as projects with major American and Asian technology centers. The company remained very active in standardization work of enhanced European GSM and DCS. Participation also continued in the standardization of the American AMPS, TDMA, CDMA and the Japanese PDC, where Nokia has strong mobile terminal development. Special emphasis will be placed on participating in the development of UMTS/FPLMTS third-generation digital cellular standards.

Nokia's R&D investment priorities will continue to be vested in areas identified as crucial for future markets. Among the technologies in which R&D efforts will continue, are new wireless generations, broadband switching and transmission, IN and network management solutions. Additionally, projects concerning the development of TCP/IP (Transmission Control Protocol/Internet Protocol) protocol-based applications and other Internet-related areas will continue.

While Nokia Research Center is working on GSM/DCS enhancement, it is also involved in the development of UMTS/FPLMTS third-generation cellular systems.

eco

In Nokia, eco-efficiency means

- Minimizing of energy intensity
- Minimizing of material intensity of goods and services
- Minimizing of toxic dispersion
- Enhancement of recyclability
- Maximizing of the use of renewable resources
- Extension of product durability
- Increasing of total efficiency in processes

The Nokia 1611 offers an industry-first power management option, the solar battery.

Environmental activities

Nokia is one of the first companies committed to the Business Charter for Sustainable Development, published by International Chamber of Commerce (ICC) in 1991. Contrary to some industries, in telecommunications substantial environmental issues are mainly product rather than site specific. Accordingly, Environmental Management Systems (EMS) are mainly used for building up the management systems of a plant. These systems include standards like ISO 14001 (International Standardization Organization) and EU's regulations like the Eco-Management and Audit Scheme (EMAS).

For Nokia, eco-efficiency is an important and integral part of the total efficiency concept within the Group. Sustainable development, with the adoption of "Life Cycle Thinking", covers all environmentally significant impacts of a product from its planning to its end of life treatment. Additionally, Life Cycle Assessment serves as a tool when defining environmentally most important areas.

In the first phase, Nokia is taking steps to implement the EMS in various production plants. At the same time, life cycle based product specific eco-efficiency work has started throughout Nokia. One of the objectives is to continuously add value to the business processes, while optimizing energy and material use, thereby reducing pollution and waste, as well as building up high level environmental performance.

Environmental processes

The on-going Nokia-wide environmental processes, following the Nokia Environmental Policy first published in 1994, include:

- Sustainable Development according to ICC´s Business Charter
- Life-Cycle-Thinking and Best Available Technology (BAT) principles
- Nokia Environmental Steering Group activities covering issues such as: Follow-up and steering of implementation of the Nokia's environmental policy; Utilizing Nokia-wide synergies; Recommendations for actions; Environmental Management System (EMS) Reporting
- Nokia Future Watch Environment Group activities, including long term environmental visioning
- Nokia Research Center Environment Network and Forum since 1994 (including Environmental Networking and Design for Environment Process Development, DFE)

To further implement the Nokia Environmental Policy, activities in Nokia units include:

- Building up and implementing of Environmental Management Systems utilizing ISO 14000 standards
- Implementing Design for Environment Processes (DFE)
- Implementing environmental internal as well as supplier training programs
- Building environmental supplier requirements and audits policy
- Developing of environmental roadmaps (integrated with technology roadmaps)
- Implementing recycle projects
- Building of generic packaging specifications

Nokia also participates in various environmental activities within international telecommunications associations, and cooperates with various research institutes and universities.

Nokia in Brief

Nokia Telecommunications

Nokia Telecommunications develops and manufactures infrastructure equipment and systems for cellular and fixed networks. Nokia is the world's second largest supplier of GSM/DCS networks and a market leader in mobile data infrastructure. In addition, it is a significant supplier of advanced transmission and switching solutions to the fast growing segment of access networks.
President Matti Alahuhta

Nokia Mobile Phones

Nokia Mobile Phones is Europe's largest and the world's second largest manufacturer of cellular phones with markets in over 120 countries around the world. Nokia offers a full range of mobile phones for all major digital and analog cellular networks. It is the market leader in digital phones and in wireless data products.
President Pekka Ala-Pietilä

Nokia Multimedia Networks Terminals

Nokia Multimedia Network Terminals is a pioneer in digital satellite and cable network terminals for interactive, multimedia applications, focusing on Internet and DVB (Digital Video Broadcasting) protocols. It has introduced multimedia terminals for cable, satellite and fixed network use, as well as cable modems.
President Heikki Koskinen

Nokia Industrial Electronics

Nokia Industrial Electronics develops and manufactures audio systems and loudspeakers for car, television and hi-fi manufacturers; electronic control and display units for the automobile industry; battery chargers for mobile phones and other power supply applications; and duplex filters for the mobile phone industry. Nokia Display Products develops and manufactures PC and workstation monitors, including applications for multimedia communications and new technology displays.
President Hannu Suominen

Nokia Research Center

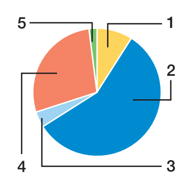
Nokia Research Center is a corporate research unit, interacting closely with all Nokia business units. The center covers the full range of activities from exploration of new technologies and product/system concepts to their exploitation in the actual product development of the business units. The center has a strong participation in various international R&D projects in cooperation with universities, research institutes and telecommunications companies. Its research areas include telecommunications, audio-visual signal processing, software and electronics.
Senior Vice President, Research Juhani Kuusi

Nokia Telecommunications

	1996	1995	Change
Net sales	13 333	10 341	+29%
Operating profit	2 982	2722	+10%
R&D expenditure	1 926	1 274	+51%
Personnel Dec. 31	13 475	11 297	+2 178

Net sales by market area

1996



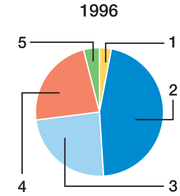
1 Finland	9%
2 Other European countries	57%
3 Americas	4%
4 Asia-Pacific	28%
5 Other countries	2%

Nokia Mobile Phones

	1996	1995	Change
Net sales	21 579	16 052	+34%
Operating profit	1 431	1 753	-18%
R&D expenditure	1 376	967	42%
Personnel Dec. 31	11 329	10 756	+573

Net sales by market area

1996



1 Finland	3%
2 Other European countries	46%
3 Americas	24%
4 Asia-Pacific	23%
5 Other countries	4%

Other Operations [1]

	1996	1995	Change
Net sales	5 197	11 156	-53%
Operating profit/loss	-147	537	-127%
Personnel Dec. 31	6 919	11 731	-4 812

[1] Nokia Multimedia Network Terminals
Nokia Industrial Electronics
Nokia Research Center
General Group Functions

Review by the Board of Directors

Nokia´s net sales in 1996 totaled FIM 39.3 billion (FIM 36.8 billion in 1995). Excluding the effects of fluctuations in exchange rates and Group structural changes, Nokia´s net sales increased by 25%.

Sales growth continued in Nokia Telecommunications (by 29%) and in Nokia Mobile Phones (by 34%). Excluding the structural changes, sales growth continued also in Other Operations (up 33%).

Nokia Group´s operating profit (IAS) totaled FIM 4 266 million (FIM 5 012 million in 1995). The Group´s operating margin was 10.8% (13.6% in 1995). Operating profit of Nokia Telecommunications increased to FIM 2 982 million (FIM 2 722 million in 1995). Operating profit of Nokia Mobile Phones was FIM 1 431 million (1 753 million in 1995). As reported previously, Nokia Mobile Phones experienced lower profitability during the first half of the year. Other Operations reported an operating loss of FIM 147 million (a profit of FIM 537 million in 1995).

The Group´s net financial expenses totaled FIM 405 million (FIM 164 million in 1995).

The Group´s profit before taxes and minority interests (IAS) totaled FIM 3 898 million (FIM 4 933 million in 1995). The Group´s taxes amounted to FIM 856 million (FIM 769 million in 1995).

The Group´s profit from its continuing operations (IAS) was FIM 3 044 million (FIM 4 087 million in 1995). The earnings per share from continuing operations was FIM 10.73 (FIM 14.36 in 1995).

The impact of the disposal of Nokia´s holdings in the cable industry and in chemicals businesses totaled a FIM 219 million gain (net of tax). This gain is reflected in discontinued operations in 1996.

Net profit was FIM 3 263 million (FIM 2 232 million in 1995).

Nokia´s financial position continued to develop positively toward the end of the year. The net-debt-to-equity ratio at the end of the year was -9% (+17% at the end of 1995).

In 1996, Europe accounted for 59% of Nokia Group´s sales, the Asia-Pacific region for 22%, the Americas for 16% and Other countries for 3%.

New operational mode

In 1996, Nokia completed its transformation to a focused global telecommunications company by discontinuing certain non-core businesses. Nokia sold its remaining 55% shareholding in the Dutch cable

Net sales by business group Jan. 1–Dec. 31

	1996 MFIM	%	1995 MFIM	%	Change %
Nokia Telecommunications	**13 333**	**34**	10 341	28	28.9
Nokia Mobile Phones	**21 579**	**55**	16 052	44	34.4
Other Operations *	**5 197**	**13**	11 156	30	-53.4
Inter-business group eliminations	**-788**	**-2**	-739	-2	
Nokia Group	**39 321**	**100**	36 810	100	6.8
* of which Discontinued and Divested Operations	**589**		**7 694**		

Operating profit/loss, IAS, Jan. 1–Dec. 31

	1996 MFIM	% of net sales	1995 MFIM	% of net sales
Nokia Telecommunications	**2 982**	**22.4**	2 722	26.3
Nokia Mobile Phones	**1 431**	**6.6**	1 753	10.9
Other Operations	**-147**	**-2.8**	537	4.8
Nokia Group	**4 266**	**10.8**	5 012	13.6

making company NKF in March 1996. In June 1996, Nokia announced the sale of its television production and related technology units in Finland to Semi-Tech (Global) Company. In December, Nokia agreed to sell its holding in Finnish Chemicals to Erikem.

To improve regional responsiveness and to harmonize Nokia Group internal processes and management systems, Nokia developed its operational mode by implementing Group-wide area organizations in the Americas and in the Asia-Pacific as of January, 1997. Mr. Olli-Pekka Kallasvuo was appointed Executive Vice President, Nokia Americas and Ms. Sari Baldauf Executive Vice President, Nokia APAC. The two Nokia Group primary business groups, carrying the global responsibility in total operations, are Nokia Telecommunications and Nokia Mobile Phones, headed by Mr. Matti Alahuhta and Mr. Pekka Ala-Pietilä, respectively. Mr. Kallasvuo, Ms. Baldauf, Mr. Alahuhta and Mr. Ala-Pietilä all report to Mr. Jorma Ollila, President and CEO, Nokia. Other Operations now consists of Nokia Multimedia Network Terminals and Nokia Industrial Electronics divisions as well as of Nokia Research Center and General Group Functions.

During 1996, Nokia increased its personnel by 3 300 in its telecommunications businesses, most of them for R&D and production positions. At year-end Nokia employed 31 723 people in 45 countries worldwide. The average number of personnel for the year was 31 766 (31 948 in 1995).

Building future competitive strength

To strengthen its future competitiveness, Nokia continued to invest strongly in research and development activities, including product development. By the end of 1996, the Group´s global R&D network included units in Australia, Denmark, Finland, Germany, Japan, Sweden, the UK and the USA with some 8 000 employees, more than one fourth of Nokia´s total personnel, working in 33 R&D units. With an increase of 39% over the previous year, Nokia´s R&D investments totaled FIM 3 514 million, (FIM 2 531 million in 1995), representing 8.9% of net sales (6.9% of net sales in 1995).

In 1996, Nokia Research Center, the Group research unit, continued to focus on longer-range research projects. These include development of data services in cellular networks where Nokia enjoys industry leadership, ways to increase cellular data transmission rates,

Average personnel

	1996	1995
Nokia Telecommunications	**12 558**	9 915
Nokia Mobile Phones	**10 927**	10 616
Other Operations	**8 281**	11 417
Nokia Group	**31 766**	31 948
Finland	**17 999**	17 821
Other European countries	**8 633**	10 065
Americas	**2 751**	2 067
Asia-Pacific	**2 372**	1 977
Other countries	**11**	18
Parent Company	**699**	589

Research and development, MFIM

	1996	1995
Nokia Telecommunications	**1 926**	1 274
Nokia Mobile Phones	**1 376**	967
Other Operations	**212**	290
Nokia Group	**3 514**	2 531

and projects on broadband communications overall.

Nokia made a significant contribution to the improvement of voice quality in digital mobile networks in 1996. Nokia's Enhanced Full-Rate (EFR) codec method was selected by ETSI (European Telecommunication Standards Institute) for GSM and DCS systems. The speech codec for American IS-136 (TDMA) is also based upon the same solution. Nokia also had a clear influence upon the speech codec choice for the IS-95 (CDMA, Code Division Multiple Access) standard.

Nokia continued its participation in international R&D projects, including the EU Framework Program and projects with major American and Asian technology centers. Nokia is also involved in the standardization work in the European GSM and DCS, and in the American AMPS, TDMA, CDMA and Japanese PDC (Personal Digital Communications). Nokia also participates in the development of UMTS/FPLMTS (Universal Mobile Telephone System/Future Public Land Mobile Telecommunications System) third-generation digital wireless standards.

In 1996, Nokia´s other major investments included base station production facilities in the UK and in the USA, a monitor factory in Hungary, a base station/mobile phone factory in China and the Nokia House in Finland. At year-end, Nokia had manufacturing facilities in 11 countries supplying products to over 120 countries worldwide. Capital expenditures during the year amounted to FIM 2 028 million (FIM 3 299 million in 1995).

Continued profitable growth

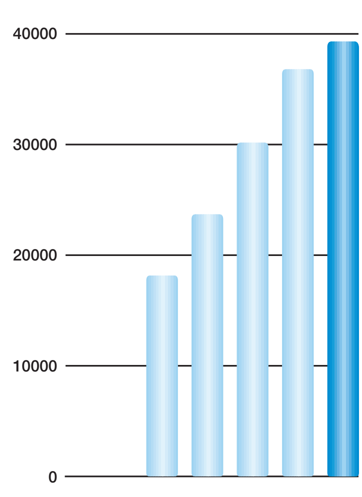
Nokia Telecommunications

Net sales of the Nokia Telecommunications business group in 1996 totaled FIM 13 333 million (FIM 10 341 million in 1995). Sales growth was strong both in Europe and in the Asia-Pacific region. The business group´s order inflow during 1996 was FIM 14.5 billion, an increase of 27% over the prior year (FIM 11.4 billion in 1995). R&D investments increased 51% in 1996 to FIM 1 926 million (FIM 1 274 million in 1995). Operating profit increased 10% and totaled FIM 2 982 million (FIM 2 722 million in 1995). Operating margin in 1996 was 22.4% (26.3% in 1995).

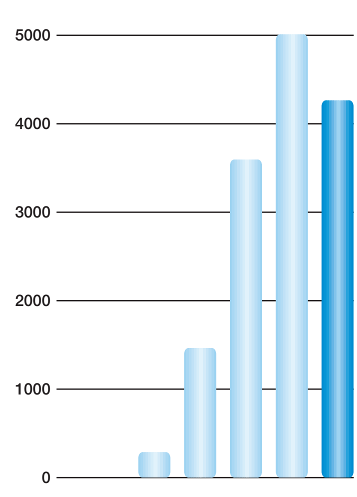
Nokia continued to make progress in the fast growing GSM/DCS markets of Europe and the Asia-Pacific region. In the USA, having introduced the GSM 1900 Mobile Switching Center (MSC), Nokia concluded a breakthrough GSM 1900 system agreement.

