

May 9, 1996

Interim Report January-March 1996

The Nokia Group's net sales for the first three months of 1996 totalled FIM 7.9 billion. Excluding the effects of fluctuations in exchange rates and changes in the structure of the group as a result of dispositions and discontinuation of operations, Nokia's net sales increased by 11% compared to the first quarter of 1995.

Strong growth continued at Nokia Telecommunications, which recorded a 39% increase in net sales over the comparable period in 1995. Nokia Mobile Phones experienced moderating growth, recording an increase in net sales of 10% compared to the first quarter of 1995. Nokia General Communications Products sales declined by 5% over the comparable period in the prior year as a result of the discontinuation of the television business at the end of 1995 as well as the divestment of non-core businesses throughout 1995.

Nokia's operating profit (IAS) decreased by 62% compared to the first quarter of 1995 and was FIM 512 million (FIM 1 340 million).

The decrease in Nokia's operating profit was mainly attributable to Nokia Mobile Phones, which recorded a slight operating loss attributable to slower sales growth, price declines and logistical issues. Nokia Telecommunications reported higher profitability than in the corresponding period last year, as the result of continuous strong sales growth and good margins. Excluding the impact of the structural changes in Nokia General Communications Products, the profitability of the business group was slightly lower than in 1995.

The Group's net interest and financial expense for the period was FIM 113 million (FIM 10 million in the corresponding period in 1995). This includes exchange rate losses of FIM 3 million (FIM 23 million gains).

Profit before taxes and minority interests totalled FIM 399 million (FIM 1 351 million). The Group's net profit for the period totalled FIM 324 million (FIM 1 453 million).

The net debt-to-equity ratio was 22% (17% at the end of 1995).

Capital expenditures amounted to FIM 471 million (FIM 637 million).

The average number of personnel for the period was 32 178 (29 374).

Nokia divested its remaining 55% shareholding in the Dutch cable making company NKF in March, 1996. Following this transaction, Nokia's only remaining interest in the cable business is its majority shareholding in Turkish Türkablo A.O. Nokia intends to divest its holdings of these shares.

Nokia announced its decision to withdraw from the television business in February, 1996. Nokia's television business was reported as a discontinued operation in 1995, and the results of these operations during the year should not affect the Group's financial performance in 1996. In connection with its withdrawal from the television business, in April 1996, Nokia announced its decision to close its remaining television-related factories in Germany.

In April, Nokia entered into a USD 500 million Euro-Commercial Paper Programme. Nokia also announced its intention to launch two FIM 200 million bonds in the domestic market in May. The proceeds from these financings will mainly be used for short-term working capital purposes.

Business Groups Nokia Telecommunications

Nokia Telecommunications recorded net sales of FIM 2 777 million (FIM 1 993 million) in the first three months of the year, an increase of 39% over the comparable period in 1995. Sales growth during the quarter was particularly strong in cellular networks and access networks, two of the fastest growing segments in the market for telecommunications infrastructure.

Nokia strengthened its position as a supplier of GSM and DCS networks in the European cellular infrastructure market during the first quarter by winning a number of important orders. In February, Nokia entered into an agreement valued at GBP 100 million to supply base station systems for Cellnet's GSM network in the United Kingdom. In February, Nokia was chosen as one of the two base station system suppliers to Belgacom for the

expansion of its GSM network in Belgium. Nokia also signed agreements for delivery of a GSM network to Eurotel in the Czech Republic and for the expansion of Pannon's GSM network in Hungary.

In March, Nokia introduced its Mobile Switching Center (MSC) for PCS 1900 network operators in the United States. This, together with Nokia's PCS 1900 base station system, permits Nokia to supply total PCS 1900 systems in the United States. In March, Nokia signed its first agreement for the supply of a complete PCS 1900 system to American Portable Telecom (APT). The agreement was valued at USD 200 million.

In the Asia/Pacific, Nokia signed a GSM network agreement with the MobileOne of Singapore. Nokia strengthened its position as one of China's leading suppliers of digital GSM networks by signing delivery agreements for the Hunan and Yunnan provinces, and by agreeing to expansions of the Fujian and Henan networks.

The market for fixed access network solutions, including transmission systems for cellular networks continued to experience strong growth in the first quarter, especially in Europe and in the Asia-Pacific region. In the first quarter, Nokia received major orders for these products from several cable television operators in the United Kingdom. In Sweden, Nokia signed a transmission system agreement with Telia, making Nokia Telia's only supplier of long haul microwave radios. In Thailand, Nokia signed a contract with the Communications Authority of Thailand for the delivery of a SDH-based transmission network.

Nokia Mobile Phones

Nokia Mobile Phones net sales totaled FIM 3 889 million (FIM 3 526 million) in the first quarter of the year, representing growth of 10% over the corresponding period in 1995. Net sales were affected by slack demand during the first two months of the quarter.

Operating margins during the quarter were adversely affected by a number of factors, including declining price levels, certain logistical issues related to the growth in the business group as well as price discounting to clear inventory from older mobile phone models. Margins were also adversely affected by the use of relatively higher-priced components purchased in earlier periods and capacity utilization somewhat below optimum level.

