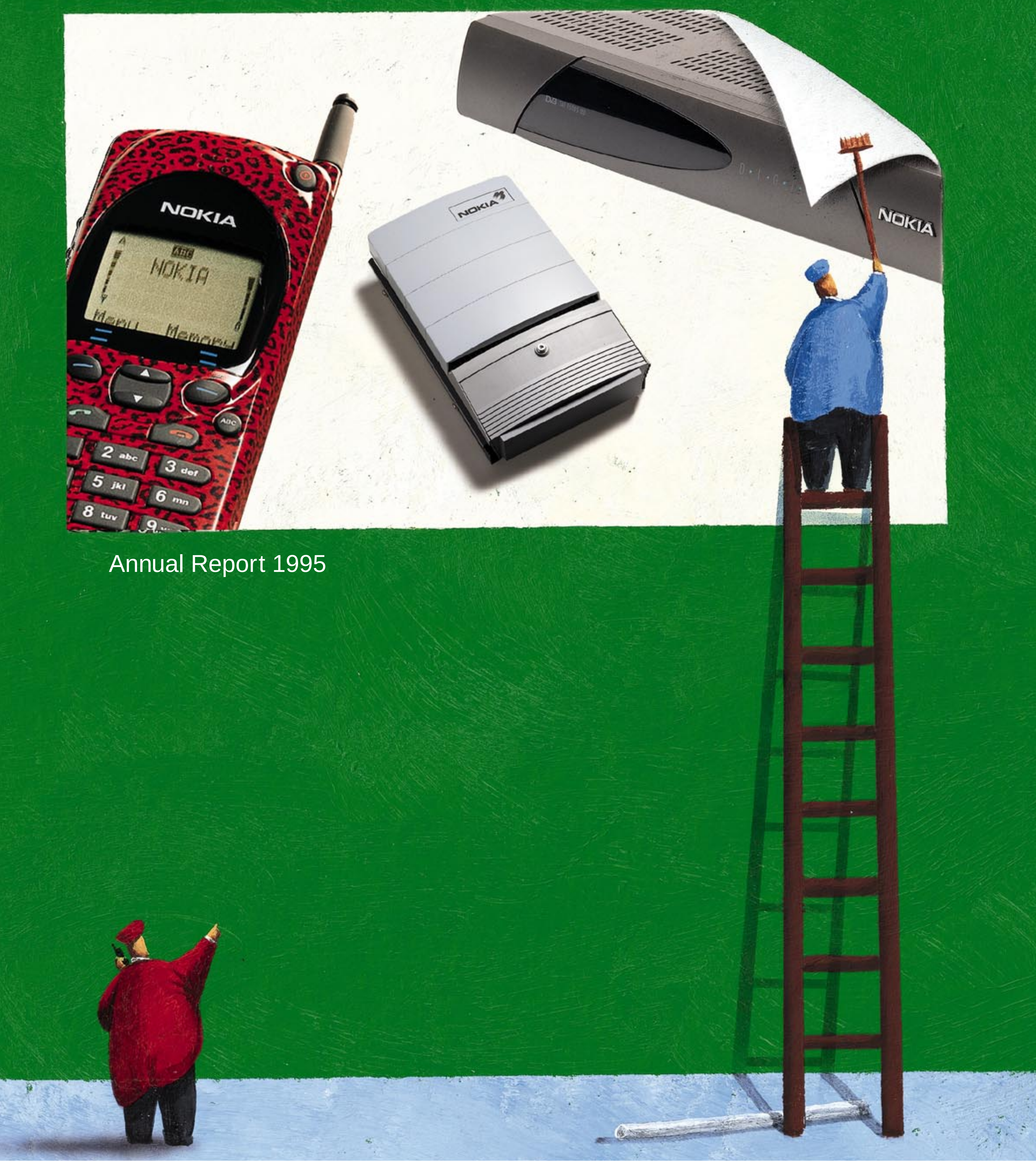
NOKIA
CONNECTING PEOPLE



Annual Report 1995

Nokia

Nokia is an international telecommunications group with net sales in 1995 of 36.8 billion FIM. The Group employs 34 000 people in 45 countries and is strongly positioned in key growth areas of the telecommunications business, consistently expanding its market shares. The Group runs focused R&D programs in Europe, Asia/Pacific and the United States.

Nokia is Europe's largest and the world's second largest manufacturer of mobile phones with sales in 120 countries. It is also a world leading supplier of GSM/DCS cellular networks. In addition, Nokia is a significant supplier of access networks, multimedia equipment and of other telecom related products.

Established in 1865, Nokia has developed from a traditional conglomerate via electronics industry into today's focused telecommunications group. Nokia's shares are listed in Helsinki (since 1915), Stockholm (1983), London (1987), Paris (1988), Frankfurt (1988) and New York (1994).

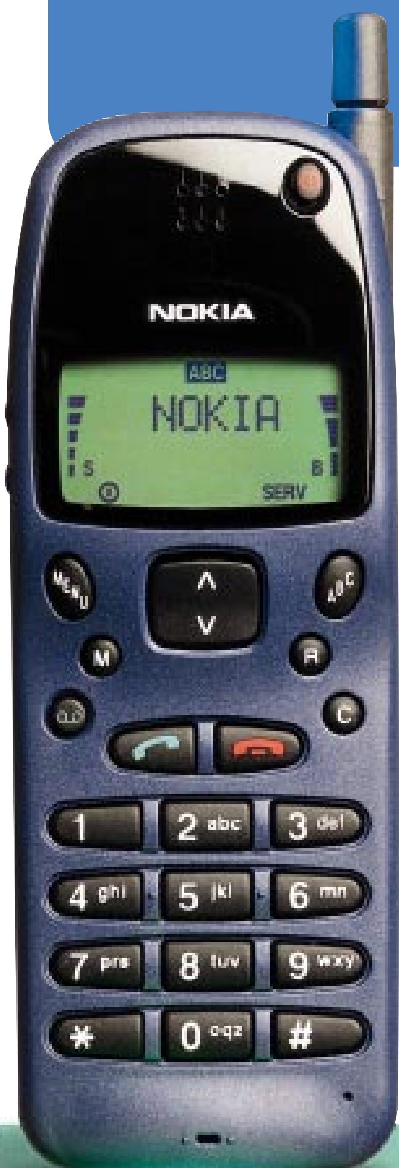
Nokia Telecommunications

is a global leader in telecommunications technology. It develops and manufactures networks and systems for cellular and fixed networks.

Contents

Nokia Mobile Phones

offers a full range of mobile phones for digital and analog cellular markets. It is a pioneer and a market leader in the rapidly growing wireless data business.



Nokia General Communications Products

develops and offers multimedia products, interactive digital satellite and cable terminals, PC and workstation monitors, car audio systems as well as mobile phone accessories and components.

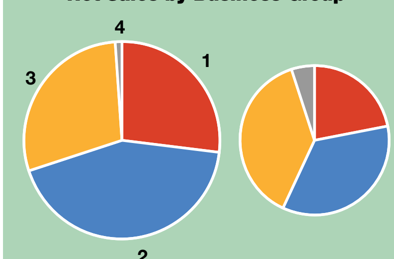
Nokia 1995

TEN HIGHLIGHTS

- Nokia signed six contracts for GSM networks in China.
- Nokia was awarded the first PCS contract in the USA for digital mobile phones.
- Nokia confirmed its position as the main supplier to E-Plus Mobilfunk with an 800 million DEM agreement.
- The Kirch Group of Germany ordered one million Nokia Multimedia Terminals.
- Nokia won contracts for the first delivery of GSM networks to India.
- Nokia reached a strong foothold on the fast growing and highly competitive Japanese digital phone market.
- Nokia and Cisco Systems of the USA announced that they will co-operate to develop ATM-based network products.
- Nokia and Texas Instruments demonstrated a new slim rear projection TV concept for home and business environments.
- Nokia gained global market share in mobile phones.
- ETSI selected the EFR voice codec jointly developed by Nokia and the Sherbrooke University of Canada as the industry standard codec for GSM/DCS.

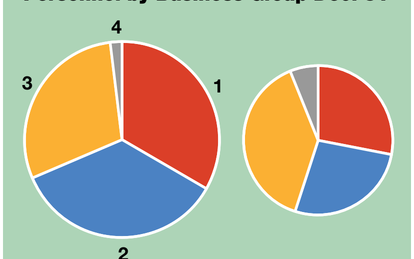
See abbreviations in Glossary on back cover.

Net Sales by Business Group



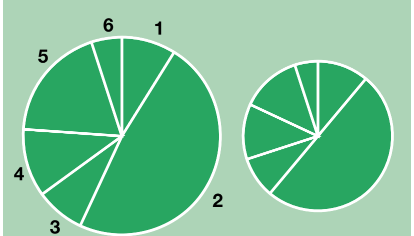
		1995	1994
1	Nokia Telecommunications	**27%**	22%
2	Nokia Mobile Phones	**43%**	35%
3	Nokia General Communications Products	**29%**	38%
4	Other Operations	**1%**	5%

Personnel by Business Group Dec. 31



		1995	1994
1	Nokia Telecommunications	**34%**	28%
2	Nokia Mobile Phones	**35%**	27%
3	Nokia General Communications Products	**29%**	39%
4	Other Operations	**2%**	6%

Net Sales by Market Area



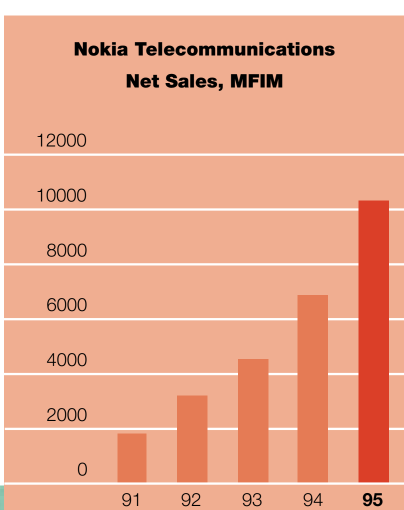
		1995	1994
1	Finland	**9%**	11%
2	Other EU-countries	**48%**	50%
3	Other European Countries	**8%**	9%
4	North America and Mexico	**11%**	12%
5	Asia/Pacific	**19%**	13%
6	Other Countries	**5%**	5%

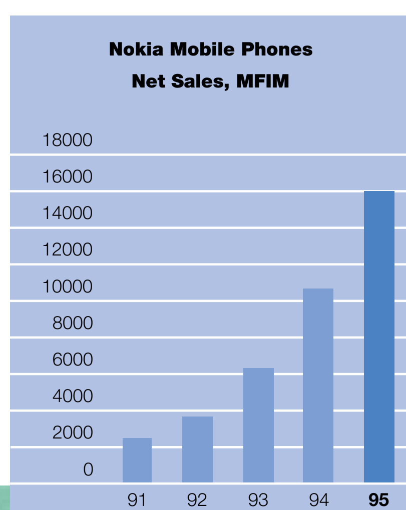
Key Data	**1995**	1994	**Change, %**
Net sales, FIM million	**36 810**	30 177	**+ 22**
Operating profit, FIM million	**5 012**	3 596	**+ 39**
Profit before taxes, FIM million	**4 933**	4 002	**+ 23**
Earnings per share, FIM	**14.36**	10.97	**+ 31**
Return on capital employed, %	**29.1**	25.4	
Net debt to equity, %	**17**	4	
Research and development, FIM million	**2 531**	1 937	**+ 31**
Capital expenditure*, FIM million	**3 299**	1 967	**+ 68**
Average number of employees	**31 900**	28 000	**+ 14**

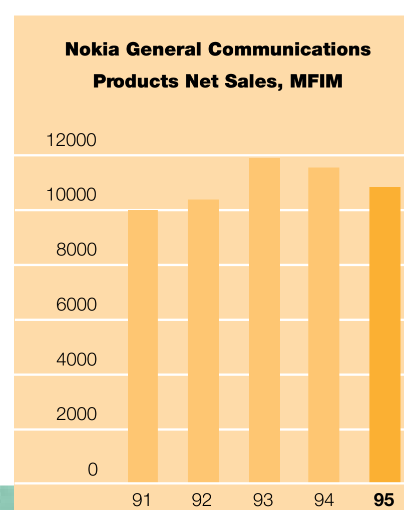
	Net Sales MFIM	**Operating Profit/Loss MFIM**	**Personnel Dec. 31**
Nokia Telecommunications	**10 341**	**2 722**	**11 297**
Nokia Mobile Phones	**16 052**	**1 753**	**11 821**
Nokia General Communications Products	**10 837**	**584**	**9 937**
Other Operations	**458**	**–47**	**729**
Inter-business group eliminations	**–878**		
Nokia Group	**36 810**	**5 012**	**33 784**

Currency Rates Dec. 31	**1995**	1994	1993	1992	1991
USD	**4.359**	4.743	5.785	5.245	4.125
GBP	**6.741**	7.409	8.554	7.957	7.718
SEK	**0.655**	0.636	0.695	0.744	0.743
DEM	**3.044**	3.062	3.335	3.249	2.719
FRF	**0.891**	0.887	0.982	0.953	0.794

* Excl. acquisitions and R&D capitalisation.
The key data above as well as the information given in the Review by the Board of Directors is based on financial statements according to International Accounting Standards, IAS, presented on pages 23 to 25.
Calculation of key ratios is explained on page 61.







A year of growth, change and challenges

The year 1995 was characterized by three simultaneous developments in Nokia: continued growth in our global operations, sharper focus on our business portfolio and increasingly rapid change, internally and externally. Our net sales and operating profit continued to increase as Nokia put itself firmly on the global map as a focused telecommunications company after divesting its non-core businesses.

Nokia celebrated its 130th anniversary as a very different company from what it was during the 80's. This demonstrates our ability for consistent renewal which will be crucial also for our continued success.

Profitable growth

1995 gave us many reasons to be pleased with our overall accomplishments.

Net sales reached FIM 36.8 billion, up 40% in comparable figures from the previous year. The operating profit was FIM 5 012 million, up 39%. Profitability in Nokia Telecommunicattions was excellent while Nokia Mobile Phones increased its global market share to well over 20%. In the development of future multimedia products, significant progress was made by Nokia Research Center and Nokia General Communications Products.

The growth of our operations was supported by extensive recruiting of personnel by virtually all parts of the organization. Recruitment to manufacturing, sales and marketing as well as R&D continued throughout the year bringing our total workforce to 33 784 at year-end. Some growth pains were felt, especially in the latter part of the year as our organization stretched to quickly integrate the new personnel with the Nokia way of doing business. Given the ever-changing nature of the telecommunications industry, our ambition to instil the spirit of continuous learning in all new employees will be a key factor in our future success.

Focused telecommunications company

In 1995, we moved closer to our strategic goal of being one of the leading focused telecommunications companies. Nokia divested its Tyres and Cable Machinery businesses and announced the intention to reduce its share in Cable Industry to under 50%. In early 1996 Nokia also announced the withdrawal from the color television business. After these moves, Nokia will have nearly 100% of its operations in the telecommunications industry. This is an important milestone since we shall now have the structure in place to concentrate on the growth segments of the telecommunications industry thereby improving our shareholder return. This strategy has already helped us to grow faster than the market overall during the past few years. With operations in 120 countries, manufacturing on four continents and with improved brand-recognition worldwide, we are now a truly global player.

We shall continue to focus on the areas where our competence provides optimum added value to our customers. We also augment this competence with those of our well-chosen partners. Nokia has R&D and related strategic alliances with major American, Asian and European electronics companies. This platform will further enable us to capitalize on emerging opportunities.

Focus on the telecommunications industry means several things to us. First, it means the need to continue to enhance the existing competence base of the company. Second, it means a necessity to watch constantly for new opportunities in areas related to our main operations. Third, it means a firm commitment to achieve operational excellence within the company through improved business processes. We must continuously take a fresh look at how we operate in order to leverage our competence base.

At the same time, concentrating on what we do best enables us to develop our business processes in a more coherent way. Thanks to our single-minded telecommunications orientation, we can now meet customer needs, technological as well as marketing challenges with the full strength of our organization. In addition, the added values to be obtained from closer co-operation inside our organization are more tangible than ever. The Nokia values of customer satisfaction, respect for the individual, achievement and continuous learning are by now established. They are important to us as they provide the internal cohesion needed to guide us in Nokia's continued worldwide expansion.

Looking ahead

The changing business environment will create new challenges for us in 1996. We must be ready to cope with the uncertainties of technological evolution in the cellular markets and the varying growth rates in these markets. In the near future, it will be essential to master the complex interrelationships between consumer behaviour, economic fundamentals and technological developments. Our strength in technology management must be put to work to serve our customers.

I see 1996 as a year for investment in our future. Having established Nokia as a leading telecommunications company, we will now concentrate on sharpening our competitive edge in order to serve people communicating in the 21st century.

I am confident that the Nokia team, new recruits and veterans alike, is up to the challenge of achieving and maintaining world-class operational efficiency in all our activities. We are now benefiting from the visionary technological solutions we made years ago. The long-term success of the company is in our hands today, and we will have to earn that success every day. This requires constant agility in positioning ourselves in this dynamic industry.

Success demands hard work and determination to maintain our position at the forefront of technological change.

Jorma Ollila

Review of Operations

Nokia strengthened its position as a leading international telecommunications group. The Group improved its market position and increased the market share of its principal product lines.

NOKIA TELECOMMUNICATIONS

During 1995, liberalization continued in both cellular and fixed telecommunications markets throughout the world, leading to new opportunities and intensified competition for Nokia.

While European GSM operators focused heavily on expanding network capacity, India and China drew much attention as GSM made its first inroads. Similarly, GSM-based PCS in the United States became firmly established as a leading contender among cellular technologies following the initial round of licensing of new wireless operators.

As Nokia strengthened its position as the world's second largest supplier of GSM, new opportunities emerged in increasingly important access networks, where competition in fixed services intensified from cable TV operators and other new challengers.

The establishment of these new operators in fixed services has impacted significantly on the roles of systems suppliers leading to new areas of growth for Nokia.

Growth in cellular market share

The global market for GSM and GSM derivatives maintained its strong growth pace throughout the year. Estimates put the worldwide number of GSM subscribers at 12 million at the end of 1995. Despite intensified competition, Nokia improved its position in its core cellular markets throughout the year, counting 38 mobile operator customers in 25 countries.

In India, the licensing of GSM operators brought Nokia's first agreements to supply networks to Madras and Calcutta. In China, five new GSM deals were signed in 1995 in addition to the expansion of the Beijing network. In the United States, the start of PCS licensing led to base station system agreements with GO Communications in June 1995 and Western Wireless Corporation in January 1996. Delivery under the supply agreement with GO Communications is contingent upon the company winning the required licenses.

To meet anticipated strong demand in GSM, DCS and PCS networks, Nokia expanded its base station manufacturing facilities in Finland and the UK and announced the establishment of new factories in China and the USA.

In the modern family, people do their own thing. Mum may be away on business, Dad's driving long distance, Junior's at home...

Nokia has global experience in all areas of cellular telephony, from switching throughout transmission to base stations and handsets. Up left: transmission equipment testing.
Far left: Nokia has a base station for every environment.
Left: Nokia PrimeSite base station – a new concept of base station site.

Significant agreements with operators

In Europe and Asia/Pacific, established GSM and DCS 1800 operators continued their network rollouts while focusing on increasing network capacity. Significant expansion agreements were signed with operators in Denmark, Finland, the Netherlands, Sweden and the Philippines. In DCS 1800, Nokia signed a major expansion agreement with Germany's E-PLUS Mobilfunk, one of the largest deals ever in the cellular industry.

Cellular operators also turned their attention increasingly toward building or optimizing their own transmission networks in 1995. In this area, Nokia's capability in offering complete systems including microwave radio products, SYNFONET SDH transmission equipment and network planning systems, continued to be a big advantage.