In 1996, Nokia Telecommunications signed agreements with 16 new GSM/DCS operators, increasing the total number of its digital mobile network operator customers to 53. The growth was fastest in the Asia-Pacific region with

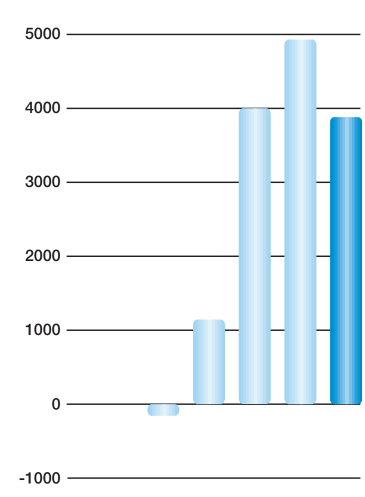
Net sales, MFIM



Operating profit, IAS, MFIM



Profit/loss before tax and minority interests, IAS, MFIM



several GSM/DCS deals in China and India. In Europe, several new customers and sizable GSM/DCS expansion agreements helped to maintain Nokia´s position as one of the two largest suppliers of GSM networks and the world´s largest supplier of DCS 1800 systems.

With continued deregulation making the fixed network segment more market driven, Nokia´s complete systems ability opened new business opportunities to the Group. Progress was also made in the supply of telecommunications solutions to the UK cable TV/telecomms sector, with Nokia strengthening its market position.

In 1996, Nokia also made progress in high-speed SDH access systems, with the number of SDH customers growing to 48 in 18 countries. Deals were also signed for IN (Intelligent Networks) deliveries for mobile and fixed networks. Additionally, Nokia's DCS-based fixed wireless solution made its initial inroads in the Asia-Pacific region, providing fast and cost-effective telecommunications service in developing markets.

In mobile data, Nokia made progress in becoming the global leader in wireless data delivery through advanced network server solutions and data terminals.

A leading wireless terminal supplier

Nokia Mobile Phones

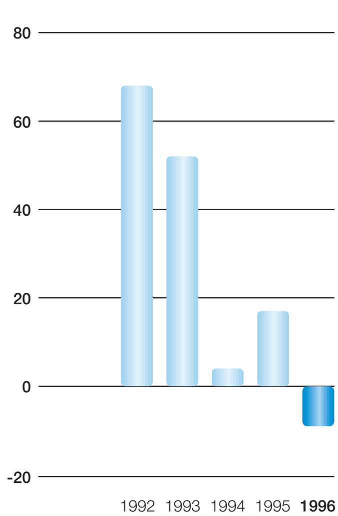
Net sales of the Nokia Mobile Phones business group in 1996 totaled FIM 21 579 million (FIM 16 052 million in 1995). Operating profit was FIM 1 431 million (FIM 1 753 million in 1995). Operating margin for 1996 was 6.6% (10.9% for 1995).

As previously reported, Nokia Mobile Phones´ profits in the first two quarters of the year remained significantly lower than in the corresponding period in 1995. However, the business group continued to improve operating efficiency as planned in the second half of 1996.

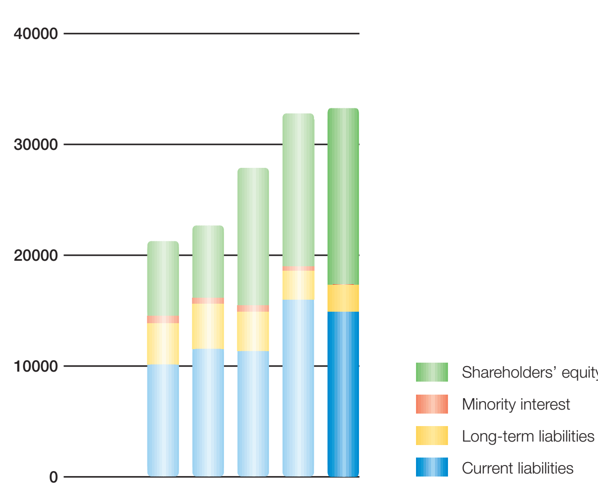
Nokia, Europe´s largest and the world´s second largest mobile phone manufacturer, continued to strengthen its market position in digital mobile handsets towards the end of 1996. At year-end, Nokia was the global market leader in digital mobile phones.

Nokia offers a comprehensive range of mobile phones in all major standards, including analog phones and digital phones for GSM, TDMA, PCS/DCS and Japanese digital standard. In 1996, Nokia Mobile Phones introduced several new GSM phones, addressing all major user segments in various markets. These include the Nokia 8110, a state-of-the-art and lightweight digital phone, and the Nokia 1610, an easy-to-use handset with outstanding operating times. In the USA, Nokia began deliveries of the new Nokia 2160, the first dual mode AMPS/TDMA phone for IS-136 TDMA networks. In Japan, Nokia introduced a new half-rate

Net debt to equity, %



Shareholders' equity and liabilities, IAS, MFIM



PDC digital phone for the Japanese half-rate standard with increased network capacity. In total, Nokia began deliveries of 14 new phone models in 1996.

The range of Nokia phones available in different colors was enlarged in 1996, and to better serve mobile phone users in the fast growing Asia-Pacific market, Nokia was the first manufacturer to introduce various new Asian language user interfaces, including Chinese, Thai and Bahasa.

With the introduction of the Nokia 9000 Communicator, Nokia created an entirely new category of digital all-in-one communications devices. During 1996, deliveries of this full-featured GSM phone with fax, e-mail, short message service, address-book, calendar and Internet connection started in major GSM markets. Nokia also announced that it will begin marketing a GSM 1900 version of the Nokia 9000 Communicator in the Americas in 1997.

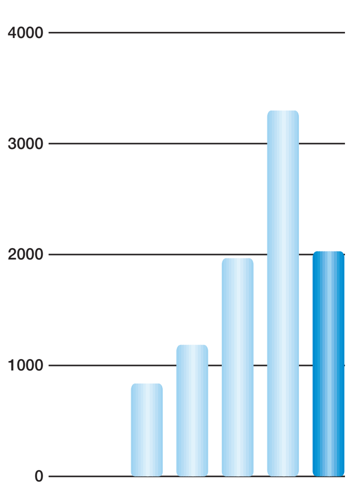
Outlook

Nokia´s business is fundamentally strong. Having streamlined its operations to focus on its core telecommunications businesses, Nokia is well-positioned to achieve its future goals.

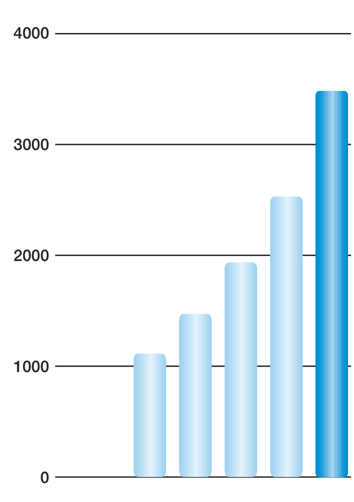
Dividend

The Board of Directors of Nokia will recommend at the Annual General Meeting that a dividend of FIM 3.50 per share (FIM 3.00 per share in 1995) be paid on K and A shares.

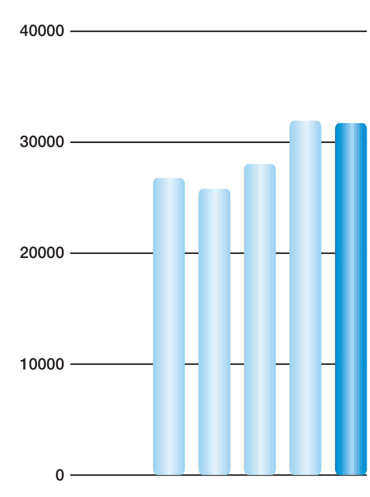
Capital expenditure, MFIM



Nokia’s R&D expenditure, MFIM



Average personnel



Consolidated Profit and Loss Account, IAS

Financial year ended December 31	Notes**	1996 MFIM	1995 MFIM
Net sales		**39 321**	36 810
Costs of goods sold		**-28 029**	-25 518
Research and development expenses		**-3 514**	-2 531
Selling, general and administrative expenses		**-3 512**	-3 749
Operating profit	**2, 3, 4, 5, 6**	**4 266**	5 012
Share of results of associated companies		**37**	85
Financial income and expenses	**7**	**-405**	-164
Profit before tax and minority interests		**3 898**	4 933
Tax	**8**	**-856**	-769
Minority interests		**2**	-77
Profit from continuing operations		**3 044**	4 087
Discontinued operations	**9**	**219**	-2 340
Profit from ordinary activities before cumulative effect of change in accounting policies		**3 263**	1 747
Cumulative prior year effect (after tax) of change in accounting policies		**-**	485
Net profit		**3 263**	2 232

* The accounting principles adopted by Nokia in preparing the financial statements according to IAS are set out on pages 36 to 37.
** Notes are shown on pages 36 to 52.

Key Ratios

	1996	1995
Earnings per share, FIM:		
Continuing operations [1]	**10.73**	14.36
Ordinary activities before cumulative effect of change in accounting principles [2]	**11.51**	6.14
Dividend per share [3], FIM	**3.50**	3.00
Shareholders' equity per share [4], FIM	**56.24**	48.55
Return on capital employed [5], %	**22.7**	29.1
Return on shareholders' equity [6], %	**20.5**	31.2

1 Profit from continuing operations divided by average of adjusted number of shares.
2 Profit from ordinary activities after discontinued operations but before cumulative effect of change in accounting policies divided by average of adjusted number of shares.
3 The Board's proposed dividend for 1996.
4 Adjusted number of shares at the end of the year.
5 Profit before tax and minority interests 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.
6 Profit from continuing operations as a percentage of average shareholders' equity.

Consolidated Balance Sheet, IAS

December 31	Notes*	1996 MFIM	1995 MFIM
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	12	1 455	1 581
Property, plant and equipment	13	5 662	6 109
Investments	14	901	837
Long-term loan receivables		138	234
Other non-current assets		253	286
		8 409	9 047
Current assets			
Inventories	16	6 423	9 982
Accounts receivable, less allowances for doubtful accounts (Dec. 31, 1996 MFIM 198, Dec. 31, 1995 MFIM 155)	17	10 898	9 518
Short-term investments		5 886	2 888
Bank and cash		1 659	1 326
		24 866	23 714
Total assets		33 275	32 761

December 31	Notes*	1996 MFIM	1995 MFIM
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	1 498	1 498
Other restricted equity	18	5 298	5 455
Treasury shares	18	-657	-470
Untaxed reserves	18, 19	1 516	1 873
Retained earnings	18	8 270	5 450
		15 925	13 806
Minority interests		29	422
Long-term liabilities	21		
Long-term debt		2 117	2 121
Other long-term liabilities		297	457
		2 414	2 578
Current liabilities			
Short-term borrowings	25	3 404	4 332
Current portion of long-term debt	21	555	187
Accounts payable and accrued liabilities	24	10 610	9 388
Advance payments		338	396
Provision for discontinued operations		-	1 652
		14 907	15 955
Total shareholders' equity and liabilities		33 275	32 761

* Notes are shown on pages 36 to 52.

Consolidated Cash Flow Statement, IAS and FAS

Financial year ended December 31	Notes*	1996 MFIM	1995 MFIM
Cash flow from operating activities			
Operating profit		**4 266**	5 012
Adjustments, total	**31**	**2 209**	1 509
Operating profit before change in net working capital		**6 475**	6 521
Change in net working capital	**31**	**2 993**	-5 351
Cash generated from operations		**9 468**	1 170
Interest received		**451**	508
Interest paid		**-874**	-667
Other financial income and expenses		**-65**	-55
Income taxes paid		**-661**	-1 102
Net cash from/used in operating activities		**8 319**	-146
Cash flow from investing activities			
Acquisition of Group companies, net of acquired cash		**-127**	-27
Treasury shares acquired		**-210**	-
Investments in other shares		**-48**	-69
Additions in capitalized R&D costs		**-677**	-742
Capital expenditures		**-2 028**	-3 299
Discontinued operations, net of disposed cash		**-378**	-496
Proceeds from disposal of shares in Group companies, net of disposed cash		**-**	876
Proceeds from sale of other shares		**74**	1 850
Proceeds from sale of fixed assets		**293**	396
Dividends received		**27**	75
Net cash used in investing activities		**-3 074**	-1 436
Cash flow from financing activities			
Capital investment by minority shareholders		**-**	37
Proceeds from (+), payments of (-) long-term liabilities		**242**	-754
Proceeds from (+), payments of (-) short-term borrowings		**-675**	1 976
Proceeds from (+), payments of (-) long-term receivables		**153**	-41
Proceeds from (+), payments of (-) short-term receivables		**-758**	186
Dividends paid		**-901**	-789
Net cash used in/from financing activities		**-1 939**	615
Net increase/decrease in cash and cash equivalents		**3 306**	-967
Cash and cash equivalents at beginning of period		**4 239**	5 181
Cash and cash equivalents at end of period		**7 545**	4 214

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 1995 and 1994, respectively	**4 214**	5 268
Foreign exchange adjustment	**25**	-87
	4 239	5 181
Net increase/decrease in cash and cash equivalents	**3 306**	-967
As reported for 1996 and 1995	**7 545**	4 214

Reconciliation between the Financial Statements under FAS and IAS

	Notes*	1996 MFIM	1995 MFIM
Net profit for the year under FAS		**3 470**	1 971
Untaxed reserves		**-348**	237
		3 122	2 208
Share of results of associated companies	**30**	**-**	24
Discontinued operations	**9**	**141**	-
Net profit for the year under IAS		**3 263**	2 232

	1996 MFIM	1995 MFIM
Shareholders' equity under FAS	**14 409**	12 075
Untaxed reserves	**1 516**	1 873
	15 925	13 948
Profit on the sale of fixed assets	**-**	-142
Shareholders' equity under IAS	**15 925**	13 806

* Notes are shown on pages 36 to 52.

Consolidated Profit and Loss Account, FAS

Financial year ended December 31	Notes*	1996 MFIM	%	1995 MFIM	%
Net sales		**39 321**	**100.0**	36 810	100.0
Costs of goods sold		**-28 029**		-25 518	
Gross margin		**11 292**	**28.7**	11 292	30.7
Research and development expenses		**-3 514**		-2 531	
Selling, general and administrative expenses		**-3 512**		-3 749	
		-7 026		-6 280	
Operating profit	**2, 3, 4, 5, 6**	**4 266**	**10.8**	5 012	13.6
Share of results of associated companies		**37**		61	
Financial income and expenses	**7**	**-405**		-164	
Profit before extraordinary items, appropriations and taxes		**3 898**	**9.9**	4 909	13.3
Extraordinary items	**10**				
Cumulative effect of changes in accounting principles		**-**		485	
Discontinued operations	**9**	**78**		-2 340	
Extraordinary items total		**78**		-1 855	
Profit before appropriations and taxes		**3 976**	**10.1**	3 054	8.3
Difference between actual and planned depreciation, increase (-), decrease (+)	**6**	**71**		-481	
Movements on untaxed reserves, increase (-), decrease (+)	**11**	**277**		244	
Direct taxes	**8**	**-856**		-769	
Profit before minority interests		**3 468**	**8.8**	2 048	5.6
Minority interests		**2**		-77	
Net profit		**3 470**	**8.8**	1 971	5.4

* Notes are shown on pages 36 to 52.

