NOKIA IN 2002

NOKIA

ANNUAL ACCOUNTS 2002

ADDITIONAL INFORMATION

Key data 2002

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

Nokia	2002 EURm	2001 EURm	Change %	2000 EURm
Net sales	**30 016**	31 191	-4	30 376
Operating profit	**4 780**	3 362	42	5 776
Profit before taxes	**4 917**	3 475	41	5 862
Net profit	**3 381**	2 200	54	3 938
Research and development	**3 052**	2 985	2	2 584

	2002,%	2001,%	2000,%
Return on capital employed	**35.3**	27.9	58.0
Net dept to equity (gearing)	**–61**	–41	–26

	2002 EUR	2001 EUR	Change %	2000 EUR
Earnings per share, basic	**0.71**	0.47	51	0.84
Dividend per share	**0.28 ***	0.27	4	0.28
Average number of shares (1 000 shares)	**4 751 110**	4 702 852		4 673 162

* Board's proposal

Business Groups	2002 EURm	2001 EURm	Change %	2000 EURm
Nokia Mobile Phones				
Net sales	**23 211**	23 158	0	21 887
Operating profit	**5 201**	4 521	15	4 879
Research and development	**1 884**	1 599	18	1 306
Nokia Networks				
Net sales	**6 539**	7 534	–13	7 714
Operating profit	**–49**	–73	33	1 358
Research and development	**995**	1 135	–12	1 013
Nokia Ventures Organization				
Net sales	**459**	585	–22	854
Operating profit	**–141**	–855	84	–387
Research and development	**136**	221	–38	235

Personnel, Dec. 31	2002	2001	Change,%	2000
Nokia Mobile Phones	**26 090**	26 453	–1	28 047
Nokia Networks	**17 361**	19 392	–10	23 965
Nokia Ventures Organization	**1 506**	1 886	–20	2 570
Common Group Functions	**6 791**	6 118	11	5 707
Nokia Group	**51 748**	53 849	–4	60 289

10 major markets, net sales

	2002 EURm	2001 EURm	2000 EURm
USA	**4 665**	5 614	5 312
UK	**3 111**	2 808	2 828
China	**2 802**	3 418	3 065
Germany	**1 849**	2 003	2 579
Italy	**1 342**	1 168	1 243
France	**1 273**	1 260	1 085
United Arab Emirates	**925**	619	316
Thailand	**827**	908	445
Brazil	**773**	892	1 056
Poland	**582**	590	478

10 major countries, personnel, Dec. 31

	2002	2001	2000
Finland	**22 535**	22 246	24 379
USA	**6 661**	7 298	8 765
China	**4 778**	5 202	5 675
Germany	**3 620**	3 892	4 747
UK	**2 139**	2 286	2 777
Hungary	**1 975**	1 937	1 972
Brazil	**1 466**	1 413	1 260
Denmark	**1 176**	1 166	1 266
Mexico	**1 158**	1 198	1 122
South-Korea	**821**	864	937

1 EUR	Main currencies, rates at the year-end 2002
USD	**1.0247**
GBP	**0.6439**
SEK	**9.1144**
JPY	**124.17**

Review by the Board of Directors 2002

Nokia's net sales in 2002 decreased by 4% compared with 2001 and totaled EUR 30 016 million (EUR 31 191 million in 2001). Sales in Nokia Mobile Phones were flat at EUR 23 211 million (EUR 23 158 million) and decreased in Nokia Networks by 13% to EUR 6 539 million (EUR 7 534 million). Sales decreased in Nokia Ventures Organization by 22% to EUR 459 million (EUR 585 million).

Operating profit in 2002 increased by 42% and totaled EUR 4 780 million (EUR 3 362 million in 2001). Operating margin was 15.9% (10.8% in 2001). Operating profit in Nokia Mobile Phones increased by 15% to EUR 5 201 million (EUR 4 521 million in 2001). Operating loss in Nokia Networks decreased to EUR 49 million (operating loss of EUR 73 million in 2001). Operating margin in Nokia Mobile Phones was 22.4% (19.5% in 2001), while the operating margin in Nokia Networks was –0.7% (–1.0% in 2001). Nokia Ventures Organization showed an operating loss of EUR 141 million (operating loss of EUR 855 million in 2001). Common Group Expenses totaled EUR 231 million (EUR 231 million in 2001).

During 2002, operating profit was negatively impacted by goodwill impairments of EUR 182 million and net customer financing impairment charges related to MobilCom of EUR 265 million.

Financial income totaled EUR 156 million in 2002 (EUR 125 million in 2001). Profit before tax and minority interests was EUR 4 917 million in 2002 (EUR 3 475 million in 2001). Net profit totaled EUR 3 381 million in 2002 (EUR 2 200 million in 2001). Earnings per share increased to EUR 0.71 (basic) and to EUR 0.71 (diluted) in 2002, compared with EUR 0.47 (basic) and EUR 0.46 (diluted) in 2001.

At December 31, 2002, net-debt-to-equity ratio (gearing) was –61% (–41% at the end of 2001). Total capital expenditures in 2002 amounted to EUR 432 million (EUR 1 041 million in 2001).

At the end of 2002, outstanding long-term loans to customers totaled EUR 1 056 million (compared with EUR 1 128 in 2001), while guarantees given on behalf of customers totaled EUR 91 million (EUR 127 million). In addition, Nokia had financing commitments totaling EUR 857 million (EUR 2 955 million) at the end of 2002. Of the total outstanding and committed customer financing of EUR 2 004 million (EUR 4 210 million), EUR 1 573 million (EUR 3 607 million) related to 3G networks.

Global reach

In 2002, Europe accounted for 54% of Nokia's net sales (49% in 2001), the Americas 22% (25%) and Asia-Pacific 24% (26%). The 10 largest markets were US, UK, China, Germany, Italy, France, UAE, Thailand, Brazil and Poland, together representing 60% of total sales.

Research and development

In 2002, Nokia continued to invest in its worldwide research and development network and co-operation. At year-end, Nokia had 19 579 R&D employees, approximately 38% of Nokia's total personnel. Nokia has R&D centers in 14 countries. Investments in R&D increased by 2% (16% in 2001) and totalled EUR 3 052 million (EUR 2 985 million in 2001), representing 10.2% of net sales (9.6% of net sales in 2001).

Joint initiatives

Open Mobile Alliance

As the mobile industry evolves into new applications and services, co-operation among industry players has intensified, facilitating the faster adoption of mobile services as well as market growth for the entire mobile industry. Nokia, an active promoter of the Open Mobile Architecture initiative, launched in November 2001, was a founding member of the Open Mobile Alliance, which naturally evolved from this. Since its inception in June 2002, the Open Mobile Alliance has rapidly expanded from around 180 members to include more than 300 companies, representing leading mobile operators, device and network suppliers, IT companies and content providers.

People

The average number of personnel for 2002 was 52 714 (57 716 for 2001). At the end of 2002, Nokia employed 51 748 people worldwide (53 849 at year-end 2001). In 2002, Nokia's personnel decreased by a total of 2 101 employees (decrease of 6 440 in 2001).

Employee Value Proposition

In a move to further attract, engage and retain a skilled workforce, Nokia this year developed an employee value proposition framework. The adaptation and implementation of this has already started at country levels to reflect and respond to local employee needs and expectations. The four fundamentals of the proposition are (1) the Nokia Way and Values, (2) performance-based rewarding, (3) professional and personal growth, and (4) work-life balance.

Corporate responsibility

During 2002, Nokia made clear progress in the area of corporate responsibility. Developments included the expansion of our global community involvement program (Make a Connection) to 12 countries, reaching over one million people; the introduction of a company-wide diversity program

Net sales by business group Jan. 1 – Dec. 31	2002 EURm	%	2001 EURm	%	Change %
Nokia Mobile Phones	**23 211**	**77**	23 158	74	
Nokia Networks	**6 539**	**22**	7 534	24	–13
Nokia Ventures Organization	**459**	**1**	585	2	–22
Inter-business group eliminations	**–193**		–86		
Nokia Group	**30 016**	**100**	31 191	100	–4

Operating profit by business group, IAS Jan. 1 – Dec. 31	2002 EURm	% of net sales	2001 EURm	% of net sales
Nokia Mobile Phones	**5 201**	**22.4**	4 521	19.5
Nokia Networks	**–49**	**–0.7**	–73	–1.0
Nokia Ventures Organization	**–141**	**–30.7**	–855	–146.2
Common Group Expenses	**–231**		–231	
Nokia Group	**4 780**	15.9	3 362	10.8

aimed at preventing discrimination and increasing the productivity and innovation of teams; and further development and increased transparency in our product life-cycle management (related to our work in design for environment, supplier network management, manufacturing and end-of-life practices).

Nokia is actively participating in a number of international initiatives, such as those of Global Compact, UN ICT Task Force, International Youth Foundation, World Business Council for Sustainable Development and WWF. As a result of our performance in economic, environmental and social issues, and increased transparency in reporting, Nokia was again included in Socially Responsible Investment (SRI) benchmarks, such as Dow Jones Sustainability Indexes and the FTSE4Good.

In 2002, Nokia was named as the top stock held by SRI funds in Europe, according to an analysis of European SRI funds by the Sustainable Investment Research International Group (SiRi), a coalition of 12 national SRI research bodies.

Nokia Mobile Phones in 2002

Nokia Mobile Phones continued to renew its industry-leading product line-up, launching a record 34 new products during 2002, incorporating color, imaging, multimedia, mobile games and polyphonic ring tones. Of the total new phones launched, 14 had color screens and multimedia capability. This attests to the growing share of feature-rich phones offering advanced mobile services in the company's product portfolio.

During the year, Nokia launched its first WCDMA mobile phone, the Nokia 6650, which began deliveries to operators for testing in October 2002. The company also commenced shipments of its first CDMA2000 1X mobile phones in the Americas. These included the Nokia 6370, the Nokia 6385, the Nokia 3585, and the Nokia 8280.

In imaging, Nokia began shipping its iconic camera phone, the Nokia 7650, expanding the scope of the mobile market from voice to visual communications. Feedback from customers and users across the board has been extremely positive.

In the enterprise segment, the company expanded its product offering from the Nokia Communicator 9200 series to include the Nokia 6800 messaging device, with full QWERTY keypad optimized for personal and enterprise mobile e-mail.

In entertainment, Nokia announced it would bring mobility to gaming by offering console quality games for its new mobile game deck device category. Under a collaboration agreement with world leading games publisher, Sega, the two companies will develop games for the new Nokia N-Gage™ mobile game deck, which will run on the Nokia Series 60 platform and the Symbian operating system.

For the full year 2002, Nokia volumes reached a record level of 152 million units, representing faster than market growth of 9%, compared with 2001. Backed by Nokia's ongoing product leadership and user brand preference, Nokia has again increased its market share for the fifth consecutive year reaching about 38% for the full year 2002, bringing the company closer to its target of 40%.

During the year, Nokia Mobile Phones took steps to accelerate growth and enhance both agility and scale benefits with the introduction of a new operational structure. From May 1, nine new business units were each made responsible for product and business development within a defined market segment. This allowed Nokia to optimize its activities in these vertically-focused areas, while continuing to achieve broad economies of scale from horizontal functions such as application software development and the company's market-leading demand-supply network.

Nokia Networks in 2002

During the year, Nokia Networks signed 20 GSM network deals in Asia, China, Europe and the US, including three new customers.

Mobile Multimedia Messaging Services (MMS) became a reality in 2002, with its rapid implementation into most GSM operator networks. By year-end, Nokia Networks had delivered MMS solutions to well over 40 operators.

WCDMA 3G technology implementation moved to pre-commercial and commercial phase towards the end of 2002. Nokia signed 10 new 3G deals in Austria, Belgium, Germany, Ireland, Japan, the UK and Taiwan. In September, Nokia became the first vendor to commence volume deliveries of EDGE hardware across all major GSM bands and in all continents.

In broadband access, Nokia signed nine new contracts in 2002, and launched the Nokia D500 next generation multiservice broadband access platform for the US and ETSI markets.

The company also further strengthened its GSM/EDGE/WCDMA product family with several new products and solutions. Key launches included a high-availability server platform for use in All-IP mobility networks, and the Nokia LTX, a linear transceiver product family of base station modules that support the definition of Open IP Base Station Architecture.

During the year, Nokia took measures to align its operations to better reflect current market capacity and conditions, reducing the number of employees in its delivery and maintenance services as well as in production. Nokia also streamlined its professional mobile radio unit to reflect the slower than expected take-off of this market.

Nokia Ventures Organization in 2002

Despite overall flat IT spending and slow growth in the corporate network security market throughout 2002, Nokia Internet Communications maintained the same level of sales and market share in the enterprise firewall/VPN appliance segment as the previous year, as well as significantly improving its operational efficiency.

Highlights for the year include the introduction of a record number of new products and solutions that both expand Nokia's network security appliance portfolio and respond to emerging market opportunities. Extending mobility to enterprise workforces, protecting corporate e-mail content and providing firewall/VPN benefits to remote offices were promising growth areas addressed with new product offerings from Nokia. To help foster the creation of new security applications to complement Nokia's own solutions, the Nokia Security Developers Alliance was launched in July. Looking forward to 2003, Nokia Internet Communications remains committed to building a leading position in the corporate network security market and extending mobility to enterprises.

For Nokia Home Communications, sales in 2002 clearly declined as the unit began a migration towards emerging horizontal markets with the launch of new types of terminals focused on horizontal terrestrial and satellite markets, providing digital viewers access to a broad range of digital services. Products, such as the Nokia Mediamaster 230 S, introduced Bluetooth-enabled interoperability to the home environment in the second half of the year.

Changes in share capital

In 2002, Nokia's share capital increased by EUR 3 022 621.20 as a result of the issue of 50 377 020 new shares upon exercise of warrants and stock options issued to key personnel in 1997 and 1999.

On December 31, 2002, Nokia Group companies owned 1 145 621 Nokia shares. The shares had an aggregate nominal value of EUR 68 737.26 representing 0.02% of the share capital of the company and the total voting rights.

The total number of shares at December 31, 2002 was 4 787 907 141. As a result of the new share issues, Nokia received a total of EUR 162 827 165.74 in additional shareholders' equity in 2002. At December 31, 2002, Nokia's share capital was EUR 287 274 428.46.

Parent company

Effective July 1, Nextrom Holding S.A., a publicly listed corporation organized under the laws of Switzerland, became a subsidiary of 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 2002, Nokia confirmed its ability to perform well in a challenging environment, translating core strengths of leading brand, excellence in execution and continuous product renewal into strong profitability. Going into 2003, the company expects market conditions to remain challenging, but will continue to build on Nokia's industry-leading position, seeking to achieve high profitability as well as to grow market share in its two main businesses.

As market leader and a global company, Nokia takes its responsibilities seriously. Sound company ethics makes business sense by helping minimize risk, ensuring legal compliance, and building reputation amongst stakeholders. By conducting business in a responsible way, Nokia can make a significant contribution to sustainable development, at the same time building a strong foundation for economic growth.

Dividend

Nokia's Board of Directors will propose a dividend of EUR 0.28 per share in respect of 2002.

Consolidated profit and loss accounts, IAS

Financial year ended Dec. 31	Notes	2002 EURm	2001 EURm	2000 EURm
Net sales		**30 016**	31 191	30 376
Cost of sales		**–18 278**	–19 787	–19 072
Research and development expenses		**–3 052**	–2 985	–2 584
Selling, general and administrative expenses	6,7	**–3 239**	–3 523	–2 804
Customer finance impairment charges, net	7	**–279**	–714	–
Impairment of goodwill	7	**–182**	–518	–
Amortization of goodwill	9	**–206**	–302	–140
Operating profit	2, 3, 4, 5, 6, 7, 9	**4 780**	3 362	5 776
Share of results of associated companies	32	**–19**	–12	–16
Financial income and expenses	10	**156**	125	102
Profit before tax and minority interests		**4 917**	3 475	5 862
Tax	11	**–1 484**	–1 192	–1 784
Minority interests		**–52**	–83	–140
Net profit		**3 381**	2 200	3 938

Earnings per share	28	2002 EUR	2001 EUR	2000 EUR
Basic		**0.71**	0.47	0.84
Diluted		**0.71**	0.46	0.82

Average number of shares (1 000 shares)	28	2002	2001	2000
Basic		**4 751 110**	4 702 852	4 673 162
Diluted		**4 788 042**	4 787 219	4 792 980

See Notes to consolidated financial statements.

Consolidated balance sheets, IAS

Dec. 31	Notes	2002 EURm	2001 EURm
ASSETS			
Fixed assets and other non-current assets			
Capitalized development costs	12	**1 072**	893
Goodwill	12	**476**	854
Other intangible assets	12	**192**	237
Property, plant and equipment	13	**1 874**	2 514
Investments in associated companies	14	**49**	49
Available-for-sale investments	15	**238**	399
Deferred tax assets	24	**731**	832
Long-term loans receivable	16	**1 056**	1 128
Other non-current assets		**54**	6
		5 742	6 912
Current assets			
Inventories	17, 19	**1 277**	1 788
Accounts receivable	18, 19	**5 385**	5 719
Prepaid expenses and accrued income	18	**1 156**	1 480
Other financial assets		**416**	403
Available-for-sale investments	15, 34	**7 855**	4 271
Bank and cash	34	**1 496**	1 854
		17 585	15 515
Total assets		**23 327**	22 427

Dec. 31	Notes	2002 EURm	2001 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	21	**287**	284
Share issue premium		**2 225**	2 060
Treasury shares, at cost		**–20**	–21
Translation differences		**135**	326
Fair value and other reserves	20	**–7**	20
Retained earnings	22	**11 661**	9 536
		14 281	12 205
Minority interest		**173**	196
Long-term liabilities	23		
Long-term interest-bearing liabilities		**187**	207
Deferred tax liabilities	24	**207**	177
Other long-term liabilities		**67**	76
		461	460
Current liabilities			
Short-term borrowings	25	**377**	831
Accounts payable		**2 954**	3 074
Accrued expenses	26	**2 611**	3 477
Provisions	27	**2 470**	2 184
		8 412	9 566
Total shareholders' equity and liabilities		**23 327**	22 427

See Notes to consolidated financial statements.

