no limits

Contents

This document is Nokia's Business Review 1999. Together with Nokia's financial statements it forms Nokia's Annual Report 1999. If not accompanied by this document, the financial statements can be ordered from Nokia Corporate Communications, tel. +358 9 1807 379.

Please see the information regarding certain forward looking statements on page 52 of this review.

Nokia highlights 1999

- operating profit up 57% to EUR 3.9 billion
- sales increased by 48% to EUR 19.8 billion
- dividend EUR 0.80, up 67%
- market capitalization EUR 209.4 billion

no limits to the future

There are no limits to the human imagination.
There are no limits to our capacity for change.
There are no limits to our capability to improve.
There are no limits to our willingness to achieve.
There are no limits to our dedication to serve.
There are no limits except those we set ourselves.
There are no limits.

Strategic intent

Nokia's strategic intent is to take a leading, brand-recognized role in creating the Mobile Information Society by

- **combining mobility and the Internet**
- **stimulating the creation of new services**

Key data

Nokia	1999, EURm	1998, EURm	Change, %
Net sales	19 772	13 326	48
Operating profit	3 908	2 489	57
Profit before taxes	3 845	2 456	57
Profit from continuing operations	2 577	1 680	53
Research and development	1 755	1 150	53
Capital expenditure	1 358	761	78
Market capitalization	209 371	59 796	250

	1999, %	1998, %
Return on capital employed	55.7	50.2
Net debt to equity (gearing), %	-41	-36

	1999, EUR	1998, EUR	Change, %
Earnings per share from continuing operations, basic, split adjusted	2.24	1.48	51
Dividend per share, split adjusted	0.80*	0.48	67
Average number of shares (1 000 shares), split adjusted	1 148 440	1 138 341	

Business Groups	1999, EURm	1998, EURm	Change, %
Nokia Networks			
Net sales	5 673	4 390	29
Operating profit	1 082	960	13
Research and development	777	564	38
Nokia Mobile Phones			
Net sales	13 182	8 070	63
Operating profit	3 099	1 540	101
Research and development	835	522	60
Other Operations			
Net sales	995	1 014	-2
Operating profit	-273	-11	
Research and development	143	64	123

Personnel, Dec. 31	1999	1998	Change, %
Nokia Networks	23 718	20 638	15
Nokia Mobile Phones	23 775	18 627	28
Other Operations	7 767	5 278	47
Nokia Group	55 260	44 543	24

10 Major markets, net sales	1999, EURm	1998, EURm
USA	3 360	1 996
China	2 332	1 753
UK	1 855	1 205
Germany	1679	1 135
Italy	968	752
France	951	776
Brazil	600	250
Netherlands	544	269
Finland	479	465
Australia	437	293

*Board's proposal

The key data is based on financial statements according to International Accounting Standards, IAS.

Main currencies, rates at the end of 1999

	1 EUR
USD	1.008
GBP	0.628
SEK	8.599
JPY	103.07

Letter to our shareholders

This is the third consecutive year in which we have exceeded our overall growth and profitability targets. In part, we can thank this success to our ability to have continued to develop our sound competitive position, comprehensive product portfolio, innovative solutions, appealing brand and efficient global operations. But there is another increasingly important factor.

In 1999, we have again been able to substantially increase our profits, sales and earnings per share, and comfortably exceed our targets for the year. Our operating profits grew by 57% to 3 908 million on net sales up 48% at 19 772 million euros.

Our operating margin was also once again well above the industry average at 19.8% and our earnings per share increased by 51% to 2.24 euros. As a result of this excellent performance, the Board of Directors has been able to propose a record dividend of 0.80 euros per share, up by 67% over 1998.

New era

We are at the beginning of something very significant. Not just for our company. Not just for our industry. But for everyone. And for all aspects of our lives. We are using the twin drivers of the Internet and mobility to break through the limits of time and place. These are very powerful forces. And at this stage no one can say precisely where they will lead us to. But we are sure that it will be a very special time.

A time when people can connect with each other no matter where they may be. When distance becomes increasingly irrelevant. When we can gain access to the facilities and services we need whenever we need them, not just when they happen to be available. When our activities no longer limit us to a particular place. When the links that bind our various communities are strengthened. When new links create new communities. And when nature is served by enterprise, not destroyed by it.

This is what we mean by the Mobile Information Society. It is a concept which is evolving and gaining in magnitude all of the time. It is our intent to play a leading role in developing the potential of the Mobile Information Society.

Putting people in control

Today, when most people talk about information they think in terms of the information of which they are conscious – watching a movie, reading a book, browsing the Web or buying or selling on-line. But there is also a completely different kind of information. Information we don't necessarily see, but from which we still benefit.

The kind of information that allows us to master the technology and control our environment. Information that enhances our security. Information that means that when you approach your car, that it not only recognizes you to let you in, but also sets up the seat and car controls to suit your preferences. And then goes on to do everything else possible to make your journey more efficient, safer and more comfortable. Or it could be a camera with built-in communications that would let you share your experiences with family and friends.

An intelligent wallet could make sure you don't spend beyond your means – or at least arrange credit when needed.

What the Mobile Information Society really achieves for us is that it helps us increase our quality of life by making the most of our limited supply of time. It helps to boost our efficiency. It allows us to do more. To achieve more. It empowers us to make more of ourselves. Shopping becomes more fun because shopping out of necessity is automated, leaving us more time to do the more interesting stuff. We are put in greater control of our leisure time. Entertainment is what we want when we want it. Our variety of choice is increased.

The Mobile Information Society is giving us the opportunities to really improve our lives. To make many aspects of our lives more convenient and more flexible. To make many tasks more secure, private and reliable. To establish new trusted relationships and further enhance some old ones. The services and products we use can be made more personal, more comfortable and more closely tailored to our precise needs.

Real benefits

It is all about making technology work for us – seamlessly and effectively, and often invisibly – to create real benefits which we all crave. At the end of the day people don't care about the technology. They want their lives to be richer, more pleasurable and more effective.

We are the ones who want to make all this happen. That is why we try as hard as we do. Why we realize we have to constantly re-evaluate ourselves, check our course and change it if necessary. It is why we place such importance on understanding the needs of our customers.

It is also why we strive for excellence in everything we do. Why we feel we have to focus so much on the value added aspects of our markets. And why we cannot compromise on the operational efficiency which gives us our flexibility and creates our strong positive cash flow.

The will to succeed

We believe we have what it takes to break through many of the remaining limits that constrain us. We have the global presence, the key core competences in mobility and other enabling technologies to make it happen. We have the culture to cope with the scale of change this will require. A culture which tolerates mistakes and allows people to learn and develop. An accepting culture. A no fears culture. And we have the vision to point us in the right direction.

Our culture and our vision have taken us this far. But this is only the beginning. We recognize that there is still a long way to go. We believe that we are well positioned to meet the challenges. To meet what others may see as confusion and uncertainty with confidence and leadership. To adapt and evolve as required. And to bring the benefits of change to all of our lives.

Life is about to change forever. And we want to be a driving force in that change. We know that there are no limits to what can be achieved with will, vision and determination. And we have all three in abundance.

Jorma Ollila
Chairman and CEO

Pekka Ala-Pietilä
President

Nokia in brief

Nokia comprises three business groups: Nokia Networks, Nokia Mobile Phones and Nokia Communications Products. In addition, Nokia includes a separate Nokia Ventures Organization and the corporate research unit, Nokia Research Center.

At the end of 1999, Nokia had sales to over 130 countries, research and development in 14 countries, production in 10 countries and a global network of distribution, sales, customer services and other operational units. Headquartered in Finland, Nokia is listed on the New York, Helsinki, Stockholm, London, Frankfurt and Paris stock exchanges and employs more than 55 000 people.

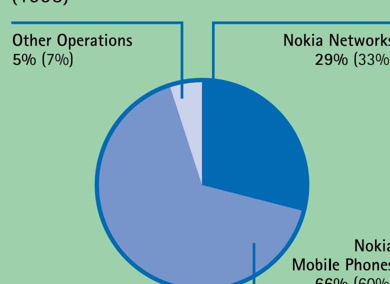
Nokia Networks

is a leading supplier of data, video and voice network solutions for the Mobile Information Society, meeting the needs of operator customers and Internet Service Providers. In addition, Nokia Networks is a world-leading supplier of mobile and fixed access solutions, and broadband and IP network solutions. Nokia Networks also provides service creation, network management, systems integration and customer services.

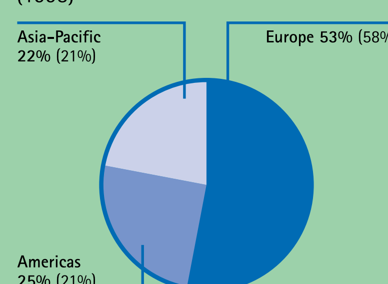
Nokia Mobile Phones

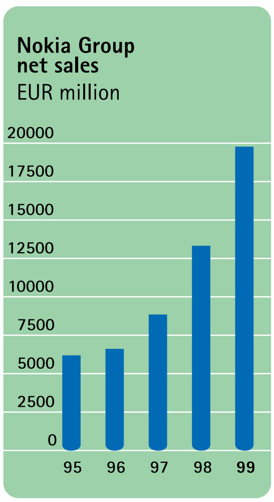
is the world's largest mobile phone manufacturer. With its comprehensive product portfolio covering all consumer segments and standards, Nokia is in a strong position to lead the development towards the Mobile Information Society. Our mission is to enable people to connect with one another and to information regardless of time or place. Nokia's technology and applications are designed for human needs and are based on solutions that function seamlessly and effectively together.

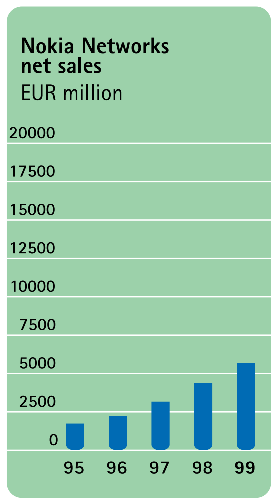
Net sales by business group 1999
(1998)

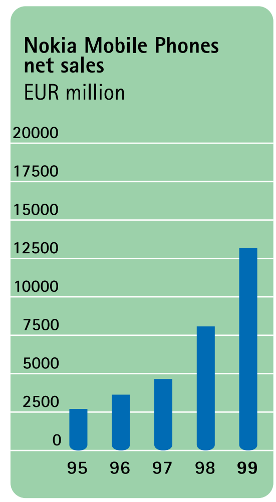


Net sales by market area 1999
(1998)









Nokia Communications Products

comprises Nokia Multimedia Terminals, a pioneer in digital multimedia terminals for digital TV and interactive services via satellite, cable or terrestrial networks.

Nokia Ventures Organization

explores new business areas facilitating future growth and boosting Nokia's product and long term business development. Nokia Internet Communications offers Enterprises and Managed Internet Service Providers strategic IP oriented products and solutions. Nokia Home Communications develops digital platforms and communications solutions for the home environment and Nokia Mobile Display Appliances focuses on new mobile devices for Internet-based, visually rich communications. Nokia Ventures Fund focuses on start-up businesses and technologies which are not in the natural scope of Nokia's current business units and has a global investment scope.

Nokia Research Center

interacts closely with all Nokia business units to enhance the company's technological competitiveness. The center covers the full range of activities from exploration of new technologies and concepts to their exploitation in actual product development undertaken in the business units.

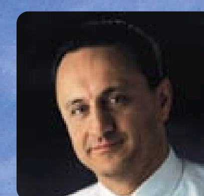
To keep up to date with the latest technological developments and to influence them, the center maintains strong global contacts. It actively participates in the work of standardization bodies and various international research and development projects in cooperation with universities, research institutes and other telecommunications companies.

Moving life in to digital space

Never before has the environment in which we operate been so stimulating. Never before have there been so many things coming together. Never before have there been such opportunities. This is an exciting time for the information and communications industry. We really have the chance to change life for the better.

People will look back on this period and say it was the time the Mobile Information Society was created just as they look back on the 18th century and see it as the time of the creation of the Industrial Society. This, they will say, is the period when life moved into digital space.

Digital technologies are fundamentally changing the way we live. Keeping in touch is easier than ever before. Distance and time no longer pose the barriers they once did. Correspondence cycles that used to take weeks can now be sorted out in days thanks to e-mail and other messaging services. Mobile phones keep us in contact with friends and family, work colleagues or business associates, wherever we may be. And portable information tools such as laptop computers keep us productive in a world where we are spending increasing amounts of time on the move.



Kent Elliott
Senior Vice President and
General Manager
Nokia Internet Communications

Internet Protocol or IP is just a computer communication protocol. But it is changing the world we live in. It has become the ubiquitous protocol for all types of data transmission whether from my desktop PC to one across the hall, or around the globe.

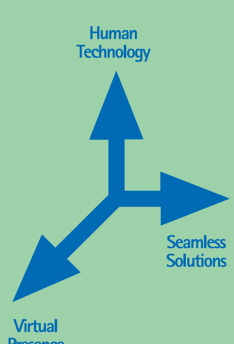
Breaking through

Convergence, the Internet, pervasive computing and mobile communications are shrinking our world. They are removing our limitations.

The effects of this change go well beyond information and communications technology to affect many aspects of our lives. Increasingly, we live and work in a single global knowledge based economy. In this new world investment capital no longer simply means money. In a world where everybody carries the means of production around in their heads, the best investment capital could be learning.

There will be many ways of making a success from the new opportunities. And there will be many successful companies. But one thing they all share in common is that they understand that this new world brings not only new opportunities, but also new challenges. Only those individuals and organizations with the flexibility of mind and body to change and adapt to the challenges have a chance of profiting by them.

Strategic Cornerstones



Understanding

We believe we are in a good position to benefit from this trend. We believe we understand the needs of users. We understand services and how they are created. We appreciate the value of diversity. And we have a unique way of viewing new challenges: to us uncertainties are the greatest opportunities of all. As the world changes faster and faster, this attitude becomes more important.

We believe we understand the Internet. 1999 saw Nokia's long held view of the emergence of a mobile Internet being adopted by the industry in general. At Nokia, the Internet is not the property of any one part of the organization. It is ubiquitous throughout all parts of the organization.

The impact of the Internet can hardly be overstated. It provides us with a global and universal platform to create major new applications and services of real benefit to people. Combined with mobility, we believe it will be especially powerful. Mobility brings the power of the Internet to wherever it is needed.

For the benefits of the mobile Internet to be truly realized, we must make sure that services – no matter how complex or feature rich – are available to end users in a familiar way wherever they may be. Our experiences in mobile telephony have shown that it is possible to create worldwide seamless services. Global roaming and network interoperability for both voice communications and text messaging are already standard features of GSM, for example.

It is IP that allows me, when in a hotel room and I happen to see on the TV that a stock I own is moving very quickly, to do something about it. It lets me work closely with my colleagues, no matter where I – or they – may be. And soon it may even allow me to see my son score a goal at the school football game I couldn't attend.

Work is no longer a place; it is where I am. Home is no longer a place; it is where I am. My community is no longer a place; it is where I am. Communications is helping me break through the limits to my life. And that's largely thanks to IP, a humble computer communication protocol.

The mobile phone has already had a profound impact on many areas of our lives. But new technologies such as Third Generation cellular radio, offering wider bandwidths and equally adept at handling voice and non-voice communications, will change the way we do things still further. More and more of life will move into digital space. And the mobile phone will be at the center of this revolution.

Global IP Mobility

Global IP Mobility is our strategy for achieving our aims of facilitating a proliferation of innovative applications and allowing ubiquitous service availability. Its objective is to facilitate very large scale delivery of WWW and IP based applications and services over a wide range of wireless and wireline connections including broadband and narrowband medias.

We believe that the products and services that we develop, based on our Global IP Mobility strategy, will create the applications platform of choice for a wide range of communications, mobile commerce and entertainment services.

To date, technology has been driving much of the growth. Every new technology market is initially driven by the technology itself. But soon we will enter a new phase. Applications will drive growth. Eventually, applications will become independent of the technologies. We are moving from a technology centric approach to a user centric view of the world.

Usefulness

Satisfying the needs of consumers is what at the end of the day drives any market. The Internet provides us with a wealth of tools to create applications. If they are to be successful, however, they will have to be created with their usefulness to people in mind. With the right approach, the combination of mobility and the Internet promises to provide a fertile base for creating the kinds of applications and services people will want.

This is only the beginning. Global IP Mobility will change our world a lot more yet. We have only just begun to move into digital space. We have only just begun to push the limits. More and more services will go digital. They will become more available to more people. And in a greater variety of situations. The new ways of doing things will become the norm and not the exception. Many activities will be transformed. Buying and selling will be increasingly via e-commerce or m-commerce. At Nokia we believe there are no limits.

The invisible links that make life better

In today's communications business it is not technologies but end-user needs that drive the market. People want to communicate. But they do not want to care about the technologies behind the links. They do, however, expect their communications, information and services to follow them wherever they go.

Our challenge is to provide people with invisible infrastructure and seamless connectivity, wherever they want it, whenever they want it and for whatever reason they want it. And to do it in a way that makes the most of the investments by carriers and service providers, both financially and in terms of offering the highest standards and flexibility and variety of services to their customers.

Pekka Pohjakallio
Director, Mobile Internet

Today's mobile communications is all about adding value. The whole business is changing from one dominated by technology to one where applications and content count more. I suspect that one day – perhaps not too far away – the added value components of their services will be worth more to operators than their basic bearer services.

Profound change

The telecommunications business is experiencing profound change. Communications is not just about covering great distances. It can be across a room or even across a desk just as easily as across a city or across the globe. And it can be between people or between machines or between people and machines.

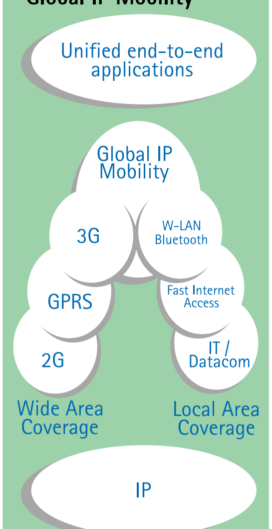
Data, graphics and video are continuing to claim an ever greater share of traffic. Increasingly communications sessions combine more than one of these. We believe that this will become even more prevalent as people demand that their electronic communications become more similar to the way they communicate in person.

The ways of creating connections are changing. Circuit switching – where the information is routed over individual and physical links – is giving way to packet switching – where physical links are shared and the information is routed according to address. The Internet Protocol or IP is playing a key role in creating this new communications world.

The role of network operators is changing. And as a consequence, so is our service to them. Operators are having to concentrate more and more of their efforts on marketing and customer care. At the same time networks are getting more complicated so that they can address user needs more precisely. The result is a growing need for systems integration.

Renaming Nokia Telecommunications as Nokia Networks reflects our recognition of these trends. So does our Global IP Mobility strategy.

Global IP Mobility



Net effect

The trend in people's usage of communications is towards higher bandwidth applications. This requires additional capacity in the networks. This is making itself felt on the demand for our products. In particular we are witnessing the take-off of broadband systems in the fixed network and the increase of data and multimedia services in wireless networks.

Nokia is playing leading roles in both arenas. On the fixed network side we are deploying Digital Subscriber Line (DSL) technology. DSL supports fast access to the Internet and the delivery of a range of information and entertainment services over fixed networks for both homes and offices. This helps pave the way for a whole new generation of feature rich mass market Internet services. By the end of 1999 we had already gained orders for three million DSL lines.

On the wireless side we have taken major steps towards Third Generation cellular radio systems and the support of mobile multimedia services. Nokia is leading the way in bringing the Internet Protocol to mobile networks through its General Packet Radio Service (GPRS) offerings. GPRS offers mobile phone users the same kind of data rates and "always-on" simplicity previously only enjoyed by the users of private networks. 1999 was a significant year for GPRS. A year in which Nokia was able to demonstrate its leadership in GPRS, with 16 announced core GPRS deals. We believe our success in GPRS positions us well for future success in Third Generation.

It is not surprising therefore that people have been busy searching for new killer applications that will drive this market. Personally, I'm not sure they will ever find any. Because we are already surrounded by them. They are already out there on the Internet. What we have to do is see what further value mobility can add.

I think that the services that will have the best likelihood of success will be those most carefully tailored to an individual's needs at a given time and place. They must be Here – in other words take the location of the user into account, Now – current and up to date, and For Me – personalized to my tastes and preferences. Then they will provide real added value to end-users.

Making sure you have sufficient network capacity is a key factor in keeping end-users of mobile phone networks satisfied. The usage in dense metropolitan areas is so high that microcellular networks are required. Nokia's MetroSite is a complete site and system solution offering ten-fold capacity of a conventional macrocellular network and this at only half the cost.

Mobile Internet

In 1999, we saw a distinct quickening of the pace of development of the mobile Internet. Voice has gone wireless. Data is very clearly going wireless. During the coming years, we at Nokia believe the Internet will go wireless. We are making rapid progress in many key areas that will make the Internet experience even more compelling.

1999 saw the introduction of the first mobile Internet services based on Wireless Application Protocol or WAP. We launched both a WAP phone and a WAP server during the year. WAP greatly simplifies the creation and raises the desirability of mobile Internet applications. It draws on the wealth of information and services already on the Internet. We expect WAP to become the launch platform for a range of e-commerce, entertainment and information services with the potential to really change the way we live our lives and conduct our business.

During 1999, we also established for the first time an organization focusing on the system integration needs of the Mobile Internet. Before the end of the year it had achieved its first customer contracts.

Lead in 3G and IP

We are a leader in the development of Enhanced Data Rates for Global Evolution (EDGE). EDGE offers users data rates of up to ten times these available on today's fixed networks. We are also a leader in the development of Third Generation cellular radio systems based on Wideband Code Division Multiple Access (WCDMA).

In September 1999, we introduced our first Third Generation product, the triple mode Nokia UltraSite base station and site solution. It offers operators a smooth migration from today's Second Generation cellular radio systems to tomorrow's Third Generation networks based on technologies such as EDGE and WCDMA. It also offers those operators who do not introduce Third Generation services, greatly enhanced GSM capabilities.

IP is becoming increasingly important in all our products and services. During the year we have had significant advances in its implementations. This is a time of great opportunity. We want to welcome the world to the Mobile Information Society.

Making more of life with the mobile phone

The way we interact and communicate is entering a new era of exciting possibilities and opportunities. We are entering the era of the Mobile Information Society. An era of anything, anytime, anywhere. An era of unprecedented freedom. And the mobile phone is at the center of this revolution.

The Mobile Information Society is having a dramatic impact on our lives. It removes many of the limits we currently face. It helps us make the most of our time. It allows us to do things quickly and with less effort than before. It allows us to do completely new things that we had difficulties even to imagine before. It gives us much needed flexibility in a world that moves faster with each day.

Human dimension

The technologies on which the Mobile Information Society is being built are advancing rapidly. Nokia is a leader in their development. But these technologies have no value in themselves. They only attain value in the context of fulfilling human needs. People must gain real benefits from them. That is what our challenge is all about: understanding peoples' needs and using our technology competences to come up with applications that make their lives better.

Most of the new services, features and functions will be based on software – and much of it user-configurable. Software will play an increasingly important role in the coming years. That's why we are taking a leading role in the development of software platforms – like Symbian´s EPOC operating system – for future mobile devices.

During 1999, we developed a number of joint initiatives launched in 1998. In particular, we started to deliver the world´s first WAP 1.1 compliant media phone, the Nokia 7110. WAP, the Wireless Application Protocol, is creating a really important shift in speeding up developments in mobile data. It has also helped to ensure that in 1999 our vision of the Mobile Information Society has penetrated more deeply not only in to our own but in to other industries.

