Annual Accounts 2001

NOKIA

ANNUAL ACCOUNTS 2001

ADDITIONAL INFORMATION

Nokia's key data 2001

Based on financial statements according to International Accounting Standards, IAS

Nokia	2001 EURm	2000 EURm	Change, %
Net sales	**31 191**	30 376	3
Operating profit	**3 362**	5 776	-42
Profit before taxes	**3 475**	5 862	-41
Net profit	**2 200**	3 938	-44
Research and development	**2 985**	2 584	16
Capital expenditure	**1 041**	1 580	-34

	2001, %	2000, %
Return on capital employed	**27.9**	58.0
Net debt to equity (gearing)	**-41**	-26

	2001 EUR	2000 EUR	Change, %
Earnings per share, basic	**0.47**	0.84	-44
Dividend per share	**0.27 ***	0.28	-4
Average number of shares (1 000 shares)	**4 702 852**	4 673 162	

* Board's proposal

Business Groups	2001 EURm	2000 EURm	Change, %
Nokia Networks			
Net sales	**7 534**	7 714	-2
Operating profit	**-73**	1 358	-105
Research and development	**1 135**	1 013	12
Nokia Mobile Phones			
Net sales	**23 158**	21 887	6
Operating profit	**4 521**	4 879	-7
Research and development	**1 599**	1 306	22
Nokia Ventures Organization			
Net sales	**585**	854	-31
Operating profit	**-855**	-387	-121
Research and development	**221**	235	-6

Personnel, Dec. 31	2001	2000	Change, %
Nokia Networks	**19 392**	23 965	-19
Nokia Mobile Phones	**26 453**	28 047	-6
Nokia Ventures Organization	**1 886**	2 570	-27
Common Group Functions	**6 118**	5 707	7
Nokia Group	**53 849**	60 289	-11

10 major countries, personnel, Dec. 31	2001	2000
Finland	**22 246**	24 379
USA	**7 298**	8 765
China	**5 202**	5 675
Germany	**3 892**	4 747
UK	**2 286**	2 777
Hungary	**1 937**	1 972
Brazil	**1 413**	1 260
Mexico	**1 198**	1 122
Denmark	**1 166**	1 266
South Korea	**864**	937

10 major markets, net sales	2001, EURm	2000, EURm
USA	**5 614**	5 312
China	**3 418**	3 065
UK	**2 808**	2 828
Germany	**2 003**	2 579
France	**1 260**	1 085
Italy	**1 168**	1 243
Philippines	**925**	780
Thailand	**908**	445
Brazil	**892**	1 056
Spain	**644**	678

1 EUR	Main currencies, rates at the end of 2001
USD	**0.9026**
GBP	**0.6206**
SEK	**9.4702**
JPY	**115.33**

Review by the Board of Directors

Nokia's net sales in 2001 increased by 3% compared with 2000 and totaled EUR 31 191 million (EUR 30 376 million in 2000). Sales in Nokia Networks decreased by 2% to EUR 7 534 million (EUR 7 714 million) and grew in Nokia Mobile Phones by 6% to EUR 23 158 million (EUR 21 887 million). Sales decreased in Nokia Ventures Organization by 31% to EUR 585 million (EUR 854 million).

Operating profit in 2001 decreased by 42% and totaled EUR 3 362 million (EUR 5 776 million in 2000). Operating margin was 10.8% (19.0% in 2000). Operating profit in Nokia Networks decreased to an operating loss of EUR 73 million (operating profit EUR 1 358 million in 2000) and in Nokia Mobile Phones decreased 7% to EUR 4 521 million (EUR 4 879 million in 2000). Operating margin in Nokia Networks was -1.0% (17.6% in 2000) while the operating margin in Nokia Mobile Phones was 19.5% (22.3% in 2000). Nokia Ventures Organization showed an operating loss of EUR 855 million (operating loss of EUR 387 million in 2000). Common Group Expenses totaled EUR 231 million (EUR 74 million in 2000).

During 2001, operating profit was negatively impacted by non-recurring items totaling EUR 1 573 million, which consisted of goodwill impairment of EUR 518 million, restructuring charges of EUR 261 million, increases in reserves for Telsim and Dolphin receivables of EUR 714 million, and impairment of minority investments of EUR 80 million.

Financial income totaled EUR 125 million in 2001 (EUR 102 million in 2000). Profit before tax and minority interests was EUR 3 475 million in 2001 (EUR 5 862 million in 2000). Net profit totaled EUR 2 200 million in 2001 (EUR 3 938 million in 2000). Earnings per share decreased to EUR 0.47 (basic) and to EUR 0.46 (diluted) in 2001 compared with EUR 0.84 (basic) and EUR 0.82 (diluted) in 2000.

At December 31, 2001, net-debt-to-equity ratio (gearing) was -41% (-26% at the end of 2000). Total capital expenditures in 2001 amounted to EUR 1 041 million (EUR 1 580 million in 2000).

At the end of 2001, outstanding long-term loans to customers totaled EUR 1 128 million, while guarantees given on behalf of customers totaled EUR 127 million. In addition, Nokia had financing commitments totaling EUR 2 955 million at the end of 2001. Of the total committed and outstanding customer financing, EUR 3 607 million related to 3G networks.

Global Reach

In 2001, Europe accounted for 49% of Nokia's net sales (52% in 2000), the Americas 25% (25% in 2000) and Asia-Pacific 26% (23% in 2000). The 10 largest markets were the US, China, the UK, Germany, France, Italy, the Philippines, Thailand, Brazil and Spain, together representing 63% of total sales.

Research and development

In 2001, Nokia continued to invest in its worldwide research and development network and cooperation. At year-end, Nokia had 18 600 R&D employees, approximately 35% of Nokia's total personnel. Investments in research and development increased by 16% (47% in 2000) and totalled EUR 2 985 million (EUR 2 584 million in 2000), representing 9.6% of net sales (8.5% of net sales in 2000).

People

The average number of personnel for 2001 was 57 716 (58 708 for 2000). At the end of 2001, Nokia employed 53 849 people worldwide (60 289 at year-end 2000). In 2001, Nokia's personnel decreased by a total of 6 440 employees (increase of 5 029 in 2000).

Nokia continued to develop motivating and performance-based compensation and benefit programs for its employees. During the year, the number of personnel participating in the Nokia global stock-option plans increased significantly to more than 25 000.

Acquisitions and divestments

During 2001, Nokia completed two acquisitions designed to enhance its portfolio of businesses. In January, Nokia completed the acquisition of Ramp Networks, a US-based provider of purpose-built Internet security appliances specifically designed for small office applications. In August, Nokia acquired Amber Networks, a US-based networking infrastructure company that develops fault-tolerant routing platforms. The technology driven acquisition is a logical step in Nokia's strategy of extending leadership into future intelligent edge technologies and in the all-IP service integration for carrier grade high reliability routing.

Joint Initiatives

Nokia entered into several new initiatives with other industry leaders during 2001. In November, Nokia announced its commitment to the Open Mobile Architecture initiative together with 18 industry leaders, laying a foundation for the smooth transition to a global multimedia services market. The companies participating in the joint announcement were AT&T Wireless, Cingular Wireless, MM02, NTT DoCoMo, Telefonica Moviles, Vodafone, Fujitsu, Matsushita, Mitsubishi Electric, Motorola, NEC, Nokia, Samsung, Sharp, Siemens, Sony, Sony Ericsson, Toshiba and Symbian.

In December, leading IT infrastructure companies BEA Systems, Borland, Hewlett-Packard, IBM, Oracle and Sun Microsystems expressed their support for the initiative. Expanding the global scope of the Open Mobile Architecture initiative, China Mobile also joined the supporters in late December. Furthermore, Nokia and Sony announced collaboration in developing an open middleware platform.

In December, Nokia joined the Service Availability Forum as a founding member. This industry-wide coalition will set standards allowing the integration of open, standardized third-party building blocks into network infrastructure equipment. These building blocks will contribute to service availability as well as create new flexibility for system suppliers like Nokia in extending their product creation reach by leveraging innovation from across the industry.

Nokia Networks

The first quarter 2001 remained very strong in the company's network business. Reduced investments by operators did not start to have a significant effect on top-line growth until the second half of the year when sales fell sharply resulting in an overall sales decline of 2% compared with 2000.

However, throughout 2001, operators continued to invest in capacity, most notably in the US and Asia where GSM is advancing steadily and thus strengthening its position as the dominant global 2G standard. In Europe, operators are accelerating their preparations for the onset of next generation multimedia products and services.

In the Americas, Nokia made significant headway beginning with the decision by AT&T Wireless Service (AWS) at the end of 2000 to join the GSM/EDGE/WCDMA market in a landmark deal with Nokia for the delivery of next generation wireless infrastructure. This was followed in the second quarter by a significant GSM deal with Telemar in Brazil and capped later in the year with Nokia's largest ever systems deal with Cingular Wireless of the US.

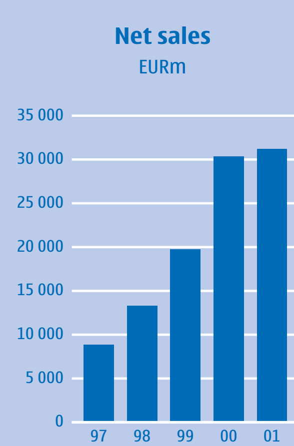
During 2001, the company signed 22 deals with operators to supply 3G-network infrastructure bringing the total number of 3G customers to 28. The largest deals announced were with Orange/France Telecom, followed by Cable & Wireless Optus and Hutchison 3G UK. In addition, Nokia made a significant breakthrough in Japan when J-Phone selected Nokia to supply its 3G networks.

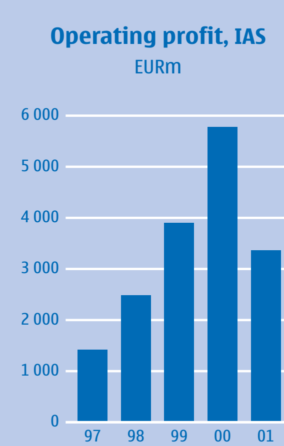
With these breakthroughs in the Americas and Japan, Nokia expanded its accessible market in geographical terms to include all the world's key markets, bringing the company closer to achieving its targeted long-term 35% share of the overall mobile infrastructure market.

In GPRS, Nokia signed 15 new deals in 2001, which brings the total number of customers to 59. The company also signed seven new GSM customers from around the world in addition to numerous GSM expansion deals. In Nokia's TETRA business, deals were signed in Hong Kong, Finland and Belgium. In fixed broadband networks, the US markets continued to be challenging, but several new contracts were signed in Europe and China.

Net sales by business group Jan. 1 – Dec. 31	**2001** EURm	**%**	2000 EURm	%	Change %
Nokia Networks	**7 534**	**24**	7 714	25	-2.3
Nokia Mobile Phones	**23 158**	**74**	21 887	72	5.8
Nokia Ventures Organization	**585**	**2**	854	3	-31.5
Inter-business group eliminations	**-86**		-79		
Nokia Group	**31 191**	**100**	30 376	100	2.7

Operating profit, IAS Jan. 1 – Dec. 31	**2001** EURm	**% of net sales**	2000 EURm	% of net sales
Nokia Networks	**-73**	**-1.0**	1 358	17.6
Nokia Mobile Phones	**4 521**	**19.5**	4 879	22.3
Nokia Ventures Organization	**-855**	**-146.2**	-387	-45.3
Common Group Expenses	**-231**		-74	
Nokia Group	**3 362**	**10.8**	5 776	19.0





Review by the Board of Directors

During 2001, in response to adverse developments in the market and customer environment, Nokia realigned parts of its organizational structure in a move to increase overall efficiencies. This included decisions in both manufacturing and R&D to focus resources on high value-added parts of the business while outsourcing others. This is in line with Nokia's ongoing strategy of focusing and building on core skills while teaming up with select global partners.

Nokia Mobile Phones

Strong sales growth in the first half of 2001 was partially offset in the second half by weaker sales primarily in Europe and Asia-Pacific, resulting in an annual increase in net sales of 6% compared with 2000.

Nokia sold 140 million mobile phones in 2001, representing about 9% year-on-year growth. Contrary to the market development, Nokia's sales volumes continued to grow in all geographical regions, with growth strongest in Asia-Pacific.

This resulted in a significant rise in the company's global market share from around 32% in 2000 to an estimated share of about 37% in 2001, bringing the company closer to its targeted long-term 40% market share. The shipment of 14 new models from a total of 22 new mobile phone introductions during the year boosted market share growth. In 2001, Nokia increased its market share for the fourth consecutive year, almost doubling it from the level of 19% in 1997.

According to Nokia's preliminary estimates, global mobile phone market volume in 2001 declined about 5% to approximately 380 million units. Replacement purchases are estimated to have accounted for about 45% of the total industry volume. This share is expected to rise to around 55% of total volume in 2002. In 2001, the global subscriber base is estimated to have grown by 30% to about 930 million mobile phone users.

Market volume continued to rise in Asia-Pacific in 2001 with about 15% market growth. Demand in the Americas is estimated to have remained at approximately the level of the previous year; in Europe, market volume declined an estimated 23% during 2001. In 2002, the company sees total market volumes rising by 10 – 15% to 420 – 440 million units. Double-digit annual market volume growth is expected to continue in 2003.

Nokia Ventures Organization

Nokia remains committed to building leadership in the corporate network security market. However, in 2001, revenue growth at Nokia Internet Communications was affected by the slowdown in information technology spending. During the year, Nokia expanded its global alliance with Check Point Software Technologies. The company also formed a new partnership with F5 Networks, and announced the first available solutions as a result of this new partnership.

Nokia introduced its first distributed office security appliances based on the Ramp Networks acquisition. Also introduced in 2001 were the Nokia IP530 and the gigabit plus performing Nokia IP740 security appliances. Working with Internet Security Systems, Nokia introduced the latest version of its network Intrusion Detection System RealSecure™ for Nokia.

In IBC (International Broadcasting Convention), Nokia and 10 of Europe's leading companies in the fields of broadcasting, multimedia and communications announced a memorandum of understanding to promote the use of digital broadcast standards for the delivery of multimedia content using the Internet.

Changes in share capital

In 2001, Nokia's share capital increased by EUR 1 383 428.16 as a result of the issue of 23 057 136 new shares upon exercise of warrants and stock options issued to key personnel in 1995, 1997 and 1999. Nokia's share capital was also increased in September by EUR 1 099 752.72, when 18 329 212 new shares, corresponding to 0.39% of the share capital, were issued to finance the acquisition of Amber Networks, Inc. For the same purpose a total of 2 532 000 shares, having a total par value of EUR 151 920 and corresponding to 0.05% of the share capital, held by Nokia Corporation were transferred to the stockholders of Amber Networks. Both the newly issued shares and the treasury shares were issued for a subscription price of EUR 20.7710 per share, the average market price of Nokia share on the Helsinki Exchanges for a ten business-day period before closing of the transaction. Effective March 2, a total of 7 914 Nokia shares were returned to Nokia pursuant to agreements made in connection with business acquisitions effected before 2001. The aggregate par value of these shares, which were received without consideration, was EUR 474.84 and they represented less than 0.001% of the share capital of the company and the total voting rights. Effective April 17, a total of 68 950 shares held by the company were cancelled pursuant to the shareholders' resolution taken at the Annual General Meeting. As a result of the cancellation, the share capital was reduced by the aggregate par value of the shares cancelled, EUR 4 137, corresponding to less than 0.01% of the share capital of the company and the total voting rights. The cancellation did not reduce the shareholders' equity. Neither the aforementioned issuances, the transfer, the receipt of shares nor the cancellation of shares had any significant effect on the relative holdings of the other shareholders of the company or on the voting powers among them.

In 2001, Nokia shareholders also approved a new stock option plan, under which a total of 145 million stock options were authorized to be granted to Nokia key personnel. Each stock option entitles the holder to subscribe for one Nokia share during share subscription periods commencing no earlier than July 1, 2002 and terminating no later than June 30, 2008. The share subscription prices will be determined on the basis of the market price on the Helsinki Exchanges. An aggregate maximum of 145 million shares, corresponding to 3.1% of the share capital, can be subscribed for under this plan.

On December 31, 2001, Nokia and its subsidiary companies owned 1 227 752 Nokia shares. The shares had an aggregate nominal value of EUR 73 665.12, representing 0.03% of the share capital of the company and the total voting rights.

The total number of shares at December 31, 2001 was 4 737 530 121. As a result of the new share issues, Nokia received a total of EUR 457 882 917.60 in additional shareholders' equity in 2001. At December 31, 2001, Nokia's share capital was EUR 284 251 807.26.

Merger of subsidiaries

Effective October 1, 2001, Nokia Mobile Phones Ltd, Nokia Networks Oy and some other Finnish Nokia Group companies merged into Nokia Corporation.

Outlook

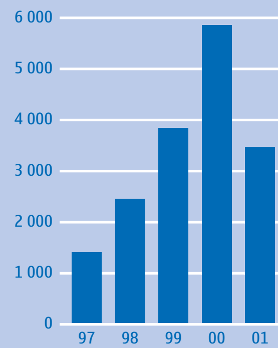
Nokia's objective is to take and maintain a leading role in creating communications products and services that enrich the daily lives of people and enable enterprises to prosper. The company strives to keep a clear focus on human needs, managing risks and building reputation, integrating all stakeholder expectations into its business decision making.

In 2001, Nokia confirmed its ability to perform well in an intensely challenging environment, translating core strengths of leading brand, excellence in execution and continuous product renewal into good profitability. Going into 2002, demanding industry conditions are expected to continue. However, with a stream of new product launches scheduled for this year, including the company's first 3G devices, Nokia's competitiveness in terms of brand, logistics and market position should continue to be strong.

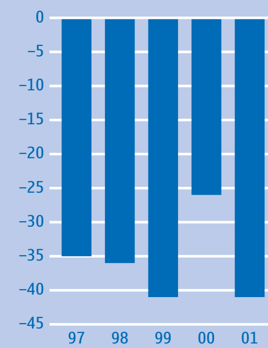
Dividend

Nokia's Board of Directors will propose a dividend of EUR 0.27 per share in respect of 2001.