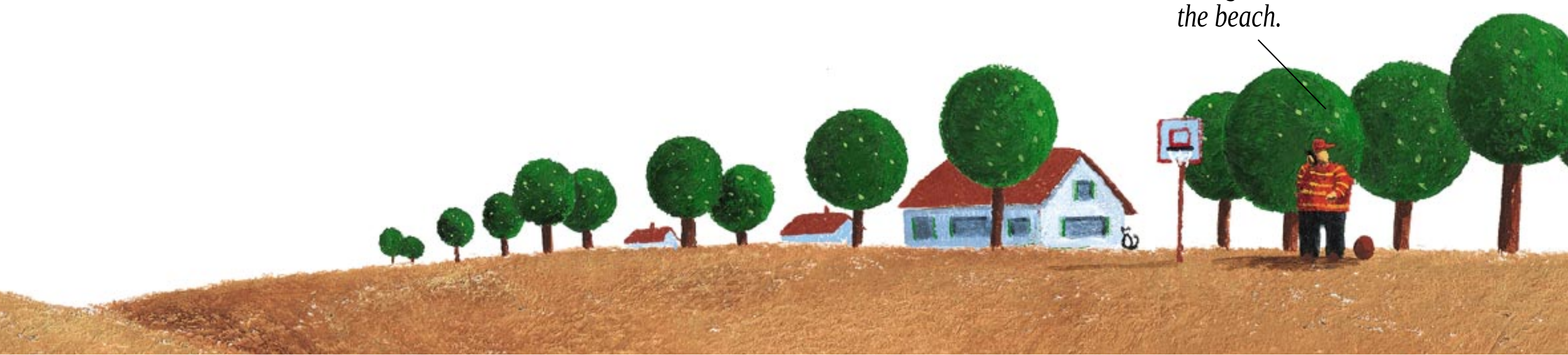
Base station technology reached a new level of compactness and functionality as Nokia introduced its revolutionary Nokia PrimeSite base station during the Telecom 95 Exhibition in Geneva. Comparable in size to a suitcase, Nokia PrimeSite is a fully functional unit which can be pre-commissioned prior to customer delivery, allowing operators to quickly and easily build cellular network coverage in differing environments or add capacity in congested areas.

In trunked mobile radio, deals in the UK, Belgium and India continued to make Nokia's ACTIONET solution the global leader in MPT 1327-based PMR networks. Looking ahead to the next generation, Nokia launched its digital trunked mobile solution, TETRA, in the fall. TETRA will offer a number of new features, security and network quality enhancements making it a logical choice for a wider range of user groups.

Focus on access networks

As full deregulation of telecommunications services in Europe moves closer to

but that doesn't mean you can't stay in touch.



its 1998 commencement, and as other regions throughout the world follow suit, new operators are continuing to emerge as challengers to existing providers. At the same time, PTTs are restructuring their operations and increasing their efficiency. This has opened new doors of opportunity for Nokia.

In increasingly important access networks, where as much as 70% of fixed network investments are made, Nokia earned the position as one of the leading suppliers to second operators in deregulated European and Asian/ Pacific markets.

In 1995, Nokia enhanced its leading position as supplier to British cable TV operators who offer telecomms services. The ability to provide full system solutions incorporating DX 200 digital switching, SDH and PDH transmission, multiplexing, cross connects and operation and maintenance systems, led to continued cooperation with NYNEX and other operators as well as the signing of new agreements.

New solutions

While liberalization in telecommunications proceeds, fundamental changes in the market will produce a wealth of opportunity as well as increasing competition.

Growth in access solutions will include fixed wireless networks, where the “last mile” of the connection is covered by radio. For new operators in developed markets, fixed wireless offers a path to quick entry; in developing countries; a rapid and cost effective method of providing voice and limited data connections. To meet this demand, Nokia announced the formation of a fixed wireless unit at the beginning of 1996.

Business and commercial users are increasingly in need of high-speed, high-bandwidth network connections. In response to this, Nokia and Cisco Systems of the USA announced in October the establishment of a strategic alliance to develop ATM-based network products that will be combined to develop total solutions for operators offering telecom services to companies.

Mobile data, where Nokia is an acknowledged leader, is also expected to markedly increase in popularity. Cellular users are discovering its usefulness in messaging, accessing a variety of data sources, information services – even multimedia applications. Nokia’s early emphasis on mobile data, encompassing both infrastructure and terminal development, offers yet another area for service expansion.

As operators seek innovative and flexible ways to tailor services to meet the requirements of their markets, Intelligent Networks (IN) are moving to the forefront as an enabling technology for business applications, customization of services, mobility management and number portability. The implementation of IN as part of several existing cellular and fixed network agreements illustrates confidence in Nokia’s IN platform approach.

Further development of technologies for IN solutions will continue together with Nokia’s partners.

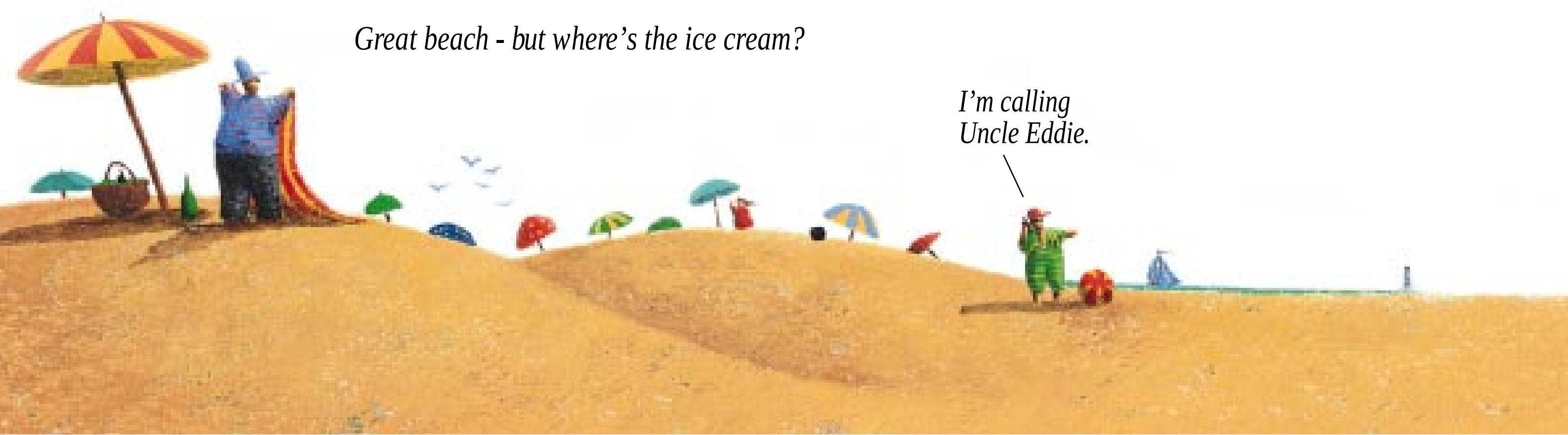
Systems know-how important

The emergence of new operators and the reorganization of current ones will lead to a fundamental restructuring of the value chain, requiring new levels of competence and support from suppliers. The expansion of the Customer Services division in 1995 ensures a

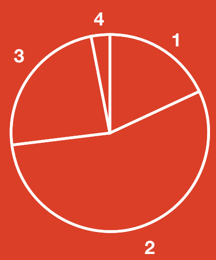
Nokia Telecommunications

Net sales in 1995 totalled FIM 10 341 million (6 906 million). Operating profit rose 60% to FIM 2 722 million (1 700 million). The number of employees increased from 8 082 to 11 297 people.

MR. MATTI ALAHUHTA, PRESIDENT:
“In our rapidly changing markets technological prowess is important, but understanding the market needs is the key. By continuously developing our core competencies, way to operate and company culture we will ensure a sound source for competitiveness in this dynamic market.”



Net Sales by Market Area



1	**18%**	Nordic Countries
2	**55%**	Other European Countries
3	**24%**	Asia/Pacific
4	**3%**	Other Countries

Nokia has supplied fixed network systems to PTT's, new operators, cable TV companies and public utilities in over 45 countries. Up right: Nokia in Telecom 95. Far right: DX 220 high capacity exchange. Right: managing networks with the Nokia NMS.

global, integrated network of customer support and training programmes.

Nokia Telecommunications has continually strengthened its product development and has significantly focussed its systems know-how on market-driven solutions. This is crucial, for in the rapidly changing markets technological prowess is important, but understanding the market needs is the key.

NOKIA MOBILE PHONES

Nokia further strengthened its position as Europe's largest and the world's second largest manufacturer of mobile phones. Throughout the year, Nokia's mobile phone sales in some 120 countries were growing faster than the total market.

Nokia offers a full range of mobile phones for digital and analog cellular markets. The company is also a pioneer and a market leader in the rapidly growing wireless data business.

Fast global growth

In 1995, cellular markets continued to grow all over the world. The number of cellular subscribers worldwide rose from 54 million to more than 80 million at the year-end. The deregulation of telecommunication markets proceeded and brought new opportunities to the cellular market.

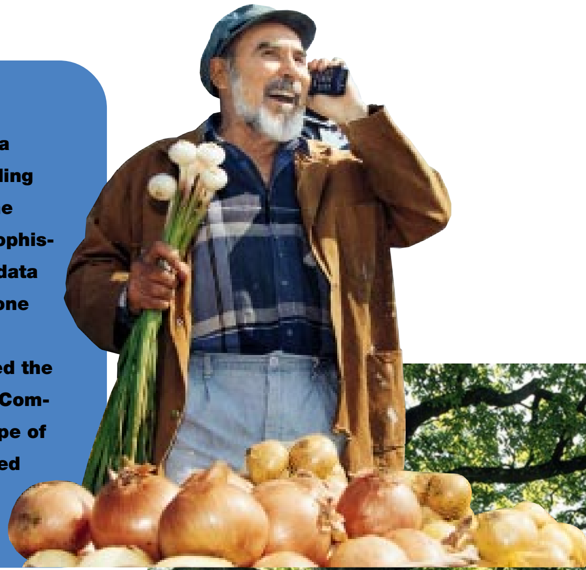
The share of digital cellular phones increased strongly and accounted for some 20 % of the subscriber base. Regionally, the picture differs with Europe and Asia leading the digital advance.

Strong segmentation

The increased cellular demand came both from private users and businesses. The trend was increased segmentation. Business users emphasize the importance of value-added services, data and advanced voice-based services. Private

"Be right there, kid. You have done me a favor - the usual ice cream guy must be on holiday."

During 1995, Nokia introduced a number of new products, including the new enhanced version of the award-winning Nokia 2110, a sophisticated GSM phone supporting data services, and the consumer phone Nokia RinGo.
In March 1996, Nokia announced the introduction of the Nokia 9000 Communicator, a completely new type of product combining a full-featured GSM phone with data services and organizing capabilities.



Everyone wanted Eddie's ices. He had to order more – fast.

Times like this you really appreciate a Cellular Data Card!

users prefer well-designed, easy-to-use, affordable phones.

Growth in market shares

As the sales of Nokia Mobile Phones grew faster than the markets Nokia was able to gain market share in all three regions of the world. Particularly encouraging in Europe was the accelerating growth in highly penetrated cellular markets such as the Nordic countries which achieved cellular penetration between 20–26% while maintaining a well over 50% growth in the subscriber base.

In Asia/Pacific, cellular market expanded vigorously with digital standards making a breakthrough. Particularly strong growth was recorded in Australia, China, India, Japan, the Philippines and Taiwan. Nokia started GSM phone sales in India and established itself as a supplier in Japan, the world's second biggest cellular market. In China Nokia participated in the development of the digital market.

The United States market was still dominated by analog products where Nokia gained market shares. The first digital PCS network was opened at the end of the year. Nokia signed its first contract for deliveries of PCS phones to the USA.

The consistent building of the global Nokia brand yielded results. Nokia positioned itself firmly as a leading mobile phone brand in Europe and made a major leap in brand awareness in many Asian countries and Australia.

The cellular data market continued to expand proportionally faster than the cellular phone market. The trend towards personal mobility, allowing users to work anytime and anywhere, boosted the use of data services available in digital networks, e.g. cellular transmission of fax, data, e-mail and access to the Internet. Nokia reinforced its leadership in this rapidly growing market segment.

Global operations and increased local presence

Production volumes rose in the Nokia Mobile Phones plants in Finland, Germany, the United States, Hong Kong and South Korea. To meet the growing cellular demand, the global marketing and logistics as well as the R&D network was strengthened.

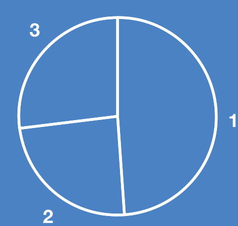
A new cellular manufacturing plant in Salo, Finland was inaugurated in June. The construction of the new factory in Fort Worth, Texas continued, and at year-end the production was moved

Nokia Mobile Phones

Net sales in 1995 totalled FIM 16 052 million (10 702 million). Operating profit amounted to 1 753 FIM million (1 745 million).The number of employees increased from 7 554 to 11 821 people.

MR. PEKKA ALA-PIETILÄ, PRESIDENT:
"Anticipation of customer needs and quick response to market requirements is vital. With the variety of standards, versions and special models needed for each market segment, our aim is logistical efficiency and flexibility without loss of the economies of scale."

Net Sales by Market Area



1	**49%**	Europe and Africa
2	**24%**	Americas
3	**27%**	Asia/Pacific and Gulf

Dad and Junior head home with music drifting from the sound system – the perfect end to a perfect day.

to the new premises adjacent to the distribution center.

In March, Nokia announced the building of a new distribution center in Bochum, Germany. Nokia also signed two joint venture agreements in China; one for the manufacturing of accessories in March and the other for the production of mobile phones in April.

In September, Nokia opened a sales office in the Philippines, one of the fastest growing markets in the Asia/Pacific region. In October, Nokia officially opened a research and development unit in Tokyo, Japan. Nokia's new customer support and distribution center in Singapore was officially opened in November.

Introduction of several new products

Being a global supplier of cellular phones to all major analog and digital standards, Nokia Mobile Phones expanded its product range in 1995.

Responding to the emerging consumer demand for a simple phone, Nokia introduced the RinGo concept in November, developed in cooperation with the Nordic NMT-operators. This cellular phone is not only ready-to-use upon purchase but also inexpensive due to the special operator tariffs.

In June, Nokia launched an enhanced version of its award-winning digital Nokia 2110 for GSM standards. The future-proof Nokia 2110 is the first phone supporting the various Phase 2 services shortly to be introduced in GSM, e.g. indication of call charges, closed user group support and conference calls. Extended talktime and standby time of the Nokia 2110 are among the longest available in the market.

At Telecom 95 in Geneva, Nokia demonstrated its DECT 100 phone, an entry to the digital cordless technology.

The Nokia 6080, a new GSM mobile phone was introduced in October. This product is the first car phone supporting the DIN standard installation in car dashboards and is ready for data services.

Nokia also introduced a wireless payphone, easily customized to meet varying needs and environments.

New basic phones for analog AMPS and TACS standards were launched. The Nokia 636, a light-weight, ergonomically designed handportable, was especially designed for first-time users. Another basic phone from the same family, the Nokia 909, was launched in December for TACS.

Relaxation time. Dad watches the big match ... while Junior journeys into cyberspace.

For the cellular data market, Nokia introduced the Data Card Expander. This allows data management even with low-powered palmtop computers, organizers and portable computers without a PCMCIA slot.

Another data product, Cellularware, was introduced by Nokia. This is a software programme allowing management of mobile phone memory locations and short messages through a computer.

Nokia also launched a new range of numeric and alphanumeric FM paging receivers for RDS and MBS standards.

Technological innovation improves voice quality

Nokia continued to contribute to the development of industry standards. In late 1995, ETSI selected the EFR voice codec developed by Nokia and the University of Sherbrooke, Canada. This will be the industry standard for digital GSM and DCS, and raises the voice quality of GSM/DCS to level of wire connections.

In R&D, increased investments were made to ensure technological leadership and innovation. The main focus areas are the development of terminal technology and new wireless standards.

Near-future developments

Cellular growth will remain strong, along with liberalization and new consumer segments. Large cellular markets, such as China and India, have only been opened and will rapidly expand. This will lead to increased volumes as well as intensified competition in a complex standard environment where digital standards will continue to gain ground.

Anticipation of customer needs and quick response to market requirements is vital for global players like Nokia. With the variety of standards, versions and special models needed f or each market segment, global logistics will be the chief focus in all Nokia manufacturing plants. The aim is logistical efficiency and flexibility without loss of the economies of scale.

NOKIA GENERAL COMMUNICATIONS PRODUCTS

Combining Nokia's know-how in image/voice processing and transmission, Nokia General Communications Products focused on offering advanced televisions, interactive digital satellite and cable terminals, PC and workstation monitors as well as accessories and components for mobile phones.

The emphasis is on the co-operation with the other business groups as well as with Nokia Research Center to address the swiftly expanding market for consumer-friendly, interactive multimedia products and applications.

Decline in televisions, growth in monitors

1995 saw a general decline in television sales in Europe. The expected consumer demand for larger-sized televisions did not materialize and resulted in fierce competition and subsequent price-erosion. Despite the declining sales Nokia kept its market share.

At the same time, sales of Nokia's PC monitors increased along with the market growth. Nokia's market share accounted for nearly 10% of the total value in Europe, and the company increased its share on the US market where the sales more than doubled.

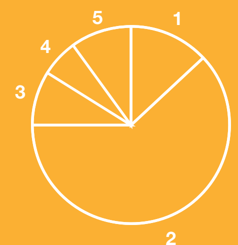
He makes contact with Stephi, a Nokia scientist, on the Internet.

Nokia General Communications Products

Net sales in 1995 totalled FIM 10 837 million (11 530 million). Operating profit was FIM 584 million (210 million). The number of employees decreased from 11 171 to 9 937 people. (The figures include Nokia Cables.)

MR. TAPIO HINTIKKA, PRESIDENT:
"The standardization in the new multimedia services is still in process. We develop products for these new services in cooperation with major operators and service providers to ensure open communication and interactivity."

Net Sales by Market Area



1	**13%**	Finland
2	**62%**	Other EU Countries
3	**9%**	Other European Countries
4	**6%**	Asia/Pacific
5	**10%**	Other Countries

Nokia is also expanding its monitor activities into Croatia, Israel and Italy, and gradually into the new East European countries.

Increased demand necessitated new investments in the Salo monitor factory in Finland. Also, a plant was acquired in Pécs, Hungary, to increase production of 15 and 17 inch monitors.

Growth in the satellite receiver market

During 1995 the number of TV- and communications satellites in space continued to grow, and digital TV transmissions, aimed at the general public, won steadily increasing viewer audiences. These transmissions have so far been distributed through DTH satellite networks in USA and will also start during 1996 in Europe based on the DVB/MPEG 2 standard.

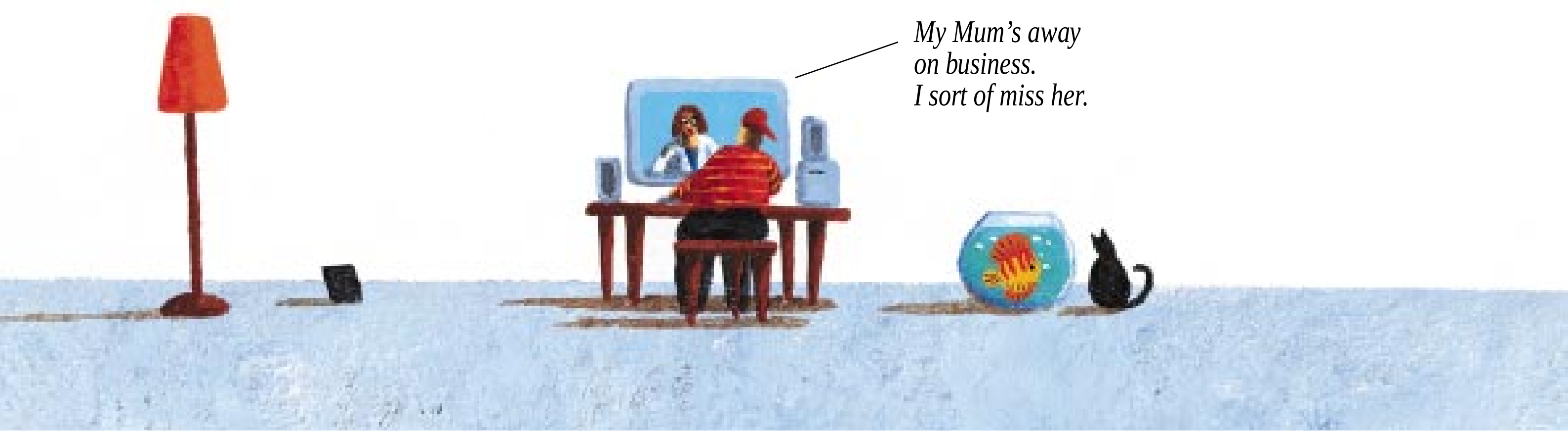
As a result of the growth in European interest in digital transmissions, the first fully digital Astra 1E satellite was launched in the fall. Even the EUTELSAT and SIRIUS satellites can be used digitally although regular transmissions will only start in 1996. Media companies such as the Kirch Group, Bertelsmann, MultiChoice, Canal+, BSkyB and Kinnevik have planned for new or extended digital services. In Asia, the StarSat project will also offer digital services.