Frank Nuovo
Vice President
Chief Designer, Nokia Mobile Phones

The mobile phone is still in its relatively early formation stages. This has been and continues to be an exciting environment in which to be a designer.

At Nokia, we have a very good idea of where things are going. We have a strong vision of the future. But much can change by the time the future arrives. So it's important for us to

Mobile Internet

Nothing exemplifies our commitment to the Mobile Information Society more than our activities in creating the mobile Internet. It's about wireless, it's about the Internet, and it's about the synergies from combining the two. But most of all it's about giving people what they want, when and where they need it. We believe the mobile phone is the natural vehicle for putting the Internet into everybody's pocket.

We believe that the mobile phone will be at the heart of the Mobile Information Society. There are three simple reasons to support this claim: first, most people will have a mobile phone. Second, they were designed specifically for connectivity. And thirdly, they are personal.

The number of mobile phone users continues to grow significantly. By the end of 1999 there were about 480 million mobile phone users worldwide, over 50% higher than in the previous year when there were 310 million. By the end of 2002 we expect there to be over a billion – more than double the number of today in only three years.

From the outset, mobile phones were created with information transmission in mind – be it in the form of voice, text, data, images or multimedia. For other wireless electronic devices connectivity comes as an add-on. In our view it is less challenging to add different kinds of personal information management functionalities to a device built to support communications features than the other way around.

Connectivity is the single key factor that sets the mobile phone apart from all other electronic devices. It adds value and quality to the lives of its users by allowing them to connect to other people and to various sources of information, entertainment and services – when and where they want it.

continually question and update our thinking.

That's why it's important to be a part of a team. Teamwork gives birth to new ideas.

You cannot fall in love with your first idea. You have to be able to explore openly and accept input from lots of people. It is very important to be flexible.

There are many influences to our work, but we do not follow trends at Nokia. We try to set them.

So where does the inspiration for inspired designs come from? It can be anything from a beautiful tree to a motor car or a building. But the most inspiration comes from working in a good creative team with plenty of interaction.

During 1999 we launched 18 new mobile phone models. These ranged from feature-rich and data centric devices such as the Nokia 7110 media phone (in the picture) launched in February, to exceptionally designed mobile phones and statements of style, such as the Nokia 3210 launched in March or the Nokia 8210 launched in October.

It's personal

The third and final argument placing the mobile phone at the heart of Mobile Information Society is the fact that it is amongst the most personal accessories that we carry around with us these days.

Already today we can choose between various models that match our changing usage needs, differing lifestyles and individual preferences.

A mobile phone also contains a lot of our most important personal information: contact lists, calendar bookings, notes, messages. In the not-too-distant future it might be possible to integrate credit cards, social security data, health records, ID numbers, keys etc., transforming mobile phones into Personal Trusted Devices.

In the near future this trend towards more numerous personalization possibilities will multiply – not just in terms of design but increasingly in terms of services, features and functionality. That's why we are constantly deepening our understanding of consumer segmentation, developing new product categories and definitive new products for the segments.

Enhanced leadership

In 1998, we became the world's largest supplier of mobile phones. During 1999, we were able to continue to strengthen our global market position. The mobile phone market grew by over 60% during 1999. We estimate that about 275 million mobile phones were sold worldwide during the year, compared to about 168 million in the previous year. Nokia's sales volume growth exceeded that of the market with sales during 1999 of 78.5 million units, up 92% on the previous year's 40.8 million.

As the market develops its dynamics are also changing. As well as an increasing number of people buying their first phone, there is also a growing upgrade market. A third evolving market is that for multiple handset ownership. We estimate that upgrades accounted for some 40% of unit sales in 1999. This share is likely to rise to about 50% in 2000 and to around 70–80% in the next few years.

It is hard to imagine an industry that will be more exciting than ours in the next few years. The mobile phone will become the device which people will carry with them everywhere. It makes lives easier. It makes choices possible. It removes the limits.

Pushing beyond the limits of current business

To push the limits of Nokia's growth beyond the scope of current businesses, it is important to introduce and develop new business ideas. This is the mission of Nokia Ventures Organization. It is a place where new business ideas both inside of and outside Nokia can be discovered and developed.

At the end of 1999, Nokia Ventures Organization consisted of five main parts: Nokia Internet Communications, Nokia Home Communications, Nokia Mobile Display Appliances, the Nokia Ventures Fund and the Venturing Unit.

Nokia Internet Communications, Nokia Home Communications and Nokia Mobile Display Appliances are all designed to take advantage of the opportunities offered by the emerging Mobile Information Society. Here the worlds of wide area mobile communications and local area computing are merging to create a new realm of innovative types of high speed, mobile, multimedia and seamless services, at work, at home, wherever.

Helmut Stein
Chief Technical Officer
Nokia Multimedia Terminals

We've been talking about convergence for years. Now we're really doing it. That's very exciting.

Convergence allows us to bring together different media to create completely new services and products. Not just once, but over and over again.

Home focus

In the office a combination of wireless and wired networks will link a variety of computer and computer-based devices. The idea of networked devices will also gradually take hold at home. Even while travelling away from our fixed bases we expect access to the information, resources and services we have grown to rely on. The unifying aspect of all this will be the Internet. The Internet will link all of these networks and its protocols will eventually become the dominant protocols over all networks.

Nokia Internet Communication's strategic target is the Enterprise and Managed Internet Service Provider markets. Created in October 1999, it combines a number of developments already taking place throughout Nokia. Nokia Internet Communications' target is to build a powerful channel to the enterprise market through offering world class Internet Virtual Private Networks and e-business products and solutions. These market segments will be key to delivering the new connectivity infrastructure required to enable secure, reliable, and scalable solutions for the enterprise.

Despite its short time in operation, the company already has a number of successes to its credit. It is already a leading player in secure Virtual Private Networks, for example. Its combined IP Network appliance VPN/firewall offering has proven particularly popular – especially with larger, more security conscious customers, such as banks and airlines. The new company's heritage also includes Internet Protocol or IP telephony products and know-how.

Nokia Internet Communications is also emerging as an early leader in creating the platforms for Wireless Application Protocol or WAP applications. WAP is allowing companies to offer existing and new Internet or Intranet based services to their own employees and to their customers. By the end of 1999, over 10 000 software developers and companies were piloting services with the Nokia WAP server. In December, Nokia announced availability of the Nokia

Nokia Internet Communications

Security solutions
IP network appliances

Mobility
management

IP telephony infrastructure,
terminals and applications

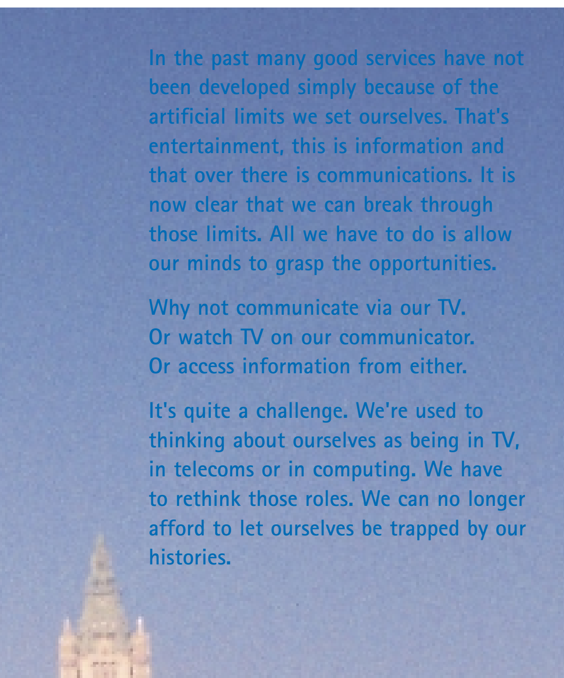
Unified messaging

WAP client/server software

IP Clustering

WAP Server 1.0, a product which allows business to leverage securely the Internet in mobile environments and empower employees on the move.

Nokia Home Communications was created in November 1999. Its brief is to develop digital home platforms and communications solutions for the home environment, in particular IP residential gateways for homes supporting not just Internet access but also access to broadcasting and other entertainment services. The unit combines Nokia's strong expertise in technologies such as Wireless Local Area Networks, Internet Protocol and digital broadcasting.



In the past many good services have not been developed simply because of the artificial limits we set ourselves. That's entertainment, this is information and that over there is communications. It is now clear that we can break through those limits. All we have to do is allow our minds to grasp the opportunities.

Why not communicate via our TV.
Or watch TV on our communicator.
Or access information from either.

It's quite a challenge. We're used to thinking about ourselves as being in TV, in telecoms or in computing. We have to rethink those roles. We can no longer afford to let ourselves be trapped by our histories.

Nokia Mobile Display Appliances focuses on the development of mobile display devices that will enable Internet-based visually rich communications. The unit aims at exploiting Nokia's know-how in high performance displays, Internet Protocol technologies and mobility to offer customers completely new communications solutions.

The Nokia WAP Server 1.0 allows businesses to fully leverage the power and functionality of existing and new service offerings in a mobile environment. It is an open server platform for mobile applications that lets companies maintain control over end-to-end security of access to data and customer traffic between the wireless network and the Internet or their own internal networks.

Venturing

Nokia Venturing Unit's mission is to see what the world will look like in three to five years time. It explores new business areas for Nokia. If the business case stands up, the company creates a new venture.

The Venturing Unit provides a greenhouse for new business ideas. At first, one or two people are asked to investigate a new idea. If the idea has merit, a larger team could be assembled to turn it into a business. Nokia Venturing Unit also runs pilots and other early stage venturing, often together with one or more partners.

The Nokia Ventures Fund, based in Menlo Park, California, has the mission to invest in interesting start-ups. With an initial capital allocation of $100 million, it is constantly on the lookout for disruptive technologies and new emerging business models: ones which will enable significant new market opportunities. Investments are not dependent on strategic relationships with Nokia. The knowledge gained of interesting new technologies and markets is more important.

Investments so far

Examples of Nokia Venture Capital Fund investments so far include eVoice, Pogo.com, Confinity, FusionOne and Informative. EVoice is an IP telephony company dedicated to providing convenient messaging solutions via the Internet. Pogo.com is the first service to target the emerging market of family Internet game players. Confinity is concentrating on meeting the rapidly growing demand for strong cryptography on hand-held computers and other small devices. FusionOne is developing Internet synchronization software and services that make information access seamless across multiple communications and computing device. Informative is the leading provider of web-based, real-time information solutions.

But none of this is rigid. The whole idea of Nokia Ventures Organization is to promote Nokia's development. The main thing is that the best use is made of the company's know-how in different technologies, its competences and its capabilities.

The machinery of knowledge creation

We are moving swiftly towards a knowledge-based economy in which growth can be explosive and the key raw material – the human imagination – is infinite. Harnessing the power of the imagination is what Nokia's research and development activities are all about.

It is an exhilarating experience to be at the forefront of these developments. But change creates uncertainty as well as new opportunities. We believe the best way to master the uncertainty and make the most of new opportunities is to possess the top expertise. That is why we have put research and development and continuous company-wide learning at the core of our strategy.

Juhani Kuusi
Senior Vice President,
Nokia Research Center

How do you ensure that your research and development remains focussed on the needs of the real world while at the same time staying ahead of the competition in such a fast-changing environment? That's the big question facing today's hi-tech companies.

Integrated approach

1999 was a landmark year in Nokia's research and development activities. Over the year we invested over 1 750 million euros into research and development, up by 53% over the previous year. By the end of 1999, about one third of Nokia's workforce of over 55 000 worked in research and development activities. And of that group of more than 17 000 research and development experts, just over 1 000 worked at the Nokia Research Center, the corporate research center with sites in 6 countries.

At Nokia we place great emphasis in ensuring that research and development is not an isolated function but is integrated into the whole corporate process. Research and development work takes place both within the individual business units and at the Nokia Research Center. And all research and development sites interact on a daily basis, not only with each other, but with all other parts of the company, including the various strategic planning, production, sales and marketing functions.

Research and Technologies

Different parts of the company may approach research and development in different ways, but in ways most suited to their business processes and business objectives. For example, in some parts of the company the research and development process chain starts with what we call Research and Technologies. This allows research on a more generic level than pure product development. The researchers are given a considerable amount of freedom.

The next step in this approach is Technology and Platforms. Here we have focussed projects with defined goals which look beyond the requirements of immediate product development. Things developed here may well be incorporated into several product designs of the future. The actual product development takes place in a phase we call Concurrent Engineering. Here all the effort is focussed into creating products which fulfil customer needs.

In other parts of the company, however, the separation between the ideas generation and product development stages is not as pronounced. Work is based on programs aimed at making the various product families.

Nokia's Research and Development

- More than 17 000 employees within R&D
- 52 R&D centers in 14 countries
  - Australia
  - Canada
  - China
  - Denmark
  - Finland
  - Germany
  - Hungary
  - Italy
  - Japan
  - Malaysia
  - Rep. of Korea
  - Sweden
  - UK
  - USA

Also, depending on a particular product, research and development team members can be from all of the business units of Nokia or from one or more.

The activities of the Nokia Research Center are closely aligned with those of the business units. In fact, around 70% of the Research Center's funding comes from the business units in the form of contracted research and development projects.

Nokia Research Center personnel are actively involved with business unit projects – not just over the longer term but also in cases when their skills may be needed more acutely. And we encourage the rotation of personnel between research and development and other functions.

> I believe the answer lies in collaboration, internally and with the outside world. And in not allowing research to become some sort of isolated activity. At Nokia, research and development work takes place in a number of different places. And there is continuous personnel exchange and interaction between all of them as well as with other functions of the business.
>
> This all helps us to keep fresh and receptive to new ideas and influences. It is part of our continuous self-renewal process. Of course, there is always a need for industrial basic research. And we conduct plenty of it both internally and with external organizations. But at the end of the day, there always has to be some worthwhile benefit to our customers. They are, after all, the ones who pay our salaries.

Global operations

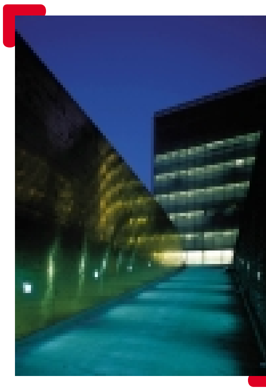
To date, we have research and development centres in 14 countries. These facilities allow us to adapt our products to meet local market requirements. But far more valuable in our rapidly changing world is that we really do our research and development from start to finish at all sites in parallel. This way we have access to the best talent the world has to offer, and to share the latest knowledge from around the world.

In 1999, we decided to expand significantly our research and development activities around the world. In China, Denmark, Hungary, Japan and the USA, for example, we raised our investment in research and development personnel by between 50% and 200%. And we set up or acquired new research and development units in Canada, Italy and Korea and started activities in Spain.

All of these are an integral part of Nokia's global research and development structure. As well as applying the latest technology to products and solutions for local markets, the units cooperate with the general research and development communities in their home countries and globally. And, of course, by developing our local facilities we are enriching and adding value to our research and development activities worldwide.

Investment in the future

Knowledge is fast becoming the driving force of economic growth, social development and employment and also the primary source of competitiveness in the world market. Research and development is all about investing in the future. By improving our knowledge we push the envelope that restrains us. When it comes to our desire for knowledge, there are no limits.

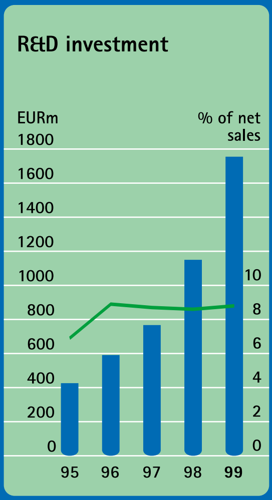


Nokia Research Center's new main building in Helsinki was opened on June 1, 1999. The 24,400 square meter building has been designed with maximizing the contact and information exchange between its inhabitants in mind. Its town center location and proximity to major universities should also help to provide a stimulating environment.

Cooperation eases the path to the future

The keys to success in research and development are to be early, experiment, learn fast, correct direction whenever necessary and execute with excellence. And in an industry which is moving as fast as ours, it does not make sense to do it all alone.

Cooperation and collaboration are playing increasingly important roles in research and development, both within our organisation but also with others. Only in this way can we ensure the timely creation of not only new telecommunications standards but of the fast paced de facto standards of the Internet age.

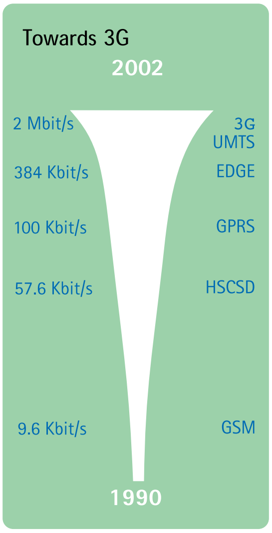


Internet gateway

On the terminals side, for example, the Wireless Application Protocol or WAP effectively allows every mobile phone to become a mobile information terminal by offering a gateway between the Internet and mobile phones. The first WAP compatible terminals began to emerge in 1999, as did the first WAP software development kits.

WAP will be a real driver for the development of value added services for mobile devices. With WAP everyone can download the specification from the Internet and simply start building applications and services for mobile terminal users. If an application can be put on the Internet, the chances are that it can be made available to mobile terminal users through WAP.

Bluetooth helps the mobile phone continue its evolution from a communications device to a personal trusted device. It defines a device-to-device interface which will significantly extend the usefulness of terminals by allowing them to invoke actions in other devices, such as printers or scanners, as required by applications. Links are set up as needed by applications without any need for human involvement. And because it is small, low cost and low power it is perfect for mobile devices from intelligent wristwatches to laptop computers. More than a thousand companies are now committed to making their applications compatible with Bluetooth.



Inspiration to create

Symbian provides an operating system which can be common to a whole range of portable handheld devices ranging from mobile phones to personal digital assistants. By creating a high degree of conformance developers of software and hardware should be inspired to create new and innovative products and functions, and, at the same time, consumers should be given the confidence to use the new generations of devices.

The General Packet Radio Service or GPRS supports peak data rates similar to those of dial-up connections over fixed networks. Its always open packet switched communications channels allow almost instant access to data services, making the data experience more rewarding and less frustrating. Because of its completely transparent support of the Internet Protocol or IP, GPRS effectively gives the mobile terminal the same status as IP hosts on a fixed network. In other words each GPRS compatible phone will become another node on the net.

There are, however, still applications where circuit switched data retains an advantage over packet switched data. Examples include real-time applications that demand a constant bit rate – such as mobile video telephony or time-critical wireless imaging. Circuit switched data is also much more suited to supporting mobile access to the large installed base of circuit switched fixed network telephone modems and ISDN terminals. High Speed Circuit Switched Data or HSCSD is an important development in this arena. It raises circuit switched data rates from 9.6 Kbit/s to 57.6 Kbit/s.

Investments in R&D

- EUR 1 755 million in 1999
- EUR 1 150 million in 1998
- Increase of 53%
- 8.9% of net sales in 1999 compared with 8.6% in 1998

Personal multimedia

Enhanced Data Rates for Global Evolution or EDGE offers a foretaste of Third Generation but over today's Second Generation cellular networks. The data rates supported by EDGE will allow a whole host of advanced personal multimedia services to be offered using still and moving images, sounds and text as well as voice.

EDGE also has the effect of conserving network capacity. A particularly attractive aspect of EDGE is that it does not require new network infrastructure. It is merely a modification of existing systems. The major change is a new modulation system, known as 8PSK (Phase Shift Keying). This co-exists with the existing modulation. And it also offers the prospect of merging the evolution of the European originated GSM and US originated Time Division Multiple Access (TDMA) Second Generation digital cellular radio standards.

All of these initiatives, both on the terminals and systems side, are in anticipation of Third Generation cellular radio which is expected to come into service from 2002 onwards. Nokia's WCDMA radio technology, with its combined packet-switched and high-capacity circuit-switched functionality, will support the entire range of value-added services on the horizon. This technology provides cost-efficient, wide area coverage with data rates up to 384 Kbit/s and localized data rates up to 2 Mbit/s.

Nokia started the development of a WCDMA test bed in 1992 and demonstrated the viability of WCDMA for multimedia applications on that test bed in 1996. In September 1998, the first call using a Third Generation Nokia terminal was made on a test network in Japan. And in 1999, Nokia completed the first WCDMA full-system call over a public telephone network using a WCDMA terminal, WCDMA base station subsystem and GSM Mobile Switching Centres.

Enlightened management

The Mobile Information Society will not be built by any one organization alone. It requires extensive cooperation between entities which may also be competitors. Such complex collaborations must be managed in an intelligent and enlightened way to ensure that the benefits outweigh the drawbacks. If successful, however, it will mean that together we will break through the limits that restrain progress much faster than we ever could alone.

Research and development at Nokia is truly integrated with the company's other functions. Every year around 10% of the staff at the Nokia Research Center migrate into other areas of the company. And there is on-going close communication between those with a reasearch function – whether in the Research Center on within the business units – and those with other functions such as marketing, sales or production.

Keeping the creativity flowing

In a knowledge intensive industry such as ours, success relies on attracting, developing and retaining the most talented people. We also need to provide an environment in which our employees can be creative and turn their ideas into collective actions.

These are the primary goals of all of our human resources activities at Nokia. And they are likely to take on even greater significance over the coming years as the competition for talented people gets even tougher.

Despite our growing size our culture remains that of an independent, innovative and creative start-up. We aim to maintain this culture no matter how large we may become. We believe that the best way to achieve this is less through traditional management and more through leadership.

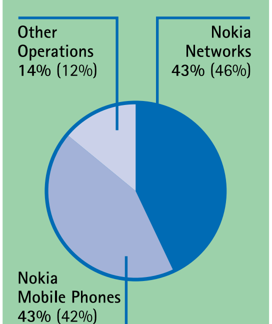
Eri Kuwabara
Product Manager
– a Japanese national working in the UK

Nokia is a very open company. It does not matter who you are talking to, no matter how senior they may be, if you have any ideas, questions, concerns, comments, you can say them. When it comes to openness I have found that there really are no limits.

Wang Jing
Marketing Communications Assistant
working in China

Nokia offers a very good working environment and facilities. There are plenty of training opportunities for me

Personnel by business group 1999 (1998)



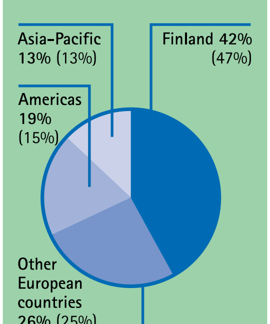
Values

Leadership starts with imparting Nokia's values to everyone in the organization: a drive to achieve customer satisfaction, respect for the individual, willingness to achieve and belief in continuous learning. It is also about encouraging sharing – shared information and shared responsibility – and openness – to each other and to new ideas.

At end of 1999, Nokia employed 55 260 people in 50 countries. That compares to 44 543 in 45 countries at the end of 1998. A third of Nokia people have been working at the company for less than two years. As the company continues its global and corporate expansion the workforce is becoming increasingly diverse. There are 30 nationalities working at the Nokia Research Center alone.

This, of course, presents a challenge to our corporate culture and our values based management system. We feel that it is therefore important to gain regular feedback from everyone at Nokia to make sure we are achieving our aims. We do this through our annual "Listening To You Survey", which is undertaken by an independent survey company.