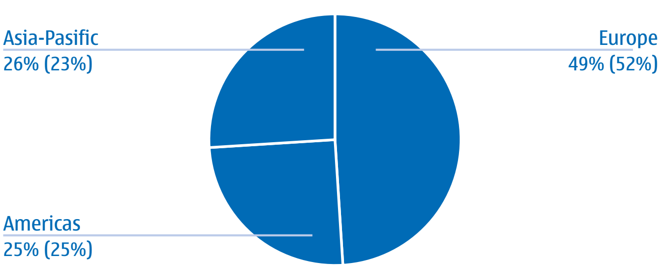
Profit before tax and minority interests, IAS
EURm



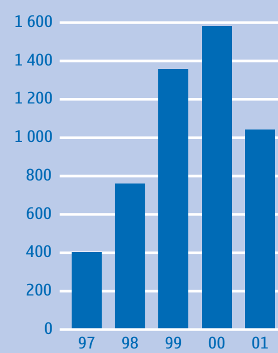
Net debt to equity
(gearing), %



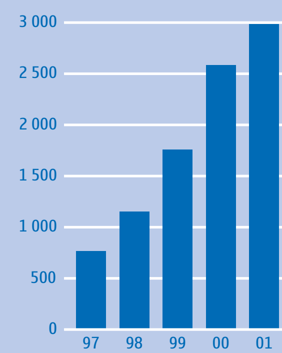
Net sales by market area
%, 2001 (2000)



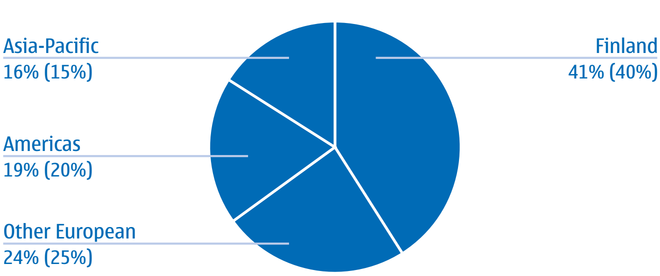
Capital expenditure
EURm



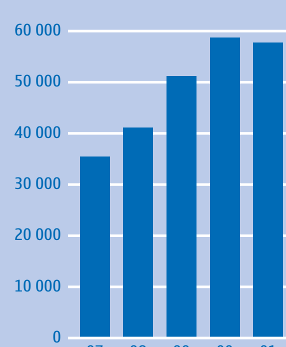
Research and development
EURm



Personnel by market area
%, 2001 (2000)



Average personnel



Consolidated financial statements according to International Accounting Standards (IAS)

Consolidated profit and loss account, IAS

Financial year ended Dec. 31	Notes	2001 EURm	2000 EURm
Net sales		**31 191**	30 376
Cost of sales		**-19 787**	-19 072
Research and development expenses		**-2 985**	-2 584
Selling, general and administrative expenses		**-3 443**	-2 804
One-time customer finance charges		**-714**	-
Impairment of minority investments		**-80**	-
Impairment of goodwill		**-518**	-
Amortization of goodwill		**-302**	-140
Operating profit	2, 3, 4, 5, 6, 7, 9	**3 362**	5 776
Share of results of associated companies		**-12**	-16
Financial income and expenses	10	**125**	102
Profit before tax and minority interests		**3 475**	5 862
Tax	11	**-1 192**	-1 784
Minority interests		**-83**	-140
Net profit		**2 200**	3 938

Earnings per share	28	2001 EUR	2000 EUR
Basic		**0.47**	0.84
Diluted		**0.46**	0.82

Average number of shares (1 000 shares)	28	2001	2000
Basic		**4 702 852**	4 673 162
Diluted		**4 787 219**	4 792 980

See Notes to consolidated financial statements.

Consolidated balance sheet, IAS

Dec. 31	Notes	2001 EURm	2000 EURm
ASSETS			
Fixed assets and other non-current assets			
Capitalized development costs	12	**893**	640
Goodwill	12	**854**	1 112
Other intangible assets	12	**237**	242
Property, plant and equipment	13	**2 514**	2 732
Investments in associated companies	14	**49**	61
Available-for-sale investments	15	**399**	337
Deferred tax assets	24	**832**	401
Long-term loans receivable	16	**1 128**	808
Other non-current assets		**6**	55
		6 912	6 388
Current assets			
Inventories	17, 19	**1 788**	2 263
Accounts receivable	18, 19	**5 719**	5 594
Prepaid expenses and accrued income	18	**1 480**	1 418
Short-term loan receivable		**403**	44
Available-for-sale investments	15, 34	**4 271**	2 774
Bank and cash		**1 854**	1 409
		15 515	13 502
Total assets		**22 427**	19 890

Dec. 31	Notes	2001 EURm	2000 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	21	**284**	282
Share issue premium		**2 060**	1 695
Treasury shares		**-21**	-157
Translation differences		**326**	347
Fair value and other reserves	20	**20**	-
Retained earnings	22	**9 536**	8 641
		12 205	10 808
Minority interests		**196**	177
Long-term liabilities	23		
Long-term interest-bearing liabilities		**207**	173
Deferred tax liabilities	24	**177**	69
Other long-term liabilities		**76**	69
		460	311
Current liabilities			
Short-term borrowings	25	**831**	1 069
Current portion of long-term debt	23	**-**	47
Accounts payable		**3 074**	2 814
Accrued expenses	26	**3 477**	2 860
Provisions	27	**2 184**	1 804
		9 566	8 594
Total shareholders' equity and liabilities		**22 427**	19 890

See Notes to consolidated financial statements.

Consolidated cash flow statement, IAS

Financial year ended Dec. 31	Notes	2001 EURm	2000 EURm
Cash flow from operating activities			
Net profit		**2 200**	3 938
Adjustments, total	33	**4 132**	2 805
Net profit before change in net working capital		**6 332**	6 743
Change in net working capital	33	**978**	-1 377
Cash generated from operations		**7 310**	5 366
Interest received		**226**	255
Interest paid		**-155**	-115
Other financial income and expenses		**99**	-454
Income taxes paid		**-933**	-1 543
Net cash from operating activities		**6 547**	3 509
Cash flow from investing activities			
Acquisition of Group companies, net of acquired cash		**-131**	-400
Purchase of non-current available-for-sale investments		**-323**	-111
Additions to capitalized development costs		**-431**	-393
Long-term loans made to customers		**-1 129**	-776
Proceeds from (+) / payment of (-) other long-term receivables		**84**	-
Proceeds from (+), payment of (-) short-term receivables		**-114**	378
Capital expenditures		**-1 041**	-1 580
Proceeds from disposal of shares in Group companies, net of disposed cash		**-**	4
Proceeds from sale of non-current available-for-sale investments		**204**	75
Proceeds from sale of fixed assets		**175**	221
Dividends received		**27**	51
Net cash used in investing activities		**-2 679**	-2 531
Cash flow from financing activities			
Proceeds from share issue		**77**	72
Purchase of treasury shares		**-21**	-160
Capital investment by minority shareholders		**4**	7
Proceeds from long-term borrowings		**102**	-
Repayment of long-term borrowings		**-59**	-82
Proceeds from (+) / repayment of (-) short-term borrowings		**-602**	133
Dividends paid		**-1 396**	-1 004
Net cash used in financing activities		**-1 895**	-1 034
Foreign exchange adjustment		**-43**	80
Net increase in cash and cash equivalents		**1 930**	24
Cash and cash equivalents at beginning of period		**4 183**	4 159
Cash and cash equivalents at end of period		**6 113**	4 183
Change in net fair value of current available-for-sale investments		**12**	
As reported on balance sheet for 2001 and 2000		**6 125**	4 183

	2001 EURm	2000 EURm
Movement in cash and cash equivalents:		
At beginning of year, as previously reported in 2000 and 1999, respectively	**4 183**	4 159
On adoption of IAS 39, remeasurement of current available-for-sale investments to fair value	**42**	
At beginning of year, as restated	**4 225**	4 159
Net fair value gains (+)/losses(-) on current available-for-sale investments	**-30**	-
Net increase in cash and cash equivalents	**1 930**	24
As reported on balance sheet for 2001 and 2000	**6 125**	4 183
At end of year, comprising:		
Bank and cash	**1 854**	1 409
Current available-for-sale investments (Note 34)	**4 271**	2 774
	6 125	4 183

See Notes to consolidated financial statements.

The figures in the consolidated cash flow statement 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.

Statement of changes in shareholders' equity, IAS

Group, EURm	Number of shares (1 000)	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Retained earnings	Total
Balance at Dec. 31, 1999	4 652 679	279	1 079	-24	243	-	5 801	7 378
Share issue	42 149	3	554					557
Acquisition of treasury shares	-3 252			-160				-160
Reissuance of treasury shares	557			27				27
Stock options issued on acquisitions			75					75
Stock options exercised related to acquisitions			-13					-13
Dividend							-931	-931
Translation differences					104			104
Change in accounting policy							-206	-206
Other increase/(decrease), net							39	39
Net profit							3 938	3 938
Balance at Dec. 31, 2000	4 692 133	282	1 695	-157	347	-	8 641	10 808
Effect of adopting IAS 39						-56		-56
Balance at Jan 1, 2001, restated	**4 692 133**	**282**	**1 695**	**-157**	**347**	**-56**	**8 641**	**10 752**
Share issue	41 386	2	407					409
Acquisition of treasury shares	-995			-21				-21
Reissuance of treasury shares	3 778		-52	157				105
Stock options issued on acquisitions			20					20
Stock options exercised related to acquisitions			-10					-10
Dividend							-1 314	-1 314
Translation differences					65			65
Net investment hedge gains/(losses)					-86			-86
Cash flow hedges						76		76
Available-for-sale investments						0		0
Other increase/(decrease) net							9	9
Net profit							2 200	2 200
Balance at Dec. 31, 2001	**4 736 302**	**284**	**2 060**	**-21**	**326**	**20**	**9 536**	**12 205**

Dividends declared per share were EUR 0.27 for 2001 (EUR 0.28 for 2000), subject to shareholders approval.

See Notes to consolidated financial statements.

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 consolidated financial statements are presented in millions of euros (EURm) and are prepared under the historical cost convention except as disclosed in the accounting policies below. The notes to the consolidated financial statements also conform with Finnish Accounting legislation.

In 2001 the Group adopted IAS 39 – Financial Instruments: Recognition and Measurement. The effects of adopting the standard are summarized in the consolidated statement of changes in shareholders' equity (on page 8), and further information is disclosed in accounting policies, Fair Valuing Principles and Hedge Accounting and in Notes 15, 20 and 34. In accordance with IAS 39, the comparative financial statements for the year ended December 31, 2000 have not been restated.

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 Nokia's parent company ("Parent Company"), and each of those companies in which it either owns, directly or indirectly through subsidiaries, over 50% of the voting rights, or over which it has control of their operating and financial policies. The Group's share of profits and losses of associated companies (generally 20% to 50% voting rights or over which the Group has significant influence) is included in the consolidated profit and loss account in accordance with the equity method of accounting.

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.

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.

The companies acquired during the financial period have been consolidated from the date on which control of the net assets and 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.

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. Expected useful lives are reviewed at each balance sheet date and, where these differ significantly from previous estimates, amortization periods are changed accordingly.

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 sales or to cost of sales. Foreign exchange gains and losses associated with financing are included 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 also treated as an adjustment affecting consolidated shareholders' equity. 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.

Fair valuing principles

At January 1, 2001 the Group adopted IAS 39 – Financial Instruments: Recognition and Measurement. The impact of adopting the standard on shareholders' equity is quantified in Note 20.

Under IAS 39 the Group classifies its investments in marketable debt and equity securities and investments in unlisted equity securities into the following categories: held-to-maturity, trading, or available-for-sale depending on the purpose for acquiring the investments. All investments of the Group are currently classified as available-for-sale. Available-for-sale investments are fair valued by using quoted market rates, discounted cash flow analyses and other appropriate valuation models at the balance sheet date. Certain unlisted equities for which fair values cannot be measured reliably are reported at cost less impairment. All purchases and sales of investments are recorded on the trade date, which is the date that the Group commits to purchase or sell the asset.

The fair value changes of available-for-sale investments are recognized in shareholders' equity. When the investment is disposed off or permanently impaired the related accumulated fair value changes are recycled from shareholders' equity into the profit and loss account.

Fair values of forward rate agreements, interest rate options and futures contracts are calculated based on quoted market rates at the balance sheet date. Interest rate and currency swaps are valued by using discounted cash flow analyses. The changes in the fair values of these contracts are reported in the profit and loss account.

Fair values of cash settled equity derivatives are calculated by revaluing the contract at year-end quoted market rates. Changes in fair value are calculated by comparing the fair value with the value calculated using the prevailing market rate at the inception of the contract. Changes in the fair value are reported in the profit and loss account.

Forward foreign exchange contracts are valued with the forward exchange rate. Changes in fair value are calculated by comparing this with the original amount calculated by using the contract forward rate prevailing at the beginning of the contract. Currency options are valued at the balance sheet date by using the Garman & Kohlhagen option valuation model. Changes in the fair value on these instruments are reported in the profit and loss account except to the extent they qualify for hedge accounting.

Embedded derivatives are identified and monitored in the Group and fair valued at the balance sheet date. The fair value changes are reported in financial income and expenses in the profit and loss account.

Hedge accounting

Hedging of anticipated foreign currency denominated sales and purchases

The Group is applying hedge accounting for "Qualifying hedges". Qualifying hedges are those properly documented cash flow hedges of the foreign exchange rate risk of future anticipated foreign currency denominated sales and purchases that meet the requirements set out in IAS 39. The cash flow being hedged must be "highly probable" and must ultimately impact the profit and loss account. The hedge must be highly effective both prospectively and retrospectively.

The Group claims hedge accounting in respect of forward foreign exchange contracts and options, or option strategies, which have zero net premium or a net premium paid, and where the terms of the bought and sold options within a collar or zero premium structure are the same.

For qualifying foreign exchange forwards the change in fair value is deferred in shareholders' equity to the extent that the hedge is effective. For qualifying foreign exchange options the change in intrinsic value is deferred in shareholders' equity to the extent that the hedge is effective. Changes in the time value are at all times taken directly to profit and loss account.

Accumulated fair value changes from qualifying hedges are released from shareholders' equity into the profit and loss account in the period when the hedged cash flow affects the profit and loss account. If the hedged cash flow is no longer expected to take place, all deferred gains or losses are released into the profit and loss account immediately. If the hedged cash flow ceases to be highly probable, but is still expected to take place, accumulated gains and losses remain in equity until the hedged cash flow affects the profit and loss account.

Changes in fair value of any derivative instruments that do not qualify under hedge accounting under IAS 39 are recognized immediately in the profit and loss account.

Foreign currency hedging of net investments

The Group also applies hedge accounting for its foreign currency hedging on net investments. Qualifying hedges are those properly documented hedges of the foreign exchange rate risk of foreign currency-denominated net investments that meet the requirements set out in IAS 39. The hedge must be effective both prospectively and retrospectively.

The Group claims hedge accounting in respect of forward foreign exchange contracts, foreign currency-denominated loans, and options, or option strategies, which have zero net premium or a net premium paid, and where the terms of the bought and sold options within a collar or zero premium structure are the same.

For qualifying foreign exchange forwards the change in fair value that reflects the change in spot exchange rates is deferred in shareholders' equity. The change in fair value that reflects the change in forward exchange rates less the change in spot exchange rates is recognized in the profit and loss account. For qualifying foreign exchange options the change in intrinsic value is deferred in shareholders' equity. Changes in the time value are at all times taken directly to the profit and loss account. If a foreign currency-denominated loan is used as a hedge, all foreign exchange gains and losses arising from the transaction are recognized in shareholders' equity.

Accumulated fair value changes from qualifying hedges are released from shareholders' equity into the profit and loss account only if the legal entity in the given country is sold or liquidated.

Revenue recognition

Sales from the majority of the Group are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable and collectibility is probable.

Sales and cost of sales from contracts involving solutions achieved through modification of telecommunications equipment are recognized on the percentage of completion method when the outcome of the contract can be estimated reliably. Completion is measured using either the cost-to-cost input method or the milestone output method, depending upon the nature of the individual project and the most applicable measure of progress. Losses on projects in progress are recognized immediately when known and estimable. The cumulative impact of a revision in estimates is recorded in the period such revisions become known and estimable. Billings or costs incurred in excess of a project's progress to completion are recorded as unearned revenue or work-in-progress, respectively.

Shipping and handling costs

The costs of shipping and distributing products are included in cost of sales.

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.

Other intangible assets

Expenditure on acquired patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, but not exceeding 20 years. Where an indication of impairment exists, the carrying amount of any intangible asset including goodwill is assessed and written down to its recoverable amount. Costs of software licenses associated with internal-use software are capitalized. These costs are included within other intangible assets and are amortized over a period not to exceed three years. All development costs, as well as maintenance and training costs, are expensed as incurred.

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.

The Group's contributions to defined contribution plans and to multi-employer and insured plans are charged to the profit and loss account in the period to which the contributions relate.

For defined benefit plans, principally the reserved portion of the Finnish TEL system, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates on government securities that have terms to maturity approximating the terms of the related liabilities. Actuarial gains and losses outside the corridor are recognized over the average remaining service lives of employees.

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 included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

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

Leases

The Group has entered into various operating leases the payments under which are treated as rentals and charged to the profit and loss account on a straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost or 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

The Group manages its short-term liquidity through holdings of cash and highly liquid interest-bearing securities (included as current available-for-sale investments in the balance sheet). For the purposes of the cash flow statement, these are shown together as cash and cash equivalents.

Accounts receivable

Accounts receivable are carried at the original invoice amount to customers less an estimate made for doubtful receivables based on a periodic review of all outstanding amounts. Bad debts are written off when identified.

Borrowings

Borrowings are classified as originated loans and are recognized initially at an amount equal to the proceeds received, net of transaction costs incurred. In subsequent periods, they are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings.

Loans to customers

Loans to customers are recorded at amortized cost. Loans are subject to regular and thorough review as to their collectibility and as to available collateral; in the event that any loan is deemed not fully recoverable, provision is made to reflect the shortfall between the carrying amount and the present value of the expected cash flows. Interest income on loans to customers is included within other operating income.

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 bases.

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 utilized.

Stock options

Stock options are granted to employees. The options are granted with a fixed exercise price set on a date outlined in the plan. When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium. Treasury shares are acquired by the Group to meet its obligations under employee stock compensation plans. When treasury shares are issued on exercise of stock options any gain or loss is recognized in share issue premium.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement would be recognized as an asset but only when the reimbursement is virtually certain.

The Group recognizes the estimated liability to repair or replace products still under warranty at the balance sheet date. The provision is calculated based on historical experience of the level of repairs and replacements.

The Group recognizes a provision for social security costs on unexercised stock options granted to employees at the date options are granted. The provision is measured based on the fair value of the options, and the amount of the provision is adjusted to reflect the changes in the Nokia share price.

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 outstanding 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.

2. Segment information

Nokia is organized on a worldwide basis into three primary business segments: Nokia Networks, Nokia Mobile Phones and Nokia Ventures Organization. Nokia's reportable segments are strategic business units that offer different products and services for which monthly financial information is provided to the Board.

Nokia Networks is a leading provider of mobile, fixed broadband and IP network infrastructure and related services. Nokia Networks aims to be a leader in IP mobility core, radio and broadband access for network providers and operators.

Nokia Mobile Phones develops, manufactures and supplies mobile phones and wireless data products, including a complete range of cellular phones for all major digital and analog standards worldwide.

Nokia Ventures Organization exists to create new businesses outside the natural development path of the company's core activities. The unit comprises venture capital activities, incubation, and a portfolio of new ventures, including two more mature businesses: Nokia Internet Communications and Nokia Home Communications.

Common Group Functions consists of common research and general Group functions.