Consolidated cash flow statements, IAS

Financial year ended Dec. 31	Notes	2002 EURm	2001 EURm	2000 EURm
Cash flow from operating activities				
Net profit		**3 381**	2 200	3 938
Adjustments, total	33	**3 151**	4 132	2 805
Net profit before change in net working capital		**6 532**	6 332	6 743
Change in net working capital	33	**955**	978	–1 377
Cash generated from operations		**7 487**	7 310	5 366
Interest received		**229**	226	255
Interest paid		**–94**	–155	–115
Other financial income and expenses		**139**	99	–454
Income taxes paid		**–1 947**	–933	–1 543
Net cash from operating activities		**5 814**	6 547	3 509
Cash flow from investing activities				
Acquisition of Group companies, net of acquired cash (2002: EUR 6 million, 2001: EUR 12 million, 2000: EUR 2 million)		**–10**	–131	–400
Purchase of non-current available-for-sale investments		**–99**	–323	–111
Additions to capitalized development costs		**–418**	–431	–393
Long-term loans made to customers		**–563**	–1 129	–776
Proceeds from repayment and transfers of long-term loans receivable		**314**	–	–
Proceeds from (+) / payment of (–) other long-term receivables		**–32**	84	–
Proceeds from (+) / payment of (–) short-term loans receivable		**–85**	–114	378
Capital expenditures		**–432**	–1 041	–1 580
Proceeds from disposal of shares in Group companies, net of disposed cash		**93**	–	4
Proceeds from sale of non-current available-for-sale investments		**162**	204	75
Proceeds from sale of fixed assets		**177**	175	221
Dividends received		**25**	27	51
Net cash used in investing activities		**–868**	–2 679	–2 531
Cash flow from financing activities				
Proceeds from stock option exercises		**163**	77	72
Purchase of treasury shares		**–17**	–21	–160
Capital investment by minority shareholders		**26**	4	7
Proceeds from long-term borrowings		**100**	102	–
Repayment of long-term borrowings		**–98**	–59	–82
Proceeds from (+) / repayment of (–) short-term borrowings		**–406**	–602	133
Dividends paid		**–1 348**	–1 396	–1 004
Net cash used in financing activities		**–1 580**	–1 895	–1 034
Foreign exchange adjustment		**–163**	–43	80
Net increase in cash and cash equivalents		**3 203**	1 930	24
Cash and cash equivalents at beginning of period		**6 125**	4 183	4 159
Cash and cash equivalents at end of period		**9 328**	6 113	4 183

	2002 EURm	2001 EURm	2000 EURm
Change in net fair value of current available-for-sale investments	**23**	12	–
As reported on balance sheet	**9 351**	6 125	4 183
Movement in cash and cash equivalents:			
At beginning of year, as previously reported	**6 125**	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	**6 125**	4 225	4 159
Net fair value gains (+) / losses (–) on current available-for-sale investments	**23**	–30	–
Net increase in cash and cash equivalents	**3 203**	1 930	24
As reported on balance sheet	**9 351**	6 125	4 183
At end of year, comprising:			
Bank and cash	**1 496**	1 854	1 409
Current available-for-sale investments	**7 855**	4 271	2 774
	9 351	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.

Consolidated statements 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 related to acquisitions	10 021	1	484					485
Stock options exercised	32 128	2	70					72
Stock options issued on acquisitions			75					75
Stock options exercised related to acquisitions			–13					–13
Acquisition of treasury shares	–3 252			–160				–160
Reissuance of treasury shares	557			27				27
Dividend							–931	–931
Translation differences					104			104
Change in accounting policy							–206	–206
Other increase, 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 related to acquisitions	18 329	1	331					332
Stock options exercised	23 057	1	76					77
Stock options issued on acquisition			20					20
Stock options exercised related to acquisitions			–10					–10
Acquisition of treasury shares	–995			–21				–21
Reissuance of treasury shares	3 778		–52	157				105
Dividend							–1 314	–1 314
Translation differences					65			65
Net investment hedge losses					–86			–86
Cash flow hedges, net						76		76
Available-for-sale investments, net						0		0
Other increase, 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
Stock options exercised	50 377	3	160					163
Stock options exercised related to acquisitions			–17					–17
Tax benefit on stock options exercised			22					22
Acquisition of treasury shares	–900			–17				–17
Reissuance of treasury shares	983			18				18
Dividend							–1 279	–1 279
Translation differences					–285			–285
Net investment hedge gains					94			94
Cash flow hedges, net of tax						60		60
Available-for-sale investments, net of tax						–87		–87
Other increase, net							23	23
Net profit							3 381	3 381
Balance at Dec. 31, 2002	**4 786 762**	**287**	**2 225**	**–20**	**135**	**–7**	**11 661**	**14 281**

Dividends declared per share were EUR 0.28 for 2002 (EUR 0.27 for 2001 and 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 (IAS 39). The effects of adopting the standard are summarized in the consolidated statement of changes in shareholders' equity, and further information is disclosed in the 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 net profit. 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 periods presented 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.

Goodwill

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.

The Group assesses the carrying value of goodwill annually or, more frequently, if events or changes in circumstances indicate that such carrying value may not be recoverable. If such indication exists the recoverable amount is determined for the cash-generating unit, to which goodwill belongs. This amount is then compared to the carrying amount of the cash-generating unit and any impairment loss is recognized if the recoverable amount is less than the carrying amount. Impairment losses are recognized immediately in the profit and loss account.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual 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 with the exception of goodwill arising on the acquisition of a foreign company which is translated to euro at historical rates. 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 all or part of a foreign Group company by sale, liquidation, repayment of share capital or abandonment, the cumulative amount or proportionate share 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. 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 of, the related accumulated fair value changes are recycled from shareholders' equity into the profit and loss account. An impairment is recorded when the carrying amount of an available for sale investment is greater than the estimated fair value and there is objective evidence that the asset is impaired. The cumulative net loss relating to that investment is removed from equity and recognized in the profit and loss account for the period. If, in a subsequent period, the fair value of the investment increases and the increase can be objectively related to an event occurring after the loss was recognized, the loss is reversed, with the amount of the reversal included in 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 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. In assessing the fair value of embedded derivatives the Group uses a variety of methods, such as option pricing models and discounted cash flow analysis, and makes assumptions that are based on market conditions existing at each 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 certain forward foreign exchange contracts and options, or option strategies, which have zero net premium or a net premium paid, and where the critical terms of the bought and sold options within a collar or zero premium structure are the same and where the nominal amount of the sold option component is no greater than that of the bought option.

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 as adjustments to sales or to cost of sales in the profit and loss account.

Accumulated fair value changes from qualifying hedges are released from shareholders' equity into the profit and loss account as adjustments to sales and cost of sales, 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 as adjustments to sales and cost of sales, 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 the 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 generally measured by reference to cost incurred to date as a percentage of estimated total project costs. The milestone output method is applied when the nature of the individual projects indicates that a milestone method is the most applicable measure of progress.

The percentage of completion method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing that project. Recognized revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become known and estimable. Losses on projects in progress are recognized immediately when known and estimable.

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 between two and five 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 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.

Pensions

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.

An allowance is recorded for obsolescence.

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 carry forward 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. Tax benefits on options exercised in the United States are credited to share issue 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 the estimated liability for non-cancellable purchase commitments for inventory in excess of forecasted requirements at each balance sheet date.

The Group recognizes a provision for the estimated future settlements related to asserted and unasserted Intellectual Property Rights (IPR) infringements, based on the probable outcome of each case as of each balance sheet date.

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 (IAS 33). 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 stock options outstanding during the period.

2. Segment information

Nokia is organized on a worldwide basis into three primary business segments: Nokia Mobile Phones, Nokia Networks, 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 Mobile Phones develops, manufactures and supplies mobile phones and wireless data products, including a complete range of mobile phones for all major digital and analog standards worldwide.

Nokia Networks is a leading provider of mobile 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 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.

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.

Notes to the consolidated financial statements

2002, EURm	Nokia Mobile Phones	Nokia Networks	Nokia Ventures Organization	Common Group Functions	Total reportable segments	Elimina-tions	Group
Profit and loss information							
Net sales to external customers	22 997	6 538	441	40	30 016		30 016
Net sales to other segments	214	1	18	–40	193	–193	–
Depreciation and amortization	546	542	33	190	1 311		1 311
Impairment and customer finance charges	–	400	83	55	538		538
Operating profit	5 201	–49	–141	–231	4 780		4 780
Share of results of associated companies	–	–	–	–19	–19		–19
Balance sheet information							
Capital expenditures [1]	224	93	8	107	432		432
Segment assets [2]	4 888	6 163	114	965	12 130	–26	12 104
of which: Investments in associated companies	–	–	–	49	49		49
Unallocated assets [3]							11 223
Total assets							23 327
Segment liabilities [4]	5 080	1 861	188	225	7 354	–24	7 330
Unallocated liabilities [5]							1 543
Total liabilities							8 873

2001, EURm	Nokia Mobile Phones	Nokia Networks	Nokia Ventures Organization	Common Group Functions	Total reportable segments	Elimina-tions	Group
Profit and loss information							
Net sales to external customers	23 107	7 521	563	–	31 191		31 191
Net sales to other segments	51	13	22	–	86	–86	–
Depreciation and amortization	642	511	115	162	1 430		1 430
Impairment and customer finance charges	–	925	307	80	1 312		1 312
Operating profit	4 521	–73	–855	–231	3 362		3 362
Share of results of associated companies	–	–	–	–12	–12		–12
Balance sheet information							
Capital expenditures [1]	377	288	23	353	1 041		1 041
Segment assets [2]	6 087	6 597	260	1 104	14 048	–160	13 888
of which: Investments in associated companies	–	–	–	49	49		49
Unallocated assets [3]							8 539
Total assets							22 427
Segment liabilities [4]	4 867	2 084	283	258	7 492	–132	7 360
Unallocated liabilities [5]							2 666
Total liabilities							10 026

2000, EURm	Nokia Mobile Phones	Nokia Networks	Nokia Ventures Organization	Common Group Functions	Total reportable segments	Elimina-tions	Group
Profit and loss information							
Net sales to external customers	21 844	7 708	824	–	30 376		30 376
Net sales to other segments	43	6	30	–	79	–79	–
Depreciation and amortization	467	354	102	86	1 009		1 009
Operating profit	4 879	1 358	–387	–74	5 776		5 776
Share of results of associated companies	–	–	–	–16	–16		–16

1 Including goodwill and capitalized development costs, capital expenditures amount to EUR 860 million in 2002 (EUR 2 064 million in 2001). The goodwill and capitalized development costs consist of EUR 41 million in 2002 (EUR 59 million in 2001) for Nokia Mobile Phones, EUR 377 million in 2002 (EUR 801 million in 2001) for Nokia Networks, EUR 1 million in 2002 (EUR 163 million in 2001) for Nokia Ventures Organization and EUR 9 million in 2002 (EUR 0 million in 2001) for Common Group Functions.

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 853 million in 2002 and EUR 1 106 million in 2001).

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 248 million in 2002 and EUR 1 077 million in 2001).

Net sales to external customers by geographic area	2002 EURm	2001 EURm	2000 EURm
Finland	**353**	453	494
USA	**4 665**	5 614	5 312
Great Britain	**3 111**	2 808	2 828
China	**2 802**	3 418	3 065
Germany	**1 849**	2 003	2 579
Other	**17 236**	16 895	16 098
Total	**30 016**	31 191	30 376

Segment assets by geographic area	2002 EURm	2001 EURm
Finland	**4 913**	5 087
USA	**1 777**	2 279
Great Britain	**627**	519
China	**1 107**	1 668
Germany	**431**	611
Other	**3 249**	3 724
Total	**12 104**	13 888

Capital expenditures by market area	2002 EURm	2001 EURm	2000 EURm
Finland	**188**	477	587
USA [1]	**71**	151	279
Great Britain	**27**	34	75
China	**47**	131	157
Germany	**21**	37	133
Other [1]	**78**	211	349
Total	**432**	1 041	1 580

[1] Including goodwill and capitalized development costs, capital expenditures amount to EUR 860 million in 2002 (EUR 2 064 million in 2001 and EUR 2 990 million in 2000). The goodwill and capitalized development costs consist of EUR 1 million in USA in 2002 (EUR 582 million in 2001 and EUR 567 in 2000) and EUR 427 million in other areas in 2002 (EUR 441 million in 2001 and EUR 843 in 2000).

3. Percentage of completion

Contract sales recognized under the percentage of completion method were approximately EUR 5.9 billion in 2002 (EUR 6.7 billion in both 2001 and 2000). Billings in advance of contract revenues, included in advance payments, were EUR 108 million at December 31, 2002 (EUR 146 million in 2001 and EUR 97 million in 2000). Contract revenues recorded prior to billings were EUR 573 million at December 31, 2002 (EUR 319 million in 2001 and EUR 418 million in 2000).

Revenue recognition on initial 3G network contracts started in 2002 when Nokia Networks reached the relevant milestones for its single-mode and dual-mode WCDMA 3G systems.

4. Personnel expenses

	2002 EURm	2001 EURm	2000 EURm
Wages and salaries	**2 531**	2 388	2 378
Pension expenses, net	**224**	193	54
Other social expenses	**385**	524	456
Personnel expenses as per profit and loss account	**3 140**	3 105	2 888

Pension expenses comprise EUR 167 million in 2002 (EUR 196 million in 2001 and EUR 93 million in 2000) in respect of multi-employer, insured and defined contribution plans.

	2002	2001	2000
Remuneration of the Chairman and the other members of the Board of Directors, Group Executive Board and Presidents and Managing Directors *	**19**	16	17
* Incentives included in remuneration	**4**	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:

	2002		2001	
	Domestic Plans EURm	**Foreign Plans EURm**	Domestic Plans EURm	Foreign Plans EURm
Fair value of plan assets	**636**	**126**	664	123
Present value of funded obligations	**–539**	**–261**	–530	–236
Surplus/(Deficit)	**97**	**–135**	134	–113
Unrecognized net actuarial (gains)/losses	**45**	**63**	4	48
Prepaid/(Accrued) pension cost in balance sheet	**142**	**–72**	138	–65

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

	2002 EURm	2001 EURm	2000 EURm
Current service cost	**58**	49	40
Interest cost	**47**	40	36
Expected return on plan assets	**–61**	–75	–78
Net actuarial losses (gains) recognized in year	**2**	–16	–24
Past service cost	**11**	–	–
Curtailment	**–**	–1	–
Total, included in personnel expenses	**57**	–3	–26

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

	2002 EURm	2001 EURm
Prepaid pension costs at beginning of year	**73**	55
Net income (expense) recognized in the profit and loss account	**–57**	3
Contributions paid	**54**	15
Prepaid pension costs at end of year	**70 ***	73 *

* Included within prepaid expenses and accrued income.

The principal actuarial weighted average assumptions used were as follows:

	2002		2001	
	Domestic %	**Foreign %**	Domestic %	Foreign %
Discount rate for determining present values	**5.50**	**5.58**	5.80	5.85
Expected long term rate of return on plan assets	**7.25**	**6.56**	7.50	6.49
Annual rate of increase in future compensation levels	**3.50**	**3.09**	4.00	3.05
Pension increases	**2.30**	**2.29**	2.80	2.87

The prepaid pension cost above is made up of a prepayment of EUR 150 million (EUR 146 million in 2001) and an accrual of EUR 80 million (EUR 73 million in 2001).

The domestic pension plan assets include Nokia securities with fair values of EUR 125 million in 2002 (EUR 332 million in 2001).

The foreign pension plans' assets include a loan provided to Nokia by the Group's German pension fund of EUR 66 million (EUR 66 million in 2001). See Note 31.

The actual return on plan assets was EUR –66 million in 2002 EUR –253 million in 2001).

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

	2002 EURm	2001 EURm	2000 EURm
Selling and marketing expenses	**–2 579**	–2 363	–2 103
Administration expenses	**–701**	–737	–754
Other operating expenses	**–292**	–605	–225
Other operating income	**333**	182	278
Total	**–3 239**	–3 523	–2 804

Other operating income for 2002 includes a gain of EUR 106 million relating to the sale of Nokia Venture Partners' investment in PayPal within Nokia Ventures Organization. Other operating expenses for 2002 are composed of various items which are individually insignificant.

Other operating expenses for 2001 include restructuring charges of EUR 166 million.

Other operating income for 2000 includes a pension credit of EUR 55 million relating to the change in accounting method for the Finnish pension plans. Other operating 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 1 174 million in 2002 (EUR 849 million in 2001 and EUR 853 million in 2000).

7. Impairment

2002, EURm	Nokia Mobile Phones	Nokia Networks	Nokia Ventures Organization	Common Group Functions	Group
Customer finance impairment charges, net	–	279	–	–	279
Impairment of goodwill	–	121	61	–	182
Impairment of available-for-sale investments	–	–	22	55	77
Total, net	–	400	83	55	538

2001, EURm					
Customer finance impairment charges	–	714	–	–	714
Impairment of goodwill	–	211	307	–	518
Impairment of available-for-sale investments	–	–	6	74	80
Total	–	925	313	74	1 312

During 2002, Nokia recorded net customer financing impairment charges of EUR 279 million. Of this amount, EUR 292 million was an impairment of loans receivable with a carrying value of approximately EUR 0.8 billion from MobilCom, a customer of Nokia Networks, as a result of financial difficulties of MobilCom. Such loans have been reduced to their estimated recoverable amounts, based on the estimated fair value of the subordinated convertible perpetual bonds of France Telecom S.A., a shareholder of MobilCom, that Nokia expects to receive as repayment for the loans to MobilCom pursuant to an agreement with France Telecom. The estimated fair value will be reassessed upon approval from the respective boards and shareholders of MobilCom and France Telecom. Also in 2002, Nokia received EUR 13 million as partial recovery of amounts written off in 2001 related to Dolphin.