In March 1996, Nokia launched its next generation for GSM-products. This new product line includes the Nokia 8110, a superlight digital handset with second phase GSM capabilities, extended talk and standby time and adjustable size features, and the Nokia 1610, a handset for first time mobile phone users, which is designed to permit ease of use and to provide basic voice service and outstanding standby and talktime performance.

In the U.S. market, Nokia introduced the Nokia 2160, a dual mode AMPS/TDMA mobile phone designed for the IS-136 TDMA digital cellular network to be established in the United States. Nokia also increased its sales of the Nokia 2190 to subscribers of PCS 1900 services in the United States.

In March, Nokia demonstrated its technology leadership by creating a totally new product category with the introduction of the Nokia 9000 Communicator, a revolutionary, integrated communications tool. The Nokia 9000 Communicator is a fully-featured GSM phone with enhanced communication and organizing capabilities. In addition to voice calls, the Nokia 9000 Communicator enables users to send and receive faxes, short messages and e-mail, and to access the Internet and public databases available through GSM networks. The Nokia 9000 Communicator will be available in major GSM markets in Europe and Asia in August.

To strengthen operational responsibility in manufacturing, logistics, sales and distribution, Nokia Mobile Phones has changed its organizational structure towards a more regional focus. A new unit, Smart Traffic Products, was established for developing and manufacturing future products for wireless navigation, security and telemetrics. In the beginning of January, LK-Products, a manufacturer of duplex filters for mobile phones, was transferred from Nokia Mobile Phones to Nokia General Communications Products.

Nokia General Communications Products

Nokia General Communications Products reported net sales of FIM 1 498 million (FIM 1 575 million) in the first quarter of 1996. Sales of PC-monitors increased by 30% compared to the corresponding period in 1995. Sales of audio and electronic systems increased slightly, while sluggish television and audio markets had an adverse impact on loudspeaker sales. Sales of mobile phone battery chargers increased by 40% over the comparable period in 1995.

In January, Nokia transferred its airbag control systems operations to Autoliv Nokia AB, a joint venture between Nokia and Autoliv of Sweden. Nokia holds a 50% interest in the joint venture.

In March, Nokia introduced new platforms for its 15" and 21" computer monitors and new versions of its 17" computer monitors. In April, Nokia opened a computer monitor production facility in Pecs, Hungary.

Nokia signed a manufacturing agreement with IRDETO, part of the NETHOLD Group of the Netherlands in April for the manufacture of the Nokia Mediamaster 9500S. The agreement strengthens Nokia's position in the digital set-top box market by giving Nokia a license to manufacture and market digital set-top boxes according to the digital DVB/MPEG 2 standard using IRDETO's conditional access system.

To increase its research and development efforts in the area of multimedia products, Nokia opened a multimedia network terminals research and development site at the Hermia Technology Park in Finland.

Other Operations

Nokia Research Center is dedicated to the research and development of new technologies in areas crucial to the competitiveness of the Nokia Group, including telecommunications, audio-visual signal processing, electronics and software technology. Nokia Research Center mainly focuses on GSM enhancement and third-generation cellular systems, broadband communications and multimedia.

The Research Center continued to further increase its international and national R&D cooperation. In January, the European Union Commission accepted Nokia Research Center to head the multinational PROMISE research and development project within the Fourth Framework Programme of the EU. The objective of the three-year PROMISE (Personal Mobile Traveller and Traffic Information Service) project is to develop traffic service system based on data transmission over cellular network systems. The Research Center also has a strong participation in several other significant projects within the EU's R&D framework programme.

Jorma Ollila, President and CEO

As forecast, Nokia's net sales growth and operating profit in the first quarter were significantly lower than the exceptionally high results achieved in the comparable period in 1995.

Nokia Telecommunications recorded continued strong growth in sales and good profitability. We continued to enhance our leading position in some of the industry's fastest growing segments by introducing new service sets and access solutions both for cellular and fixed networks. Geographically, we strengthened our position in each of our major market regions, receiving important new orders in Europe and Asia. In the United States, we introduced the Nokia PCS Mobile Switching Center and we received our first order of a complete PCS 1900 system in March.

The weakness in our first quarter results was due principally to the results of operations of Nokia Mobile Phones. The business group continued to suffer from the combined effects of slack demand and declining price levels. Profitability in the business group was also adversely affected by higher manufacturing costs associated with the reduced level of demand in the latter part of 1995. Such costs were related to the use of relatively higher-priced components purchased in prior periods and lower levels of capacity utilization. Price discounting to clear inventory from prior periods, particularly in older model lines also affected margins during the period.

Geographically, we experienced relatively weak mobile phones demand in the European markets in the beginning of the first quarter of the year, with sales increasing towards the end of the quarter. In the Asia/Pacific region, demand for mobile phones continued to be strong. As anticipated, the U.S. market continued to lag behind other regions of the world as a result of the delayed establishment of digital cellular services. As we have said previously, we do not expect the U.S. market to improve until 1997, when we believe we will see the more widespread adoption of digital cellular services.