Personnel by market area 1999 (1998)



Response

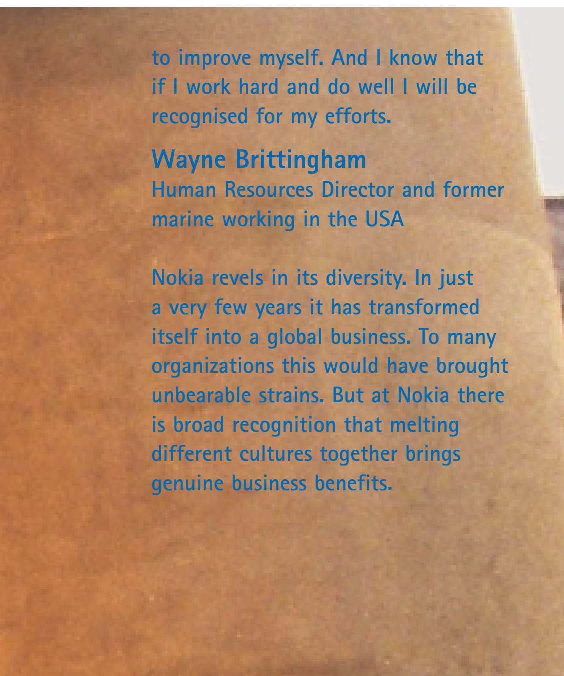
In 1999, overall response to the survey grew to 73%, compared to a typical response rate to surveys of this sort of 65%. The main areas of improvement were in staff perceptions of recognition, reward and organizational integrity. Training and development scores were also improved placing Nokia 12% above the norm for global high-tech companies.

Belief in the company's commitment to customer satisfaction was 18% above the global high-tech norm. Other key areas which scored well above the high tech norm were employee motivation and involvement and satisfaction with career opportunities. The number of staff reporting that they were satisfied with Nokia as a company to work for grew by 5%.

Respect for the individual, one of Nokia's key values, was up 6% over the previous year. Scores for achievement remained high at 66% and continuous learning was up 5% to 63%.

In Nokia we believe in using the technology we create to encourage a more innovative way of working. Our corporate network reaches into all corners of the organization supporting open and frequent comunication and promoting a mobile, flexible and strongly socially networked culture. Because of our emphasis on leadership rather than traditional management, we do not have to see everyone sitting at a desk to know that they are working.

Nokia has a well developed intranet. The vast majority of Nokia's workforce has a personal e-mail address. Internal publishing is increasingly taking place on the intranet. Company magazines such as Nokia People and Advance have intranet as well as printed versions. Some publications, such as The IP Edge and various special publications linked to major events, are intranet only. A lot of Human Resources material is made available over the intranet.



to improve myself. And I know that if I work hard and do well I will be recognised for my efforts.

Wayne Brittingham
Human Resources Director and former marine working in the USA

Nokia revels in its diversity. In just a very few years it has transformed itself into a global business. To many organizations this would have brought unbearable strains. But at Nokia there is broad recognition that melting different cultures together brings genuine business benefits.

Using the Web

Nokia is keen on exploiting the interactive nature of both the Internet and the intranet. Close to half (48%) of the responses to the 1999 internal "Listening To You Survey" came via the Web, for example. And a substantial number of job applications made during 1999 arrived at Nokia via the Web. Many of them via local Nokia job websites.

There are a number of advantages to using the Web for human resources purposes. It considerably boosts our efficiency and enables us to do new things. Nokia's Global Employment Management System (GEMS), for example, allows any manager looking for someone with particular skills to find them quickly. He or she simply puts the list of attributes being looked for into GEMS and back comes a list of suitable candidates. And in our increasingly global business, the search area is not restricted to any one country or area of Nokia's operations but can be as narrow or wide as required.

Managing change

Nokia has generally had very good relations with its people. Nevertheless 1999 saw a number of efforts to further improve our performance in this key area. For example, we further developed our performance management initiative, Investing In People (IIP), under which all staff have regular discussions with their managers to set objectives and review skills and development needs.

During 1999 we continued our general shift towards performance based compensation. The stock options scheme was extended from 2 000 to 5 000 individuals. And under the Nokia Connecting People Bonus Plan a total of 70 million euros will be paid out based on 1999 performance.

There are also various other incentive plans where incentives are linked to performance. These include the Individual Incentive Plan, the Program/Project Incentive Plan and the Team/Production Incentive Plan. There are also incentive plans for production personnel as well as research and development and other work teams. In addition there is a special Achievement Award given to individuals or teams in recognition of outstanding contributions, significant achievements or exceptionally good performance. Some 90 million euros was paid out in 1999 under these schemes.

Talent competition

Part of the company's effort to address this emerging challenge is its university program. Nokia maintains relationships with over 100 universities and higher learning establishments worldwide. These range from the sponsorship of research to the encouragement of Nokia employees to take on part-time teaching or other roles.

During 1999 we decided to increase significantly the number of places in our International Student Exchange Program and to mount a number of special events targetting the top technology universities worldwide.

Maintaining and improving the attractiveness of Nokia's working environment is becoming increasingly important as the competition for talent grows. This company is very mindful of the fact that it is the individual contributors who make the results. Nokia's goal is to be the employer of choice for the world's most talented people. Together, there are no limits to what we can achieve.

Number of employees by country

31 Dec.	1999	1998
Finland	23 267	21 093
United States	7 441	5 226
Germany	4 660	3 695
China	4 375	3 487
UK	2 822	2 417
Hungary	2 034	1 481
Mexico	1 392	936
Brazil	1 233	491
Denmark	1 110	747
South Korea	694	568

Efficient operations

	1999	1998
Net sales per person, EUR*	386 343	324 297
Operating profit per person, EUR*	76 357	60 573
Number of patent applications	over 1 000	over 700
Number of invention reports	nearly 3 000	nearly 2 000

* calculated with average number of employees

Building a sustainable future

Success in today's globalizing economy is not just based on the efficient use of financial capital. It is also important to build, sustain and effectively develop human, social and natural capital.

The communications and information business has the potential to transform man's impact on the environment. Many activities requiring large amounts of energy or raw materials, could be transferred into digital space where their negative environmental impact could be reduced. This potential opens up great opportunities. But it also brings responsibilities.

A commitment to environmental issues is integral to Nokia's corporate culture. It is our goal to develop advanced human technology, products and services that have no undue environmental impact, are efficient in their consumption of energy and natural resources, or even help to conserve them.

Life cycles

Nokia focuses its environmental work on what it has identified as key phases of product life cycles. These include an environmentally sound supply chain, environmental management systems, environmentally conscious packaging and recycling and other end-of-life practices.

Environmental objectives and considerations are systematically integrated into the design of products, processes and services through Nokia's Design for Environment (DFE) program. The goal of DFE is to minimize the use of materials and energy and maximize reuse and recycling while maintaining or improving cost, performance and quality standards.

In 1999 Nokia Networks' Customer Services introduced recycling services for infrastructure products. Depending on customer needs, Nokia offers services covering disassembly, transportation, selection of an authorized recycler and contracts with the recycler.

Nokia Mobile Phones is also actively addressing the question of end-of-life management of its products. It has participated in the mobile phone takeback pilots organized by ECTEL, the body representing the European telecommunications equipment industry. And it actively assists in national and local programs for the recovery and disposal of batteries.

Electromagnetic fields

One aspect of the environmental impact of information and communications equipment that has received a lot of press attention, is that of the possible health effects of electromagnetic fields.

A substantial amount of scientific research to date has indicated that radio signals, at levels within the limits prescribed by safety standards and recommendations around the world, present no adverse effect to human health. Nokia products meet all relevant standards. Nevertheless, in response to our customers' concerns, we at Nokia support the development of an even better scientific and public understanding of these issues and are contributing to a number of high quality research programs taking place around the world.

Standards

Nokia also actively supports the ISO 14001 international environmental management standard. At the end of 1999, 17 production sites in six countries had a certified or internally verified environmental system. A further seven had started the certification process.

Nokia's Suzhou factory started trial operations in 1998, began deliveries in January 1999 and has already earned the ISO 9001 quality and ISO 14001 environmental certificates.

Nokia is also piloting an environmental management system for office-only sites. 40% of Nokia's sites are office facilities occupied mainly by research and development, sales, marketing and administration.

The choices of each individual will determine the links between the emerging Mobile Information Society and environmentally sustainable development. This is already the subject of public debate. Nokia is actively following the debate and intends to contribute to the development of an environmentally sustainable information society.

Board of Directors February 1, 2000

Chairman **Jorma Ollila, 49**	Chairman and CEO and Chairman of the Group Executive Board of Nokia Corporation. Member since 1995, Chairman since 1999. President and CEO, and Chairman of the Group Executive Board of Nokia Corporation 1992–1999, President of Nokia Mobile Phones 1990–1992, Senior Vice President, Finance of Nokia 1986–1989.	Member of the Board of Directors of Ford Motor Company, ICL plc, Otava Books and Magazines Group Ltd and UPM-Kymmene Corporation. Deputy Chairman of the Board of the Confederation of Finnish Industry and Employers and member of The European Round Table of Industrialists. Holdings in Nokia: 3 784 shares and stock options for 1 252 000 shares.
Vice Chairman **Iiro Viinanen, 55**	President and CEO of Pohjola Group Insurance Corporation. Member and Vice Chairman since 1996. Member of the Finnish Parliament 1983–1996, Finland's Minister of Finance 1991–1996.	Vice Chairman of the Board of Directors of UPM-Kymmene Corporation and member of the Board of Directors of Kone Corporation. Holdings in Nokia: 518 shares.
Pirkko Alitalo, 50	Senior Executive Vice President of Pohjola Group Insurance Corporation, Investments. Member since 1992.	Member of the Board of Directors of Alma Media Corporation and Skandia Insurance Company Ltd. Holdings in Nokia: 372 shares.
Dr Edward Andersson, 66	Prof. emer. Member since 1973.	Chairman of the Board of Directors of Neomarkka plc, member of the Board of Directors of Suomi Mutual Life Assurance Company and MeritaNordbanken Plc. Holdings in Nokia: 84 000 shares.
Paul J. Collins, 63	Vice Chairman of Citigroup Inc. and Director of Citicorp and Citibank N.A. Member since 1998. Vice Chairman and member of the Board of Directors of Citicorp and Citibank N.A. 1988–1998.	Director of Kimberly-Clark Corporation. Holdings in Nokia: 20 372 shares.
Dr Bengt Holmström, 50	Paul A. Samuelson Professor of Economics at MIT, joint appointment at the MIT Sloan School of Management. Member since 1999. Edwin J. Beinecke Professor of Management Studies at Yale University 1985–1994.	Member of the Board of Directors of Kuusakoski Oy. Member of the American Academy of Arts and Sciences. Holdings in Nokia: 532 shares.
Jouko K. Leskinen, 56	President and CEO of Sampo Group and member of the Board of Directors of Sampo Insurance Company plc. Member since 1994. Vice Chairman of the Board of Directors of Neste Oy 1989–1992, member of the Board of Directors of Neste Oy 1987–1989 and Senior Executive Director of Neste Oy 1987–1992.	Vice Chairman of the Board of Directors of UPM-Kymmene Corporation and member of the Board of Directors of Finnlines Plc. Vice Chairman of the Board of Federation of Finnish Insurance Companies and member of the Board of Employers' Confederation of Service Industries. Holdings in Nokia: 372 shares.
Robert F. W. van Oordt, 63	CEO of Rodamco Continental Europe N.V. Member since 1998. Chairman of the Supervisory Board of NKF Holding N.V. 1986–1999, Chairman of the Executive Board of NV Koninklijke KNT BT 1993–1996, Chairman of the Executive Board of Bührmann-Tetterode N.V. 1990–1993, Executive Vice President and COO, and member of the Board of Directors of Hunter Douglas Group N.V. 1979–1989.	Member of the Board of Directors of Schering-Plough Inc. and N.V. Union Minière S.A. and member of the Supervisory Board of Draka Holding N.V. and Greenfield Capital Partners. Holdings in Nokia: 372 shares.
Vesa Vainio, 57	Vice Chairman of the Board of Directors of MeritaNordbanken Plc, President and member of the Board of Directors of Merita Plc and Vice Chairman of the Board of Directors of Nordbanken Holding AB (publ). Member since 1993. Chairman of the Board of Management and CEO of Merita Bank Ltd and CEO of Merita Ltd 1992–1997, President of Kymmene Corporation 1991–1992.	Vice Chairman of the Board of Directors of Metra Corporation and member of the Board of Directors of UPM-Kymmene Corporation. Chairman of the Board of The Central Chamber of Commerce of Finland. Holdings in Nokia: 2 672 shares.
Secretary **Ursula Ranin**	General Counsel.	

Corporate Governance

The Board of Directors

The Board decides on matters which in relation to the Group's activities are of significant nature. Such matters include confirmation of the strategic guidelines, approval of the periodic plans and decisions on major investments and divestments.

The Board appoints the CEO, the President, the Chairman and the members of the Group Executive Board of the company. The Board also determines their remuneration.

The roles of the Board, its Chairman and its subcommittees are defined in the Board's Rules of Procedure.

Election and term of members of the Board of Directors

According to the Articles of Association the company has a Board of Directors composed of a minimum of seven and a maximum of ten members. In 1999, the Board was composed of nine members.

The members are elected at the Annual General Meeting convening annually in March–April. The term of the Board members is one year at a time.

The Board elects a Chairman and a Vice Chairman from among its members for one term at a time. In 1999, Casimir Ehrnrooth acted as the Chairman until the Annual General Meeting. After his resignation Jorma Ollila was elected to chair the Board. Iiro Viinanen acted as Vice Chairman of the Board throughout the year.

Committees of the Board of Directors in 1999

The Personnel Committee monitors the personnel policy of the Group and oversees its implementation and development. The Committee also prepares matters concerning personnel issues, including the salaries and principles for the remuneration of top executives, prior to their submission to the Board. As of March 17, 1999, the Personnel Committee was composed of the following members of the Board: Iiro Viinanen (Chairman), Paul J. Collins, Bengt Holmström, Jorma Ollila and Vesa Vainio.

The Audit Committee consists of non-executive directors. Its responsibilities include the consideration of the financial statements and the internal control systems and the internal audit. The Committee meets in the presence of external auditors, the CFO and the Group Controller and, upon invitation, other senior executives. As of March 17, 1999, the Audit Committee was composed of the following members of the Board: Dr Edward Andersson (Chairman), Pirkko Alitalo, Jouko K. Leskinen and Robert F.W. van Oordt.

The Nomination Committee prepares proposals for the General Meeting concerning the composition of the Board and the remunerations and remuneration principles of the members of the Board. It further monitors issues and practises related to Corporate Governance and proposes necessary actions in respect thereof. The Nomination Committee was composed of the following members of the Board: Iiro Viinanen (Chairman), Paul J. Collins and Jouko K. Leskinen.

Meetings of the Board of Directors

The Board met eight times in 1999. One of the meetings was held in a form of conference call.

The CEO and the President

The Chairman of the Board Jorma Ollila acts as the Chief Executive Officer of the Group. He was the President and CEO until March 17, 1999 as of which date Pekka Ala-Pietilä has served as the President of the company.

Remuneration

The Annual General Meeting on March 17, 1999 resolved that the annual retainers to the board members be 109 000 euros for the Chairman, 85 000 euros for the Vice Chairman and 61 000 euros for each of the members. It further resolved that the retainers be partly paid in company's stock to be acquired from the market. In line with this the Chairman received 664 shares, the Vice Chairman 518 shares and the members 372 shares each. The remainders of the annual retainers along with the meeting fees 420 euros per meeting were paid in cash.

In 1999, the remuneration paid to Jorma Ollila for his services as President and CEO was in aggregate 1 106 000 euros including a bonus for 1998 of 214 000 euros. The remuneration paid to Pekka Ala-Pietilä for his services as Deputy to the CEO and as President was in aggregate 607 000 euros including a bonus for 1998 of 111 000 euros.

Insiders' Trading with Securities

The Board has established a Policy in respect of trading with securities. The Policy is in line with the Guidelines for Insiders issued by the Helsinki Exchanges.

Management February 1, 2000

Group Executive Board

Chairman Jorma Ollila, 49
Chairman and CEO of Nokia Corporation.
Group Executive Board member since 1986, Chairman since 1992.
Joined Nokia 1985.
President and CEO, and Chairman of the Group Executive Board of Nokia Corporation 1992–1999, President of Nokia Mobile Phones 1990–1992, Senior Vice President, Finance of Nokia 1986–1989.

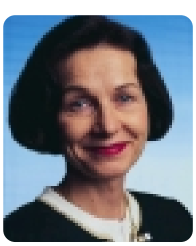
Member of the Board of Directors of Ford Motor Company, ICL plc, Otava Books and Magazines Group Ltd and UPM-Kymmene Corporation. Deputy Chairman of the Board of the Confederation of Finnish Industry and Employers and member of The European Round Table of Industrialists.
Holdings in Nokia: 3 784 shares and stock options for 1 252 000 shares.

Pekka Ala-Pietilä, 43
President of Nokia Corporation,
President of Nokia Communications Products.
Member since 1992. Joined Nokia 1984.
Executive Vice President and Deputy to the CEO of Nokia Corporation and President of Nokia Communications Products 1998–1999, President of Nokia Mobile Phones 1992–1998, Vice President, Product Marketing of Nokia Mobile Phones 1991–1992, Vice President, Strategic Planning of Nokia Mobile Phones 1990–1991.

Member of the Board of Directors of Alma Media Corporation. Member of the Board of Economic Information Bureau and Finnish-Japanese Chamber of Commerce.
Holdings in Nokia: 2 400 shares and stock options for 556 000 shares.

Dr Matti Alahuhta, 47
President of Nokia Mobile Phones.
Member since 1993.
Joined Nokia 1975–1982 and 1984.
President of Nokia Telecommunications 1993–1998, Executive Vice President of Nokia Telecommunications 1992, Senior Vice President, Public Networks of Nokia Telecommunications 1990–1992.

Chairman of the Board of Federations of Finnish Electrical and Electronics Industry, Vice Chairman of the Board of the Federation of Finnish Metal, Engineering and Electrotechnical Industries and of the Technology Development Centre, Ministry of Trade and Industry, and member of the Board of The Central Chamber of Commerce of Finland and the Advisory Board of the International Institute for Management Development (IMD).
Holdings in Nokia: Stock options for 476 000 shares.



Sari Baldauf, 44
President of Nokia Networks.
Member since 1994.
Joined Nokia 1983.
Executive Vice President of Nokia APAC 1997–1998, President, Cellular Systems of Nokia Telecommunications 1988–1996, Vice President, Business Development of Nokia Telecommunications 1987–1988.

Member of the Board of Technical Research Centre of Finland and Finland-China Trade Association, and member of the National Committee for the Information Society Issues.
Holdings in Nokia: Stock options for 476 000 shares.

Mikko Heikkonen, 50
Executive Vice President and General Manager,
Customer Operations of Nokia Networks.
Member since 1998.
Joined Nokia 1975.
President, Network Systems of Nokia Telecommunications 1997–1999, President, Network and Access Systems of Nokia Telecommunications 1995–1996, Senior Vice President, Area Management of Nokia Telecommunications 1993–1995, Senior Vice President, Cellular Systems of Nokia Telecommunications 1988–1992.

Holdings in Nokia: Stock options for 358 000 shares.

Olli-Pekka Kallasvuo, 46
Executive Vice President, CFO of Nokia Corporation.
Member since 1990.
Joined Nokia 1980.
Executive Vice President of Nokia Americas and President of Nokia Inc. 1997–1998, Executive Vice President, CFO of Nokia 1992–1996, Senior Vice President, Finance of Nokia 1990–1991.

Chairman of the Board of Directors of Nextrom Holding S.A. and Nokian Tyres plc, member of the Board of Directors of F-Secure Corporation and Finnish Broadcasting Company. Member of the Board of Telecommunications Industry Association (USA).
Holdings in Nokia: Stock options for 488 000 shares.

Dr Yrjö Neuvo, 56
Executive Vice President, CTO of Nokia Mobile Phones.
Member since 1993.
Joined Nokia 1993.
Senior Vice President, Technology of Nokia 1993–1994, National Research Professor of the Academy of Finland 1984–1992, Professor of Tampere University of Technology 1976-1992, Visiting Professor of University of California, Santa-Barbara 1981–1982.

Vice Chairman of the Board of Directors of Vaisala Corporation. Member of Finnish Academy of Technical Sciences, member of the Finnish Academy of Science and Letters and Academiae Europae, Foreign member of Royal Swedish Academy of Engineering Sciences, and Fellow of the Institute of Electrical and Electronics Engineers. Holdings in Nokia: 4 160 shares and stock options for 489 180 shares.

Veli Sundbäck, 53
Executive Vice President, Corporate Relations and Trade Policy of Nokia Corporation.
Member since 1996.
Joined Nokia 1996.
Secretary of State at the Ministry for Foreign Affairs 1993–1995, Under-Secretary of State for External Economic Relations at the Ministry for Foreign Affairs 1990–1993.

Chairman of the Board of Directors of Huhtamäki Van Leer Oyj and member of the Board of Directors of Nextrom Holding S.A. Vice Chairman of the Board of the International Chamber of Commerce, Finnish Section, and Chairman of the Trade Policy Committee of the Confederation of Finnish Industry and Employers.
Holdings in Nokia: 400 shares and stock options for 436 000 shares.

Anssi Vanjoki, 43
Executive Vice President, Europe & Africa of Nokia Mobile Phones.
Member since 1998.
Joined Nokia 1991.
Vice President, Sales of Nokia Mobile Phones 1991–1994, Suomen 3M Oy 1980–1990.

Holdings in Nokia: 8 000 shares and stock options for 294 000 shares.

Of Nokia's strategic countries, Matti Alahuhta is responsible for Nokia's operations in Japan, Sari Baldauf in China and Olli-Pekka Kallasvuo in the U.S.

As of December 31, 1999, only some of the stock options mentioned above were exercisable. In addition, the subscription price had not been determined to all of them.

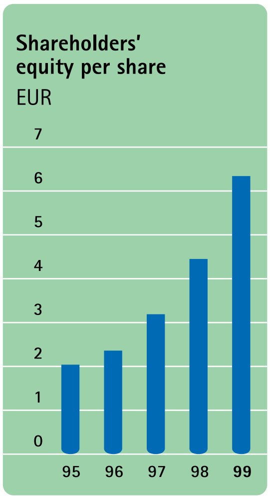
Auditors
Eric Haglund, 65
Authorized Public Accountant (KPMG)

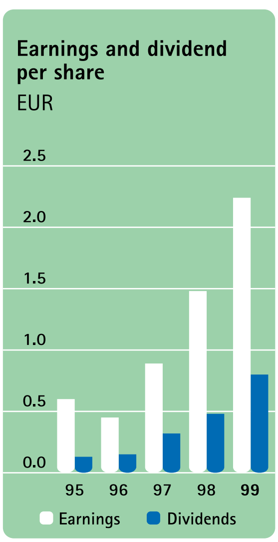
Lars Blomquist, 56
Authorized Public Accountant (PricewaterhouseCoopers)

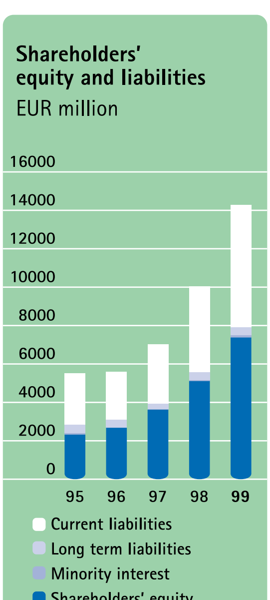
Deputies
KPMG Wideri Oy Ab
Authorized Public Accountant (Deputy to Eric Haglund)

SVH PricewaterhouseCoopers Oy
Authorized Public Accountant (Deputy to Lars Blomquist)

Nokia shares







Shares and voting rights

At the Annual General Meeting held on March 17, 1999 Nokia shareholders resolved to consolidate the two classes of shares, A shares and K shares, into one class of shares. The consolidation of the classes of shares is effective as of April 9, 1999 whereafter Nokia has one class of shares only.[1] Each share entitles to one (1) vote at General Meetings of Nokia, and to a fixed annual dividend amounting to 10 per cent of the nominal value of the share. Should it be impossible in any year to distribute such dividend, the shares are entitled to the remainder in the following year.[2]

At the Annual General Meeting held on March 17, 1999 Nokia shareholders resolved to convert the share capital and the nominal value of the share into euros, to split the nominal value of the share on a two-for-one basis, and to increase the share capital through a bonus issue by rounding up the nominal value of each share to an appropriate two decimal number. With effect from April 9, 1999 the nominal value of the share is EUR 0.24.