During 2001, Nokia recorded an impairment charge of EUR 714 million to cover Nokia Networks' customer loans by EUR 669 million related to a defaulted financing to Telsim, a GSM operator in Turkey, and EUR 45 million relating to the insolvency of Dolphin in the UK. These charges resulted in a write-down of the company's total customer financing exposure to Telsim and Dolphin.

In 2002, Nokia has evaluated the carrying value of goodwill arising from certain acquisitions by determining if the carrying values of the net assets of the cash generating unit to which the goodwill belongs exceeds the recoverable amounts of that unit. In the Nokia Networks business, Nokia recorded an impairment charge of EUR 104 million on goodwill related to the acquisition of Amber Networks. The recoverable amount for Amber Networks has been derived from the value in use discounted cash flow projections which cover the estimated life of the Amber platform technology, using a discount rate of 15%. The remaining goodwill of EUR 207 million is being amortized over the expected useful life. The impairment is a result of significant declines in the market outlook for products under development. In the Nokia Networks business in 2001, Nokia recognized a goodwill impairment charge of EUR 170 million related to the acquisition of Nokia DiscoveryCom, as a result of a decision to discontinue the related product development.

In 2002 and 2001, Nokia recognized impairment losses of EUR 36 million and EUR 88 million, respectively, on goodwill related to the acquisition of Ramp Networks. In 2002 and 2001, Nokia recognized impairment losses of EUR 25 and EUR 181 million, respectively, on goodwill related to the acquisition of Network Alchemy. Both of these entities are part of the Nokia Internet Communications business unit of Nokia Ventures Organization. For the impairments in 2001 the recoverable amounts were calculated based on value in use discounted cash flow projections using a discount rate of 13%. The impairments in 2001 resulted from the restructuring of these businesses. In 2002, the remaining goodwill balances were written off as a result of decisions to discontinue the related product development.

Nokia recognized other minor goodwill impairment charges totaling EUR 17 million in 2002 (EUR 78 million in 2001).

During 2002 the company's investments in certain equity securities suffered a permanent decline in fair value resulting in impairment charges of EUR 77 million relating to non-current available-for-sale investments (EUR 80 million in 2001).

8. Acquisitions

In 2002, Nokia increased its voting percentage of 39.97% and holding percentage of 59.97% in Nextrom Holding S.A. to a voting percentage of 86.21% and a holding percentage of 79.33%. These increases resulted from a rights offering by Nextrom in June 2002 and by acquiring new registered and bearer shares in an offering by Nextrom in December 2002 both totaling EUR 13 million. The fair value of net assets acquired was EUR 4 million giving rise to goodwill of EUR 9 million.

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	**2002 EURm**	2001 EURm	2000 EURm
Intangible assets			
Capitalized development costs	**233**	169	118
Intangible rights	**65**	65	50
Goodwill	**206**	302	140
Other intangible assets	**28**	34	29
Property, plant and equipment			
Buildings and constructions	**37**	31	27
Machinery and equipment	**737**	811	615
Other tangible assets	**5**	18	30
Total	**1 311**	1 430	1 009

Depreciation and amortization by function			
Cost of sales	**314**	367	298
R&D	**473**	427	244
Selling, marketing and administration	**211**	264	230
Other operating expenses	**107**	70	97
Goodwill	**206**	302	140
Total	**1 311**	1 430	1 009

10. Financial income and expenses

	2002 EURm	2001 EURm	2000 EURm
Income from available-for-sale investments			
Dividend income	**25**	27	70
Interest income	**230**	215	212
Other financial income	**27**	24	17
Exchange gains and losses	**–29**	–25	–1
Interest expense	**–43**	–82	–115
Other financial expenses	**–54**	–34	–81
Total	**156**	125	102

11. Income taxes

	2002 EURm	2001 EURm	2000 EURm
Current tax	**–1 423**	–1 542	–1 852
Deferred tax	**–61**	350	68
Total	**–1 484**	–1 192	–1 784
Finland	**–1 102**	–877	–1 173
Other countries	**–382**	–315	–611
Total	**–1 484**	–1 192	–1 784

The differences between income tax expense computed at statutory rates (29% in Finland in 2002, 2001 and 2000) and income tax expense provided on earnings are as follows at December 31:

	2002 EURm	2001 EURm	2000 EURm
Income tax expense at statutory rate	**1 431**	1 011	1 689
Deduction for write-down of investments in subsidiaries	**–**	–37	–28
Amortization of goodwill	**59**	87	40
Impairment of goodwill	**70**	197	–
Provisions without income tax benefit/expense	**–10**	5	53
Taxes for prior years	**8**	23	53
Taxes on foreign subsidiaries' net income in excess of income taxes at statutory rates	**–59**	–106	–29
Operating losses with no current tax benefit	**6**	16	25
Other	**–21**	–4	–19
Income tax expense	**1 484**	1 192	1 784

At December 31, 2002 the Group had loss carryforwards, primarily attributable to foreign subsidiaries of EUR 425 million (EUR 75 million in 2001 and EUR 109 million in 2000), most of which will expire between 2006 and 2022.

Certain of the Group companies' income tax returns for periods ranging from 1998 through 2001 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

	2002 EURm	2001 EURm
Capitalized development costs		
Acquisition cost Jan. 1	**1 314**	1 097
Additions	**418**	431
Write-downs	**–25**	–214
Accumulated amortization Dec. 31	**–635**	–421
Net carrying amount Dec. 31	**1 072**	893
Goodwill		
Acquisition cost Jan. 1	**1 601**	1 570
Additions	**10**	592
Disposals	**–**	–43
Impairment charges (Note 7)	**–182**	–518
Accumulated amortization Dec. 31	**–953**	–747
Net carrying amount Dec. 31	**476**	854
Other intangible assets		
Acquisition cost Jan. 1	**533**	459
Additions	**75**	111
Disposals	**–72**	–33
Translation differences	**–12**	–4
Accumulated amortization Dec. 31	**–332**	–296
Net carrying amount Dec. 31	**192**	237

13. Property, plant and equipment

	2002 EURm	2001 EURm
Land and water areas		
Acquisition cost Jan. 1	**145**	143
Additions	**1**	14
Disposals	**–31**	–11
Translation differences	**–3**	–1
Net carrying amount Dec. 31	**112**	145
Buildings and constructions		
Acquisition cost Jan. 1	**918**	739
Additions	**9**	190
Disposals	**–7**	–6
Translation differences	**–9**	–5
Accumulated depreciation Dec. 31	**–171**	–147
Net carrying amount Dec. 31	**740**	771
Machinery and equipment		
Acquisition cost Jan. 1	**3 626**	3 343
Additions	**346**	780
Disposals	**–637**	–470
Translation differences	**–86**	–27
Accumulated depreciation Dec. 31	**–2 303**	–2 194
Net carrying amount Dec. 31	**946**	1 432
Other tangible assets		
Acquisition cost Jan. 1	**79**	74
Additions	**7**	45
Disposals	**–58**	–37
Translation differences	**–6**	–3
Accumulated depreciation Dec. 31	**–6**	–50
Net carrying amount Dec. 31	**16**	29
Advance payments and fixed assets under construction		
Acquisition cost Jan. 1	**137**	314
Additions	**35**	152
Disposals	**–68**	–73
Transfers to:		
Other intangible assets	**–7**	–3
Land and water areas	**–**	–4
Buildings and constructions	**–**	–84
Machinery and equipment	**–34**	–160
Translation differences	**–3**	–5
Net carrying amount Dec. 31	**60**	137
Total property, plant and equipment	**1 874**	2 514

14. Investments in associated companies

	2002 EURm	2001 EURm
Net carrying amount Jan. 1	**49**	61
Additions	**24**	7
Write-downs	**–**	–6
Share of results	**–19**	–12
Translation differences	**1**	–1
Other movements	**–6**	–
Net carrying amount Dec. 31	**49**	49

In 2001, Nextrom Holding S.A. was accounted for under the equity method. Due to the increase of Nokia's ownership in 2002 Nextrom Holding S.A. has been fully consolidated for accounting purposes from the date of increased ownership which is reflected in other movements. Shareholdings in associated companies include no listed investments in 2002 (EUR 6 million in 2001 with fair value, based on quoted market prices, of EUR 19 million in 2001). See note 8.

15. Available-for-sale investments

	2002 EURm	2001 EURm
At Jan. 1 as originally stated (cost)		3 111
On adoption of IAS 39 at January 1, 2001 remeasurement to fair value		58
Fair value at Jan. 1	**4 670**	3 169
Additions, net	**3 587**	1 581
Decrease in fair value	**–87**	–
Impairment charges (Note 7)	**–77**	–80
Fair value at Dec. 31	**8 093**	4 670
Non-current	**238**	399
Current	**7 855**	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, where the fair value cannot be measured reliably. Such unlisted equities are carried at cost, less impairment (EUR 48 million in 2002 and EUR 153 million in 2001). Fair value for equity investments traded in active markets and for unlisted equities, where the fair value can be measured reliably, is EUR 190 million in 2002 and EUR 169 million in 2001. Fair value for equity investments traded in active markets is determined by using exchange quoted bid prices. For other investments, fair value is estimated by using 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

Long-term loans receivable consists of loans made to customers principally to support their financing of network infrastructure purchased from Nokia Networks, net of allowances and write-offs (see Note 7), are repayable as follows:

	2002 EURm	2001 EURm
Under 1 year	**–**	–
Between 1 and 2 years	**494**	643
Between 2 and 5 years	**–**	341
Over 5 years	**562**	144
	1 056	1 128

17. Inventories

	2002 EURm	2001 EURm
Raw materials, supplies and other	**534**	741
Work in progress	**432**	582
Finished goods	**311**	465
Total	**1 277**	1 788

18. Receivables

Prepaid expenses and accrued income mainly consist of VAT and tax receivables, prepaid pension costs, accrued interest income and other accruals.

Accounts receivable include EUR 21 million (EUR 25 million in 2001) due more than 12 months after the balance sheet date.

19. Valuation and qualifying accounts

Allowances on assets to which they apply:	Balance at beginning of year EURm	Charged to cost and expenses EURm	Charged to other accounts EURm	Deductions [1] EURm	Balance at end of year EURm
2002					
Doubtful accounts receivable	217	186	–	–103	300
Long-term loans receivable	13	–	–	–13	–
Inventory obsolescence	314	318	–	–342	290
2001					
Doubtful accounts receivable	236	108	–	–127	217
Long-term loans receivable	59	–	–	–46	13
Inventory obsolescence	263	334	–	–283	314
2000					
Doubtful accounts receivable	87	203	–	–54	236
Long-term loans receivable	–	59	–	–	59
Inventory obsolescence	168	457	–	–362	263

[1] Deductions include utilization and releases of the allowances.

20. Fair value and other reserves

Balance at Jan. 1, 2001	Hedging reserve EURm	Available-for-sale investments, EURm	Total EURm
Effect of adopting IAS 39;			
Fair valuation of current available-for-sale securities		43	43
Fair valuation of non-current available-for-sale securities		15	15
Transfer of gains and losses on qualifying cash flow hedging derivatives	−114		−114
Balance at Jan. 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 Dec. 31, 2001	**−38**	**58**	**20**
Cash flow hedges:			
Fair value gains/(losses) in period	60		60
Available-for-sale investments:			
Net fair value gains/(losses)		−155	−155
Transfer to profit and loss account on impairment		67	67
Transfer to profit and loss account on disposal		1	1
Balance at Dec. 31, 2002 [1, 2]	**22**	**−29**	**−7**

[1] The tax on the balance of the cash flow hedges was EUR −9 million.

[2] The tax on the balance of the available-for-sale investments was EUR −16 million.

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 above. 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.

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 cash flows and the hedges allocated thereto, to ensure that the amounts transferred to the Hedging Reserve during the year ended December 31, 2002 and 2001 do not include gains/losses on 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 recorded in the Fair value and other reserve at December 31, 2002 on open forward foreign exchange contracts which hedge anticipated future foreign currency sales or purchases are 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. The shares of the Parent Company

See note 18 to Notes to the financial statements of the Parent company.

22. Distributable earnings

	2002, EURm
Retained earnings	11 661
Translation differences (distributable earnings)	–178
Treasury shares	–20
Other non-distributable items	
Portion of untaxed reserves	2
Distributable earnings Dec. 31	11 465

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, 2002 EURm	Repayment date beyond 5 years EURm	Outstanding Dec. 31, 2001 EURm
Long-term loans are repayable as follows:			
Bonds	62	–	90
Loans from financial institutions	98	–	76
Loans from pension insurance companies	15	–	25
Other long-term finance loans	12	–	16
Other long-term liabilities	67	67	76
	254	67	283
Deferred tax liabilities	207		177
Total long-term liabilities	461		460

The long-term liabilities excluding deferred tax liabilities as of December 31, 2002 mature as follows:

	EURm	Per cent of total
2003	–	–
2004	161	63.40%
2005	26	10.20%
2006	–	–
2007	–	–
Thereafter	67	26.40%
	254	100.00%

The currency mix of the Group long-term liabilities as at December 31, 2002 was as follows:

EUR	CNY	GBP	Others
30.39%	26.22%	24.43%	18.96%

The long-term loan portfolio includes a fixed-rate loan with a face amount of GBP 40 million that matures in 2004. The loan has been callable by the creditor on a three-month notice basis since 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, 2002.

The Group has committed credit facilities totaling USD 2.6 billion. 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, 2002 and 2001 the weighted average interest rate on loans from financial institutions was 8.44% and 6.0%, respectively.

Bonds:	Million	Interest	2002 EURm	2001 EURm
1989 – 2004	40.0 GBP	11.375%	62	65
1993 – 2003	150.0 FIM	Floating	–	25
			62	90

24. Deferred taxes

	2002 EURm	2001 EURm
Deferred tax assets:		
Intercompany profit in inventory	**48**	114
Tax losses carried forward	**109**	42
Warranty provision	**118**	214
Other provisions	**183**	327
Other temporary differences	**168**	135
Untaxed reserves	**105**	–
Total deferred tax assets	**731**	832
Deferred tax liabilities:		
Untaxed reserves	**–33**	–21
Fair value gains/losses	**–25**	–11
Other	**–149**	–145
Total deferred tax liabilities	**–207**	–177
Net deferred tax asset	**524**	655

The tax (charged)/credited to shareholders' equity is as follows:	2002 EURm	2001 EURm
Fair value and other reserves, fair value gains/losses	**–25**	–11

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, 2002 the Group had loss carryforwards of EUR 91 million (EUR 8 million in 2001) for which no deferred tax asset was recognized due to uncertainty of utilization of these loss carryforwards. These loss carryforwards will expire in years 2006 through 2010.

25. Short-term borrowings

Short-term borrowings consist primarily of borrowings from banks denominated in different foreign currencies. The weighted average interest rate at December 31, 2002 and 2001 is 6.01% and 4.9%, respectively.

26. Accrued expenses

	2002 EURm	2001 EURm
Social security, VAT and other taxes	**385**	1 339
Wages and salaries	**212**	217
Prepaid income	**196**	294
Other *	**1 818**	1 627
Total	**2 611**	3 477

* Other includes various amounts which are individually insignificant.

27. Provisions

	Warranty EURm	IPR infringements EURm	Other EURm	Total EURm
At Jan. 1, 2002	1 207	201	776	2 184
Exchange differences	–27	–	–	–27
Additional provisions	1 389	93	27	1 509
Change in fair value	–	–	–58	–58
Unused amounts reversed	–7	–	–18	–25
Charged to profit and loss account	1 382	93	–49	1 426
Utilized during year	–959	–21	–133	–1 113
At Dec. 31, 2002	1 603	273	594	2 470

	2002 EURm	2001 EURm
Analysis of total provisions at December 31:		
Non-current	**460**	465
Current	**2 010**	1 719

The IPR provision is based on estimated future settlements for asserted and unasserted past IPR infringements. Final resolution of IPR claims generally occurs over several periods. This results in varying usage of the provision year to year.

Other provisions mainly include provisions for non-cancellable purchase commitments, tax provisions and a provision for social security costs on stock options.

28. Earnings per share

	2002	2001	2000
Numerator/EURm			
Basic/Diluted:			
Net profit	**3 381**	2 200	3 938
Denominator/1 000 shares			
Basic:			
Weighted average shares	**4 751 110**	4 702 852	4 673 162
Effect of dilutive securities: stock options	**36 932**	84 367	119 818
Diluted:			
Adjusted weighted average shares and assumed conversions	**4 788 042**	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 stock options outstanding during the period.

29. Commitments and contingencies

	2002 EURm	2001 EURm
Collateral for our own commitments		
Property under mortgages	**18**	18
Assets pledged	**13**	4
Contingent liabilities on behalf of Group companies		
Other guarantees	**339**	505
Collateral given on behalf of other companies		
Securities pledged [1]	**34**	33
Contingent liabilities on behalf of other companies		
Guarantees for loans [1]	**57**	95
Financing commitments		
Customer financing [1]	**857**	2 995

[1] See also Note 34(b).

The amounts above represent the maximum principal amount of commitments and contingencies.

Property under mortgages given as collateral for our own commitments include mortgages given to the Finnish National Board of Customs as a general indemnity of EUR 18 million in 2002 (EUR 18 million in 2001).

Assets pledged for the Group's own commitments include inventories and available-for-sale investments of EUR 3 million and EUR 10 million, respectively, in 2002 (EUR 4 million of inventories in 2001).

Other guarantees include guarantees of Nokia's performance of EUR 332 million in 2002 (EUR 505 million in 2001). These guarantees are provided to certain Nokia Networks' customers in the form of bank guarantees, standby letters of credit and other similar instruments. These instruments entitle the customer to claim payment as compensation for nonperformance by Nokia of its obligations under network infrastructure supply agreements. Depending on the nature of the instrument, compensation is payable either immediately upon request, or subject to independent verification of nonperformance by Nokia.

Securities pledged and guarantees for loans on behalf of other companies of EUR 91 million in 2002 (EUR 127 million in 2001) represent guarantees relating to payment by certain Nokia Networks' customers under specified loan facilities between such customers and their creditors. Nokia's obligations under such guarantees are released upon the earlier of expiration of the guarantee or early payment by the customer. The majority of the financial guarantees is expected to expire by 2004.