Nokia, Europe's leading supplier in satellite receivers, will continue to play a key part in the transition to digital TV-transmission and Nokia's first fully compliant DVB/MPEG 2 terminal will be on the market in 1996.

Pioneering products

In August, at IFA (Internationale Funkausstellung) in Berlin, Nokia presented the world's first multimedia terminal. Ordered in a quantity of one million units by BetaTechnik, a company in the German Kirch Group, it turns an ordinary TV into a multimedia station to which peripherals such as PC, printer and CD-ROM can be connected. Consumers can select a much wider choice from the growing variety of pay-TV programs and from the array of on-line services such as inter-active games, home shopping and home banking. Today there are already more than one million households in Germany with access to pay-TV and by the year 2000 the number is expected to reach 6 million subscribers.

At IFA, Nokia also unveiled the world's first satellite receiver with built-in Showview function simplifying video time recording. Nokia also introduced a revolutionary large-screen television developed jointly with Texas Instruments. The DMD television is a slim rear projection TV for home and business environments, based on TI's Digital Micromirror and Digital Light Processing technology.



Nokia's products offer easy access to programmes and services for entertainment, education, safety and work. A proof of consumers' acceptance were numerous awards by consumer and trade magazines in Europe and the USA. Nokia's creative product solutions are less space consuming combi-products e.g. the MediaStation monitor for video conferencing.

It will be available in Europe early 1997.

At CeBIT in Hannover, Nokia introduced the MediaStation, a monitor with built-in camera, microphone and loudspeakers, meeting the strongly emerging world-wide market for video-conferencing. The Nokia Monitor TV – a combined PC monitor and 17" television – also introduced at CeBIT, received the CeBIT 95 Highlight for the Best Computer Product.

Growth in Industrial Electronics

The sales of the Industrial Electronics Division grew by 20%. Due to the growing mobile phone market, sales of battery chargers almost doubled from the previous year, and due to increased car sales in Europe, the market for airbag electronics and loudspeakers also developed favourably.

The division continued to focus on its core businesses. The inductive components activities were divested, and the components activities in Uusikaupunki, Finland, were sold to the Italian company Eldor. Nokia holds a 25% ownership in its Finnish subsidiary Eldor Finland Oy. A 50% ownership joint venture was established with Autoliv AB of Sweden for the development, sales and production of airbag electronics.

LK-Products was transferred from Nokia Mobile Phones to the Industrial Electronics Division on January 1, 1996, accentuating its character as an independent component supplier to the global mobile communications industry.

Future trends

There will be a tremendous growth of new programmes and services via inter-

Hmm... perhaps there is a way he could get to see her.

active networks. The programmes are used for entertainment, education, safety and work. Nokia gives the consumers easy access to these future services by offering user-friendly terminals for use at home and in the office.

The standardisation in the new multimedia services is still in process. Nokia develops products for these new services in cooperation with major operators and service providers to ensure open communication and interactivity. The pathbreaking Multimedia Terminal, the award-winning Monitor TV and the Digital Micro Mirror display are good examples of Nokia's leading edge in consumer electronics.

NOKIA RESEARCH CENTER

The corporate research center interacts closely with the R&D units of all Nokia business groups. The center covers the full range of activities from exploration of new technologies and product/system concepts to their exploitation in actual product development. The center also introduces new methodologies in Nokia's business processes.

The technological pathfinder

To fulfil its mission as the technological pathfinder for the Nokia Group, the center has further developed its competene in technology areas crucial to Nokia's competitiveness, including wireless/wireline communications technologies, audio/visual signal processing as well as the more generic software and electronics technologies. Main focuses include GSM enhancement and third-generation cellular systems, broadband communications and multimedia.

During the year, Nokia Research Center continued to grow rapidly and increased its staff to 500, of which 15% hold post-graduate degrees. The Research Center laboratories are located in Helsinki and Tampere in Finland and in Dallas and Boston in the USA.

Nokia has a strong participation in the important R&D projects within the 4th Framework Programme of the European Union as well as in various national programmes, in particular those developing future wireless/wireline communications systems and multimedia systems and applications. Nokia Research Center plays a key role in these activities while at the same time cultivating worldwide cooperation with universities and research institutes as well as supporting and managing Nokia's activities in global standardization.

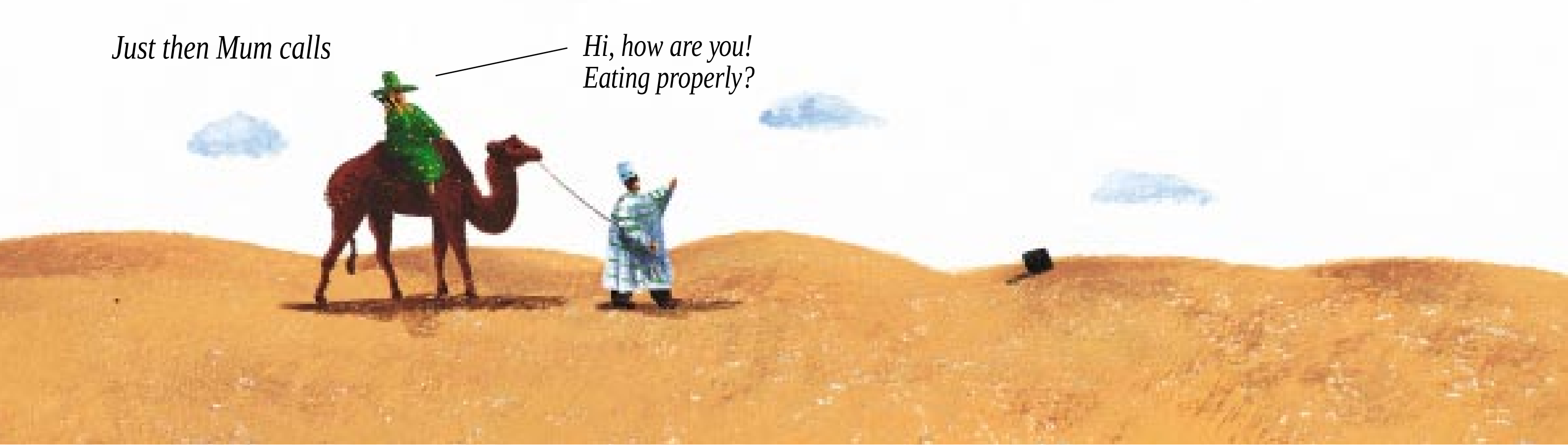
Nokia Research Center

ETSI chose Nokia's EFR speech codec in competition between key players for adoption in the GSM digital cellular communication standard.

Nokia Research Center made significant contributions to Nokia's new product concepts demonstrated at Telecom 95 in Geneva, such as a GSM video phone, multimedia over ATM and desktop video conferencing.

Nokia Research Center played a central role in the development of Nokia's digital multimedia terminal.

Nokia Research Center developed the ground-breaking methodology OCTOPUS for object-oriented software development for real-time systems, published in book form by Prentice Hall.



Multimedia and wireless communications are the main focuses of Nokia Research Center. The Center heads several R&D projects of the European Union and also participates in EUREKA and ESA projects.

Environmental Policy

A successful business requires a solid, product life cycle-based environmental performance.

The Nokia Way means an active, open and ethically sound approach to environmental protection.

The objective of Nokia's environmental policy is sustainable development in accordance with the ICC (International Chamber of Commerce) business charter.

Implementation

The environmental policy is a part of the general management process.

Line organizations plan and implement the action programs by using environmental specialists and the best available technology.

The action programs are based on a thorough understanding of the environmental impacts of a product throughout its life cycle.

Minimizing the environmental impacts requires continuous efforts and follow-up of the results, it is thereby a part of the total quality improvement process.

"Er yes, we've got a freezer full of food..." *Nokia... connecting people.*

Review by the Board of Directors

Nokia´s business objective is to further its development as a leading international telecommunications group. To achieve this objective Nokia pursues a number of strategies including targeting high growth market segments; strengthening its position in technological development through the efficient use of R&D; exploiting its international sales, customer service and manufacturing network in order to strengthen its position in its principal markets; and enhancing the recognition of the Nokia brand name.

Throughout 1995, Nokia continued to focus on developing its core telecommunications business and refining its expertise in the telecommunications industry. Nokia's activities in 1995 included the discontinuation of or reduction of interests in businesses that were not an integral part of its core operations. At the beginning of the year, Nokia completed a public offering and stock exchange listing of Nokian Tyres, reducing its shareholdings therein to 36%. Nokia's majority interest in Nokia-Maillefer was sold in June. In December, Nokia announced the sale of its Finnish cable operations to its Dutch subsidiary NKF, as the first step toward achieving the overall objective of reducing its ownership in its existing cable businesses to under 50%.

In June 1995, Nokia established a new business group, Nokia General Communications Products by consolidating Nokia Consumer and Industrial Electronics with Nokia Cables and Machinery.

In order to further focus on its core telecommunications businesses, on February 28, 1996, Nokia announced its decision to withdraw from the TV business. The financial impact of this action is reported in the 1995 accounts as discontinued operations.

The early redemption of Nokia's holdings of ICL preferred shares was completed in July, 1995 for GBP 167.3 million. These shares had been held by Nokia since the divestment of Nokia Data in 1991 and were due to reach final maturity in 1998.

Net sales by business group Jan. 1 – Dec. 31	**1995 MFIM**	**%**	1994 MFIM	%	Change %
Nokia Telecommunications	**10 341**	**28**	6 906	23	49.7
Nokia Mobile Phones	**16 052**	**44**	10 702	36	50.0
Nokia General Communications Products	**10 837**	**29**	11 530	38	–6.0
Other Operations	**458**	**1**	1 589	5	–71.2
Inter-business group eliminations	**–878**	**–2**	–550	–2	
Nokia Group	**36 810**	**100**	30 177	100	22.0
Exports from Finland and subsidiaries outside Finland	**33 583**	**91**	26 728	89	25.6

Operating profit/loss, IAS, Jan. 1 – Dec. 31	**1995 MFIM**	**% of net sales**	1994 MFIM	% of net sales
Nokia Telecommunications	**2 722**	**26.3**	1 700	24.6
Nokia Mobile Phones	**1 753**	**10.9**	1 745	16.3
Nokia General Communications Products	**584**	**5.4**	210	1.8
Other Operations	**–47**	**–10.3**	–59	–3.7
Nokia Group	**5 012**	**13.6**	3 596	11.9

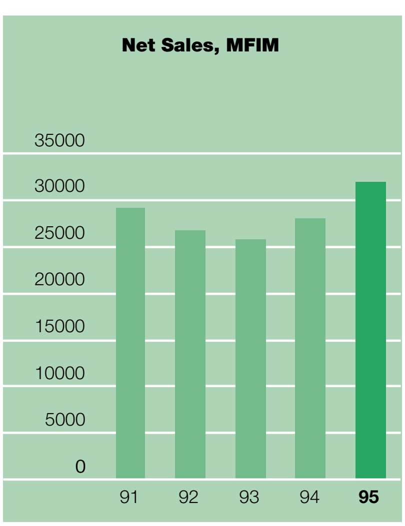
In May, Nokia entered into a USD 350 million revolving credit facility with an international bank syndicate arranged by Citibank International NA, Deutsche Bank and Union Bank of Finland. The credit facility, which was entered into on favourable terms to the Company, is intended to serve as a back-up for short term borrowings and future funding needs. In September, Nokia signed a USD 150 million loan agreement with the Export-Import Bank of Japan and the Sakura Bank Limited. This loan is intended to partially finance the manufacturing and R&D costs associated with the export of cellular mobile phones to Japan, where Nokia has a significant market share in the rapidly growing digital phone market.

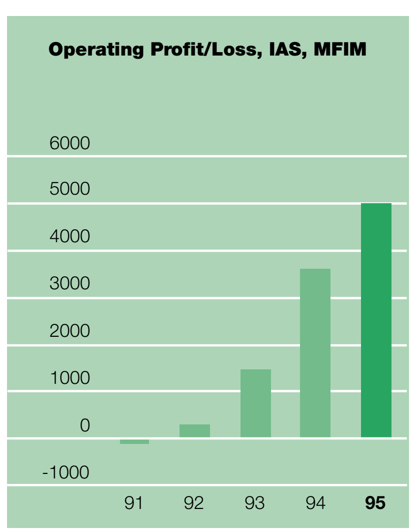
Overall, rapid sales growth continued in Nokia's core telecommunications businesses, particularly in the Asia/Pacific region. However, Europe remained the largest, most important market for Nokia's telecommunications products. Nokia's largest markets in Europe in 1995 were Germany, Great Britain and Finland, while the importance of markets in Italy and France continued to increase as a result of strong sales growth in these countries.

In 1995 Nokia continued to make significant investments in product development and research. R&D expenditures totalled FIM 2 531 million during the year, an increase of 31% over the prior year. At the end of the year, more than 7 000 of Nokia's employees were dedicated to R&D.

Capital expenditures during the year increased 68% to FIM 3 299 million. The largest investment projects in 1995 included the expansion of Nokia's base station manufacturing facility in Oulu, Finland, the commencement of construction of an office building for Nokia Telecommunications and Nokia Mobile Phones in Espoo, Finland, the expansion of the base station production facilities in Camberley, U.K., and the completion by Nokia Mobile Phones of a new factory and distribution center for the Americas in Fort Worth, Texas.

At year-end, Nokia had manufacturing facilities in 14 countries, personnel in 45 countries and supplied its products in 120 countries worldwide. Nokia continued to increase its employment during the year. The company recruited some 7 000 people in 1995, most of them for product development and production positions. Over half of the new employees were hired for Finnish units. At the end of 1995, the Group employed 33 784 people worldwide. The average number of personnel for the year was 31 948.





Results of Operations

Nokia Group's net sales increased to FIM 36.8 billion in 1995 (FIM 30.2 billion in 1994). Excluding the effects of fluctuations in exchange rates and changes in the structure of the group as a result of dispositions, Nokia's sales increased by 40%. Strong sales growth continued in both Nokia Telecommunications (up 50%) and Nokia Mobile Phones (up 50%). Nokia General Communications Products' net sales declined compared to the previous year primarily as a result of changes in the structure of the business group.

Nokia Group's operating profit (IAS) increased 39% to FIM 5 012 million (3 596 million in 1994). The Group's operating profit includes FIM 179 million in gains from disposal of operations. Overall, the Group's operating margin in 1995 was 13.6% (11.9% in 1994). Nokia Telecommunications' operating profit increased to FIM 2 722 million (1 700 million) and Nokia Mobile Phones' operating profit was FIM 1 753 million (1 745 million). Nokia General Communications Products reported an operating profit of FIM 584 million (210 million). In accordance with the applied accounting principles it excludes the operating loss incurred by the group's television business, which is treated as discontinued operations in 1995. Other Operations incurred an operating loss of FIM 47 million (a loss of 59 million).

The Group's net financial expenses totalled FIM 164 million (a gain of 384 million in 1994). Net financial expenses for 1995 include exchange rate losses of FIM 10 million (exchange rate gains of 450 million in 1994).

The Group's profit before taxes and minority interests (IAS) totalled FIM 4 933 million (4 002 million). Minority shareholders' interest in Nokia Group companies' profits totalled FIM 77 million (75 million). The Group's taxes amounted to FIM 769 million (932 million).

The Group's profit from continuing operations was FIM 4 087 million (2 995 million in 1994). The profit per share from continuing operations increased 31% to FIM 14.36 (FIM 10.97 in 1994 adjusted for the share split).

The negative impact of the charge taken in connection with the discontinuation of the TV business totalled FIM 2 340 million. This charge consisted of FIM 352 million in operating losses incurred by the business in 1995 and FIM 1 988 million for the estimated cost of discontinuing operations in 1996, which includes estimated operating losses for the year.

Profit from ordinary activities but before the effect of changes in accounting principles (related to the capitalization of certain research and development expenses) was FIM 1 747 million (2 995 million in 1994). The cumulative effect of changes in accounting principles (IAS) on profit from ordinary activities was a net gain of FIM 485 million. Profit from ordinary activities totalled FIM 2 232 million (2 995 million in 1994). Net profit was FIM 2 232 million (3 939 million in 1994, including profit from extraordinary items of 944 million).

Nokia maintained its strong liquidity position during 1995 despite increased working capital needs and higher capital expenditures. The net debt-to-equity ratio at year end was 17% (4%).

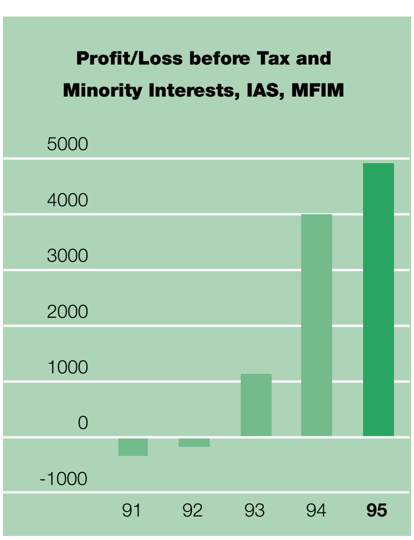
Business Groups

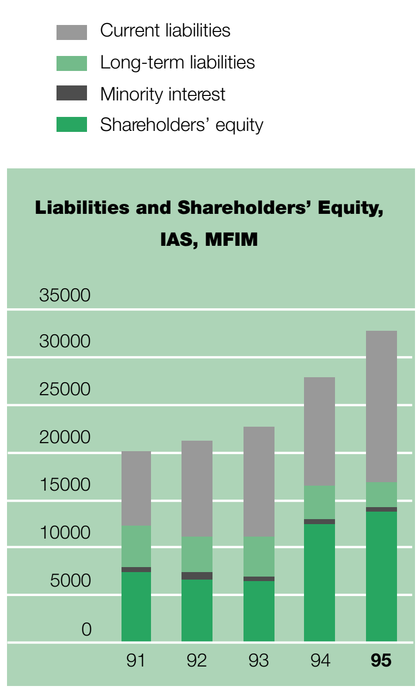
Nokia Telecommunications' net sales increased 50% in 1995 totalling FIM 10 341 million (6 906 million). Sales growth was particularly strong in the business group´s sales of cellular systems. Growth was strong both in Europe and the Asia/Pacific region during the year. R&D costs increased 28% in 1995 to FIM 1 274 million. Operating profit increased 60% and totalled FIM 2 722 million (1 700 million). Operating margin in 1995 was 26% (25% in 1994). The business group's order in-flow during 1995 was FIM 11.4 billion, an increase of 35% over the prior year.

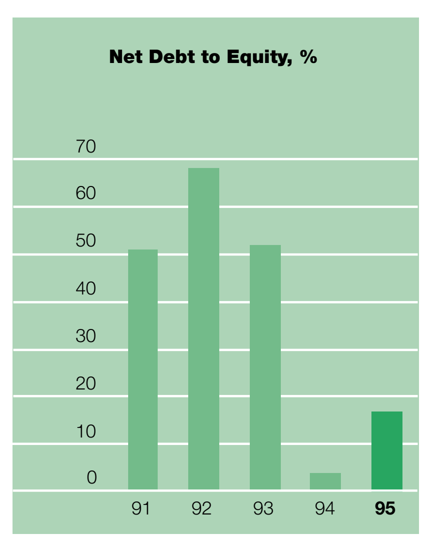
Nokia´s market position developed positively in the fast growing GSM/DCS markets of Europe and South-East Asia. Nokia also signed its first contracts in the U.S. PCS markets. Additionally, Nokia made successful entry into the large Indian market, as well as strengthened its position in China.

The phased deregulation of telecommunications services continued to open up more opportunities for the group´s access system products. This growth was particularly strong in the U.K. In order to strengthen its position as a comprehensive access system supplier, Nokia entered into a co-operation with Cisco Systems, Inc. of the USA.