Upon resolution by Nokia shareholders at the Annual General Meeting held on March 17, 1999, the minimum share capital stipulated in the Articles of Association is EUR 170 million and the maximum share capital EUR 680 million. The share capital may be increased or reduced within these limits without amending the Articles of Association. On December 31, 1999, the share capital was EUR 279 243 831.84 and the total number of votes 1 163 515 966.

Authorizations

At the Annual General Meeting held on March 17, 1999 Nokia shareholders authorized the Board of Directors to issue a maximum of 120 million shares to finance business acquisitions or corresponding arrangements. A total of 529 530 shares were issued in 1999 under the authorization. The authorization is valid until March 17, 2000.

At the Extraordinary General Meeting held on December 13, 1999 Nokia shareholders authorized the Board of Directors to repurchase a maximum of 56 million Nokia shares and to resolve on disposal of such shares. No shares were repurchased or disposed in 1999 under the authorizations. These authorizations are valid until December 13, 2000.

Changes to be proposed to Annual General Meeting 2000

The Board of Directors proposes to the Annual General Meeting on March 22, 2000, that the nominal value of the share be split on a four-for-one basis and amended to EUR 0.06, the number of auditors be reduced to one ordinary auditor the term of which is the fiscal year, and the authorizations held by the Board to issue new shares, repurchase Nokia shares and dispose Nokia shares, be renewed until March 22, 2001, at the latest.

Attending and voting at General Meeting

The shares of Nokia are registered in the Finnish book-entry system. By December 31, 1999, a total number of 99.9 per cent of Nokia shares had been transferred to this system.[3]

If an international depositary receipt (e.g. ADR) has been issued for a book-entry share or the share is owned by a foreign person or legal entity, the custodian commissioned to administer the book-entry shares may be entered as a nominee in the register of shareholders. The custodian may be e.g. a Finnish book-entry register or a corresponding foreign organization approved by Finnish Central Securities Depositary Ltd to act as a custodian.

1 Before the consolidation, the Articles of Association contained a provision permitting a conversion of K 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 March 17, 1999, a total of 63.5% of all the K shares had been converted into A shares and only 154 120 shares could still have been converted.

2 The rights presently related to all Nokia shares correspond to the rights of the previous class A shares. The rights of the previous class K shares entitled to ten (10) votes at General Meetings but no fixed annual dividend.

3 At the Extraordinary General Meeting held on December 13, 1999, Nokia shareholders resolved to sell the shares that have not been transferred into the book-entry system to the benefit of holders of such shares. The resolution concerned 416 672 shares corresponding to 0.01% of all the shares. These shares were not sold by December 31, 1999.

Share capital and shares, Dec 31[1]

	1999	1998	1997	1996	1995
Share capital, EURm					
K (common)	*)	54	66	84	92
A (preferred)		201	186	168	160
Total	279	255	252	252	252
Shares					
(1 000, nominal value EUR 0.24)					
K (common)	*)	254 061	314 750	398 851	437 508
A (preferred)		957 132	884 659	799 349	760 692
Total	1 163 516	1 211 193	1 199 409	1 198 200	1 198 200
Shares owned by the Group at the year end (1 000)	346	64 322	64 322	65 122	60 722
Number of shares excl. shares owned by the Group at the year end (1 000)	1 163 170	1 146 871	1 135 087	1 133 078	1 137 478
Average number of shares excl. shares owned by the Group during the year (1 000)	1 148 440	1 138 341	1 133 128	1 134 244	1 138 268
Number of registered shareholders[2]	48 771	30 339	28 596	26 160	27 466

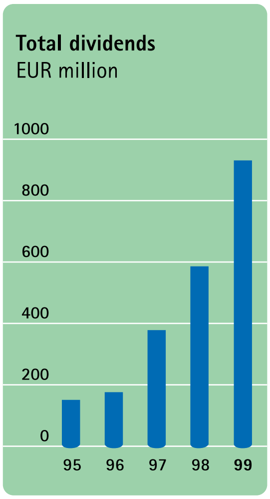
*) As of April 9, 1999, only one class of shares.

Key Ratios Dec. 31, IAS

	1999	1998	1997	1996	1995
Earnings per share from continuing operations, basic, EUR	2.24	1.48	0.89	0.45	0.61
P/E Ratio					
K (common)	*)	35.3	18.4	24.8	12.0
A (preferred)	80.4	35.3	18.3	24.9	11.9
(Nominal) dividend per share, EUR	0.80[3]	0.48	0.31	0.15	0.13
Total dividends paid, EURm	931[3]	586	378	176	151
Payout ratio	0.36	0.33	0.35	0.33	0.21
Dividend yield, %					
K (common)	*)	0.9	1.9	1.3	1.7
A (preferred)	0.4	0.9	1.9	1.3	1.8
Shareholders' equity per share, EUR	6.34	4.45	3.19	2.36	2.04
Market capitalization, EURm[4]	209 371	59 796	18 503	12 706	8 195

*) As of April 9, 1999, only one class of shares.

[1] Figures have been recalculated to correspond the nominal value of EUR 0.24 of the shares.
[2] Each nominee register is included in the figure as only one registered shareholder.
[3] Proposed by the Board of Directors.
[4] Shares owned by the Group are excluded.



On December 31, 1999, Nokia shares registered in the name of a nominee accounted for 85.6 per cent of the total number of shares and voting rights.

To attend and vote at a General Meeting, a shareholder must be registered in the register of shareholders. Voting rights at a General Meeting may not be exercised by a shareholder if his shares are registered in the name of a nominee. This is the case also when the holding consists of ADRs. In order to attend and vote at a General Meeting, a beneficial owner of shares registered in the name of a nominee (including a beneficial owner of ADRs) must arrange to have his name entered in the register of shareholders as of the record date of the Meeting until the day of the Meeting.

Dividend policy

Dividends are paid by Nokia within the limits set by the Finnish Companies Act. The amount of dividend is based upon and calculated in relation to the level of Nokia's annual profit. There is, however, no formula according to which the amount of dividend is determined.

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

Effect of imputation system

The imputation system (avoir fiscal) will apply to the 1999 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 1999 is proposed by the Board of Directors to be EUR 0.80 per share, the tax credit thus amounts to EUR 0.31 thereby increasing the shareholder's profit to EUR 1.11 taxable at 29 per cent.

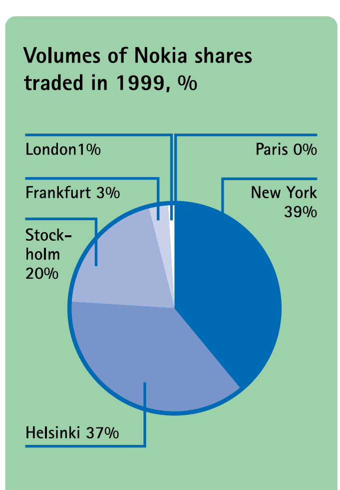
The credit is granted to non-resident shareholders only when an existing tax treaty between Finland and the shareholder's resident country specifically includes a provision of the credit. According to a tax treaty, a resident of the Republic of Ireland is entitled to a partial tax credit.

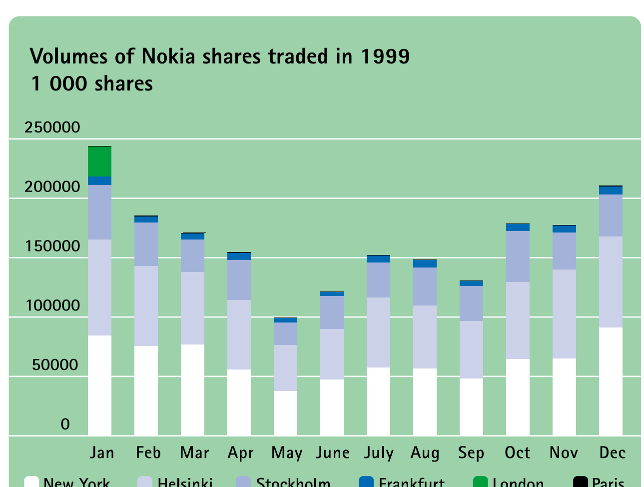
Listing and turnover on stock exchanges

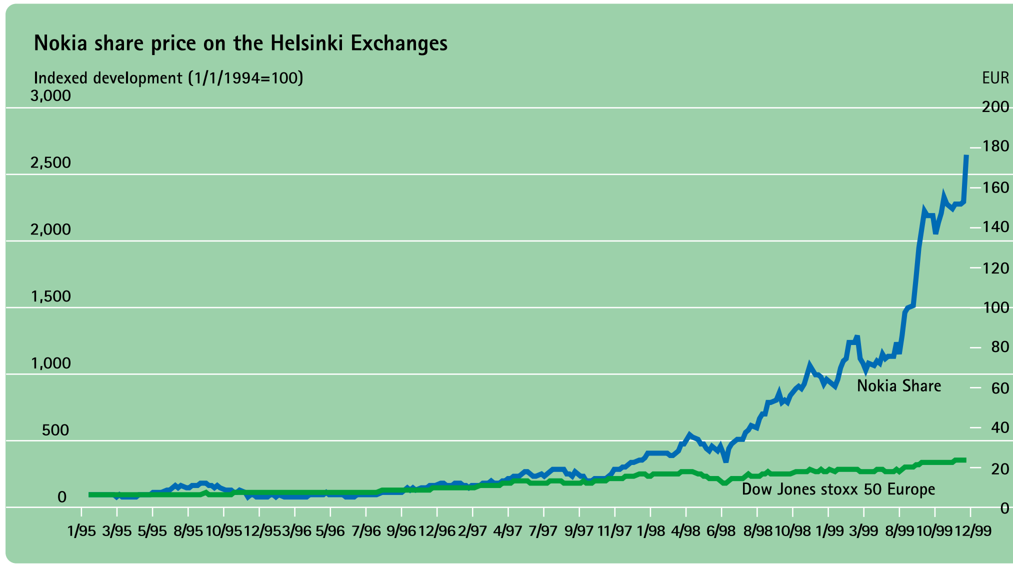
Nokia shares are listed on the Helsinki Exchanges since 1915. The shares are also listed in Stockholm (since 1983), London (since 1987), Paris (since 1988), Frankfurt am Main (since 1988) and New York (since 1994)[1]. Nokia shares are traded on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs) and evidenced by American Depositary Receipts (ADRs). The ADRs are issued by Citibank, N.A., acting as the Depositary Bank, upon deposit of shares or evidence of rights to receive shares with the Depositary. Each ADS represents one share.[2]

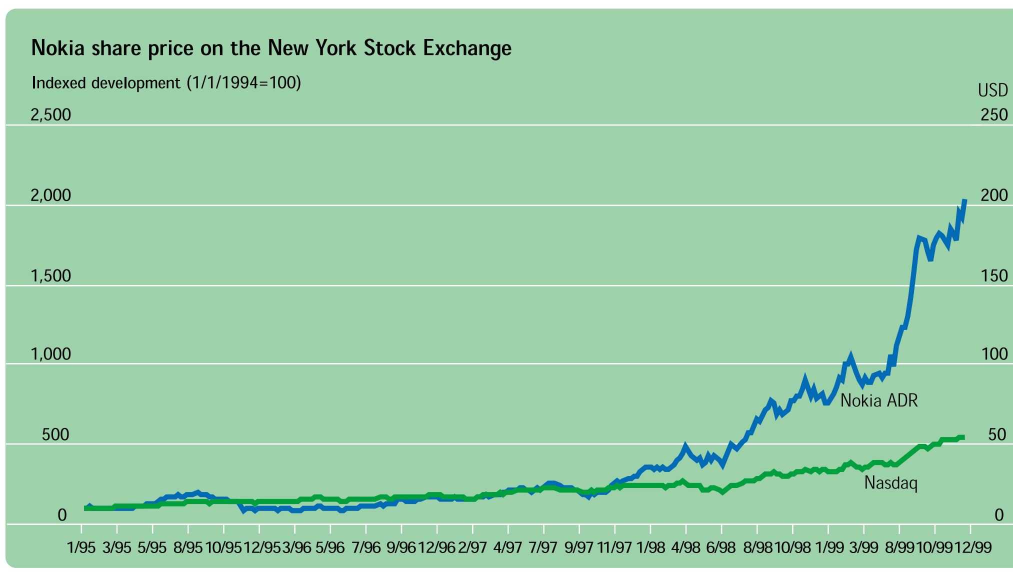
1 As a result of the consolidation of the classes of shares resolved by Nokia shareholders at the Annual General Meeting held on March 17, 1999, all Nokia shares are listed on each of these stock exchanges. Before the consolidation, the class K shares were listed on the Helsinki Exchanges only.

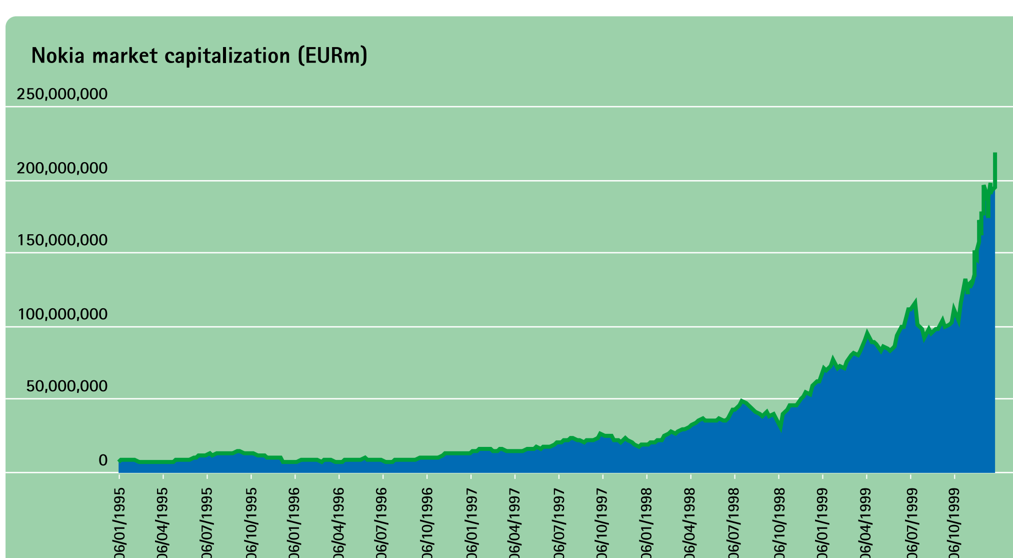
2 Before the consolidation of the classes of shares resolved by Nokia shareholders at the Annual General Meeting held on March 17, 1999, only Nokia A shares were traded on NYSE in the form of ADSs, each ADS representing one A share.






Nokia share price on the Helsinki Exchanges
Indexed development (1/1/1994=100)
EUR
3,000
2,500
2,000
1,500
1,000
500
0
200
180
160
140
120
100
80
60
40
20
0
Nokia Share
Dow Jones stoxx 50 Europe
1/95 3/95 5/95 8/95 10/95 12/95 3/96 5/96 7/96 9/96 12/96 2/97 4/97 7/97 9/97 11/97 1/98 4/98 6/98 8/98 10/98 1/99 3/99 8/99 10/99 12/99


Nokia share price on the New York Stock Exchange
Indexed development (1/1/1994=100)
USD
2,500
2,000
1,500
1,000
500
0
250
200
150
100
50
0
Nokia ADR
Nasdaq
1/95 3/95 5/95 8/95 10/95 12/95 3/96 5/96 7/96 9/96 12/96 2/97 4/97 7/97 9/97 11/97 1/98 4/98 6/98 8/98 10/98 1/99 3/99 8/99 10/99 12/99


Nokia market capitalization (EURm)
250,000,000
200,000,000
150,000,000
100,000,000
50,000,000
0
06/01/1995
06/04/1995
06/07/1995
06/10/1995
06/01/1996
06/04/1996
06/07/1996
06/10/1996
06/01/1997
06/04/1997
06/07/1997
06/10/1997
06/01/1998
06/04/1998
06/07/1998
06/10/1998
06/01/1999
06/04/1999
06/07/1999
06/10/1999

Nokia Dividend Reinvestment and Direct Purchase Plan

A Dividend Reinvestment and Direct Purchase Plan (the Plan) for ADSs of Nokia was implemented in December 1997. The Plan is designed to provide owners of ADSs and other interested investors who participate in the Plan a convenient way to accumulate and increase their investment in ADSs and to reinvest all or a portion of their cash dividends or optional cash investments in additional ADSs. The Plan is not available to persons located outside the United States.

The Plan is sponsored and administrated by the Depositary Bank, Citibank, N.A. Nokia has consented to the establishment of the Plan by the Depositary Bank, but does not, and should not be deemed to, sponsor or administer the Plan. Nokia assumes no obligation or liability for the operation of the Plan.

Nokia Stock Option Plans

As part of its incentive schemes to the management and key personnel at the end of 1999 Nokia had four global stock option plans.

In 1994 the Annual General Meeting approved an issue of bonds with warrants to certain members of the Nokia management (Nokia Stock Option Plan 1994). Each warrant attached to the bonds is exercisable at FIM 374 for sixteen shares from December 1, 1998 to January 31, 2000. The Nokia Stock Option Plan 1994 was offered to approximately 50 persons.

In 1995 the Annual General Meeting approved an issue of bonds with A and B warrants to certain members of the management of the Nokia Group (Nokia Stock Option Plan 1995). Each warrant attached to the bonds is exercisable at FIM 168 for four shares during certain periods of time between December 1, 1997 and January 31, 2001. Nokia Stock Option Plan 1995 covers approximately 350 persons. The B warrants are listed on the Helsinki Exchanges as of December 1, 1999.

In 1997 the Annual General Meeting approved an issue of bonds with A, B and C warrants to key personnel of the Nokia Group (Nokia Stock Option Plan 1997). Each warrant attached to the bonds is exercisable at FIM 307 for four shares during certain periods of time between December 1, 1997 and January 31, 2003. Nokia Stock Option Plan 1997 covers approximately 2 000 persons. The A and B warrants are listed as one security on the Helsinki Exchanges as of November 1, 1999.

In 1999 the Annual General Meeting approved an issue of A, B and C stock options to key personnel of the Nokia Group (Nokia Stock Option Plan 1999). Each stock option A is exercisable at EUR 67.55 for one share. The subscription prices for stock options B and C will be determined in 2000 and 2001. The exercise periods will be during certain periods of time between April 1, 2001 and December 31, 2004. Nokia Stock Option Plan 1999 presently covers approximately 5 000 persons.

By December 31, 1999 the exercise of 6 680 576 warrants in aggregate under the Stock Option Plans resulted in the issue of 29 067 200 new shares in aggregate and increase of Nokia share capital with EUR 6 976 128 in aggregate.

In addition to the global stock option plans, Nokia introduced in 1999 a complementary stock option plan for employees in the US and Canada (The Nokia Holding Inc. 1999 Stock Option Plan). An exercise of stock options under this plan does not result in increase of Nokia share capital but the participants are entitled to purchase upon exercise of each stock option one Nokia ADS on a predetermined price. The plan presently covers approximately 600 persons.

Further information

Please see section Nokia shares and shareholders in Nokia's Financial Statement on pages 30–34 for further details.

Dividends paid on Nokia shares

Year of payment	Amount (FIM)*	Amount (EUR)*
1990	0.175	0.03
1991	0.175	0.03
1992	0.125	0.02
1993	0.125	0.02
1994	0.175	0.03
1995	0.625	0.11
1996	0.750	0.13
1997	0.875	0.15
1998	1.875	0.31
1999	2.875	0.48
2000	–	0.80 **

Split adjusted*
Proposed by the Board**

Share issues and bonus issues 1995 – 1999[1]

Type of Issue	Subscription date	Subscription price or amount of bonus issue EUR	Number of new shares	Date of payment	Net proceeds EURm	New share capital EURm
Nokia Stock Option Plan 1994	1998	3.93	67 008	1998	0.26	0.01
	1999	3.93	3 059 520	1999	12.03	0.73
Nokia Stock Option Plan 1995	1997	7.06	581 600	1997	4.11	0.12
	1998	7.06	7 576 000	1998	53.52	1.59
	1999	7.06	4 650 380	1999	32.85	1.12
Nokia Stock Option Plan 1997	1997	12.91	627 104	1997	8.09	0.13
	1998	12.91	4 141 496	1998	53.46	0.87
	1999	12.91	8 364 092	1999	107.97	2.01
Bonus issue	1999	0.03	N/A	1999	36.05	36.05
Share issue to stockholders of Rooftop Communications Corporation	1999	80.17	529 530	1999	42.45	0.13

Reductions of the share capital 1995 –1999

Type of reduction	Number of shares affected (1 000, nominal value EUR 0.24)	Amount of reduction of the share capital EURm	Amount of reduction of the restricted capital EURm	Amount of reduction of the retained earnings EURm	Date of reduction
Cancellation of shares	64 281	15.43	–	3 435.27	1999

Splits of the nominal value of Nokia shares

	Nominal value before	Split ratio	Nominal value after	Effective date in public trading
1986	FIM 100 (EUR 16.82)	5:1	FIM 20 (EUR 3.36)	January 2, 1987
1995	FIM 20 (EUR 3.36)	4:1	FIM 5 (EUR 0.84)	April 24, 1995
1998	FIM 5 (EUR 0.84)	2:1	FIM 2.5 (EUR 0.42)	April 16, 1998
1999	FIM 2.5 (EUR 0.42)	2:1	EUR 0.24	April 12, 1999

[1] Prices and numbers of shares have been recalculated to correspond the nominal value of EUR 0.24 of the shares.

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More about Nokia on the Internet

www.nokia.com
(main site)

www.nokia.com/investor
(Investor relations main page)

www.nokia.com/environment
(Nokia and the environment)

www.nokia.com/safety
(Health and mobile telephony)

www.nokia.com/press
(Press releases and other news material)

Other sites of interest

www.bluetooth.com/
(Information on the Bluetooth technology.)

www.symbian.com/
(The joint venture of the leading mobile communications products manufacturers and the developments of their EPOC technology.)

www.wapforum.org/
(Information on the Wireless Application Protocol which is an open, global specification bringing Internet into mobile terminals.)

Investor information

Annual general meeting

Date: Wednesday, March 22, 2000, at 3 p.m.
Place: the Helsinki Fair Centre, Congress Hall C 1, Rautatieläisenkatu 3, Helsinki, Finland.

Dividend

Dividend proposed by the Board of Directors for 1999 is EUR 0.80. The dividend record date is March 27, 2000 and the dividend will be paid after April 4, 2000.