Financing commitments of EUR 857 million in 2002 (EUR 2 955 million in 2001) are available under loan facilities negotiated with customers of Nokia Networks. Availability of the amounts is dependent upon the borrower's continuing compliance with stated financial and operational covenants and compliance with other administrative terms of the facility. The loans are primarily available to fund capital expenditure relating to purchases of network infrastructure equipment and services from Nokia Networks, though some portion of certain loans could be used to fund interest on the same facility, or working capital requirements. Certain loans are partially secured through either guarantees by the borrower's direct or indirect parent or other group companies, or shares and/or other assets of the borrower, its parent or other entities under common ownership.

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.

The Group is party to routine litigation incidental to the normal conduct of business. In the opinion of management, the outcome of and liabilities in excess of what has been provided for related to these proceedings, in the aggregate, are not likely to be material to the financial condition or results of operations.

As of December 31, 2002, the Group had purchase commitments of EUR 949 million relating to inventory purchase obligations, primarily for purchases in 2003.

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:

2002		Operating lease
Leasing payments, EURm	2003	189
	2004	125
	2005	88
	2006	75
	2007	72
	Thereafter	155
	Total	704

Rental expense amounted to EUR 384 million in 2002 (EUR 393 million in 2001 and 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 0.2% 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 part of 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, 2002 is EUR 12 million (EUR 182 million in 2001). The fair value of the equity swaps at December 31, 2002 is EUR 0 million (EUR 10 million in 2001).

At December 31, 2002 the Group has a contribution payment liability to Nokia Pension Foundation amounting to EUR 14 million (EUR 21 million in 2001) included in accrued expenses.

At December 31, 2002 the Group had borrowings amounting to EUR 66 million (EUR 66 million in 2001) from Nokia Unterstützungskasse mbH, the Group's German pension fund, which is a separate legal entity.

The Group recorded net rental expense of EUR 2 million in 2002 (EUR 4 million in 2001 and 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, 2002 or 2001. See Note 4, Personnel expenses, for officers and directors remunerations.

32. Associated companies

	2002 EURm	2001 EURm	2000 EURm
Share of results of associated companies	**–19**	–12	–16
Dividend income	**1**	–	1
Share of shareholders' equity of associated companies	**30**	41	45
Receivables from associated companies			
Accounts receivable	**–**	–	4
Short-term loans receivable	**–**	2	1
Long-term loans receivable	**–**	–	31
Liabilities to associated companies	**7**	–	–

33. Notes to cash flow statement

	2002 EURm	2001 EURm	2000 EURm
Adjustments for:			
Depreciation and amortization (Note 9)	**1 311**	1 430	1 009
(Profit)/loss on sale of property, plant and equipment and available-for-sale investments	**–92**	148	–42
Income taxes (Note 11)	**1 484**	1 192	1 784
Share of results of associated companies (Note 32)	**19**	12	16
Minority interest	**52**	83	140
Financial income and expenses (Note 10)	**–156**	–125	–102
Impairment charges	**524**	1 312	–
Other	**9**	80	–
Adjustments, total	**3 151**	4 132	2 805
Change in net working capital			
Decrease (increase) in short-term receivables	**25**	–286	–2 304
Decrease (increase) in inventories	**243**	434	–422
Increase in interest-free short-term liabilities	**687**	830	1 349
Change in net working capital	**955**	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 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.

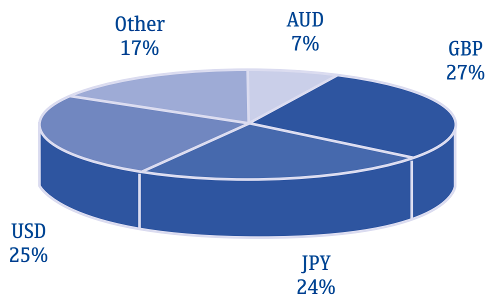
Market risk

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 (USD), British pound Sterling (GBP) and Australian dollar (AUD). 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 (JPY) and U.S. dollar.

Break-down by currency of the underlying foreign exchange transaction exposure December 31, 2002



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 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 the Group transaction foreign exchange exposure, including hedging transactions and Treasury exposures for netting and risk management purposes, with a one-week horizon and 95% confidencial level, are shown below.

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

VaR	**2002**	2001
31.12.	**5.9**	16.0
Average	**14.3**	20.2
Range	**4.9–27.6**	16.0–32.7

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 methdology to assess and measure the interest rate risk in investment portfolio, which is 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 VaR, Nokia uses variance-covariance methodology. Volatilities and correlations are calculated from a one-year set of daily data. The VaR-based interest rate risk figures for an investement portfolio with a one-week horizon and 95% confidence level are shown below.

Treasury investment portfolio Value-at-Risk (EURm)

VaR	**2002**	2001
31.12.	**5.4**	6.4
Average	**5.1**	4.2
Range	**3.1–8.7**	1.8–8.1

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, 2002 was EUR 137 million (EUR 169 million in 2001).

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
31.12.	**6.5**	8.6
Average	**8.8**	6.4
Range	**5.5–19.0**	3.0–11.8

In addition to the listed equity holdings, Nokia invests in private equity through Nokia Venture Funds. The fair value of these available-for-sale equity investments at December 31, 2002 was 54 million U.S. dollars (130 million U.S. dollars in 2001). 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 swap and option contracts.

Credit risk

Customer Finance Credit Risk

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 actively mitigates, market conditions permitting, 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 credit approval process. The Credit Committee consists of the CFO, Group Controller, Head of Group Treasury and Head of Nokia Customer Finance.

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 ("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 of the loan balances. Nokia's credit risk to start-up operators ("greenfield operators") is substantially all to operators with investment grade sponsors.

At the end of December 31, 2002 our long-term loans to customers, net of allowances and write-offs, totaled EUR 1 056 million (EUR 1 128 million in 2001), while financial guarantees given on behalf of third parties totaled EUR 91 million (EUR 127 million in 2001). In addition, we had financing commitments totaling EUR 857 million (EUR 2 955 million in 2001). Total customer financing (outstanding and committed) stood at EUR 2 004 million (EUR 4 210 million in 2001).

Nokia sees that the current industry environment does not require material increases in customer financing. Our view is based on our experiences in customer interface in 2002 and current competitive environment in telecommunications industry in general. Customer financing continues to be requested by operators, but to a lesser extent and with lower importance than during the past years. In 2002 Nokia reduced substantially its customer financing exposure.

The term customer financing portfolio at December 31, 2002 was:

EURm	Outstanding	Financing Commitments	Total	%
Total Portfolio	**1 147**	**857**	**2 004**	**100**
Incumbent, Investment Grade/I.G. Sponsor	199	211	410	20
Incumbent, non-I.G. Sponsor	168	229	397	20
Total Incumbent	367	441	807	40
Greenfield, I.G. Sponsor	746	417	1 163	58
Greenfield, non-I.G. Sponsor	34	0	34	2
Total Greenfield	780	417	1 197	60

Financial credit risk

Financial instruments contain an element of risk of the counterparties being unable 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 quality.

Investments

Current Available-for-sale investments [1, 2, 3]	**2002 EURm**	2001 EURm
Government, long-term (bonds)	**1 244**	789
Government, short-term (bills)	**124**	–
Corporate, long-term (bonds)	**3 708**	1 475
Corporate, short-term (CP)	**2 779**	2 007
Total	**7 855**	4 271

	2002 EURm	2001 EURm
Fixed rate investments	**7 433**	4 143
Floating rate investments	**422**	128
Total	**7 855**	4 271

1 Available-for-sale investments are carried at fair value in 2002 and 2001.

2 Weighted average interest rate for Current available-for-sale investments was 3.54% in 2002 and 3.97% in 2001.

3 Included within current Available-for-sale investments is EUR 44 million and EUR 43 million of restricted cash at December 31, 2002 and 2001, respectively.

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 renewed the maturing USD 750 million 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 2003
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 2002.

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, 2002 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 our customers are minimized through preventive risk management measures or purchase of insurance. Insurance is purchased for risks which cannot be internally managed. Nokia's Insurance & Risk Finance function's objective is to ensure that Group's hazard risks, whether related to physical assets (e.g. buildings) or intellectual assets (e.g. Nokia brand) or potential liabilities (e.g. product liability) are optimally insured.

Nokia purchases both annual insurance policies for specific risks and multi-line multi-year insurance policies, where available. Nokia has concluded a Multi-Line Multi-Year Insurance covering a variety of the above mentioned risks in order to decrease the likelihood of non-anticipated sudden losses.

Notional amounts of derivative financial instruments [1]

	2002 EURm	2001 EURm
Foreign exchange forward contracts [2, 3]	**11 118**	20 978
Currency options bought [3]	**1 408**	1 328
Currency options sold [3]	**1 206**	1 209
Cash settled equity options [4]	**209**	–
Cash settled equity swaps [4]	**12**	182

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, 2002 notional amounts include contracts amounting to EUR 2 billion used to hedge the shareholders' equity of foreign subsidiaries (December 31, 2001 EUR 1.1 billion).

4 Cash settled equity swaps and options 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:

	2002 EURm	2001 EURm
Derivatives with positive fair value [1]:		
Forward foreign exchange contracts [2]	**235**	186
Currency options bought	**21**	11
Cash settled equity options	**28**	–
Cash settled equity swaps	**–**	10
Embedded derivatives [3]	**14**	6
Derivatives with negative fair value [1]:		
Forward foreign exchange contracts [2]	**–98**	–214
Currency options written	**–7**	–7

1 Out of the forward foreign exchange contracts and currency options, fair value EUR 36 million was designated for hedges of net investment in foreign subsidiaries as at December 31, 2002 (EUR 3 million at December 31, 2001) and reported in translation difference.

2 Out of the foreign exchange forward contracts, fair value EUR 31 million was designated for cash flow hedges as at December 31, 2002 (EUR –38 million at December 31, 2001) 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, 2002

		Parent holding %	Group majority %
US	Nokia Inc.		100.0
DE	Nokia GmbH	100.0	100.0
GB	Nokia UK Limited		100.0
KR	Nokia TMC Limited	100.0	100.0
CN	Beijing Capitel 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 System Co. Ltd		69.0

Shares in listed companies

Group holding more than 5%	Group holding %	Group voting %
Nextrom Holding S.A.	79.33	86.21
Nokian Renkaat Oyj/Nokian Tyres plc	18.9	18.9

As of December 31, 2001, Group holding percentage and Group voting percentage of Nextrom Holding S.A. were 59.97% and 39.97% (Nokia had agreed to abstain from exercising the voting rights relating to certain shares), respectively. In 2002, due to an increase of Nokia's ownership in Nextrom Holding S.A. the Group's holding percentage and Group's voting percentage became 79.33% and 86.21% respectively. Accordingly, Nextrom Holding S.A. has been fully consolidated for accounting purposes from the date of increased ownership. (See note 8)

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

Profit and loss accounts, FAS

Financial year ended Dec. 31	Notes	2002 EURm	2001 EURm
Net sales		**21 488**	6 047
Cost of sales		**–13 323**	–3 661
Gross margin		**8 165**	2 386
Marketing expenses		**–1 038**	–298
Research and development expenses		**–2 693**	–777
Administrative expenses		**–857**	–520
Other operating expenses		**–370**	–326
Other operating income	2	**166**	3 395
Operating profit	3, 4	**3 373**	3 860
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		**363**	512
Dividend income from other companies		**25**	28
Interest income from Group companies		**25**	61
Interest income from other companies		**1**	3
Other interest and financial income			
Interest income from Group companies		**122**	81
Interest income from other companies		**3**	5
Other financial income from other companies		**1**	10
Exchange gains and losses		**121**	–7
Interest expenses and other financial expenses			
Interest expenses to Group companies		**–25**	–18
Interest expenses to other companies		**–10**	–17
Other financial expenses		**–29**	–24
Financial income and expenses, total		**597**	634
Profit before extraordinary items, appropriations and taxes		**3 970**	4 494
Extraordinary items			
Group contributions		**119**	–214
Extraordinary items, total		**119**	–214
Profit before appropriations and taxes		**4 089**	4 280
Appropriations			
Difference between actual and planned depreciation, increase (–)/decrease (+)		**–**	–98
Income taxes			
for the year		**–1 098**	–90
from previous years		**–44**	–27
Net profit		**2 947**	4 065

[1] Nokia Mobile Phones Ltd., Nokia Networks Oy, Nokia Multimedia Terminals Oy, Nokia Display Products Oy, and Oy Marineland Ab were merged to Nokia Corporation on October 1, 2001. See Notes to the financial statements of the parent company.

Cash flow statements, FAS

Financial year ended Dec. 31	Notes	2002 EURm	2001 EURm
Cash flow from operating activities			
Net profit		**2 947**	4 065
Adjustments, total	16	**999**	–3 395
Net profit before change in net working capital		**3 946**	670
Change in net working capital	16	**1 088**	82
Cash generated from operations		**5 034**	752
Interest received		**166**	143
Interest paid		**–34**	–36
Other financial income and expenses		**169**	20
Income taxes paid		**–1 659**	–197
Cash flow before extraordinary items		**3 676**	682
Extraordinary income and expenses		**–214**	3 560
Net cash from operating activities		**3 462**	4 242
Cash flow from investing activities			
Investments in shares		**–58**	–284
Additions to capitalized development costs		**–418**	–
Capital expenditures		**–29**	–374
Proceeds from sale of shares		**32**	90
Proceeds from sale of fixed assets		**–**	172
Long-term loans made to customers		**–563**	–676
Proceeds from prepayment and transfers of long-term loans receivable		**314**	–
Long-term loans repaid by customers		**74**	31
Proceeds from (+), payments of (–) short-term receivables		**–4 051**	–2 816
Dividends received		**381**	531
Net cash used in investing activities		**–4 318**	–3 326
Cash flow from financing activities			
Proceeds from share issue		**163**	77
Proceeds from borrowings		**1 941**	385
Repayment of borrowings		**188**	–1
Dividends paid		**–1 279**	–1 314
Net cash from (+), used in (–) financing activities		**1 013**	–853
Net decrease in cash and cash equivalents		**157**	63
Cash and cash equivalents at beginning of period		**80**	17
Cash and cash equivalents at end of period		**237**	80

See Notes to the financial statements of the parent company.

Balance sheets, FAS

Dec. 31	Notes	2002 EURm	2001 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	5		
Capitalized development costs		**1 071**	893
Intangible rights		**59**	82
Other intangible assets		**–**	3
		1 130	978
Tangible assets	6		
Land and water areas		**–**	–
Buildings and constructions		**–**	–
Machinery and equipment		**–**	–
Other tangible assets		**–**	–
Advance payments and fixed assets under construction		**–**	–
		–	–
Investments			
Investments in subsidiaries	7	**3 519**	3 448
Investments in associated companies	7	**5**	25
Long-term loan receivables from Group companies		**353**	222
Long-term loan receivables from other companies		**1 088**	1 143
Other non-current assets	8	**22**	70
		4 987	4 908
Current assets			
Inventories and work in progress			
Raw materials and supplies		**162**	228
Work in progress		**115**	61
Finished goods		**307**	209
Prepaid inventories		**1**	–
		585	498
Receivables			
Trade debtors from Group companies		**1 204**	2 094
Trade debtors from other companies		**1 098**	789
Short-term loan receivables from Group companies		**8 466**	4 593
Short-term loan receivables from other companies		**28**	39
Prepaid expenses and accrued income from Group companies		**5**	17
Prepaid expenses and accrued income from other companies		**517**	558
		11 318	8 090
Short-term investments		**47**	57
Bank and cash		**190**	24
		18 257	14 555

See Notes to the financial statements of the parent company.

Dec. 31	Notes	2002 EURm	2001 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	9		
Share capital		**287**	284
Share issue premium		**2 182**	2 022
Retained earnings	10	**6 454**	3 669
Net profit for the year	10	**2 947**	4 065
		11 870	10 040
Liabilities			
Long-term liabilities	11		
Bonds	12	**62**	90
Long-term liabilities from Group companies		**2**	–
		64	90
Short-term liabilities			
Current finance liabilities from Group companies		**2 902**	1 019
Current finance liabilities from other companies		**–**	2
Advance payments from other companies		**6**	–
Trade creditors to Group companies		**828**	765
Trade creditors to other companies		**928**	916
Accrued expenses and prepaid income to Group companies		**6**	1
Accrued expenses and prepaid income to other companies		**1 653**	1 722
		6 323	4 425
Total liabilities		**6 387**	4 515
		18 257	14 555

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 in 2001 include merger profit of EUR 3 300 million.