Though competition in the international markets both cellular and access systems continued to intensify during the year, Nokia Telecommunications'







maintained its high level of profitability by continuing to offer efficient solutions for operator needs.

Nokia Mobile Phones' net sales increased 50% to FIM 16 052 million (10 702 million). Sales growth was strongest in the Asia/Pacific region and in Europe. R&D costs increased 46% and totalled FIM 967 million. Operating profit for the year was FIM 1 753 million (1 745 million). The operating margin in 1995 was 11%, compared to 16% the previous year.

During the year, Nokia strengthened its position on a global basis in the increasingly competitive mobile phone market. Nokia's sales grew faster than the market as a whole and its global market share at year end continued to exceed 20%.

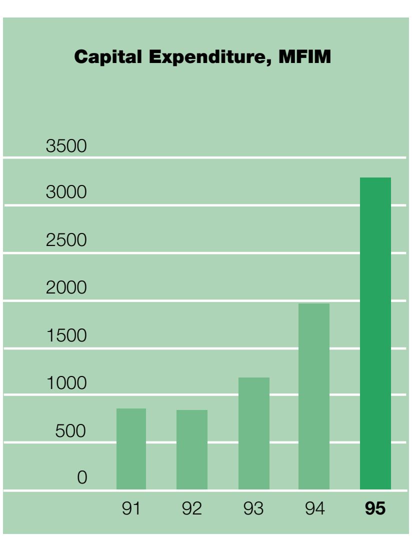
Despite strong sales growth, Nokia Mobile Phones´ profitability was adversely affected by a number of factors during the year. The principal factor affecting profitability was the difficulty of meeting the challenges created by the business group's rapid growth. During the year, Nokia Mobile Phones introduced substantial new production and distribution capacity, while hiring a significant number of new employees in order to meet expected demand. Profitability was also affected by factors associated with the rapid growth of Nokia and the industry in general; including interruptions in the supply of certain components, as well as logistical issues. Consequently, the business group experienced certain difficulties in bringing this production capacity and logistics associated therewith up to optimal levels.

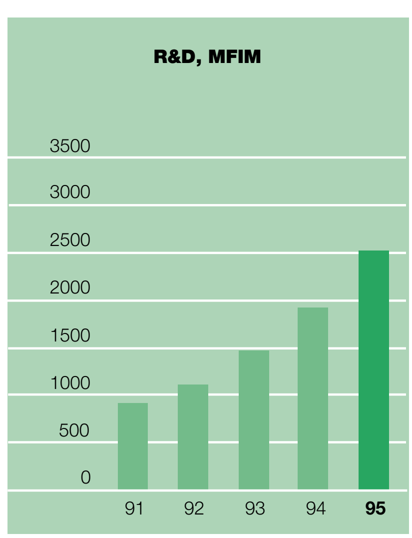
Sales and profitability were also affected by weaker than expected conditions in the U.S. market for mobile phones. The market for digital phones in the USA has not experienced growth on a level with the European and Asian markets as a result of delays in establishing digital cellular services. Consequently, demand for digital phones in the USA remained low. Although unit sales of analog phones were consistent with plan, price competition in the more mature market for analog phones in the USA increased as most market participants sought to maintain sales volume and market share through pricing. Such competition adversely affected profit margins especially in the latter part of the year.

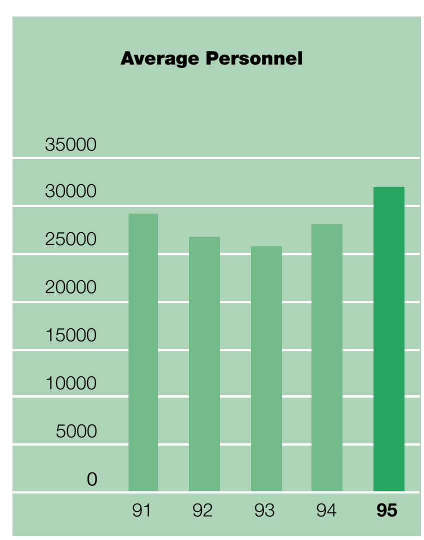
Demand for Nokia's mobile phones in other regions of the world remained strong, with pricing generally in line with the Company's expectations and broadly consistent with the price development experienced in 1994.

Nokia General Communications Products was established in June, 1995 by consolidating the former Nokia Consumer and Industrial Electronics business group with Nokia Cables and Machinery's Cable Industry division. The new group included Nokia-Maillefer until Nokia sold its majority in it in June. In December, Nokia announced the transfer of its Finnish cable operations to its Dutch subsidiary NKF, as the first step toward achieving the overall objective of reducing its ownership in its existing cable businesses to under 50%.

At the beginning of 1996, the business group contained NKF Cables, Nokia Display Products, which manufactures PC and workstation monitors, Industrial Electronics, which produces car audio products as well as accessories and components for mobile handsets, and the division Multimedia Network Terminals, which produces satellite and cable-TV products.







In February 1996, Nokia announced its decision to withdraw from the TV business.

Nokia General Communications Products' net sales totalled FIM 10 837 million (11 530 million). Net sales by Nokia's Cable Industry group increased 6% and totalled FIM 3 465 million (3 268 million in 1994). The Cable Industry group's operating profit was higher than in the prior year despite an increasingly difficult competitive environment. Sales of the discontinued TV business totalled FIM 3 229 million in 1995, and the business posted an operating loss of FIM 352 million for the year.

Other Operations´ net sales totalled FIM 458 million (1 589 million). Early in the year, Nokia sold its majority shareholding in Nokian Tyres, and the company was simultaneously listed on the Helsinki Stock Exchange.

Outlook

Nokia´s business is fundamentally strong and the company´s continued focus on its core telecommunications businesses will enhance Nokia´s capacity to realize its goals in the future.

Average personnel	**1995**	1994
Nokia Telecommunications	**9 915**	7 187
Nokia Mobile Phones	**10 616**	5 826
Nokia General Communications Products	**10 331**	13 270
Other Operations	**1 086**	1 760
Nokia Group	**31 948**	28 043
Finland	**17 821**	14 984
Other European Union countries	**9 428**	10 151
Other European countries	**637**	951
Other countries	**4 062**	1 957
Parent Company	**589**	416

Research and development, MFIM	**1995**	1994
Nokia Telecommunications	**1 274**	992
Nokia Mobile Phones	**967**	661
Nokia General Communications Products	**252**	255
Other Operations	**38**	29
Nokia Group	**2 531**	1 937

Consolidated Profit and Loss Account, IAS

Financial year ended December 31	Notes**	1995 MFIM	1994 MFIM
Net sales		**36 810**	30 177
Costs of goods sold		**–25 518**	–20 808
Research and development expenses		**–2 531**	–1 937
Selling, general and administrative expenses		**–3 749**	–3 836
Operating profit	**3, 4, 5, 6 and 7**	**5 012**	3 596
Share of results of associated companies		**85**	22
Financial income and expenses	**8**	**–164**	384
Profit before tax and minority interests		**4 933**	4 002
Tax	**9**	**–769**	–932
Minority interests		**–77**	–75
Profit from continuing operations		**4 087**	2 995
Discontinued operations	**10**	**–2 340**	–
Profit from ordinary activities before cumulative effect of change in accounting policies		**1 747**	2 995
Cumulative prior year effect (after tax) of change in accounting policies	**2**	**485**	–
Profit from ordinary activities		**2 232**	2 995
Extraordinary items	**11**	**–**	944
Net profit		**2 232**	3 939

* The accounting principles adopted by Nokia in preparing the financial statements according to IAS are set out on pages 33 to 34.
** Notes are shown on pages 33 to 51.

Key Ratios

	1995	1994
Earnings per share, FIM:		
Continuing operations[1]	**14.36**	10.97
Ordinary activities before cumulative effect of change in accounting principles [2]	**6.14**	10.97
Dividend per share [3], FIM	**3.00**	2.50
Shareholders' equity per share [4], FIM	**48.55**	43.65
Return on capital employed [5], %	**29.1**	25.4
Return on shareholders' equity [6], %	**31.2**	31.6

1 Profit from continuing operations divided by average of adjusted number of shares
2 Profit from ordinary activities after discontinued operations but before cumulative effect of change in accounting policies divided by average of adjusted number of shares.
3 The Board's proposed dividend for 1995.
4 Adjusted number of shares at the end of the year.
5 Profit before tax and minority interests plus interest and other financial expenses as a percentage of the total of average shareholders' equity, short-term and long-term loans and minority shareholders' interests.
6 Profit from continuing operations as a percentage of average shareholders' equity.

Consolidated Balance Sheet, IAS

December 31	Notes*	1995 MFIM	1994 MFIM
ASSETS			
Fixed assets and other non-current assets			
Goodwill and other intangible assets	13	1 581	541
Property, plant and equipment	14	6 109	5 097
Investments	15	837	1 810
Long-term loan receivables		234	222
Other non-current assets		286	273
		9 047	7 943
Current assets			
Inventories	17	9 982	6 803
Accounts receivable, less allowances for doubtful accounts (31.12.1995 MFIM 155, 31.12.1994 MFIM 197)	18	9 518	7 835
Short-term investments		2 888	3 989
Bank and cash		1 326	1 279
		23 714	19 906
Total assets		32 761	27 849

December 31	Notes*	1995 MFIM	1994 MFIM
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	19	1 498	1 498
Other restricted equity	19	5 455	5 494
Treasury shares	19	–470	–437
Untaxed reserves	19, 20	1 873	1 727
Retained earnings	19	5 450	4 136
		13 806	12 418
Minority interests		422	555
Long-term liabilities	22		
Long-term debt		2 121	3 071
Other long-term liabilities		457	486
		2 578	3 557
Current liabilities			
Short-term borrowings	26	4 332	2 453
Current portion of long-term debt	22	187	278
Accounts payable and accrued liabilities	25	9 388	8 086
Advance payments		396	502
Provision for discontinued operations		1 652	–
		15 955	11 319
Total shareholders' equity and liabilities		32 761	27 849

* Notes are shown on pages 33 to 51.

Consolidated Cash Flow Statement, IAS

Financial year ended December 31	Notes*	1995 MFIM	1994 MFIM
Cash flow from operating activities			
Profit before tax and minority interests		**4 933**	4 002
Adjustments, total	**32**	**1 533**	886
Operating profit before change in net working capital		**6 466**	4 888
Change in net working capital	**32**	**–5 351**	–1 450
Cash generated from operations		**1 115**	3 438
Interest received		**508**	349
Interest paid		**–667**	–568
Income taxes paid		**–1 102**	–326
Cash flow before extraordinary items		**–146**	2 893
Extraordinary expenses paid		**–496**	–350
Net cash used in/from operating activities		**–642**	2 543
Cash flow from investing activities			
Acquisition of Group companies, net of acquired cash		**–27**	–80
Treasury shares acquired		**–**	–78
Investments in other shares		**–69**	–351
Additions in capitalized R&D costs		**–742**	–
Capital expenditures		**–3 299**	–1 967
Proceeds from disposal of shares in Group companies, net of disposed cash		**876**	45
Proceeds from sale of other shares		**1 850**	634
Proceeds from sale of fixed assets		**396**	24
Dividends received		**75**	142
Net cash used in investing activities		**–940**	–1 631
Cash flow from financing activities			
Proceeds from issuance of share capital		**–**	2 490
Capital investment by minority shareholders		**37**	23
Proceeds from (+), payments of (–) long-term liabilities		**–754**	–267
Proceeds from (+), payments of (–) short-term borrowings		**1 976**	–571
Proceeds from (+), payments of (–) long-term receivables		**–41**	29
Proceeds from (+), payments of (–) short-term receivables		**186**	–145
Dividends paid		**–789**	–211
Net cash from financing activities		**615**	1 348
Net decrease/increase in cash and cash equivalents		**–967**	2 260
Cash and cash equivalents at beginning of period		**5 181**	3 008
Cash and cash equivalents at end of period		**4 214**	5 268

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

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

Reconciliation:

As previously reported for 1994 and 1993, respectively	**5 268**	3 297
Foreign exchange adjustment	**–87**	–289
	5 181	3 008
Net decrease/increase in cash and cash equivalents	**–967**	2 260
As reported for 1995 and 1994	**4 214**	5 268

Reconciliation between the Financial Statements under FAS and IAS

	Notes*	1995 MFIM	1994 MFIM
Net profit for the year under FAS		**1 971**	3 658
Untaxed reserves		**237**	49
		2 208	3 707
Share of results of associated companies	**31**	**24**	24
Extraordinary items	**11**	**–**	208
Net profit for the year under IAS		**2 232**	3 939

	1995 MFIM	1994 MFIM
Shareholders' equity under FAS	**12 075**	10 857
Untaxed reserves	**1 873**	1 727
	13 948	12 584
Profit on the sale of fixed assets	**–142**	–166
Shareholders' equity under IAS	**13 806**	12 418

* Notes are shown on pages 33 to 51.

Consolidated Profit and Loss Account, FAS

Financial year ended December 31	Notes*	1995 MFIM	%	1994 MFIM	%
Net sales		**36 810**	**100.0**	30 177	100.0
Costs of goods sold		**–25 518**		–20 808	
Gross margin		**11 292**	**30.7**	9 369	31.0
Research and development expenses		**–2 531**		–1 937	
Selling, general and administrative expenses		**–3 749**		–3 836	
		–6 280		–5 773	
Operating profit	**3, 4, 5, 6 and 7**	**5 012**	**13.6**	3 596	11.9
Share of results of associated companies		**61**		–2	
Financial income and expenses	**8**	**–164**		384	
Profit before extraordinary items, appropriations and taxes		**4 909**	**13.3**	3 978	13.2
Extraordinary items					
Cumulative effect of changes in accounting principles	**2**	**485**		–	
Other extraordinary income	**11**	**–**		870	
Discontinued operations	**10**	**–2 340**		–	
Other extraordinary expenses	**11**	**–**		–134	
Extraordinary items total		**–1 855**		736	
Profit before appropriations and taxes		**3 054**	**8.3**	4 714	15.6
Difference between actual and planned depreciation, increase (–), decrease (+)	**7**	**–481**		–356	
Movements on untaxed reserves, increase (–), decrease (+)	**12**	**244**		307	
Direct taxes	**9**	**–769**		–932	
Profit before minority interests		**2 048**	**5.6**	3 733	12.4
Minority interests		**–77**		–75	
Net profit		**1 971**	**5.4**	3 658	12.1

*Notes are shown on pages 33 to 51.

Consolidated Balance Sheet, FAS

December 31	Notes*	1995 MFIM	%	1994 MFIM	%
ASSETS					
Fixed assets and other non-current assets					
Intangible assets	13				
Capitalized R&D costs		955		–	
Intangible rights		236		136	
Goodwill		261		333	
Other intangible assets		129		72	
		1 581	4.8	541	1.9
Tangible assets	14				
Land and water areas		579		529	
Buildings and constructions		1 450		1 232	
Machinery and equipment		3 336		2 585	
Other tangible assets		347		336	
Advance payments and fixed assets under construction		397		415	
		6 109	18.6	5 097	18.2
Long-term investments					
Investments in associated companies	15	444		188	
Investments in other shares	15	534		1 788	
Long-term loan receivables		232		222	
Other non-current assets		289		273	
		1 499	4.6	2 471	8.8
Current assets					
Inventories					
Raw materials and supplies		4 130		2 835	
Work in progress		1 069		983	
Finished goods		4 631		2 955	
Advance payments		152		30	
		9 982	30.3	6 803	24.3
Receivables	18				
Accounts receivable		7 591		5 490	
Short-term loan receivables		56		455	
Prepaid expenses and accrued income		1 246		384	
Other current trade receivables		625		1 506	
		9 518	28.9	7 835	28.0
Short-term investments		2 888	8.8	3 989	14.2
Bank and cash		1 326	4.0	1 279	4.6
		32 903	100.00	28 015	100.00

*Notes are shown on pages 33 to 50.

December 31	Notes*	1995 MFIM	%	1994 MFIM	%
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	**19**				
Restricted equity					
Share capital		**1 498**		1 498	
Additional paid in capital		**4 353**		4 376	
Other restricted equity		**831**		870	
		6 682		6 744	
Distributable reserves					
Retained earnings		**3 422**		455	
Net profit for the year		**1 971**		3 658	
		5 393		4 113	
Total shareholders' equity		**12 075**	**36.7**	10 857	38.7
Minority interests		**422**	**1.3**	555	2.0
Accumulated appropriations	**20**				
Accumulated depreciation in excess of plan		**1 241**	**3.8**	976	3.5
Untaxed reserves					
Investment reserve		**2**		21	
Other reserves		**630**		730	
		632	**1.9**	751	2.7
Provisions	**21**	**517**	**1.6**	486	1.7
Liabilities					
Long-term liabilities	**22**				
Bonds	**23**	**791**		842	
Convertible bonds	**24**	**19**		24	
Loans from financial institutions		**641**		391	
Pension premium loans		**639**		1 719	
Other long-term finance loans		**31**		95	
Other long-term liabilities		**457**		486	
		2 578	**7.8**	3 557	12.7
Short-term liabilities					
Current finance liabilities		**4 332**		2 453	
Current maturities of long-term loans		**187**		278	
Advance payments		**396**		502	
Accounts payable		**4 077**		3 353	
Accrued expenses and prepaid income		**4 286**		3 699	
Provision for discontinued operations		**1 652**		–	
Other current trade liabilities		**508**		548	
		15 438	**46.9**	10 833	38.7
Total liabilities		**18 016**	**54.7**	14 390	51.4
		32 903	**100.00**	28 015	100.00

Consolidated Cash Flow Statement, FAS

Financial year ended December 31	Notes*	1995 MFIM	1994 MFIM
Cash flow from operating activities			
Profit before extraordinary items, appropriations and taxes		**4 909**	3 978
Adjustments, total	32	**1 557**	910
Operating profit before change in net working capital		**6 466**	4 888
Change in net working capital	32	**–5 351**	–1 450
Cash generated from operations		**1 115**	3 438
Interest received		**508**	349
Interest paid		**–667**	–568
Income taxes paid		**–1 102**	–326
Cash flow before extraordinary items		**–146**	2 893
Extraordinary expenses paid		**–496**	–350
Net cash used in/from operating activities		**–642**	2 543
Cash flow from investing activities			
Acquisition of Group companies, net of acquired cash		**–27**	–80
Treasury shares acquired		**–**	–78
Investments in other shares		**–69**	–351
Additions in capitalized R&D costs		**–742**	–
Capital expenditures		**–3 299**	–1 967
Proceeds from disposal of shares in Group companies, net of disposed cash		**876**	45
Proceeds from sale of other shares		**1 850**	634
Proceeds from sale of fixed assets		**396**	24
Dividends received		**75**	142
Net cash used in investing activities		**–940**	–1 631
Cash flow from financing activities			
Proceeds from issuance of share capital		**–**	2 490
Capital investment by minority shareholders		**37**	23
Proceeds from (+), payments of (–) long-term liabilities		**–754**	–267
Proceeds from (+), payments of (–) short-term borrowings		**1 976**	–571
Proceeds from (+), payments of (–) long-term receivables		**–41**	29
Proceeds from (+), payments of (–) short-term receivables		**186**	–145
Dividends paid		**–789**	–211
Net cash from financing activities		**615**	1 348
Net decrease/increase in cash and cash equivalents		**–967**	2 260
Cash and cash equivalents at beginning of period		**5 181**	3 008
Cash and cash equivalents at end of period		**4 214**	5 268

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

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

Reconciliation:

As previously reported for 1994 and 1993, respectively	**5 268**	3 297
Foreign exchange adjustment	**–87**	–289
	5 181	3 008
Net decrease/increase in cash and cash equivalents	**–967**	2 260
As reported for 1995 and 1994	**4 214**	5 268

* Notes are shown on pages 33 to 50.

1. Accounting principles

The consolidated financial statements of Nokia Corporation (Nokia or the Group) prepared in accordance with International Accounting Standards (IAS) are presented on pages 25–27, while financial statements prepared in accordance with Finnish Accounting Standards (FAS) are on pages 29–32 and 52–55.

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

Changes in accounting principles
Effective from the beginning of 1995, the Group has adopted the revised IAS 9, Research and development costs, and capitalized the development expenses meeting the criteria stated in the standard. See note 2.