Stock exchanges

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

	Symbol	Trading currency
Helsingin Pörssi (quoted since 1915)	NOK1V	EUR
Stockholms Fondbörs (1983)	NOKI	SEK
London Stock Exchange (1987)	NOKA	EUR
Frankfurter Wertpapierbörse (1988)	NOA3	EUR
Bourse de Paris (1988)	NOK	EUR
New York Stock Exchange (1994)	NOK	USD

List of indices

NOK1V

HEX	HEX General Index
HEXTELE	HEX Telecommunications Index
HEX20	HEX 20 Index
BE500	Bloomberg Europe
BETECH	BBG Europe Technology
SX5E	DJ Euro STOCXX 50
SX5P	DJ Europe STOXX
SX__	Various Other DJ Indices
E300	FTSE Eurotop 300

NOKI

OMX	Stockholm
GENX	Swedish General
GENX04	Swedish Engineer
GENX16	Swedish SX 16 Index

NOK

NYA	NYSE Composite
NNA	NYSE Utilities
NN	NYSE Utilities
CTN	GSFO Technology
MLO	Merrill Lynch 10

Financial reporting

Nokia's quarterly interim reports in 2000 are due on April 27, July 27 and October 26. The 2000 results will be published in January/February 2001 and the Annual Report for 2000 in March 2001. The reports are published in English, Finnish and Swedish.

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Information via the internet

Internet World Wide Web users can access Nokia's annual reports and quarterly reports, as well as other financial information and press releases on Nokia through www.nokia.com/investor

The Nokia Annual Report is available also on CD-ROM.

Abbreviations

3G	Third Generation
DFE	Design for Environment
DSL	Digital Subscriber Line
EDGE	Enhanced Data Rates for Global Evolution
GPRS	General Packet Radio Service
HSCSD	High Speed Circuit Switched Data
GEMS	Global Employment Management System
GPS	Global Positioning System
IP	Internet Protocol
MIS	Mobile Information Society
LAN	Local Access Network
PSK	Phase Shift Keying
TETRA	Terrestrial Trunked Radio
TDMA	Time Division Multiple Access
VPN	Virtual Private Network
WAP	Wireless Application Protocol
WCDMA	Wideband Code Division Multiple Access

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Nokia's Financial Statements 1999

NOKIA

Table of contents

Review by the Board of Directors

Nokia´s net sales in 1999 increased by 48% compared to 1998 and totaled EUR 19 772 million (EUR 13 326 million in 1998). Sales in Nokia Networks grew by 29% to EUR 5 673 million (EUR 4 390 million) and in Nokia Mobile Phones by 63% to EUR 13 182 million (EUR 8 070 million). Sales decreased in Other Operations by 2% to EUR 995 million (EUR 1 014 million).

Operating profit (IAS, International Accounting Standards) grew by 57% and totaled EUR 3 908 million (EUR 2 489 million in 1998). Operating margin improved to 19.8% (18.7% in 1998). Operating profit in Nokia Networks increased to EUR 1 082 million (EUR 960 million) and in Nokia Mobile Phones to EUR 3 099 million (EUR 1 540 million). Operating margin in Nokia Networks was 19.1% (21.9% in 1998) while the operating margin in Nokia Mobile Phones was 23.5% (19.1% in 1998). Other Operations showed an operating loss of EUR 273 million (loss of EUR 11 million) primarily due to low profits at Nokia Communications Products, and substantial investments related to new business opportunities at Nokia Ventures Organization.

Net interests and financial expenses totaled EUR 58 million (EUR 39 million 1998). Profit before tax and minority interests totaled EUR 3 845 million (EUR 2 456 million). Taxes amounted to EUR 1 189 million (EUR 737 million). Profit from continuing operations was EUR 2 577 million (EUR 1 680 million). Net profit was EUR 2 577 million (EUR 1 750 million).

Earnings per share from continuing operations was EUR 2.24 (basic) and EUR 2.17 (diluted) compared to EUR 1.48 (basic) and EUR 1.43 (diluted) in 1998.

At December 31, 1999, net debt to equity ratio (gearing) was -41% (-36% at the end of 1998). Total capital expenditures in 1999 amounted to EUR 1 358 million (EUR 761 million).

Increasing global market presence

The global mobile phone market continued to grow rapidly, and the ensuing strong increase in the sales of Nokia Mobile Phones further consolidated Nokia's number one position in mobile handsets. In infrastructure, Nokia continued to be the world' s largest GSM 1800 supplier and one of the two largest GSM 900 suppliers, with increasing focus in broadband and IP network solutions.

In 1999, Europe accounted for 53% of Nokia´s net sales (58% in 1998), the Americas 25% (21 % in 1998) and Asia Pacific 22% (21% in 1998). The 10 largest markets were the U.S., China, the UK, Germany, Italy, France, Brazil, the Netherlands, Finland and Australia, together representing 67% of total sales.

Intensive research and development

To enable the future growth of the company, Nokia continued to invest in its worldwide research and development network and cooperation. At year-end, Nokia had 52 R&D centers in 14 countries and 17 134 R&D employees, approximately 31% of Nokia's total personnel. Investments in research and development increased by 53% (by 50% in 1998) and totaled EUR 1 755 million (EUR 1 150 million in 1998), representing 8.9% of net sales (8.6% of net sales in 1998).

Expanding operational capabilities

To meet the growing demand for its mobile phones, Nokia continued to expand its handset manufacturing capabilities globally. Nokia´s operations in Fort Worth, Texas, are increasing mobile phone capacity gradually during the first half of 2000. Also during the first half of 2000, mobile phone manufacturing facilities in Brazil are being expanded, and the mobile phone plant in Mexico is expected to be ready for additional production.

Construction of the new mobile phone manufacturing and distribution centre in Komárom, Hungary, proceeded well and the factory is expected to reach full capacity during the first half of this year. Investments were also made at the two existing mobile phone joint ventures in China, and at the plants in Finland and Germany. The base station factory in Suzhou, China, started operations in early 2000.

At the end of 1999, Nokia´s global production comprised 12 infrastructure manufacturing facilities in 5 countries and 10 mobile phone manufacturing facilities in 8 countries.

Investing in People

In 1999, Nokia increased its personnel by a total of 12 367 new employees (9 819 in 1998), excluding the businesses sold in 1999. The average number of personnel for 1999 was 51 177 (41 091 for 1998). At the end of 1999, Nokia employed 55 260 people worldwide (44 543 at year-end 1998).

Nokia continued to develop motivating and performance-based compensation and benefit programs to its employees. In 1999, the 51% rise in earnings per share resulted in the maximum 5% bonus, based on annual base salary being paid to Nokia's personnel participating in the global Nokia Connecting People Bonus plan.

Focusing on key technologies

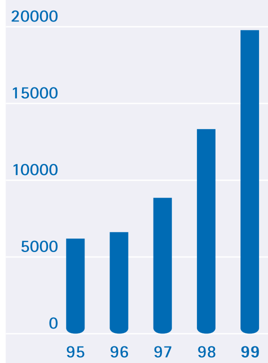
To expand its competencies in new emerging business areas, Nokia carried out several acquisitions in 1999. A number of partnerships with operators, content and service providers and IT players were formed to facilitate development of the market for mobile Internet.

In February, Nokia acquired Diamond Lane Communications Corporation to enhance its fast Internet access expertise. To strengthen its capabilities in wireless broadband access technologies, Nokia acquired Rooftop Communications Corporation in September. A 40% stake of the UK-based AIRCOM International was acquired in June to further strengthen Nokia's PC-based network planning system competence.

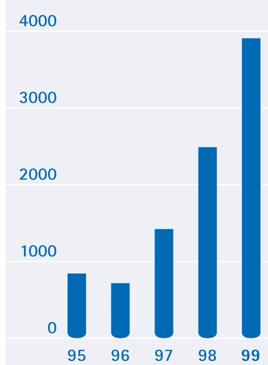
To develop its wireless LAN offering, Nokia acquired InTalk Corporation in February. In October, Nokia acquired Telekol Corporation, a company specializing in intelligent corporate communications solutions.

In a move to focus on its core technologies, Nokia sold its wholly-owned subsidiary Salcomp Oy to EQT

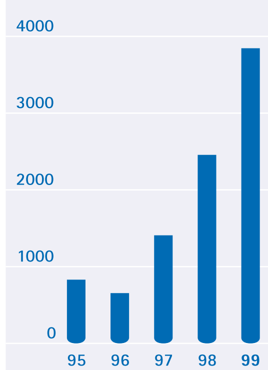
Net sales
EUR million



Operating profit, IAS
EUR million



Profit before tax and minority interests, IAS,
EUR million



Scandinavia II in October. In addition, Nokia divested its SDH/DWDM transport equipment business to Marconi Communications in December. Nokia decided to discontinue its display manufacturing and sold its plant in Hungary to Elcoteq effective January 1, 2000.

Nokia Networks

Nokia Networks strengthened its offering by introducing several key elements for high capacity and indoor solutions, future data and third generation mobile networks. Launches in 1999 included Nokia InSite, the world's smallest base station, and the Nokia third generation system solution, including Nokia UltraSite, a triple mode base station supporting GSM, EDGE (Enhanced Data Rates for Global Evolution) and WCDMA (Wideband Code Division Multiple Access). Nokia also launched a complete network solution for GPRS (General Packet Radio Service). In wireless data, the new Nokia Artus Messaging Platform supporting WAP 1.1 for GSM and TDMA standards, and the Nokia Artus Picture Messaging Platform further broadened Nokia's portfolio.

In 1999, operators continued to invest in the capacity of their GSM networks. Nokia supplied significant GSM network expansion to its customers in all market areas, with strongest growth in the Asia Pacific region and the U.S. Nokia won new GSM customers in China, Denmark, Hungary, Russia and Spain.

Many operators strengthened their wireless data services with WAP and SMS applications, and prepared their networks to deliver HSCSD (High Speed Circuit Switched Data) and GPRS. Nokia gained a strong market position in HSCSD and GPRS and had signed contracts involving these technologies with more than 20 customers by year-end.

In professional mobile radio networks, Nokia delivered TETRA networks and expansions to operators in the U.K., China, France, Italy and Spain.

In fixed networks, the market for broadband DSL (Digital Subscriber Line) technologies experienced strong growth in the U.S., and a similar development is expected to take place in Europe and Asia. The Nokia Broadband IP Access Solution, a complete solution aimed at revolutionizing access to IP-based services, integrates ADSL (Asymmetric Digital Subscriber Line) technology with IP technology to provide operators an advanced, end-to-end Internet access system. Nokia gained a sound market position in DSL technology, with orders amounting to approximately 3 million DSL lines at year-end.

Nokia Mobile Phones

The mobile phone market growth continued in 1999 at a rate exceeding 60% globally. Nokia estimates that approximately 275 million mobile phones were sold worldwide in 1999, compared to 168 million units in the previous year. Of the total market volume in 1999, the share of upgrade sales was approximately 40%, and Nokia further estimates that this share will rise to around 50% this year.

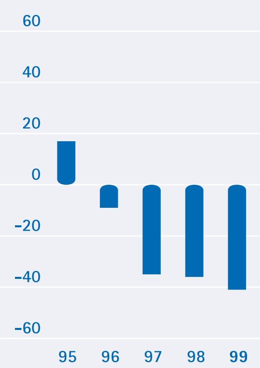
The growth of Nokia´s mobile phone sales volume exceeded market growth throughout 1999. As a result, Nokia continued to gain market share and strengthen its market position as the world´s largest mobile phone manufacturer. Nokia´s total mobile phone sales volume in 1999 was 78.5 million units, an increase of 92% from the previous year´s 40.8 million units.

Approximately 40% of the world´s mobile phone users are based in Europe, the biggest mobile phone region in terms of cellular subscribers and annual sales volumes. However, the country with the biggest mobile phone market is the United States, followed by Japan, China and the United Kingdom.

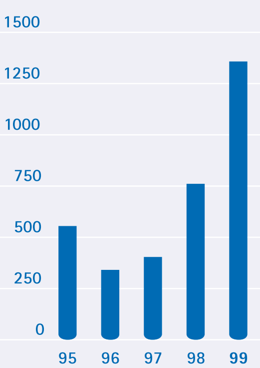
During 1999 Nokia launched a total of 18 new mobile phone models. These included the Nokia 7110, 3210, 6090, 8850, Card Phone 2.0, 7190 and 8210 for GSM; the Nokia 6100i-models, 8860 and 7160 for TDMA; and the Nokia 5170, 5180 and 6185 for CDMA. Nokia also introduced its first ultra-thin Lithium Polymer (Li-Polymer) battery in September.

In October, Nokia and Palm Computing Inc., a 3Com company, announced a joint development and

Net debt to equity
(gearing), %



Capital expenditure
EUR million



Net sales by business group Jan. 1–Dec. 31	1999 EURm	%	1998 EURm	%	Change %
Nokia Networks	5 673	29	4 390	33	29.2
Nokia Mobile Phones	13 182	67	8 070	61	63.3
Other Operations	995	5	1 014	8	-1.9
Inter-business group eliminations	-78	-1	-148	-2	
Nokia Group	19 772	100	13,326	100	48.4

Operating profit, IAS, Jan. 1–Dec. 31	1999 EURm	% of net sales	1998 EURm	% of net sales
Nokia Networks	1 082	19.1	960	21.9
Nokia Mobile Phones	3 099	23.5	1 540	19.1
Other Operations	-273	-27.4	-11	-1.1
Nokia Group	3 908	19.8	2 489	18.7

licensing agreement to create a new category of pen-based wireless communications devices integrating mobile telephony with data applications, information management features and value-added services.

Other Operations

In order to strengthen Nokia's ability to serve the business communications market, a new unit, Nokia Internet Communications, was formed in October. The aim is to build a powerful channel to the enterprise market through offering world-class VPN (Virtual Private Network) and e-business products and solutions. These products will be crucial to delivery of secure, reliable, and scalable solutions and new connectivity infrastructure for enterprises.

Two new ventures were established within the Nokia Ventures Organization. Nokia Home Communications will focus on the development of digital home platforms and IP technology-based communications solutions for the home environment. Nokia Mobile Display Appliances, in turn, will focus on the development of display-centric devices enabling Internet-based, visually rich communications.

In May, Nokia introduced a comprehensive Wireless LAN solution as part of its Global IP Mobility strategy. Nokia's Wireless LAN product portfolio comprises wireless access points, wireless LAN cards, and sophisticated software providing seamless extension to a fixed network. In December, Nokia announced commercial availability of the Nokia WAP Server 1.0 software product.

Changes in share capital

In 1999, Nokia's share capital increased by EUR 3 857 758.08 as a result of the issue of 16 073 992 new shares upon exercise of warrants issued to key personnel in 1994, 1995 and 1997. Nokia's share capital was also increased in September by EUR 127 087.20 when 529 530 shares were issued to finance the acquisition of Rooftop Communications Corporation. The shares were issued for a subscription price of EUR 80.17 per share which was the average market price of the Nokia ADS on the New York Stock Exchange for a 20 business-day period before the closing of the transaction. Due to the limited number of shares issued, this issuance did not have any significant effect on the division of the holdings or voting rights of other shareholders in Nokia.

In August, Nokiterra Oy, a 100% owned subsidiary, merged into Nokia Corporation as a result of which the parent company received 64 280 684 Nokia shares with an aggregate nominal value of EUR 15 427 364.16. These shares, representing 5.3% of the total number of shares and the total voting rights, were cancelled in December pursuant to resolution of the Extraordinary General Meeting.

The total number of shares at December 31, 1999 was 1 163 515 966. As the result of the new share issues, Nokia received a total of EUR 195 297 621.78 additional shareholders' equity in 1999. In addition, the share capital was increased by EUR 36 051 274.79 through a bonus issue in connection with the conversion of the share capital into euros. The cancellation of 64 280 684 shares did not reduce the restricted capital. At December 31, 1999, the share capital was EUR 279 243 831.84.

Average personnel	1999	1998
Nokia Networks	22 804	19 280
Nokia Mobile Phones	20 975	16 064
Other Operations	7 398	5 747
Nokia Group	51 177	41 091
Finland	23 155	20 978
Other European countries	12 939	9 381
Americas	8 818	5 924
Asia-Pacific	6 207	4 791
Other countries	58	17
Parent Company	1 663	1 112

Research and development, EURm	1999	1998
Nokia Networks	777	564
Nokia Mobile Phones	835	522
Other Operations	143	64
Nokia Group	1 755	1 150

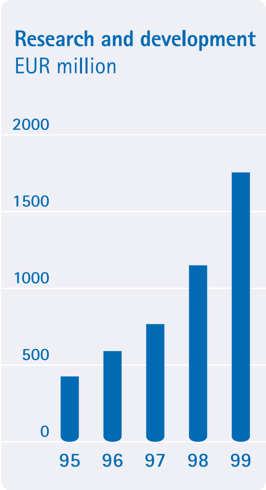
On December 31, 1999, the Group companies owned 346 194 Nokia shares. The shares have an aggregate nominal value of EUR 83 086.56 and represent 0.03% of the total number of shares and the total voting rights.

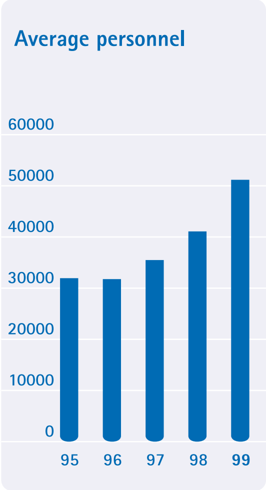
Outlook

Nokia´s strategic intent is to take a leading, brand-recognized role in the creation of the mobile information society by combining mobility and the Internet and stimulating the creation of new services. In pursuing this, Nokia emphasizes speed in anticipating and fulfilling evolving customer needs, quality in products and processes and openness with people and to new ideas and solutions. Based on its resources, including technological know-how, market position and continuous building of competencies, Nokia is well positioned to achieve its future goals.

Dividend

The Nokia Board of Directors will propose to the Annual General Meeting on March 22, 2000, that a dividend of EUR 0.80 per share (EUR 0.48 per share for 1998, split adjusted) be paid.





Consolidated financial statements according to international accounting standards (IAS)

Consolidated profit and loss account, IAS

Financial year ended December 31	Notes*	1999 EURm	1998 EURm
Net sales		**19 772**	13 326
Cost of goods sold		**-12 227**	-8 299
Research and development expenses		**-1 755**	-1 150
Selling, general and administrative expenses		**-1 811**	-1 368
Amortization of goodwill		**-71**	-20
Operating profit	2, 3, 4, 5, 6, 7	**3 908**	2 489
Share of results of associated companies		**-5**	6
Financial income and expenses	8	**-58**	-39
Profit before tax and minority interests		**3 845**	2 456
Tax	9	**-1 189**	-737
Minority interests		**-79**	-39
Profit from continuing operations		**2 577**	1 680
Cumulative prior year net effect of change in accounting policies		**-**	70
Net profit		**2 577**	1 750

Earnings per share	22	1999 EUR	1998 EUR
Continuing operations			
Basic		**2.24**	1.48
Diluted		**2.17**	1.43
Net Profit			
Basic		**2.24**	1.54
Diluted		**2.17**	1.49

Average number of shares (1 000 shares)	22	1999	1998
Basic		**1 148 440**	1 138 341
Diluted		**1 185 796**	1 173 301

* Notes are shown on pages 10 to 23.

Consolidated balance sheet, IAS

December 31	Notes*	1999 EURm	1998 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	10	**838**	484
Property, plant and equipment	11	**2 031**	1 331
Investments in associated companies	12	**76**	90
Investments in other companies	12	**68**	75
Deferred tax assets	19	**257**	196
Other assets	13	**217**	44
		3 487	2 220
Current assets			
Inventories	14	**1 772**	1 292
Receivables	15	**4 861**	3 631
Short-term investments	16	**3 136**	2 165
Bank and cash		**1 023**	726
		10 792	7 814
Total assets		**14 279**	10 034

December 31	Notes*	1999 EURm	1998 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		**279**	255
Share issue premium		**1 079**	909
Treasury shares		**-24**	-110
Translation differences		**243**	182
Retained earnings	17	**5 801**	3 873
		7 378	5 109
Minority interests		**122**	63
Long-term liabilities	18		
Long-term interest-bearing liabilities		**269**	257
Deferred tax liabilities	19	**80**	88
Other long-term liabilities		**58**	64
		407	409
Current liabilities			
Short-term borrowings	20	**792**	699
Current portion of long-term debt	18	**1**	61
Accounts payable		**2 202**	1 357
Accrued expenses	21	**3 377**	2 336
		6 372	4 453
Total shareholders' equity and liabilities		**14 279**	10 034

Consolidated cash flow statement, IAS

Financial year ended December 31	Notes*	1999 EURm	1998 EURm
Cash flow from operating activities			
Operating profit		3 908	2 489
Adjustments, total	27	597	501
Operating profit before change in net working capital		4 505	2 990
Change in net working capital	27	-21	-451
Cash generated from operations		4 484	2 539
Interest received		189	134
Interest paid		-212	-210
Other financial income and expenses		-113	-3
Income taxes paid		-1 246	-773
Net cash from operating activities		3 102	1 687
Cash flow from investing activities			
Acquisition of Group companies, net of acquired cash		-178	-76
Treasury shares acquired		-25	-
Investments in other shares		-37	-51
Additions in capitalized R&D costs		-271	-182
Capital expenditures		-1 302	-761
Proceeds from disposal of shares in Group companies, net of disposed cash		27	85
Proceeds from sale of other shares		121	16
Proceeds from sale of fixed assets		318	182
Dividends received		6	7
Net cash used in investing activities		-1 341	-780
Cash flow from financing activities			
Share issue		152	108
Capital investment by minority shareholders		28	16
Proceeds from (+), payments of (-) long-term liabilities		-6	66
Proceeds from (+), payments of (-) short-term borrowings		-126	275
Proceeds from (+), payments of (-) long-term receivables		-171	-8
Proceeds from (+), payments of (-) short-term receivables		128	-146
Dividends paid		-597	-374
Net cash used in financing activities		-592	-63
Net increase in cash and cash equivalents		1 169	844
Cash and cash equivalents at beginning of period		2 990	2 047
Cash and cash equivalents at end of period		4 159	2 891

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:	1999	1998
As previously reported for 1998 and 1997, respectively	2 891	2 060
Foreign exchange adjustment	99	-13
	2 990	2 047
Net increase in cash and cash equivalents	1 169	844
As reported for 1999 and 1998	4 159	2 891

* Notes are shown on pages 10 to 23.

Statement of changes in shareholders' equity, IAS

Group, EURm	Share capital	Share issue premium	Treasury shares	Translation differences	Retained earnings	Total
Balance at Dec. 31, 1997	252	803	-110	182	2 493	3 620
Share issue	3	106				109
Dividend					-378	-378
Dividend on treasury shares					20	20
Translation differences						-
Other increase/decrease, net					-12	-12
Net profit					1 750	1 750
Balance at Dec. 31, 1998	255	909	-110	182	3 873	5 109
Share issue	3	191				194
Bonus issue	36	-36				-
Cancellation of treasury shares	-15	15	110		-110	-
Acquisition of treasury shares			-24		24	-
Dividend					-586	-586
Dividend on treasury shares					31	31
Translation differences				61		61
Other increase/decrease, net					-8	-8
Net profit					2 577	2 577
Balance at Dec. 31, 1999	**279**	**1 079**	**-24**	**243**	**5 801**	**7 378**

Notes to the consolidated financial statements

1. Accounting principles

Basis of presentation

The consolidated financial statements of Nokia Corporation ("Nokia" or "the Group"), a Finnish limited liability company with domicile in Helsinki, are prepared in accordance with International Accounting Standards (IAS). The financial statements are presented in euros (EUR) and are prepared under the historical cost convention. The notes to the financial statements also conform with Finnish Accounting legislation.

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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 shareholders' equity 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 profit from continuing operations. 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 of accounting. Goodwill represents the excess of the purchase cost over the fair value of assets less liabilities of acquired companies. Goodwill is amortized on a straight-line basis over its expected useful life. Useful lives vary between two and five years depending upon the nature of the acquisition, unless a longer period not exceeding 20 years can be justified. Expected useful lives are reviewed at each balance sheet date and where these differ significantly from previous estimates, amortization periods are changed accordingly.