3. Personnel expenses

	2002 EURm	2001 EURm
Wages and salaries	**948**	314
Pension expenses	**169**	27
Other social expenses	**110**	63
Personnel expenses as per profit and loss account	**1 227**	404

Remuneration of the members of the Board of Directors, the Chief Executive Officer and the President *	**4**	3
* Salaries include incentives	**1**	1

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

Personnel average	2002	2001
Production	**5 370**	1 444
Marketing	**1 786**	500
R&D	**11 890**	3 700
Administration	**3 399**	1 301
	22 445	6 945

Personnel, Dec. 31	2002	2001
	22 261	22 220

4. Depreciation and amortization

	2002 EURm	2001 EURm
Depreciation and amortization by asset class category		
Intangible assets		
Capitalized development costs	**233**	44
Intangible rights	**50**	15
Other intangible assets	**1**	2
Tangible assets		
Buildings and constructions	**–**	5
Machinery and equipment	**–**	59
Total	**284**	125
Depreciation and amortization by function		
R&D	**239**	71
Production	**–**	17
Selling, marketing and administration	**45**	37
Total	**284**	125

5. Intangible assets

	2002 EURm	2001 EURm
Capitalized development costs		
Acquisition cost Jan. 1	**1 315**	–
Additions	**418**	105
Disposals	**–27**	–4
Merger	**–**	1 214
Accumulated amortization Dec. 31	**–635**	–422
Net carrying amount Dec. 31	**1 071**	893
Intangible rights		
Acquisition cost Jan. 1	**214**	6
Additions	**32**	14
Disposals	**–21**	–3
Merger	**–**	197
Accumulated amortization Dec. 31	**–166**	–132
Net carrying amount Dec. 31	**59**	82
Other intangible assets		
Acquisition cost Jan. 1	**52**	5
Additions	**–**	4
Disposals	**–2**	–32
Merger	**–**	75
Accumulated amortization Dec. 31	**–50**	–49
Net carrying amount Dec. 31	**–**	3

6. Tangible assets

	2002 EURm	2001 EURm
Land and water areas		
Acquisition cost Jan. 1	–	25
Additions	–	6
Disposals	–	–37
Merger	–	6
Net carrying amount Dec. 31	–	–
Buildings and constructions		
Acquisition cost Jan. 1	–	94
Additions	–	28
Disposals	–	–314
Merger	–	192
Accumulated depreciation Dec. 31	–	–
Net carrying amount Dec. 31	–	–
Machinery and equipment		
Acquisition cost Jan. 1	–	48
Additions	–	58
Disposals	–	–1 362
Merger	–	1 256
Accumulated depreciation Dec. 31	–	–
Net carrying amount Dec. 31	–	–
Other tangible assets		
Acquisition cost Jan. 1	–	2
Disposals	–	–2
Accumulated depreciation Dec. 31	–	–
Net carrying amount Dec. 31	–	–
Advance payments and fixed assets under construction		
Acquisition cost Jan. 1	–	28
Additions	–	19
Disposals	–	–110
Merger	–	63
Net carrying amount Dec. 31	–	–

At the end of 2002 the parent company had no tangible assets. These assets were leased from Nokia Asset Management Oy, a company wholly owned by Nokia Oyj.

7. Investments

	2002 EURm	2001 EURm
Investments in subsidiaries		
Acquisition cost Jan. 1	**3 448**	1 902
Additions	**104**	2 479
Disposals	**–33**	–933
Net carrying amount Dec. 31	**3 519**	3 448
Investments in associated companies		
Acquisition cost Jan. 1	**25**	25
Additions	**1**	2
Disposals	**–21**	–2
Net carrying amount Dec. 31	**5**	25

8. Other non-current assets

	2002 EURm	2001 EURm
Investments in other shares		
Acquisition cost Jan. 1	**36**	103
Additions	**301**	99
Disposals	**–319**	–166
Net carrying amount Dec. 31	**18**	36
Other investments	**4**	34
	22	70

Shareholdings in other companies include listed investments of EUR 7 million (EUR 28 million in 2001). At the balance sheet date, the fair value of these investments was EUR 71 million (EUR 88 million in 2001),

9. Shareholders' equity

Parent Company, EURm	Share capital	Share issue premium	Treasury shares	Retained earnings	Total
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
Share issue	3	160			163
Reissuance of treasury shares					
Dividend				–1 280	–1 280
Net profit				2 947	2 947
Balance at Dec. 31, 2002	**287**	**2 182**	**–**	**9 401**	**11 870**

10. Distributable earnings

	2002 EURm	2001 EURm
Retained earnings from previous years	**6 454**	3 669
Net profit for the year	**2 947**	4 065
Retained earnings, total	**9 401**	7 734

11. Long-term liabilities

	Outstanding Dec. 31, 2002 EURm	Repayment date beyond 5 years EURm
Long-term loans are repayable as follows:		
Bonds	**62**	–
Long-term liabilities from Group companies	**2**	–
	64	–

The long-term liabilities as of December 31, 2002 mature as follows:

	EURm	%
2003	**–**	–
2004	**64**	100.0
2005	**–**	–
2006	**–**	–
2007	**–**	–
Thereafter	**–**	–
	64	100.0

12. Bonds

	Million	Interest	**2002 EURm**	2001 EURm
1989–2004	40.0 GBP	11.375%	**62**	65
1993–2003	150.0 FIM	Floating	**–**	25
			62	90

13. Commitments and contingencies

	2002 EURm	2001 EURm
Collateral for own commitments		
Property under mortgages	**–**	18
Collateral given on behalf of other companies		
Securities pledged	**34**	33
Contingent liabilities on behalf of Group companies		
Guarantees for loans	**4**	62
Leasing guarantees	**479**	518
Other guarantees	**301**	505
Contingent liabilities on behalf of other companies		
Guarantees for loans	**56**	95

14. Leasing contracts

At December 31, 2002 the leasing contracts of the Parent Company amounted to EUR 1 458 million (EUR 1 781 million in 2001), of which EUR 476 million in 2002 relate to Group internal agreements. EUR 495 million will expire in 2003 (EUR 433 million in 2002).

15. Loans granted to top management

There were no loans granted to top management at December 31, 2002.

16. Notes to cash flow statements

	2002 EURm	2001 EURm
Adjustments for:		
Depreciation	**284**	125
Income taxes	**1 143**	117
Financial income and expenses	**–597**	–634
Impairment charge	**289**	204
Other operating income and expenses	**–120**	–3 207
Adjustments, total	**999**	–3 395

Change in net working capital		
Short-term trade receivables, increase (–), decrease (+)	**613**	–145
Inventories, increase (-), decrease (+)	**–209**	95
Interest-free short-term liabilities, increase (+), decrease (–)	**684**	132
Change in net working capital	**1 088**	82

17. Principal Nokia Group companies on December 31, 2002

See note 35 to Notes to the consolidated financial statements.

18. Nokia Shares and Shareholders

See Nokia Shares and Shareholders p. 38-44.

Nokia shares and shareholders

Shares and share capital

Nokia has one class of shares. Each Nokia share entitles the holder 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, 2002 the share capital of Nokia Corporation was EUR 287 274 428.46 and the total number of shares and votes was 4 787 907 141.

On December 31, 2002 the total number of shares included 1 145 621 shares owned by the Group companies with an aggregate par value of EUR 68 737.26 representing approximately 0.02 per cent of the total number of shares and votes.

Share capital and shares, Dec. 31[2]	**2002**	2001	2000	1999	1998
Share capital, EURm					
K (common)	*	*	*	*	54
A (preferred)					201
Total (EURm)	**287**	**284**	**282**	**279**	**255**
Shares (1 000, par value EUR 0.06)					
K (common)	*	*	*	*	1 016 246
A (preferred)					328 527
Total (1 000)	**4 787 907**	4 737 530	4 696 213	4 654 064	4 844 773
Shares owned by the Group at year-end (1 000)	**1 145**	1 228	4 080	1 385	257 288
Number of shares excluding shares owned by the Group at year-end (1 000)	**4 786 762**	4 736 302	4 692 133	4 652 679	4 587 485
Average number of shares excluding shares owned by the Group during the year (1 000), basic	**4 751 110**	4 702 852	4 673 162	4 593 761	4 553 364
Average number of shares excluding shares owned by the Group during the year (1 000), diluted	**4 788 042**	4 787 219	4 792 980	4 743 184	4 693 204
Number of registered shareholders [3]	**129 508**	116 352	94 500	48 771	30 339

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

Key Ratios Dec. 31, IAS (calculation see page 48)	**2002**	2001	2000	1999	1998
Earnings per share from continuing operations, EUR					
Earnings per share, basic	**0.71**	0.47	0.84	0.56	0.37
Earnings per share, diluted	**0.71**	0.46	0.82	0.54	0.36
P/E Ratio					
K (common)	*	*	*	*	35.3
A (preferred)	**21.34**	61.6	56.5	80.4	35.3
(Nominal) dividend per share, EUR	**0.28** **	0.27	0.28	0.20	0.12
Total dividends paid, EURm	**1 341** **	1 279	1 315	931	586
Payout ratio	**0.39**	0.57	0.33	0.36	0.33
Dividend yield, %					
K (common)	*	*	*	0.9	0.9
A (preferred)	**1.8**	0.9	0.6	0.4	0.9
Shareholders' equity per share, EUR	**2.98**	2.58	2.30	1.59	1.11
Market capitalization, EURm [4]	**72 537**	137 163	222 876	209 371	59 796

* 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 21, 2001 to decide on an increase of the share capital by a maximum of EUR 54 000 000 offering a maximum of 900 000 000 new shares. In 2002, the Board of Directors has not increased the share capital on the basis of this authorization. The authorization expired on March 21, 2002.

At the Annual General Meeting held on March 21, 2002 Nokia shareholders authorized the Board of Directors to decide on an increase of the share capital by a maximum of EUR 55 800 000 in one or more issues offering a maximum of 930 000 000 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 2002, the Board of Directors has not increased the share capital on the basis of this authorization. The authorization is effective until March 21, 2003.

At the end of 2002, 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, 2002 Nokia shareholders authorized the Board of Directors to repurchase a maximum of 220 million Nokia shares, representing 4.2 per cent of total shares outstanding, and to resolve on the disposal of such shares. No shares were repurchased or disposed of in 2002 under the authorizations. These authorizations are effective until March 21, 2003. The authorisation 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 and stock options

The table on page 40 depicts the main features of our outstanding stock option plans, which may result in the increase of our share capital. The increase in share capital resulted by these stock options is the number of shares to be issued times the nominal value of each share. The plans have been approved by the Annual General Meetings in the year of the launch of the plan.

General about our stock option plans

Shares subscribed for pursuant to the stock options described on page 40 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 stock options issued, an aggregate maximum number of 306 600 132 new shares may be subscribed for representing approximately 6.40 per cent of the total number of votes on December 31, 2002. During 2002 the exercise of 3 152 226 options resulted in the issuance of 50 377 020 new shares and the increase of the share capital of Nokia with EUR 3 022 621.20.

There were no other stock options and no convertible bonds outstanding during the year 2002, 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, the "Plan"). Each stock option granted by December 31, 2000 entitles the holder to purchase 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, 2002 a total of 802 284 stock options were outstanding and 491 171 were exercisable under the Plan. An exercise of the stock options under the 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.

[5] At the same time with a bonus issue of EUR 0.03 per each share of a par value of EUR 0.24.

Outstanding stock option plans, Dec. 31, 2002 [1]

Plan (Year of launch)	Total plan size – Maximum number of shares	Number of participants (Approximately)	(Sub)category	Vesting schedule	Subscription periods – Starting	Subscription periods – Ending	Exercise price /option	Exercise price /share	Split ratio
1997			**1997A** [2]	Vested	December 1, 1997	January 31, 2003	51.63 EUR	3.23 EUR	16:1
			1997B [2]	Vested	November 1, 1999	January 31, 2003	51.63 EUR	3.23 EUR	16:1
			1997C [2]	Vested	November 1, 2001	January 31, 2003	51.63 EUR	3.23 EUR	16:1
	152 000 000	**2 000**							
1999			**1999A** [2]	Vested	April 1, 2001	December 31, 2004	67.55 EUR	16.89 EUR	4:1
			1999B	Vested	April 1, 2002	December 31, 2004	225.12 EUR	56.28 EUR	4:1
			1999C	Vests	April 1, 2003	December 31, 2004	116.48 EUR	29.12 EUR	4:1
	144 000 000	**16 000**							
2001			**2001A+B**	25% vest 1 year after grant; 6.25% in 12 subsequent quarterly blocks	July 1, 2002	December 31, 2006	36.75 EUR	36.75 EUR	1:1
			2001C3Q/01	25% vest 1 year after grant; 6.25% in 12 subsequent quarterly blocks	October 1, 2002	December 31, 2006	20.61 EUR	20.61 EUR	1:1
			2001C4Q/01	25% vest 1 year after grant; 6.25% in 12 subsequent quarterly blocks	January 1, 2003	December 31, 2006	26.67 EUR	26.67 EUR	1:1
			2001C1Q/02	25% vest 1 year after grant; 6.25% in 12 subsequent quarterly blocks	April 1, 2003	December 31, 2007	26.06 EUR	26.06 EUR	1:1
			2001C3Q/02	25% vest 1 year after grant; 6.25% in 12 subsequent quarterly blocks	October 1, 2003	December 31, 2007	12.99 EUR	12.99 EUR	1:1
			2001C4Q/02	25% vest 1 year after grant; 6.25% in 12 subsequent quarterly blocks	January 1, 2004	December 31, 2007	16.86 EUR	16.86 EUR	1:1
			2002A+B	25% vest 1 year after grant; 6.25% in 12 subsequent quarterly blocks	July 1, 2003	December 31, 2007	17.89 EUR	17.89 EUR	1:1
	145 000 000	**25 000**							

[1] Figures have been recalculated to reflect the par value of EUR 0.06 of the shares.

[2] Listing on the Helsinki Exchanges (HEX)

Information relating to stock options during 2002, 2001 and 2000 is as follows:

	Number of shares	Weighted average exercise price [1] EUR
Shares under option at Dec. 31, 1999	204 620 102	6.91
Granted [2]	18 339 647	44.86
Exercised	33 490 088	2.22
Forfeited	4 937 904	33.24
Shares under option at Dec. 31, 2000	184 531 757	19.71
Granted [2]	72 644 065	31.78
Exercised	24 790 689	3.54
Forfeited	4 385 380	31.09
Shares under option at Dec. 31, 2001	227 999 753	25.71
Granted	51 127 314	17.96
Exercised	51 586 807	3.61
Forfeited	6 097 025	33.51
Shares under option at Dec. 31, 2002	**221 443 235**	**28.81**
Options exercisable at Dec. 31, 2000 (shares)	12 199 932	3.83
Options exercisable at Dec. 31, 2001 (shares)	106 300 988	9.53
Options exercisable at Dec. 31, 2002 (shares)	**107 721 842**	**27.92**

[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, 2002 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 of shares	Weighted average exercise price EUR
0.36 – 3.04	503 670	6.22	1.06	464 165	1.06
3.23	7 185 264	0.08	3.23	7 178 704	3.23
3.44 – 16.68	2 523 261	7.41	11.51	1 521 241	10.88
16.89	46 424 432	1.06	16.89	45 893 040	16.89
17.89 – 22.97	50 566 202	3.20	17.93	562 020	20.20
26.06 – 34.59	34 266 321	2.25	27.72	712 425	31.32
36.75	40 920 212	2.63	36.75	12 983 930	36,75
38.91 – 55.82	380 573	5.33	48.38	268 909	43.49
56.28	38 673 300	1.31	56.28	38 137 408	56.28
	221 443 235			107 721 842	

Nokia shares and shareholders

Share issues and bonus issues 1998–2002

Year	Type of Issue	Subscription price or amount of bonus issue EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
1998	Nokia Stock Option Plan 1994	0.98	268	1998	0.26	0.01
	Nokia Stock Option Plan 1995	1.77	30 304	1998	53.52	1.59
	Nokia Stock Option Plan 1997	3.23	16 566	1998	53.46	0.87
	Total		**47 138**		**107.24**	**2.47**
1999	Nokia Stock Option Plan 1994	0.98	12 238	1999	12.03	0.73
	Nokia Stock Option Plan 1995	1.77	18 602	1999	32.85	1.12
	Nokia Stock Option Plan 1997	3.23	33 456	1999	107.97	2.01
	Bonus Issue	0.01		1999		36.05
	Share issue to stockholders of Rooftop Communications Corporation	20.04	2 118	1999	42.45	0.13
	Total		**66 414**		**195.30**	**40.04**
2000	Nokia Stock Option Plan 1995	1.77	22 011	2000	38.87	1.32
	Nokia Stock Option Plan 1997	3.23	10 117	2000	32.65	0.61
	Share issue to stockholders of Network Alchemy, Inc.	49.91	6 112	2000	305.06	0.37
	Share issue to stockholders of DiscoveryCom, Inc.	45.98	3 909	2000	179.75	0.23
	Total		**42 149**		**556.33**	**2.53**
2001	Nokia Stock Option Plan 1995	1.77	1 682	2001	2.97	0.10
	Nokia Stock Option Plan 1997	3.23	20 993	2001	67.81	1.26
	Nokia Stock Option Plan 1999 (A)	16.89	382	2001	6.46	0.02
	Share issue to stockholders of Amber Networks, Inc.	20.77	18 329	2001	380.72	1.10
	Total		**41 386**		**457.96**	**2.48**
2002	Nokia Stock Option Plan 1997	3.23	50 357	2002	162.50	3.02
	Nokia Stock Option Plan 1999 (A)	16.89	20	2002	0.33	0.00
	Total		**50 377**		**162.83**	**3.02**

Reductions of share capital

Type of reduction	Year	Number of 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	–	–
Cancellation of shares	**2002**	–	–	–	–

Nokia shares and shareholders

Share turnover (all stock exchanges) [7]

	2002	2001	2000	1999 *	1998
K share turnover (1 000)					255 108
Total number of K shares (1 000)					508 124
% of total number of K shares					50
A share turnover (1 000)	12 926 683	11 457 748	7 827 428	7 930 612	5 128 156
Total number of A shares (1 000)	4 787 907	4 737 530	4 696 213	4 654 064	1 914 264
% of total number of A shares	270	242	167	170	268

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

Share prices, EUR (Helsinki Exchanges) [8]

	2002	2001	2000	1999 *	1998
K share					
Low/high					3.87/13.41
Average [8]					10.28
Year-end					13.04
A share					
Low/high	**11.10/29.45**	14.35/46.50	35.81/64.88	13.74/45.00	3.89/13.41
Average [8]	**18.13**	24.57	51.09	21.67	7.95
Year-end	**15.15**	28.96	47.50	45.00	13.04

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

Share prices, USD (New York Stock Exchange) [9]

	2002	2001	2000	1999	1998
ADS					
Low/high	**10.76/26.90**	12.95/44.69	29.44/61.88	15.05/47.77	4.25/15.75
Average [9]	**16.88**	24.84	47.36	23.16	8.50
Year-end	**15.50**	24.53	43.50	47.77	15.00

Largest registered shareholders, December 31, 2002

Registered shareholders represent 9.10 per cent and shareholders registered in the name of a nominee represent 90.90 per cent of the total number of shares of Nokia. The number of registered shareholders was 129 508 on December 31, 2002. Each account operator (26) is included in this figure as only one registered shareholder.