In 1995 the Group has recognized the revenue of large long-term contracts in accordance with the percentage of completion method. See note 4.

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

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

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

Acquisitions of companies are accounted for using the purchase method. Goodwill represents the excess of the purchase cost over the fair value of assets less liabilities of acquired companies, after provision for direct reorganization costs. Goodwill is amortised over a period not exceeding five years, unless a longer period not exceeding 20 years from the date of acquisition, can be justified.

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

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

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

Transactions in foreign currencies
Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used. At the end of the accounting period the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to cost of goods sold. Foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

Foreign Group companies
In the consolidated accounts all items in the profit and loss accounts of foreign subsidiaries are translated into Finnish markka at the average exchange rates for the accounting period. The balance sheets of foreign Group companies are translated into Finnish markka at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the application of the purchase method are treated as an adjustment affecting consolidated shareholders' equity. Translation differences related to the restricted equity at the time of acquisition are treated as a part of restricted equity and exchange differences on the other reserves of foreign subsidiaries are credited or charged to retained earnings. Differences resulting from the translation of profit and loss account items at the average rate and the balance sheet items at the closing rate are taken to retained earnings. On the disposal of a foreign Group company, the cumulative amount of the translation difference is recognized as income or as expense in the same period in which the gain or loss on disposal is recognized.

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

Derivative financial instruments
The Group enters into derivative financial instruments such as forward foreign exchange contracts and option contracts

to hedge its exposure against foreign currency fluctuations on certain assets, liabilities and anticipated transactions denominated in foreign currencies. The impact of hedging transactions of firm and anticipated commitments is shown as a part of the costs of goods sold when the sale or purchase transaction is recognized.

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

Revenue recognition

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

Research and development

Research and development costs are expensed in the financial period during which they are incurred, except certain development costs which are capitalized when it is probable that a development project will be a success, and certain criteria, including commercial and technological feasibility, have been met.

Capitalized development costs are amortized on a systematic basis over their expected useful lives. The amortisation period is between 3 and 5 years.

Maintenance, repairs and renewals

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

Pensions and coverage of pension liabilities

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is recorded on a straight-line basis over the expected useful lives of the assets, based on the following useful lives:

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

Land and water areas are not depreciated.

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

Leasing

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

Inventories

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

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

Cash and cash equivalents

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

Discontinued operations

A discontinued operation results from the sale or abandonment of an operation that represents a separate, major line of business of an enterprise and of which the assets, net profit or losses and activities can be distinguished physically, operationally and for financial reporting purposes. The profit effect of discontinued operations is separately disclosed.

Extraordinary items

In previous years certain income and expenses of abnormal nature, such as divestments of operations, were presented, net of tax, as extraordinary items in the consolidated profit and loss account. In accordance with the revised IAS 8 they would be classified as components of continuing or discontinued operations, as appropriate (see pro-forma result note 2.).

Appropriations

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

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

Taxes

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

Provision is made for deferred tax at corporate income tax rate in effect at the end of the accounting period, except in the case of any tax reduction that can reasonably be expected to continue in the foreseeable future.

Dividends

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

2. Proforma profit in accordance with the revised IAS standards

	GROUP 1995	1994
Proforma profit from ordinary activities restated to reflect the new accounting policies (MFIM)		
Profit from continuing operations	**4 087**	2 982
Discontinued operations	**–2 340**	1 125
Profit from ordinary activities	**1 747**	4 107
Proforma earnings per share (FIM)		
From continuing operations	**14.36**	10.93
From ordinary activities	**6.14**	15.05

The Nokia Group has adopted the revised IAS accounting principles that came into effect at the beginning of 1995.

In accordance with the revised IAS 9, certain research and development costs are capitalized and amortized on a systematic basis over their expected useful lives. The amortization period is between 3 and 5 years. The cumulative prior year net effect (FIM 485 million) of R&D expenses has been included in the first four months' profit for 1995.

The revised IAS 8 requires that the profit effect of discontinued operations be presented separately. From the extraordinary items in Nokia's 1994 Financial Statements, the sale of Power division and the effect of the discontinued Picture Tubes unit would have been treated as discontinued operations. In 1995 the Financial Statements, discontinued operations include the financial impact of the decision to withdraw from the TV business.

The proforma result for year 1994 is presented above as if the revised IAS standards had already been adopted for 1994. The positive net profit effect of the capitalization of R&D expenses in 1994 would have been FIM 168 million.

3. Segment information

	Telecommunications	Mobile Phones	General Communications Products	Other Operations	Eliminations	Group total
Net sales						
1995, MFIM	**10 341**	**16 052**	**10 837**	**458**	**–878**	**36 810**
1994, MFIM	6 906	10 702	11 530	1 589	–550	30 177
Operating profit/loss, IAS						
1995, MFIM	**2 722**	**1 753**	**584**	**–47**	**–**	**5 012**
1994, MFIM	1 700	1 745	210	–59	–	3 596
Capital expenditures*						
1995, MFIM	**1 106**	**1 606**	**482**	**105**	**–**	**3 299**
1994, MFIM	506	971	381	109	–	1 967
Identifiable assets, IAS						
1995, MFIM	**8 208**	**12 781**	**7 047**	**6 251**	**–1 526**	**32 761**
1994, MFIM	4 448	6 772	7 765	9 584	–720	27 849

* Excluding acquisitions and R&D capitalization.

4. Percentage of completion method

Profit on large long-term contracts is recognized when sale is recorded on part-delivery of products or part performance of services, provided that the outcome of the contract can be assessed with reasonable certainty. This represents a change in accounting policy with effect from January 1, 1995 in order to comply with the revised IAS.

Most of the Group's net sales arise from businesses other than those of a long-term project nature. Project deliveries occur in Cellular Systems, where part of its net sales (3.8 billion FIM) was of a long-term project nature.This change in accounting principle, which was due to the revised IAS 11 had a positive (76 MFIM) impact on operating profit in 1995. In 1994 the profit impact would have been immaterial.

5. Personnel expenses

	GROUP		PARENT COMPANY	
	1995 MFIM	1994 MFIM	**1995 MFIM**	1994 MFIM
Wages and salaries	**5 125**	4 409	**126**	87
Pension expenses	**372**	402	**2**	20
Other social expenses	**995**	704	**24**	20
Personnel expenses as per profit and loss account	**6 492**	5 515	**152**	127
Monetary value of fringe benefits	**103**	80	**3**	2
Total	**6 595**	5 595	**155**	129
Remuneration of the members of the Boards of Directors, Group Executive Board, President and Chief Executive Officer, and Presidents and Managing Directors *	**77**	72	**4**	3
*Salaries include incentives	**12**	4	**–**	1

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

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

	GROUP	
	1995 MFIM	1994 MFIM
Selling and marketing expenses	**–3 247**	–2 501
Administration expenses	**–1 172**	–1 292
Other operating expenses	**–293**	–268
Other operating income	**963**	225
Total	**–3 749**	–3 836

7. Depreciation

	GROUP 1995 MFIM	GROUP 1994 MFIM	PARENT COMPANY 1995 MFIM	PARENT COMPANY 1994 MFIM
Depreciation according to plan				
Goodwill and other intangible assets				
Capitalized R&D costs	**435**	–	**–**	–
Intangible rights	**55**	38	**4**	4
Goodwill	**59**	69	**–**	–
Other intangible assets	**20**	20	**3**	2
Property, plant and equipment				
Buildings and constructions	**80**	77	**4**	4
Machinery and equipment	**1 046**	691	**12**	9
Other tangible assets	**130**	114	**–**	–
Total	**1 825**	1 009	**23**	19
Change in accumulated depreciation in excess of plan				
Goodwill and other intangible assets				
Intangible rights	**–15**	–3	**–**	–
Other intangible assets	**–3**	–21	**–**	–
Property, plant and equipment				
Buildings and constructions	**–187**	–106	**8**	3
Machinery and equipment	**–282**	–224	**1**	4
Other tangible assets	**6**	–2	**–**	2
Total	**–481**	–356	**9**	9
Depreciation by function				
Costs of goods sold	**815**	574	**–**	–
R & D	**697**	171	**10**	6
Selling, marketing and administration	**177**	156	**13**	13
Other operating expenses	**77**	39	**–**	–
Goodwill	**59**	69	**–**	–
Total	**1 825**	1 009	**23**	19

8. Financial income and expenses

	GROUP 1995 MFIM	GROUP 1994 MFIM	PARENT COMPANY 1995 MFIM	PARENT COMPANY 1994 MFIM
Dividend income	**75**	142	**268**	83
Interest income from long-term investments	**29**	26	**108**	147
Interest income from short-term investments	**559**	379	**693**	395
Other financial income	**3**	22	**3**	3
Exchange gains and losses	**–10**	450	**–3**	243
Interest expenses	**–745**	–580	**–436**	–426
Other financial expenses	**–75**	–55	**–14**	–28
Total	**–164**	384	**619**	417

9. Direct taxes

	GROUP 1995 MFIM	GROUP 1994 MFIM
For the year	**–881**	–863
From previous years	**112**	–69
Total	**–769**	–932

10. Discontinued operations

In February 1996, Nokia announced its intention to exit the TV business. The Group anticipates that the exit plan will be completed during 1996.

The financial impact of this decision is reported in the 1995 accounts as discontinued operations. The estimated exit costs include the write-down of property, plant and equipment and other assets to estimated net realisable value, severance payments and the estimated operating loss through the date of discontinuance.

The 1995 operating loss of the TV business has been included as a component of discontinued operations in the consolidated profit and loss account. The 1994 operating loss was 136 MFIM. The net sales of the TV business were 3 229 MFIM in 1995 (3 841 MFIM in 1994)

	GROUP	
	1995 MFIM	1994 MFIM
Operative loss 1995	**–352**	–
Discontinuation cost	**–1 988**	–
Total discontinuity cost	**–2 340**	–

11. Extraordinary items

	GROUP	
	1995 MFIM	1994 MFIM
Cumulative effect of change in accounting principles	**485**	–
Discontinued operations	**–2 340**	–
Valuation difference of shares	**–**	–134
Profits incurred in divesting operations	**–**	552
Gain on the sale of Tubes unit's fixed assets	**–**	318
Extraordinary items, FAS	**–1 855**	736
IAS-adjustments and reclassifications	**1 855**	208
Extraordinary items, IAS	**–**	944

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

12. Change in untaxed reserves

	GROUP	
	1995 MFIM	1994 MFIM
Investments	**83**	2
Others	**161**	305
Total	**244**	307

13. Goodwill and other intangible assets

	GROUP 1995 MFIM	GROUP 1994 MFIM	PARENT COMPANY 1995 MFIM	PARENT COMPANY 1994 MFIM
Capitalized R&D costs				
Acquisition cost Jan. 1	**1 115**	–		
Additions	**742**	–		
Accumulated depreciation Dec. 31	**–902**	–		
Net carrying amount Dec. 31	**955**	–		
Intangible rights				
Acquisition cost Jan. 1	**362**	324	**21**	19
Additions	**149**	66	**9**	3
Disposals	**–21**	–28	**–2**	–1
Accumulated depreciation Dec. 31	**–254**	–226	**–15**	–13
Net carrying amount Dec. 31	**236**	136	**13**	8
Goodwill				
Acquisition cost Jan. 1	**1 305**	1 306	**–**	2
Additions	**–**	4	**–**	–
Disposals	**–65**	–5	**–**	–
Accumulated depreciation Dec. 31	**–979**	–972	**–**	–2
Net carrying amount Dec. 31	**261**	333	**–**	–
Other intangible assets				
Acquisition cost Jan. 1	**255**	239	**137**	137
Additions	**80**	26	**2**	2
Disposals	**–136**	–9	**–105**	–2
Translation differences	**–**	–1	**–**	–
Accumulated depreciation Dec. 31	**–70**	–183	**–12**	–114
Net carrying amount Dec. 31	**129**	72	**22**	23

14. Tangible assets

	GROUP 1995 MFIM	GROUP 1994 MFIM	PARENT COMPANY 1995 MFIM	PARENT COMPANY 1994 MFIM
Land and water areas				
Acquisition cost Jan. 1	**529**	718	**83**	112
Additions	**114**	14	**1**	–
Disposals	**–62**	–173	**–**	–29
Translation differences	**–2**	–30	**–**	–
Net carrying amount Dec. 31	**579**	529	**84**	83
Buildings and constructions				
Acquisition cost Jan. 1	**2 180**	2 414	**114**	116
Additions	**431**	161	**16**	1
Disposals	**–414**	–329	**–22**	–3
Translation differences	**–10**	–66	**–**	–
Accumulated depreciation Dec. 31	**–737**	–948	**–40**	–38
Net carrying amount Dec. 31	**1 450**	1 232	**68**	76
Machinery and equipment				
Acquisition cost Jan. 1	**6 568**	5 836	**81**	75
Additions	**1 989**	1 248	**29**	12
Disposals	**–1 117**	–420	**–17**	–6
Translation differences	**–45**	–96	**–**	–
Accumulated depreciation Dec. 31	**–4 059**	–3 983	**–50**	–52
Net carrying amount Dec. 31	**3 336**	2 585	**43**	29
Other tangible assets				
Acquisition cost Jan. 1	**991**	1 007	**10**	17
Additions	**198**	169	**1**	–
Disposals	**–403**	–163	**–1**	–7
Translation differences	**–6**	–22	**–**	–
Accumulated depreciation Dec. 31	**–433**	–655	**–9**	–9
Net carrying amount Dec. 31	**347**	336	**1**	1
Advance payments and fixed assets under construction				
Acquisition cost Jan. 1	**415**	189	**36**	36
Additions	**333**	364	**63**	–
Disposals	**–348**	–130	**–4**	–
Translation differences	**–3**	–8	**–**	–
Net carrying amount Dec. 31	**397**	415	**95**	36

15. Shares

	GROUP 1995 MFIM	GROUP 1994 MFIM	PARENT COMPANY 1995 MFIM	PARENT COMPANY 1994 MFIM
Acquisition cost Jan. 1	**1 976**	2 617	**5 108**	5 602
Additions	**275**	362	**1 672**	627
Disposals	**–1 306**	–728	**–246**	–906
Write downs	**–**	–132	**–1 155**	–215
Associated companies	**41**	–143	**–**	–
Translation differences	**–7**	–	**–**	–
Net carrying amount Dec. 31, FAS	**979**	1 976	**5 379**	5 108
IAS-adjustments	**–142**	–166		
Net carrying amount Dec. 31, IAS	**837**	1 810		

16. Fixed asset valuation by local tax authorities

	GROUP		PARENT COMPANY	
	1995 MFIM	1994 MFIM	**1995 MFIM**	1994 MFIM
Land and water areas	**234**	239	**76**	64
Buildings and constructions	**459**	603	**41**	65
Investments	**2 145**	2 069	**1 938**	1 761
	2 838	2 911	**2 055**	1 890

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

17. Inventories

	GROUP		PARENT COMPANY	
	1995 MFIM	1994 MFIM	**1995 MFIM**	1994 MFIM
Raw materials, supplies and other	**4 282**	2 865	**–**	–
Work in progress	**1 069**	983	**7**	3
Finished goods	**4 631**	2 955	**3**	–
Total	**9 982**	6 803	**10**	3

18. Receivables

	GROUP		PARENT COMPANY	
	1995 MFIM	1994 MFIM	**1995 MFIM**	1994 MFIM
Current receivables falling due after one year				
Accounts receivable	**53**	51	**–**	–
Total	**53**	51	**–**	–

19. Shareholders' equity

	Share capital K share	Share capital A share	Other restricted equity	Treasury shares	Untaxed reserves	Retained earnings	Total
Group, MFIM							
IAS Balance at Dec. 31, 1993	822	556	3 329	–348	1 717	435	6 511
Share issue		120	2 370				2 490
Dividend						–193	–193
Purchase of treasury shares				–89			–89
Translation differences			–206			14	–192
Release of accumulated appr.					49	–49	–
Other increase/decrease, net	–101	101	1		–39	–10	–48
Net profit						3 939	3 939
IAS Balance at Dec. 31, 1994	721	777	5 494	–437	1 727	4 136	12 418
Dividend						–749	–749
Purchase of treasury shares				–33			–33
Translation differences			–33			–41	–74
Release of accumulated appr.					237	–237	–
Other increase/decrease, net	–174	174	–6		–91	109	12
Net profit						2 232	2 232
IAS Balance at Dec. 31, 1995	**547**	**951**	**5 455**	**–470**	**1 873**	**5 450**	**13 806**
IAS Balance at Dec. 31,1994	721	777	5 494	–437	1 727	4 136	12 418
Treasury shares			–248	437		–189	–
Other FAS-adjustments						166	166
Untaxed reserves					–1 727		–1 727
FAS Balance at Dec. 31, 1994	721	777	5 246	–	–	4 113	10 857
IAS Balance at Dec. 31,1995	547	951	5 455	–470	1 873	5 450	13 806
Treasury shares			–271	470		–199	–
Other FAS-adjustments						142	142
Untaxed reserves					–1 873		–1 873
FAS Balance at Dec. 31, 1995	**547**	**951**	**5 184**	**–**	**–**	**5 393**	**12 075**

Exchange differences that arose from loans and financial instruments hedging equities in foreign subsidiaries in 1995 amounted to MFIM 21 (MFIM 259 in 1994) and were offset against the translation differences arising from consolidation.

	Share capital K share	Share capital A share	Other restricted equity	Contin-gency reserve	Retained earnings	Total
Parent Company, MFIM						
Balance at Dec. 31, 1993	822	556	2 253	127	1 820	5 578
Share issue		120	2 370			2 490
Dividend					–193	–193
Reserved for public worthy causes decided by the Board					–2	–2
Other increase/decrease, net	–101	101			–20	–20
Net profit					1 455	1 455
Balance at Dec. 31, 1994	721	777	4 623	127	3 060	9 308
Dividend					–749	–749
Transferred to the Nokia Corporation Foundation					–10	–10
Reserved for public worthy causes decided by the Board					–1	–1
Other increase/decrease, net	–174	174				–
Net profit					991	991
Balance at Dec. 31, 1995	**547**	**951**	**4 623**	**127**	**3 291**	**9 539**

20. Accumulated appropriations

	GROUP 1995 MFIM	GROUP 1994 MFIM	PARENT COMPANY 1995 MFIM	PARENT COMPANY 1994 MFIM
Accumulated depreciation in excess of plan	**1 241**	976	**59**	68
Untaxed reserves	**632**	751	**430**	428
Accumulated appropriations	**1 873**	1 727	**489**	496

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

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

Deferred tax liability for the accumulated appropriations computed using the tax rate of 28% totalled MFIM 524.

21. Provisions

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

22. Long-term liabilities

	GROUP Outstanding Dec. 31, 1995 MFIM	GROUP Repayment date beyond 5 years	PARENT COMPANY Outstanding Dec. 31, 1995 MFIM	PARENT COMPANY Repayment date beyond 5 years
Long-term loans are repayable as follows:				
Bonds	**791**	148	**866**	148
Convertible bonds	**19**	2	**2**	2
Loans from financial institutions	**641**	–	**406**	–
Pension loans	**639**	275	**151**	113
Other long-term finance loans	**31**	5	**1**	–
Other long-term liabilities	**457**	457	**–**	–
	2 578	887	**1 426**	263

The long-term liabilities as of December 31, 1995 mature as follows:

	Group MFIM	Group %	Parent company MFIM	Parent company %
1996	187	6.7%	89	5.9%
1997	956	34.6%	864	57.0%
1998	301	10.9%	145	9.6%
1999	332	12.0%	144	9.5%
2000	102	3.7%	10	0.6%
Thereafter	887	32.1%	263	17.4%
	2 765		1 515	

The currency mix of the Group long-term liabilities as at December 31, 1995

FIM	CHF	USD	GBP	DEM	Others
31.9%	21.0%	16.4%	14.3%	13.4%	3.0%

As permitted in Finland, the Group may borrow from its pension fund and related insurance companies amounts contributed during the year at specified minimum interest rates. The interest rate on pension fund loans was 6.5%. The loan period is between 2 and 6 years.

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

At December 31, 1995, the Group's borrowings were collateralized by mortgages totalling MFIM 290 and assets (principally shares of real estate companies) were pledged with a net book value of MFIM 65.