The Group's share of profits and losses of associated companies 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 and other reserves) is added to the cost of associated company investments in the consolidated balance sheet.

Profits realized in connection with the sale of fixed assets between the Group and associated companies are eliminated in proportion to share ownership. Such profits are deducted from the Group's equity and fixed assets and released in the Group accounts over the same period as depreciation is charged.

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 when there has been an other than temporary decline in 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 euro at the average exchange rates for the accounting period. The balance sheets of foreign Group companies are translated into euro 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. 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 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 shareholders' equity.

Derivative financial instruments

The Group enters into derivative financial instruments such as forward foreign exchange and option contracts to hedge its exposure against foreign currency fluctuations on certain assets, liabilities and probable transactions denominated in foreign currencies. In accordance with its Treasury policy, Nokia does not currently hold or issue derivative financial instruments for trading purposes. Any deferred gains and losses arising from hedging transactions are shown as a part of the cost of goods sold when the sale or purchase transactions are recognized. Derivative contracts used for hedging foreign exchange exposure have high correlation with the items being hedged, both at inception and throughout the hedge period; and are designated to the underlying exposure. The majority of derivative financial instruments hedging foreign exchange exposures have a duration of less than a year. Written options are only used as part of combination strategies.

Foreign exchange gains and losses on forward contracts are calculated by valuing the forward contract with the spot exchange rate prevailing on the reporting date and comparing that with the original amount calculated by using the spot rate prevailing at the beginning of the contract. The interest rate differential of the forward contract is accrued over the life of the contract as part of the financial income or expenses.

Premiums paid for purchased foreign exchange options are included in other current receivables and premiums received for written options are included in other current payables in the balance sheet. Option contracts are valued at the balance sheet date by using the Garman & Kohlhagen option valuation model. Foreign exchange gains or losses on the option contracts i.e. the difference between the premium paid or received and the market value of the options at the reporting date is shown as a part of the cost 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. 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 hedged 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. 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 2 and 5 years.

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 as follows:

• Buildings and constructions	20 – 33 years
• Machinery and equipment	3 – 10 years

Land and water areas are not depreciated.

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.

Gains and losses on the disposal of fixed assets are included in operating profit/loss.

Leasing

Operating lease payments are treated as rentals. Assets acquired under finance leases are treated as fixed assets, and the present value of the related lease payments is recorded as a liability.

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 labor, 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 short-term investments.

Income taxes

Current taxes are based on the results of the Group companies and are calculated according to local tax rules.

Deferred tax assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in the determination of deferred income tax.

Under this method the Group is required, in relation to an acquisition, to make provision for deferred taxes on the difference between the fair values of the net assets acquired and their tax base.

The principal temporary differences arise from intercompany profit in inventory, depreciation on property, plant and equipment, untaxed reserves and tax losses carried forward. Deferred tax assets relating to the carryforward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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.

Earnings per share

The Group calculates both basic and diluted earnings per share in accordance with IAS 33, Earnings per Share. Under IAS 33, basic earnings per share is computed using the weighted average number of shares ourstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of warrants and stock options outstanding during the period. Share and per share data presented reflect the two-for-one stock split effective on April 12, 1999.

2. Segment information

1999, EURm	Nokia Networks	Nokia Mobile Phones	Other Operations	Total reportable segment	Elimina-tions	Group
Income Statement Information						
Net sales to external customers	5 670	13 168	934	19 772		19 772
Net sales to other segments	3	14	61	78	-78	-
Depreciation and amortization	286	300	79	665		665
Operating profit	1 082	3 099	-273	3 908		3 908
Share of result of associated companies	-	-3	-2	-5		-5
Balance Sheet Information						
Capital expenditure	395	682	281	1 358		1 358
Segment assets [1]	3 822	4 486	1 837	10 145	-962	9 183
of which:						
Investments in associated companies	1	41	34	76		76
Unallocated assets						4 667
Total assets [2]						13 850
Segment liabilities [3]	1 588	3 722	1 097	6 407	-1 156	5 251
Unallocated liabilities						1 318
Total liabilities [4]						6 569

1998, EURm	Nokia Networks	Nokia Mobile Phones	Other Operations	Total reportable segment	Elimina-tions	Group
Income Statement Information						
Net sales to external customers	4 384	8 050	892	13 326		13 326
Net sales to other segments	6	20	123	149	-149	-
Depreciation and amortization	207	263	39	509		509
Operating profit	960	1 540	-11	2 489		2 489
Share of result of associated companies	-	-1	7	6		6
Balance Sheet Information						
Capital expenditure	217	488	56	761		761
Segment assets [1]	2 940	2 944	1 435	7 319	-705	6 614
of which:						
Investments in associated companies	1	40	49	90		90
Unallocated assets						3 202
Total assets [2]						9 816
Segment liabilities [3]	1 152	2 195	762	4 109	-750	3 359
Unallocated liabilities						1 154
Segment liabilities [4]						4 513

[1] Comprises intangible assets, property, plant and equipment, investments, inventories and accounts receivable as well as prepaid expenses and accrued income except those related to interest and taxes.

[2] Total assets excluding prepaid expenses and accrued income related to taxes and deferred tax assets.

[3] Comprises accounts payable and prepaid income and accrued expenses except those related to interest and taxes.

[4] Liabilities excluding prepaid income and accrued expenses related to taxes and deferred tax liabilities.

Net sales to external customers by market area	1999 EURm	1998 EURm
Europe	**10 614**	7 673
Americas	**4 909**	2 815
Asia-Pacific	**4 249**	2 838
Total	**19 772**	13 326

Segment assets by location of assets	1999 EURm	1998 EURm
Europe	**9 058**	6 737
Americas	**2 448**	1 599
Asia-Pacific	**2 344**	1 480
Total	**13 850**	9 816

Capital expenditure by market area	1999 EURm	1998 EURm
Europe	**831**	573
Americas	**381**	126
Asia-Pacific	**146**	62
Total	**1 358**	761

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 Networks' Network Systems division, where part of its net sales (EUR 1.1 billion in 1999 and EUR 1.0 billion in 1998) was of a long-term project nature.

4. Personnel expenses

	1999 EURm	1998 EURm
Wages and salaries	**1 946**	1 607
Pension expenses	**127**	139
Other social expenses	**310**	212
Personnel expenses as per profit and loss account	**2 383**	1 958

Remuneration of the Chairman and the other members of the Board of Directors, the Group Executive Board and the Presidents and the Managing Directors*	**15**	11
* Salaries include incentives	**3**	3

Pension commitments for the management:
The retirement age of the management of the Group companies is between 60-65 years. For the Chief Executive Officer the retirement age is 60 years.

The most significant pension plans are in Finland. The Finnish TEL-system is a state plan in accordance with IAS and should be considered as a defined contribution plan. Material share of foreign plans are defined contributon plans.

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

	1999 EURm	1998 EURm
Selling and marketing expenses	**-1 220**	-905
Administration expenses	**-759**	-462
Other operating expenses	**-234**	-94
Other operating income	**331**	73
Total	**-1 882**	-1 388

Other operating income for 1999 includes gains from the divestments of Salcomp and the SDH transport business (EUR 80 million and EUR 56 million, respectively), and for 1998 a gain of EUR 30 million from the sale of LK-Products. Other operating expenses for 1999 include a charge of EUR 70 million related to exit from the display business.

6. Acquisitions

In October 1999 Nokia acquired Telekol Corporation, a company specializing in intelligent corporate communications solutions, for EUR 45 million. The fair value of net assets acquired was EUR 2 million giving rise to a goodwill of EUR 43 million.

In September 1999 Nokia strengthened its capabilities in IP wireless bypass technology with an agreement to acquire Rooftop Communications Corporation for EUR 48 million, of which EUR 42 million was paid in Nokia stock and EUR 6 million in cash. The fair value of net assets acquired was EUR 0.2 million giving rise to a goodwill of EUR 48 million.

In February 1999 Nokia acquired Diamond Lane Communications for EUR 112 million in cash. The company has developed the market-leading multi-service digital subscriber line access multiplexer (DSLAM), a device that enables Internet access speeds up to 125 times faster than current modems over existing telecommunications networks. The fair value of net assets was EUR 5 million giving rise to a goodwill of EUR 107 million.

In December 1998 Nokia acquired Vienna Systems Corporation, an Internet Protocol telephony company based in Canada. The purchase price was EUR 72 million paid in cash. The fair value of net assets acquired was EUR 2 million giving rise to goodwill of EUR 70 million.

7. Depreciation

	1999 EURm	1998 EURm
Depreciation by asset category		
Intangible assets		
Capitalized R&D costs	**110**	119
Intangible rights	**34**	25
Goodwill	**71**	20
Other intangible assets	**19**	6
Property, plant and equipment		
Buildings and constructions	**18**	19
Machinery and equipment	**405**	302
Other tangible assets	**8**	18
Total	**665**	509
Depreciation by function		
Cost of goods sold	**201**	158
R&D	**241**	223
Selling, marketing and administration	**101**	80
Other operating expenses	**51**	28
Goodwill	**71**	20
Total	**665**	509

8. Financial income and expenses

	1999 EURm	1998 EURm
Income from long-term investments		
Dividend income	**6**	7
Interest income	**2**	1
Other interest and financial income		
Interest income from short-term investments	**194**	163
Other financial income	**5**	1
Exchange gains and losses	**-5**	-7
Interest expenses and other financial expenses		
Interest expenses	**-254**	-198
Other financial expenses	**-6**	-6
Total	**-58**	-39

9. Income taxes

	1999 EURm	1998 EURm
Current tax	**-1 250**	-753
Deferred tax	**61**	16
Total	**-1 189**	-737
Finland	**-740**	-500
Other countries	**-449**	-237
Total	**-1 189**	-737

The differences between income tax expense computed at statutory rates (28% in Finland in 1999 and 1998) and income tax expense provided on earnings are as follows at December 31:

Income tax expense at statutory rate	**1 078**	706
Deduction for write-down of investments in subsidiaries	**-**	-12
Amortization of goodwill	**17**	6
Provisions without income tax benefit/expense	**35**	48
Taxes for prior years	**8**	7
Taxes on foreign subsidiaries' net income in excess of income taxes at statutory rates	**32**	46
Operating losses with no current tax benefit	**22**	16
Group adjustments	**-4**	15
Adjustments to opening balance accruals	**-**	-72
Cumulative adjustments; change in accounting principle	**-**	-20
Other	**1**	-3
Income tax expense	**1 189**	737

Certain of the Group companies' income tax returns for periods ranging from 1994 through 1998 are under examination by tax authorities. The Group does not believe that any significant additional taxes will arise as a result of the examinations.

10. Intangible assets

	1999 EURm	1998 EURm
Capitalized R&D costs		
Acquisition cost Jan. 1	650	469
Additions	271	182
Disposals	-110	-1
Accumulated depreciation Dec. 31	-398	-361
Net carrying amount Dec. 31	413	289
Intangible rights		
Acquisition cost Jan. 1	137	108
Additions	50	38
Disposals	-	-9
Accumulated depreciation Dec. 31	-103	-79
Net carrying amount Dec. 31	84	58
Goodwill		
Acquisition cost Jan. 1	347	267
Additions	210	80
Disposals	-3	-
Accumulated depreciation Dec. 31	-318	-247
Net carrying amount Dec. 31	236	100
Other intangible assets		
Acquisition cost Jan. 1	66	55
Additions	116	15
Disposals	-20	-4
Translation differences	2	-
Accumulated depreciation Dec. 31	-59	-29
Net carrying amount Dec. 31	105	37

11. Property, plant and equipment

	1999 EURm	1998 EURm
Land and water areas		
Acquisition cost Jan. 1	67	64
Additions	48	12
Disposals	-9	-7
Translation differences	5	-2
Net carrying amount Dec. 31	111	67
Buildings and constructions		
Acquisition cost Jan. 1	460	423
Additions	145	66
Disposals	-85	-26
Translation differences	20	-3
Accumulated depreciation Dec. 31	-104	-91
Net carrying amount Dec. 31	436	369
Machinery and equipment		
Acquisition cost Jan. 1	1 685	1 451
Additions	863	416
Disposals	-207	-170
Translation differences	41	-12
Accumulated depreciation Dec. 31	-1 208	-990
Net carrying amount Dec. 31	1 174	695
Other tangible assets		
Acquisition cost Jan. 1	86	74
Additions	12	36
Disposals	-52	-22
Translation differences	7	-2
Accumulated depreciation Dec. 31	-44	-37
Net carrying amount Dec. 31	9	49
Advance payments and fixed assets under construction		
Acquisition cost Jan. 1	151	26
Additions	352	163
Disposals	-32	-7
Transfers		
Land and water areas	-1	-
Buildings and constructions	-13	-2
Machinery and equipment	-162	-29
Translation differences	6	-
Net carrying amount Dec. 31	301	151

12. Investments

	1999 EURm	1998 EURm
Associated companies		
Acquisition cost Jan. 1	91	57
Additions	16	41
Disposals	-33	-6
Share of results	-6	-1
Translation differences	8	-
Net carrying amount Dec. 31	76	91

Shareholdings in associated companies include listed investments of EUR 11 million (EUR 22 million in 1998). At the balance sheet date, the fair value of these investments, based on quoted market prices, was EUR 15 million (EUR 85 million in 1998).

	1999 EURm	1998 EURm
Other companies		
Acquisition cost Jan. 1	75	76
Additions	21	10
Disposals	-19	-7
Write-downs	-10	-4
Translation differences	1	-
Net carrying amount Dec. 31	68	75

Shareholdings in other companies include listed investments of EUR 44 million (EUR 50 million in 1998).

At the balance sheet date, the fair value of these investments was EUR 180 million (EUR 124 million in 1998).

13. Other assets

	1999 EURm	1998 EURm
Long-term loan receivables	20	10
Other non-current assets	197	34
Total	217	44

14. Inventories

	1999 EURm	1998 EURm
Raw materials, supplies and other	1 020	474
Work in progress	446	450
Finished goods	306	368
Total	1 772	1 292

15. Receivables

	1999 EURm	1998 EURm
Accounts receivable	3 827	2 806
Short-term loan receivables	145	160
Prepaid expenses and accrued income	889	665
	4 861	3 631

Current receivables falling due after one year amounted to EUR 16 million in 1999 (EUR 80 million in 1998). Prepaid expenses and accrued income mainly consist of VAT receivables and other accruals.

16. Short-term investments

	1999 EURm	1998 EURm
Government, long-term (bonds)	703	727
Government, short-term (bills)	383	973
Corporate, long-term (bonds)	131	6
Corporate, short-term (CP)	1 919	459
Total	3 136	2 165

17. Distributable earnings

	1999 EURm
Retained earnings	5 801
Treasury shares	-24
Non-distributable items	-107
Distributable earnings Dec. 31	5 670

Retained earnings under IAS and Finnish Accounting Standards (FAS) are substantially the same. Distributable earnings are calculated based on Finnish legislation.

18. Long-term liabilities

	Outstanding Dec. 31, 1999 EURm	Repayment date beyond 5 years EURm
Long-term loans are repayable as follows:		
Loans from financial institutions	101	10
Pension loans	6	6
Other long-term finance loans	162	-
Other long-term liabilities	138	138
	407	154

The long-term liabilities as of December 31, 1999 mature as follows:

	EURm	
2000	1	0.2%
2001	142	34.8%
2002	1	0.2%
2003	31	7.6%
2004	79	19.4%
Thereafter	154	37.8%
	408	

The currency mix of the Group long-term liabilities as at December 31, 1999

EUR	GBP	USD	Others
64.6 %	24.2 %	3.0 %	8.2 %

Long-term loan portfolio includes a fixed-rate loan with a face amount of 50 million British pound sterling that matures in 2004. The loan is callable by the creditor on a three-month notice basis beginning in 1994, although the Group does not anticipate that the creditors will request for repayment prior to the final maturity.

The Group has committed credit facilities totaling USD 850 million and short-term uncommitted facilities.

At December 31, 1999, no Group borrowings were collateralized by mortgages. Assets were pledged with a net book value of EUR 3 million.

At December 31, 1999 and 1998 the weighted average interest rate of loans from financial institutions was 4.3% and 5.7%, respectively.

Bonds	Million		Interest	1999 EURm	1998 EURm
1989-2004	50.0	GBP	11.375%	**79**	72
1993-2003	150.0	FIM	Floating	**25**	25
1996-2001	300.0	FIM	7.000%	**47**	47
				151	144

Convertible bonds	Million		Interest	1999 EURm	1998 EURm
Bonds issued with warrants					
1995-2000	1.45	FIM	0.000%	-	0.2
1997-2000	2.38	FIM	0.000%	-	0.4
				-	0.6

The remaining part of convertible bonds, EUR 0.6 million, expires in 2000 and is included in current liabilities on line current portion of long-term debt.

19. Deferred taxes

	1999 EURm	1998 EURm
In companies' balance sheet		
Tax losses carried forward	**40**	17
Temporary differences	**91**	93
	131	110
On consolidation		
Intercompany profit in inventory	**88**	69
Property, plant and equipment	**6**	6
Other	**1**	3
	95	78
Appropriations		
Untaxed reserves	**-49**	-80
	-49	-80
Net deferred tax asset	**177**	108

of which in 1999 deferred tax assets amounted to EUR 257 million (EUR 196 million in 1998) and deferred tax liabilities to EUR 80 million (EUR 88 million in 1998).

Beginning in January 1, 1998 the Group adopted revised IAS 12, Income taxes. The cumulative prior year net effect (EUR 70 million) has been included in the cumulative prior year net effect of change in accounting policies in the consolidated profit and loss account for 1998.

Deferred income tax liabilities have not been established for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as such earnings are permanently reinvested.

At December 31, 1999 the Group had loss carryforwards of EUR 84 million (EUR 112 million in 1998) for which no deferred tax asset was recognised due to uncertainty of utilisation of these losses. These losses will expire in the years 2002 to 2005.

20. Short-term borrowings

Short-term borrowings consist primarily of borrowings from banks. The weighted average interest rate at December 31, 1999 and 1998 is 5.2% and 6.4%, respectively. The weighted average interest rate of short-term borrowings derived from different foreign currency denominated loan amounts.

21. Accrued expenses

Accrued expenses and prepaid income mainly consist of VAT liabilities, personnel expenses, discounts and other accruals.

22. Earnings per share

		1999	1998
Numerator/EURm			
Basic/Diluted:	Income available to common shareholders	**2 577**	1 750
Denominator/1000 shares			
Basic:	Weighted average shares	**1 148 440**	1 138 341
	Effect of dilutive securities: warrants	**37 356**	34 960
Diluted:	Adjusted weighted average shares and assumed conversions	**1 185 796**	1 173 301

Under IAS 33, basic earnings per share is computed using the weighted average number of shares ourstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of warrants and stock options outstanding during the period. Share and per share data presented reflect the two-for-one stock split effective on April 12, 1999.

23. Commitments and contingencies

	1999 EURm	1998 EURm
Collateral for own commitments		
Mortgages	**6**	6
Assets pledged	**3**	9
Contingent liabilities on behalf of Group companies		
Other guarantees	**427**	283
Contingent liabilities on behalf of associated companies		
Guarantees for loans	**-**	1
Contingent liabilities on behalf of other companies		
Guarantees for loans	**234**	84

24. 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:

1999	Finance lease	Operating lease
Leasing payments, EURm		
2000	10	132
2001	10	115
2002	10	81
2003	10	65
2004	10	61
and thereafter	10	106
Total	60	560

Rental expense amounted to EUR 216 million and EUR 106 million in 1999 and 1998, respectively.

25. Loans granted to top management

	1999 EURm	1998 EURm
Loans granted to top management	**-**	1

The loan period is generally between 5 and 10 years. The interest rates vary between 3-8% depending on the level of interest rate in the respective country.

26. Associated companies

	1999 EURm	1998 EURm
Share of results of associated companies	**-5**	6
Dividend income	**2**	2
Share of shareholders' equity of associated companies	**68**	91
Receivables from associated companies		
Current receivables	**1**	-
Liabilities to associated companies		
Current liabilities	**6**	-

27. Notes to cash flow statement

	1999 EURm	1998 EURm
Adjustments for:		
Depreciation	665	509
Other operating income and expenses	-68	-8
Adjustments, total	597	501
Change in net working capital		
Short-term trade receivables, increase (-), decrease (+)	-982	-1 573
Inventories, increase (-), decrease (+)	-362	-103
Interest-free short-term liabilities, increase (+), decrease (-)	1 323	1 225
Change in net working capital	-21	-451

28. Financial risk management

The continuously evolving financial markets together with a rapidly changing business environment creates a challenging environment for Nokia's Treasury function. The overall objective of Nokia Group Treasury is twofold: to guarantee cost efficient funding of the group and group companies, and to identify, evaluate and hedge financial risks in close co-operation with the business groups. Nokia has Treasury Centers in Geneva, Singapore and Dallas, and a Corporate Treasury unit in Helsinki. This international organization of the Treasury enables the company to provide Group companies with financial services according to local needs and requirements. Treasury aims at minimizing the adverse effects caused by fluctuations in the financial markets on the profitability of the underlying businesses and thus on the financial performance of Nokia.

Treasury operations are controlled by policies approved by the top management. Treasury Policy provides principles for overall financial risk management in Nokia. Operating Policies cover specific areas such as foreign exchange risk, interest rate risk, use of derivative financial instruments and liquidity and credit risk. Business Groups have more detailed Standard Operating Procedures covering for example foreign exchange exposure management.

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. Foreign exchange exposures are managed against various local currencies, since Nokia has an increasing amount of production and sales outside the Eurozone. Due to the rapid growth in the Group, currency combinations may also change within the financial year. From 1.1.1999 the principal transaction exposure in Nokia has been against Euro. The introduction of Euro has decreased Nokia's transaction exposure. The most significant sales currencies were USD, GBP and AUD. In general, the appreciation of the base currency of Nokia relative to other currencies has an adverse effect on Nokia's sales and operating profit in the medium to long term, while depreciation of the base currency has a positive effect in the medium to long term. The only significant purchasing currency is JPY.

According to the foreign exchange policy guidelines of the Group, material open foreign exchange exposures are hedged. Exposures are mainly hedged with derivative instruments such as forward foreign exchange contracts and foreign exchange options. The majority of financial instruments hedging foreign exchange risk have a duration of less than a year.

Nokia uses Value-at-Risk methodology (VaR) to assess the foreign exchange risk. VaR figure represents the potential losses for a portfolio from adverse changes in market factors, for a specified time period and confidence level based on historical data. To correctly take into account the non-linear value changes of certain derivative instruments Nokia uses Monte Carlo simulation. Volatilities and correlations are calculated from a one year set of daily data. The VaR based net foreign exchange transaction risk figure after hedging transactions in Nokia Group with a one week horizon and 99 % confidence level was EUR 8.5 million at December 31, 1999 (EUR 11.0 million in 1998). The average VaR figure in 1999 was EUR 11.0 million. The VaR figure fluctuated between EUR 4.9 million and EUR 18.4 million in 1999. In 1998 the average VaR figure was EUR 8.0 million, and it fluctuated between EUR 4.8 million and EUR 11.0 million.

Since Nokia has subsidiaries outside the Eurozone, the Euro 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 a translation difference in the Group consolidation. Nokia uses foreign exchange contracts and foreign currency denominated loans to hedge its equity exposure arising from foreign net investments. Exchange gains and losses resulting from the hedging transactions are offset against the translation differences arising from consolidation and are recorded in shareholders' equity. The Board of Directors provides the framework for hedging decisions. Actual decisions on the currency pairs to be hedged are supported by quantitative methods based on mean – variance efficiency. Foreign exchange translation risk is also measured by Value-at-Risk methodology. The VaR based risk figure of the total net translation exposure using a one week target horizon and 99% confidence level was EUR 21.4 million as at the end of the fiscal year (EUR 8.8 million in 1998). Translation risk was managed according to same principles as during the previous year.