Prepared according to Finnish Accounting Standards - FAS

Consolidated Balance Sheet, FAS

December 31	Notes*	1996 MFIM	%	1995 MFIM	%
ASSETS					
Fixed assets and other non-current assets					
Intangible assets	12				
Capitalized R&D costs		958		955	
Intangible rights		266		236	
Goodwill		89		261	
Other intangible assets		142		129	
		1 455	4.4	1 581	4.8
Tangible assets	13				
Land and water areas		393		579	
Buildings and constructions		1 540		1 450	
Machinery and equipment		3 111		3 336	
Other tangible assets		204		347	
Advance payments and fixed assets under construction		414		397	
		5 662	17.0	6 109	18.6
Long-term investments					
Investments in associated companies	14	414		444	
Investments in other shares	14	487		534	
Long-term loan receivables		138		232	
Other non-current assets		253		289	
		1 292	3.9	1 499	4.6
Current assets					
Inventories					
Raw materials and supplies		2 615		4 130	
Work in progress		922		1 069	
Finished goods		2 873		4 631	
Advance payments		13		152	
		6 423	19.3	9 982	30.3
Receivables	17				
Accounts receivable		8 181		7 591	
Short-term loan receivables		659		56	
Prepaid expenses and accrued income		2 058		1 871	
		10 898	32.7	9 518	28.9
Short-term investments		5 886	17.7	2 888	8.8
Bank and cash		1 659	5.0	1 326	4.0
		33 275	100.0	32 903	100.0

* Notes are shown on pages 36 to 52.

December 31	Notes*	1996 MFIM	%	1995 MFIM	%
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	**18**				
Restricted equity					
Share capital		**1 498**		1 498	
Additional paid-in capital		**4 233**		4 353	
Other restricted equity		**675**		831	
		6 406	**19.3**	6 682	20.3
Distributable reserves					
Retained earnings		**4 533**		3 422	
Net profit for the year		**3 470**		1 971	
		8 003	**24.0**	5 393	16.4
Total shareholders' equity		**14 409**	**43.3**	12 075	36.7
Minority interests		**29**	**0.1**	422	1.3
Accumulated appropriations	**19**				
Accumulated depreciation in excess of plan		**957**	**2.9**	1 241	3.8
Untaxed reserves					
Investment reserve		**40**		2	
Other reserves		**519**		630	
		559	**1.7**	632	1.9
Provisions	**20**	**445**	**1.3**	517	1.6
Liabilities					
Long-term liabilities	**21**				
Bonds	**22**	**937**		791	
Convertible bonds	**23**	**2**		19	
Loans from financial institutions		**509**		641	
Pension premium loans		**341**		639	
Other long-term finance loans		**328**		31	
Other long-term liabilities		**297**		457	
		2 414	**7.2**	2 578	7.8
Short-term liabilities					
Current finance liabilities		**3 404**		4 332	
Current maturities of long-term loans		**555**		187	
Advance payments		**338**		396	
Accounts payable		**3 559**		4 077	
Accrued expenses and prepaid income		**6 606**		4 794	
Provision for discontinued operations		**-**		1 652	
		14 462	**43.5**	15 438	46.9
Total liabilities		**16 876**	**50.7**	18 016	54.7
		33 275	**100.0**	32 903	100.0

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 29-31, while financial statements prepared in accordance with Finnish Accounting Standards (FAS) are on pages 31, 33-35 and 53-56.

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 32.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during reporting period. Actual results could differ from those estimates.

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 reorganization costs. Goodwill is amortized over a period not exceeding five years, unless a longer period not exceeding 20 years from the date of acquisition, can be justified.

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 the IAS financial statements in proportion to share ownership. Such profits are deducted from the Group's equity and fixed assets and released in Group accounts over the same period as depreciation is made. *Sales profits arisen before January 1, 1994, have not been eliminated in FAS financial statements.*

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

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used. 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 year-end. Foreign exchange gains and losses related to normal business operations are treated as adjustments to cost of goods sold. 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 accounting period. The balance sheets of foreign Group companies are translated into Finnish markka at the rates of exchange ruling at the year-end. Exchange differences arising from the application of the purchase method are treated as an adjustment affecting consolidated shareholders' equity. Translation differences related to the restricted equity at the time of acquisition are treated as a part of restricted equity and exchange differences on the other reserves of foreign subsidiaries are credited or charged to retained earnings. 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. On the disposal of a foreign group company, the cumulative amount of the translation difference is recognized as income or as expense in the same period in which the gain or loss on disposal is recognized.

The Group's policy is to hedge a portion of foreign subsidiaries' shareholders' equity and untaxed reserves to reduce the effects of exchange rate fluctuations on the Group's net investments in foreign Group companies. Exchange gains and losses resulting from the hedging transactions are offset against the translation differences arising from consolidation and recorded in the shareholders' equity.

Derivative financial instruments

The Group enters into derivative financial instruments such as forward foreign exchange contracts and option contracts to hedge its exposure against foreign currency fluctuations on certain assets, liabilities and anticipated transactions denominated in foreign currencies. The impact of hedging transactions of firm and anticipated commitments is shown as a part of the costs of goods sold when the sale or purchase transaction is recognized.

The Group enters into derivative financial instruments such as interest rate swaps, forwards, futures and options to hedge its exposure to interest rate risk arising through interest bearing assets and liabilities and estimated future changes in the balance sheet structure. Interest payable and receivable under interest rate swaps is accrued and recorded as an adjustment to the interest income or expense related to the designated asset or liability. Amounts received or paid on cash settlement, representing the gain or loss, of interest rate forward contracts are deferred and recognized over the life of the underlying financial instrument as an adjustment to interest income or expense. Premiums paid for purchased interest rate options are included in other current receivables and premiums received for written options are included in other current payables in the balance sheet. The premiums are amortized to interest income or expense over the life of the agreements. Amounts receivable and payable under the agreements are recognized as yield adjustments over the life of the contract.

Revenue recognition
Sales are recorded upon shipment of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts. Revenues from large long-term contracts are recognized on the percentage of completion method. Provisions are made to cover anticipated losses on contracts.

Research and development
Research and development costs are expensed in the financial period during which they are incurred, except for certain development costs which are capitalized when it is probable that a development project will be a success, and certain criteria, including commercial and technological feasibility, have been met. Capitalized development costs are amortized on a systematic basis over their expected useful lives. The amortization period is between 3 to 5 years.

Maintenance, repairs and renewals
Maintenance, repairs and renewals are generally charged to expense during the financial period in which they are incurred. However, major renovations are capitalized 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.

Leasing
Operating lease payments are treated as rentals. Finance leases are treated as fixed assets.

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

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.

Discontinued operations
A discontinued operation results from the sale or abandonment of an operation that represents a separate, major line of business of an enterprise and of which the assets, net profit or losses and activities can be distinguished physically, operationally and for financial reporting purposes. The profit effect of discontinued operations, net of tax, is separately disclosed. In the FAS financial statements discontinued operations are classified as a component of extraordinary items.

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 companies' 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.

Dividends
Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

2. Segment information

	Telecommunications	Mobile Phones	Other Operations	Eliminations	Group total
Net sales					
1996, MFIM	**13 333**	**21 579**	**5 197**	**-788**	**39 321**
1995, MFIM	10 341	16 052	11 156	-739	36 810
Operating profit/loss, IAS					
1996, MFIM	**2 982**	**1 431**	**-147**	**-**	**4 266**
1995, MFIM	2 722	1 753	537	-	5 012
Capital expenditures*					
1996, MFIM	**825**	**614**	**589**	**-**	**2 028**
1995, MFIM	1 106	1 606	587	-	3 299
Identifiable assets, IAS					
1996, MFIM	**10 205**	**9 369**	**16 091**	**-2 390**	**33 275**
1995, MFIM	8 208	12 781	13 147	-1 375	32 761

* Excluding acquisitions and R&D capitalization.

3. Percentage of completion method

Profit on large long-term contracts is recognized when sale is recorded on part-delivery of products or part performance of services, provided that the outcome of the contract can be assessed with reasonable certainty. Most of the Group's net sales arise from businesses other than those of a long-term project nature. Project deliveries occur in Nokia Telecommunications' cellular systems business, where part of its net sales (4.2 billion FIM in 1996 and 3.8 billion FIM in 1995) was of a long-term project nature.

4. Personnel expenses

	GROUP		PARENT COMPANY	
	1996 MFIM	1995 MFIM	**1996 MFIM**	1995 MFIM
Wages and salaries	**4 475**	5 125	**156**	126
Pension expenses	**181**	372	**11**	2
Other social expenses	**688**	995	**27**	24
Personnel expenses as per profit and loss account	**5 344**	6 492	**194**	152
Monetary value of fringe benefits	**99**	103	**2**	3
Total	**5 443**	6 595	**196**	155
Remuneration of the members of the Boards of Directors, Group Executive Board, President and Chief Executive Officer, and Presidents and Managing Directors*	**43**	77	**5**	4
* Salaries include incentives	**4**	12	**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.

5. Selling and marketing expenses, administration expenses and other operating income and expenses

	GROUP 1996 MFIM	GROUP 1995 MFIM
Selling and marketing expenses	**-2 842**	-3 247
Administration expenses	**-616**	-1 172
Other operating expenses	**-225**	-293
Other operating income	**171**	963
Total	**-3 512**	-3 749

Other operating income 1995 includes gains from disposals of operations 179 MFIM.

6. Depreciation

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Depreciation according to plan				
Intangible assets				
Capitalized R&D costs	**674**	435	**-**	-
Intangible rights	**79**	55	**6**	4
Goodwill	**25**	59	**-**	-
Other intangible assets	**25**	20	**3**	3
Property, plant and equipment				
Buildings and constructions	**117**	80	**4**	4
Machinery and equipment	**1 239**	1 046	**17**	12
Other tangible assets	**77**	130	**-**	-
Total	**2 236**	1 825	**30**	23
Change in accumulated depreciation in excess of plan				
Intangible assets				
Intangible rights	**7**	-15	**2**	-
Other intangible assets	**4**	-3	**1**	-
Property, plant and equipment				
Buildings and constructions	**-79**	-187	**-69**	8
Machinery and equipment	**136**	-282	**-12**	1
Other tangible assets	**3**	6	**-**	
Total	**71**	-481	**-78**	9
Depreciation by function				
Costs of goods sold	**669**	815	**-**	-
R&D	**1 068**	697	**16**	10
Selling, marketing and administration	**241**	177	**14**	13
Other operating expenses	**233**	77	**-**	-
Goodwill	**25**	59	**-**	-
Total	**2 236**	1 825	**30**	23

7. Financial income and expenses

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Dividend income	**27**	75	**108**	268
Interest income from long-term investments	**23**	29	**134**	108
Interest income from short-term investments	**510**	559	**748**	693
Other financial income	**8**	3	**4**	3
Exchange gains and losses	**27**	-10	**-45**	-3
Interest expenses	**-966**	-745	**-603**	-436
Other financial expenses	**-34**	-75	**-10**	-14
Total	**-405**	-164	**336**	619

8. Direct taxes

	GROUP 1996 MFIM	1995 MFIM
For the year	**-884**	-881
From previous years	**28**	112
Total	**-856**	-769

9. Discontinued operations

Following the contribution of the Group's wholly-owned Chemicals business to a 50/50 joint venture company (Finnish Chemicals) with Kymmene Oy in 1991, the Group finally exited the Chemicals business at the end of 1996 with the disposal of its 50% interest, which resulted in a net of tax gain of 192 MFIM. The equity accounted earnings attributable to Nokia's 50% interest in Finnish Chemicals amounted to 50 MFIM in 1996 up to the date of disposal.

Nokia divested its remaining 55% shareholding in the Dutch cable making company NKF in March, 1996. Following this transaction, Nokia's only remaining interest in the cable business is its majority shareholding in the Turkish Türkkablo A.O. Nokia intends to divest its holdings of these shares. The net sales of the cable business in 1996 were 589 MFIM (3 465 MFIM in 1995).

In February 1996, Nokia announced its intention to exit the TV business. In June, Nokia announced the sale of its television production and related technology units in Turku, Finland to the Semi-Tech (Global) Company. The transaction also included the sale of machinery and equipment of the Nokia Bochum television factory in Germany, where manufacturing was terminated in September, Nokia's international television sales activities in Europe, and the television related R&D center in Germany. The financial impact of the decision to withdraw from the television business was reported in the 1995 accounts as discontinued operations. The results of these operations during the year 1996 did not effect the Group's financial performance in 1996.

	GROUP 1996 MFIM	1995 MFIM
Divestment of Chemicals business, net of tax	**242**	-
Divestment and discontinuation of Cables business, net of tax	**-23**	-
Discontinuation of TV business	**-**	-2 340
Discontinued operations, IAS	**219**	-2 340
FAS-adjustments	**-141**	-
Discontinued operations, FAS	**78**	-2 340

10. Extraordinary items

	GROUP 1996 MFIM	1995 MFIM
Cumulative effect of change in accounting principles	**-**	485
Discontinued operations	**78**	-2 340
Extraordinary items, FAS	**78**	-1 855
IAS-adjustments	**-78**	1 855
Extraordinary items, IAS	**-**	-

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

11. Change in untaxed reserves

	GROUP 1996 MFIM	GROUP 1995 MFIM
Investments	**71**	83
Others	**206**	161
Total	**277**	244

12. Intangible assets

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Capitalized R&D costs				
Acquisition cost Jan. 1	**1 857**	1 115		
Additions	**677**	742		
Accumulated depreciation Dec. 31	**-1 576**	-902		
Net carrying amount Dec. 31	**958**	955	**-**	-
Intangible rights				
Acquisition cost Jan. 1	**490**	362	**28**	21
Additions	**115**	149	**6**	9
Disposals	**-129**	-21	**-11**	-2
Accumulated depreciation Dec. 31	**-210**	-254	**-11**	-15
Net carrying amount Dec. 31	**266**	236	**12**	13
Goodwill				
Acquisition cost Jan. 1	**1 240**	1 305		
Disposals	**-147**	-65		
Accumulated depreciation Dec. 31	**-1 004**	-979		
Net carrying amount Dec. 31	**89**	261	**-**	-
Other intangible assets				
Acquisition cost Jan. 1	**199**	255	**34**	137
Additions	**54**	80	**1**	2
Disposals	**-35**	-136	**-15**	-105
Accumulated depreciation Dec. 31	**-76**	-70	**-4**	-12
Net carrying amount Dec. 31	**142**	129	**16**	22

13. Tangible assets

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Land and water areas				
Acquisition cost Jan. 1	**579**	529	**84**	83
Additions	**3**	114	**1**	1
Disposals	**-203**	-62	**-**	-
Translation differences	**14**	-2	**-**	-
Net carrying amount Dec. 31	**393**	579	**85**	84
Buildings and constructions				
Acquisition cost Jan. 1	**2 187**	2 180	**108**	114
Additions	**138**	431	**73**	16
Disposals	**-332**	-414	**-1**	-22
Translation differences	**20**	-10	**-**	-
Accumulated depreciation Dec. 31	**-473**	-737	**-43**	-40
Net carrying amount Dec. 31	**1 540**	1 450	**137**	68
Machinery and equipment				
Acquisition cost Jan. 1	**7 395**	6 568	**93**	81
Additions	**1 201**	1 989	**42**	29
Disposals	**-1 700**	-1 117	**-10**	-17
Translation differences	**64**	-45	**-**	-
Accumulated depreciation Dec. 31	**-3 849**	-4 059	**-57**	-50
Net carrying amount Dec. 31	**3 111**	3 336	**68**	43
Other tangible assets				
Acquisition cost Jan. 1	**780**	991	**10**	10
Additions	**108**	198	**-**	1
Disposals	**-402**	-403	**-**	-1
Translation differences	**15**	-6	**-**	-
Accumulated depreciation Dec. 31	**-297**	-433	**-9**	-9
Net carrying amount Dec. 31	**204**	347	**1**	1
Advance payments and fixed assets under construction				
Acquisition cost Jan. 1	**397**	415	**95**	36
Additions	**402**	333	**311**	63
Disposals	**-387**	-348	**-89**	-4
Translation differences	**2**	-3	**-**	-
Net carrying amount Dec. 31	**414**	397	**317**	95