At December 31, 1995 and 1994 the weighted average interest rate of loans from financial institutions was 5.5% and 6.2%, respectively. The loans are payable semi-annually through 2002.

23. Bonds

	Million		Interest	GROUP 1995 MFIM	GROUP 1994 MFIM	PARENT COMPANY 1995 MFIM	PARENT COMPANY 1994 MFIM
1989–2004	50.0	GBP	11.375%	**337**	370	**337**	370
1990–1997	100.0	CHF	6.750%	**296**	305	**379**	362
1993–2003	150.0	FIM	Floating	**150**	150	**150**	150
1987–1997	25.0	NLG	Floating	**8**	17	**–**	–
				791	842	**866**	882

24. Convertible bonds

	Million		Interest	GROUP 1995 MFIM	GROUP 1994 MFIM	PARENT COMPANY 1995 MFIM	PARENT COMPANY 1994 MFIM
Convertible bonds							
1988–1999	35.0	NLG	6.250%	**17.7**	23.6	**–**	–
Bonds issued with warrants							
1994–1999	0.07	FIM	2.000%	**0.1**	0.2	**0.1**	0.2
1995–2000	1.45	FIM	0.000%	**1.5**	–	**1.5**	–
				19.3	23.8	**1.6**	0.2

25. Accounts payable and accrued liabilities

	GROUP 1995 MFIM	GROUP 1994 MFIM
Accounts payable and accrued liabilities consist of the following at December 31:		
Accounts payable	**4 077**	3 353
Accrued expenses and prepaid income	**4 803**	4 185
Other	**508**	548
	9 388	8 086

26. Short-term borrowings

At December 31, 1995 and 1994 short-term borrowings consist primarily of borrowings from banks. The weighted average interest rate at December 31, 1995 and 1994 is 6.8% and 6.6%, respectively.

27. The shares of the Parent Company

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

At shareholders' meetings, each K share is entitled to ten (10) votes, and each A share to one (1) vote.

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

At Nokia Corporation´s Extraordinary General meeting held in June, 1994 amendments to Nokia´s Articles of Association were approved, which established the right of holders of K shares to convert their holdings to A shares, within certain limits. As of December 31, 1995 a total of 55 015 954 K shares had been converted to A shares.

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

	units	FIM each	FIM
K shares	109 377 110	5	546 885 550
A shares	190 172 870	5	950 864 350
Total	299 549 980	5	1 497 749 900

At December 31, 1995, the above mentioned shares include 15 180 500 shares owned by the Group.

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

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

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

28. Contingent liabilities

	GROUP 1995 MFIM	GROUP 1994 MFIM	PARENT COMPANY 1995 MFIM	PARENT COMPANY 1994 MFIM
Pension fund liability				
Liability of pensions funds [1]	**30**	27	**–**	–
Liability for Bills of Exchange	**63**	93	**–**	–
Mortgages				
As security for loans				
For own debts	**290**	327	**5**	5
Other mortgages				
For own commitments	**116**	220	**–**	–
Assets pledged				
As security for own debts	**65**	240	**20**	169
As security for debts of Group companies	**–**	–	**32**	21
Guarantees				
Guarantees for loans				
As security for loans of Group companies	**–**	–	**1 305**	1 797
As security for loans of associated companies	**277**	340	**263**	325
As security for loans of other companies	**24**	35	**23**	25
Other guarantees				
As security for own commitments	**962**	1 038	**–**	–
As security for Group company commitments	**–**	–	**373**	288
On behalf of associated companies	**104**	–	**–**	–
On behalf of other companies	**–**	1	**–**	–

[1] After payments to Parent Company's pension fund the schemes are fully funded when the pension fund's net assets are valued at market value.

29. Leasing contracts

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

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

		Finance lease	Operating lease
Leasing payments	1996	8	306
	1997	4	285
	1998	2	230
	1999	1	179
	2000	–	138
	and thereafter	–	327
Total		15	1 465

Rental expense amounted to MFIM 458 and MFIM 421 in 1995 and 1994, respectively.

30. Loans granted to top management	GROUP 1995 MFIM	GROUP 1994 MFIM	PARENT COMPANY 1995 MFIM	PARENT COMPANY 1994 MFIM
Loans granted to top management	**4**	5	**–**	–

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

31. Associated companies	GROUP 1995 MFIM	GROUP 1994 MFIM
Share of results of associated companies (IAS)	**85**	22
Share of results of associated companies (FAS)	**61**	–2
Dividend income	**3**	2
Share of shareholders' equity of associated companies (IAS)	**238**	284
Share of shareholders' equity of associated companies (FAS)	**380**	220
Receivables from associated companies		
Current receivables	**81**	52
Short-term loan receivables	**28**	28
Long-term loan receivables	**140**	148
Liabilities to associated companies		
Current liabilities	**18**	90

32. Notes to cash flow statement

	GROUP 1995 MFIM	GROUP 1994 MFIM	PARENT COMPANY 1995 MFIM	PARENT COMPANY 1994 MFIM
Adjustments for:				
Depreciation	**1 825**	1 009	**23**	19
Equity hedging	**21**	259	**–**	–
Unrealized foreign exchange gains (–) and losses (+)	**7**	–171	**62**	–170
Share of result of associated companies	**–61**	2	**–**	–
Other operating income and expenses	**–316**	–222	**–353**	–60
Dividend income	**–75**	–142	**–268**	–83
Interest income	**–589**	–405	**–800**	–542
Interest expense	**745**	580	**436**	426
Adjustments, total FAS	**1 557**	910	**–900**	–410
IAS-adjustments	**–24**	–24		
Adjustments, total IAS	**1 533**	886		
Change in net working capital				
Short-term trade receivables, increase (–), decrease (+)	**–3 430**	–1 312	**58**	114
Inventories, increase (–), decrease (+)	**–3 478**	–2 262	**–7**	–2
Interest-free short-term liabilities, increase (+), decrease (–)	**1 557**	2 124	**–155**	43
Change in net working capital	**–5 351**	–1 450	**–104**	155

33. Financial risk management

Good financial risk management is one of the prerequisites for the profitability of Nokia. The mission of the Treasury function is to identify, evaluate and hedge financial risks. Hence, it is possible to minimise adverse effects of fluctuations in the financial markets on the profitability of the underlying businesses and thus on the financial performance of the Group. Risk management is an active process and Nokia aims at identifying risks in advance. Derivative financial instruments, such as forwards, options, swaps and futures are used for hedging purposes in financial risk management. Currently Nokia does not issue or hold derivative financial instruments for trading purposes. The notional amounts of derivatives summarized in this section 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.

Foreign exchange risk

Nokia operates internationally and is thus primarily exposed to foreign exchange risk. Since the Group has production and sales in different countries worldwide, the foreign exchange exposure is managed against various base currencies. Foreign currency denominated assets and liabilities together with firm and probable purchase and sale commitments give rise to foreign currency exposure. Exposures are constantly monitored and hedging is primarily carried out based on the net exposure. According to the hedging strategy of the Group material open currency exposures are hedged. Due to the rapid growth in the Group the currency combinations in the exposure calculations may change within the financial year. The principal transaction exposure is against Finnish markka, because significent share of production expenses e.g. product development and personnel expenses are incurred in Finland, and less than 10% of the turnover is made in Finland. In general, appreciation of the markka relative to another currency has an adverse effect on Nokia's operating profit in the long term, while depreciation of the markka has a positive effect in the long term. Foreign currency exposures are mainly hedged with derivative financial instruments such as forward contracts and foreign exchange options.

As of December 31, 1995 and December 31, 1994 the FIM equivalent of forward contracts outstanding was FIM 24 337 million and FIM 16 575 million, respectively. The total FIM amount of purchased currency options outstanding as at year-end balance sheet dates in 1995 and 1994 was FIM 4 705 million and FIM 5 298 million, respectively and of options written in combination with purchased options FIM 5 169 million and FIM 5 328 million, respectively. The terms of the foreign exchange contracts are rarely more than one year.

The Group also uses foreign exchange contracts to hedge its net investments in foreign subsidiaries. The outstanding amount of forward foreign exchange contracts used for hedging foreign currency denominated net investments as of December 31, 1995 was FIM 2 831 million. The corresponding amount as of December 31, 1994 was FIM 1 834 million. Foreign exchange differences relating to these contracts are reported as translation differences in the Group's equity.

Funding risk

Monitoring funding risk is a continuous process in the Group. The Group Treasury actively seeks and assesses funding sources with a view to securing adequate funding for the Group. The profitability of the Group is based on the proper mix of equity funding and debt financing, diversifying sources of funding and establishing a competitive price level for the Group.

Interest rate risk

The Group is exposed to interest rate risk either through the market value fluctuations of balance sheet items i.e. price risk or changes in the interest expenses or revenues i.e. the re-investment risk. Interest rate risk mainly arises through interest-bearing liabilities and assets. Estimated future changes in the balance sheet structure also expose the Group to interest rate risk. Group Treasury aims at minimizing net financial expenses at a given level of risk. The Group manages interest rate risk by using duration based price risk analysis and by constantly monitoring the market value of the financial instruments. The Group hedges its interest rate exposure by using derivative financial instruments like interest rate swaps, forwards, futures and options. Swap contracts are principally between two and five years in maturity. The terms of the option contracts do not exceed four years.

The Groups' interest rate swaps outstanding as of December 31, 1995 and December 31, 1994 were FIM 468 million and FIM 937 million, respectively. As of December 31, 1995 and December 31, 1994 the FIM equivalent of interest rate forward and futures contracts outstanding was 16 960 million and 2 145 million, respectively. The forward and futures contracts outstanding at the year end include positions, which have been closed off. The notional amout of interest rate options outstanding at the end of 1995 and 1994 were FIM 3 168 million and FIM 3 180 million.

Counterparty risk

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

34. Fair value of financial instruments

The following table presents the carrying amounts and fair values of the Group's financial instruments outstanding at December 31, 1995 and 1994. The carrying amounts in the table are included in the balance sheet under the indicated captions, except for derivatives, which are included in accounts receivable and accounts payable and accrued liabilities. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

MFIM	**1995 Carrying amount**	**1995 Fair value**	1994 Carrying amount	1994 Fair value
Financial assets				
Cash and cash equivalents	**4 214**	**4 216**	5 268	5 263
Receivables	**8 504**	**8 504**	7 673	7 673
Investments in other shares	**534**	**506**	1 788	1 747
Other non-current assets	**286**	**291**	273	272
Financial liabilities				
Accounts payable	**4 585**	**4 585**	3 901	3 901
Short-term borrowings	**4 332**	**4 332**	2 731	2 731
Long-term debt	**2 121**	**2 158**	3 071	3 131
Off-balance-sheet instruments				
Currency options purchased [1) 2)]	**32**	**32**	70	70
Currency options written	**–87**	**–87**	–42	–42
Forward foreign exchange contracts [1) 2)]	**–175**	**–175**	90	90
Interest rate swaps [3)]	**10**	**21**	15	–
Interest rate FRA's and futures	**–**	**10**	–	1
Interest rate options	**–3**	**–2**	1	6

1) The carrying amount and fair value of forward foreign exchange contracts and currency options include unrealized gains and losses relating to hedges of firm and anticipated commitments, which have been deferred.
2) Forward foreign exchange contracts and currency options used to hedge the shareholders' equity of foreign subsidiaries are not included.
3) The carrying amount of interest rate swaps includes accrued interests.

Estimation of fair values

Receivables, accounts payable, short-term borrowings
The carrying amounts are a reasonable estimate of the fair values because of the short maturity of such instruments.

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

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

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

Interest rate and currency swaps
Fair value of swap instruments have been estimated by using discounted cash flow analyses.

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

35. Principal Nokia Group companies on December 31, 1995

	Net sales MFIM	Number of shares	Parent holding %	Group majority %	Total nominal value in 1 000 units	Book value FIM 1 000
Nokia Telecommunications						
FI Nokia Telecommunications Oy	7 437	226 000	100.0	100.0	226 000 FIM	376 000
GB Nokia Telecommunications Ltd	2 295	20 000 000		100.0	20 000 GBP	134 820
Nokia Mobile Phones						
FI Nokia Matkapuhelimet Oy	10 938	665	60.2	100.0	33 250 FIM	106 704
DE Nokia Mobile Phones Produktionsgesellschaft mbH	3 990	2		100.0	90 DEM	274
HK Nokia Mobile Phones (HK) Ltd	2 765	5 000 000		100.0	5 000 HKD	11 543
KR TMC Company Limited	2 162	232 080	100.0	100.0	2 320 800 KRW	134 332
US Nokia Mobile Phones Manufacturing (USA) Inc.	1 529	100		100.0	0.1 USD	154 730
Nokia General Communications Products						
FI Salcomp Oy	2 303	30 000	100.0	100.0	30 000 FIM	30 000
DE Nokia Electronics Bochum GmbH	1 894	2		100.0	5 000 DEM	15 218
FI Nokia Kaapeli Oy/Nokia Cables Ltd	1 226	79 000		55.1	79 000 FIM	110 000
NL NKF Kabel B.V.	1 046	30 000		55.1	30 000 NLG	81 555
FI Nokia Kulutuselektroniikka Oy	1 016	500 000	100.0	100.0	50 000 FIM	83 385
DE Nokia Kabel GmbH	700			55.1	50 DEM	105 423
SE Nokia Satellite Systems AB	604	1 050		100.0	1 050 SEK	74 779
DE Kaiser Kabel GmbH	569	3 000		55.1	3 000 DEM	120 299
DE Nokia Audio Electronics GmbH	532	2		100.0	2 000 DEM	6 087
Other Operations						
NL Nokia Finance International B.V.		229	99.6	100.0	229 NLG	1 119 222

Shares in other listed companies

Group holding more than 5%	Group holding %	Group voting %
Geoworks Inc.	7.3	7.3
Maillefer Holding S.A.	25.0	50.0
Nokian Renkaat Oy/Nokian Tyres Ltd	36.1	36.1

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

Profit and Loss Account, Parent Company, FAS

Financial year ended December 31	Notes*	1995 MFIM	1994 MFIM
Net sales		**122**	644
Costs of goods sold		**–**	–548
Gross margin		**122**	96
Research and development expenses		**–146**	–69
Administrative expenses		**–89**	–175
Other operating expenses		**–18**	–23
Other operating income		**374**	85
Operating profit/loss	**5, 6 and 7**	**243**	–86
Dividend income from Group companies		**244**	69
Dividend income from other investments		**24**	14
Interest income from Group companies from long-term investment		**82**	124
Interest income from other companies from long-term investments		**26**	23
Interest income from Group companies from short-term investments		**429**	157
Interest income from other companies from short-term investments		**264**	238
Other financial income from Group companies		**1**	1
Other financial income from other companies		**2**	2
Exchange gains and losses		**–3**	243
Interest expenses to Group companies		**–104**	–137
Interest expenses to other companies		**–332**	–289
Other financial expenses		**–14**	–28
Financial income and expenses		**619**	417
Profit before extraordinary items, appropriations and taxes		**862**	331
Extraordinary items	**11**		
Extraordinary income		**–**	740
Extraordinary expenses		**–1 155**	–215
Group contributions		**1 501**	891
Extraordinary items, total		**346**	1 416
Profit before appropriations and taxes		**1 208**	1 747
Difference between actual and planned depreciation, decrease (+)	**7**	**9**	9
Movements on untaxed reserves, decrease (+)		**–**	208
Direct taxes			
for the year		**–248**	–416
from previous years		**22**	–93
Net profit		**991**	1 455

* Notes are shown on pages 33 to 51.

Cash Flow Statement, Parent Company, FAS

Financial year ended December 31	Notes*	1995 MFIM	1994 MFIM
Cash flow from operating activities			
Profit before extraordinary items, appropriations and taxes		**862**	331
Adjustments, total	**32**	**–900**	–410
Operating loss before change in net working capital		**–38**	–79
Change in net working capital	**32**	**–104**	155
Cash generated from operations		**–142**	76
Interest received		**740**	511
Interest paid		**–417**	–496
Income taxes paid		**–318**	–110
Cash flow before extraordinary items		**–137**	–19
Extraordinary income and expenses		**891**	2 071
Net cash from operating activities		**754**	2 052
Cash flow from investing activities			
Investments in shares		**–1 673**	–584
Capital expenditures		**–109**	–19
Proceeds from sale of shares		**1 436**	669
Proceeds from sale of fixed assets		**12**	9
Dividends received		**182**	83
Net cash used in/from investing activities		**–152**	158
Cash flow from financing activities			
Proceeds from issuance of share capital		**–**	2 490
Proceeds from (+), payments of (–) long-term liabilities		**–536**	–295
Proceeds from (+), payments of (–) short-term borrowings		**1 649**	–1 740
Proceeds from (+), payments of (–) long-term receivables		**–326**	626
Proceeds from (+), payments of (–) short-term receivables		**–3 209**	–929
Dividends paid		**–761**	–195
Net cash used in financing activities		**–3 183**	–43
Net decrease (–), increase (+) in cash and cash equivalents		**–2 581**	2 167
Cash and cash equivalents at beginning of period		**3 592**	1 425
Cash and cash equivalents at end of period		**1 011**	3 592

Balance Sheet, Parent Company, FAS

December 31	Notes*	1995 MFIM	1994 MFIM
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	13		
Intangible rights		13	8
Other intangible assets		22	23
		35	31
Tangible assets	14		
Land and water areas		84	83
Buildings and constructions		68	76
Machinery and equipment		43	29
Other tangible assets		1	1
Advance payments and fixed assets under construction		95	36
		291	225
Long-term investments			
Investments in subsidiaries	15	4 637	4 473
Investments in associated companies	15	338	193
Investments in other shares	15	404	442
Long-term loan receivables from Group companies		1 069	764
Long-term loan receivables from other companies		165	148
Other non-current assets		244	246
		6 857	6 266
Current assets			
Inventories and work in progress			
Work in progress		7	3
Finished goods		3	–
		10	3
Receivables	18		
Trade debtors from Group companies		65	38
Trade debtors from other companies		2	65
Short-term loan receivables from Group companies		7 788	4 023
Short-term loan receivables from other companies		36	297
Prepaid expenses and accrued income from Group companies		309	90
Prepaid expenses and accrued income from other companies		290	72
Other current trade receivables from Group companies		56	18
Other current trade receivables from other companies		5	851
		8 551	5 454
Short-term investments		706	3 251
Bank and cash		305	341
		16 755	15 571

* Notes are shown on pages 31 to 49.

December 31	Notes*	**1995 MFIM**	1994 MFIM
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	**19**		
Restricted equity			
Share capital		**1 498**	1 498
Additional paid-in capital		**4 623**	4 623
		6 121	6 121
Distributable reserves			
Contingency reserve		**127**	127
Retained earnings		**2 300**	1 605
Net profit for the year		**991**	1 455
		3 418	3 187
Total shareholders' equity		**9 539**	9 308
Accumulated appropriations	**20**		
Accumulated depreciation in excess of plan		**59**	68
Untaxed reserves			
Other reserves		**430**	428
		430	428
Liabilities			
Long-term liabilities	**22**		
Bonds	**23**	**866**	882
Convertible bonds	**24**	**2**	–
Loans from financial institutions		**406**	5
Pension premium loans		**151**	1 020
Other long-term liabilities		**1**	72
		1 426	1 979
Short-term liabilities			
Current finance liabilities from Group companies		**3 517**	2 649
Current finance liabilities from other companies		**873**	321
Current maturities of long-term loans		**89**	173
Advance payments from other companies		**29**	3
Trade creditors to Group companies		**11**	22
Trade creditors to other companies		**24**	63
Accrued expenses and prepaid income to Group companies		**79**	23
Accrued expenses and prepaid income to other companies		**574**	516
Other current trade liabilities to Group companies		**83**	1
Other current trade liabilities to other companies		**22**	17
		5 301	3 788
Total liabilities		**6 727**	5 767
		16 755	15 571

Proposal by the Board of Directors to the Annual General Meeting

The distributable reserves in the balance sheet of the Group amount to FIM 5 393 million and those of the Company to FIM 3 418 million.