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. 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 short term interest rate exposure. Long term interest rate exposure of the Group is monitored and managed by Corporate Treasury. Due to the current balance sheet structure of Nokia, emphasis is placed on managing the interest rate risk of investments.

The Group hedges its interest rate exposure by using derivative instruments, such as interest rate swaps, forwards 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. Investment portfolios are benchmarked against one year investment horizon in order to facilitate internal performance measurement.

The net interest rate sensitivity of the fixed income investments, loan portfolio and interest rate derivatives of Nokia was at the end of 1999 EUR –19.2 million for a 1% parallel interest rate rise (EUR –15.1 million in 1998). Corresponding sensitivity for a 1% parallel interest rate decline was EUR 20.0 million (EUR 15.0 million in 1998). Interest rate risks are actively monitored by the treasury units and the treasury management. The increase in the sensitivity to interest rate changes was mainly due to growth in the investment portfolio compared with the previous year.

Equity price risk

Nokia has some investments in publicly traded companies. These equity securities are held for purposes other than trading. During the year Nokia divested some of its holdings. The market value of the equity investments at December 31, 1999 was EUR 180 million (EUR 124 million in 1998). A 10 % adverse move in equity prices would have decreased the market value of the investments by EUR 18 million (EUR 12 million in 1998). There are currently no outstanding derivative financial instruments designated as hedges of these equity investments.

In addition to the listed equity holdings, Nokia invests in private equity through Nokia Venture Fund. The value of these equity investments at December 31, 1999 was USD 42 million.

CREDIT RISK

Financial credit risk

Financial instruments contain an element of risk that the counterparties may be unable to meet their obligations. This risk is measured and monitored by the treasury management. The Group minimizes this risk by limiting its counterparties to a sufficient number of major banks and financial institutions.

Direct credit risk represents the risk of loss resulting from counterparty default in relation to on-balance sheet products. The fixed income and money market investment decisions are based on high quality credit criteria. The outstanding investments are also constantly monitored by the treasury management. Treasury management does not expect the counterparties to default given their high credit ratings.

Commercial credit risk

Vendor financing is an important means of competing in the international trade of telecommunication networks. Nokia has maintained conservative financing policy in this area and aimed at close cooperation with banks and financial institutions to support clients in their financing of infrastructure investments. Credit risk related to vendor financing is systematically analysed and monitored by the Credit committee along the principles defined in the policy for Commercial Credit Risk.The outstanding liabilities on long-term customer financing were on December 31, 1999, EUR 600 million (EUR 259 million in 1998) out of which EUR 370 million were long-term receivables (EUR 178 million in 1998) and EUR 230 million contingent liabilities (EUR 81 million in 1998). No credit losses have occurred.

LIQUIDITY RISK

Nokia guarantees a sufficient liquidity at all times by efficient cash management and by investing in liquid fixed income instruments.Due to the dynamic nature of the underlying business Group Treasury aims at maintaining flexibility in funding by keeping committed and uncommitted credit lines available. Nokia's international creditworthiness facilitates the efficient use of international capital and loan markets. The ratings of Nokia from credit rating agencies as at December 31, 1999 were:

Short	Standard & Poor's	A-1
	Moody's	P-1
Long	Standard & Poor's	A

The most significant existing funding programs include:

- Local commercial paper programs in Finland, totalling EUR 270 million
- Euro Commercial Paper (ECP) – program, totalling USD 500 million
- US Commercial Paper (USCP) – program, totalling USD 500 million
- Revolving Credit Facility of USD 350 million, matures in 2004
- Revolving Credit Facility of USD 500 million, matures in 2003

None of the above programs has been used to a significant degree in 1999.

Notional amounts of derivative financial instruments [1]

EURm	1999	1998
Foreign exchange forward contracts [2, 3]	**9 473**	15 638
Currency options bought	**1 184**	741
Currency options sold	**978**	876
Interest rate forward and futures contracts [2]	**598**	-
Interest rate swaps	**250**	67

[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, 1999 notional amount includes contracts amounting to EUR 0.6 billion used to hedge the shareholders' equity of foreign subsidiaries (December 31, 1998 EUR 1.3 billion).

29. 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, 1999 and 1998. 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.

	1999		1998	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	4 159	4 166	2 891	2 906
Receivables	3 985	3 985	2 975	2 975
Investments in other shares	68	212	75	149
Other non-current assets	197	197	34	34
Financial liabilities				
Accounts payable	2 404	2 404	1 317	1 317
Short-term borrowings	792	792	699	699
Long-term interest-bearing liabilities	269	285	257	283
Off-balance-sheet instruments				
Currency options purchased [1, 2]	25	25	22	22
Currency options written [2]	-28	-28	-16	-16
Forward foreign exchange contracts [1, 2]	-54	-54	147	147
Interest rate swaps [3]	-2	-1	1	6

[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 interest.

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 interest-bearing liabilities

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 carrying amount 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 fair 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.

30. Principal Nokia Group companies on December 31, 1999

		Net sales EURm	Number of shares	Parent holding %	Group majority %	Total nominal value in 1 000 units		Book value EUR 1 000
FI	Nokia Matkapuhelimet Oy	8 217	665	60.2	100.0	33 250	FIM	17 946
US	Nokia Mobile Phones Inc.	4 066	1 300		100.0	1	USD	50 278
FI	Nokia Networks Oy	3 579	226 000	100.0	100.0	226 000	FIM	63 239
DE	Nokia GmbH	3 462	10		100.0	10 810	EUR	9 736
GB	Nokia UK Limited	2 053	20 000 000		100.0	20 000	GBP	31 867
KR	Nokia TMC Limited	1 329	232 080	100.0	100.0	2 320 800	KRW	27 701
CN	Beijing Nokia Mobile Telecommunications Ltd	1 035	2		50.0	10 000	USD	9 917
NL	Nokia Finance International B.V.		229	100.0	100.0	229	NLG	205 383

Shares in listed companies

Group holding more than 5%	Group holding %	Group voting %
Nextrom Holding S.A.	25.0	50.0
Nokian Renkaat Oyj/Nokian Tyres plc	19.2	19.2
Geoworks Inc.	5.7	5.7

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*	1999 EURm	1998 EURm
Net sales		69	46
Cost of goods sold		-3	-
Gross margin		66	46
Marketing expenses		-7	-
Research and development expenses		-138	-72
Administrative expenses		-79	-26
Other operating expenses		-21	-4
Other operating income		116	12
Operating loss	2, 3	-63	-44
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		34	3 478
Dividend income from other companies		8	7
Interest income from Group companies		5	9
Interest income from other companies		2	1
Other interest and financial income			
Interest income from Group companies		57	42
Interest income from other companies		31	30
Other financial income from other companies		3	-
Exchange gains and losses		-55	16
Interest expenses and other financial expenses			
Interest expenses to Group companies		-7	-15
Interest expenses to other companies		-45	-37
Other financial expenses		-2	-2
Financial income and expenses, total		31	3 529
Profit before extraordinary items, appropriations and taxes		-32	3 485
Extraordinary items			
Group contributions		2 238	1 795
Extraordinary items, total		2 238	1 795
Profit before appropriations and taxes		2 206	5 280
Appropriations			
Difference between actual and planned depreciation, increase (-)/decrease (+)		5	4
Income taxes			
for the year		-602	-507
from previous years		5	-3
Net profit		1 614	4 774

* Notes are shown on pages 26 to 29.

Cash flow statement, parent company, FAS

Financial year ended December 31	Notes*	1999 EURm	1998 EURm
Cash flow from operating activities			
Operating loss		-63	-44
Adjustments, total	16	-96	-2
Operating loss before change in net working capital		-159	-46
Change in net working capital	16	110	19
Cash generated from operations		-49	-27
Interest received		86	51
Interest paid		-40	-62
Other financial income and expenses		-65	20
Income taxes paid		-663	-593
Cash flow before extraordinary items		-731	-611
Extraordinary income and expenses		1 794	1 011
Net cash from operating activities		1 063	400
Cash flow from investing activities			
Investments in shares		-84	-33
Capital expenditures		-65	-16
Proceeds from sale of shares and discontinued operations, net		176	9
Proceeds from sale of fixed assets		20	1
Dividends received		40	48
Net cash from investing activities		87	9
Cash flow from financing activities			
Share issue		152	108
Proceeds from (+), payments of (-) long-term liabilities		7	-55
Proceeds from (+), payments of (-) short-term borrowings		142	133
Proceeds from (+), payments of (-) long-term receivables		-172	81
Proceeds from (+), payments of (-) short-term receivables		-814	-44
Dividends paid		-589	-380
Net cash used in financing activities		-1 274	-157
Net increase (+) /decrease (-) in cash and cash equivalents		-124	252
Cash and cash equivalents at beginning of period		622	370
Cash and cash equivalents at end of period		498	622

Balance sheet, parent company, FAS

December 31	Notes*	1999 EURm	1998 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	4		
Intangible rights		**1**	2
Other intangible assets		**4**	3
		5	5
Tangible assets	5		
Land and water areas		**34**	23
Buildings and constructions		**75**	72
Machinery and equipment		**27**	23
Other tangible assets		**1**	1
Advance payments and fixed assets under construction		**19**	2
		156	121
Investments			
Investments in subsidiaries	6	**836**	768
Investments in associated companies	6	**622**	31
Investments in other shares	6	**30**	76
Long-term loan receivables from Group companies		**112**	38
Long-term loan receivables from other companies		**1**	3
Other non-current assets		**128**	27
		1 129	943
Current assets			
Inventories and work in progress			
Finished goods		**-**	1
Receivables			
Trade debtors from Group companies		**80**	28
Trade debtors from other companies		**1**	1
Short-term loan receivables from Group companies		**3 861**	5 979
Short-term loan receivables from other companies		**7**	6
Prepaid expenses and accrued income from Group companies		**30**	20
Prepaid expenses and accrued income from other companies		**171**	99
		4 150	6 133
Short-term investments		**487**	581
Bank and cash		**11**	41
		5 938	7 825

December 31	Notes*	1999 EURm	1998 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7		
Share capital		**279**	255
Share issue premium		**1 065**	895
Retained earnings	8	**1 645**	894
Net profit for the year	8	**1 614**	4 774
		4 603	6 818
Accumulated appropriations	9		
Accumulated depreciation in excess of plan		**71**	75
Liabilities			
Long-term liabilities	10		
Bonds	11	**151**	144
Convertible bonds	12	**-**	1
		151	145
Short-term liabilities			
Current finance liabilities from Group companies		**821**	532
Loans from financial institutions		**-**	39
Current maturities of long-term loans		**1**	59
Advance payments from other companies		**4**	3
Trade creditors to Group companies		**13**	3
Trade creditors to other companies		**10**	3
Accrued expenses and prepaid income to Group companies		**1**	2
Accrued expenses and prepaid income to other companies		**263**	146
		1 113	787
Total liabilities		**1 264**	932
		5 938	7 825

Notes to the financial statements of the parent company

1. Accounting principles

The Parent company Financial Statements are prepared according to Finnish Accounting Standards - FAS. See Group note no. 1.

Appropriations

In Finland 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.

2. Personnel expenses

	1999 EURm	1998 EURm
Wages and salaries	47	40
Pension expenses	7	7
Other social expenses	12	8
Personnel expenses as per profit and loss account	66	55

Remuneration of the Chairman and the other members of the Board of Directors and the President*	2	1
* Salaries include incentives	-	-

Pension commitments for the management:
For the Chief Executive Officer the retirement age is 60 years.

Personnel average	1999	1998
Marketing	37	-
R&D	1 198	886
Administration	428	226
	1 663	1 112

3. Depreciation

	1999 EURm	1998 EURm
Depreciation by asset class category		
Intangible assets		
Intangible rights	1	1
Property, plant and equipment		
Buildings and constructions	3	3
Machinery and equipment	9	8
Total	13	12
Depreciation by function		
R&D	9	4
Selling, marketing and administration	4	8
Total	13	12

4. Intangible assets

	1999 EURm	1998 EURm
Intangible rights		
Acquisition cost Jan. 1	5	5
Additions	-	1
Disposals	-	-1
Accumulated depreciation Dec. 31	-4	-3
Net carrying amount Dec. 31	1	2
Other intangible assets		
Acquisition cost Jan. 1	4	3
Additions	2	1
Disposals	-1	-
Accumulated depreciation Dec. 31	-1	-1
Net carrying amount Dec. 31	4	3

5. Tangible assets

	1999 EURm	1998 EURm
Land and water areas		
Acquisition cost Jan. 1	23	14
Additions	12	10
Disposals	-1	-1
Net carrying amount Dec. 31	34	23
Buildings and constructions		
Acquisition cost Jan. 1	84	82
Additions	9	2
Accumulated depreciation Dec. 31	-18	-12
Net carrying amount Dec. 31	75	72
Machinery and equipment		
Acquisition cost Jan. 1	41	40
Additions	14	5
Disposals	-1	-3
Accumulated depreciation Dec. 31	-27	-19
Net carrying amount Dec. 31	27	23
Other tangible assets		
Acquisition cost Jan. 1	2	2
Accumulated depreciation Dec. 31	-1	-1
Net carrying amount Dec. 31	1	1
Advance payments and fixed assets under construction		
Acquisition cost Jan. 1	2	-
Additions	36	2
Transfers	-	-
Disposals	-19	-
Net carrying amount Dec. 31	19	2

6. Investments

	1999 EURm	1998 EURm
Investments in subsidiaries		
Acquisition cost Jan. 1	**768**	770
Additions	**105**	4
Disposals	**-37**	-6
Net carrying amount Dec. 31	**836**	768

	1999 EURm	1998 EURm
Investments in associated companies		
Acquisition cost Jan. 1	**31**	31
Disposals	**-9**	-
Net carrying amount Dec. 31	**22**	31

Shareholdings in associated companies include listed investments of EUR 18 million (EUR 22 million in 1998). At the balance sheet date, the fair value of these investments, based on quoted market prices, was EUR 15 million (EUR 86 million in 1998).

	1999 EURm	1998 EURm
Investments in other shares		
Acquisition cost Jan. 1	**76**	53
Additions	**21**	29
Disposals	**-67**	-6
Net carrying amount Dec. 31	**30**	76

Shareholdings in other companies include listed investments of EUR 29 million (EUR 69 million in 1998). At the balance sheet date, the fair value of these investments was EUR 149 million (EUR 110 million in 1998).

7. Shareholders' equity

Parent Company, EURm	Share capital	Share issue premium	Contingency reserve	Retained earnings	Total
Balance at Dec. 31, 1997	252	790	21	1 254	2 317
Share issue	3	105			108
Dividend				-378	-378
Reserved for public worthy causes decided by the Board				-3	-3
Other increase/decrease, net			-21	21	-
Net profit				4 774	4 774
Balance at Dec. 31, 1998	255	895	-	5 668	6 818
Share issue	3	191			194
Bonus issue	36	-36			-
Cancellation of treasury shares	-15	15			-
Dividend				-586	-586
Reserved for public worthy					-
causes decided by the Board				-2	-2
Other increase/decrease, net				-3 435	-3 435
Net profit				1 614	1 614
Balance at Dec. 31, 1999	**279**	**1 065**	**-**	**3 259**	**4 603**

8. Distributable earnings

	1999 EURm	1998 EURm
Retained earnings from previous years	**1 645**	894
Net profit for the year	**1 614**	4 774
Retained earnings, total	**3 259**	5 668
Non-distributable items	-	-3 435
Distributable earnings, Dec. 31	**3 259**	2 233

In August 1999, Nokiterra Oy, a 100% owned subsidiary, merged into Nokia Corporation as a result of which the parent company received 64 280 684 Nokia shares. These shares were cancelled in December by resolution of the Extraordinary General Meeting held on December 13, 1999. The cancellation of these shares diminished the retained earnings by EUR 3 435 million.

9. Accumulated appropriatons

Deferred tax liability for the accumulated appropriations computed using the tax rate of 29% totalled EUR 21 million (EUR 21 million in 1998, tax rate 28%).

10. Long-term liabilities

	Outstanding Dec. 31, 1999 EURm	Repayment date beyond 5 years EURm
Long-term loans are repayable as follows:		
Bonds	**151**	-
Convertible bonds	-	-
	151	-

The long-term liabilities as of December 31, 1999 mature as follows:

	EURm	
2000	**1**	0.4%
2001	**47**	30.9%
2002	-	-
2003	**25**	16.6%
2004	**79**	52.1%
Thereafter	-	-
	152	

11. Bonds

	Million		Interest	1999 EURm	1998 EURm
1989-2004	50.0	GBP	11.375%	**79**	72
1993-2003	150.0	FIM	Floating	**25**	25
1996-2001	300.0	FIM	7.000%	**47**	47
				151	144

12. Convertible bonds

	Million		Interest	1999 EURm	1998 EURm
Bonds issued with warrants					
1995-2000	1.45	FIM	0.000%	-	0.2
1997-2000	2.38	FIM	0.000%	-	0.4
				-	0.6

The remaining part of convertible bonds, EUR 0.6 million, expires in 2000 and is included in current liabilities on line current portion of long-term debt.

13. Commitments and contingencies

	1999 EURm	1998 EURm
Collateral for own commitments		
Assets pledged	-	3
Contingent liabilities on behalf of Group companies		
Guarantees for loans	155	116
Other guarantees	90	113
Contingent liabilities on behalf of assoicated companies		
Guarantees for loans	-	1
Contingent liabilities on behalf of other companies		
Guarantees for loans	178	75

14. Leasing contracts

At December 31, 1999 the leasing contracts of the Parent Company amounted to EUR 41 million (EUR 41 million in 1998), of which EUR 5 million will fall due in 2000 (EUR 6 million in 1999).

15. Loans granted to top management

There were no loans granted to top management at December 31, 1999.

16. Notes to cash flow statement

	1999 EURm	1998 EURm
Adjustments for:		
Depreciation	13	12
Other operating income and expenses	-109	-14
Adjustments, total	-96	-2
Change in net working capital		
Short-term trade receivables, increase (-), decrease (+)	-108	69
Inventories, increase (-), decrease (+)	1	-
Interest-free short-term liabilities, increase (+), decrease (-)	217	-50
Change in net working capital	110	19

During 1999 Nokia acquired Rooftop Communications Corporation for EUR 48 million of which EUR 42 million was satisfied by issuing Nokia shares and the remainder EUR 6 million was paid in cash.

17. Principal Nokia Group companies on December 31, 1999

See Group note no. 30

18. Nokia shares and shareholders

See Nokia shares and shareholders p. 30 – 34.

Nokia shares and shareholders

Shares and voting rights

At the Annual General Meeting held on March 17, 1999 Nokia shareholders resolved to consolidate the two classes of shares, A shares and K shares, into one class of shares. The consolidation of the classes of shares is effective as of April 9, 1999 whereafter Nokia has one class of shares only[1]. Each share entitles to one (1) vote at General Meetings of Nokia, and to a fixed annual dividend amounting to 10 per cent of the nominal value of the share. Should it be impossible in any year to distribute such dividend, the shares are entitled to the remainder in the following year.[2]

Nokia shareholders resolved at the Annual General Meeting held on March 17, 1999 to convert the share capital and the nominal value of the share into euros, to split the nominal value of the share on a two-for-one basis, and to increase the share capital through a bonus issue by rounding up the nominal value of each share to an appropriate two decimal number. With effect from April 9, 1999, the nominal value of the share is EUR 0.24.

The minimum share capital stipulated in the Articles of Association is EUR 170 million and the maximum share capital EUR 680 million upon the resolution by Nokia shareholders at the Annual General Meeting held on March 17, 1999. The share capital may be increased or reduced within these limits without amending the Articles of Association. On December 31, 1999 the share capital of the Parent Company was EUR 279 243 831.84 and the total number of votes 1 163 515 966.

On December 31, 1999 the total number of shares included 346 194 shares owned by the Group companies with an aggregate nominal value of EUR 83 086.56 representing 0.03 per cent of the total number of shares and voting rights.

Share capital and shares, Dec. 31[3]

	1999	1998	1997	1996	1995
Share capital, EURm					
K (common)	*)	54	66	84	92
A (preferred)		201	186	168	160
Total	**279**	255	252	252	252
Shares					
(1000, nominal value EUR 0.24)					
K (common)	*)	254 061	314 750	398 851	437 508
A (preferred)		957 132	884 659	799 349	760 692
Total	**1 163 516**	1 211 193	1 199 409	1 198 200	1 198 200
Shares owned by the Group at year-end (1 000)	**346**	64 322	64 322	65 122	60 722
Number of shares excl. shares owned by the Group at year-end (1 000)	**1 163 170**	1 146 871	1 135 087	1 133 078	1 137 478
Average number of shares excl. shares owned by the Group during the year (1 000)	**1 148 440**	1 138 341	1 133 128	1 134 244	1 138 268
Number of registered shareholders[4]	**48 771**	30 339	28 596	26 160	27 466

*) As of April 9, 1999 one class of shares only

[1] Before the consolidation, the Articles of Association contained a provision permitting a conversion of K 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 March 17, 1999, a total of 63.5 % of all the K shares had been converted into A shares and only 154 120 shares could still have been converted.

[2] The rights presently related to all Nokia shares correspond to the rights of the previous class A shares. The rights of the previous class K shares entitled to ten (10) votes at General Meetings but no fixed annual dividend.

[3] Figures have been recalculated to reflect the nominal value of EUR 0.24.

[4] Each nominee register is included in the figure as only one registered shareholder.

Key Ratios Dec. 31, IAS (calculation see page 42)

	1999	1998	1997	1996	1995
Earnings per share from continuing operations, basic, EUR	**2.24**	1.48	0.89	0.45	0.61
P/E Ratio					
K (common)	*)	35.3	18.4	24.8	12.0
A (preferred)	**80.4**	35.3	18.3	24.9	11.9
(Nominal) dividend per share, EUR	**0.80[5]**	0.48	0.31	0.15	0.13
Total dividends paid, EURm	**931[5]**	586	378	176	151
Payout ratio	**0.36**	0.33	0.35	0.33	0.21
Dividend yield, %					
K (common)	*)	0.9	1.9	1.3	1.7
A (preferred)	**0.4**	0.9	1.9	1.3	1.8
Shareholders' equity per share, EUR	**6.34**	4.45	3.19	2.36	2.04
Market capitalization, EURm[6]	**209 371**	59 796	18 503	12 706	8 195

*) As of April 9, 1999 one class of shares only

Splits of the nominal value of Nokia shares

	Nominal value before	Split ratio	Nominal value after	Effective date in public trading
1986	FIM 100 (EUR 16.82)	5:1	FIM 20 (EUR 3.36)	January 2, 1987
1995	FIM 20 (EUR 3.36)	4:1	FIM 5 (EUR 0.84)	April 24, 1995
1998	FIM 5 (EUR 0.84)	2:1	FIM 2.5 (EUR 0.42)	April 16, 1998
1999	**FIM 2.5 (EUR 0.42)**	**2:1**	**EUR 0.24[7]**	**April 12, 1999**

Authorizations

At the Annual General Meeting held on March 17, 1999 Nokia shareholders authorized the Board of Directors to decide on an increase of the share capital by a maximum of EUR 28 800 000 million in one or more issues offering a maximum of 120 000 000 new shares within one year as of the resolution of the Annual General Meeting. The shares to be issued will be used to finance possible business acquisitions or corresponding arrangements in deviation from the shareholders' preemptive rights for share subscription. In 1999 the Board of Directors has increased the share capital on the basis of the authorization by an aggregate EUR 127 087.20 consisting of 529 530 shares, as a result of which the unused authorization amounted up to EUR 28 672 912.80 corresponding to 119 470 470 shares on December 31, 1999.