2001, EURm	Nokia Networks	Nokia Mobile Phones	Nokia Ventures Organization	Common Group Functions	Total reportable segments	Eliminations	Group
Profit and Loss Information							
Net sales to external customers	7 521	23 107	563	-	31 191		31 191
Net sales to other segments	13	51	22	-	86	-86	-
Depreciation and amortization	511	642	115	162	1 430		1 430
Impairment and customer finance charges	925	-	307	80	1 312		1 312
Operating profit	-73	4 521	-855	-231	3 362		3 362
Share of results of associated companies	-	-	-	-12	-12		-12
Balance Sheet Information							
Capital expenditure [1]	288	377	23	353	1 041		1 041
Segment assets [2]	5 469	6 087	260	1 104	12 920	968	13 888
of which:							
Investments in associated companies	-	-	-	49	49		49
Unallocated assets [3]							8 539
Total assets [3]							22 427
Segment liabilities [4]	2 084	4 867	283	258	7 492	-132	7 360
Unallocated liabilities [5]							2 666
Total liabilities [5]							10 026

2000, EURm	Nokia Networks	Nokia Mobile Phones	Nokia Ventures Organization	Common Group Functions	Total reportable segments	Eliminations	Group
Profit and Loss Information							
Net sales to external customers	7 708	21 844	824	-	30 376		30 376
Net sales to other segments	6	43	30	-	79	-79	-
Depreciation and amortization	354	467	102	86	1 009		1 009
Operating profit	1 358	4 879	-387	-74	5 776		5 776
Share of results of associated companies	-	-	-	-16	-16		-16
Balance Sheet Information							
Capital expenditure [1]	304	902	38	336	1 580		1 580
Segment assets [2]	5 076	7 108	709	1 577	14 470	-688	13 782
of which:							
Investments in associated companies	-	-	-	61	61		61
Unallocated assets [3]							6 108
Total assets [3]							19 890
Segment liabilities [4]	1 936	4 602	256	686	7 480	-685	6 795
Unallocated liabilities [5]							2 110
Total liabilities [5]							8 905

1 Including goodwill and capitalized development costs, capital expenditures amount to EUR 2 064 million in 2001 (EUR 2 990 million in 2000). The goodwill and capitalized development costs consist of EUR 801 million in 2001 (EUR 597 million in 2000) for Nokia Networks, EUR 59 million in 2001 (EUR 475 million in 2000) for Nokia Mobile Phones and EUR 163 million in 2001 (EUR 338 million in 2000) for Nokia Ventures Organization.

2 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.

3 Unallocated assets including prepaid expenses and accrued income related to taxes and deferred tax assets (EUR 1 106 million in 2001 and EUR 565 million in 2000).

4 Comprises accounts payable, deferred income, accrued expenses and provisions except those related to interest and taxes.

5 Unallocated liabilities including prepaid income and accrued expenses related to taxes and deferred tax liabilities (EUR 1 077 million in 2001 and EUR 339 million in 2000).

The accounting policies of the segments are the same as those described in Note 1. Nokia accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices. Nokia evaluates the performance of its segments and allocates resources to them based on operating profit.

No single customer represents 10% or more of Group revenues.

Net sales to external customers by geographic area	2001 EURm	2000 EURm
Finland	**453**	494
USA	**5 614**	5 312
China	**3 418**	3 065
Great Britain	**2 808**	2 828
Germany	**2 003**	2 579
Other	**16 895**	16 098
Total	**31 191**	30 376

Segment assets by geographic area	2001 EURm	2000 EURm
Finland	**5 087**	4 688
USA	**2 279**	2 774
China	**1 668**	2 030
Great Britain	**519**	654
Germany	**611**	909
Other	**3 724**	2 727
Total	**13 888**	13 782

Capital expenditures by market area	2001 EURm	2000 EURm
Finland	**477**	587
USA [1]	**151**	279
China	**131**	157
Great Britain	**34**	75
Germany	**37**	133
Other [1]	**211**	349
Total	**1 041**	1 580

1 Including goodwill and capitalized development costs, capital expenditures amount to EUR 2 064 million in 2001 (EUR 2 990 million in 2000). The goodwill and capitalized development costs consist of EUR 582 million in USA in 2001 (EUR 567 million in 2000) and EUR 441 million in other areas in 2001 (EUR 843 million in 2000).

3. Percentage of completion

Contract sales recognized under the percentage of completion method were approximately EUR 6.7 billion in 2001 (EUR 6.7 billion in 2000). Payments received in advance of contract revenues were EUR 146 million at December 31, 2001 (EUR 97 million in 2000). Contract revenues recorded prior to billings were not significant.

Revenue recognition on initial third generation network contracts begins upon successful delivery of the first operational phase of the network. Due to the development activities required to reach this milestone, revenue is not considered earned until specified functionality is achieved. Prior to reaching this milestone, costs incurred are recorded as project work in progress. These costs amounted to EUR 258 million at December 31, 2001 (see Note 17).

4. Personnel expenses

	2001 EURm	2000 EURm
Wages and salaries	**2 388**	2 378
Pension expenses, net	**193**	54
Other social expenses	**524**	456
Personnel expenses as per profit and loss account	**3 105**	2 888

Pension expenses comprise EUR 196 million in 2001 (EUR 93 million in 2000) in respect of multi-employer, insured and defined contribution plans.

Remuneration of the Chairman and the other members of the Boards of Directors, Group Executive Board and Presidents and Managing Directors *	**16**	17
* Incentives included in remuneration	**2**	4

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 and the President of the Parent Company the retirement age is 60 years.

5. Pensions

The most significant pension plans are in Finland and are comprised of the Finnish state TEL system with benefits directly linked to employee earnings. These benefits are financed in two distinct portions. The majority of benefits are financed by contributions to a central pool with the majority of the contributions being used to pay current benefits. The other part comprises reserved benefits which are pre-funded through the trustee-administered Nokia Pension Foundation. The pooled portion of the TEL system is accounted for as a defined contribution plan and the reserved portion as a defined benefit plan. The foreign plans include both defined contribution and defined benefit plans.

The amounts recognized in the balance sheet relating to single employer defined benefit schemes are as follows:

	2001		2000	
	Domestic plans EURm	**Foreign plans EURm**	Domestic plans EURm	Foreign plans EURm
Fair value of plan assets	**664**	**123**	921	116
Present value of funded obligations	**-530**	**-236**	-453	-194
Surplus/(Deficit)	**134**	**-113**	468	-78
Unrecognized net actuarial (gains)/losses	**4**	**48**	-347	12
Prepaid/(Accrued) pension cost in balance sheet	**138**	**-65**	121	-66

The amounts recognized in the profit and loss account are as follows:

	2001 EURm	2000 EURm
Current service cost	**49**	40
Interest cost	**40**	36
Expected return on plan assets	**-75**	-78
Net actuarial (gains) recognized in year	**-16**	-24
Curtailment	**-1**	-
Total, included in personnel expenses	**-3**	-26

Movements in prepaid pension costs recognized in the balance sheet are as follows:

	2001 EURm	2000 EURm
Prepaid pension costs at beginning of year	**55**	13
Net income recognized in the profit and loss account	**3**	26
Contributions paid	**15**	16
Prepaid pension costs at end of year	**73** *	55

* included within prepaid expenses and accrued income

The principal actuarial weighted average assumptions used were as follows:

	2001		2000	
	Domestic %	**Foreign %**	Domestic %	Foreign %
Discount rate for determining present values	**5.80**	**5.85**	5.80	6.10
Expected long-term rate of return on plan assets	**7.50**	**6.49**	7.25	6.60
Annual rate of increase in future compensation levels	**4.00**	**3.05**	4.00	3.10

The domestic pension plan assets include Nokia securities with fair values of EUR 332 million in 2001 (EUR 577 million in 2000).

The actual return on plan assets was EUR -253 million in 2001 (EUR -76 million in 2000).

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

	2001 EURm	2000 EURm
Selling and marketing expenses	**-2 363**	-2 103
Administration expenses	**-737**	-754
Other operating expenses	**-525**	-225
Other operating income	**182**	278
Total	**-3 443**	-2 804

Operating expenses for 2001 include non-recurring restructuring charges of EUR 166 million (see Note 7).

Other operating income and expenses for 2000 are composed of various items which are individually insignificant.

The Group expenses advertising and promotion costs as incurred. Advertising and promotional expenses were EUR 849 million in 2001 (EUR 853 million in 2000).

7. Impairment and restructuring

2001, EURm	Nokia Networks	Nokia Mobile Phones	Nokia Ventures Organization	Common expenses	Group
Impairment of goodwill	211	-	307	-	518
Impairment of minority investments	-	-	6	74	80
One-time customer finance charges	714	-	-	-	714
	925	-	313	74	1 312
Restructuring expenses, net, included in:					
Cost of sales	75	16	4	-	95
Operating expenses	41	19	106	-	166
	116	35	110	-	261
Total	1 041	35	423	74	1 573

The goodwill impairment relates to Nokia Networks Broadband business and Nokia Internet Communication part of Nokia Ventures Organization. The impairment was calculated by comparing the discounted cash flows of the relevant business to the carrying value of goodwill for that business. The impairments were recorded in connection with the restructuring of these businesses.

During 2001 the company's investment in certain equity securities suffered a permanent decline in value.

During 2001, Nokia made an one-time charge of EUR 714 million to cover Nokia Networks' customer loans by EUR 669 million related to a defaulted financing to Telsim, a cellular operator in Turkey, and EUR 45 million relating to the insolvency of Dolphin in the UK. With these additional amounts Nokia has now covered its total exposure to Telsim and Dolphin. Nokia continues to pursue the recovery of all amounts due from these customers.

The amount charged to income in 2001 for restructuring expenses relates primarily to inventory write-offs, redundancy and personnel costs and operating lease costs for surplus space. Virtually all of these costs were incurred in 2001.

8. Acquisitions

In August 2001 Nokia acquired Amber Networks, a networking infrastructure company, for EUR 408 million, which was paid in Nokia stock and Nokia stock options. The fair value of net assets acquired was EUR -13 million giving rise to goodwill of EUR 421 million.

In January 2001 Nokia acquired in a cash tender offer Ramp Networks, a provider of purpose built Internet security appliances, for EUR 147 million. The fair value of net assets acquired was EUR -16 million giving rise to goodwill of EUR 163 million.

In October 2000 Nokia increased its ownership of the Brazilian handset manufacturing joint venture NG Industrial (NGI) from 51% to 100% by acquiring all the shares of NGI held by Gradiente Telecom S.A. for EUR 492 million in cash. The fair value of net assets acquired was EUR 43 million giving rise to goodwill of EUR 449 million.

In August 2000 Nokia acquired DiscoveryCom, a company which provides solutions that enable communications service providers to rapidly install and maintain Broadband Digital Subscriber Line (DSL) services for fast Internet access. The acquisition price was EUR 223 million, which was paid in Nokia stock and Nokia stock options. The fair value of net assets acquired was EUR -4 million giving rise to goodwill of EUR 227 million.

In March 2000 Nokia acquired Network Alchemy, a provider of IP Clustering solutions for EUR 336 million, which was paid in Nokia stock and Nokia stock options. The fair value of net assets acquired was EUR -2 million giving rise to goodwill of EUR 338 million.

9. Depreciation and amortization

Depreciation and amortization by asset category	2001 EURm	2000 EURm
Intangible assets		
Capitalized development costs	**169**	118
Intangible rights	**65**	50
Goodwill	**302**	140
Other intangible assets	**34**	29
Property, plant and equipment		
Buildings and constructions	**31**	27
Machinery and equipment	**811**	615
Other tangible assets	**18**	30
Total	**1 430**	1 009

Depreciation and amortization by function	2001 EURm	2000 EURm
Cost of sales	**367**	298
R&D	**427**	244
Selling, marketing and administration	**264**	230
Other operating expenses	**70**	97
Goodwill	**302**	140
Total	**1 430**	1 009

10. Financial income and expenses

	2001 EURm	2000 EURm
Income from available-for-sale investments		
Dividend income	**27**	70
Interest income	**215**	212
Other financial income	**24**	17
Exchange gains and losses	**-25**	-1
Interest expenses	**-82**	-115
Other financial expenses	**-34**	-81
Total	**125**	102

11. Income taxes

	2001 EURm	2000 EURm
Current tax	**-1 542**	-1 852
Deferred tax	**350**	68
Total	**-1 192**	-1 784
Finland	**-877**	-1 173
Other countries	**-315**	-611
Total	**-1 192**	-1 784

The differences between income tax expense computed at statutory rates (29% in Finland in 2001 and in 2000) and income tax expense provided on earnings are as follows at December 31:

	2001 EURm	2000 EURm
Income tax expense at statutory rate	**1 011**	1 689
Deduction for write-down of investments in subsidiaries	**-37**	-28
Amortization of goodwill	**87**	40
Impairment of goodwill	**197**	-
Provisions without income tax benefit/expense	**5**	53
Taxes for prior years	**23**	53
Taxes on foreign subsidiaries' net income in excess of income taxes at statutory rates	**-106**	-29
Operating losses with no current tax benefit	**16**	25
Other	**-4**	-19
Income tax expense	**1 192**	1 784

At December 31, 2001 the Group had loss carryforwards, primarily attributable to foreign subsidiaries of EUR 75 million (EUR 109 million in 2000), most of which will expire between 2002 and 2006.

Certain of the Group companies' income tax returns for periods ranging from 1996 through 1999 are under examination by tax authorities. The Group does not believe that any significant additional taxes in excess of those already provided for will arise as a result of the examinations.

12. Intangible assets

	2001 EURm	2000 EURm
Capitalized development costs		
Acquisition cost Jan. 1	**1 097**	811
Additions	**431**	394
Disposals	**-214**	-108
Accumulated amortization Dec. 31	**-421**	-457
Net carrying amount Dec. 31	**893**	640
Goodwill		
Acquisition cost Jan. 1	**1 570**	554
Additions	**592**	1 016
Disposals	**-43**	-
Impairment charges	**-518**	-
Accumulated amortization Dec. 31	**-747**	-458
Net carrying amount Dec. 31	**854**	1 112
Intangible rights		
Acquisition cost Jan. 1	**245**	187
Additions	**73**	77
Disposals	**-18**	-19
Accumulated amortization Dec. 31	**-187**	-134
Net carrying amount Dec. 31	**113**	111
Other intangible assets		
Acquisition cost Jan. 1	**214**	164
Additions	**38**	55
Disposals	**-15**	-12
Translation differences	**-4**	7
Accumulated amortization Dec. 31	**-109**	-83
Net carrying amount Dec. 31	**124**	131

13. Property, plant and equipment

	2001 EURm	2000 EURm
Land and water areas		
Acquisition cost Jan. 1	**143**	111
Additions	**14**	33
Disposals	**-11**	-3
Translation differences	**-1**	2
Net carrying amount Dec. 31	**145**	143

	2001 EURm	2000 EURm
Buildings and constructions		
Acquisition cost Jan. 1	**739**	540
Additions	**190**	224
Disposals	**-6**	-39
Translation differences	**-5**	14
Accumulated depreciation Dec. 31	**-147**	-117
Net carrying amount Dec. 31	**771**	622

	2001 EURm	2000 EURm
Machinery and equipment		
Acquisition cost Jan. 1	**3 343**	2 382
Additions	**780**	1 089
Disposals	**-470**	-178
Translation differences	**-27**	50
Accumulated depreciation Dec. 31	**-2 194**	-1 718
Net carrying amount Dec. 31	**1 432**	1 625

	2001 EURm	2000 EURm
Other tangible assets		
Acquisition cost Jan. 1	**74**	53
Additions	**45**	34
Disposals	**-37**	-15
Translation differences	**-3**	2
Accumulated depreciation Dec. 31	**-50**	-46
Net carrying amount Dec. 31	**29**	28

	2001 EURm	2000 EURm
Advance payments and fixed assets under construction		
Acquisition cost Jan. 1	**314**	301
Additions	**152**	230
Disposals	**-73**	-62
Transfers		
Other intangible assets	**-3**	-
Land and water areas	**-4**	-4
Buildings and constructions	**-84**	-76
Machinery and equipment	**-160**	-91
Translation differences	**-5**	16
Net carrying amount Dec. 31	**137**	314

14. Investments in associated companies

	2001 EURm	2000 EURm
Acquisition cost Jan. 1	**61**	76
Additions	**7**	6
Write-downs	**-6**	-
Share of results	**-12**	-16
Translation differences	**-1**	-5
Net carrying amount Dec. 31	**49**	61

Shareholdings in associated companies include listed investments of EUR 6 million (EUR 7 million in 2000). At the balance sheet date, the fair value of these investments, based on quoted market prices, was EUR 19 million (EUR 45 million in 2000).

15. Available-for-sale investments

	2001 EURm
At Jan. 1 as originally stated (cost)	**3 111**
On adoption of IAS 39 at Jan. 1 remeasurement to fair value	**58**
Fair value at Jan. 1	**3 169**
Additions, net	**1 581**
Revaluation surplus/(deficit)	**-**
Impairment losses (Note 7)	**-80**
Fair value at Dec. 31	**4 670**
Non-current	**399**
Current (Note 34)	**4 271**

On the adoption of IAS 39 at January 1, 2001, all investment securities classified as available-for-sale were remeasured to fair value. The difference between their original carrying amount and their fair value at January 1, 2001 was credited to fair value and other reserves (see Consolidated statement of changes in shareholders' equity). Gains and losses arising from the change in the fair value of available-for-sale investments since that date are recognized directly in this reserve.

Available-for-sale investments, comprising marketable debt and equity securities and investments in unlisted equity shares, are fair valued, except in the case of certain unlisted equities held within Nokia Venture Funds. These investments are in immature companies, the fair values of which cannot be measured reliably. Such equities are carried at cost (EURm 153 in 2001), less impairment.

For investments traded in active markets (EURm 169 in 2001 and EURm 140 in 2000), fair value is determined by reference to exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

Available-for-sale investments are classified as non-current, except for highly liquid, interest-bearing investments held as part of the Group's on going cash management activities and which are regarded as cash equivalents. See Note 34 for details of these investments.

16. Long-term loans receivable

These comprise loans made to customers principally to support their financing of network infrastructure, and are repayable, excluding loans which are fully written down (see Note 7), as follows:

	2001 EURm	2000 EURm
Under 1 year	**-**	-
Between 1 and 2 years	**656**	-
Between 2 and 5 years	**341**	867
Over 5 years	**144**	-
Less: Provisions	**- 13**	- 59
	1 128	808

17. Inventories

	2001 EURm	2000 EURm
Raw materials, supplies and other	**741**	1 057
Work in progress	**582**	685
Finished goods	**465**	521
Total	**1 788**	2 263

Included within inventories at December 31, 2001 is EUR 258 million relating to work in progress on 3G contracts.

18. Receivables

Prepaid expenses and accrued income mainly consist of VAT receivables and other accruals. Accounts receivable include EUR 25 million (EUR 16 million in 2000) due more than 12 months after the balance sheet date.

19. Valuation and qualifying accounts

Provisions on assets to which they apply:	**Balance at beginning of year**	**Charged to cost and expenses**	**Charged to other accounts**	**Deductions**	**Balance at end of year**
2001, EURm					
Provision for bad and doubtful debts	236	108	-	-127	217
Long-term loans receivable provision	59	-	-	-46	13
Inventory obsolescence provision	263	334	-	-283	314
Deferred tax valuation allowance	16	-	-8	-	8
2000, EURm					
Provision for bad and doubtful debts	87	203	-	-54	236
Long-term loans receivable provision	-	59	-	-	59
Inventory obsolescence provision	168	457	-	-362	263
Deferred tax valuation allowance	37	-	-21	-	16

20. Fair value and other reserves

The Group adopted IAS 39 at January 1, 2001; the impact on shareholders' equity and on various balance sheet captions at January 1, 2001 is shown below. In accordance with IAS 39, the comparative financial statements for the year ended December 31, 2000 are not restated.

In accordance with the transitional requirements of IAS 39, the Group transferred a net loss of EUR 114 million to the hedging reserve in respect of outstanding foreign exchange forward contracts that were properly designated and highly effective as cash flow hedges of highly probable forecast foreign currency cash flows. Previously such gains and losses were reported as deferred income or expenses in the balance sheet.