14. Shares

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Acquisition cost Jan. 1	**979**	1 976	**5 379**	5 108
Additions	**47**	275	**283**	1 672
Disposals	**-140**	-1 306	**-185**	-246
Write-downs	**-55**	-	**-219**	-1 155
Associated companies	**69**	41	**-**	-
Translation differences	**1**	-7	**-**	-
Net carrying amount Dec. 31, FAS	**901**	979	**5 258**	5 379
IAS-adjustments	**-**	-142		
Net carrying amount Dec. 31, IAS	**901**	837		

15. Fixed asset valuation by local tax authorities

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Land and water areas	**256**	234	**77**	76
Buildings and constructions	**475**	459	**49**	41
Investments	**2 632**	2 145	**2 275**	1 938
Total	**3 363**	2 838	**2 401**	2 055

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

16. Inventories

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Raw materials, supplies and other	**2 628**	4 282	**-**	-
Work in progress	**922**	1 069	**-**	7
Finished goods	**2 873**	4 631	**6**	3
Total	**6 423**	9 982	**6**	10

17. Receivables

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Current receivables falling due after one year				
Accounts receivable	**136**	53	**-**	-
Total	**136**	53	**-**	-

18. Shareholders' equity

	Share capital K share	A share	Other restricted equity	Treasury shares	Untaxed reserves	Retained earnings	Total
Group, MFIM							
IAS Balance at Dec. 31, 1994	721	777	5 494	-437	1 727	4 136	12 418
Dividend						-749	-749
Purchase of treasury shares				-33			-33
Translation differences			-33			-41	-74
Increase of accumulated appr.					237	-237	-
Other increase/decrease, net	-174	174	-6		-91	109	12
Net profit						2 232	2 232
IAS Balance at Dec. 31, 1995	547	951	5 455	-470	1 873	5 450	13 806
Dividend						-899	-899
Purchase of treasury shares				-187			-187
Translation differences			-108			-15	-123
Release of accumulated appr.					-348	348	-
Other increase/decrease, net	-48	48	-49		-9	123	65
Net profit						3 263	3 263
IAS Balance at Dec. 31, 1996	**499**	**999**	**5 298**	**-657**	**1 516**	**8 270**	**15 925**
IAS Balance at Dec. 31,1995	547	951	5 455	-470	1 873	5 450	13 806
Treasury shares			-271	470		-199	-
Other FAS-adjustments						142	142
Untaxed reserves					-1 873		-1 873
FAS Balance at Dec. 31, 1995	547	951	5 184	-	-	5 393	12 075
IAS Balance at Dec. 31,1996	499	999	5 298	-657	1 516	8 270	15 925
Treasury shares			-390	657		-267	-
Untaxed reserves					-1 516		-1 516
FAS Balance at Dec. 31, 1996	**499**	**999**	**4 908**	**-**	**-**	**8 003**	**14 409**

Exchange differences that arose from loans and financial instruments hedging equities in foreign subsidiaries in 1996 amounted to MFIM -39 (MFIM 21 in 1995) and were offset against the translation differences arising from consolidation.

	Share capital K share	A share	Other restricted equity	Contingency reserve	Retained earnings	Total
Parent Company, MFIM						
Balance at Dec. 31, 1994	721	777	4 623	127	3 060	9 308
Dividend					-749	-749
Transferred to the Nokia Corporation Foundation					-10	-10
Reserved for public worthy causes decided by the Board					-1	-1
Other increase/decrease, net	-174	174				-
Net profit					991	991
Balance at Dec. 31, 1995	547	951	4 623	127	3 291	9 539
Dividend					-899	-899
Reserved for public worthy causes decided by the Board					-3	-3
Other increase/decrease, net	-48	48				-
Net profit					1 460	1 460
Balance at Dec. 31, 1996	**499**	**999**	**4 623**	**127**	**3 849**	**10 097**

19. Accumulated appropriations

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Accumulated depreciation in excess of plan	**957**	1 241	**138**	59
Untaxed reserves	**559**	632	**345**	430
Accumulated appropriations	**1 516**	1 873	**483**	489

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.

Since management considers that most of the other untaxed reserves will further be converted to depreciation in excess of plan reserve, no provision for deferred tax in respect of accumulated appropriations has been made under IAS, because management consider that such reserves are unlikely to decrease.

Deferred tax liability for the accumulated appropriations computed using the tax rate of 28% totaled MFIM 424.

20. Provisions

Provisions include those future expenditure or future losses to which the company is committed or the realization of which is considered to be probable and which are not likely to yield any further income. These include warranty accruals and litigation settlements, among others.

21. Long-term liabilities

	GROUP Outstanding Dec. 31, 1996 MFIM	GROUP Repayment date beyond 5 years	PARENT COMPANY Outstanding Dec. 31, 1996 MFIM	PARENT COMPANY Repayment date beyond 5 years
Long-term loans are repayable as follows:				
Bonds	**937**	535	**937**	535
Convertible bonds	**2**	-	**2**	-
Loans from financial institutions	**509**	-	**464**	-
Pension loans	**341**	253	**140**	102
Other long-term finance loans	**328**	7	**-**	-
Other long-term liabilities	**297**	297	**-**	-
	2 414	1 092	**1 543**	637

The long-term liabilities as of December 31, 1996 mature as follows:	MFIM		MFIM	
1997	555	18.7%	592	27.7%
1998	585	19.7%	243	11.4%
1999	379	12.7%	342	16.0%
2000	35	1.2%	12	0.6%
2001	323	10.9%	309	14.5%
Thereafter	1 092	36.8%	637	29.8%
	2 969		2 135	

The currency mix of the Group long-term liabilities as at December 31, 1996

FIM	USD	GBP	ITL	DEM	Others
38.1%	19.4%	17.0%	12.5%	9.8%	3.2%

As permitted in Finland and in Sweden, the Group may borrow from its pension insurance companies amounts contributed during the year at specified minimum interest rates. The interest rate on pension fund loans was 6.0%.

Long-term loan portfolio includes a 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 has only been guaranteed until August 1997, the Group does not anticipate that the creditors request for a prepayment prior to the final maturity.

The Group has committed credit facilities totaling USD 1000 million and short-term uncommitted facilities.

At December 31, 1996, the Group's borrowings were collateralized by mortgages totaling MFIM 254 and assets (principally securities) were pledged with a net book value of MFIM 62.

At December 31, 1996 and 1995 the weighted average interest rate of loans from financial institutions was 6.5% and 5.5%, respectively.

22. Bonds

	Million		Interest	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
1989-2004	50.0	GBP	11.375%	**387**	337	**387**	337
1990-1997	100.0	CHF	6.750%	**-**	296	**-**	379
1993-2003	150.0	FIM	Floating	**150**	150	**150**	150
1987-1997	25.0	NLG	Floating	**-**	8	**-**	-
1996-1999	100.0	FIM	5.300%	**100**	-	**100**	-
1996-2001	300.0	FIM	7.000%	**300**	-	**300**	-
				937	791	**937**	866

23. Convertible bonds

	Million		Interest	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Convertible bonds							
1988-1999	35.0	NLG	6.250%	**-**	17.7	**-**	-
Bonds issued with warrants							
1994-1999	0.07	FIM	2.000%	**0.1**	0.1	**0.1**	0.1
1995-2000	1.45	FIM	0.000%	**1.5**	1.5	**1.5**	1.5
				1.6	19.3	**1.6**	1.6

24. Accounts payable and accrued liabilities

	GROUP 1996 MFIM	GROUP 1995 MFIM
Accounts payable and accrued liabilities consist of the following at December 31:		
Accounts payable	**3 559**	4 077
Accrued expenses and prepaid income	**7 051**	5 311
	10 610	9 388

25. Short-term borrowings

Short-term borrowings consist primarily of borrowings from banks. The weighted average interest rate at December 31, 1996 and 1995 is 5.7% and 6.8%, respectively.

26. The shares of the Parent Company

On March 30, 1995, Nokia's shareholders voted to reduce the par value of each class of Nokia's shares from FIM 20 to FIM 5 through a 4-for-1 stock split. The stock split was effected on April 24, 1995. As a result of the stock split, the designation ”A shares” was assigned to the class of shares Nokia had previously designated as preferred shares; the designation ”K shares” was assigned to the class of shares Nokia had previously designated as common shares.

At shareholders' meetings, each K share is entitled to ten (10) votes, and each A share to one (1) vote. The A shares are entitled to receive out of available retained profit a fixed annual dividend amounting to ten (10)% of the nominal value of the share before the K shares are entitled to receive dividends. Should it be impossible in any year to distribute such a dividend, the A 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 K shares. Should a dividend higher than ten (10)% of the nominal value of the share be distributed on the K shares, a supplementary dividend is distributed on the A shares so that the dividends will be of equal size for both share classes.

At Nokia Corporation´s Extraordinary General meeting held in June, 1994 amendments to Nokia´s Articles of Association were approved, which established the right of holders of K shares to convert their holdings to A shares, within certain limits. As of December 31, 1996 a total of 64 680 409 K shares had been converted to A shares.

The shares of the Parent Company are distributed into K shares and A shares as follows:

	Units	FIM each	FIM
K shares	99 712 655	5	498 563 275
A shares	199 837 325	5	999 186 625
Total	299 549 980	5	1 497 749 900

At December 31, 1996, the above mentioned shares included 16 280 500 shares owned by the Group.

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

On April 7, 1994, Nokia´s shareholders approved the issuance of FIM 0.2 million principal amount of 2% bonds with warrants due April 15, 1999. Such bonds have been issued to certain members of Nokia´s management as part of an employee incentive scheme. The warrants attached thereto confer the right to subscribe to an aggregate of 800 000 A shares during the period December 1, 1998 - January 31, 2000. Such warrants are exercisable at FIM 93.50 per A share, which was the average closing price per A share during March 1994 as reported by the Helsinki stock exchange.

On March 30, 1995, Nokia's shareholders voted to offer a maximum of FIM 1.45 million worth of non-interest bearing bonds with warrants as part of an incentive scheme for management. The term of the bonds is five years and they were issued May 31, 1995. The warrants confer the right to subscribe to a maximum number of A shares, each with a par value of FIM 5, in such a manner that each bond, with a par value of FIM 1 000, carries 2 000 A-warrants and 2 000 B-warrants. Each A-warrant confers the right to subscribe to one A share during the period December 1, 1997 through January 31, 2001; each B-warrant confers the right to subscribe to one A share during the period December 1, 1999 through January 31, 2001. The subscription price of the shares is FIM 168. If exercised in full, the warrants would be exercisable for a total of 5 800 000 A shares and the share capital would increase by FIM 29 million.

27. Contingent liabilities

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Pension fund liability				
Liability of pensions funds	**2**	30	**-**	-
Liability for Bills of Exchange	**1**	63	**-**	-
Mortgages				
As security for loans				
For own debts	**254**	290	**5**	5
Other mortgages				
For own commitments	**37**	116	**-**	-
Assets pledged				
As security for own debts	**62**	65	**20**	20
As security for debts of Group companies	**-**	-	**25**	32
Guarantees				
Guarantees for loans				
As security for loans of Group companies	**-**	-	**989**	1 305
As security for loans of associated companies	**6**	277	**6**	263
As security for loans of other companies	**82**	24	**82**	23
Other guarantees				
As security for own commitments	**991**	962	**-**	-
As security for Group company commitments	**-**	-	**446**	373
On behalf of associated companies	**-**	104	**-**	-

28. 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:

1996		Finance lease	Operating lease
Leasing payments, MFIM	1997	2	272
	1998	1	240
	1999	-	172
	2000	-	135
	2001	-	77
	and thereafter	-	282
Total		3	1 178

Rental expense amounted to MFIM 576 and MFIM 458 in 1996 and 1995, respectively.

29. Loans granted to top management

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Loans granted to top management	**5**	4	**-**	-

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

30. Associated companies

	GROUP 1996 MFIM	GROUP 1995 MFIM
Share of results of associated companies (IAS)	**37**	85
Share of results of associated companies (FAS)	**37**	61
Dividend income	**18**	3
Share of shareholders' equity of associated companies (IAS)	**344**	238
Share of shareholders' equity of associated companies (FAS)	**344**	380
Receivables from associated companies		
Current receivables	**201**	81
Short-term loan receivables	**10**	28
Long-term loan receivables	**-**	140
Liabilities to associated companies		
Current liabilities	**77**	18

31. Notes to cash flow statement

	GROUP 1996 MFIM	GROUP 1995 MFIM	PARENT COMPANY 1996 MFIM	PARENT COMPANY 1995 MFIM
Adjustments for:				
Depreciation	**2 236**	1 825	**30**	23
Other operating income and expenses	**-27**	-316	**-20**	-353
Adjustments, total	**2 209**	1 509	**10**	-330
Change in net working capital				
Short-term trade receivables, increase (-), decrease (+)	**-917**	-3 430	**117**	58
Inventories, increase (-), decrease (+)	**3 113**	-3 478	**4**	-7
Interest-free short-term liabilities, increase (+), decrease (-)	**797**	1 557	**-132**	-155
Change in net working capital	**2 993**	-5 351	**-11**	-104

32. Financial risk management

Sound financial risk management is one of the prerequisites for Nokia's profitability. Financial risk management is closely connected with the underlying business processes. This means that trade and project finance are relevant areas of competitiveness. The continuously evolving financial environment, in addition to the rapidly changing business environment creates the operational framework for Nokia's Treasury.

The overall objective of Nokia's Treasury is to identify, evaluate and hedge financial risks in close co-operation with the business groups. The international organization of Nokia's Treasury enables Nokia to provide Group companies with financial services according to the local needs and requirements. Simultaneously Nokia utilizes global financial markets. Nokia's Treasury aims at minimizing net financial expenses at a given level of risk.

Treasury Policy provides principles for financial risk management in Nokia. Operating Policies cover specific areas such as foreign exchange risk, interest rate risk, use of derivative financial instruments and investing excess liquidity. Business Groups have more detailed Standard Operating Procedures covering also major areas of financial risk management. According to the Treasury policy Nokia does not currently hold or issue derivative financial instruments for trading purposes.

Market risk

Foreign exchange risk

Nokia operates globally and is thus exposed to foreign exchange risk arising from various currency combinations. Foreign currency denominated assets and liabilities together with firm and probable purchase and sale commitments give rise to foreign exchange exposure. Since the Group has an increasing amount of production and sales in different countries worldwide, foreign exchange exposures are managed against various base currencies. Due to the rapid growth in the Group the currency combinations in the exposure calculations may also change within the financial year. The principal transaction exposure is against Finnish markka, because a significant share of production expenses and research and development costs and personnel expenses are incurred in Finland and less than 10% of the turnover is denominated in Finnish markka. The most important revenue generating currencies are USD, DEM and GBP. In general, appreciation of the Finnish markka relative to another currency has an adverse effect on Nokia's revenues and operating profit in a long term, while depreciation of the Finnish markka has a positive effect in a long term.