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

– a dividend of 60% (FIM 3.00 per share) be paid on 109 377 110 K shares (nominal value FIM 547 million)	FIM 328 million
– a dividend of 60% (FIM 3.00 per share) be paid on 190 172 870 A shares (nominal value FIM 951 million)	FIM 571 million
	FIM 899 million

Helsinki, February 28, 1996

Casimir Ehrnrooth **Yrjö Niskanen**

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

Jouko K. Leskinen **Vesa Vainio**

Jorma Ollila
President and CEO

Auditors' Report

To the shareholders of Nokia Corporation

We have audited the accounting records, the accounts and the administration of Nokia Corporation for the year ended December 31, 1995. The accounts prepared by the Board of Directors and the President and Chief Executive Officer include the report of the Board of Directors, consolidated financial statements prepared in accordance with International Accounting Standards (IAS), consolidated and Parent company profit and loss accounts, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these accounts and the Parent company's administration.

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

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

The accounts showing a consolidated profit of FIM 1 971 260 000 have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and Parent company result of operations, as well as of the financial position. The accounts can be adopted and the members of the Board of Directors and the President and Chief Executive Officer of the Parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors concerning the disposition of the profit for the year is in compliance with the Companies' Act.

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

Helsinki, February 28, 1996

Eric Haglund
Authorised Public Accountant
(KPMG)

Lars Blomquist
Authorised Public Accountant
(Coopers & Lybrand)

U.S. GAAP

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

	1995 MFIM	1994 MFIM
Reconciliation of net income		
Net income reported under IAS	**2 232**	3 939
U.S. GAAP adjustments:		
Deferred income taxes	**426**	91
Pension expense	**133**	3
Development costs	**–844**	64
Revaluation of assets	**–**	200
Sale-leaseback transactions	**4**	261
Other adjustments	**36**	161
Deferred tax effect of U.S. GAAP adjustments	**176**	–59
Net income under U.S. GAAP	**2 163**	4 660
Presentation of net income under U.S. GAAP		
Income from continuing operations	**3 987**	3 262
Discontinued operations:		
Loss from operations, net of income tax of FIM 6 million in 1994	**–352**	–89
Loss/gain on disposal, net of income tax benefit of FIM 516 million in 1995 and income tax of FIM 294 million in 1994	**–1 472**	1 487
Loss/gain from discontinued operations	**–1 824**	1 398
Net income	**2 163**	4 660
Reconciliation of shareholders' equity:		
Total shareholders' equity reported under IAS	**13 806**	12 418
U.S. GAAP adjustments:		
Deferred income taxes	**371**	–55
Pension expense	**48**	–85
Development costs	**–567**	277
Sale-leaseback transactions	**–36**	–40
Other adjustments	**–256**	–411
Deferred tax effect of U.S. GAAP adjustments	**207**	35
Cumulative effect of adopting SFAS No. 115, net of tax	**–**	88
Total shareholders' equity under U.S. GAAP	**13 573**	12 227

Deferred income taxes

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

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

Pension expense

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

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

Development costs

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

Under U.S. GAAP software development costs would similarly be capitalized after the product has reached a certain degree of technical feasibility. In 1995 certain of the development costs capitalized under IAS would not be capitalizable under U.S. GAAP and therefore would have been expensed. In 1994, however, prior to capitalization of development costs under IAS, software development costs would have been capitalized.

Sale-leaseback transactions

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

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

Other adjustments

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

Discontinued operations

In 1993, the Group established the plan to discontinue the Picture Tubes division of the Consumer and Industrial Electronics business group. In 1994, the Group discontinued production and liquidated the operations for an amount in excess of the plan. Accordingly, the gain on disposal was realized in 1994.
In 1994, the Group sold its investments in power companies and in the power division, which formed part of the business group entitled Other Operations. In February 1996, Nokia announced its intention to exit the TV business. The Group anticipates that the exit plan will be completed during 1996. The financial impact of this decision is reported in the 1995 accounts as discontinued operations. The estimated exit costs include the write-down of property, plant and equipment and other assets to estimated net realizable value, severance payments and the estimated operating loss through the date of discontinuance.

The 1995 operating loss of the TV business has been included as a component of discontinued operations in the consolidated profit and loss account.

NOKIA 1991 – 1995, IAS

	1995	1994	1993	1992	1991
Profit and Loss Account, MFIM					
Net sales	**36 810**	30 177	23 697	18 168	15 457
Costs and expenses	**–31 798**	–26 581	–22 232	–17 880	–15 553
Operating profit/loss	**5 012**	3 596	1 465	288	–96
Share of results of associated companies	**85**	22	28	–5	9
Financial income and expenses	**–164**	384	–347	–441	–237
Profit/loss before tax and minority interests	**4 933**	4 002	1 146	–158	–324
Tax	**–769**	–932	–299	–167	–231
Minority interests	**–77**	–75	–80	–88	–49
Profit/loss from continuing operations	**4 087**	2 995	767	–413	–604
Discontinued operations	**–2 340**	–	–	–	–
Profit/loss from ordinary activities before cumulative effect of change in accounting policies	**1 747**	2 995	767	–413	–604
Cumulative prior year effect (after tax) of change in accounting policies	**485**	–	–	–	–
Profit/loss before extraordinary items	**2 232**	2 995	767	–413	–604
Extraordinary items	**–**	944	–1 917	–310	393
Net profit/loss	**2 232**	3 939	–1 150	–723	–211
Balance Sheet Items, MFIM					
Fixed assets and other non-current assets	**9 047**	7 943	7 994	7 630	8 263
Current assets	**23 714**	19 906	14 653	13 608	11 890
Inventories	**9 982**	6 803	5 129	3 840	3 409
Accounts receivable and prepaid expenses	**9 518**	7 835	6 227	6 650	4 754
Cash and cash equivalents	**4 214**	5 268	3 297	3 118	3 727
Shareholders' equity	**13 806**	12 418	6 511	6 727	7 393
Minority shareholders' interests	**422**	555	536	695	600
Long-term liabilities	**2 578**	3 557	4 080	3 705	4 373
Long-term debts	**2 121**	3 071	3 397	3 124	3 896
Other long-term liabilities	**457**	486	683	581	477
Current liabilities	**15 955**	11 319	11 520	10 111	7 787
Short-term borrowings	**4 332**	2 453	3 435	3 835	2 797
Current portion of long-term loans	**187**	278	139	1 221	1 086
Accounts payable and accrued liabilities	**9 388**	8 086	5 976	4 314	3 389
Advance payments	**396**	502	534	399	202
Discontinuity/restructuring provision	**1 652**	–	1 436	342	313
Total assets	**32 761**	27 849	22 647	21 238	20 153
Key Ratios					
Earnings per share, FIM	**14.36**	10.97	3.07	neg.	neg.
Dividend per share, FIM	**3.00**	2.50	0.70	0.50	0.50
Profit/loss before tax and minority interests, % of net sales	**13.4**	13.3	4.8	–0.9	–2.1
Return on capital employed, %	**29.1**	25.4	14.7	5.9	3.4
Return on shareholders' equity, %	**31.2**	31.6	11.6	neg.	neg.
Net tangible assets per share, FIM	**43.0**	41.7	22.6	25.1	25.0
Net debt to equity, %	**17**	4	52	68	51

Calculation of Key Ratios, see page 63.
See also Key Ratios according to Finnish Accounting Standards on page 62.

Net Sales by Business Group, MFIM

	1995	1994	1993	1992	1991
Nokia Telecommunications	**10 341**	6 906	4 578	3 207	1 849
Nokia Mobile Phones	**16 052**	10 702	6 314	3 641	2 516
Nokia General Communications Products	**10 837**	11 530	11 871	10 380	10 000
Other Operations	**458**	1 589	1 500	1 354	1 525
Inter-business group eliminations	**–878**	–550	–566	–414	–433
Nokia Group	**36 810**	30 177	23 697	18 168	15 457

Net Sales by Market Area, MFIM

	1995	1994	1993	1992	1991
Finland	**3 227**	3 449	3 547	3 691	4 014
Other European countries	**20 807**	17 758	14 448	10 693	8 877
North America and Mexico	**4 074**	3 496	1 985	1 532	768
Asia/Pacific	**6 910**	3 821	2 768	1 383	1 141
Other countries	**1 792**	1 653	949	869	657
Total	**36 810**	30 177	23 697	18 168	15 457

Operating Profit/Loss, MFIM

	1995	1994	1993	1992	1991
Nokia Telecommunications	**2 722**	1 700	983	427	
Nokia Mobile Phones	**1 753**	1 745	950	437	
Nokia General Communications Products	**584**	–	–	–	
Other Operations*	**–47**	–59	18	93	37
Nokia Consumer and Industrial Electronics	**–**	19	–747	–783	
Electronics business groups total**	**–**	–	–	–	–230
Cables and Machinery	**–**	191	261	114	97
Nokia Group	**5 012**	3 596	1 465	288	–96

Average Personnel

	1995	1994	1993	1992	1991
Nokia Telecommunications	**9 915**	7 187	5 867	4 905	4 474
Nokia Mobile Phones	**10 616**	5 826	3 759	3 147	3 545
Nokia General Communications Products	**10 331**	13 270	14 568	16 943	18 620
Other Operations	**1 086**	1 760	1 607	1 775	2 528
Nokia Group	**31 948**	28 043	25 801	26 770	29 167
In Finland	**17 821**	14 984	13 813	13 752	14 588
Outside Finland	**14 127**	13 059	11 988	13 018	14 579

* 1991–1994 Nokia Tyres and Nokia Power were included in the group "Other operations".
** 1991 Nokia Telecommunications, Nokia Mobile Phones and Nokia Consumer and Industrial Electronics were included in "Electronics business groups total".

NOKIA 1991 – 1995, FAS

	1995	1994	1993	1992	1991
Net sales, MFIM	**36 810**	30 177	23 697	18 168	15 457
Change, %	**22.0**	27.3	30.4	17.5	–30.2
Exports from Finland, MFIM	**17 738**	13 723	9 997	6 449	4 350
Exports and foreign subsidiaries, MFIM	**33 583**	26 728	20 150	14 477	11 443
Salaries and social expenses, MFIM	**6 492**	5 515	5 484	4 841	4 525
Operating profit/loss, MFIM	**5 012**	3 596	1 486	314	–81
% of net sales	**13.6**	11.9	6.3	1.7	–0.5
Financial income and expenses, MFIM	**–164**	384	–334	–427	–225
% of net sales	**–0.4**	1.3	–1.4	–2.4	–1.5
Profit/loss before extraordinary items, MFIM	**4 909**	3 978	1 152	–58	–262
Profit/loss before appropriations and taxes, MFIM	**3 054**	4 714	–689	–99	398
% of net sales	**8.3**	15.6	–2.9	–0.5	2.6
Taxes, MFIM	**769**	932	299	167	163
Dividends, MFIM	**899***	749	193	126	126
Capital expenditure, MFIM	**4 179**	2 410	1 930	1 626	2 560
% of net sales	**11.4**	8.0	8.1	8.9	16.6
R&D expenditure, MFIM	**2 531**	1 937	1 472	1 113	933
% of net sales	**6.9**	6.4	6.2	6.1	6.0
Average personnel	**31 948**	28 043	25 801	26 770	29 167
Non-interest bearing liabilities, MFIM	**11 893**	9 074	8 630	5 636	4 381
Interest bearing liabilities, MFIM	**6 640**	5 802	6 971	8 060	7 659
Accumulated appropriations, MFIM	**1 873**	1 727	1 717	2 533	3 464
Shareholders' equity, MFIM	**12 075**	10 857	5 319	4 637	4 003
Total assets, MFIM	**32 903**	28 015	23 173	21 583	20 128
Return on capital employed, %	**28.7**	24.7	14.2	6.4	3.8
Return on equity, %	**30.1**	29.4	11.0	neg.	neg.
Equity ratio, %	**44.2**	47.8	33.5	37.2	40.6
Earnings per share, FIM (adjusted)	**14.28**	10.89	3.05	neg.	neg.
Dividend per share (nominal), FIM	**3.00***	2.50	0.70	0.50	0.50
Shareholders' equity per share, FIM	**49**	44	27	30	30
P/E ratio, K share	**12.1**	16.0	23.6	–16.1	–8.4

* Board's proposal

Calculation of Key Ratios, see page 63.

Calculation of Key Ratios

Key Ratios under IAS

Operating profit/loss =
Profit/loss after depreciation

Shareholders' equity =
Share capital + reserves

Earnings per share =
Profit/loss from continuing operations
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 FIM, 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/loss before taxes and minority interests + interest and other financial expenses
Average shareholders' equity + short-term borrowings + long-term loans (including the current portion thereof) + minority shareholders' interests

Return on shareholders' equity, % =
Profit/loss from continuing operations
Average shareholders' equity during the year

Net tangible assets per share =
Shareholders' equity – goodwill and other intangible assets
Adjusted number of shares at year end

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

Key Ratios under FAS

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

Return on equity, % =
Profit/loss before extraordinary items – taxes
Average shareholders' equity + minority shareholders' interests + accumulated appropriations

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

Earnings per share =
Profit/loss before extraordinary items – taxes – minority shareholders' interests
Average of adjusted number of shares outstanding

Shareholders' equity per share =
Shareholders' equity + accumulated appropriations
Adjusted number of shares outstanding at year end

P/E ratio =
Adjusted share price December 31
Earnings per share

Currency Rates Dec. 31

	1995	1994	1993	1992	1991
USD	**4.359**	4.743	5.785	5.245	4.125
GBP	**6.741**	7.409	8.554	7.957	7.718
SEK	**0.655**	0.636	0.695	0.744	0.743
DEM	**3.044**	3.062	3.335	3.249	2.719
FRF	**0.891**	0.887	0.982	0.953	0.794

Average Rates

	1995	1994	1993	1992	1991
USD	**4.371**	5.230	5.692	4.475	4.031
GBP	**6.913**	7.989	8.541	7.827	7.129
SEK	**0.615**	0.675	0.731	0.765	0.669
DEM	**3.056**	3.217	3.447	2.872	2.444
FRF	**0.879**	0.941	1.008	0.846	0.717

Data on Nokia Shares

Key Ratios Dec. 31, IAS	1995	1994	1993	1992	1991
Share Capital, MFIM					
K (common)	**547**	721	822	701	701
K free (common)				121	121
A (preferred)	**951**	777	556	308	308
A free (preferred)				128	128
Total	**1 498**	1 498	1 378	1 258	1 258
Shares					
(1 000, nominal value FIM 5)					
K (common)	**109 377**	144 198	164 393	140 262	140 262
K free (common)				24 131	24 131
A (preferred)	**190 173**	155 352	111 157	61 604	61 604
A free (preferred)				25 553	25 553
Total	**299 550**	299 550	275 550	251 550	251 550
Shares owned by the Group at year end (1 000)	**15 181**	14 981	13 781	13 541	
Number of shares excl. shares owned by the Group at year end (1 000)	**284 369**	284 569	261 769	238 009	251 550
Average number of shares excl. shares owned by the Group during the year (1 000)	**284 567**	272 929	249 627	241 398	251 550
Earnings per share, FIM	**14.36**	10.97	3.07	–1.71	–2.4
P/E ratio					
K (common)	**12.0**	15.9	23.4	neg.	neg.
K free (common)				neg.	neg.
A (preferred)	**11.9**	15.9	23.5	neg.	neg.
A free (preferred)				neg.	neg.
Nominal dividend per share, FIM	**3.00***	2.50	0.70	0.50	0.50
Total dividends paid, MFIM	**899***	749	193	126	126
Dividend per share, FIM	**3.00***	2.50	0.70	0.50	0.50
Payout ratio	**0.21***	0.23	0.23	neg.	neg.
Dividend yield, %					
K (common)	**1.7***	1.4	1.0	2.2	3.1
K free (common)				2.1	3.0
A (preferred)	**1.8***	1.4	1.0	2.5	4.2
A free (preferred)				2.4	4.3
Shareholders´ equity per share, FIM	**48.5**	43.6	24.9	28.3	29.4
Market capitalization, MFIM	**48 724**	49 657	18 875	5 267	3 692
Number of shareholders**	**27 466**	24 770	31 486	38 041	50 924

* Proposed
**Does not include shares registered in the name of a nominee.
Calculation of key ratios, see page 63.
All figures are adjusted for the share split.

The data below is given using the new denomination of the two classes of shares and their adjusted par values.

Shares and voting rights

At the Annual General Meeting held on March 30, 1995, Nokia´s shareholders voted to reduce the par value of each class of Nokia shares from FIM 20 to FIM 5 through a 4-for-1 stock split. The split was effected on April 24, 1995. In connection with the split, the shares were renamed A shares, previously preferred shares, and K shares, previously common shares. After the split, the number of A shares was 169 507 972 and the number of K shares was 130 042 008.

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

Nokia's K shares were issued on April 21, 1966 and A shares on March 31, 1981.

The minimum share capital stipulated in the Articles of Association is FIM 957 million and the authorized share capital FIM 3 828 million. The share capital may be increased or reduced within these limits without amending the Articles of Association. On December 31, 1995, the share capital fully paid and entered in the commercial register was FIM 1 498 million and the number of votes totalled 1 283 943 970.

Conversion of K shares into A shares

The Articles of Association contains a provision permitting the holders of K shares to convert their shares to a like amount of A shares, within certain limits set for the minimum and maximum numbers of shares in each class of shares.

By December 31, 1995 a total of 55 015 954 K shares had been converted to A shares.

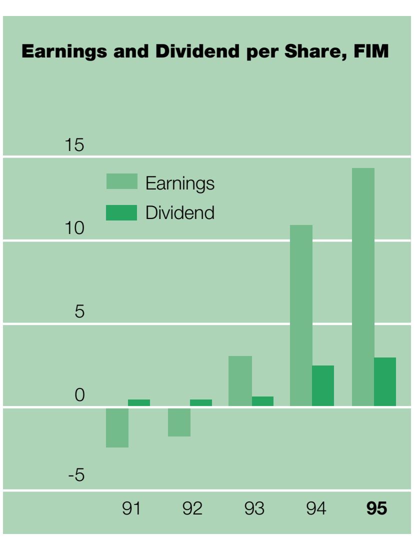
The Company´s shares are in the book-entry securities system. By December 31, 1995, a total of 99.9% of Nokia shares had been transferred to this system.

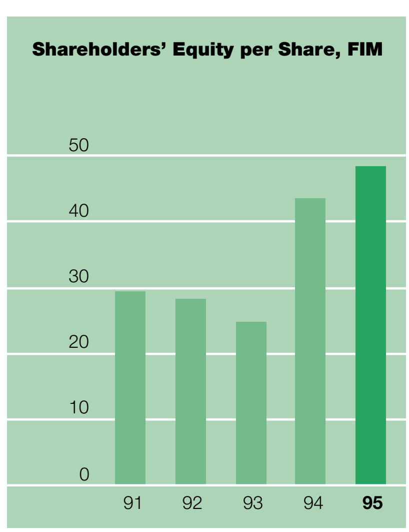
On December 31, 1995 Nokia shares registered in the name of a nominee accounted for 63.3% of the total number of shares and for 30.3% of the total number of voting rights.

Dividend policy

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

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





Development of Nokia shares

The internal rate of return on Nokia´s whole share capital has averaged 176.26% per annum over the past five years. The internal rate of return is calculated on the basis of the market capitalization figures at the beginning and at the end of the time period, adjusted for payments to and from the shareholders, i.e. dividends and rights issues.

The shareholders have also received a dividend yield of 1–5% per annum.

The effect of the imputation system

The imputation system (avoir fiscal) will apply to the 1995 dividends payable by Nokia. Any Finnish company, when paying dividends to its shareholders, is required to pay tax amounting to a minimum of one third of the dividend. A resident of Finland, receiving dividends from a Finnish company, is entitled to tax credit amounting to one third of the dividend. As the Board of Directors´ proposed dividend for 1995 is FIM 3.00 per share, the tax credit thus amounts to FIM 1.00 thereby increasing the shareholder´s profit to FIM 4.00, taxable at 28%.