Summary of impact of adopting IAS 39 at January 1, 2001:

	Hedging reserve	**Available-for-sale investments**	**Total**
Year ended December 31, 2000:			
Balance at January 1, 2001	-	-	-
Effect of adopting IAS 39;			
Fair valuation of available-for-sale securities		58	58
Transfer of gains and losses on qualifying cash flow hedging derivatives	-114		-114
Balance at January 1, 2001, restated	-114	58	-56
Year ended December 31, 2001:			
Balance at January 1, 2001, restated	-114	58	-56
Cash flow hedges:			
Fair value gains/(losses) in period	76		76
Available-for-sale investments:			
Net fair value gains/(losses)		-67	-67
Transfer to profit and loss account on impairment		74	74
Transfer to profit and loss account on disposal		-7	-7
Balance at December 31, 2001	**-38**	**58**	**20**

In order to ensure that amounts deferred in the cash flow hedging reserve represent only the effective portion of gains and losses on properly designated hedges of future transactions that remain highly probable at the balance sheet date, Nokia has adopted a process under which all derivative gains and losses are initially recognized in the profit and loss account. The appropriate reserve balance is calculated at the end of each period and posted to equity.

Nokia continuously reviews the underlying and the hedges allocated thereto, to ensure that the amounts transferred to the Hedging Reserve during the year ended December 31, 2001 do not include gains/losses of forward exchange contracts that have been designated to hedge forecasted sales or purchases that are no longer expected to occur. Because of the number of transactions undertaken during each period and the process used to calculate the reserve balance, separate disclosure of the transfers of gains and losses to and from the reserve would be impractical.

All of the net fair value gains or losses at December 31, 2001 on open forward foreign exchange contracts which hedge anticipated future foreign currency sales or purchases will be transferred from the Hedging Reserve to the profit and loss account when the forecasted foreign currency cash flows occur, at various dates up to 1 year from the balance sheet date.

See Note 15 for impact of adopting IAS 39 on available-for sale investments at January 1, 2001.

21. Shares, share capital and stock options

See Note 19 to Notes to the financial statements of the parent company.

22. Distributable earnings

	2001, EURm
Retained earnings	**9 536**
Translation differences (distributable earnings)	**171**
Treasury shares	**-21**
Other non-distributable items	
Portion of untaxed reserves	**-32**
Distributable earnings Dec. 31	**9 654**

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

23. Long-term liabilities

	Outstanding Dec. 31, 2001 EURm	Repayment date beyond 5 years EURm	Outstanding Dec. 31, 2000 EURm
Long-term loans are repayable as follows:			
Bonds	**90**	-	138
Loans from financial institutions	**76**	-	62
Loans from pension insurance companies	**25**	15	12
Other long-term finance loans	**16**	-	8
Other long-term liabilities	**76**	76	69
	283	91	289
Deferred tax liabilities	**177**		69
Less current portion	**-**		-47
Total long-term liabilities	**460**		311

The long-term liabilities excluding deferred tax liabilities as of December 31, 2001 mature as follows:

	EURm	%
2002	-	-
2003	89	31.4
2004	103	36.4
2005	-	-
2006	-	-
Thereafter	91	32.2
	283	100.0

The currency mix of the Group long-term liabilities as at December 31, 2001 was as follows:

EUR	GBP	USD	Others
42.18%	22.80%	7.02%	28.00%

The long-term loan portfolio includes a fixed-rate loan with a face amount of GBP 40 million 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 creditor will request repayment prior to the final maturity. Accordingly the loan has not been classified as a current liability at December 31, 2001.

The Group has committed credit facilities totaling USD 2.6 billion and short-term uncommitted facilities. Committed credit facilities are intended to be used for U.S. and Euro Commercial Paper Programs back up purposes. Commitment fees on the facilities vary from 0.06% to 0.10% per annum.

At December 31, 2001, no Group borrowings were collateralized by assets pledged or by mortgages.

At December 31, 2001 and 2000 the weighted average interest rate on loans from financial institutions was 6.0% and 7.8%, respectively.

Bonds	Million	Interest	2001 EURm	2000 EURm
1989 – 2004	40.0 GBP	11.375%	**65**	66
1993 – 2003	150.0 FIM	Floating	**25**	25
			90	91

A bond 1996 – 2001, EUR 47 million, expired in 2001 and at December 31, 2000 was included in current liabilities within the current portion of long-term debt.

24. Deferred taxes

	2001 EURm	2000 EURm
Deferred tax assets:		
Intercompany profit in inventory	**114**	87
Tax losses carried forward	**50**	89
Warranty provision	**214**	55
Other provisions	**327**	157
Other temporary differences	**135**	29
Less: Valuation allowance	**-8**	-16
Total deferred tax assets	**832**	401
Deferred tax liabilities:		
Untaxed reserves	**-21**	-47
Fair value gains/losses	**-11**	-
Other	**-145**	-22
Total deferred tax liabilities	**-177**	-69
Net deferred tax asset	**655**	332

The tax (charged)/credited to shareholders' equity is as follows:

	2001 EURm	2000 EURm
On adjustments to opening equity		
Effect of adopting IAS 37	**-**	84
On equity movements in period:		
Fair value and other reserves, fair value gains/losses	**-11**	-

In 2000 the Group recognized a provision for social security costs on unexercised stock options. The cumulative prior year net effect of the change has been recorded as an adjustment to the opening balance of retained earnings. The deferred tax asset for the provision, EUR 84 million, has been recorded as an adjustment to the opening balance of deferred taxes.

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, 2001 the Group had loss carryforwards of EUR 8 million (EUR 28 million in 2000) for which no deferred tax asset was recognized due to uncertainty of utilization of these losses. These losses will expire in year 2006.

25. Short-term borrowings

Short-term borrowings consist primarily of borrowings from banks. The weighted average interest rate at December 31, 2001 and 2000 is 4.9% and 5.9%, respectively. The weighted average interest rate on short-term borrowings is derived from loans denominated in different foreign currencies.

26. Accrued expenses

	2001 EURm	2000 EURm
Social security, VAT and other taxes	**1 339**	911
Wages and salaries	**217**	219
Prepaid income	**294**	181
Other *	**1 627**	1 549
Total	**3 477**	2 860

* Includes various amounts which are individually insignificant.

27. Provisions

	Warranty EURm	Other EURm	Total EURm
At January 1, 2001	964	840	1 804
Exchange differences	-6	-	-6
Additional provisions	1 313	478	1 791
Change in fair value *	-	-161	-161
Unused amounts reversed	-33	-93	-126
Charged to profit and loss account	1 280	224	1 504
Utilized during year	-1 031	-87	-1 118
At December 31, 2001	1 207	977	2 184

	2001 EURm	2000 EURm
Analysis of total provisions at Dec. 31:		
Non-current	**465**	557
Current	**1 719**	1 247

Previously, the provision for social security costs on unexercised stock options (included within other provisions) was measured based on the intrinsic value of the options; the change in fair value in 2001 includes the impact of a change in accounting estimate.

* The amount of the provision fluctuates in line with the fair value of the option; the change in fair value represents the amount by which the opening provision has reduced due to the reduction in the Nokia share price over the year. This change is offset in the profit and loss account by the change in the fair value of the cash settled equity swaps, used by the company to hedge this liability.

28. Earnings per share

		2001	2000
Numerator/EURm			
Basic/Diluted:	Net profit	**2 200**	3 938
Denominator/1 000 shares			
Basic:	Weighted average shares	**4 702 852**	4 673 162
	Effect of dilutive securities: warrants and stock options	**84 367**	119 818
Diluted:	Adjusted weighted average shares and assumed conversions	**4 787 219**	4 792 980

Under IAS 33, basic earnings per share is computed using the weighted average number of shares outstanding 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.

29. Commitments and contingencies

	2001 EURm	2000 EURm
Collateral for own commitments		
Mortgages	**18**	12
Assets pledged [1]	**4**	4
Contingent liabilities on behalf of Group companies		
Other guarantees	**505**	656
Collateral given on behalf of other companies		
Securities pledged	**33**	23
Contingent liabilities on behalf of other companies		
Guarantees for loans	**95**	298

1 Assets pledged include inventories

There is no market for the guarantees listed above and they were issued without explicit cost; therefore, it is not practicable to establish the fair value of such instruments.

30. 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 non-cancellable leasing contracts are as follows:

2001		Operating lease
Leasing payments, EURm	2002	254
	2003	213
	2004	178
	2005	165
	2006	162
	Thereafter	274
	Total	1 246

Rental expense amounted to EUR 393 million in 2001 (EUR 370 million in 2000).

31. Related party transactions

Nokia Pension Foundation is a separate legal entity that manages and holds in trust the assets for the Group's Finnish employee benefit plans, these assets include 0.3% of Nokia's shares. Nokia Pension Foundation is also the counterparty to equity swap agreements with the Group. The equity swaps are entered into to hedge the company's liability relating to future social security cost on stock options. During the year new transactions are entered into and old ones terminated based on the hedging need. The transactions and terminations are executed on standard commercial terms and conditions. The notional amount of the equity swaps outstanding at December 31, 2001 is EUR 182 million (EUR 336 million in 2000). The fair value of the equity swaps at December 31, 2001 is EUR 10 million (EUR -19 million in 2000).

The group recorded net rental expense of EUR 4 million in 2001 (EUR 3 million in 2000) pertaining to a sale-leaseback transaction with the Nokia Pension Foundation involving certain buildings and a lease of the underlying land.

There were no loans granted to top management at December 31, 2001 or 2000.

See Note 4, Personnel expenses for officers and directors remunerations.

32. Associated companies

	2001 EURm	2000 EURm
Share of results of associated companies	**-12**	-16
Dividend income	**-**	1
Share of shareholders' equity of associated companies	**41**	45
Receivables from associated companies		
Accounts receivable	**-**	4
Short-term loans receivable	**2**	1
Long-term loans receivable	**-**	31

33. Notes to cash flow statement

	2001 EURm	2000 EURm
Adjustments for:		
Depreciation and amortization (Note 9)	**1 430**	1 009
(Profit)/Loss on sale of property, plant and equipment	**148**	-42
Income taxes (Note 11)	**1 192**	1 784
Share of results of associated companies (Note 14)	**12**	16
Minority interest	**83**	140
Financial income and expenses (Note 10)	**-125**	-102
Impairment and customer finance charges (Note 7)	**1 312**	-
Other	**80**	-
Adjustments, total	**4 132**	2 805
Change in net working capital		
Increase in short-term receivables	**-286**	-2 304
Decrease (increase) in inventories	**434**	-422
Increase in interest-free short-term liabilities	**830**	1 349
Change in net working capital	**978**	-1 377
Non-cash investing activities		
Acquisition of:		
Amber Networks	**408**	-
Network Alchemy	**-**	336
DiscoveryCom	**-**	223
Total	**408**	559

34. Risk management

General risk management principles

Nokia's overall risk management philosophy is based on having a corporate-wide view on key risks including strategic, operational, financial and hazard risks. Risk management in Nokia means a systematic and pro-active way to analyse, review and manage all opportunities, threats and risks related to the Group's activities.

The principles documented in the Group's risk policy and accepted by the Nokia Board require that risk management is integrated into each business process. Business or function owners always have risk ownership. Key risks are reported to the Group level to enable group-wide risk management. There are specific risk management policies covering, for example, treasury and customer finance risks.

Financial risks

The key financial targets for Nokia are growth, profitability, operational efficiency and a strong balance sheet. The objective for the Treasury function is twofold: to guarantee cost-efficient funding for the Group at all times, and to identify, evaluate and hedge financial risks in close co-operation with the business groups. There is a strong focus in Nokia on creating shareholder value. The Treasury function supports this aim by 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, and by managing the balance sheet structure of the Group.

Nokia has Treasury Centers in Geneva, Singapore/Beijing and Dallas/Sao Paolo, and a Corporate Treasury unit in Espoo. This international organization enables Nokia to provide the Group companies with financial services according to local needs and requirements.

The Treasury function is governed by policies approved by top management. Treasury Policy provides principles for overall financial risk management and determines the allocation of responsibilities for financial risk management in Nokia. Operating Policies cover specific areas such as foreign exchange risk, interest rate risk, use of derivative financial instruments, as well as liquidity and credit risk. The Treasury operating policy in Nokia is risk averse. Business Groups have detailed Standard Operating Procedures supplementing the Treasury policy in financial risk management related issues.

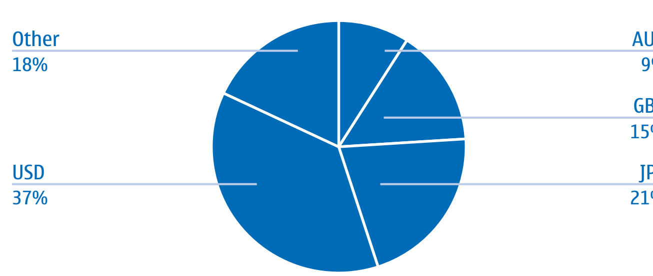
a) Market risk

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 expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures. These transaction exposures are managed against various local currencies because of Nokia's substantial production and sales outside the Eurozone.

Due to the changes in the business environment, currency combinations may also change within the financial year. The most significant non-euro sales currencies during the year were U.S. dollar, British pound Sterling and Australian dollar. In general, the appreciation of the euro to other currencies has an adverse effect on Nokia's sales and operating profit in the medium to long term, while depreciation of the euro has a positive effect. The only significant non-euro purchasing currencies are Japanese yen and U.S. dollar.

Break-down by currency of the underlying foreign exchange transaction exposure December 31, 2001



According to the foreign exchange policy guidelines of the Group, material transaction foreign exchange exposures are hedged. Exposures are mainly hedged with derivative financial 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. The Group does not hedge forecasted foreign currency cash flows beyond two years. Nokia uses both fair value and cash flow foreign currency hedges to manage its exposure to foreign exchangerisk.

Nokia uses the Value-at-Risk ("VaR") methodology to assess the foreign exchange risk related to the Treasury management of the Group exposures. The VaR figure represents the potential losses for a portfolio resulting from adverse changes in market factors using a specified time period and confidence level based on historical data. To correctly take into account the non-linear price function of certain derivative instruments, Nokia uses Monte Carlo simulation. Volatilities and correlations are calculated from a one-year set of daily data. The VaR figures assume that the forecasted cash flows materialize as expected. The VaR figures for transaction foreign exhange exposure including hedging transactions in Nokia Group with a one-week horizon and 95% confidence level are shown below.

Transaction foreign exchange position Value-at-Risk (EURm)

VaR	2001	2000
Dec. 31	**16.0**	12.9
Average	**20.2**	9.1
Range	**16.0–32.7**	1.8–13.7

Since Nokia has subsidiaries outside the Eurozone, the euro-denominated value of the shareholder's equity of Nokia is also exposed to fluctuations in exchange rates. Equity changes caused by movements in foreign exchange rates are shown as a translation difference in the Group consolidation. Nokia uses, from time to time, foreign exchange contracts and foreign currency denominated loans to hedge its equity exposure arising from foreign net investments.

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 interest income or expenses (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 liquidity position, whereas the interest rate exposure of the Group is monitored and managed in the Treasury. Due to the current balance sheet structure of Nokia, emphasis is placed on managing the interest rate risk of investments.

Nokia uses the VaR methodology to assess and measure the interest rate risk in investment portfolios, which are benchmarked against a one-year investment horizon. The VaR figure represents the potential losses for a portfolio resulting from adverse changes in market factors using a specified time period and confidence level based on historical data. For interest rate risk Nokia uses variance-covariance methodology. Volatilities and correlations are calculated from a one-year set of daily data. The VaR-based net interest rate risk figures for financial items in Nokia Group with a one-week horizon and 95% confidence level are shown below.

Treasury investment portfolio Value-at-Risk (EURm)

VaR	2001	2000
Dec. 31	**6.4**	2.9
Average	**4.2**	3.1
Range	**1.8–8.1**	1.8–4.7

Equity price risk

Nokia has certain strategic minority investments in publicly traded companies. These investments are classified as available-for-sale. The fair value of the equity investments at December 31, 2001 was EUR 169 million (EUR 140 million in 2000).

There are currently no outstanding derivative financial instruments designated as hedges of these equity investments. The VaR figures for equity investments, shown below, have been calculated using the same principles as for interest rate risk.

Equity investments Value-at-Risk (EURm)

VaR	2001	2000
Dec. 31	**8.6**	5.4
Average	**6.4**	
Range	**3.0–11.8**	

In addition to the listed equity holdings, Nokia invests in private equity through Nokia Venture Funds. The book value of these equity investments at December 31, 2001 was 130 million U.S. dollars (121 million U.S. dollars in 2000). Nokia is exposed to equity price risk on social security costs relating to stock option plans. Nokia hedges this risk by entering into cash settled equity swaps.

b) Credit risk

Customer Finance Credit Risk

Telecommunications network operators sometimes require their suppliers to arrange or provide term financing in relation to infrastructure projects. Nokia has maintained a financing policy aimed at close cooperation with banks, financial institutions and Export Credit Agencies to support selected customers in their financing of infrastructure investments. Nokia's intent is, market conditions permitting, to mitigate this exposure by arrangements with these institutions and investors.

Credit risks related to customer financing are systematically analyzed, monitored and managed by Nokia's Customer Finance organization, reporting to the Chief Financial Officer. Credit risks are approved and monitored by Nokia's Credit Committee along principles defined in the Company's credit policy and according to the Group's credit approval process.

Nokia's infrastructure business is concentrated amongst mobile, wireless operators. The customer finance portfolio is substantially all in this group. In keeping with the Group's financing approach, the majority of the credit risk is to i) established mobile network operators ("incumbents") with an investment grade credit rating as determined by a major credit rating agency or equivalent as determined by Nokia if no ratings are available (collectively, "investment grade") or ii) operators supported by other investment grade telecom operators through ownership stakes and various operational and technical support ("sponsor"). However, there is no certainty that the current sponsors will continue their involvement with the operators, and the sponsors generally do not provide guarantees on the loan balances. Nokia's credit risk to start-up operators ("greenfield operators") is substantially all to operators with investment grade sponsors.

The outstanding exposures on term customer financing at December 31, 2001 were EUR 1 255 million (EUR 1 226 million in 2000) out of which EUR 1 128 million were long-term loans receivable (EUR 907 million in 2000) and EUR 127 million were contingent liabilities (EUR 319 million in 2000). For details of one-time customer finance charges see Note 7.

Term customer financing portfolio at December 31, 2001 was:

EURm	Outstanding	Commitment	Total	%
Total Portfolio	**1 255**	**2 955**	**4 210**	**100**
Incumbent, Investment Grade/ I.G. Sponsor	376	1 191	1 568	37
Incumbent, non-I.G. Sponsor	89	470	559	13
Total Incumbent	465	1 661	2 127	51
Greenfield, I.G. Sponsor	751	1 288	2 040	48
Greenfield, non-I.G. Sponsor	39	5	44	1
Total Greenfield	790	1 293	2 083	49

Financial credit risk

Financial instruments contain an element of risk of the counterparties being unable or unwilling to meet their obligations. This risk is measured and monitored by the Treasury function. The Group minimizes financial credit 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 strict creditworthiness criteria. The outstanding investments are also constantly monitored by the Treasury. Nokia does not expect the counterparties to default given their high credit ratings.