According to the foreign exchange policy guidelines of the Group, material open foreign exchange exposures are hedged. Exposures are mainly hedged with derivative financial instruments such as forward contracts and foreign exchange options. The terms of the foreign exchange contracts are rarely more than one year. Foreign exchange risk is measured by probability based methodology i.e. value at risk.

Since Nokia has subsidiaries denominated in foreign currencies, the FIM denominated value of the equity of Nokia is also exposed to fluctuations in exchange rates. The equity changes caused by movements in foreign exchange rates are shown as translation differences in Group consolidation. Nokia uses foreign exchange contracts and foreign currency denominated loans to hedge its equity exposure. Exchange gains and losses resulting from the hedging transactions are offset against the translation differences arising from consolidation and are recorded in shareholders' equity.

Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items i.e. price risk or changes in the interest expenses or revenues i.e. the re-investment risk. Interest rate risk mainly arises through interest-bearing liabilities and assets. Estimated future changes in cash flows and balance sheet structure also expose the Group to interest rate risk. Group companies are responsible for managing their interest rate exposure in a short term. Long term interest rate exposure of the Group is monitored and managed by Corporate Treasury.

The Group hedges its interest rate exposure by using derivative financial instruments, such as interest rate swaps, forwards, futures and options. The maturities of interest rate swaps are usually less than five years. Interest rate risk is managed by using duration based sensitivity analysis and by constantly monitoring the market value of the financial instruments.

Credit risk

Financial instruments contain an element of risk that the counterparties may be unable to meet the terms of the agreements. This is the case especially when investing excess liquidity for the Group. According to the investment policy the investment lines are carefully allocated reflecting the creditworthiness of the respective financial institution, corporate or other institution. The outstanding investments are also constantly monitored by management. 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 primarily consist of trade receivables. However, concentrations of credit risk with respect to trade receivables are limited due to the large number of customers consisting of the Group's customer base, and their dispersion across different businesses and geographic regions.

It is typical for the telecommunications infrastructure industry that operator customers strive to involve equipment suppliers in financing the initial phase of the investment. However, Nokia's aim is to primarily arrange external funding.

Liquidity risk

Good liquidity risk management implies maintaining sufficient cash and marketable securities, availability of funding through sufficient amount of committed credit facilities and the ability to close out market positions.

Due to the dynamic nature of the underlying business Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available. In addition to this Nokia with its international creditworthiness is efficiently able to utilize bank and capital market in treasury operations.

The latest capital market transactions have been a 5-year FIM 300 million bond targeted to Finnish institutional investors and a 3-year FIM 100 million bond targeted to Finnish retail investors, both issued in May, 1996. Nokia has also utilized short term capital market by establishing a new USD 500 million Euro Commercial Paper Programme in April, 1996. This Euro Commercial Paper Programme has been rated A-1 and Prime-1 by Standard & Poor's and Moody's, respectively. In addition to short term ratings, Nokia has a long term rating of A-, assigned by Standard & Poor's.

Notional amounts of derivative financial instruments [1]

MFIM	**1996**	1995
Foreign exchange forward contracts [2, 3]	**30 714**	27 168
Currency options bought	**5 796**	4 705
Currency options sold	**5 827**	5 169
Interest rate forward and futures contracts [2]	**25 519**	16 960
Interest rate swaps	**1 645**	468
Interest rate options bought	**1 139**	1 716
Interest rate options sold	**342**	1 453

1 The notional amounts of derivatives summarized here do not represent amounts exchanged by the parties and, thus are not a measure of the exposure of Nokia caused by its use of derivatives.

2 Notional amounts outstanding include positions, which have been closed off.

3 As at December 31, 1996 notional amount includes contracts amounting to 2.1 billion FIM used to hedge the shareholders' equity of foreign subsidiaries and as at December 31, 1995 respectively 2.8 billion FIM.

33. 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, 1996 and 1995. 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.

MFIM	**1996** Carrying amount	**1996** Fair value	1995 Carrying amount	1995 Fair value
Financial assets				
Cash and cash equivalents	**7 545**	**7 552**	4 214	4 216
Receivables	**9 352**	**9 352**	8 504	8 504
Investments in other shares	**487**	**552**	534	506
Other non-current assets	**253**	**267**	286	291
Financial liabilities				
Accounts payable	**4 385**	**4 385**	4 585	4 585
Short-term borrowings	**3 404**	**3 404**	4 332	4 332
Long-term debt	**2 117**	**2 222**	2 121	2 158
Off-balance-sheet instruments				
Currency options purchased [1, 2]	**33**	**33**	32	32
Currency options written	**-72**	**-72**	-87	-87
Forward foreign exchange contracts [1, 2]	**-131**	**-131**	-175	-175
Interest rate swaps [3]	**18**	**44**	10	21
Interest rate FRA's and futures	**-**	**23**	-	10
Interest rate options	**-**	**-4**	-3	-2

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

2 Forward foreign exchange contracts and currency options used to hedge the shareholders' equity of foreign subsidiaries are not included.

3 The carrying amount of interest rate swaps includes accrued interests.

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.

34. Principal Nokia Group companies on December 31, 1996

		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 Telecommunications Oy	10 527	226 000	100.0	100.0	226 000	FIM	376 000
GB	Nokia Telecommunications Ltd	2 502	20 000 000		100.0	20 000	GBP	154 640
Nokia Mobile Phones								
FI	Nokia Matkapuhelimet Oy	11 878	665	60.2	100.0	33 250	FIM	106 704
DE	Nokia Mobile Phones Produktionsgesellschaft mbH	5 654	2		100.0	90	DEM	268
US	Nokia Mobile Phones Americas Inc.	4 914	200		100.0	0.1	USD	698 486
KR	TMC Company Limited	1 869	232 080	100.0	100.0	2 320 800	KRW	134 332
Other Operations								
FI	Nokia Display Products Oy	2 179	30 000	100.0	100.0	30 000	FIM	30 000
SE	Nokia Satellite Systems AB	816	1 103		100.0	1 103	SEK	201 167
FI	Salcomp Oy	628	47 653		100.0	47 653	FIM	49 208
DE	Nokia Audio Electronics GmbH	573	2		100.0	2 000	DEM	5 965
NL	Nokia Finance International B.V.		229	99.6	100.0	229	NLG	1 119 004

Shares in other listed companies

Group holding more than 5%	Group holding %	Group voting %
Geoworks Inc.	7.3	7.3
Maillefer Holding S.A.	25.0	50.0
Nokian Renkaat Oy/Nokian Tyres Ltd	30.9	30.9

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

Profit and Loss Account, Parent Company, FAS

Financial year ended December 31	Notes*	1996 MFIM	1995 MFIM
Net sales		**177**	122
Costs of goods sold		**-**	-
Gross margin		**177**	122
Research and development expenses		**-227**	-146
Administrative expenses		**-89**	-89
Other operating expenses		**-24**	-18
Other operating income		**47**	374
Operating loss/profit	**4, 5, 6**	**-116**	243
Dividend income from Group companies		**67**	244
Dividend income from other investments		**41**	24
Interest income from Group companies from long-term investments		**113**	82
Interest income from other companies from long-term investments		**21**	26
Interest income from Group companies from short-term investments		**497**	429
Interest income from other companies from short-term investments		**252**	264
Other financial income from Group companies		**1**	1
Other financial income from other companies		**4**	2
Exchange gains and losses		**-45**	-3
Interest expenses to Group companies		**-140**	-104
Interest expenses to other companies		**-464**	-332
Other financial expenses		**-11**	-14
Financial income and expenses		**336**	619
Profit before extraordinary items, appropriations and taxes		**220**	862
Extraordinary items	**10**		
Extraordinary income		**54**	-
Extraordinary expenses		**-616**	-1 155
Group contributions		**2 267**	1 501
Extraordinary items, total		**1 705**	346
Profit before appropriations and taxes		**1 925**	1 208
Difference between actual and planned depreciation, increase (-)/decrease (+)	**6**	**-78**	9
Movements on untaxed reserves, increase (-)/decrease (+)		**84**	-
Direct taxes			
for the year		**-463**	-248
from previous years		**-8**	22
Net profit		**1 460**	991

* Notes are shown on pages 36 to 52.

Prepared according to Finnish Accounting Standards - FAS

Balance Sheet, Parent Company, FAS

December 31	Notes*	1996 MFIM	1995 MFIM
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	12		
Intangible rights		12	13
Other intangible assets		16	22
		28	35
Tangible assets	13		
Land and water areas		85	84
Buildings and constructions		137	68
Machinery and equipment		68	43
Other tangible assets		1	1
Advance payments and fixed assets under construction		317	95
		608	291
Long-term investments			
Investments in subsidiaries	14	4 658	4 637
Investments in associated companies	14	222	338
Investments in other shares	14	378	404
Long-term loan receivables from Group companies		1 118	1 069
Long-term loan receivables from other companies		50	165
Other non-current assets		208	244
		6 634	6 857
Current assets			
Inventories and work in progress			
Work in progress		-	7
Finished goods		6	3
		6	10
Receivables	17		
Trade debtors from Group companies		110	65
Trade debtors from other companies		5	2
Short-term loan receivables from Group companies		5 637	7 788
Short-term loan receivables from other companies		7	36
Prepaid expenses and accrued income from Group companies		253	365
Prepaid expenses and accrued income from other companies		247	295
		6 259	8 551
Short-term investments		3 031	706
Bank and cash		426	305
		16 992	16 755

* Notes are shown on pages 36 to 52.

December 31	Notes*	1996 MFIM	1995 MFIM
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	18		
Restricted equity			
Share capital		**1 498**	1 498
Additional paid-in capital		**4 623**	4 623
		6 121	6 121
Distributable reserves			
Contingency reserve		**127**	127
Retained earnings		**2 389**	2 300
Net profit for the year		**1 460**	991
		3 976	3 418
Total shareholders' equity		**10 097**	9 539
Accumulated appropriations	19		
Accumulated depreciation in excess of plan		**137**	59
Untaxed reserves			
Other reserves		**346**	430
		346	430
Liabilities			
Long-term liabilities	21		
Bonds	22	**937**	866
Convertible bonds	23	**2**	2
Loans from financial institutions		**464**	406
Pension premium loans		**140**	151
Other long-term liabilities		**-**	1
		1 543	1 426
Short-term liabilities			
Current finance liabilities from Group companies		**3 067**	3 517
Current finance liabilities from other companies		**457**	873
Current maturities of long-term loans		**592**	89
Advance payments from other companies		**16**	29
Trade creditors to Group companies		**9**	11
Trade creditors to other companies		**41**	24
Accrued expenses and prepaid income to Group companies		**116**	162
Accrued expenses and prepaid income to other companies		**571**	596
		4 869	5 301
Total liabilities		**6 412**	6 727
		16 992	16 755

Cash Flow Statement, Parent Company, FAS

Financial year ended December 31	Notes*	1996 MFIM	1995 MFIM
Cash flow from operating activities			
Operating loss/profit		**-116**	243
Adjustments, total	**31**	**10**	-330
Operating loss before change in net working capital		**-106**	-87
Change in net working capital	**31**	**-11**	-104
Cash generated from operations		**-117**	-191
Interest received		**889**	740
Interest paid		**-573**	-417
Other financial income and expenses		**-127**	49
Income taxes paid		**-371**	-318
Cash flow before extraordinary items		**-299**	-137
Extraordinary income and expenses		**1 501**	891
Net cash from operating activities		**1 202**	754
Cash flow from investing activities			
Investments in shares		**-196**	-1 673
Capital expenditures		**-348**	-109
Proceeds from sale of shares and discontinued operations, net		**-91**	1 436
Proceeds from sale of fixed assets		**3**	12
Dividends received		**99**	182
Net cash used in investing activities		**-533**	-152
Cash flow from financing activities			
Proceeds from (+), payments of (-) long-term liabilities		**70**	-536
Proceeds from (+), payments of (-) short-term borrowings		**-746**	1 649
Proceeds from (+), payments of (-) long-term receivables		**138**	-326
Proceeds from (+), payments of (-) short-term receivables		**3 216**	-3 209
Dividends paid		**-901**	-761
Net cash from/used in financing activities		**1 777**	-3 183
Net increase (+)/decrease (-) in cash and cash equivalents		**2 446**	-2 581
Cash and cash equivalents at beginning of period		**1 011**	3 592
Cash and cash equivalents at end of period		**3 457**	1 011

* Notes are shown on pages 36 to 52.

Proposal by the Board of Directors to the Annual General Meeting

The distributable reserves in the balance sheet of the Group amount to FIM 8 003 million and those of the Company to FIM 3 976 million.

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

– a dividend of 70% (FIM 3.50 per share) be paid on 99 712 655 K shares (nominal value FIM 499 million)	FIM 349 million
– a dividend of 70% (FIM 3.50 per share) be paid on 199 837 325 A shares (nominal value FIM 999 million)	FIM 699 million
	FIM 1 048 million

Helsinki, February 13, 1997

Casimir Ehrnrooth **Iiro Viinanen**

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

Jouko K. Leskinen **Vesa Vainio**

Jorma Ollila
President and CEO

Auditors´ Report

To the shareholders of Nokia Corporation

We have audited the accounting records, the accounts and the administration of Nokia Corporation for the year ended December 31, 1996. 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 3 470 260 000 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, February 13, 1997

Eric Haglund
Authorized Public Accountant
(KPMG)

Lars Blomquist
Authorized Public Accountant
(Coopers & Lybrand)

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 and total shareholders' equity as of and for the years ended December 31:

	1996 MFIM	1995 MFIM
Reconciliation of net income		
Net income reported under IAS	**3 263**	2 232
U.S. GAAP adjustments:		
Deferred income taxes	**-129**	426
Pension expense	**-19**	133
Development costs	**32**	-844
Sale-leaseback transactions	**4**	4
Other adjustments	**235**	36
Deferred tax effect of U.S. GAAP adjustments	**-84**	176
Net income under U.S. GAAP	**3 302**	2 163
Presentation of net income under U.S. GAAP		
Income from continuing operations	**2 954**	3 884
Discontinued operations:		
Profit/loss from operations, net of income tax of FIM 14 million in 1996 and FIM 33 million in 1995	**41**	-249
Gain/loss on disposal, net of income tax of FIM 124 million in 1996 and net of income tax benefit of FIM 516 million in 1995	**307**	-1 472
Gain/loss from discontinued operations	**348**	-1 721
Net income	**3 302**	2 163
Reconciliation of shareholders' equity		
Total shareholders' equity reported under IAS	**15 925**	13 806
U.S. GAAP adjustments:		
Deferred income taxes	**242**	371
Pension expense	**29**	48
Development costs	**-535**	-567
Sale-leaseback transactions	**-32**	-36
Other adjustments	**88**	-256
Deferred tax effect of U.S. GAAP adjustments	**123**	207
Total shareholders' equity under U.S. GAAP	**15 840**	13 573

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 of time. 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 recognized 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 and shareholders' equity assuming the application of SFAS No. 87 in calculating pension expense as of January 1, 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.

Development costs

Beginning in 1995, development costs have been capitalized under IAS after the product involved has reached a certain degree of technical feasibility. Capitalization ceases and depreciation begins when the product becomes available to customers. The depreciation period of these capitalized assets is from three to five years.

Under U.S. GAAP software development costs would similarly be capitalized after the product has reached a certain degree of technical feasibility. However, certain non-software related development costs capitalized under IAS would not be capitalizable under U.S. GAAP and therefore would have been expensed.