Largest registered shareholders, December 31, 2002
(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	20 610	0.43
Juselius Sigrid stiftelse	16 800	0.35
UPM-Kymmene Corporation	11 298	0.24
The Local Government Pensions Institution	9 429	0.20
Ilmarinen Mutual Pension Insurance Company	9 027	0.19
The Pension Foundation of Nokia Corporation	8 229	0.17
The Finnish Cultural Foundation	7 549	0.16
Finnish National Fund for Research an developement (SITRA)	7 085	0.15
Suomi Mutual Life Assurance Company	7 020	0.15
Varma-Sampo Mutual Pension Insurance Company	5 804	0.12

[7] Figures have been recalculated to reflect the par value of EUR 0.06 of the share.
[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.

Nokia shares and shareholders

Nominee registered shareholders include holders of American Depositary Receipts (ADR) and Svenska Depåbevis (SDB). As of December 31, 2002 ADR's represented 25.3 per cent and SDB's 3.79 per cent of the total number of shares in Nokia.

Shares and stock options 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, 2002 an aggregate of 1 004 179 shares representing approximately 0.02 per cent of the aggregate number of shares and voting rights, as well as a total of 5 096 000 stock options representing approximately 1.66 per cent of the total number of stock options issued. If exercised in full the said 5 096 000 stock options would be exercisable for 14 529 000 shares representing approximately 0.30 per cent of the total number of shares and voting rights on December 31, 2002.

Breakdown of share ownership, Dec. 31, 2002 (Registered shareholders only)

By number of shares owned	Number of shareholders [10]	Per cent of shareholders	Total number shares	Per cent of share capital	Average holding
1–100	48 892	37.75	2 950 408	0.06	0.06
101–1 000	56 607	43.71	21 550 024	0.45	0.45
1 001–10 000	19 430	15.00	62 894 601	1.31	1.31
10 001–100 000	4 168	3.22	110 735 586	2.31	2.31
100 001–500 000	322	0.25	62 719 741	1.31	1.31
500 001–1 000 000	39	0.03	27 301 022	0.57	0.57
1 000 001–5 000 000	32	0.02	66 709 324	1.39	1.39
Over 5 000 000	18	0.01	4 433 046 435	92.59	92.59
Total	**129 508**	**100.00**	**4 787 907 141**	**100.00**	**100.00**

By nationality, per cent	Shares
Non-Finnish shareholders	90.90
Finnish shareholders	9.10
Total	**100.00**

By shareholder category (Finnish shareholders)	Shares
Corporations	0.93
Households	4.09
Financial and insurance institutions	0.73
Non-profit organizations	2.18
General government	1.17
Total	**9.10**

[10] The account operators (26) are included.

Nokia 1998–2002, IAS

	2002	2001	2000	1999	1998
Profit and loss account, EURm					
Net sales	**30 016**	31 191	30 376	19 772	13 326
Cost and expenses	**–25 236**	–27 829	–24 600	–15 864	–10 837
Operating profit	**4 780**	3 362	5 776	3 908	2 489
Share of results of associated companies	**–19**	–12	–16	–5	6
Financial income and expenses	**156**	125	102	–58	–39
Profit before tax and minority interests	**4 917**	3 475	5 862	3 845	2 456
Tax	**–1 484**	–1 192	–1 784	–1 189	–737
Minority interests	**–52**	–83	–140	–79	–39
Profit from ordinary activities before cumulative effect of change in accounting policies	**3 381**	2 200	3 938	2 577	1 680
Cumulative prior year effect (after tax) of change in accounting policies	**–**	–	–	–	70
Net profit	**3 381**	2 200	3 938	2 577	1 750
Balance sheet items, EURm					
Fixed assets and other non-current assets	**5 742**	6 912	6 388	3 487	2 220
Current assets	**17 585**	15 515	13 502	10 792	7 814
Inventories	**1 277**	1 788	2 263	1 772	1 292
Accounts receivable and prepaid expenses	**6 957**	7 602	7 056	4 861	3 631
Cash and cash equivalents	**9 351**	6 125	4 183	4 159	2 891
Shareholders' equity	**14 281**	12 205	10 808	7 378	5 109
Minority shareholders' interests	**173**	196	177	122	63
Long-term liabilities	**461**	460	311	407	40
Long-term interest-bearing liabilities	**187**	207	173	269	257
Deferred tax liabilities	**207**	177	69	80	88
Other long-term liabilities	**67**	76	69	58	64
Current liabilities	**8 412**	9 566	8 594	6 372	4 453
Short-term borrowings	**377**	831	1 069	792	699
Current portion of long-term loans	**–**	–	47	1	61
Accounts payable	**2 954**	3 074	2 814	2 202	1 357
Accrued expenses and provisions	**5 081**	5 661	4 664	3 377	2 336
Total assets	**23 327**	22 427	19 890	14 279	10 034

Nokia 1998–2002, IAS

	2002	2001	2000	1999	1998
Net sales by business group, EURm					
Nokia Mobile Phones	**23 211**	23 158	21 887	13 182	8 070
Nokia Networks	**6 539**	7 534	7 714	5 673	4 390
Nokia Ventures Organization	**459**	585	854	415	–
Discontinued Operations [1]	**–**	–	–	580	1 014
Inter-business group eliminations	**–193**	–86	–79	–78	–148
Nokia Group	**30 016**	31 191	30 376	19 772	13 326
Net sales by market area, EURm					
Europe	**16 111**	15 330	15 554	10 614	7 673
of which Finland	**353**	453	494	479	465
Americas	**6 541**	7 891	7 708	4 909	2 815
Asia-Pacific	**7 364**	7 970	7 114	4 249	2 838
Nokia Group	**30 016**	31 191	30 376	19 772	13 326
Operating profit/loss, EURm					
Nokia Mobile Phones	**5 201**	4 521	4 879	3 099	1 540
Nokia Networks	**–49**	–73	1 358	1 082	960
Nokia Ventures Organization	**–141**	–855	–387	–175	–
Common Group Expenses [2]	**–231**	–231	–74	–98	–11
Nokia Group	**4 780**	3 362	5 776	3 908	2 489
Average personnel					
Nokia Mobile Phones	**26 090**	27 320	27 353	20 975	16 064
Nokia Networks	**18 463**	22 040	23 508	22 804	19 280
Nokia Ventures Organization	**1 566**	2 155	2 222	1 256	–
Common Group Functions [3]	**6 595**	6 201	5 625	6 142	5 747
Nokia Group	**52 714**	57 716	58 708	51 177	41 091
In Finland	**22 615**	23 653	24 495	23 155	20 978
Other European countries	**12 057**	14 045	14 365	12 997	9 398
Americas	**10 093**	11 215	11 491	8 818	5 924
Asia-Pacific	**7 949**	8 803	8 357	6 207	4 791
Nokia Group	**52 714**	57 716	58 708	51 177	41 091
Research and development, EURm					
Nokia Mobile Phones	**1 884**	1 599	1 306	835	522
Nokia Networks	**995**	1 135	1 013	777	564
Nokia Ventures Organization	**136**	221	235	110	–
Common Group Expenses [2]	**37**	30	30	33	64
Nokia Group	**3 052**	2 985	2 584	1 755	1 150

1 Discontinued Operations include discontinued and divested operations as follows: Display Products 1998-1999.

2 Common Group Expenses include the operating profit/loss of Common Group Functions and discontinued and divested operations.

3 Common Group Functions also include discontinued and divested operations.

Nokia 1998–2002, IAS

Key ratios and economic indicators	2002	2001	2000	1999	1998
Net sales, EURm	**30 016**	31 191	30 376	19 772	13 326
Change, %	**–3.8**	2.7	53.6	48.4	50.6
Exports and foreign subsidiaries, EURm	**29 663**	30 738	29 882	19 293	12 861
Salaries and social expenses, EURm	**3 140**	3 235	2 888	2 383	1 958
Operating profit, EURm	**4 780**	3 362	5 776	3 908	2 489
% of net sales	**15.9**	10.8	19.0	19.8	18.7
Financial income and expenses, EURm	**156**	125	102	–58	–39
% of net sales	**0.5**	0.4	0.3	–0.3	–0.3
Profit before tax and minority interests, EURm	**4 917**	3 475	5 862	3 845	2 456
% of net sales	**16.4**	11.1	19.3	19.4	18.4
Profit from continuing operations, EURm	**3 381**	2 200	3 938	2 577	1 680
% of net sales	**11.3**	7.1	13.0	13.0	12.6
Taxes, EURm	**1 484**	1 192	1 784	1 189	737
Dividends, EURm	**1 341 ***	1 279	1 315	931	586
Capital expenditure, EURm	**432**	1 041	1 580	1 358	761
% of net sales	**1.4**	3.3	5.2	6.9	5.7
Gross investments **, EURm	**966**	2 149	3 095	1 889	1 072
% of net sales	**3.2**	6.9	10.2	9.6	8.0
R&D expenditure, EURm	**3 052**	2 985	2 584	1 755	1 150
% of net sales	**10.2**	9.6	8.5	8.9	8.6
Average personnel	**52 714**	57 716	58 708	51 177	41 091
Non-interest bearing liabilities, EURm	**8 309**	8 988	7 616	5 717	3 844
Interest-bearing liabilities, EURm	**564**	1 038	1 289	1 062	1 017
Return on capital employed, %	**35.3**	27.9	58.0	55.7	50.2
Return on equity, %	**25.5**	19.1	43.3	41.3	38.5
Equity ratio, %	**62.5**	56.0	55.7	53.3	52.0
Net debt to equity, %	**–61**	–41	–26	–41	–36

* Board's proposal

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

Calculation of Key Ratios, see page 48.

Calculation of key ratios

Key ratios under IAS

Operating profit
Profit after depreciation

Shareholders' equity
Share capital + reserves

Earnings per share
Net profit (years 1999 – 2002)/
profit from continuing operations (year 1998)
___
Average of adjusted number of shares during the year

P/E ratio
Adjusted share price, December 31
___
Earnings per share

Dividend per share
Nominal dividend per share
___
The adjustment coefficients of the share issues that have taken place during or after the year in question

Payout ratio
Dividend per share
___
Earnings per share

Dividend yield, %
Nominal dividend per share
___
Share price

Shareholders' equity per share
Shareholders' equity
___
Adjusted number of shares at year end

Market capitalization
Number of shares x share price per share class

Adjusted average share price
Amount traded, in EUR, during the period
___
Adjusted number of shares traded during the period

Share turnover, %
Number of shares traded during the period
___
Average number of shares during the period

Return on capital employed, %
Profit before taxes and minority interests
+ interest and other financial expenses
___
Average shareholders' equity + short-term borrowings
+ long-term interest-bearing liabilities (including the current portion thereof)
+ minority shareholders' interests

Return on shareholders' equity, %
Net profit (years 1999 – 2002)/
profit from continuing operations (year 1998)
___
Average shareholders' equity during the year

Equity ratio, %
Shareholders' equity + minority shareholders' interests
___
Total assets – advance payments received

Net debt to equity (gearing), %
Long-term interest-bearing liabilities (including the current portion thereof)
+ short-term borrowings – cash and cash equivalents
___
Shareholders' equity + minority shareholders' interests

Year-end currency rates 2002

	1 EUR =
USD	1.0247
GBP	0.6439
SEK	9.1144
JPY	124.17

Proposal by the Board of Directors to the Annual General Meeting

The distributable earnings in the balance sheet of the Group amount to EUR 11 464 million and those of the Company to EUR 9 401 million.

The Board proposes that from the funds at the disposal of the Annual General Meeting, a dividend of EUR 0.28 per share is to be paid out on a total of 4 787 907 141 shares, amounting to EUR 1 341 million.

Espoo, January 23, 2003

Jorma Ollila
Chairman and CEO

Paul J. Collins

Georg Ehrnrooth

Bengt Holmström

Per Karlsson

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, 2002. 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 23, 2003

PricewaterhouseCoopers Oy
Authorized Public Accountants

Lars Blomquist
Authorized Public Accountant

ADDITIONAL INFORMATION

The Group's consolidated financial statements are prepared in accordance with International Accounting Standards, 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:

	2002 EURm	2001 EURm	2000 EURm
Reconciliation of net income			
Net income reported under IAS	**3 381**	2 200	3 938
U.S. GAAP adjustments:			
Pension expense	**–5**	–22	–13
Development costs	**–66**	–104	–65
Marketable securities	**–**	–	–10
Provision for social security cost on stock options	**–90**	–132	34
Stock compensation expense	**–35**	–85	–46
Cash flow hedges	**6**	–22	–
Net investment in foreign companies	**48**	–	–
Amortization of identifiable intangible assets acquired	**–22**	–7	–
Amortization of goodwill	**206**	28	–
Impairment of goodwill	**104**	–	–
Deferred tax effect of U.S. GAAP adjustments	**76**	47	9
Net income under U.S. GAAP	**3 603**	1 903	3 847

	2002 EURm	2001 EURm
Reconciliation of shareholders' equity		
Total shareholders' equity reported under IAS	**14 281**	12 205
U.S. GAAP adjustments:		
Pension expense	**–37**	–32
Additional minimum liability	**–5**	–
Development costs	**–421**	–355
Marketable securities and unlisted investments	**77**	–
Provision for social security cost on stock options	**35**	125
Deferred compensation	**–13**	–47
Share issue premium	**179**	178
Stock compensation	**–166**	–131
Acquisition purchase price	**4**	4
Amortization of identifiable intangible assets acquired	**–29**	–7
Amortization of goodwill	**234**	28
Impairment of goodwill	**104**	–
Translation of goodwill	**–240**	–
Deferred tax effect of U.S. GAAP adjustments	**147**	53
Total shareholders' equity under U.S. GAAP	**14 150**	12 021

Pension expense and additional minimum liability

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. Also, under U.S. GAAP the employer should recognize an additional minimum pension liability charged to other comprehensive income when the accumulated benefit obligation (ABO) exceeds the fair value of the plan assets and this amount is not covered by the liability recognized in the balance sheet. The calculation of the ABO is based on approach two as described in EITF 88-1, Determination of Vested Benefit Obligation for a Defined Benefit Pension Plan, under which the actuarial present value is based on the date of separation from service.

The U.S. GAAP pension adjustment reflects the difference between the prepaid pension asset and related pension expense as determined by applying IAS 19, Employee Benefits, and the pension asset and pension expense 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 have been expensed under U.S. GAAP.

Marketable securities and unlisted investments

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 publicly listed and non-listed marketable securities, are measured at fair value and gains and losses are recognized within shareholders' equity until realized in the profit and loss account upon sale or disposal.

Under U.S. GAAP, the Group's listed 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, giving rise to an adjustment between IAS and U.S. GAAP. Total proceeds from the sale of available-for-sale securities were EUR 94 million in 2000.

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 the fair value of the option. 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 Opinion 25, Accounting for Stock Issued to Employees (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. The stock options issued are recorded as share issue premium.

Cash flow hedges

As a result of a specific difference in the rules under IAS 39 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.

Net investment in foreign companies

Under IAS, on the disposal of a foreign entity, the cumulative amount of the exchange differences which have been deferred and which relate to that foreign entity should be recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized. An enterprise may dispose of its interest in a foreign entity through sale, liquidation, repayment of share capital and permanent loans, or abandonment of all, or part of, that entity.

Under U.S. GAAP, the cumulative translation differences are reported in the profit and loss account only upon the sale or upon complete or substantially complete liquidation of the investment in a foreign entity.

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.

Amortization of identifiable intangible assets acquired

Under IAS, acquired unpatented technology is not separately recognized on acquisition but is 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. The adjustment to U.S. GAAP net income and shareholders' equity relates to the amortization and accumulated amortization, respectively, of Amber Networks' intangible.

The gross carrying amount of intangible assets, under U.S. GAAP, is EUR 109 million as of December 31, 2002 (EUR 109 million as of December 31, 2001), which is being amortized over an estimated useful life of five years. Accumulated amortization as of December 31, 2002 was EUR 29 million (EUR 7 million at December 31, 2001). The amortization expense for the year ended December 31, 2002 is EUR 22 million (EUR 7 million in 2001). Amortization expense on intangible assets is expected to be EUR 22 million in 2003, 2004 and 2005 and EUR 14 million in 2006.

Amortization of goodwill

Under IAS, goodwill is amortized over its estimated useful life. Under U.S. GAAP, prior to July 1, 2001, goodwill was amortized over its estimated useful life consistent with IAS. The Group adopted the transition provisions of FAS 141, Business Combinations (FAS 141), with effect from July 1, 2001. The Group also adopted the provisions of FAS 142, Goodwill and Other Intangible Assets (FAS 142), on January 1, 2002. As a result, goodwill is no longer subject to amortization subsequent to the date of adoption. As the non-amortization of goodwill provisions of FAS 142 were effective immediately for all acquisitions after June 30, 2001, goodwill arising from the Amber Networks acquisition was also not amortized during 2001.

The U.S. GAAP adjustment reverses the amortization expense recorded under IAS and also reverses the movement in accumulated amortization under IAS during the period subsequent to the adoption of FAS 141 and FAS 142.

The following table shows the results of operations as if FAS 142 were applied to prior periods:

	2001 EURm	2000 EURm
Net income as reported under U.S. GAAP	**1 903**	3 847
Add back: Goodwill amortization	**274**	140
Adjusted net income	**2 177**	3 987

	2001 EUR	2000 EUR
Income per share—Basic		
Net income as reported under U.S. GAAP	**0.40**	0.82
Goodwill amortization	**0.06**	0.03
Adjusted net income	**0.46**	0.85
Income per share—Diluted		
Net income as reported under U.S. GAAP	**0.40**	0.80
Goodwill amortization	**0.06**	0.03
Adjusted net income	**0.45**	0.83

Impairment of goodwill

The Company has evaluated its existing goodwill relating to prior business combinations and has determined that an adjustment or reclassification to intangible assets as of January 1, 2002 was not required in order to conform to the new criteria in FAS 141. The Company has also reassessed the useful lives and carrying values of other intangible assets, and will continue to amortize these assets over their remaining useful lives.