Investments

Current Available-for-sale investments [1]	**2001 EURm**	2000 EURm [2]
Government, long-term (bonds)	**789**	615
Government, short-term (bills)	**-**	-
Corporate, long-term (bonds)	**1 475**	384
Corporate, short-term (CP)	**2 007**	1 775
Total	**4 271**	2 774

1 Available-for-sale investments are carried at fair value in 2001.

2 The comparative figures for the year ended December 31, 2000 are not restated.

c) Liquidity risk

Nokia guarantees a sufficient liquidity at all times by efficient cash management and by investing in liquid interest bearing securities. Due to the dynamic nature of the underlying business Treasury also aims at maintaining flexibility in funding by keeping committed and uncommitted credit lines available. During the year Nokia further strengthened its committed funding sources with a USD 1.75 billion revolving credit facility. The committed facilities at year end totalled USD 2.6 billion.

The most significant existing funding programs include:

Revolving Credit Facility of USD 750 million, matures in 2002
Revolving Credit Facility of USD 500 million, matures in 2003
Revolving Credit Facility of USD 350 million, matures in 2004
Revolving Credit Facility of USD 1,000 million, matures in 2006

Local commercial paper program in Finland, totalling EUR 750 million
Euro Commercial Paper (ECP) program, totalling USD 500 million
US Commercial Paper (USCP) program, totalling USD 500 million

None of the above programs have been used to a significant degree in 2001.

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, 2001 were:

Short-term	Standard & Poor's	A-1
	Moody's	P-1
Long-term	Standard & Poor's	A
	Moody's	A1

Hazard risk

Nokia strives to ensure that all financial, reputation and other losses to the Group and Nokia's customers are minimized through preventive risk management measures or insurance. Insurance cover is purchased for risks which cannot be internally managed.

Nokia purchases both annual insurance policies for specific risks and multi-line multi-year insurance policies where available, covering a variety of risks to decrease the likelihood of non-anticipated sudden losses. The objective is to ensure that Group's hazard risks, whether related to physical assets (e.g. buildings) or intellectual assets (e.g. brand) or liabilities (e.g. product liability) are efficiently handled through purchase of insurance cover.

Notional amounts of derivative financial instruments [1]

	2001 EURm	2000 EURm
Foreign exchange forward contracts [2, 3]	**20 978**	10 497
Currency options bought [3]	**1 328**	2 165
Currency options sold [3]	**1 209**	2 209
Interest rate swaps	**-**	250
Cash settled equity swaps [4]	**182**	336

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, 2001 notional amounts include contracts amounting to EUR 1.1 billion used to hedge the shareholders' equity of foreign subsidiaries (December 31, 2000 EUR 0.7 billion).

4 Cash settled equity swaps can be used to hedge risk relating to incentive programs and investment activities.

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date were:

	2001 EURm	2000 EURm
Derivatives with positive fair value: [1]		
Forward foreign exchange contracts [2]	**186**	191
Currency options purchased	**11**	47
Cash settled equity swaps	**10**	-
Embedded derivatives [3]	**6**	-
Derivatives with negative fair value: [1]		
Forward foreign exchange contracts [2]	**-214**	-269
Currency options written	**-7**	-38
Cash settled equity swaps		-19

1 Out of the forward foreign exchange contracts and currency options, fair value EUR 3 million was designated for hedges of net investment in foreign subsidiaries as at December 31, 2001 (EUR -1 million in 2000) and reported in translation difference.

2 Out of the foreign exchange forward contracts, fair value EUR -38 million was designated for cash flow hedges as at December 31, 2001 (EUR -114 million in 2000) and reported in fair value and other reserves .

3 Embedded derivatives are components of contracts having the characteristics of derivatives, and thus requiring fair valuing of such components. The change in the fair value is reported in other financial income and expenses.

35. Principal Nokia Group companies at December 31, 2001

		Parent holding %	**Group majority %**
US	Nokia Inc.		100.0
DE	Nokia GmbH		100.0
GB	Nokia UK Limited		100.0
KR	Nokia TMC Limited	100.0	100.0
CN	Beijing Nokia Mobile Telecommunications Ltd		50.0
NL	Nokia Finance International B.V.	100.0	100.0
HU	Nokia Komárom Kft	100.0	100.0
BR	Nokia do Brazil Technologia Ltda	100.0	100.0
IT	Nokia Italia Spa		100.0
FR	Nokia France S.A.	100.0	100.0
CN	Dongguan Nokia Mobile Phones Company Ltd		70.0
CN	Beijing Nokia Hang Xing Telecommunications Systems Co. Ltd		69.0

Shares in listed companies

Group holding more than 5%	**Group holding %**	**Group voting %**
Nextrom Holding S.A.	59.97	39.97 *
Nokian Renkaat Oyj/Nokian Tyres plc	19.2	19.2

* Nokia has agreed to abstain from exercising the voting rights relating to certain shares.

A complete list of subsidiaries and associated companies is included in Nokia's Statutory Accounts.

Profit and loss account, FAS

Financial year ended Dec. 31	Notes	2001 EURm	2000 EURm
Net sales		**6 047**	128
Cost of sales		**-3 661**	-13
Gross margin		**2 386**	115
Marketing expenses		**-298**	-29
Research and development expenses		**-777**	-240
Administrative expenses		**-520**	-191
Other operating expenses		**-326**	-11
Other operating income	2	**3 395**	85
Operating profit/loss	3, 4	**3 860**	-271
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		**512**	290
Dividend income from other companies		**28**	69
Interest income from Group companies		**61**	18
Interest income from other companies		**3**	2
Other interest and financial income			
Interest income from Group companies		**81**	97
Interest income from other companies		**5**	1
Other financial income from other companies		**10**	8
Exchange gains and losses		**-7**	-34
Interest expenses and other financial expenses			
Interest expenses to Group companies		**-18**	-7
Interest expenses to other companies		**-17**	-18
Other financial expenses		**-24**	-41
Financial income and expenses, total		**634**	385
Profit before extraordinary items, appropriations and taxes		**4 494**	114
Extraordinary items			
Group contributions		**-214**	3 517
Extraordinary items, total		**-214**	3 517
Profit before appropriations and taxes		**4 280**	3 631
Appropriations			
Difference between actual and planned depreciation, increase (-)/decrease (+)		**-98**	8
Income taxes			
for the year		**-90**	-975
from previous years		**-27**	-9
Net profit		**4 065**	2 655

See Notes to the financial statements of the parent company.

Cash flow statement, FAS

Financial year ended Dec. 31	Notes	2001 EURm	2000 EURm
Cash flow from operating activities			
Net profit		**4 065**	2 655
Adjustments, total	17	**-3 395**	-2 930
Net profit before change in net working capital		**670**	-275
Change in net working capital	17	**82**	-85
Cash generated from operations		**752**	-360
Interest received		**143**	181
Interest paid		**-36**	-24
Other financial income and expenses		**20**	-357
Income taxes paid		**-197**	-897
Cash flow before extraordinary items		**682**	-1 457
Extraordinary income and expenses		**3 560**	2 195
Net cash from operating activities		**4 242**	738
Cash flow from investing activities			
Investments in shares		**-284**	-802
Capital expenditures		**-374**	-50
Proceeds from sale of shares		**90**	192
Proceeds from sale of fixed assets		**172**	794
Long-term loans made to customers		**-676**	49
Long-term loans repaid by customers		**31**	-
Proceeds from (+), payments of (-) short-term receivables		**-2 816**	-
Dividends received		**531**	341
Net cash from investing activities		**-3 326**	524
Cash flow from financing activities			
Proceeds from share issue		**77**	72
Proceeds from borrowings		**385**	-757
Repayment of borrowings		**-1**	-
Purchase of treasury shares		**-**	-127
Dividends paid		**-1 314**	-931
Net cash used in financing activities		**-853**	-1 743
Net decrease in cash and cash equivalents		**63**	-481
Cash and cash equivalents at beginning of period		**17**	498
Cash and cash equivalents at end of period		**80**	17

See Notes to the financial statements of the parent company.

Balance sheet, FAS

Dec. 31	Notes	2001 EURm	2000 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	5		
Capitalized development costs		**893**	-
Intangible rights		**82**	1
Other intangible assets		**3**	4
		978	5
Tangible assets	6		
Land and water areas		**-**	25
Buildings and constructions		**-**	73
Machinery and equipment		**-**	19
Other tangible assets		**-**	-
Advance payments and fixed assets under construction		**-**	28
		-	145
Investments			
Investments in subsidiaries	7	**3 448**	1 902
Investments in associated companies	7	**25**	25
Long-term loan receivables from Group companies		**222**	613
Long-term loan receivables from other companies		**1 143**	31
Other non-current assets	8	**70**	129
		4 908	2 700
Current assets			
Inventories and work in progress			
Raw materials and supplies		**228**	-
Work in progress		**61**	-
Finished goods		**209**	2
		498	2
Receivables			
Trade debtors from Group companies		**2 094**	63
Trade debtors from other companies		**789**	5
Short-term loan receivables from Group companies		**2 838**	4 580
Short-term loan receivables from other companies		**1 794**	8
Prepaid expenses and accrued income from Group companies		**17**	51
Prepaid expenses and accrued income from other companies		**558**	79
		8 090	4 786
Short-term investments		**57**	3
Bank and cash		**24**	14
		14 555	7 655

See Notes to the financial statements of the parent company.

Dec. 31	Notes	2001 EURm	2000 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	9		
Share capital		**284**	282
Share issue premium		**2 022**	1 619
Treasury shares	10	**-**	-127
Retained earnings	10	**3 669**	2 328
Net profit for the year	10	**4 065**	2 655
		10 040	6 757
Accumulated appropriations	11		
Accumulated depreciation in excess of plan		**-**	63
Liabilities			
Long-term liabilities	12		
Bonds	13	**90**	91
Short-term liabilities			
Current finance liabilities from Group companies		**1 019**	429
Current finance liabilities from other companies		**2**	-
Current maturities of long-term loans	12	**-**	47
Advance payments from other companies		**-**	3
Trade creditors to Group companies		**765**	38
Trade creditors to other companies		**916**	11
Accrued expenses and prepaid income to Group companies		**1**	5
Accrued expenses and prepaid income to other companies		**1 722**	211
		4 425	744
Total liabilities		**4 516**	835
		14 555	7 655

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 Note 1 to Notes to the consolidated financial statements.

Comparability

The following Finnish subsidiaries of Nokia Corporation have merged into Nokia Corporation: Nokia Mobile Phones Ltd., Nokia Networks Oy, Nokia Multimedia Terminals Oy, Nokia Display Products Oy, and Oy Marineland Ab. The merger came into effect on October 1, 2001.

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. Other operating income

Other operating income include merger profit of EUR 3 300 million.

3. Personnel expenses

	2001 EURm	2000 EURm
Wages and salaries	314	87
Pension expenses	27	3
Other social expenses	63	45
Personnel expenses as per profit and loss account	404	135
Remuneration of the members of the Board of Directors, the Chief Executive Officer and the President *	3	3
* Salaries include incentives	1	1

Pension commitments for the management:
For the President of the Parent Company
the retirement age is 60 years.

Personnel average	2001	2000
Production	1 444	-
Marketing	500	54
R&D	3 700	1 166
Administration	1 301	510
	6 945	1 730

Personnel Dec. 31	2001	2000
	22 220	1905

4. Depreciation and amortization

	2001 EURm	2000 EURm
Depreciation and amortization by asset class category		
Intangible assets		
Capitalized development costs	44	-
Intangible rights	15	1
Other intangible assets	2	1
Tangible assets		
Buildings and constructions	5	3
Machinery and equipment	59	8
Total	125	13
Depreciation and amortization by function		
R&D	71	3
Production	17	-
Selling, marketing and administration	37	10
Total	125	13

5. Intangible assets

	2001 EURm	2000 EURm
Capitalized development costs		
Acquisition cost Jan. 1	-	-
Additions	105	-
Disposals	-4	-
Merger	1 214	-
Accumulated amortization Dec. 31	-422	-
Net carrying amount Dec. 31	893	-
Intangible rights		
Acquisition cost Jan. 1	6	5
Additions	14	1
Disposals	-3	-
Merger	197	-
Accumulated amortization Dec. 31	-132	-5
Net carrying amount Dec. 31	82	1
Other intangible assets		
Acquisition cost Jan. 1	5	5
Additions	4	1
Disposals	-32	-1
Merger	75	-
Accumulated amortization Dec. 31	-49	-1
Net carrying amount Dec. 31	3	4

6. Tangible assets

	2001 EURm	2000 EURm
Land and water areas		
Acquisition cost Jan. 1	**25**	34
Additions	**6**	-
Disposals	**-37**	-9
Merger	**6**	-
Net carrying amount Dec. 31	**-**	25
Buildings and constructions		
Acquisition cost Jan. 1	**94**	93
Additions	**28**	1
Disposals	**-314**	-
Merger	**192**	-
Accumulated depreciation Dec. 31	**-**	-21
Net carrying amount Dec. 31	**-**	73
Machinery and equipment		
Acquisition cost Jan. 1	**48**	54
Additions	**58**	9
Disposals	**-1 362**	-15
Merger	**1 256**	-
Accumulated depreciation Dec. 31	**-**	-29
Net carrying amount Dec. 31	**-**	19
Other tangible assets		
Acquisition cost Jan. 1	**2**	2
Disposals	**-2**	-
Accumulated depreciation Dec. 31	**-**	-2
Net carrying amount Dec. 31	**-**	-
Advance payments and fixed assets under construction		
Acquisition cost Jan. 1	**28**	19
Additions	**19**	39
Disposals	**-110**	-30
Merger	**63**	-
Net carrying amount Dec. 31	**-**	28

At the end of 2001 the parent company had no tangible assets. These assets were leased from Nokia Asset Management Oy, a company wholly owned by Nokia Oyj and fully consolidated into Group accounts.

7. Investments

	2001 EURm	2000 EURm
Investments in subsidiaries		
Acquisition cost Jan. 1	**1 902**	836
Additions	**2 479**	1 080
Disposals	**-933**	-14
Net carrying amount Dec. 31	**3 448**	1 902
Investments in associated companies		
Acquisition cost Jan. 1	**25**	22
Additions	**2**	3
Disposals	**-2**	-
Net carrying amount Dec. 31	**25**	25

Shareholdings in associated companies include listed investments of EUR 20 million (EUR 20 million in 2000). At the balance sheet date, the fair value of these investments, based on quoted market prices, was EUR 19 million (EUR 45 million in 2000).

8. Other non-current assets

	2001 EURm	2000 EURm
Investments in other shares		
Acquisition cost Jan. 1	**103**	30
Additions	**99**	219
Disposals	**-166**	-145
Net carrying amount Dec. 31	**36**	104
Other investments	**34**	25
	70	129

Shareholdings in other companies include listed investments of EUR 28 million (EUR 92 million in 2000). At the balance sheet date, the fair value of these investments was EUR 88 million (EUR 113 million in 2000).

9. Shareholders' equity

Parent Company, EURm	Share capital	Share issue premium	Treasury shares	Retained earnings	Total
Balance at Dec. 31, 1999	279	1 065	-	3 259	4 603
Share issue	3	554			557
Acquisition of treasury shares			-127		-127
Dividend				-931	-931
Net profit				2 655	2 655
Balance at Dec. 31, 2000	282	1 619	-127	4 983	6 757
Share issue	2	456			458
Reissuance of treasury shares		-53	127		74
Dividend				-1 314	-1 314
Net profit				4 065	4 065
Balance at Dec. 31, 2001	**284**	**2 022**	**-**	**7 734**	**10 040**

10. Distributable earnings

	2001 EURm	2000 EURm
Retained earnings from previous years	**3 669**	2 328
Net profit for the year	**4 065**	2 655
Retained earnings, total	**7 734**	4 983
Treasury shares	**-**	-127
Distributable earnings, Dec. 31	**7 734**	4 856

11. Accumulated appropriations

Deferred tax liability for the accumulated appropriations computed using the tax rate of 29% totalled EUR 0 million (EUR 18 million in 2000, tax rate 29%).

12. Long-term liabilities

	Outstanding Dec. 31, 2001 EURm	Repayment date beyond 5 years EURm
Long-term loans are repayable as follows:		
Bonds	**90**	-
	90	-

The long-term liabilities as of December 31, 2001 mature as follows:

	EURm	%
2002	-	-
2003	25	27.8
2004	65	72.2
2005	-	-
2006	-	-
Thereafter	-	-
	90	100.0

13. Bonds

	Million	Interest	**2001 EURm**	2000 EURm
1989-2004	40.0 GBP	11.375%	**65**	66
1993-2003	150.0 FIM	Floating	**25**	25
			90	91

14. Commitments and contingencies

	2001 EURm	2000 EURm
Collateral for own commitments		
Mortgages	**18**	-
Collateral given on behalf of other companies		
Assets pledged	**33**	-
Contingent liabilities on behalf of Group companies		
Guarantees for loans	**62**	111
Leasing guarantees	**518**	595
Other guarantees	**505**	122
Contingent liabilities on behalf of other companies		
Guarantees for loans	**95**	193

15. Leasing contracts

At December 31, 2001 the leasing contracts of the Parent Company amounted to EUR 1 781 million (EUR 55 million in 2000), of which EUR 1 330 million in 2001 relate to Group internal agreements. Leasing payments of EUR 433 million will fall due in 2002 (EUR 7 million in 2001).

16. Loans granted to top management

There were no loans granted to top management at December 31, 2001.

17. Notes to cash flow statement

	2001 EURm	2000 EURm
Adjustments for:		
Depreciation	**125**	13
Income taxes	**117**	984
Financial income and expenses	**-634**	-385
Impairment charge	**204**	-
Other operating income and expenses	**-3 207**	-3 542
Adjustments, total	**-3 395**	-2 930
Change in net working capital		
Short-term trade receivables, increase (-), decrease (+)	**-145**	3
Inventories, increase (-), decrease (+)	**95**	-2
Interest-free short-term liabilities, increase (+), decrease (-)	**132**	-86
Change in net working capital	**82**	-85

18. Principal Nokia Group companies on Dec. 31, 2001

See Note 35 to Notes to the consolidated financial statements.

19. Nokia Shares and Shareholders

See Nokia Shares and Shareholders p. 34–40.

Nokia shares and shareholders

Shares and share capital

Nokia has one class of shares. Each Nokia share is entitled to one (1) vote at General Meetings of Nokia.[1] With effect from April 10, 2000, the par value of the share is EUR 0.06.

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, 2001 the share capital of Nokia Corporation was EUR 284 251 807.26 and the total number of shares and votes was 4 737 530 121. On December 31, 2001 the total number of shares included 1 227 752 shares owned by the Group companies with an aggregate par value of EUR 73 665 representing approximately 0.03 per cent of the total number of shares and votes.

Share capital and shares, Dec. 31 [2]	2001	2000	1999	1998	1997
Share capital, EURm					
K (common)	*	*	*	54	66
A (preferred)				201	186
Total (EURm)	**284**	**282**	**279**	**255**	**252**
Shares (1 000, par value EUR 0.06)					
K (common)	*	*	*	1 016 246	1 259 000
A (preferred)				3 828 527	3 538 634
Total (1 000)	**4 737 530**	4 696 213	4 654 064	4 844 773	4 797 634
Shares owned by the Group at year end (1 000)	**1 228**	4 080	1 385	257 288	257 288
Number of shares excl. shares owned by the Group at year end (1 000)	**4 736 302**	4 692 133	4 652 679	4 587 485	4 540 346
Average number of shares excl. shares owned by the Group during the year (1 000), basic	**4 702 852**	4 673 162	4 593 761	4 553 364	4 532 512
Average number of shares excl. shares owned by the Group during the year (1 000), diluted	**4 787 219**	4 792 980	4 743 184	4 693 204	4 612 664
Number of registered shareholders [3]	**116 352**	94 500	48 771	30 339	28 596

* Since April 9, 1999 one class of shares only.