Sale-leaseback transactions

Under IAS, the Group recorded gains from transactions involving the sale of property and equipment and has recorded rental expense associated with the subsequent leaseback of such property and equipment. In 1994, the Group sold its interest in all but one of the properties that had been leased-back.

Under U.S. GAAP, the sale-lease back transactions would be treated as financings. Accordingly, until the gain is realized through sale of the property and equipment, the gains would be reversed and the proceeds from the sale treated as an obligation. Rental payments would be applied to interest expense on the obligation as well as to reducing the principal amount of the obligation.

Other adjustments

There are also differences between IAS and U.S. GAAP in relation to marketable securities, nonmonetary transactions, goodwill and restructuring charges. None of these differences are individually material and they are therefore shown as combined total.

Discontinued operations

As described in Note 9, components of discontinued operations in the consolidated profit and loss account include Nokia's exit from the chemicals, cables and TV businesses.

NOKIA 1992–1996, IAS

	1996	1995	1994	1993	1992
Profit and loss account, MFIM					
Net sales	**39 321**	36 810	30 177	23 697	18 168
Costs and expenses	**-35 055**	-31 798	-26 581	-22 232	-17 880
Operating profit	**4 266**	5 012	3 596	1 465	288
Share of results of associated companies	**37**	85	22	28	-5
Financial income and expenses	**-405**	-164	384	-347	-441
Profit/loss before tax and minority interests	**3 898**	4 933	4 002	1 146	-158
Tax	**-856**	-769	-932	-299	-167
Minority interests	**2**	-77	-75	-80	-88
Profit/loss from continuing operations	**3 044**	4 087	2 995	767	-413
Discontinued operations	**219**	-2 340	-	-	-
Profit/loss from ordinary activities before cumulative effect of change in accounting policies	**3 263**	1 747	2 995	767	-413
Cumulative prior year effect (after tax) of change in accounting policies	**-**	485	-	-	-
Profit/loss before extraordinary items	**3 263**	2 232	2 995	767	-413
Extraordinary items	**-**	-	944	-1 917	-310
Net profit/loss	**3 263**	2 232	3 939	-1 150	-723
Balance sheet items, MFIM					
Fixed assets and other non-current assets	**8 409**	9 047	7 943	7 994	7 630
Current assets	**24 866**	23 714	19 906	14 653	13 608
Inventories	**6 423**	9 982	6 803	5 129	3 840
Accounts receivable and prepaid expenses	**10 898**	9 518	7 835	6 227	6 650
Cash and cash equivalents	**7 545**	4 214	5 268	3 297	3 118
Shareholders' equity	**15 925**	13 806	12 418	6 511	6 727
Minority shareholders' interests	**29**	422	555	536	695
Long-term liabilities	**2 414**	2 578	3 557	4 080	3 705
Long-term debts	**2 117**	2 121	3 071	3 397	3 124
Other long-term liabilities	**297**	457	486	683	581
Current liabilities	**14 907**	15 955	11 319	11 520	10 111
Short-term borrowings	**3 404**	4 332	2 453	3 435	3 835
Current portion of long-term loans	**555**	187	278	139	1 221
Accounts payable and accrued liabilities	**10 610**	9 388	8 086	5 976	4 314
Advance payments	**338**	396	502	534	399
Discontinuity/restructuring provision	**-**	1 652	-	1 436	342
Total assets	**33 275**	32 761	27 849	22 647	21 238
Key ratios					
Earnings per share, FIM	**10.73**	14.36	10.97	3.07	neg.
Dividend per share, FIM	**3.50***	3.00	2.50	0.70	0.50
Profit/loss before tax and minority interests, % of net sales	**9.9**	13.4	13.3	4.8	-0.9
Return on capital employed, %	**22.7**	29.1	25.4	14.7	5.9
Return on shareholders' equity, %	**20.5**	31.2	31.6	11.6	neg.
Net debt to equity, %	**-9**	17	4	52	68

* Board's proposal
Calculation of Key Ratios, see page 63.
See also Key Ratios according to Finnish Accounting Standards on page 62.

Net sales by business group, MFIM	1996	1995	1994	1993	1992
Nokia Telecommunications	**13 333**	10 341	6 906	4 578	3 207
Nokia Mobile Phones	**21 579**	16 052	10 702	6 314	3 641
Other Operations*	**5 197**	11 156	13 119	13 371	11 734
Inter-business group eliminations	**-788**	-739	-550	-566	-414
Nokia Group	**39 321**	36 810	30 177	23 697	18 168

Net sales by market area, MFIM	1996	1995	1994	1993	1992
Finland	**2 440**	3 227	3 449	3 547	3 691
Other European countries	**20 587**	20 807	17 758	14 448	10 693
Americas	**6 334**	4 715	4 061	2 351	1 664
Asia-Pacific	**8 788**	7 138	3 821	2 768	1 383
Other countries	**1 172**	923	1 088	583	737
Total	**39 321**	36 810	30 177	23 697	18 168

Operating profit/loss, MFIM	1996	1995	1994	1993	1992
Nokia Telecommunications	**2 982**	2 722	1 700	983	427
Nokia Mobile Phones	**1 431**	1 753	1 745	950	437
Other Operations**	**-147**	537	151	-468	-576
Nokia Group	**4 266**	5 012	3 596	1 465	288

Average personnel	1996	1995	1994	1993	1992
Nokia Telecommunications	**12 558**	9 915	7 187	5 867	4 905
Nokia Mobile Phones	**10 927**	10 616	5 826	3 759	3 147
Other Operations*	**8 281**	11 417	15 030	16 175	18 718
Nokia Group	**31 766**	31 948	28 043	25 801	26 770
In Finland	**17 999**	17 821	14 984	13 813	13 752
Outside Finland	**13 767**	14 127	13 059	11 988	13 018

* Other Operations include discontinued and divested operations as follows: Nokia Power 1992-1994, Nokia Tyres and Machinery until the moment of disposal 1992-1995, TV business 1992-1995, NKF/Cable Industry until the moment of disposal 1992-1996 and Türkkablo/Cable Industry 1992-1996.

** Other Operations include the operating profit/loss of discontinued and divested operations as follows: Nokia Power 1992-1994, Nokia Tyres and Machinery until the moment of disposal 1992-1995, NKF/Cable Industry until the moment of disposal 1992-1996 and Türkkablo/Cable Industry 1992-1996.

Prepared according to Finnish Accounting Standards - FAS

NOKIA 1992–1996, FAS

	1996	1995	1994	1993	1992
Net sales, MFIM	**39 321**	36 810	30 177	23 697	18 168
Change, %	**6.8**	22.0	27.3	30.4	17.5
Exports from Finland, MFIM	**23 461**	17 738	13 723	9 997	6 449
% of net sales	**59.7**	48.2	45.5	42.2	35.5
Exports and foreign subsidiaries, MFIM	**36 881**	33 583	26 728	20 150	14 477
Salaries and social expenses, MFIM	**5 344**	6 492	5 515	5 484	4 841
Operating profit, MFIM	**4 266**	5 012	3 596	1 486	314
% of net sales	**10.8**	13.6	11.9	6.3	1.7
Financial income and expenses, MFIM	**-405**	-164	384	-334	-427
% of net sales	**-1.0**	-0.4	1.3	-1.4	-2.4
Profit/loss before extraordinary items, MFIM	**3 898**	4 909	3 978	1 152	-58
Profit/loss before appropriations and taxes, MFIM	**3 976**	3 054	4 714	-689	-99
% of net sales	**10.1**	8.3	15.6	-2.9	-0.5
Taxes, MFIM	**856**	769	932	299	167
Dividends, MFIM	**1 048***	899	749	193	126
Capital expenditure, MFIM	**3 058**	4 179	2 410	1 930	1 626
% of net sales	**7.8**	11.4	8.0	8.1	8.9
R&D expenditure, MFIM	**3 514**	2 531	1 937	1 472	1 113
% of net sales	**8.9**	6.9	6.4	6.2	6.1
Average personnel	**31 766**	31 948	28 043	25 801	26 770
Non-interest bearing liabilities, MFIM	**11 245**	11 893	9 074	8 630	5 636
Interest bearing liabilities, MFIM	**6 076**	6 640	5 802	6 971	8 060
Accumulated appropriations, MFIM	**1 516**	1 873	1 727	1 717	2 533
Shareholders' equity, MFIM	**14 409**	12 075	10 857	5 319	4 637
Total assets, MFIM	**33 275**	32 903	28 015	23 173	21 583
Return on capital employed, %	**22.6**	28.7	24.7	14.2	6.4
Return on equity, %	**20.1**	30.1	29.4	11.0	neg.
Equity ratio, %	**48.4**	44.2	47.8	33.5	37.2
Earnings per share, FIM (adjusted)	**10.73**	14.28	10.89	3.05	neg.
Dividend per share (nominal), FIM	**3.50***	3.00	2.50	0.70	0.50
Shareholders' equity per share, FIM	**56**	49	44	27	30
P/E ratio, K share	**24.8**	12.1	16.0	23.6	-16.1

* Board's proposal
Calculation of Key Ratios, see page 63.

Calculation of Key Ratios

Key ratios under IAS

Operating profit/loss
Profit/loss after depreciation

Shareholders' equity
Share capital + reserves

Earnings per share
$$\frac{\text{Profit/loss from continuing operations}}{\text{Average of adjusted number of shares during the year}}$$

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

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

Payout ratio
$$\frac{\text{Dividend per share}}{\text{Earnings per share}}$$

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

Return on shareholders' equity, %
$$\frac{\text{Profit/loss from continuing operations}}{\text{Average shareholders' equity during the year}}$$

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

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
$$\frac{\text{Profit/loss before extraordinary items - taxes - minority shareholders' interests}}{\text{Average of adjusted number of shares outstanding}}$$

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

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

Currency rates at year-end

	1996	1995	1994	1993	1992
1 FIM =					
USD	**0.215**	0.229	0.211	0.173	0.191
GBP	**0.129**	0.148	0.135	0.117	0.126
SEK	**1.476**	1.527	1.572	1.439	1.344
DEM	**0.335**	0.329	0.327	0.300	0.308
FRF	**1.133**	1.122	1.127	1.018	1.049
JPY	**24.618**	23.618	21.013	19.316	23.759
XEU	**0.174**	0.179	0.172	0.155	0.158

Average currency rates

	1996	1995	1994	1993	1992
1 FIM =					
USD	**0.218**	0.229	0.191	0.176	0.223
GBP	**0.140**	0.145	0.125	0.117	0.128
SEK	**1.462**	1.626	1.481	1.368	1.307
DEM	**0.327**	0.327	0.311	0.290	0.348
FRF	**1.114**	1.138	1.063	0.992	1.182
JPY	**23.679**	21.456	19.541	19.517	28.225
XEU	**0.174**	0.177	0.162	0.150	0.173

Data on Nokia Shares

Share capital and shares, Dec. 31	1996	1995	1994	1993	1992
Share capital, MFIM					
K (common)	**499**	547	721	822	701
K free (common)					121
A (preferred)	**999**	951	777	556	308
A free (preferred)					128
Total	**1 498**	1 498	1 498	1 378	1 258
Shares					
(1000, nominal value FIM 5)					
K (common)	**99 713**	109 377	144 198	164 393	140 262
K free (common)					24 131
A (preferred)	**199 837**	190 173	155 352	111 157	61 604
A free (preferred)					25 553
Total	**299 550**	299 550	299 550	275 550	251 550
Shares owned by the Group at year-end (1000)	**16 281**	15 181	14 981	13 781	13 541
Number of shares excl. shares owned by the Group at year-end (1000)	**283 269**	284 369	284 569	261 769	238 009
Average number of shares excl. shares owned by the Group during the year (1000)	**283 561**	284 567	272 929	249 627	241 398
Number of registered shareholders [1]	**26 160**	27 466	24 770	31 486	38 041

Key ratios, Dec. 31, IAS (calculation see page 63)	1996	1995	1994	1993	1992
Earnings per share, FIM	**10.73**	14.36	10.97	3.07	-1.71
P/E ratio					
K (common)	**24.8**	12.0	15.9	23.4	neg.
K free (common)					neg.
A (preferred)	**24.9**	11.9	15.9	23.5	neg.
A free (preferred)					neg.
(Nominal) dividend per share, FIM	**3.50** [2]	3.00	2.50	0.70	0.50
Total dividends paid, MFIM	**1 048** [2]	899	749	193	126
Payout ratio	**0.33**	0.21	0.23	0.23	neg.
Dividend yield, %					
K (common)	**1.3**	1.7	1.4	1.0	2.2
K free (common)					2.1
A (preferred)	**1.3**	1.8	1.4	1.0	2.5
A free (preferred)					2.4
Shareholders' equity per share, FIM	**56.2**	48.5	43.6	24.9	28.3
Market capitalization, MFIM [3]	**75 547**	48 724	49 657	18 875	5 267

1 Each nominee register is included in this figure as only one registered shareholder.
2 Proposed.
3 Shares owned by Nokia Finance International B.V. are excluded.

Shares and voting rights

At the Annual General Meeting held on March 30, 1995, Nokia's shareholders resolved to reduce the par value of each class of Nokia shares from FIM 20 to FIM 5 through a 4-for-1 stock split. The split was effected on April 24, 1995. In connection with the split, the shares were renamed A shares, previously preferred shares, and K shares, previously common shares.

At shareholders' meetings, each K share is entitled to ten (10) votes and each A share to one (1) vote. The A shares are entitled to a fixed annual dividend of 10% before the K shares are entitled to receive dividends. Should it be impossible in any year to distribute such a dividend, the A shares are entitled to receive the remainder in the following year before any dividend can be distributed on the K shares. Should a dividend higher than 10% be distributed on the K shares, a supplementary dividend is distributed on the A shares so that the dividends will be of equal size for both share classes.

The minimum share capital stipulated in the Articles of Association is FIM 957 million and the maximum 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, 1996, the share capital fully paid and entered in the commercial register was FIM 1 498 million and the total number of votes 1 196 963 875.

The Articles of Association contain a provision permitting the holders of K shares to convert their shares to an equivalent number of A shares, within the limits set for the minimum and maximum numbers of shares in each class of shares.

By December 31, 1996, a total of 64 680 409 K shares had been converted into A shares.

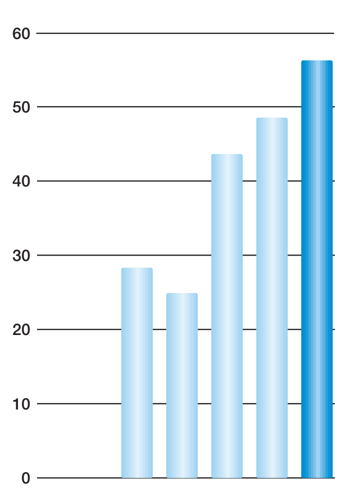
The shares of Nokia are registered in the book-entry securities system. By December 31, 1996, a total of 99.9% of Nokia shares had been transferred to this system.

On December 31, 1996, Nokia shares registered in the name of a nominee accounted for 64.9% of the total number of shares and for 28.2% of the total number of voting rights.