As of January 1, 2002, the Company performed the transitional impairment test under FAS 142 and compared the carrying value for each reporting unit to its fair value, which was determined based on discounted cash flows. Upon completion of the transitional impairment test, the Company determined that there was no impairment as of January 1, 2002, as the carrying value of each reporting unit did not exceed its fair value. The Company also completed the annual impairment test required by FAS 142 during the fourth quarter of 2002, which was also performed by comparing the carrying value of each reporting unit to its fair value based on discounted cash flows.

Under IAS, goodwill is allocated to "cash generating units", which are the smallest group of identifiable assets which includes the goodwill under review for impairment, and that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets. Under IAS, the Company recorded an impairment of goodwill of EUR 104 million related to Amber Networks as the carrying amount of the cash generating unit exceeded the recoverable amount of the unit. Upon completion of the annual impairment test, the Company determined that the impairment recorded for Amber Networks should be reversed for U.S. GAAP purposes because, at the IP Mobility Network reporting unit level where Amber Networks resides, the fair value of the reporting unit exceeded the book value of the reporting unit.

Below is a roll forward of U.S. GAAP goodwill during 2002:

	Nokia Mobile Phones EURm	Nokia Networks EURm	Nokia Ventures Organization EURm	Common Group Functions EURm	Group EURm
Balance as of January 1, 2002	351	382	80	–	813
Goodwill acquired	–	–	–	9	9
Impairment losses	–	–17	–61	–	–78
Translation adjustment	–202	–42	4	–	–240
Balance as of December 31, 2002	**149**	**323**	**23**	**9**	**504**

Of the amount of goodwill under U.S. GAAP, EUR 352 million relates to the acquisition of Amber Networks in 2001. Goodwill is not deductible for tax purposes.

Translation of goodwill

Under IAS, the company translates goodwill arising on the acquisition of foreign subsidiaries at historical rates.

Under U.S. GAAP, goodwill is translated at the closing rate on the balance sheet date with gains and losses recorded as a component of shareholders' equity.

Critical accounting policies

Our accounting policies affecting our financial condition and results of operations are more fully described in note 1 to our consolidated financial statements. Certain of Nokia's accounting policies require the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported carrying values of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Nokia believes the following are the critical accounting policies and related judgments and estimates used in the preparation of its consolidated financial statements.

Revenue recognition

The majority of Nokia Networks' revenue is derived from projects providing a customer specific solution consisting of complex telecommunication equipment and services modified to customer needs.

Revenue is recognized from these projects on the percentage of completion basis. Completion is generally measured by reference to costs incurred to date as a percentage of estimated total project costs. The milestone output method is applied when the nature of the individual project indicates that a milestone method is the most applicable measure of progress.

The percentage of completion method relies on estimates of total expected contract revenue and costs, as well as the dependable measurement of the progress made towards completing the particular project. Recognized revenues and profit are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become known and estimable. Losses on projects in progress are recognized immediately when known and estimable.

Revenue recognition on initial 3G network contracts started in 2002 when Nokia Networks reached the relevant milestones for its single-mode and dual-mode WCDMA 3G systems.

Nokia's current sales and profit estimates for projects may change due to the early stage of a long-term project, new technology, changes in the project scope, changes in costs, changes in timing, changes in customers' plans, realization of penalties, and other corresponding factors.

Nokia Mobile Phones' and Nokia Ventures Organization's, as well as certain of Nokia Networks', revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable and collectibility is probable. This requires us to assess at the point of delivery whether these criteria have been met. Upon making such assessment, revenue is recognized. In particular, Nokia records estimated reductions to revenue for customer programs and incentive offerings, including special pricing agreements, price protection and other volume based discounts, mainly in the mobile phone business. Sales adjustments for volume based discount programs are estimated based largely on historical activity under similar programs. Price protection adjustments are based on estimates of future price reductions and certain agreed customer inventories at the date of the price adjustment.

Customer financing

We have extended a significant amount of customer financing to selected customers in our Nokia Networks business. In establishing the arrangements, management must assess the creditworthiness of the customer and the timing of cash flows expected to be received under the arrangement. However, should the actual financial position of our customers or general economic conditions differ from our assumptions, we may be required to re-assess the ultimate collectibility of such financings, which could result in a write-off of these balances in future periods and thus negatively impact our profits in future periods. Our assessment of the net recoverable value considers the collateral and security arrangements of the receivable as well as the likelihood and timing of estimated collections. See note 34(b) to our consolidated financial statements for a further discussion of long-term customer loans.

The carrying value of the customer financing extended to MobilCom was written down in 2002 to the estimated fair value of the subordinated convertible perpetual bonds of France Telecom that Nokia expects to receive as repayment for the loans to MobilCom. The most significant assumptions used in determining the estimated fair value of the bonds were the likelihood of approval of the transaction by the respective boards and shareholders of MobilCom and France Telecom, discount rates, creditworthiness of France Telecom, volatility of France Telecom's share price and expected interest rates to be received. Should the ultimate collectibility of the amounts due from MobilCom differ from the current carrying value, an additional adjustment to this balance could be required in future periods, potentially negatively impacting our future profits.

Allowances for doubtful accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the subsequent inability of our customers to make required payments. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyzes accounts receivables and analyzes historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Inventory-related allowances

We periodically review our inventory for obsolescence and declines in market value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory.

Warranty provisions

We provide for the estimated cost of product warranties at the time revenue is recognized. Nokia's products are covered by product warranty plans of varying periods, depending on local practices and regulations. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligations are affected by actual product failure rates (field failure rates) and by material usage and service delivery costs incurred in correcting a product failure. Our warranty provision is established on our best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. While we believe that our warranty provisions are adequate and that the judgment applied is appropriate, such amounts estimated to be due and payable could differ materially from what will actually transpire in the future. As our new advanced products incorporate complex, evolving technologies including next generation technologies, as we continue to introduce new products frequently, and as local practices and regulations may change, it will be increasingly difficult to anticipate our failure rates and length of warranty periods. Should actual product failure rates, material usage or service delivery costs differ from our estimates, revisions to the estimated warranty liability would be required.

Provision for intellectual property rights, or IPR, infringements

We provide for the estimated future settlements related to asserted and unasserted IPR infringements based on the probable outcome of each infringement. The ultimate outcome or actual cost of settling an individual infringement may vary from our estimates.

Capitalized development costs

We capitalize certain development costs when it is probable that a development project will be a success and certain criteria, including commercial and technological feasibility, have been met. These costs are then amortized on a systematic basis over their expected useful lives, which due to the constant development of new technologies is between two to five years. During the development stage, management must estimate the commercial and technological feasibility of these projects as well as their expected useful lives. Should a product fail to substantiate its estimated feasibility or life cycle, we may be required to write off excess development costs in future periods.

Valuation of long-lived and intangible assets and goodwill

We assess the carrying value of identifiable intangible assets, long-lived assets and goodwill annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors we consider important, which could trigger an impairment review, include the following:

- significant underperformance relative to expected historical or projected future results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and
- significant negative industry or economic trends.

When we determine that the carrying value of intangible assets, long-lived assets or goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow.

This review is based upon our projections of anticipated future cash flows. The most significant variables in determining cash flows are discount rates, terminal values and the number of years on which to base the cash flow projections. Management determines discount rates to be used based on the risk inherent in the related activity's current business model compared to Nokia's internal rate of return and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. While we believe that our assumptions are appropriate, such amounts estimated could differ materially from what will actually occur in the future. For IAS these discounted cash flows are prepared at a cash generating unit level, and for U.S. GAAP these cash flows are prepared at a reporting unit level. Consequently, an impairment could be required under IAS and not U.S. GAAP or vice versa.

Deferred taxes

Management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognized. We recognize deferred tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. We have considered future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognized.

Pensions

The determination of our pension benefit obligation and expense for defined benefit pension plans is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in note 5 to our consolidated financial statements and include, among others, the discount rate, expected long-term rate of return on plan assets and annual rate of increase in future compensation levels. A portion of our plan assets is invested in equity securities. The equity markets have experienced volatility, which has affected the value of our pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Actual results that differ from our assumptions are accumulated and amortized over future periods and therefore generally affect our recognized expense and recorded obligation in such future periods. Our assumptions are based on actual historical experience and external data regarding compensation and discount rate trends. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension obligation and our future expense.

Risk factors

January 23, 2003

Set forth below is a description of factors that may affect our business, results of operations and share price from time to time.

- The new advanced products and solutions that we are and will be developing incorporate complex, evolving technologies, including 3G and subsequent new technologies. This exposes us to certain risks that, if they were to occur, could have a material adverse impact on us and our ability to grow our business.

- Changes in the communications industry are expected to increase competition and change the competitive landscape and may affect our sales and operating profit negatively.

- We may not reach our targets, and may experience greater variability in our sales and operating profit than in the past, particularly depending on the general economic conditions and the pace of development and acceptance of new technologies.

- If we fail to manage the prices and costs of our portfolio of mobile phones, our sales and operating profit may be negatively affected.

- The global networks business relies on a limited number of customers and large multi-year contracts. Unfavorable developments under a major contract or in relation to a major customer may affect our sales, operating profit and cash flow adversely.

- Customer financing to network operators can be a competitive requirement and could affect our net sales, operating profit, balance sheet and cash flow adversely.

- Our sales and operating profit could be adversely affected if we fail to efficiently manage our manufacturing and logistics, or fail to ensure that our products meet our quality standards.

- We depend on our suppliers for the timely delivery of components and for their compliance with our supplier requirements, such as, most notably, our product quality standards. Their failure to do so could adversely affect our ability to deliver our products 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.

- Our operations rely on complex information technology systems and networks. If any system or network disruption occurs, this reliance could have a material adverse impact on our operations, sales and operating profit.

- If we are unable to recruit, retain and develop appropriately skilled employees, we may not be able to implement our strategies and, consequently, our results of operations may suffer.

- As our products and solutions include complex technology involving patented and other proprietary technologies, we face a risk of claims that we have infringed third parties' intellectual property rights. These may result in costly and time-consuming litigation, the invalidation of intellectual property rights on which we depend or increased licensing costs for us to be able to utilize these rights.

- 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 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, 2002 on February 7, 2003. For further information you should refer to our Form 20-F annual report.

Group Executive Board

January 23, 2003

Our articles of association provide for a Group Executive Board, which is responsible for managing the operations of Nokia. The Chairman and the members of the Group Executive Board are elected by the Board of Directors. Only the Chairman of the Group Executive Board can be a member of both the Board of Directors and the Group Executive Board. The current members of our Group Executive Board are set forth below.

Chairman Jorma Ollila, b. 1950

Chairman and CEO of Nokia Corporation.
Group Executive Board member since 1986.
Chairman since 1992.
Joined Nokia 1985.

Master of Science (Eng.) (Helsinki University of Technology). Master of Political Science (University of Helsinki), Master of Science (Econ.) (London School of Economics),

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.

Pekka Ala-Pietilä, b. 1957

President of Nokia Corporation.
Group Executive Board member since 1992.
Joined Nokia 1984.

Master of Science (Econ.) (Helsinki School of Economics and Business Administration).

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 Supervisory Board of SAP AG, member of the Science and Technology Policy Council of Finland, member of the Board of the Finnish-American Chamber of Commerce, member of the Board of the Economic Information Bureau.

Dr. Matti Alahuhta, b. 1952

President of Nokia Mobile Phones.
Group Executive Board member since 1993.
With Nokia 1975–1982, rejoined 1984.

Doctor of Science (Technology) (Helsinki University of Technology).

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 (until December 31, 2002), Chairman of the Board of The Federation of Finnish Metal, Engineering and Electrotechnical Industries, Vice Chairman of the Board of the Confederation of Finnish Industry and Employers, member of the Executive Committee of The International Institute for Management Development (IMD).

Sari Baldauf, b. 1955

President of Nokia Networks.
Group Executive Board member since 1994.
Joined Nokia 1983.

Master of Science (Business Administration) (Helsinki School of Economics and Business Administration).

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 and member of the Board of Foundation for Economic Education.

Dr. J. T. Bergqvist, b. 1957

Executive Vice President and General Manager, IP Mobility Nokia Networks.
Group Executive Board Member since July 1, 2002.
Joined Nokia 1983.

Doctor of Science (Technology) (Helsinki University of Technology).

Senior Vice President, Radio Access Systems of Nokia Telecommunications 1997–2000, Vice President, Cellular Transmission Business, Network and Access Systems of Nokia Telecommunications 1995–1996, Area General Manager, Area Management of Nokia Telecommunications 1993–1994, Area General Manager, Marketing of Nokia Cellular Systems 1990–1992.

Olli-Pekka Kallasvuo, b. 1953

Executive Vice President, Chief Financial Officer of Nokia Corporation.
Group Executive Board member since 1990.
With Nokia 1980–81, rejoined 1982.

LL.M. (University of Helsinki).

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.

Group Executive Board

Pertti Korhonen, b. 1961

Executive Vice President, Nokia Mobile Software.
Group Executive Board member since July 1, 2002.
Joined Nokia 1986.

Master of Science (Electronics Eng.) (University of Oulu).

Senior Vice President, Global Operations, Logistics and Sourcing of Nokia Mobile Phones 1999–2001, Senior Vice President, Global Operations and Logistics of Nokia Mobile Phones 1998–1999, Vice President, Logistics of Nokia Mobile Phones 1996-1998, Vice President, Manufacturing Europe of Nokia Mobile Phones 1993–1996, Project Executive of Nokia Mobile Phones UK Ltd, 1991–1993, Vice President, R&D of Nokia Mobile Phones, Oulu 1990–1991.

Member of the Board of Directors, QPR Software Oyj.

Dr. Yrjö Neuvo, b. 1943

Executive Vice President, CTO of Nokia Mobile Phones.
Group Executive Board member since 1993.
Joined Nokia 1993.

Master of Science (Eng.), Licentiate of Science (Technology) (Helsinki University of Technology), Ph.D. (EE) (Cornell University).

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.

Veli Sundbäck, b. 1946

Executive Vice President, Corporate Relations and Trade Policy of Nokia Corporation.
Group Executive Board member since 1996.
Joined Nokia 1996.

LL.M. (University of Helsinki).

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.

Anssi Vanjoki, b. 1956

Executive Vice President, Nokia Mobile Phones.
Group Executive Board member since 1998.
Joined Nokia 1991.

Master of Science (Econ.) (Helsinki School of Economics and Business Administration).

Senior Vice President, Europe & Africa of Nokia Mobile Phones 1994–1999, Vice President, Sales of Nokia Mobile Phones 1991–1994, 3M Corporation 1980–1990.

Governor of European Foundation of Quality Management.

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

Board of Directors

January 23, 2003

Pursuant to the provisions of the Finnish Companies Act and our articles of association, the control and management of Nokia is divided among the shareholders in a general meeting, the Board of Directors and the Group Executive Board. The current members of the Board of Directors were elected at the Annual General Meeting on March 21, 2002, in accordance with the proposal of the Nomination Committee. On the same date, the Chairman and Vice Chairman were elected by the Board members. Certain information with respect to these individuals is set forth below.

Chairman Jorma Ollila, b. 1950

Chairman and CEO.
Chairman of the Group Executive Board of Nokia Corporation.
Board member since 1995. Chairman since 1999.
Master of Science (Eng.) (Helsinki University of Technology),
Master of Political Science (University of Helsinki),
Master of Science (Econ.) (London School of Economics),
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.
Holder of various managerial positions at Citibank within corporate banking 1978–1985.
Vice Chairman of Otava Books and Magazines Group Ltd and member of the Board of Directors of Ford Motor Company and UPM-Kymmene Corporation.
Member of The European Round Table of Industrialists.

Vice Chairman Paul J. Collins, b. 1936

Board member since 1998. Vice Chairman since 2000.
BBA (University of Wisconsin), MBA (Harvard Business School).
Vice Chairman of Citigroup Inc. 1998–2000, Vice Chairman and member of the Board of Directors of Citicorp and Citibank N.A. 1988–2000.
Holder of various executive positions at Citibank within investment management, corporate banking, corporate planning as well as finance and administration 1961–1988.
Member of the Board of Directors of BG Group, Genuity Corporation and Kimberly-Clark Corporation.

Georg Ehrnrooth, b. 1940

Board member since 2000.
Master of Science (Eng.) (Helsinki University of Technology).
President and CEO of Metra Corporation 1991–2000, President and CEO of Lohja Corporation 1979–1991.
Holder of various executive positions at Wärtsilä Corporation within production and management 1965–1979.
Chairman of the Board of Directors of Assa Abloy AB (publ) 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 (publ), Sampo plc and Wärtsilä Corporation.
Chairman of The Center for Finnish Business and Policy Studies (EVA).

Dr. Bengt Holmström, b. 1949

Paul A. Samuelson Professor of Economics at MIT, joint appointment at the MIT Sloan School of Management.
Board member since 1999.
Bachelor of Science (Helsinki University), Master of Science (Stanford University), Doctor of Philosophy (Stanford University).
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.

Per Karlsson, b. 1955

Independent Corporate Advisor.
Board member since 2002.
Degree in Economics and Business Administration (Stockholm School of Economics).
Independent corporate advisor 1992–present.
Executive Director, with mergers and acquisitions advisory responsibilities, at Enskilda M&A, Enskilda Securities (London) 1986–1992.
Corporate strategy consultant at the Boston Consulting Group (London) 1979–1986.
Board member of IKANO Holdings S.A.

Robert F. W. van Oordt, b. 1936

Chairman of Rodamco Europe N.V.
Board member since 1998.
Drs of Economics (University of Amsterdam).
CEO of Rodamco Europe N.V. 2000–2001, Chairman of the Executive Board of NV Koninklijke KNP 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.
Consultant and partner with McKinsey & Company Inc. 1967–1979.
Chairman 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 Umicore S.A.

Board of Directors

Dame Marjorie Scardino, b. 1947

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

BA (Baylor), JD (University of San Francisco).
Chief Executive of The Economist Group 1993–1997, President of the North American Operations of The Economist Group 1985–1993.
Lawyer 1976–1985 and publisher of the Georgia Gazette newspaper 1978–1985.