Key Ratios Dec. 31, IAS (calculation see page 44)	2001	2000	1999	1998	1997
Earnings per share from continuing operations, EUR					
Earnings per share, basic	**0.47**	0.84	0.56	0.37	0.22
Earnings per share, diluted	**0.46**	0.82	0.54	0.36	0.22
P/E Ratio					
K (common)	*	*	*	35.3	18.4
A (preferred)	**61.6**	56.5	80.4	35.3	18.3
(Nominal) dividend per share, EUR	**0.27 ****	0.28	0.20	0.12	0.08
Total dividends paid, EURm	**1 279 ****	1 315	931	586	378
Payout ratio	**0.57**	0.33	0.36	0.33	0.35
Dividend yield, %					
K (common)	*	*	*	0.9	1.9
A (preferred)	**0.9**	0.6	0.4	0.9	1.9
Shareholders' equity per share, EUR	**2.58**	2.30	1.59	1.11	0.80
Market capitalization, EURm [4]	**137 163**	222 876	209 371	59 796	18 503

* Since April 9, 1999 one class of shares only.

** Board's proposal.

1 Nokia used to have two classes of shares, A shares and K shares, until the two classes of shares were consolidated with effect since April 9, 1999. The Annual General Meeting held on March 21, 2001 resolved to remove the provision regarding the right to a fixed annual dividend attached to the shares. The resolution is effective since April 17, 2001. The previous class K shares were entitled to ten (10) votes at General Meetings, but to no fixed annual dividend.

2 Figures have been recalculated to reflect the par value of EUR 0.06 of the share.

3 Each account operator is included in the figure as only one registered shareholder.

4 Shares owned by the Group companies are not included.

Nokia shares and shareholders

Splits of the par value of the Nokia share	Par value before	Split ratio	Par value after	Effective date
1986	FIM 100 (EUR 16.82)	5:1	FIM 20 (EUR 3.36)	December 31,1986
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 [5]	April 12, 1999
2000	**EUR 0.24**	**4:1**	**EUR 0.06**	**April 10, 2000**

Authorizations

Authorizations to increase the share capital

The Board of Directors had been authorized by Nokia shareholders at the Annual General Meeting held on March 22, 2000 to decide on an increase of the share capital by a maximum of EUR 28 800 000 offering a maximum of 480 000 000 new shares (split adjusted). In 2001, the Board of Directors has not increased the share capital on the basis of this authorization. The authorization expired on March 21, 2001.

At the Annual General Meeting held on March 21, 2001 Nokia shareholders authorized the Board of Directors to decide on an increase of the share capital by a maximum of EUR 54 000 000 in one or more issues offering a maximum of 900 000 000 new shares with a par value of 6 cents within one year as of the resolution of the Annual General Meeting. The share capital may be increased in deviation from the shareholders' preemptive rights for share subscription provided that important financial grounds exist such as to finance possible business acquisitions or corresponding arrangements and to grant personnel incentives. In 2001 the Board of Directors has increased the share capital on the basis of the authorization by an aggregate EUR 1 099 752.72 consisting of 18 329 212 shares, as a result of which the unused authorization amounted to EUR 52 900 247.28 corresponding to 881 670 788 shares on December 31, 2001. The authorization is effective until March 21, 2002.

At the end of 2001, the Board of Directors had no other authorizations to issue shares, convertible bonds, warrants or stock options.

Other authorizations

At the Annual General Meeting held on March 21, 2001 Nokia shareholders authorized the Board of Directors to repurchase a maximum of 225 million Nokia shares, representing 4.75 per cent of total shares outstanding and to resolve on the disposal of such shares. No shares were repurchased or disposed of in 2001 under the authorizations. These authorizations are effective until March 21, 2002. The authorization to dispose of the shares may be carried out pursuant to terms determined by the Board provided that important financial grounds exist such as to finance acquisitions or to grant personnel incentives.

Convertible bonds, warrants and stock options [6]

Nokia Stock Option Plan 1995

In 1995 non-interest bearing bonds with warrants with an aggregate principal amount of FIM 1 450 000 and carrying A and B warrants were issued to the management of the Nokia Group (Nokia Stock Option Plan 1995). The bonds were fully repaid by December 31, 2000. By termination of Nokia Stock Option Plan 1995 on January 31, 2001, a total of 74 924 800 shares had been exercised and the share capital had been increased by a total of EUR 4 495 488. The listing of B warrants on the Helsinki Exchanges terminated on January 24, 2001. Nokia Stock Option Plan 1995 covered approximately 350 persons.

Nokia Stock Option Plan 1997

In 1997 up to 4 750 non-interest bearing bonds with warrants were issued for up to an aggregate principal amount of FIM 2 375 000 to key personnel of the Nokia Group (Nokia Stock Option Plan 1997). The bonds were fully repaid by December 31, 2000. Each bond carries 500 A warrants, 500 B warrants and 1 000 C warrants. Each warrant confers the right to subscribe for sixteen shares at an aggregate subscription price of EUR 51.63. The A warrants may be exercised from December 1, 1997 through January 31, 2003, the B warrants from November 1, 1999 through January 31, 2003 and the C warrants from November 1, 2001 through January 31, 2003. If exercised in full, the warrants would be exercisable for a total of 152 000 000 shares whereby the share capital would be increased by a maximum amount of EUR 9 120 000 representing approximately 3.21 per cent of the outstanding share capital of Nokia. The A and B warrants are listed on the Helsinki Exchanges as one security as of November 1, 1999 and the C warrants were included in the listing as of November 1, 2001. Nokia Stock Option Plan 1997 covers approximately 2 000 persons.

Nokia Stock Option Plan 1999

In 1999 up to 36 000 000 stock options were issued to key personnel of the Nokia Group (Nokia Stock Option Plan 1999). Of these stock options 12 000 000 have been designated as A, 12 000 000 as B, and 12 000 000 as C. Each stock option confers the right to subscribe for four shares with the aggregate subscription price of EUR 67.55 (A option), EUR 225.12 (B option) and EUR 116.48 (C option). The A options may be exercised from April 1, 2001 through December 31, 2004, the B options from April 1, 2002 through December 31, 2004, and the C options from April 1, 2003 through December 31, 2004. If exercised in full, the stock options will be exercisable for a total of 144 000 000 shares whereby the share capital would be increased by a maximum amount of EUR 8 640 000 representing approximately 3.04 per cent of the outstanding share capital of Nokia. Nokia Stock Option Plan 1999 covers more than 16 000 persons. The A options have been listed on the Helsinki Exchanges as of April 2, 2001. Nokia will apply for the listing of the B options on the Helsinki Exchanges as of April 1, 2002.

5 A bonus issue of EUR 0.03 per each share of a par value of EUR 0.24 in the same connection.

6 Figures have been recalculated to reflect the par value of EUR 0.06 of the share.

Nokia Stock Option Plan 2001

The Annual General Meeting held on March 21, 2001 approved the issue of 145 000 000 stock options to the key personnel of the Nokia Group (Nokia Stock Option Plan 2001). Each stock option confers the right to subscribe for one share. Of these stock options 12 500 000 have been designated as "2001A", 37 500 000 as "2001B", 14 500 000 as "2002A", 43 500 000 as "2002B", and 37 000 000 as "2001C". The 2001B and 2002B stock options are each divided into sub-categories. The 2001C stock options which have been granted to participants during the third or fourth calendar quarter of 2001 form sub-categories and are marked with 2001C 3Q/01 and 2001C 4Q/01, respectively. The share subscription price of the 2001A and 2001B stock options is EUR 36.75. The subscription price per share of the 2002A and 2002B stock options is the trade volume weighted average price of the share on the Helsinki Exchanges during May 13 through May 17, 2002. The share subscription price of the 2001C stock options is the trade volume weighted average price of the share on the Helsinki Exchanges during the trading days of the second whole week of the second month (February, May, August or November) of the calendar quarter during which a stock option is granted to a participant. The share subscription price of the 2001C 3Q/01 stock options has been determined to be EUR 20.61 and that of the 2001C 4Q/01 stock options to be EUR 26.67.

2001A stock options may be exercised from July 1, 2002 to December 31, 2006. The share subscription period for each sub-category of the 2001B stock options will commence on a quarterly basis beginning on October 1, 2002 and will terminate on December 31, 2006. The 2002A stock options may be exercised from July 1, 2003 to December 31, 2007. The share subscription period for each sub-category of the 2002B stock options will commence on a quarterly basis beginning on October 1, 2003 and will terminate on December 31, 2007. The share subscription period for the 2001C stock options will commence no earlier than October 1, 2002, and terminates no later than June 30, 2008, as determined by the Board of Directors. The share subscription period for the 2001C 3Q/01 stock options has been determined by the Board of Directors to commence no earlier than October 1, 2002 and to terminate on December 31, 2006. The share subscription period for the 2001C 4Q/01 stock options has been determined by the Board of Directors to commence no earlier than January 1, 2003 and to terminate on December 31, 2006.

If exercised in full, the stock options would be exercisable for a total of 145 000 000 shares whereby the share capital would be increased by a maximum amount of EUR 8 700 000 representing approximately 3.06 per cent of the outstanding share capital of Nokia. Nokia will apply for listing for the 2001A options from July 1, 2002 and for 2001B options from October 1, 2002 respectively. Nokia Stock Option Plan 2001 covers more than 25 000 persons.

Information relating to stock warrants and options during 2001 and 2000 is as follows:	**Number of shares**	**Weighted average exercise price [1]**
Shares under option at Dec. 31, 1999	202 953 328	6.89
Granted [2]	18 339 647	44.86
Exercised	33 490 088	2.22
Forfeited	2 953 294	24.66
Shares under option at Dec. 31, 2000	184 849 593	19.80
Granted [2]	72 644 065	31.78
Exercised	24 790 689	3.54
Forfeited	2 400 770	20.85
Shares under option at Dec.31, 2001	**230 302 199**	**25.95**
Warrants exercisable at Dec. 31, 2000 (shares)	12 199 932	3.83
Warrants exercisable at Dec. 31, 2001 (shares)	**106 300 988**	**9.53**

1 Weighted average exercise price, calculated for options where exercise price is known.
2 Includes options converted in acquisitions.

The options outstanding by range of exercise price at Dec. 31, 2001 are as follows:

Options outstanding				Vested options outstanding	
Exercise prices EUR	**Number of shares**	**Weighted average remaining contractual life in years**	**Weighted average exercise price EUR**	**Number of shares**	**Weighted average exercise price EUR**
0.21 – 3.16	1 084 435	6.87	1.02	679 843	1.09
3.23	57 287 040	0.98	3.23	57 285 810	3.23
3.45 – 16.69	1 869 596	8.23	9.00	915 865	9.33
16.89	46 611 515	2.06	16.89	46 135 932	16.89
17.11 – 35.43	38 143 434	2.64	27.43	966 224	24.15
36.75	43 966 902	2.95	36.75	-	-
39.26 – 55.82	497 509	7.75	48.60	209 514	46.38
56.28	40 640 768	1.28	56.28	-	-
56.78 – 62.53	201 000	5.97	59.33	107 800	59.28
	230 302 199			106 300 988	

Nokia shares and shareholders

General

Shares subscribed for pursuant to the warrants and stock options will rank for dividend for the financial year in which the 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 356 796 632 new shares may be subscribed for representing approximately 7.53 per cent of the total number of votes on December 31, 2001. During 2001 the exercise of 1 512 732 warrants attached to the bonds resulted in the issuance of 23 057 136 new shares and the increase of the share capital of the Nokia with EUR 1 383 428.16.

There were no other bonds with warrants or stock options and no convertible bonds outstanding during the year 2001, the exercise of which would result in an increase of the share capital of the Parent Company.

The Nokia Holding Inc. 1999 Stock Option Plan

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, 2000 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 within the range of USD 20.50–54.50 per ADS. On December 31, 2001 a total of 896 264 stock options were outstanding and 236 592 were exercisable 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 ADSs with a par value of EUR 0.06 that may be issued under the Plan is 2 000 000. The shares are carried at purchase cost in the balance sheet until disposed.

Share issues and bonus issues 1997–2001[7]

Type of issue	Subscription date	Subscription price or amount of bonus issue EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
Nokia Stock Option Plan 1994	1998	0.98	268	1998	0.26	0.01
	1999	0.98	12 238	1999	12.03	0.73
Nokia Stock Option Plan 1995	1997	1.77	2 326	1997	4.11	0.12
	1998	1.77	30 304	1998	53.52	1.59
	1999	1.77	18 602	1999	32.85	1.12
	2000	1.77	22 011	2000	38.87	1.32
	2001	**1.77**	**1 682**	**2001**	**2.97**	**0.10**
Nokia Stock Option Plan 1997	1997	3.23	2 508	1997	8.09	0.13
	1998	3.23	16 566	1998	53.46	0.87
	1999	3.23	33 456	1999	107.97	2.01
	2000	3.23	10 117	2000	32.65	0.61
	2001	**3.23**	**20 993**	**2001**	**67.81**	**1.26**
Nokia Stock Option Plan 1999	**2001**	**16.89**	**382**	**2001**	**6.46**	**0.02**
Bonus issue	1999	0.0075	-	1999	-	36.05
Share issue to stockholders of Rooftop Communications Corporation	1999	20.04	2 118	1999	42.45	0.13
Share issue to stockholders of Network Alchemy, Inc	2000	49.91	6 112	2000	305.06	0.37
Share issue to stockholders of DiscoveryCom, Inc.	2000	45.98	3 909	2000	179.75	0.23
Share issue to stockholders of Amber Networks, Inc.	**2001**	**20.77**	**18 329**	**2001**	**380.72**	**1.1**

7 Prices and numbers of shares have been recalculated to reflect the par value of EUR 0.06 of the share.

Reductions of share capital

Type of reduction	Year	Number of shares affected (1 000, par value EUR 0.06)	Amount of reduction of the share capital EURm	Amount of reduction of the restricted capital EURm	Amount of reduction of the retained earnings EURm
Cancellation of shares	1999	257 123	15.43	-	3 435.27
Cancellation of shares	**2001**	**69**	**0.004**	**-**	**-**

Nokia shares and shareholders

Share turnover (all stock exchanges) [8]

	2001	2000	1999 *	1998	1997
K share turnover (1 000)				255 108	198 632
Total number of K shares (1 000)				508 124	629 496
% of total number of K shares				50	32
A share turnover (1 000)	**11 457 748**	7 827 428	7 930 612	5 128 156	5 212 208
Total number of A shares (1 000)	**4 737 530**	4 696 213	4 654 064	1 914 264	1 769 320
% of total number of A shares	**242**	167	170	268	295

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

Share prices, EUR (Helsinki Exchanges) [8]

	2001	2000	1999 *	1998	1997
K share					
Low/high				3.87/13.41	2.73/5.74
Average [9]				10.28	3.70
Year-end				13.04	4.10
A share					
Low/high	**14.35/46.50**	35.81/64.88	13.74/45.00	3.89/13.41	2.76/5.76
Average [9]	**27.57**	51.09	21.67	7.95	4.12
Year-end	**28.96**	47.50	45.00	13.04	4.08

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

Share prices, USD (New York Stock Exchange) [8]

	2001	2000	1999	1998	1997
ADS					
Low/high	**12.95/44.69**	29.44/61.88	15.05/47.77	4.25/15.75	3.50/6.50
Average[9]	**24.84**	47.36	23.16	8.50	4.75
Year-end	**24.53**	43.50	47.77	15.00	4.50

8 Figures have been recalculated to reflect the par value of EUR 0.06 of the share.

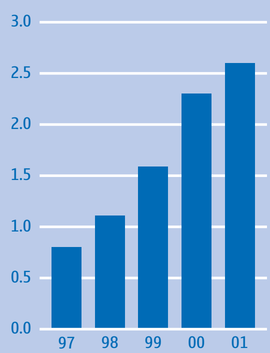
9 Calculated by weighing average price with daily volumes.

Largest registered shareholders, December 31, 2001

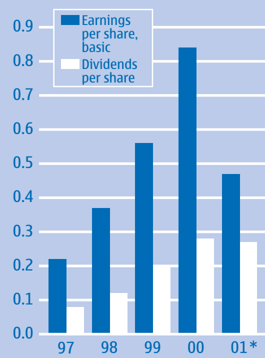
Registered shareholders represent 9.76 per cent and shareholders registered in the name of a nominee represent 90.24 per cent of the total number of shares of Nokia. The number of registered shareholders was 116 352 on December 31, 2001. Each account operator (20) is included in this figure as only one registered shareholder.

Nokia shares and shareholders

Shareholders' equity per share
EUR

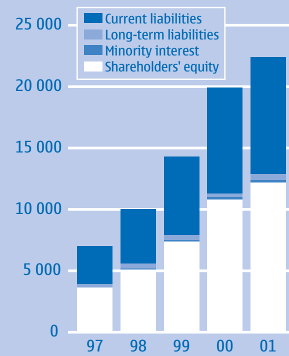


Earnings and dividend per share
EUR

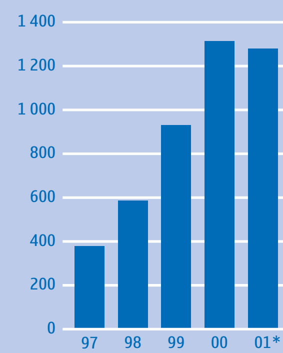


* Board's proposal.

Shareholders' equity and liabilities
EURm

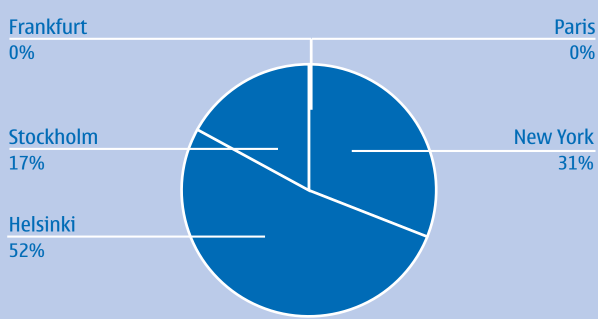


Total dividends
EURm

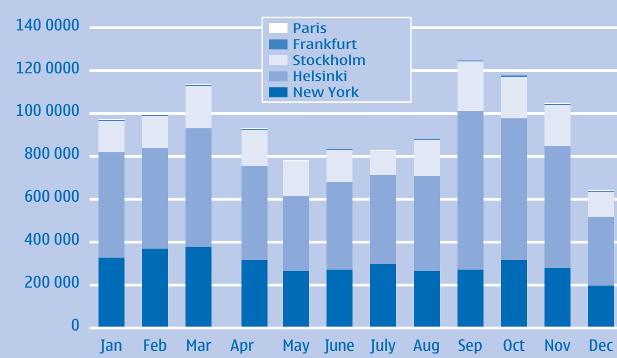


* Board's proposal.