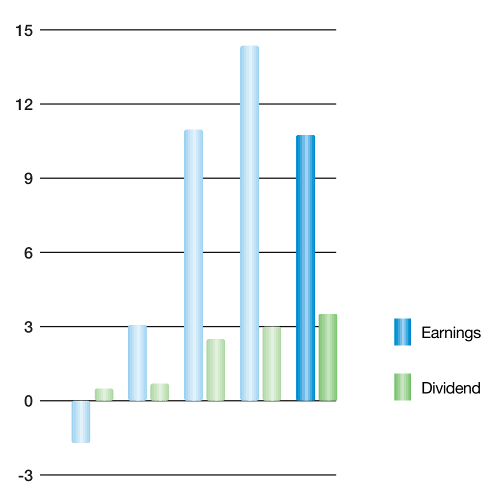
If an international depositary receipt has been issued for a book-entry share or it is owned by a foreigner or foreign association the custodian commissioned to administer the book-entry shares may be entered as a nominee in the register of shareholders. The custodian may also be a foreign organisation approved by Finnish Central Securities Depositary to act as custodian.

To attend and vote at a General Meeting, a shareholder must be registered in the register of shareholders. Voting rights may not be exercised by a shareholder if his shares are registered in the name of a nominee. A beneficial owner whose shares are registered in the

Shareholders' equity per share, FIM



Earnings and dividend per share, FIM



name of a nominee is not entitled to vote with such shares unless the beneficial owner arranges to have his name entered in the register of shareholders.

Dividend policy

Dividends are paid by Nokia in accordance with the Finnish Companies Act. The amount of dividends is based upon and calculated in relation to the level of Nokia's annual profit; however, there is no formula by which the amount of dividends is determined.

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

The effect of the imputation system

The imputation system (avoir fiscal) will apply to the 1996 dividends payable by Nokia. Any Finnish company, when paying dividends to its shareholders, is required to pay tax amounting to a minimum of 7/18 of the dividend. A resident of Finland, receiving dividends from a Finnish company, is entitled to tax credit amounting to 7/18 of the dividend. As the dividend for 1996 is proposed by the Board of Directors to be FIM 3.50 per share, the tax credit thus amounts to FIM 1.36 thereby increasing the shareholders profit to FIM 4.86, taxable at 28%.

The credit is granted to non-resident shareholders only when an existing tax treaty between Finland and the shareholders' resident country specifically includes a provision of the credit. According to a tax treaty, a resident of the United Kingdom of Great Britain and Northern Ireland and of the Republic of Ireland is entitled to a partial tax credit.

Listings on stock exchanges

Nokia shares have been listed on the Helsinki Stock Exchange since 1915. The A shares are also listed in Stockholm (since 1983), London (since 1987), Paris (since 1988), Frankfurt (since 1988) and New York (since 1994). Nokia A shares are traded on the New York Stock Exchange, NYSE, as ADS (American Depositary Shares). One ADS equals one A share.

Volumes of A shares traded in 1996:

New York	277 700 000
London	258 641 456
Helsinki	165 425 763
Stockholm	39 275 735
Frankfurt	18 506 610
Paris	829 643

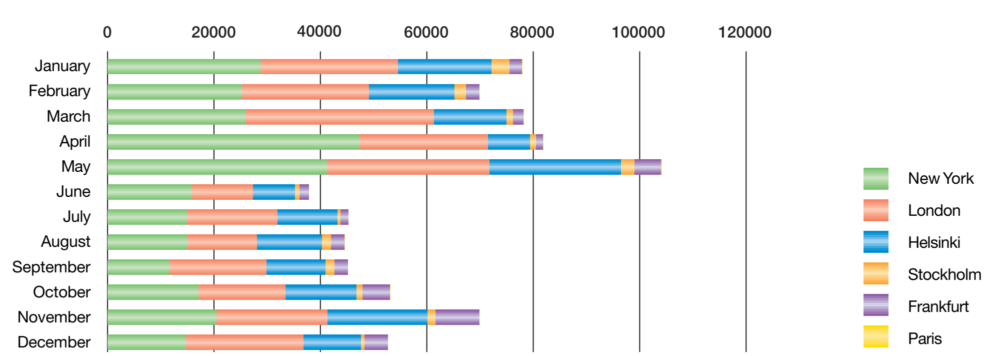
Authorizations

At the end of 1996, the Board had no unused authorizations to issue shares, convertible bonds or bonds with warrants.

Convertible bonds and bonds with warrants

At the Annual General Meeting held on April 7, 1994 Nokia's shareholders approved the issue of up to 200 bonds with an interest of 2% due April 15, 1999, for up to an aggregate principal amount of FIM 200 000, with warrants, to certain members of Nokia's management. Each bond represents FIM 1 000 principal amount and carries 1 000 warrants each exercisable at FIM 374.00 for four A shares from December 1, 1998 to January 31, 2000. The bonds were

Volumes of A shares traded in 1996, (1 000 shares)



issued on April 15, 1994. If exercised in full, the warrants would be exercisable for a total of 800 000 A shares, representing less than one percent of Nokia's outstanding share capital, and the share capital will be increased by a maximum amount of FIM 4 000 000. The bond issue covers approximately 50 persons who are entitled to subscribe to a maximum average number of 16 000 shares.

At the Annual General Meeting held on March 30, 1995 Nokia's shareholders approved the issue of up to 1450 bonds due May 31, 2000, for up to an aggregate principal amount of FIM 1 450 000, with warrants, to certain members of the Nokia Group's management, including certain divisional managers and other key employees. No interest is paid on the bonds. Each bond represents FIM 1 000 principal amount and carries 2 000 A warrants and 2 000 B warrants. Each A warrant confers the right to subscribe one A share during the period from December 1, 1997 to January 31, 2001, and each B warrant confers the right to subscribe one A share during the period from December 1, 1999 to January 31, 2001. The bonds were issued on May 31,1995. If exercised in full, the warrants would be exercisable for a total of 5 800 000 A shares, representing approximately 1.9% of Nokia's outstanding share capital, and the share capital would be increased by a maximum amount of FIM 29 000 000. The subscription price of the shares is FIM 168. The bond issue covers approximately 350 persons who are entitled to subscribe to a maximum average number of 16 600 shares.

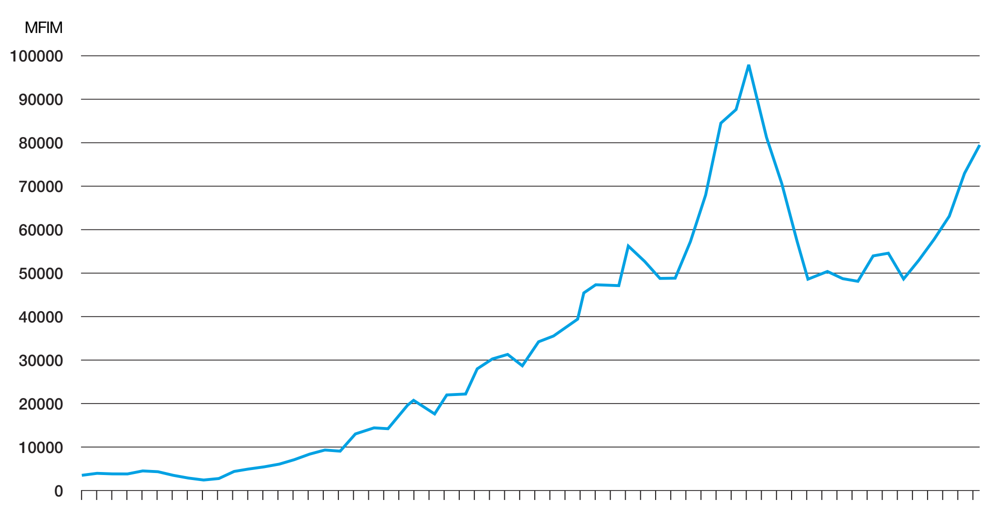
Both bond issues are part of Nokia's incentive schemes to the management.

There were no other bonds with warrants and no convertible bonds outstanding during the year 1996.

Share issues 1992–1996

Type of issue	Subscription date	Subscription price in FIM and USD	Number of new shares [1]	Date of payment	Net proceeds MFIM	New share capital MFIM	Share capital after issue MFIM
Global offering	June 30, 1993 and July 2, 1993	FIM 39.75 and USD 7.02	24 000 000 A shares	July 8, 1993	918.2	120	1 378
Global offering	July 1, 1994 and July 6, 1994	FIM 104.51 and USD 19.59	24 000 000 A shares	July 11, 1994	2 490.3	120	1 498

Nokia market capitalization 1992–1996 [2]



[1] Prices and number of shares have been recalculated so that the nominal value of the shares in the table is FIM 5.

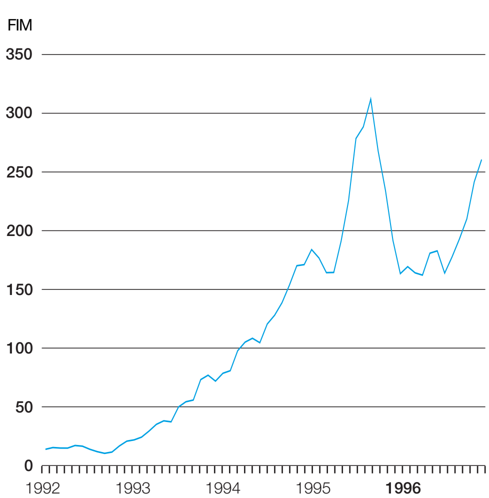
[2] Includes shares owned by Nokia Finance International B.V.

Share turnover (all stock exchanges) [1]

1000 shares	1996	1995	1994	1993	1992
K (common)					
turnover	**67 617**	99 871	154 164	191 876	39 208
Total number of K shares (1000)	**99 713**	109 377	144 198	164 393	164 393
% of total number of K shares	**68**	91	107	117	24
A (preferred)					
turnover	**760 379**	642 713	346 536	233 792	53 824
Total number of A shares (1000)	**199 837**	190 173	155 352	111 157	87 157
% of total number of A shares	**380**	338	223	210	62

[1] Based on the outstanding number of shares on Dec. 31.

Nokia A share price in Helsinki



Nokia ADS price in New York

Share prices, FIM (Helsinki Stock Exchange)

	1996	1995	1994	1993	1992	1992 K free (common)
K (common)						
Low/high	**146/267**	138/340	71/178	24/87	10/25	10/25
Average	**187**	221	120	47	18	18
Year-end	**266**	172	174	72	23	23

	1996	1995	1994	1993	1992	1992 A free (preferred)
A (preferred)						
Low/high	**146/268**	137/340	72/178	20/86	9/22	9/22
Average	**189**	220	123	46	17	16
Year-end	**267**	171	174	72	20	20

Registered shareholders

Largest shareholders on December 31, 1996 (excludes nominee registrations)

	K shares	A shares	Total	% of shares	Number of voting rights	% of voting rights
Nokia Finance International B.V.	13 813 384	2 467 116	16 280 500	5.4	140 600 956[1]	11.7[1]
UPM-Kymmene Corporation	11 619 984	29 720	11 649 704	3.9	116 229 560	9.7
Union Bank of Finland Pension Fund	8 745 600	317 000	9 062 600	3.0	87 773 000	7.3
Pohjola Insurance Company Ltd	5 820 400	-	5 820 400	1.9	58 204 000	4.9
Pension Insurance Company Ilmarinen	3 615 000	175 000	3 790 000	1.3	36 325 000	3.0
Industrial Insurance Company Ltd	3 115 000	-	3 115 000	1.0	31 150 000	2.6
Society for Swedish Literature in Finland	2 580 000	-	2 580 000	0.9	25 800 000	2.2
Suomi Mutual Life Assurance Company	2 465 200	-	2 465 200	0.8	24 652 000	2.1
Finnish National Fund for Research and Development	1 947 864	-	1 947 864	0.7	19 478 640	1.6
The Local Government Pensions Institution	1 516 944	973 200	2 490 144	0.8	16 142 640	1.3

Number of registered shareholders on December 31, 1996 was 26 160. Each nominee register (17) is included in this figure as only one registered shareholder.

Members of Nokia's Board of Directors and Group Executive Board owned a total of 5 016 K shares and 46 312 A shares representing 0.01% of the total voting rights and 0.02% of the total number of shares as well as a number of warrants representing 6.45% of the total number of warrants issued by Nokia on December 31, 1996. If exercised in full said warrants would be exercisable for 396 516 A shares representing 0.03% of the total voting rights and 0.13% of the total number of shares as of December 31, 1996.

On December 31, 1996 Nokia Finance International B.V., a wholly owned subsidiary of Nokia, owned 16 280 500 Nokia shares representing 5.4% of the total amount of shares.

Shares registered in the name of a nominee on December 31, 1996

	K shares	A shares	Total	% of shares	Number of voting rights	% of voting rights
Merita Bank Ltd	15 578 453	176 091 974	191 670 427	63.9	331 876 504	27.7
Other nominees	351 796	2 617 257	2 969 053	1.0	6 135 217	0.5

Breakdown of share ownership on December 31, 1996

By number of shares owned	Number of shareholders	% of share-holders	Total number of shares	% of share capital	Average holding
1 - 500	17 289	66.2	2 982 425	1.0	173
501 - 1 000	3 714	14.2	2 693 199	0.9	725
1 001 - 10 000	4 661	17.8	12 560 015	4.2	2 695
10 001 - 100 000	425	1.6	10 965 844	3.7	25 802
over 100 000	54	0.2	75 709 017	25.3	1 402 019
Total	26 143	100.0	104 910 500	35.1	4 013
Shares registered in the name of a nominee			194 639 480	64.9	
Total			299 549 980	100.0	

By shareholder category, %	K shares	A shares	Total
1. Rest of the world [2]	30.3	90.8	70.7
2. General government	17.7	1.5	6.9
3. Households	10.6	4.4	6.4
4. Financial and insurance institutions	14.9	1.3	5.8
5. Non-financial corporations	14.7	1.1	5.6
6. Non-profit institutions	11.8	0.9	4.6
Total	100.0	100.0	100.0

1 No voting right can be exercised through shares owned by the Group.

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

Organization February 13, 1997

Board of Directors

Chairman
Casimir Ehrnrooth, 65
Vice Chairman of the Board of Directors,
UPM-Kymmene Corporation
Member since 1989, Chairman since 1992
(Term expires 1999)

Vice Chairman
Iiro Viinanen, 52
President, Chairman of the Boards,
The Pohjola Group
Member since 1996. (Term expires 1999)

Pirkko Alitalo, 47
Senior Vice President (Investments),
The Pohjola Group
Member since 1992. (Term expires 1998)

Dr. Edward Andersson, 63
Professor, University of Helsinki
Member since 1973. (Term expires 1999)

Ahti Hirvonen, 65
Doctor of Economics h.c.
Member since 1990. (Term expires 1999)

Jouko K. Leskinen, 53
President and CEO, Sampo Insurance Company Ltd
Member since 1994. (Term expires 1997)

Jorma Ollila, 46
President and CEO, Nokia Corporation
Member since 1995. (Term expires 1998)

Vesa Vainio, 54
President and CEO, Merita Ltd
Member since 1993. (Term expires 1999)

Secretary
Ursula Ranin

Group Executive Board

Chairman
Jorma Ollila, 46
President and CEO
with Nokia since 1985

Dr. Matti Alahuhta, 44
President, Nokia Telecommunications
with Nokia 1975-82, 1984-

Pekka Ala-Pietilä, 40
President, Nokia Mobile Phones
with Nokia since 1984

Sari Baldauf, 41
Executive Vice President, Nokia APAC
with Nokia since 1983

Olli-Pekka Kallasvuo, 43
Executive Vice President, Nokia Americas
with Nokia since 1980

Dr. Yrjö Neuvo, 53
Senior Vice President, Product Creation,
Nokia Mobile Phones
with Nokia since 1993

Veli Sundbäck, 50
Executive Vice President, International Corporate
Relations and Trade Policy
with Nokia since 1996

Auditors

Eric Haglund, 62
Authorized Public Accountant (KPMG)

Lars Blomquist, 53
Authorized Public Accountant (Coopers & Lybrand)

Deputies

KPMG Wideri Oy Ab
Authorized Public Accountant
(Deputy to Eric Haglund)
SVH Coopers & Lybrand Oy
Authorized Public Accountant
(Deputy to Lars Blomquist)

Nokia Group Executive Board. Sitting from left: Sari Baldauf, Jorma Ollila and Olli-Pekka Kallasvuo. Standing from left: Pekka Ala-Pietilä, Veli Sundbäck, Matti Alahuhta and Yrjö Neuvo.