Vesa Vainio, b. 1942

Board member since 1993.

LL.M. (University of Helsinki).
Chairman (1998–1999 and 2000–2002) and Vice Chairman (1999–2000) of the Board of Directors of Nordea AB (publ), Chairman of the Executive Board and CEO of Merita Bank Ltd and CEO of Merita Ltd 1992–1997.
President and CEO of Kymmene Corporation 1991–1992.
Holder of various other executive positions in Finnish industry 1972–1991.
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.

Arne Wessberg, b. 1943

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

Studies in economics in the University of Tampere (1963–1966).
Member of the Board of Trustees of IIC 1996–1998 and 1993–1995.
Holder of various positions at Yleisradio Oy (Finnish Broadcasting Company) as a reporter and editor (1971–1976), in different executive roles (1979–1994), and as President (1994–present).
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.

On January 23, 2003, we announced the proposal of the Nomination Committee to the Annual General Meeting convening on March 27, 2003 regarding the election of the members of the Board of Directors.
The Nomination Committee will propose that all of the present members be re-elected for terms ending at the close of the Annual General Meeting in 2004.

Corporate Governance

Pursuant to the provisions of the Finnish Companies Act and our articles of association, the control and management of Nokia is divided among the shareholders in a general meeting, the Board of Directors and the Group Executive Board. Our articles of association provide for a Group Executive Board, which is responsible for managing the operations of Nokia. The Chairman and the members of the Group Executive Board are elected by the Board of Directors. Only the Chairman of the Group Executive Board can be a member of both the Board of Directors and the Group Executive Board.

The duties of the Board of Directors

The Board decides on matters that, in relation to the Group's activities, are significant in 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 Nokia's Group Executive Board. The Board also determines the remuneration of the CEO and the President.

The roles and responsibilities of the Board, its Chairman and its committees are defined in the Board's Rules of Procedure. The Board's committees consist of the Audit Committee, the Personnel Committee and the Nomination Committee. The Board regularly reviews the Board's Rules of Procedure in order to ensure that they appropriately address the work of the Board and comply with what the Board believes to be best practices of corporate governance.

Election and composition of the Board of Directors

Pursuant to the articles of association, Nokia Corporation has a Board of Directors composed of a minimum of seven and a maximum of ten members. The members of the Board are elected for a term of one year at each Annual General Meeting, which convenes each March or April. Since the Annual General Meeting held on March 21, 2002, the Board has consisted of nine members. Nokia's CEO, Mr. Jorma Ollila, also serves as the Chairman of the Board. The other members of the Board are all non-executive and independent. "Independent" means that the members of the Board have no material relationships with Nokia apart from Board membership. The Board convened nine times during 2002.

The Board elects a Chairman and a Vice Chairman from among its members for one term at a time. On March 21, 2002 the Board resolved that Jorma Ollila should continue to act as Chairman and that Paul J. Collins should continue to act as Vice Chairman. The Board also appoints the members and the chairmen for its committees from among its non-executive members for one term at a time.

The Committees of the Board of Directors

The Audit Committee must consist of a minimum of three independent and qualified non-executive members of the Board. Since March 21, 2002, the Committee has consisted of the following four members of the Board, each of whom is independent and qualified: Robert F.W. van Oordt (Chairman), Georg Ehrnrooth, Per Karlsson and Arne Wessberg.

The purpose of the Audit Committee is to assist the Board in fulfilling its responsibilities to oversee the accounting and financial reporting processes of Nokia. These include the oversight of the quality and integrity of Nokia's consolidated financial statements and related disclosure, the performance of its internal control and risk management and audit functions. The Committee further oversees the performance, qualifications and independence of the external auditor. Under Finnish law, our external auditor is elected by our shareholders at the Annual General Meeting. The Audit Committee holds meetings at least four times per year according to the schedule approved by it at the first meeting following the Committee's nomination. The Committee also meets with representatives of management and the external auditor at least twice annually. The Audit Committee held four meetings in 2002.

The Personnel Committee must consist of a minimum of three members of the Board. Since March 21, 2002, the Personnel Committee has consisted of the following four members of the Board, each of whom is independent: Paul J. Collins (Chairman), Bengt Holmström, Marjorie Scardino and Vesa Vainio.

The Personnel Committee's purpose is to oversee the personnel policies and practices of Nokia. It also assists the Board in discharging its responsibilities relating to the compensation of Nokia's executives. It has overall responsibility for evaluating, resolving and making recommendations to the Board regarding the compensation of top executives, incentive compensation plans and policies affecting executives, as well as all equity-based plans and other significant incentive plans at Nokia. The Committee is also responsible for ensuring that the compensation programs are performance-based, properly motivate management and support Nokia's overall corporate strategies. In addition, the Committee is responsible for the review of senior management's development and succession plans. The Personnel Committee convened three times in 2002.

The Nomination Committee must consist of three to five members of the Board. Since March 21, 2002, the Nomination Committee has consisted of the following three members of the Board, each of whom is independent: Paul J. Collins (Chairman), Bengt Holmström and Vesa Vainio.

The Nomination Committee prepares proposals for the general meetings in respect of the composition, remuneration principles, and remuneration of the Board to be approved by the shareholders. It also monitors significant developments in the law and practice of corporate governance and proposes necessary actions in respect thereof. The Nomination Committee held two meetings in 2002.

Proposal of the Nomination Committee of the Board

On January 23, 2003 the Nomination Committee of the Board announced that it will propose to the Annual General Meeting that all the present Board members be re-elected until the close of the following Annual General Meeting in 2004.

Compensation

Board of Directors

For the year ended December 31, 2002, the aggregate compensation of the eight non-executive members of the Board of Directors was approximately EUR 0.6 million. Non-executive members of the Board of Directors do not receive bonuses. The remuneration for members of our Board of Directors for each term expiring at the close of the next Annual General Meeting is resolved annually by our Annual General Meeting, after being proposed by the Nomination Committee of our Board.

The table on page 63 depicts the total annual remuneration paid to the members of our Board of Directors, as resolved by the Annual General Meetings in the respective years. Since the fiscal period 1999, approximately 60% of each Board member's annual retainer has been paid in cash, with the balance in shares of our stock, acquired from the market.

Group Executive Board

For the year ended December 31, 2002, the aggregate compensation of the 10 members of the Group Executive Board, including Mr. Ollila, was approximately EUR 7.9 million. Of this amount, approximately EUR 2.7 million was paid pursuant to bonus arrangements for the 2002 calendar year. The bonuses of the members of the Group Executive Board are paid as a percentage of annual base salary based on Nokia's Short Term Incentive Plan. The Short Term Incentive Payments are paid twice each year based on performance for each of Nokia's short term plans which end on June 30, and December 31 of each year.

Short Term Incentive Payments are primarily determined based on a formula that considers the company's performance to pre-established targets for Net Sales, Operating Profit and Net Working Capital efficiency measures. Certain executives may have objectives related to quality, technology innovation, new product revenue, or other objectives of key strategic importance, which may require a discretionary assessment of performance by the Committee.

Our executives participate in the Finnish TEL pension system, which provides for a retirement benefit based on years of service and earnings according to the prescribed statutory system. Under the Finnish TEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, although gains realized from stock options are not. The Finnish TEL pension scheme provides for early retirement benefits at age 60 and full retirement benefits at age 65. The current TEL provisions cap the total pension benefit at 60% of the pensionable earnings amount.

For Mr. Ollila, Mr. Ala-Pietilä, Dr. Alahuhta, Mr. Kallasvuo and Ms. Baldauf, Nokia offers a full retirement benefit at age 60. The full retirement benefit is based on the executive's pensionable earnings at age 60, and assuming that the executive continues service with Nokia through age 65. Nokia does not offer any such benefit to any other members of the Group Executive Board.

Recommendations for the compensation of Messrs. Ollila and Ala-Pietilä are presented by the Personnel Committee to the Board of Directors for final approval. Compensation for other members of the Group Executive Board is approved by the Personnel Committee.

Service contracts of the Chairman and CEO and of the President

We have a service contract with each of Jorma Ollila and Pekka Ala-Pietilä, each of an indefinite duration. The Board has also agreed with Mr. Ollila on the continuation of his services as CEO of Nokia through 2006.

Mr. Ollila's contract has provisions for severance payments for up to 24 months of compensation (both base compensation and bonus) in the event of his termination of employment for reasons other than cause, including a change of control. Mr. Ollila will also be allowed to retain a portion of his unvested 1999C options proportionate to the length of his service, in the event his employment is terminated prior to the April 1, 2003 vesting date for the 1999C stock options. As previously mentioned, Mr. Ollila is further entitled to a full statutory pension from the date he turns 60 years of age, instead of the statutory age of 65.

Mr. Ala-Pietilä's contract has provisions for severance payments for up to 18 months of compensation (both base compensation and bonus) in the event of his termination of employment for reasons other than cause, including a change of control. Mr. Ala-Pietilä will also be allowed to retain a portion of his unvested 1999C options proportionate to the length of his service, in the event his employment is terminated prior to the April 1, 2003 vesting date for the 1999C stock options. As previously mentioned, Mr. Ala-Pietilä is entitled to a full statutory pension from the date he turns 60 years of age, instead of the statutory age of 65.

Management share ownership

The following tables set forth the number of shares and ADSs beneficially held by members of the Board of Directors and the Group Executive Board as of December, 31, 2002.

Board of Directors

	Shares [1]	ADSs
Jorma Ollila [2]	67 656	–
Paul J. Collins	–	105 344
Georg Ehrnrooth [3]	302 871	–
Bengt Holmström	4 999	–
Per Karlsson [3]	5 829	–
Robert F.W. van Oordt	4 359	–
Marjorie Scardino	–	2 411
Vesa Vainio	15 659	–
Arne Wessberg	2 411	–
Total	403 784	107 755

1 The number of shares includes not only shares acquired as compensation for services rendered as a member of the Board of Directors, but also shares acquired by any other means.

2 For Mr. Ollila's holdings of stock options, see the table under Stock Option Ownership below.

3 Mr. Ehrnrooth's and Mr. Karlsson's holdings include both shares held personally and shares held through a company.

Compensation of the Members of the Board of Directors and the Group Executive Board 2000–2002

	Chairman		Vice Chairman		Other Members	
Year	Gross annual retainer (EUR 1 000)	Shares received [1]	Gross annual retainer (EUR 1 000)	Shares received [1]	Gross annual retainer (EUR 1 000)	Shares received [1]
2000	109	840	85	640	61	460
2001	130	1 530	100	1 178	75	882
2002	130	2 650	100	2 038	75	1 529

1 As part of the Gross Annual Retainer for that year.

Group Executive Board

	Shares
Pekka Ala-Pietilä	9 600
Matti Alahuhta	49 200
Sari Baldauf	103 200
J.T. Bergqvist	12 800
Olli-Pekka Kallasvuo	25 000
Pertti Korhonen	2 300
Yrjö Neuvo	74 540
Veli Sundbäck	110 000
Anssi Vanjoki	106 000
Total	**492 640**

Management Stock Option Ownership

The following table provides certain information relating to stock options held by members of the Group Executive Board as of December 31, 2002. These stock options were issued pursuant to the Nokia Stock Option Plans 1997, 1999 and 2001. For a description of our stock option plans, including information regarding the expiration date of the options under these plans, please see **www.nokia.com/investors/stockinformation.**

	Number of shares represented by exercisable options as of December 31, 2002				Number of shares represented by unexercisable options as of December 31, 2002			
Exercise price per share [6]	**1997C [1] EUR 3.23**	**1999A [2] EUR 16.89**	**1999B [2] EUR 56.28**	**2001A and B [3] EUR 36.75**	**1999C [4] EUR 29.12**	**2001B [3] EUR 36.75**	**2001C [5] EUR 26.67**	**2002A and B EUR 17.89**
Jorma Ollila	0	1 200 000	1 056 000	312 500	544 000	687 500	500 000	1 000 000
Pekka Ala-Pietilä	0	720 000	475 200	78 125	244 800	171 875	125 000	250 000
Matti Alahuhta	80 000	340 000	369 600	31 250	190 400	68 750	50 000	175 000
Sari Baldauf	80 000	420 000	369 600	31 250	190 400	68 750	50 000	175 000
J.T. Bergqvist	0	100 000	92 400	12 500	47 600	27 500	20 000	70 000
Olli-Pekka Kallasvuo	0	300 000	369 600	31 250	190 400	68 750	50 000	175 000
Pertti Korhonen	0	42 000	94 120	9 375	27 880	20 625	15 000	70 000
Yrjö Neuvo	0	280 000	264 000	21 875	136 000	48 125	35 000	70 000
Veli Sundbäck	0	400 000	264 000	12 500	136 000	27 500	20 000	40 000
Anssi Vanjoki	0	280 000	264 000	21 875	136 000	48 125	35 000	100 000

1 Each 1997C option originally granted entitles the holder to subscribe for 16 shares of Nokia stock. These options expired on January 31, 2003.

2 Each 1999 A and B option originally granted entitles the holder to subscribe for four shares of Nokia stock.

3 Each 2001 A and B option originally granted entitles the holder to subscribe for one share of Nokia stock. The 2001 A and B options were 25% exercisable on July 1, 2002. An additional 6.25% of the original grant amount becomes exercisable each calendar quarter thereafter, so that the options will be fully exercisable on July 1, 2005. As of December 31, 2002, of the original grant of 2001 A and B options, 31.25% was vested and exercisable.

4 Each 1999C option originally granted entitles the holder to subscribe for four shares of Nokia stock. The 1999C options will be fully exercisable on April 1, 2003.

5 Each 2001C option originally granted entitles the holder to subscribe for one share of Nokia stock. The 2001C options were 25% exercisable on January 1, 2003 and an additional 6.25% will be exercisable each calendar quarter thereafter, so that the options will be fully exercisable on January 2, 2006.

6 The exercise price per share for the 1997C options has been adjusted for share splits that took place in 1998, 1999 and April 2000. The exercise price per share for the 1999 A, B and C options has been adjusted for the share split that took place in April 2000.

Stock Ownership Guidelines for Executive Management

The goal of our long-term, equity-based incentive awards is to recognize progress towards the achievement of our strategic objectives, and to focus executives on building value for shareholders. In addition to stock option grants, we encourage stock ownership by our top executives. In January 2001, we 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 our shares corresponds to two times the member's annual base salary, to be fulfilled within five years of the introduction of the guideline.

Insiders' Trading in Securities

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

Investor information

Information on the Internet

www.nokia.com/investor

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

Investor relations contacts

investor.relations@nokia.com

Nokia Investor Relations
6000 Connection Drive
IRVING, Texas 75039
USA
tel. +1 972 894 4880
fax +1 972 894 4381

Nokia Investor Relations
P.O. Box 226
FIN-00045 NOKIA GROUP
tel. + 358 7180 34289
fax +358 7180 38787

Annual General Meeting

Date: Thursday, March 27, 2003 at 3 p.m.
Address: Hartwall Areena, Veturitie 13, Helsinki, Finland.

Dividend

Dividend proposed by the Board of Directors for 2002 is EUR 0.28.
The dividend record date is April 1, 2003 and the dividend will be paid April 16, 2003.

Financial reporting

Nokia's quarterly reports in 2003 are due on April 17, July 17 and October 16. The 2003 results will be published in January 2004 and the financial statements in February 2004.

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
HEX 20 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 here in which are not historical facts, including, without limitation, those regarding: • the timing of product deliveries; • our ability to develop and implement new products and technologies; • expectations regarding market growth and developments; • expectations for growth and profitability; and • statements preceded by "believe," "expect," "anticipate," "foresee" or similar expressions are forward-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: • developments in the mobile communications market including the development of the mobile phone replacement market and the timing and success of the roll-out of new products and solutions based on 3G and subsequent new technologies; • demand for our products and solutions; • the development of the mobile software and services market in general; • the availability of new products and services by network operators; • market acceptance of new products and service introductions; • the intensity of competition in the mobile communications market and changes in the competitive landscape; • the impact of changes in technology; • general economic conditions globally and in our most important markets; • pricing pressures; • consolidation or other structural changes in the mobile communications market; • the success and financial condition of our partners, suppliers and customers; • the management of our customer financing exposure; • the success of our product development; • our success in maintaining efficient manufacturing and logistics as well as high product quality; • our ability to source quality components and research and development without interruption and at acceptable prices; • our ability to have access to the complex technology involving patents and other intellectual property rights included in our products and solutions; • inventory management risks resulting from shifts in market demand; • fluctuations in exchange rates, including, in particular, fluctuations between the euro, which is our reporting currency, and the US dollar and the Japanese yen; and • the impact of changes in government policies, laws or regulations • as well as the risk factors specified Nokia's Form 20-F for the fiscal period ended December 31, 2002 under "Item 3.D Risk Factors."

Paper: Galerie Art Silk 115 g/m²
Cover: Galerie Art Gloss 250 g/m²
Printed matter
Design: Louise Boström Oy. Sävypaino ISO 9001, 2003.

General contact information

NOKIA
Keilalahdentie 2–4
P.O. BOX 226
FIN-00045 NOKIA GROUP
Tel. +358 7180 08000
Fax: +358 7180 38226
E-mail: communications.corporate@nokia.com

Nokia Networks
Keilalahdentie 2–4
P.O. BOX 300
FIN-00045 NOKIA GROUP
Tel. +358 7180 08000
Fax: +358 7180 38200

Nokia Mobile Phones
Keilalahdentie 2–4
P.O. BOX 100
FIN-00045 NOKIA GROUP
Tel. +358 7180 08000
Fax: +358 7180 45782

Nokia Ventures Organization
Itämerenkatu 11–13
P.O. BOX 209
FIN-00045 NOKIA GROUP
Tel. +358 7180 08000
Fax: +358 7180 62590

Nokia Research Center
Itämerenkatu 11–13
P.O. BOX 407
FIN-00045 NOKIA GROUP
Tel. +358 7180 08000
Fax: +358 7180 36227

NOKIA

CONNECTING PEOPLE