Volumes of Nokia shares traded in 2001, %



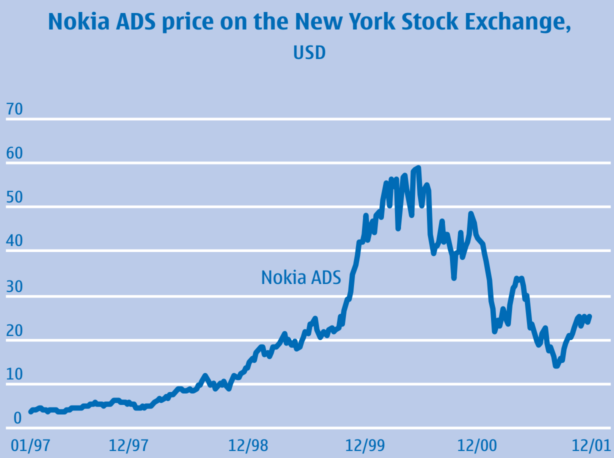
Volumes of Nokia shares traded in 2001, 1 000 shares

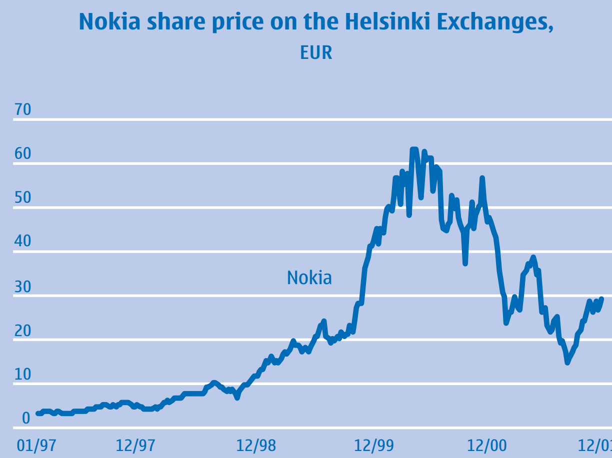


Largest registered shareholders
(excluding nominee registered shares)

	Total number of shares (1 000)	Per cent of all the shares and voting rights
Svenska Litteratursällskapet i Finland r f	20 609	0.44
Suomi Mutual Life Assurance Company	17 180	0.36
Juselius Sigrid stiftelse	16 800	0.35
The Local Government Pensions Institution	15 358	0.32
UPM-Kymmene Corporation	15 298	0.26
The Pension Foundation of Nokia Corporation	12 142	0.26
Finnish National Fund for Research and Development (SITRA)	8 635	0.18
The Finnish Cultural Foundation	7 299	0.15
MET Federation of Finnish Metal Engineering and electrotechnical Industries	5 800	0.12
Folkhälsan i Svenska Finland	4 551	0.10

Nokia shares and shareholders





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, 2001 an aggregate of 825 106 shares representing approximately 0.02 per cent of the aggregate number of shares and voting rights, as well as a total of 5 758 446 warrants and stock options representing approximately 2.85 per cent of the total number of warrants and stock options issued. If exercised in full the said warrants and stock options would be exercisable for 15 848 800 shares representing approximately 0.35 per cent of the total number of shares and voting rights on December 31, 2001.

Breakdown of share ownership, December 31, 2001

By number of shares owned	Number of shareholders [10]	Per cent of shareholders	Total number of shares	Per cent of share capital	Average holding
1–100	48 172	41.44	2 843 708	0.06	59
101–1 000	47 003	40.44	17 342 331	0.37	369
1 001–10 000	16 599	14.28	55 732 170	1.18	3 358
10 001–100 000	4 051	3.49	108 236 977	2.28	26 719
100 001–500 000	327	0.28	63 383 013	1.34	193 832
500 001–1 000 000	31	0.03	21 872 054	0.46	705 550
1 000 001–5 000 000	39	0.03	83 175 465	1.75	2 132 704
Over 5 000 000	17	0.01	4 384 944 403	92.56	257 937 906
Total	**116 239 [11]**	**100.00**	**4 737 530 121**	**100.00**	

By nationality, per cent	Shares
Non-Finnish shareholders	90.67
Finnish shareholders	9.33
Total	**100.00**

By shareholder category (Finnish shareholders)	Shares
Corporations	0.94
Households	3.95
Financial and insurance institutions	0.97
Non-profit organizations	2.24
General government	1.23
Total	**9.33**

10 The account operators (20) are included.

11 Shareholders holding Nokia shares in a joint ownership (113) calculated as one shareholder.

Nokia 1997–2001, IAS

	2001	2000	1999	1998	1997
Profit and loss account, EURm					
Net sales	**31 191**	30 376	19 772	13 326	8 849
Cost and expenses	**-27 829**	-24 600	-15 864	-10 837	-7 427
Operating profit	**3 362**	5 776	3 908	2 489	1 422
Share of results of associated companies	**-12**	-16	-5	6	9
Financial income and expenses	**125**	102	-58	-39	-23
Profit before tax and minority interests	**3 475**	5 862	3 845	2 456	1 408
Tax	**-1 192**	-1 784	-1 189	-737	-382
Minority interests	**-83**	-140	-79	-39	-17
Profit from continuing operations	**2 200**	3 938	2 577	1 680	1 009
Discontinued operations	**-**	-	-	-	44
Profit from ordinary activities before cumulative effect of change in accounting policies	**2 200**	3 938	2 577	1 680	1 053
Cumulative prior year effect (after tax) of change in accounting policies	**-**	-	-	70	-
Net profit	**2 200**	3 938	2 577	1 750	1 053

	2001	2000	1999	1998	1997
Balance sheet items, EURm					
Fixed assets and other non-current assets	**6 912**	6 388	3 487	2 220	1 589
Current assets	**15 515**	13 502	10 792	7 814	5 431
Inventories	**1 788**	2 263	1 772	1 292	1 230
Accounts receivable and prepaid expenses	**7 602**	7 056	4 861	3 631	2 141
Cash and cash equivalents	**6 125**	4 183	4 159	2 891	2 060
Shareholders' equity	**12 205**	10 808	7 378	5 109	3 620
Minority shareholders' interests	**196**	177	122	63	33
Long-term liabilities	**460**	311	407	409	276
Long-term interest-bearing liabilities	**207**	173	269	257	226
Deferred tax liabilities	**177**	69	80	88	-
Other long-term liabilities	**76**	69	58	64	50
Current liabilities	**9 566**	8 594	6 372	4 453	3 091
Short-term borrowings	**831**	1 069	792	699	506
Current portion of long-term loans	**-**	47	1	61	48
Accounts payable	**3 074**	2 814	2 202	1 357	818
Accrued expenses and provisions	**5 661**	4 664	3 377	2 336	1 719
Total assets	**22 427**	19 890	14 279	10 034	7 020

Nokia 1997–2001, IAS

	2001	2000	1999	1998	1997
Net sales by business group, EURm					
Nokia Networks	**7 534**	7 714	5 673	4 390	3 166
Nokia Mobile Phones	**23 158**	21 887	13 182	8 070	4 649
Nokia Ventures Organization	**585**	854	415	-	-
Discontinued Operations [1]	**-**	-	580	1 014	1 218
Inter-business group eliminations	**-86**	-79	-78	-148	-184
Nokia Group	**31 191**	30 376	19 772	13 326	8 849
Net sales by market area, EURm					
Europe	**15 330**	15 554	10 614	7 673	5 212
of which Finland	**453**	494	479	465	430
Americas	**7 891**	7 708	4 909	2 815	1 601
Asia-Pacific	**7 970**	7 114	4 249	2 838	2 036
Nokia Group	**31 191**	30 376	19 772	13 326	8 849
Operating profit/loss, EURm					
Nokia Networks	**-73**	1 358	1 082	960	682
Nokia Mobile Phones	**4 521**	4 879	3 099	1 540	645
Nokia Ventures Organization	**-855**	-387	-175	-	-
Common Group Expenses [2]	**-231**	-74	-98	-11	95
Nokia Group	**3 362**	5 776	3 908	2 489	1 422
Average personnel					
Nokia Networks	**22 040**	23 508	22 804	19 280	15 710
Nokia Mobile Phones	**27 320**	27 353	20 975	16 064	12 631
Nokia Ventures Organization	**2 155**	2 222	1 256	-	-
Common Group Functions [3]	**6 201**	5 625	6 142	5 747	7 149
Nokia Group	**57 716**	58 708	51 177	41 091	35 490
In Finland	**23 653**	24 495	23 155	20 978	19 342
Other European countries	**14 045**	14 365	12 997	9 398	8 532
Americas	**11 215**	11 491	8 818	5 924	4 152
Asia-Pacific	**8 803**	8 357	6 207	4 791	3 464
Nokia Group	**57 716**	58 708	51 177	41 091	35 490
Research and development, EURm					
Nokia Networks	**1 135**	1 013	777	564	430
Nokia Mobile Phones	**1 599**	1 306	835	522	288
Nokia Ventures Organization	**221**	235	110	-	-
Common Group Expenses [2]	**30**	30	33	64	49
Nokia Group	**2 985**	2 584	1 755	1 150	767

1 Discontinued Operations include discontinued and divested operations as follows: Display Products 1997–1999.

2 Common Group Expenses include the operating profit/loss of Common Group Functions and discontinued and divested operations as follows: Display Products 1997–1999.

3 Common Group Functions also include discontinued and divested operations as follows: Display Products 1997–1999.

Nokia 1997–2001, IAS

Key ratios and economic indicators	2001	2000	1999	1998	1997
Net sales, EURm	**31 191**	30 376	19 772	13 326	8 849
Change, %	**2.7**	53.6	48.4	50.6	33.8
Exports from Finland, EURm	**13 966**	13 390	9 334	7 038	5 408
Exports and foreign subsidiaries, EURm	**30 738**	29 882	19 293	12 861	8 419
Salaries and social expenses, EURm	**3 235**	2 888	2 383	1 958	1 317
Operating profit, EURm	**3 362**	5 776	3 908	2 489	1 422
% of net sales	**10.8**	19.0	19.8	18.7	16.1
Financial income and expenses, EURm	**125**	102	-58	-39	-23
% of net sales	**0.4**	0.3	-0.3	-0.3	-0.3
Profit before tax and minority interests, EURm	**3 475**	5 862	3 845	2 456	1 408
% of net sales	**11.1**	19.3	19.4	18.4	15.9
Profit from continuing operations, EURm	**2 200**	3 938	2 577	1 680	1 009
% of net sales	**7.1**	13.0	13.0	12.6	11.4
Taxes, EURm	**1 192**	1 784	1 189	737	382
Dividends, EURm	**1 279** *	1 315	931	586	378
Capital expenditure, EURm	**1 041**	1 580	1 358	761	404
% of net sales	**3.3**	5.2	6.9	5.7	4.6
Gross investments **, EURm	**2 149**	3 095	1 889	1 072	668
% of net sales	**6.9**	10.2	9.6	8.0	7.6
R&D expenditure, EURm	**2 985**	2 584	1 755	1 150	767
% of net sales	**9.6**	8.5	8.9	8.6	8.7
Average personnel	**57 716**	58 708	51 177	41 091	35 490
Non-interest bearing liabilities, EURm	**8 988**	7 616	5 717	3 844	2 586
Interest-bearing liabilities, EURm	**1 038**	1 289	1 062	1 017	781
Return on capital employed, %	**27.9**	58.0	55.7	50.2	38.3
Return on equity, %	**19.1**	43.3	41.3	38.5	32.0
Equity ratio, %	**56.0**	55.7	53.3	52.0	52.7
Net debt to equity, %	**-41**	-26	-41	-36	-35

* Board's proposal

** Includes acquisitions, investments in shares and capitalized development costs.

Calculation of key ratios, see page 44.

Calculation of key ratios

Key ratios under IAS

Operating profit
Profit after depreciation

Shareholders' equity
Share capital + reserves

Earnings per share

$$\frac{\text{Net profit (years 1999 – 2001)/ profit from continuing operations (years 1997 – 1998)}}{\text{Average of adjusted number of shares during the year}}$$

P/E ratio

$$\frac{\text{Adjusted share price, December 31}}{\text{Earnings per share}}$$

Dividend per share

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

Payout ratio

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

Dividend yield, %

$$\frac{\text{Nominal dividend per share}}{\text{Share price}}$$

Shareholders' equity per share

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

Market capitalization
Number of shares x share price per share class

Adjusted average share price

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

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, %

$$\frac{\text{Net profit (years 1999 – 2001)/ profit from continuing operations (years 1997 – 1998)}}{\text{Average shareholders' equity during the year}}$$

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 2001

	1 EUR =
USD	0.9026
GBP	0.6206
SEK	9.4702
JPY	115.33

Proposal by the Board of Directors to the Annual General Meeting

The distributable earnings in the balance sheet of the Group amount to EUR 9 654 million and those of the Company to EUR 7 734 million.

The Board proposes that from the funds at the disposal of the Annual General Meeting, a dividend of EUR 0.27 per share is to be paid out on a total of 4 737 530 121 shares, amounting to EUR 1 279 million.

Espoo, January 24, 2002

Jorma Ollila
Chairman and CEO

Paul J. Collins

Georg Ehrnrooth

Bengt Holmström

Robert F.W. van Oordt

Marjorie Scardino

Vesa Vainio

Arne Wessberg

Pekka Ala-Pietilä
President

Auditor's 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, 2001. 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 results 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, January 24, 2002

Pricewaterhouse Coopers Oy
Authorized Public Accountants

Lars Blomquist
Authorized Public Accountant

ADDITIONAL INFORMATION

Pro forma financial information 2001 (unaudited)

Pro forma consolidated profit and loss account

EURm	**Pro forma 1 – 12/01**	Pro forma 1 – 12/00	**Reported, IAS 1 – 12/01**	Reported, IAS 1 – 12/00
Net sales	**31 191**	30 376	**31 191**	30 376
Cost of sales [1]	**-19 693**	-19 072	**-19 787**	-19 072
Research and development expenses	**-2 985**	-2 584	**-2 985**	-2 584
Selling, general and administrative expenses [2]	**-3 276**	-2 859	**-3 443**	-2 804
One-time customer finance charges [3]	**-**	-	**-714**	-
Impairment of minority investments	**-**	-	**-80**	-
Impairment of goodwill	**-**	-	**-518**	-
Amortization of goodwill	**-**	-	**-302**	-140
Operating profit	**5 237**	5 861	**3 362**	5 776
Share of results of associated companies	**-12**	-16	**-12**	-16
Financial income and expenses	**125**	102	**125**	102
Profit before tax and minority interests	**5 350**	5 947	**3 475**	5 862
Tax	**-1 478**	-1 780	**-1 192**	-1 784
Minority interests	**-83**	-140	**-83**	-140
Net profit	**3 789**	4 027	**2 200**	3 938
Earnings per share, EUR				
Basic	**0.81**	0.86	**0.47**	0.84
Diluted	**0.79**	0.84	**0.46**	0.82
Average number of shares (1 000 shares)				
Basic	**4 702 852**	4 673 162	**4 702 852**	4 673 162
Diluted	**4 787 219**	4 792 980	**4 787 219**	4 792 980
Depreciation and amortization, total			**1 430**	1 009

Non-recurring items

1 Includes in 2001 non-recurring charges of EUR 71 million from Q2 and EUR 23 million from Q4.

2 Includes non-recurring charges for 2001: total of EUR 85 million from Q2, including EUR 24 million gain from the disposal of certain production operations, and total of EUR 82 million from Q4. Non-recurring items for 2000 include a pension credit of EUR 55 million.

3 Includes in 2001 one-time customer finance charges from Q3.

Quarterly pro forma financial information 2001 (unaudited)

Pro forma operating profit by business group

Net sales by business group, EURm

	1 – 3/2001	4 – 6/2001	7 – 9/2001	10 – 12/2001	1 – 12/2001
Nokia Networks	2 022	1 896	1 659	1 957	7 534
Nokia Mobile Phones	5 830	5 349	5 269	6 710	23 158
Nokia Ventures Organization	169	134	140	142	585
Inter-business group eliminations	-14	-33	-18	-21	-86
Nokia Group	**8 007**	**7 346**	**7 050**	**8 788**	**31 191**

Operating profit by business group, EURm

Pro forma	1 – 3/2001	4 – 6/2001	7 – 9/2001	10 – 12/2001	1 – 12/2001
Nokia Networks	364	300	155	254	1 073
Nokia Mobile Phones	1 207	960	1 002	1 479	4 648
Nokia Ventures Organization	-102	-92	-72	-61	-327
Common Group Expenses	-29	-31	-14	-83	-157
Nokia Group	**1 440**	**1 137**	**1 071**	**1 589**	**5 237**

Goodwill amortization	1 – 3/2001	4 – 6/2001	7 – 9/2001	10 – 12/2001	1 – 12/2001
Nokia Networks	-19	-19	-26	-41	-105
Nokia Mobile Phones	-24	-23	-23	-22	-92
Nokia Ventures Organization	-28	-29	-24	-24	-105
Common Group Expenses	-	-	-	-	-
Total	-71	-71	-73	-87	-302

Non-recurring items	1 – 3/2001	4 – 6/2001	7 – 9/2001	10 – 12/2001	1 – 12/2001
Nokia Networks	-	-41	-714	-286	-1 041
Nokia Mobile Phones	-	-35	-	-	-35
Nokia Ventures Organization	-	-134	-	-289	-423
Common Group Expenses	-	-	-	-74	-74
Total	-	-210	-714	-649	-1 573

Reported, IAS	1 – 3/2001	4 – 6/2001	7 – 9/2001	10 – 12/2001	1 – 12/2001
Nokia Networks	345	240	-585	-73	-73
Nokia Mobile Phones	1 183	902	979	1 457	4 521
Nokia Ventures Organization	-130	-255	-96	-374	-855
Common Group Expenses	-29	-31	-14	-157	-231
Nokia Group	**1 369**	**856**	**284**	**853**	**3 362**

U.S. GAAP

The Group's consolidated financial statements are prepared in accordance with International Accounting Standards (IAS), which differ in certain respects from accounting principles generally accepted in the United States (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:

	2001 EURm	2000 EURm
Reconciliation of net income		
Net income reported under IAS	**2 200**	3 938
U.S. GAAP adjustments:		
Pension expense	**-22**	-13
Development costs	**-104**	-65
Marketable securities	**-**	-10
Provision for social security cost on stock options	**-132**	34
Stock compensation expense	**-85**	-46
Identifiable intangibles acquired	**-7**	-
Amortization of goodwill	**28**	-
Cash flow hedges	**-22**	-
Deferred tax effect of U.S. GAAP adjustments	**47**	9
Net income under U.S. GAAP	**1 903**	3 847
Reconciliation of shareholders' equity		
Total shareholders' equity reported under IAS	**12 205**	10 808
U.S. GAAP adjustments:		
Pension expense	**-32**	41
Development costs	**-355**	-251
Marketable securities	**-**	58
Provision for social security cost on stock options	**125**	257
Deferred compensation	**-47**	-24
Share issue premium	**178**	70
Stock compensation	**-131**	-46
Acquisition purchase price	**4**	-
Identifiable intangibles acquired	**-7**	-
Amortization of goodwill	**28**	-
Deferred tax effect of U.S. GAAP adjustments	**53**	-42
Total shareholders' equity under U.S. GAAP	**12 021**	10 871

Pension expense

Under IAS, pension assets, defined benefit pension liabilities and expense are actuarially determined in a similar manner to U.S. GAAP. However, under IAS the prior service cost, transition adjustments and expense resulting from plan amendments are generally recognized immediately. Under U.S. GAAP, these expenses are generally recognized over a longer period. The U.S. GAAP pension adjustment to net income includes an adjustment to appropriately reflect the difference between the pension asset as determined by applying IAS 19, Employee Benefits, and the pension asset determined by applying FAS 87, Employers' Accounting for Pensions.