At the end of 1999, the Board of Directors had no other unused authorizations to issue shares, convertible bonds, stock options or warrants.

Convertible bonds and stock options[8]

The Annual General Meeting held on April 7, 1994 approved the issue of up to 200 2 per cent bonds with warrants due April 15, 1999, for up to an aggregate principal amount of FIM 200 000 to certain members of Nokia's management (Nokia Stock Option Plan 1994). Each bond has a principal amount of FIM 1 000 and carries 1 000 warrants, each of which is exercisable at FIM 374 for sixteen shares from December 1, 1998 to January 31, 2000. The bonds were issued on April 15, 1994 and they had been fully repaid by December 31, 1999. If exercised in full, the warrants would be exercisable for a total of 3 200 000 shares, whereby the share capital would be increased by a maximum amount of EUR 768 000 representing less than one per cent of the outstanding share capital of Nokia[9]. The stock option plan was offered to approximately 50 persons.

The Annual General Meeting held on March 30, 1995 approved the issue of up to 1 450 non-interest bearing bonds with warrants due May 31, 2000, for up

[5] Proposed by the Board of Directors.

[6] Shares owned by the Group companies is not included.

[7] A bonus issue of EUR 0.03 per share in the same connection.

[8] Figures have been recalculated to reflect the nominal value of EUR 0.24.

[9] At the Annual General Meeting held on March 17, 1999 Nokia's shareholders resolved to amend the terms and conditions of the Nokia Stock Option Plan 1994 to reflect the nominal value of EUR 0.24.

In 1999 Nokia introduced a complementary stock option plan available for Nokia employees in the U.S. and Canada (The Nokia Holding Inc. 1999 Stock Option Plan). Each stock option granted by December 31, 1999 entitles to purchase of one Nokia ADS during certain periods of time after April 1, 2001 until five years from the date of grant for a price of USD 82 per ADS. On December 31, 1999 a total of 247 000 stock options granted to approximately 600 employees were outstanding under the Plan. An exercise of the stock options under this Plan does not result in increase of the share capital of Nokia Corporation. The maximum number of ADS that may be issued under the Plan is 825 000.

to an aggregate principal amount of FIM 1 450 000 to certain members of the management of the Nokia Group (Nokia Stock Option Plan 1995). Each bond has a principal amount of FIM 1 000 and carries 2 000 A warrants and 2 000 B warrants. Each A warrant confers the right to subscribe for four shares during the period from December 1, 1997 to January 31, 2001, and each B warrant during the period from December 1, 1999 to January 31, 2001, respectively. The bonds were issued on May 31,1995. If exercised in full, the warrants would be exercisable for a total of 23 200 000 shares, whereby the share capital would be increased by a maximum amount of EUR 5 568 000 representing approximately 2.0 per cent of the outstanding share capital of Nokia[10]. The aggregate subscription price for four shares is FIM 168. The stock option plan covers approximately 350 persons. The B warrants are listed on the Helsinki Exchanges as of December 1, 1999.

The Annual General Meeting held on March 25, 1997 approved the issue of up to 4 750 non-interest bearing bonds with warrants due April 16, 2000, for up to an aggregate principal amount of FIM 2 375 000 to key personnel of the Nokia Group (Nokia Stock Option Plan 1997). Each bond has a principal amount of FIM 500 and carries 500 A warrants, 500 B warrants and 1 000 C warrants. Each warrant confers the right to subscribe for four shares. The A warrants may be exercised from December 1, 1997 to January 31, 2003, the B warrants from November 1, 1999 to January 31, 2003 and the C warrants from November 1, 2001 to January 31, 2003. The bonds were issued on April 16, 1997. If exercised in full, the warrants would be exercisable for a total of 38 000 000 shares whereby the share capital would be increased by a maximum amount of EUR 9 120 000 representing approximately 3.3 per cent of the outstanding share capital of Nokia[11]. The aggregate subscription price for four shares is FIM 307. The plan covers approximately 2 000 persons. The A and B warrants are listed on the Helsinki Exchanges as one security as of November 1, 1999.

The Annual General Meeting held on March 17, 1999 approved the issue of up to 36 000 000 stock options to key personnel of the Nokia Group (Nokia Stock Option Plan 1999). Of these stock options 12 000 000 have been marked with A, 12 000 000 with B, and 12 000 000 with C. Each stock option confers the right to subscribe for one share. A stock options may be exercised from April 1, 2001 to December 31, 2004, the B stock options from April 1, 2002 to December 31, 2004, and the C stock options from April 1, 2003 to December 31, 2004. The subscription price for the A stock options is EUR 67.55, and for the B stock options the trade volume weighted average price of the share on the Helsinki Exchanges during the last five trading days in March 2000, and for the C stock options the trade volume weighted average price of the share on the Helsinki Exchanges during the last five trading days in March 2001. If exercised in full, the stock options would be exercisable for a total of 36 000 000 shares whereby the share capital would be increased by a maximum amount of EUR 8 640 000 representing approximately 3.1 per cent of the outstanding share capital of Nokia. The stock option plan presently covers approximately 5 000 persons.

Shares subscribed under the bonds will rank for dividend for the financial year in which subscription occurs. Other shareholder rights will commence on the date on which the share subscription is entered in the Finnish Trade Register.

Pursuant to the warrants and stock options issued an aggregate maximum number of 71 332 800 new shares may be subscribed for representing 5.8 per cent of votes. During 1999 the exercise of 3 444 838 warrants attached to the bonds resulted in the issue of 16 073 992 new shares and the increase of share capital of the parent company with EUR 3 857 758,08.

There were no other bonds with warrants or stock options, and no convertible bonds outstanding during the year 1999.

Share issues and bonus issues 1995–1999[12]

Type of Issue	Subscription date	Subscription price or amount of bonus issue EUR	Number of new shares	Date of payment	Net proceeds EURm	New share capital EURm
Nokia Stock Option Plan 1994	1998	3.93	67 008	1998	0.26	0.01
	1999	**3.93**	**3 059 520**	**1999**	**12.03**	**0.73**
Nokia Stock Option Plan 1995	1997	7.06	581 600	1997	4.11	0.12
	1998	7.06	7 576 000	1998	53.52	1.59
	1999	**7.06**	**4 650 380**	**1999**	**32.85**	**1.12**
Nokia Stock Option Plan 1997	1997	12.91	627 104	1997	8.09	0.13
	1998	12.91	4 141 496	1998	53.46	0.87
	1999	**12.91**	**8 364 092**	**1999**	**107.97**	**2.01**
Bonus issue	**1999**	**0.03**	-	**1999**	**36.05**	**36.05**
Share issue to stockholders of Rooftop Communications Corporation	**1999**	**80.17**	**529 530**	**1999**	**42.45**	**0.13**

Reductions of share capital in 1999

Type of reduction	Number of shares affected	Amount of reduction of share capital EUR	Amount of reduction of the restricted capital EUR	Amount of reduction of the retained earnings EUR
Cancellation of shares	64 280 684	15 427 364.16	-	3 435 269 906,47

Share turnover (all stock exchanges)[13]

	1999*)	1998	1997	1996	1995
K share turnover (1000)		63 777	49 658	135 234	199 742
Total number of K shares (1000)		127 031	157 374	199 426	218 754
% of total number of K shares		50	32	68	91
A share turnover (1000)	**1 982 653**	1 282 039	1 303 052	1 520 758	1 285 426
Total number of A shares (1000)	**1 163 516**	478 566	442 330	399 674	380 346
% of total number of K shares	**170**	268	295	380	338

Share prices, EUR (Helsinki Exchanges)[13]

	1999*)	1998	1997	1996	1995
K share					
Low/high		15.47/53.65	10.93/22.96	6.14/11.29	5.80/14.30
Average[14]		41.12	14.80	7.90	9.33
Year-end		52.14	16.40	11.18	7.23
A share					
Low/high	**54.95/180**	15.56/53.65	11.02/23.04	6.14/11.29	5.80/14.30
Average[14]	**87.66**	31.79	16.48	7.99	9.25
Year-end	**180**	52.14	16.31	11.27	7.14

*) As of April 9, 1999 one class of shares only. Consequently, the figures concern total number of all the shares.

Share prices, USD (New York Stock Exchange)[15]

	1999	1998	1997	1996	1995
ADS					
Low/high	**63.75/191.06**	17.03/62.41	13.94/25.44	7.94/14.59	8.19/19.09
Average[16]	**93.89**	34.15	18.41	9.94	11.88
Year-end	**191.06**	60.22	17.38	14.41	9.75

Nokia share price on the Helsinki Exchanges
EUR

Nokia ADS price on the New York Stock Exchange
USD

[10] At the Annual General Meeting held on March 17, 1999 Nokia's shareholders resolved to amend the terms and conditions of the Nokia Stock Option Plan 1995 to reflect the nominal value of EUR 0.24.

[11] At the Annual General Meeting held on March 17, 1999 Nokia's shareholders resolved to amend the terms and conditions of the Nokia Stock Option Plan 1997 to reflect the nominal value of EUR 0.24.

[12] Prices and numbers of shares have recalculated to correspond the nominal value of EUR 0.24 of the shares.

[13] Recalculated to reflect the nominal value of EUR 0.24 of the share.

[14] Calculated by weighing average price of each day with daily trading volumes.

[15] Recalculated to reflect the nominal value of EUR 0.24 of the share.

[16] Calculated by weighing average price of each day with daily trading volumes.

Largest registered shareholders

Registered shareholders represent 14.4 per cent of the total number of shares of the parent company. The largest registered shareholders, without the shares registered in the name of a nominee, as of December 31, 1999 are as follows:

	Total	Per cent of all the shares and voting rights
UPM-Kymmene Corporation	8 574 736	0.7
Pohjola Group Insurance Corporation	8 362 800	0.7
Industrial Insurance Company Ltd	7 090 000	0.6
Suomi Mutual Life Assurance Company	6 661 000	0.6
Svenska Litteratursällskapet i Finland r f	6 087 172	0.5
The Local Government Pensions Institution	5 530 976	0.5
Ilmarinen Mutual Pension Insurance Company	5 113 500	0.4
Juselius Sigrid stiftelse	4 286 944	0.4
Pohjola Life Assurance Company Ltd	3 749 000	0.3
The Pension Foundation of the Nokia Corporation	3 360 530	0.3

Janus Capital Corporation informed Nokia on December 9, 1999 that its holdings in Nokia shares had exceeded the limit of 5 per cent of the total voting rights and the share capital of Nokia. Part of the holdings is in the form of ADRs, and part in ordinary shares.

The number of registered shareholders was 48 771 on December 31, 1998. Each nominee register (20) is included in this figure as only one registered shareholder.

Shares and warrants owned by the members of the Board of Directors and the Group Executive Board

Members of the Board of Directors and the Group Executive Board owned on December 31, 1999 an aggregate of 127 954 shares representing 0.01 per cent of the aggregate number of shares and voting rights, as well as a number of warrants representing 6.4 per cent of the total number of warrants issued. If exercised in full the said warrants would be exercisable for 4 825 180 shares representing 0.41 per cent of the total number of shares and total voting rights as of December 31, 1999.

Breakdown of share ownership on December 31, 1999

By number of shares owned

	Number of shareholders	Per cent of shareholders	Total number of shares	Per cent of share capital	Average holding
1-500	34 462	70.7	4 324 113	0.4	125
501-1 000	4 472	9.2	3 386 611	0.3	757
1 001-10 000	8 473	17.4	26 264 996	2.2	3 100
10 001-100 000	1 247	2.5	31 285 871	2.7	25 089
Over 100 000	97	0.2	102 832 804	8.8	1 060 132
Total	**48 751**	**100.0**	**168 094 395**	**14.4**	**3 447**
Shares registered in the name of a nominee			995 421 571	85.6	
Total			**1 163 515 966**	**100.0**	

By shareholder category, per cent

	Shares
1. Foreign shareholders[17]	86.0
2. Non-financial corporations	4.5
3. Households	3.1
4. Financial and insurance institutions	2.8
5. Non-profit organizations	2.1
6. General government	1.5
Total	100.0

Shares registered in the name of a nominee on December 31, 1999

	Shares	Per cent of shares and voting rights
Merita Bank Ltd	932 009 614	80.10
Other nominees	63 411 957	5.45

[17] Includes the shares registered in the name of a nominee and the shares owned by Nokia Holding Inc.

Nokia 1995 – 1999, IAS

Key ratios and economic indicators

	1999	1998	1997	1996	1995
Net sales, EURm	**19 772**	13 326	8 849	6 613	6 191
Change, %	**48.4**	50.6	33.8	6.8	22.0
Exports from Finland, EURm	**9 334**	7 038	5 408	3 946	2 983
Exports and foreign subsidiaries, EURm	**19 293**	12 861	8 419	6 203	5 648
Salaries and social expenses, EURm	**2 383**	1 958	1 317	899	1 092
Operating profit, EURm	**3 908**	2 489	1 422	717	843
% of net sales	**19.8**	18.7	16.1	10.8	13.6
Financial income and expenses, EURm	**-58**	-39	-23	-68	-27
% of net sales	**-0.3**	-0.3	-0.3	-1.0	-0.4
Profit before tax and minority interests, EURm	**3 845**	2 456	1 408	655	830
% of net sales	**19.4**	18.4	15.9	9.9	13.4
Profit from continuing operations, EURm	**2 577**	1 680	1 009	512	687
% of net sales	**13.0**	12.6	11.4	7.7	11.1
Taxes, EURm	**1 189**	737	382	144	130
Dividends, EURm	**931** *	586	378	176	151
Capital expenditure, EURm	**1 358**	761	404	341	555
% of net sales	**6.9**	5.7	4.6	5.2	9.0
Gross investments**, EURm	**1 914**	1 072	668	514	703
% of net sales	**9.7**	8.0	7.6	7.8	11.4
R&D expenditure, EURm	**1 755**	1 150	767	591	426
% of net sales	**8.9**	8.6	8.7	8.9	6.9
Average personnel	**51 177**	41 091	35 490	31 766	31 948
Non-interest bearing liabilities, EURm	**5 717**	3 844	2 586	1 891	2 000
Interest bearing liabilities, EURm	**1 062**	1 017	781	1 022	1 117
Return on capital employed, %	**55.7**	50.2	38.3	22.7	29.1
Return on equity, %	**41.3**	38.5	32.0	20.5	31.2
Equity ratio, %	**53.3**	52.0	52.7	48.4	44.0
Net debt to equity, %	**-41**	-36	-35	-9	17

* Board's proposal

** Incl. acquisitions, investments in shares and R&D capitalization.

Calculation of Key Ratios, see page 42.

Nokia 1995 – 1999, IAS

	1999	1998	1997	1996	1995
Profit and loss account, EURm					
Net sales	**19 772**	13 326	8 849	6 613	6 191
Cost and expenses	**-15 864**	-10 837	-7 427	-5 896	-5 348
Operating profit	**3 908**	2 489	1 422	717	843
Share of results of associated companies	**-5**	6	9	6	14
Financial income and expenses	**-58**	-39	-23	-68	-27
Profit before tax and minority interests	**3 845**	2 456	1 408	655	830
Tax	**-1 189**	-737	-382	-144	-130
Minority interests	**-79**	-39	-17	1	-13
Profit from continuing operations	**2 577**	1 680	1 009	512	687
Discontinued operations	**-**	-	44	37	-393
Profit from ordinary activities before cumulative effect of change in accounting policies	**2 577**	1 680	1 053	549	294
Cumulative prior year effect (after tax) of change in accounting policies	**-**	70	-	-	81
Net profit	**2 577**	1 750	1 053	549	375
Balance sheet items, EURm					
Fixed assets and other non-current assets	**3 487**	2 220	1 589	1 414	1 522
Current assets	**10 792**	7 814	5 431	4 182	3 988
Inventories	**1 772**	1 292	1 230	1 080	1 679
Accounts receivable and prepaid expenses	**4 861**	3 631	2 141	1 833	1 601
Cash and cash equivalents	**4 159**	2 891	2 060	1 269	708
Shareholders' equity	**7 378**	5 109	3 620	2 678	2 322
Minority shareholders' interests	**122**	63	33	5	71
Long-term liabilities	**407**	409	276	406	434
Long-term interest-bearing liabilities	**269**	257	226	356	357
Deferred tax liabilities	**80**	88	-	-	-
Other long-term liabilities	**58**	64	50	50	77
Current liabilities	**6 372**	4 453	3 091	2 507	2 683
Short-term borrowings	**792**	699	506	573	729
Current portion of long-term loans	**1**	61	48	93	31
Accounts payable	**2 202**	1 357	818	599	686
Accrued expenses	**3 377**	2 336	1 719	1 242	959
Discontinuity/restructuring provision	**-**	-	-	-	278
Total assets	**14 279**	10 034	7 020	5 596	5 510

	1999	1998	1997	1996	1995
Net sales by business group, EURm					
Nokia Networks	5 673	4 390	3 166	2 242	1 739
Nokia Mobile Phones	13 182	8 070	4 649	3 629	2 700
Other Operations*	995	1 014	1 218	874	1 876
Inter-business group eliminations	-78	-148	-184	-132	-124
Nokia Group	19 772	13 326	8 849	6 613	6 191
Net sales by market area, EURm					
Europe	10 614	7 673	5 212	4 070	4 197
of which Finland	479	465	430	410	543
Americas	4 909	2 815	1 601	1 065	793
Asia-Pacific	4 249	2 838	2 036	1 478	1 201
Total	19 772	13 326	8 849	6 613	6 191
Operating profit/loss, EURm					
Nokia Networks	1 082	960	682	501	458
Nokia Mobile Phones	3 099	1 540	645	241	295
Other Operations**	-273	-11	95	-25	90
Nokia Group	3 908	2 489	1 422	717	843
Average personnel					
Nokia Networks	22 804	19 280	15 710	12 558	9 915
Nokia Mobile Phones	20 975	16 064	12 631	10 927	10 616
Other Operations*	7 398	5 747	7 149	8 281	11 417
Nokia Group	51 177	41 091	35 490	31 766	31 948
In Finland	23 155	20 978	19 342	17 999	17 821
Outside Finland	28 022	20 113	16 148	13 767	14 127

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

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

Proposal by the Board of Directors to the Annual General Meeting

The distributable earnings in the balance sheet of the Group amount to EUR 5 670 million and those of the Company to EUR 3 259 million.

The Board proposes that from the funds at the disposal of the Annual General Meeting, a dividend of EUR 0.80 per share is to be paid out on a total of 1 163 515 966 shares, amounting to EUR 931 million.

Espoo, February 1, 2000

Jorma Ollila
Chairman and CEO

Iiro Viinanen

Pirkko Alitalo

Edward Andersson

Paul J. Collins

Bengt Holmström

Jouko K. Leskinen

Robert F.W. van Oordt

Vesa Vainio

Pekka Ala-Pietilä
President

Auditors' report

To the shareholders of Nokia Corporation

We have audited the accounting records, the financial statements and the administration of Nokia Corporation for the year ended December 31, 1999. The financial statements prepared by the Board of Directors and the President include the report of the Board of Directors, consolidated financial statements prepared in accordance with International Accounting Standards (IAS), and parent company financial statements prepared in accordance with prevailing regulations in Finland (FAS). Based on our audit we express an opinion on the consolidated financial statements and on the parent company's financial statements and 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 Chairman and the other members of the Board of Directors and the President have complied with the rules of the Finnish Companies' Act.

Consolidated financial statements

In our opinion, the consolidated financial statements prepared in accordance with International Accounting Standards (IAS) give a true and fair view of the consolidated result of operations as well as of the financial position. The financial statements are in accordance with prevailing regulations in Finland and can be adopted.

Parent company's financial statements and administration

The financial statements have been prepared in accordance with the Finnish 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 Finnish Accounting Act, of the parent company's result of operations, as well as the financial position. The financial statements can be adopted and the Chairman and the other members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors concerning the disposition of the profit for the year is in compliance with the Finnish Companies' Act.

Espoo February 1, 2000

Eric Haglund
Authorized Public Accountant
(KPMG)

Lars Blomquist
Authorized Public Accountant
(PricewaterhouseCoopers)

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:

	1999 EURm	1998 EURm
Reconciliation of net income		
Net income reported under IAS	**2 577**	1 750
U.S. GAAP adjustments:		
Deferred income taxes	**-**	-70
Pension expense	**9**	16
Development costs	**-47**	-18
Marketable securities	**-15**	29
Sale-leaseback transaction	**4**	1
Deferred tax effect of U.S. GAAP adjustments	**14**	-19
Net income under U.S. GAAP	**2 542**	1 689
Reconciliation of shareholders' equity		
Total shareholders' equity reported under IAS	**7 378**	5 109
U.S. GAAP adjustments:		
Pension expense	**54**	45
Development costs	**-186**	-138
Marketable securities	**142**	89
Sale-leaseback transaction	**-**	-4
Deferred tax effect of U.S. GAAP adjustments	**-4**	1
Total shareholders' equity under U.S. GAAP	**7 384**	5 102

Deferred income taxes

Beginning January 1, 1998 the Group has accounted for deferred income taxes under IAS using the liability method. The differences between the application of IAS and U.S. GAAP are insignificant in relation to Nokia's deferred tax balance.

The 1998 U.S. GAAP net income amount has been revised to appropriately reflect the fact that there is no difference in accounting for income taxes under U.S. GAAP and IAS as a result of the adoption of IAS 12 revised. The effect of this revision was to decrease net income by EUR 70 million.

Prior to January 1, 1998, under IAS, deferred income taxes were not provided for differences between taxable income and accounting income that were 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. Deferred tax assets are also recognized on net operating loss carryforwards, reduced by a valuation allowance where it is more likely than not that the asset will not be realized.

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.

Development costs

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 between two and 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.

Marketable securities

Under IAS, marketable securities for which it is management's intent to sell within the current operating cycle are marked to market value; otherwise such securities are carried at cost. The unrealized gain or loss recognized in connection with these securities that have been marked to market is charged to the profit and loss statement. Under U.S. GAAP, the Group's marketable securities would be classified as available for sale and carried at aggregate fair value with gross unrealized holding gains and losses reported as a separate component of shareholders' equity. Any unrealized losses recognized under IAS would be reversed under U.S. GAAP.

Sale-leaseback transaction

Under IAS, the Group recorded a gain from a transaction involving the sale of property and equipment and has recorded rental expense associated with the subsequent leaseback of such property and equipment. Under U.S. GAAP, the sale-leaseback transaction would be treated as a financing. Accordingly, the gain 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.

Calculation of key ratios

Key ratios under IAS

Operating profit
Profit after depreciation

Shareholders' equity
Share capital + reserves

Earnings per share

$$\frac{\text{Profit from continuing operations}}{\text{Average of adjusted number of shares during the year}}$$

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

$$\frac{\text{Amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$$

Share turnover, %

$$\frac{\text{Number of shares traded during the period}}{\text{Average number of shares during the period}}$$

Return on capital employed, %

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

Return on shareholders' equity, %

$$\frac{\text{Profit from continuing operations}}{\text{Average shareholders' equity during the year}}$$

Equity ratio, %

$$\frac{\text{Shareholders' equity + minority shareholders' interests}}{\text{Total assets – advance payments received}}$$

Net debt to equity (gearing), %

$$\frac{\text{Long-term interest-bearing liabilities (including the current portion thereof) + short-term borrowings - cash and cash equivalents}}{\text{Shareholders' equity + minority shareholders' interests}}$$

Year-end currency rates 1999		Average rates 1999	
	1 EUR =		1 EUR =
USD	1.008	USD	1.073
GBP	0.628	GBP	0.661
SEK	8.599	SEK	8.857
JPY	103.070	JPY	122.068

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