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

Listing and turnover on stock exchanges

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

Volumes of A shares traded in 1995:

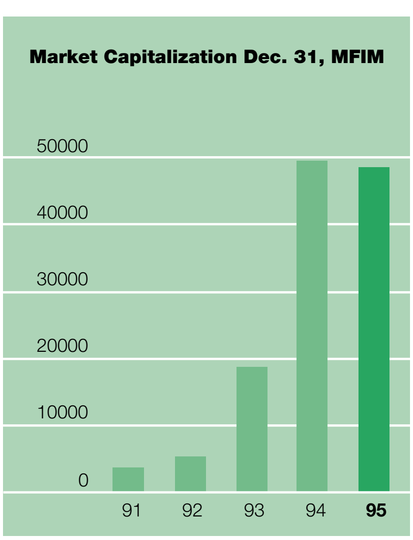
		symbol
New York	300 446 100	NOK.A
London	202 012 716	NY
Helsinki	132 296 354	NOKAV
Frankfurt	4 079 380	NOAD
Stockholm	3 637 098	NOKI A
Paris	241 975	5838

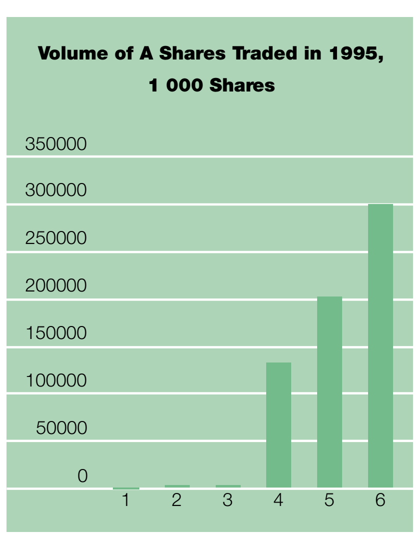
Authorizations

At the end of 1995, the Board of Directors had no unused authorisation to issue shares, convertible bonds or bonds with warrants.

Convertible bonds and bonds with warrants

At the Annual General Meeting held on April 7, 1994, the Company´s shareholders approved the issuance of up to 200 2% bonds due April 15, 1999, for up to an aggregate principal amount of FIM 200 000, with warrants, to certain members of the Company´s management. Each bond represents FIM 1 000 principal amount and carries 1 000 war-





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

rants each exercisable at FIM 374.00 for four A shares from December 1,1998 through January 31, 2000. The bonds were issued on April 15,1994. If exercised in full, the warrants would be exercisable for a total of 800 000 A shares, representing less than one percent of the Company´s outstanding share capital, and the share capital will be increased by a maximum amount of FIM 4 000 000. The bond issuances cover approximately 50 persons who are entitled to subscribe to a maximum average number of 16 000 shares.

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

Both bond issuances are part of Nokia's stock options schemes to the management.

There were no other bonds with warrants and no convertible bonds outstanding during the year 1995.

Share Issues 1991–1995

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

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

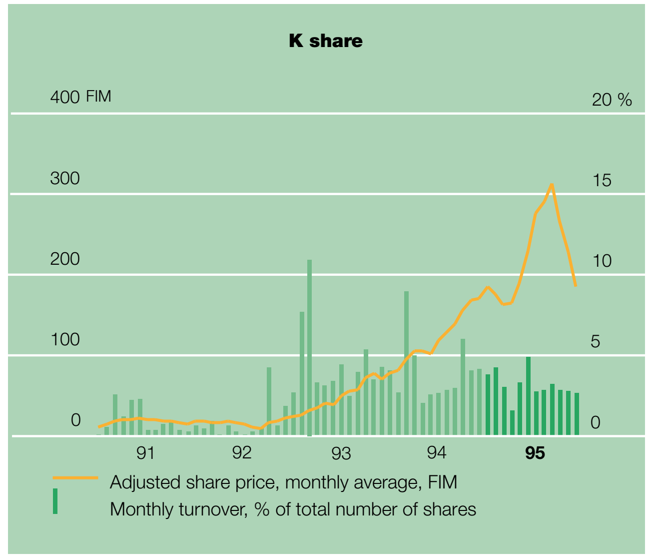
Share prices, FIM (Helsinki Stock Exchange)

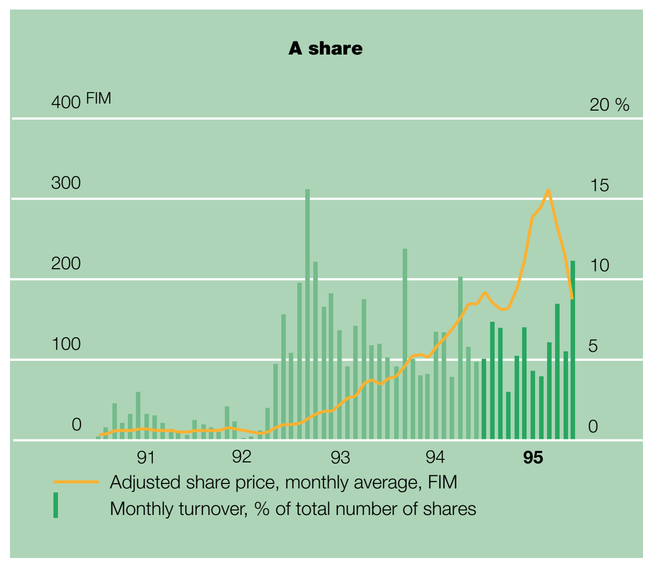
	1995	1994	1993	1992	1991
K (common)					
Low	**138**	71	24	10	12
High	**340**	178	87	25	23
Average	**221**	120	47	18	20
Year end	**172**	174	72	23	16
K free (common)					
Low				10	12
High				25	30
Average				18	23
Year end				23	16
A (preferred)					
Low	**137**	72	20	9	7
High	**340**	178	86	22	16
Average	**220**	123	46	17	14
Year end	**171**	174	72	20	12
A free (preferred)					
Low				9	11
High				22	26
Average				16	18
Year end				20	12

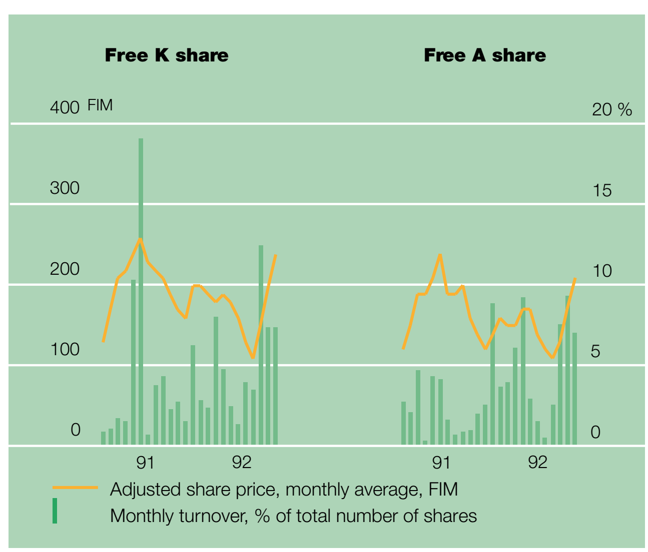
Share turnover (all stock exchanges)

	1995	1994	1993	1992	1991
K (common)					
1000 shares class	**99871**	154164	191876	39208	28432
%	**91**	107	117	24	17
A (preferred)					
1000 shares class	**642713**	346536	233792	53824	35352
%	**338**	223	210	62	41

Share prices, monthly average, FIM and monthly turnover, % (Helsinki Stock Exchange)







Shareholders

Largest shareholders on December 31, 1995

	K shares	A shares	Total	% of shares	Number of voting rights	% of voting rights
Nokia Finance International B.V.	12 713 384	2 467 116	15 180 500	5.1	*	*
Kymmene Corporation	11 619 984	29 720	11 649 704	3.9	116 229 560	9.1
Union Bank of Finland Pension Fund	9 264 600	751 500	10 016 100	3.3	93 397 500	7.3
Pohjola Insurance Company Ltd	6 185 000	35 400	6 220 400	2.1	61 885 400	4.8
Pension Insurance Company Ilmarinen	3 470 000	122 360	3 592 360	1.2	34 822 360	2.7
Industrial Insurance Company Ltd	3 455 000	–	3 455 000	1.2	34 550 000	2.7
Society for Swedish Literature in Finland	3 431 046	–	3 431 046	1.1	34 310 460	2.7
Finnish National Fund for Research and Development	2 812 864	–	2 812 864	0.9	28 128 640	2.2
Suomi Mutual Life Assurance Company	2 190 500	255 200	2 445 700	0.8	22 160 200	1.7
The Local Government Pensions Institution	1 300 344	1 199 000	2 499 344	0.8	14 202 440	1.1

Shares registered in the name of a nominee on December 31, 1995

	K shares	A shares	Total	% of shares	Number of voting rights	% of voting rights
Merita Bank Ltd	17 576 493	92 743 535	110 320 028	36.8	268 508 465	20.9
Merita Bank Ltd / KOP	4 069 964	71 517 404	75 587 368	25.2	112 217 044	8.7
Other nominees	524 419	3 311 907	3 836 326	1.3	8 556 097	0.7

Share ownership by top management

Members of Nokia´s Board of Directors and Group Executive Board owned a total of 4 856 K shares and 45 160 A shares, representing 0.01% of the total voting rights, on December 31, 1995.

Shares owned by the group

On December 31, 1995, Nokia Finance International B.V., a wholly owned subsidiary of Nokia, owned 15 180 500 Nokia shares, being 5.1% of the total amount of shares.

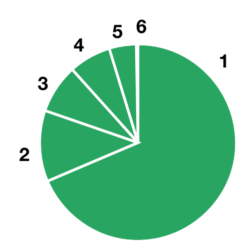
Breakdown of share ownership on December 31, 1995

By number of shares owned

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital	Average holding
1 – 500	17 891	65.2	3 867 198	1.3	216
501 – 1 000	4 011	14.6	3 339 832	1.1	833
1 001 – 10 000	5 053	18.4	13 874 568	4.6	2 746
10 001 – 100 000	438	1.6	11 500 252	3.8	26 256
over 100 000	55	0.2	77 224 408	25.9	1 404 080
Total	27 448	100.0	109 806 258	36.7	4 001
Shares registered in the name of a nominee			189 743 722	63.3	
Total			299 549 980	100.0	

By shareholder category, %

	K shares	A shares	Total
1. Foreign shareholders**	32.3	89.4	68.5
2. Foundations and charities	27.6	2.8	11.9
3. Banks, insurance companies and financial institutions	18.1	1.8	7.8
4. Private individuals in Finland	10.3	5.1	7.0
5. Companies	11.2	0.8	4.6
6. State, local authorities and religious bodies	0.5	0.1	0.2
Total	100.0	100.0	100.0



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

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

Organization February 28, 1996

BOARD OF DIRECTORS

Chairman
Casimir Ehrnrooth, 64
Chairman of the Board,
Kymmene Corporation

Vice Chairman
Yrjö Niskanen, 63
Chairman and CEO,
Pohjola Insurance Company Ltd

Pirkko Alitalo, 46
Chief Financial Officer,
Pohjola Insurance Company Ltd

Edward Andersson, 62
Professor, University of Helsinki

Ahti Hirvonen, 64
Chairman of the Board,
Unitas Ltd (until March 17, 1995)

Jouko K. Leskinen, 52
CEO, Sampo Insurance Company Ltd

Jorma Ollila, 45
President and CEO, Nokia Corporation

Vesa Vainio, 53
President and CEO, Merita Ltd

Secretary
Harry Collin

GROUP EXECUTIVE BOARD

Chairman
Jorma Ollila, 45
President and CEO

Matti Alahuhta, 43
President, Nokia Telecommunications

Pekka Ala-Pietilä, 39
President, Nokia Mobile Phones

Sari Baldauf, 40
President, Nokia Telecommunications,
Cellular Systems

Tapio Hintikka, 53
President, Nokia General
Communications Products

Olli-Pekka Kallasvuo, 42
Executive Vice President, CFO

Yrjö Neuvo, 52
Senior Vice President, Research and
Development, Nokia Mobile Phones

Veli Sundbäck, 49
Executive Vice President,
Corporate Relations,
International Trade Policy

AUDITORS

Eric Haglund, 61
Authorised Public Accountant (KPMG)

Lars Blomquist, 52
Authorised Public Accountant
(Coopers & Lybrand).

DEPUTIES

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

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

NOKIA HEAD OFFICE

Chief Financial Officer
Olli-Pekka Kallasvuo
- **Group Controller**
  Maija Torkko
- **Group Treasurer**
  Timo Korvenpää
- **Strategy Development**
  Chris Jackson
- **Investor Relations**
  Martin Sandelin

International Trade Policy
Veli Sundbäck

Technology
Kaj Lindén

Research Center
Juhani Kuusi

General Counsel
Ursula Ranin

Human Resources
Pii Kotilainen

Communications
Seppo Härkönen

International Trade Affairs
Stefan Widomski

NOKIA TELECOMMUNICATIONS
Matti Alahuhta

Cellular Systems
Sari Baldauf
- **Mobile Switching**
  Lauri Melamies
- **Base Station Systems**
  Christian Kurtén
- **New Radio Systems**
  Eero Vallström
- **Americas, PCS**
  Jyrki Salo
- **Private Mobile Radio**
  Tapio Heikkilä

Network and Access Systems
Mikko Heikkonen
- **Access Systems**
  Kari Suneli
- **Cellular Transmission**
  J.T. Bergqvist
- **Fixed Wireless**
  Pekka Salonoja
- **Network Systems**
  Mikael v. Hertzen
- **Multimedia Communications**
  Markku Rauhamaa

System Platforms
Tero Laaksonen
- **Switching Platforms**
  Keijo Olkkola
- **Network Management Systems**
  Jussi Ilmarinen
- **Intelligent Networks**
  Juha Lipiäinen

Customer Services
Pekka Oranen

Special Systems
Pentti Koponen

Area Management – Europe
Pekka Vartiainen

Area Management – Southeast Asia and Pacific
Kari Ahola

Area Management – Greater China
Folke Ahlbäck

Finance and Control
Kirsi Sormunen
Corporate Planning
Mikko Kosonen
Legal Affairs and Intellectual Property
Timo Ruikka
Human Resources
Kirsi-Marja Kuivalainen
Communications
Arja Suominen

NOKIA MOBILE PHONES
Pekka Ala-Pietilä

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

Research and Development
Yrjö Neuvo
- **Product Development**
  Pekka Valjus

Production
Frank McGovern
- **Sourcing**
  Veikko Laakko

Logistics
Pertti Korhonen

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

NOKIA GENERAL COMMUNICATIONS PRODUCTS
Tapio Hintikka

Home Vision Products
Markku Alasaari
Display Products
Reijo Lantto
Multimedia Network Terminals
Heikki Koskinen
Technology
Helmut Stein

Industrial Electronics
Hannu Suominen
Audio Electronics
Ulrich Gamm
Car Electronics
Sami Baghdadi
Salcomp
Kari Vuorialho
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Sisko Piekkola

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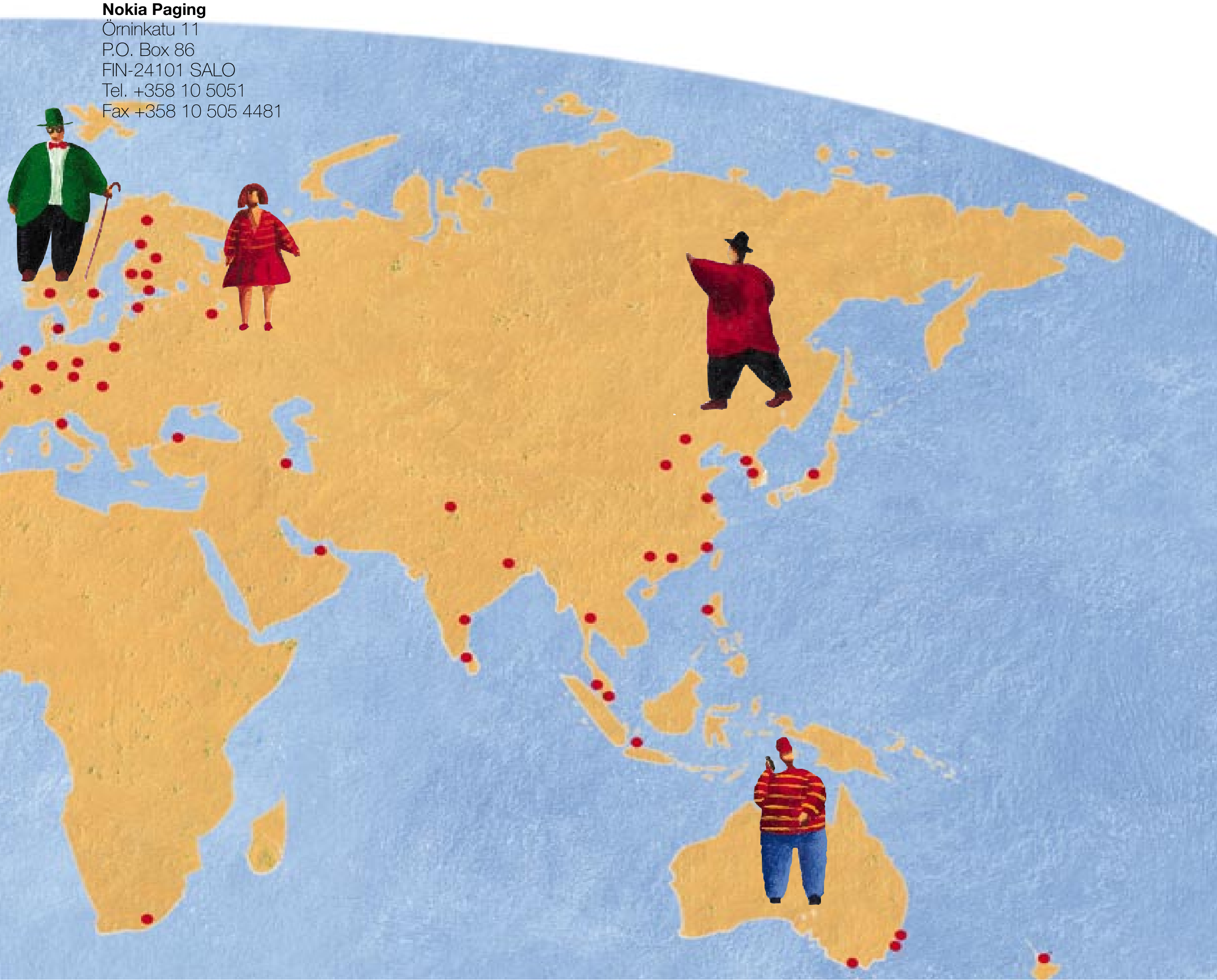
NOTE! As of October 12,1996 the area code for Helsinki is 9, Tampere 3, Salo 2, Oulu 8



Shareholder Information

Annual General Meeting
Date: Tuesday, April 2, 1996,
at 3:00 p.m.
Place: the Helsinki Fair Center,
Congress Hall C 1,
Rautatieläisenkatu 3, Helsinki, Finland.

Stock Exchanges
Nokia Corporation is quoted
on the following stock exchanges:

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

Financial Reporting
Nokia's quarterly interim reports in 1996 are due on May 9, August 8 and November 14. The 1996 results will be published in February 1997 and the Annual Report for 1996 in March 1997. The reports are published in English, Finnish and Swedish.

These financial reports are available from:

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

* as of October 12, 1996 the area code for Helsinki is 9

E-mail: corporate communications@nokia.com

Illustration Eero Heikkinen, graphic design and implementation Pauffley PRL and Graphic Design Studio. Printed in Finland by Sävypaino ISO 9001 Electronic version implemented by Innocorp, 1996

Glossary

AMPS	Advanced Mobile Phone System
ATM	Asynchronous Transfer Mode
CD-ROM	Compact Disc – Read Only Memory
DECT	Digital European Cordless Telecommunications
DIN	Deutsche Industrie Normen
DLP	Digital Light Processing
DMD	Digital Mirror Device
DCS	Digital Cellular System
DTH	Direct to Home
DVB/MPEG	Digital Video Broadcasting / Motion Picture Expert Group
EFR	Enhanced Full Rate
ETSI	European Telecommunication Standards Institute
FM	Frequency Modulation
GSM	Global System for Mobile Communications
IN	Intelligent Networks
MPT	Ministry of Posts and Telecommunications
MBS	Mobile Search
NMT	Nordic Mobile Telephone
PCMCIA	Personal Computer Memory Card International Association
PCS	Personal Communications Service
PDH	Plesiochronous Digital Hierarchy
PMR	Private Mobile Radio
RDS	Radio Data System
SDH	Synchronous Digital Hierarchy
TACS	Total Access Communications System
TETRA	Trans-European Trunked Radio