Nokia Group

International Corporate Relations and Trade Policy
Veli Sundbäck

Finance & Control
Maija Torkko

Group Treasurer
Timo Korvenpää

Technology
Kaj Lindén

Research Center
Juhani Kuusi

Corporate Development
Mikko Kosonen

Investor Relations
Martin Sandelin

General Counsel
Ursula Ranin

Human Resources
Pii Kotilainen

Communications
Lauri Kivinen

International Trade Affairs
Stefan Widomski

Nokia Area Management

Americas
Olli-Pekka Kallasvuo
- **Mobile Phones**
  Kari-Pekka Wilska
- **Telecommunications**
  Jyrki Salo
- **Display Products**
  Jim Cookson
- **Finance & Control**
  Tuomo Alamaki
- **Human Resources**
  Rick Gangemi
- **Industry Relations**
  John Malloy
- **Legal**
  Joe Pitts III
- **Communications**
  Philip Ellison
- **Technology Standards**
  Christopher Wallace

Asia-Pacific
Sari Baldauf
- **Greater China**
  Folke Ahlbäck
- **Japan**
  Olav Stang
- **India**
  Hannu Karavirta
- **Mobile Phones/APAC**
  Nigel Litchfield
- **Telecommunications/SEAP**
  Kari Ahola
- **Business Development**
  Jouko Häyrynen
- **Finance & Control**
  Maarit Komulainen
- **Human Resources**
  Pii Kotilainen (acting)

Nokia Telecommunications

Matti Alahuhta

Network Systems
Mikko Heikkonen
- **Switching Systems**
  Lauri Melamies
  - **Mobile Switching**
    Sauli Salo
  - **Fixed Switching**
    Mikael von Hertzen
  - **Switching Platforms**
    Keijo Olkkola
  - **Intelligent Network Platforms**
    Juha Lipiäinen
- **Network Management**
  Jorma Häkkinen
- **Professional Mobile Radio**
  Tapio Heikkilä
- **System Marketing and Sales**
  Mika Vehviläinen

Radio Access Systems
J.T. Bergqvist
- **Base Stations**
  Christian Kurtén
- **Base Station Controllers**
  Tapio Harila
- **Wireless Transmission Products**
  Sakari Nikkanen
- **New Radio Systems**
  Eero Vallström
- **Fixed Wireless**
  Pekka Salonoja
- **System Marketing and Sales**
  Olli Oittinen

Fixed Access Systems
Kari Suneli
- **Access Nodes**
  Markku Hynninen
- **Network Terminals**
  Olli Rissanen
- **Regional Transport**
  Matti Peltola
- **Dedicated Networks**
  Hans Holmberg
- **System Marketing and Sales**
  Vesa Tykkyläinen

Information Networking Systems
Tero Laaksonen
- **IP Network Systems**
  Jussi Ilmarinen
- **Wireless Data Server Systems**
  Petri Pöyhönen

Special Systems
Pentti Koponen

Customer Services
Pekka Oranen

Area Management – Europe
Pekka Vartiainen

Area Management – Southeast Asia and Pacific
Kari Ahola

Legal Affairs & Intellectual Property
Timo Ruikka
Finance and Control
Kirsi Sormunen
Business Development
Pekka Lundmark
Human Resources
Kirsi-Marja Kuivalainen
Communications
Arja Suominen

Nokia Mobile Phones

Pekka Ala-Pietilä

Regional Organizations
Americas
Kari-Pekka Wilska
Europe, Africa and Gulf
Anssi Vanjoki
APAC
Nigel Litchfield
Japan
Olav Stang

Product Creation
Yrjö Neuvo
- **Product Development**
  Pekka Valjus
- **Product Marketing**
  Søren Jenry Petersen

Production
Frank McGovern
- **Sourcing**
  Veikko Laakko

Logistics
Pertti Korhonen

Control
Anja Korhonen
Legal Affairs
Urho Ilmonen
Human Resources
Juhani Hokkanen
Quality
Timo Hannukainen

Other Operations

Nokia Multimedia Network Terminals
Heikki Koskinen
- **Finance**
  Steinar Døhlen
- **Broadcasting Terminals**
  Owe Törnqvist
- **Fixed Network Terminals**
  Heikki Koskinen (pro tem)
- **Production**
  Krister Rapp
- **Research and Development**
  Seppo Kalli
- **Sales and Marketing**
  Pekka Kuusela
- **Technology and Operator Projects**
  Helmut Stein
- **Human Resources**
  Marie-Louise Hasselblad
- **Corporate Planning**
  Ari Nieminen

Nokia Industrial Electronics
Hannu Suominen
- **Audio Electronics**
  Ulrich Gamm
- **Car Electronics**
  Leif Lundberg
- **Display Products**
  Reijo Lantto
- **LK-Products**
  Esko Rantala
- **Power Supplies**
  Kari Vuorialho

Sales offices

Production incl. joint ventures

R&D

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Tel. +358 9 437 61
Fax +358 9 437 66227

Nokia's 1996 Press Releases include

January

5 Nokia announces latest version of new portable cellular phone for first time users.
Sears to distribute Nokia cellular phones in US.
Nokia announces anti-fraud protection option for all models marketed in 1996.
Nokia announces new dual-mode AMPS/N-AMPS portable cellular telephone for N-AMPS markets.
10 MobileOne of Singapore awards Nokia supply contract for GSM network.
11 Nokia supplies GSM network expansion to Fujian in China.
16 Nokia supplies GSM network to Hunan province in China.
17 Nokia establishes new product unit for automotive needs.
18 Nokia supplies GSM network to Yunnan province in China.
24 Nokia to supply SDH transmission system to Inner-Mongolia in China.
30 Nokia to Supply Public Trunking Mobile Radio system to TAC in Thailand.

February

5 Nokia signs licensing agreement for production of cellular phones in Brazil.
13 Nokia Research Center to head new EU project.
14 Nokia and Cellnet sign digital base station agreement
19 HP and Nokia announce availability of first full-function personal communicator.
20 Nokia to expand Pannon GSM network.
New GSM handportable from Nokia.
21 Belgacom Mobile chooses Nokia for GSM network expansion.
26 Nokia's phone gets award by GSM professionals.
28 Nokia to withdraw from the TV business.

March

4 Nokia to supply American Portable Telecom a complete PCS network.
8 Nokia to supply microwave radios to the Swedish operator Telia.
13 Nokia introduces the naturally-shaped phone.
Nokia launches a new handportable for NMT 450.
Nokia's innovations offer a new dimension to mobile communication.
Nokia pioneers new product category with the world's first all-in-one communicator.
15 Nokia to supply SDH transmission system to CAT of Thailand.
18 Nokia to sell its cable business.
19 Nokia to deliver new public trunked mobile radio network in Philippines.
22 Nokia to supply expansion to Henan GSM network
25 Nokia announces contract with American Personal Communications.
Nokia is first to deliver new dual mode AMPS/TDMA portable cellular telephone.
26 Nokia introduced the PCS1900 Mobile Switching Center for the US market.
27 Nokia to supply a GSM network to EuroTel in the Czech Republic.

April

1 Nokia announces first steps to withdraw from the television business.
9 Nokia supplies DCS network expansion to TAC of Thailand.
11 Nokia supplies GSM network expansion to Yunnan in China.
12 Nokia to deliver SDH transmission system to TAC of Thailand.
17 Nokia to deliver SDH solution to Cable London of the UK.
Nokia's joint venture manufacturing of mobile phones and base stations starts in China.
18 Nokia signs manufacturing agreement with IRDETO
23 Nokia and Telecom Finland sign DCS and GSM agreement.
Nokia opens monitor factory in Hungary.
Nokia to supply GSM network to Poland.
24 Nokia Telecommunications opens new base station factory in UK.

May

2 Nokia cellular phones now compatible with hearing impaired device.
Nokia supplies Beijing GSM network expansion.
6 Nokia extends the Turkish NMT network.
9 Nokia signs licensing pact with Reflection Technology that brings virtual display technology to mobile phones.
13 Nokia Research Center to head new EU multimedia project.
15 Nokia supplies NMT network equipment to Indonesia.
21 Nokia announces to integrate Network Computer features into the Nokia MediaMaster.
29 Nokia announces plans to utilize Java technologies.

June

4 Nokia introduces Chinese user interface for the Nokia 8100 series
6 Nokia supplies GSM network to State of Gujarat, India.
10 Nokia supplies SDH and PDH transmission systems to Telecom Finland.
Nokia and Granada Sign Satellite IRD Agreement.
12 Nokia announces Heads of Agreement to sell its remaining television business.
19 Nokia to supply GSM network to state of Andhra Pradesh, India.
25 Nokia to supply GSM network to Poland.
27 Nokia to launch Italian subsidiary of its Multimedia Network Terminals division.
Nokia to supply business access network to Telecom New Zealand.
Nokia signs GSM deals for three states in India.
28 Nokia supplies GSM and NMT network expansions to AIS in Thailand.
Nokia to expand Malaysian PCN Network.

July

1 Nokia supplies SDH transmission systems to Finnet, Finland.
4 Nokia supplies GSM network expansion to Morocco.
Nokia introduces its second generation of digital phones in Japan.
8 Nokia supplies DX 200 switching systems to Tele2 of Sweden.
17 Nokia and Psion team up to provide short message service over PCS 1900 networks.
26 Nokia to expand Zhejiang GSM network in China.
31 Telefonica selects Nokia for major GSM expansion.

August

1 Nokia launches the Digital Cellular Data Card in Japan.
5 Nokia announces contract with AT&T Wireless Services, Inc.
14 Nokia Supplies PCS 1900 Digital Network Equipment for Western Wireless Portland.
15 Nokia expands North-West GSM s network in St. Petersburg, Russia.
Nokia starts sales of the Nokia 9000 Communicator.
19 Nokia wins contract for PMR system for the London Underground Northern Line.
21 Nokia opens new factory in Motala, Sweden, to produce multimedia terminals.
28 Nokia supplies GSM network to Uzbekistan.

September

5 Nokia and Elektrobit establish joint venture to focus on the measurement and optimization tools for cellular networks.
9 Nokia supplies DX 200 switching system technology to Netcom Systems Denmark.
The Nokia 8110 - a new generation mobile phone will offer Asian language user interface.
16 Nokia supplies telecommunications network expansion to the City of Stockholm.
Nokia and Data Critical form technology co-operation.
18 Intel and Nokia extend Internet with open short messaging technology.
19 Nokia brings Internet into the wireless age.
Nokia unveils world's first all-in-one Communicator for the Americas.
20 Nokia and Mobileware Corporation announce agreement.
30 Nokia supplies NMT switching technology to Russia.

October

1 Nokia supplies two PCN networks to Hong Kong.
Nokia to supply first PCS handsets for Canada.
2 Nokia supplies optical transmission system to China Railways.
3 Nokia signs contract with AT&T Wireless Services, Inc.
16 Nokia supplies GSM network expansion to Omnitel Pronto Italia.
21 Nokia supplies GSM mobile switching system to India.
24 Nokia supplies GSM network expansion to Jiangxi, China.

November

5 Nokia to conduct world's first Chinese character short message demo.
6 Nokia and Beijing TA trial dual band in live network.
14 Nokia expands its base station production in Oulu, Finland.
15 Nokia in partnership with Dassault A.T. delivers turnkey DCS 1800 cellular network to Bouygues Telecom.
21 Nokia expands Fujian GSM network in China.
25 Nokia and Pannon continue successful GSM co-operation.
28 Nokia and SFR sign GSM agreement in France.

December

12 Nokia to market and distribute HP Quickburst cable modem.
13 Nokia and UPM-Kymmene agreed to sell Finnish Chemicals.
17 Nokia supplies Telecommunications Network to VEW Telnet to Germany.

Investor Information

Annual General Meeting
Date: Tuesday, March 25, 1997, at 3 p.m.
Place: the Helsinki Fair Center, Congress Hall C 1, address Rautatieläisenkatu 3, Helsinki, Finland.

Dividend
The Board of Directors' proposed dividend for 1996 is FIM 3.50. The dividend record date is April 1, and the dividend will be paid after April 8, 1997.

Stock exchanges
The shares of Nokia Corporation are quoted on the following stock exchanges:

	Symbol
Helsingin Arvopaperipörssi (quoted since 1915)	NOKAV
Stockholms Fondbörs (1983)	NOKI A
London Stock Exchange (1987)	NY
Frankfurter Wertpapier-börse (1988)	NOAD
Bourse de Paris (1988)	5838
New York Stock Exchange (1994)	NOKA

The continuous trading hours of Nokia's shares are in accordance with the following:

Helsinki 10.30 am - 5.00 pm
Stockholm 10.00 am - 5.00 pm
London 9.30 am - 3.30 pm
Frankfurt 10.30 am - 1.30 pm
Paris 10.00 am - 5.00 pm
New York 9.30 am - 4.00 pm

Financial reporting
Nokia's quarterly interim reports in 1997 are due on April 29, August 4 and October 30. The 1997 results will be published in February 1998 and the Annual Report for 1997 in March 1998. The reports are published in English, Finnish and Swedish.

The financial reports are available from:

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Information via the Internet
Internet World Wide Web users can access Nokia's annual report and quarterly reports as well as other financial information and press releases on Nokia through: http://www.nokia.com

This Annual Report is available also on CD-ROM.

Glossary

AMPS	Advanced Mobile Phone Service
ATM	Asynchronous Transfer Mode
CDMA	Code Division Multiple Access
D-AMPS	Digital Advanced Mobile Phone Service
DCS	Digital Cellular System
DSP	Digital Sound Processing
DVB	Digital Video Broadcasting
EFR	Enhanced Full Rate
ETSI	European Telecommunication Standards Institute
FAS	Finnish Accounting Standards
FPLMTS	Future Public Land Mobile Telecommunications System
GSM	Global System for Mobile Communications
IAS	International Accounting Standards
IN	Intelligent Networks
IP	Internet Protocol
IS	Interim Standard
ISO	International Standardization Organization
ITS	Intelligent Transport Systems
MPT	Ministry of Posts and Telecommunications
MSC	Mobile Switching Center
NC	Network Computer
NMT	Nordic Mobile Telephone
NTT	Nippon Telephone and Telegraph
OEM	Original Equipment Manufacturer
PC	Personal Computer
PCS	Personal Communication Services
PDC	Personal Digital Communications
PMR	Professional Mobile Radio
SDH	Synchronous Digital Hierarchy
TACS	Total Access Communications System
TDMA	Time Division Multiple Access
TCP/IP	Transmission Control Protocol/ Internet Protocol
UMTS	Universal Mobile Telephone System
U.S. GAAP	United States Generally Accepted Accounting Principles
WWW	World Wide Web

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NOKIA

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