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, prior to the adoption of IAS 39 on January 1, 2001, investments in marketable securities were carried at cost. Upon adoption of IAS 39, all available-for-sale investments, which includes all marketable securities, are measured at fair value and gains and losses are recognized within equity until realized in the profit and loss account upon sale or disposal.

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. Investments in equity securities that are not traded on a public market are carried at historical cost.

Provision for social security cost on stock options

Under IAS, the Group provides for social security costs on stock options on the date of grant, based on fair value. The provision is adjusted for movements in the fair value of the options. Under U.S. GAAP, no expense is recorded until the options are exercised.

Stock compensation

Under IAS, no compensation expense is recorded on stock options granted. Under U.S. GAAP, the Group follows the methodology in APB 25 to measure employee stock compensation. Certain employees have been granted stock options with an exercise price less than the quoted market value of the underlying stock on the date of grant. This intrinsic value is recorded as deferred compensation within shareholders' equity and recognized in the profit and loss account over the vesting period of the stock options.

Acquisition purchase price

Under IAS, when the consideration paid in a business combination includes shares of the acquirer, the purchase price of the acquired business is determined at the date on which the shares are exchanged.

Under U.S. GAAP, the measurement date for shares of the acquirer is the first day on which both the number of acquirer shares and the amount of other considerations become fixed. The average share price for a few days before and a few days after the measurement date is then used to value the shares.

Identifiable intangibles acquired

Under IAS, acquired unpatented technology is not separately recognized on acquisition but included within goodwill. Under U.S. GAAP, any unpatented technology acquired in a business combination is recorded as an identifiable intangible asset with a related deferred tax liability. The intangible asset is amortized over its estimated useful life.

Amortization of goodwill

Under IAS, goodwill is amortized over its estimated useful life.

Under U.S. GAAP, the Group adopted the transition provisions of FAS 141 with effect from July 1, 2001. As a result of the adoption of FAS 141, goodwill arising from the Amber Networks acquisition is not amortized. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 have continued to be amortized until the adoption of FAS 142 on January 1, 2002.

Cash flow hedges

As a result of a specific difference in the rules under IAS 39, Financial Instruments: Recognition and Measurement, and FAS 133, Accounting for Derivative Instruments and Hedging Activities, relating to hedge accounting, certain foreign exchange gains and losses classified within equity under IAS would be included in the income statement under U.S. GAAP.

Risk factors

January 24, 2002

This document includes our historic financial results for the year ended December 31, 2001. Our future results may differ materially to our past results. The following is a summary of risks that could affect our business, results of operations and financial condition as well as cause our future results to differ materially.

- The new advanced products and solutions that we are developing incorporate complex, evolving technologies, including third generation technology, that require substantial expenditures and resources. However, these new products and solutions may fail to be accepted at the rates or levels we anticipate and we may fail to realize the expected benefits from our investments in these new technologies.
- We may not be able to reach the rate of growth that we have set out as our long-term target.
- We may experience greater variability in our operating results than in the past, particularly depending on the general economic conditions and the pace of development and acceptance of new technologies.
- The average price of mobile telephones has decreased significantly during the last several years. If we are required to reduce our prices in the future, our profit margins may decline unless we are able to offset the impact of these price reductions.
- Changes in the communications industry are expected to increase competition and change the competitive landscape and may affect our operating results negatively.
- The global networks business relies on a limited number of major customers and large multi-year contracts. Unfavourable developments under a major contract or in relation to a major customer may affect our operating results and cash flow adversely.
- Customer financing to network operators forms a competitive requirement in our business and can affect our net sales, profits, balance sheet and cash flow.
- Our growth and profitability depend on us having optimal production capacity, as well as cost-efficient, effective and flexible manufacturing operations.
- We depend on our suppliers' ability to deliver components on time and their failure to do so could adversely affect our ability to deliver our products and solutions successfully and on time.
- We are developing a number of our new products and solutions in partnership with other companies. If any of these companies were to fail to perform, we may not be able to bring our products and solutions to market successfully or on a timely basis.
- If we are unable to recruit and retain skilled employees we may not be able to implement our strategies and, consequently, our results of operations may suffer.
- Third party claims that we have infringed their intellectual property rights could result in costly and time-consuming litigation or the invalidation of intellectual property rights on which we depend.
- Allegations of health risks from the electromagnetic fields generated by base stations and mobile handsets, and the lawsuits and publicity relating to them, regardless of merit, could affect our operations negatively by leading consumers to reduce their use of mobile phones or by causing us to allocate monetary and personnel resources to these issues.
- Our net sales and costs are affected by fluctuations in the rate of exchange particularly between the euro, which is our reporting currency, and the US dollar and the Japanese yen as well as certain other currencies.
- Our net sales derived from, and assets located in, emerging market countries may be adversely affected by economic, regulatory and political developments in those countries.
- Changes in various types of regulation in countries around the world could affect our business adversely.
- Our share price has been and may continue to be volatile both in response to conditions in the global securities markets generally and in the communications and technology sectors in particular.

We file an annual report on Form 20-F with the US Securities and Exchange Commission, which report also includes a description of risk factors that may affect us. Nokia filed its Form 20-F annual report for the year ended December 31, 2000 on June 28, 2001. The Form 20-F annual report for the year ended December 31, 2001 will be filed during the 1st half of 2002. For further information you should refer to our Form 20-F annual report.

Group Executive Board

Management, January 24, 2002

Chairman Jorma Ollila, 51

Chairman and CEO of Nokia Corporation.
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, Otava Books and Magazines Group Ltd and UPM-Kymmene Corporation.
Member of The European Round Table of Industrialists.
Holdings in Nokia on January 24, 2002: 65 006 shares and stock options for 5 100 000 shares.
During 2001, received stock option grants for 1 500 000 shares and exercised options for 100 000 shares.

Pekka Ala-Pietilä, 45

President of Nokia Corporation.
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 Economic Information Bureau and Finnish-Japanese Chamber of Commerce.
Holdings in Nokia on January 24, 2002: 9 600 shares and stock options for 2 215 000 shares.
During 2001, received stock option grants for 375 000 shares.

Dr Matti Alahuhta, 49

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.
Member of the Board of Directors of Finnair Oyj.
Chairman of the Board of The Federation of Finnish Metal, Engineering and Electrotechnical Industries as well as member of the Board and member of the Executive Committee of The International Institute for Management Development (IMD).
Holdings in Nokia on January 24, 2002: 49 200 shares and stock options for 1 370 000 shares.
During 2001, received stock option grants for 150 000 shares and exercised options for 60 000 shares.

Sari Baldauf, 46

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 International Youth Foundation and member of The National Committee for the Information Society Issues.
Holdings in Nokia on January 24, 2002: 103 200 shares and stock options for 1 450 000 shares.
During 2001, received stock option grants for 150 000 shares and exercised options for 40 000 shares.

Mikko Heikkonen, 52

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 on January 24, 2002: 19 000 shares and stock options for 889 000 shares.
During 2001, received stock option grants for 105 000 shares and exercised options for 62 000 shares.

Olli-Pekka Kallasvuo, 48

Executive Vice President,
Chief Financial Officer 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 F-Secure Corporation, Nextrom Holding S.A., Nokian Tyres plc and Sampo plc.
Holdings in Nokia on January 24, 2002: stock options for 1 342 000 shares.
During 2001, received stock option grants for 150 000 shares and exercised options for 58 000 shares.

Group Executive Board

Dr Yrjö Neuvo, 58

Executive Vice President,
CTO of Nokia Mobile Phones.
Member since 1993.
Joined Nokia 1993.

Senior Vice President, Product Creation of Nokia Mobile Phones 1994–1999, 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, 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 on January 24, 2002: 39 540 shares and stock options for 985 000 shares.
During 2001, received stock option grants for 105 000 shares and exercised options for 42 500 shares.

Veli Sundbäck, 55

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 Oyj.
Vice Chairman of the Board of the International Chamber of Commerce, Finnish Section, Chairman of the Trade Policy Committee of The Confederation of Finnish Industry and Employers and Chairman of the Board of the Finland-China Trade Association.
Holdings in Nokia on January 24, 2002: 97 600 shares and stock options for 1 420 000 shares.
During 2001, received stock option grants for 60 000 shares.

Anssi Vanjoki, 45

Executive Vice President, Nokia Mobile Phones.
Member since 1998.
Joined Nokia 1991.

Senior Vice President, Europe & Africa of Nokia Mobile Phones 1994–1999, Vice President, Sales of Nokia Mobile Phones 1991–1994, 3M Corporation 1980–1990.
Holdings in Nokia on January 24, 2002: 16 000 shares and stock options for 1 077 800 shares.
During 2001, received stock option grants for 105 000 shares and exercised options for 35 200 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 January 24, 2002, only some of the stock options mentioned above were exercisable. In addition, the subscription price had not been determined to all of them.

Auditor

PricewaterhouseCoopers Oy
Authorized Public Accountant
(auditor in charge: Lars Blomquist)

Board of Directors

January 24, 2002

Chairman Jorma Ollila, 51

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, Otava Books and Magazines Group Ltd and UPM-Kymmene Corporation.
Member of The European Round Table of Industrialists.
Holdings in Nokia on January 24, 2002: 65 006 shares and stock options for 5 100 000 shares.

Vice Chairman Paul J. Collins, 65

Member since 1998. Vice Chairman since 2000.

Vice Chairman of Citigroup Inc. 1998–2000, Vice Chairman and member of the Board of Directors of Citicorp and Citibank N.A. 1988–2000.
Member of the Board of Directors of BG Group, Genuity Corporation and Kimberly-Clark Corporation.
Holdings in Nokia on January 24, 2002: 83 306 shares.

Georg Ehrnrooth, 61

Member since 2000.

President and CEO of Metra Corporation 1991–2000, President and CEO of Lohja Corporation 1979–1991, employed at Oy Wärtsilä Ab 1965–1979.
Chairman of the Board of Directors of Assa Abloy Corporation and Varma-Sampo Mutual Pension Insurance Company, Vice Chairman of the Board of Directors of Rautaruukki Corporation, member of the Board of Directors of Oy Karl Fazer Ab, Sandvik AB, Sampo plc and Wärtsilä Corporation.
Chairman of The Centre for Finnish Business and Policy Studies (EVA).
Holdings in Nokia on January 24, 2002 (held personally or by company): 321 342 shares.

Dr Bengt Holmström, 52

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 and Foreign member of The Royal Swedish Academy of Sciences.
Holdings in Nokia on January 24, 2002: 3 470 shares.

Robert F. W. van Oordt, 65

Member since 1998.

Chairman and CEO of Rodamco Europe N.V. 2000–2001, 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.
Chairman of the Supervisory Board of Rodamco Europe N.V., member of the Supervisory Board of Draka Holding N.V., member of the Board of Directors of Fortis Bank N.V., Schering-Plough Corporation and n.v. Umicore s.a.
Holdings in Nokia on January 24, 2002: 2 830 shares.

Marjorie Scardino, 54

Chief Executive and member of the Board of Directors of Pearson plc.
Member since 2001.

Chief Executive of The Economist Group 1993–1997, President of the North American Operations of The Economist Group 1985–1993, partner in a law firm in Georgia, US 1976–1985, founder and publisher of The Georgia Gazette 1978–1985.
Holdings in Nokia on January 24, 2002: 882 American Depositary Shares (ADS).

Vesa Vainio, 59

Chairman of the Board of Directors of Nordea 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.
Chairman of the Board of Directors of UPM-Kymmene Corporation and Vice Chairman of the Board of Directors of Wärtsilä Corporation.
Chairman of the Board of The Central Chamber of Commerce of Finland.
Holdings in Nokia on January 24, 2002: 14 130 shares.

Arne Wessberg, 58

Chairman of the Board of Directors and President of Yleisradio Oy (Finnish Broadcasting Company).
Member since 2001.

President of the Board of Management of the Eurosport Consortium 1998–2000 and member 1989–1997, member of the Board of Trustees of IIC 1996–1998 and 1993–1995.
Chairman of the Board of Directors of Digita Oy.
President of the European Broadcasting Union (EBU) and member of the Board of Directors of the International Council of NATAS and the Confederation of Finnish Industry and Employers.
Holdings in Nokia on January 24, 2002: 882 shares.

Board Secretary
Ursula Ranin
Vice President, 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. The members are elected at the Annual General meeting for a term of one year at a time. Since the General meeting on March 21, 2001 the Board was composed of eight members.

The Board elects the Chairman and the Vice Chairman from among its members for one term at a time. In 2001, Jorma Ollila acted as the Chairman and Paul J. Collins as the Vice Chairman of the Board throughout the year.

Committees of the Board of Directors in 2001

The Personnel Committee monitors the personnel policy of the Group and oversees its implementation including the development of compensation policies applied in the Group. The Committee also prepares policy matters and principles for remuneration to be presented for the Board of Directors. As of March 21, 2001, the Personnel Committee was composed of the following members of the Board: Paul J. Collins (Chairman), Bengt Holmström, Marjorie Scardino and Vesa Vainio. The Committee convened three times in 2001.

The Audit Committee consists of a minimum of three independent and qualified non-executive members of the Board. The purpose of the Committee is to assist the Board of Directors in fulfilling its responsibilities to oversee the Group's financial reporting processes including monitoring the integrity of the company's financial statements and the performance of its internal and external auditors. The Committee assembles regularly in each quarter. As of March 21, 2001, the Audit Committee was composed of the following members of the Board: Robert F.W. van Oordt (Chairman), Georg Ehrnrooth and Arne Wessberg. The Committee held four meetings during the year.

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. As of March 21, 2001, the Nomination Committee was composed of the following members of the Board: Paul J. Collins (Chairman), Bengt Holmström and Vesa Vainio. The Committee held one meeting in 2001.

Meetings of the Board of Directors

The Board met nine times in 2001. Two of the meetings were held in the form of a conference call.

The CEO and the President

The Chairman of the Board, Jorma Ollila acts as the Chief Executive Officer of Nokia. The President of the Company is Pekka Ala-Pietilä. In October 2001, The Board of Nokia agreed with Mr Ollila on the continuation of his services as CEO of Nokia for an additional five years through 2006.

The Board Composition in 2002

The Nomination Committee will propose to the Annual General meeting on March 21, 2002 that the number of Board members be increased from eight to nine and that the following members be re-elected for the term expiring at the close of the Annual General Meeting in 2003: Paul J. Collins, Georg Ehrnrooth, Bengt Holmström, Jorma Ollila, Robert F.W. van Oordt, Marjorie Scardino, Vesa Vainio and Arne Wessberg. Moreover, the Committee will propose that Per Karlsson be elected as a new member of the Board for the same term. Mr Karlsson is an independent corporate advisor based in Stockholm with previous positions with Enskilda Securities in London and The Boston Consulting Group in London.

Remuneration

The Annual General Meeting on March 21, 2001 resolved that the annual retainers to the Board members be 130 000 euros for the Chairman, 100 000 euros for the Vice Chairman and 75 000 euros for each of the members. The Annual General Meeting 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 1 530 shares, the Vice Chairman 1 178 shares and the members 882 shares each. The rest of the annual retainers were paid in cash.

In 2001, Jorma Ollila received as remuneration for his services as CEO a fixed salary of 1 184 000 euros and bonuses in the aggregate of 342 000 euros for the second half of 2000 and for the first half of 2001. Pekka Ala-Pietilä received as remuneration for his services as President in 2001 a fixed salary of 594 000 euros and bonuses in aggregate of 125 500 euros for the second half of 2000 and the first half of 2001. The CEO and the President have been granted stock options under Nokia's current Stock Option Plans.

More information about the top executive compensation principles can be found in www.nokia.com/aboutnokia.

Stock ownership guidelines

The goal of the long-term, equity-based incentive awards is to recognize progress towards achievement of strategic objectives. They focus executives on building on value for shareholders. In addition to stock option grants Nokia strongly encourages stock ownership by its top executives. In January 2001, Nokia introduced a stock ownership commitment guideline with minimum recommendations tied to annual fixed salaries. For the members of the Group Executive Board the recommended minimum investment in Nokia shares corresponds to two times the annual base salary to be fulfilled within 5 years of the introduction of the guideline.

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.

Investor information

Information via the internet

www.nokia.com/investor

Available via the Internet: financial reports, Nokia management's presentations, conference call and other investor related material, press releases and environmental and social reports.

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Annual General Meeting

Date: Thursday, March 21, 2002, at 3 p.m.
Place: Hartwall Areena, Veturitie 13, Helsinki, Finland.

Dividend

Dividend proposed by the Board of Directors for 2001 is EUR 0.27.
The dividend record date is March 26, 2002 and the dividend will be paid after April 9, 2002.

Financial reporting

Nokia's quarterly interim reports in 2002 are due on April 18, July 18 and October 17. The 2002 results will be published in January 2003 and the Annual Accounts for 2002, in February 2003. The reports are published in English and Finnish.

Stock exchanges

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

	Symbol	Trading currency
HEX, Helsinki (quoted since 1915)	**NOK1V**	**EUR**
Stockholmsbörsen (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	NOKI	NOK
HEX HEX General Index	**OMX** Stockholm	**NYA** NYSE Composite
HEXTELE HEX Telecommunications Index	**GENX** Swedish General	**NNA** NYSE Utilities
HEX20 HEX 20 Index	**GENX04** Swedish Engineer	**NN** NYSE Utilities
BE500 Bloomberg Europe	**GENX16** Swedish SX 16 Index	**CTN** GSFO Technology
BETECH BBG Europe Technology		**MLO** Merrill Lynch 10
SX5E DJ Euro STOCXX 50		
SX5P DJ Europe STOXX		
SX_ Various Other DJ Indices		
E300 FTSE Eurotop 300		

It should be noted that certain statements herein which are not historical facts, including, without limitation those regarding A) the timing of product deliveries; B) our ability to develop and implement new products and technologies; C) expectations regarding market growth and developments; D) expectations for growth and profitability; and E) statements preceded by "believe," "expect," "anticipate," "foresee" or similar expressions, are foreward-looking statements. Because these statements involve risks and uncertainties, actual results may differ materially from the results that we currently expect. Factors that could cause these differences include, but are not limited to: 1) developments in the mobile communications market including the continued development of the replacement market and the Company's success in the 3G market; 2) demand for products and services; 3) market acceptance of new products and service introductions; 4) the availability of new products and services by operators; 5) weakened economic conditions in many of the Company's principal markets; 6) pricing pressures; 7) intensity of competition; 8) the impact of changes in technology; 9) consolidation or other structural changes in the mobile communications market; 10) the success and financial condition of the Company's partners, suppliers and customers; 11) the management of the Company's customer financing exposure; 12) the continued success of product development by the Company; 13) the continued success of cost-efficient, effective and flexible manufacturing by the Company; 14) the ability of the Company to source component production, manufacturing and R & D without interruption and at acceptable prices; 15) inventory management risks resulting from shifts in market demand; 16) fluctuations in exchange rates, including, in particular, the fluctuations in the euro exchange rate between the US dollar and the Japanese yen; 17) impact of changes in government policies, laws or regulations; 18) the risk factors specified on pages 10 to 16 of the Company's Form 20-F for the year ended December 31, 2000. The Form 20-F for the year ended December 31, 2001 will be filed during the 1st half of 2002.

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