Operationally, weaker than expected mobile phones demand prevented us from reaching an optimal level of capacity utilization. However, we will strengthen our logistical management in order to improve our profitability, and we believe that we are well-positioned to achieve increased efficiency in our new manufacturing facilities in the face of increased future demand.

In March, we introduced our latest line of mobile phones. We expect that the launch of these new phones, especially the Nokia 1610, 8110 and the Nokia 9000 Communicator, will have a positive effect on sales and profitability of the business group.

The restructuring of business portfolio continued as planned with the sale in March of our 55% shareholding in the Dutch cable company NKF. Following our decision to withdraw from the television business, in April Nokia announced the closing of its television production facilities in Germany.

Looking forward to the balance of 1996, we maintain our forecast that profits in the first half of the year will be significantly below Nokia's performance in the same period of 1995. Our outlook for the second half of 1996 is positive but, as always, actual performance will depend on a variety of external factors, including overall developments in our major market areas. We expect Nokia Telecommunications to continue to achieve strong growth and good profitability during the year. We expect the performance of Nokia Mobile Phones to gradually improve over the first quarter results, as a result of new product introductions and our belief that, with the exception of the U.S. market, demand for our mobile phones will strengthen during the year.

Consolidated Profit and Loss Account, IAS
(unaudited)

	1.1.-31.3. 1996		1.1.-31.3. 1995		1.1.-31.12. 1995	
	MFIM	%	MFIM	%	MFIM	%
Net sales	7 931	100.0	8 525	100.0	36 810	100.0
Costs of goods sold	-5 869		-5 742		-25 518	
Research and development expenses	- 786		- 553		- 2 531	
Selling, general and administrative expenses	- 764		- 890		- 3 749	
Operating profit	512	6.5	1 340	15.7	5 012	13.6
Share of results of associated companies	-		21		85	
Financial income and expenses	-113		-10		-164	
Profit before tax and minority interests	399	5.0	1 351	15.8	4 933	13.4
Tax	-83		-330		-769	
Minority interests	8		-18		-77	
Profit from continuing operations	324	4.1	1 003	11.8	4 087	11.1
Discontinued operations	-		-35		-2 340	
Profit from ordinary activities before cumulative effect of change in accounting policies	324	4.1	968	11.4	1 747	4.7
Cumulative prior year effect (after tax) of change in accounting policies	-		485		485	
Net profit	324	4.1	1 453	17.0	2 232	6.1
Earnings per share (FIM):						
Continuing operations	1.14		3.52		14.36	
Ordinary activities before cumulative effect of change in accounting principles	1.14		3.40		6.14	
Shareholders' equity per share (FIM)	49.61		46.11		48.55	

Net Sales By Business Group, MFIM

	1.1.-31.3. 1996	1.1.-31.3. 1995	Change %	1.1.-31.12. 1995
Nokia Telecommunications	2 777	1 993	39.3	10 341
Nokia Mobile Phones	3 889	3 526	10.3	16 052
Nokia General Communications Products	1 498	1 575	-4.9	6 927
Discontinued and divested operations	-	1 589		4 229
Inter-business group eliminations	-233	-158		-739
Nokia Group	7 931	8 525	-7.0	36 810

Currency rate 31.3. 1996, FIM = 0.216 USD

Consolidated Balance Sheet, IAS

	31.3.1996 MFIM	31.3.1995 MFIM	31.12.1995 MFIM
ASSETS			
Fixed assets and other non-current assets	7 845	8 865	9 047
Current assets			
Inventories	9 723	7 674	9 982
Accounts receivable	9 150	7 829	9 518
Cash and cash equivalents	3 872	5 375	4 214
	22 745	20 878	23 714
Total assets	30 590	29 743	32 761
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	14 081	13 122	13 806
Minority shareholders' interests	26	564	422
Long-term liabilities	1 954	3 618	2 578
Current liabilities	14 529	12 439	15 955
Total shareholders' equity and liabilities	30 590	29 743	32 761

Contingent Liabilities (unaudited)

	NOKIA GROUP	
	31.3.1996 MFIM	31.12.1995 MFIM
Pension fund liability		
Liability of pension funds	1	30
Liability for bills of exchange	44	63
Mortgages		
As security for loans		
For own debts	237	290
As security for other commitments		
For own commitments	113	116
Assets pledged		
As security for own debts	66	65
Guarantees		
Guarantees for loans		
As security for loans of associated companies	256	277
As security for loans of other companies	49	24
Other guarantees and commitments		
As security for own commitments	864	962
As security for loans of associated companies	-	104

Notional Amounts of Derivative Financial Instruments ¹⁾

	31.3.1996 MFIM
Currency options bought	4 585
Currency options sold	3 291
Foreign exchange forward contracts	31 935 ^{2), 3)}
Interest rate swaps	456
Interest rate forward and futures contracts	22 903 ²⁾
Interest rate options	1 858
1) The notional amounts of derivatives summarized here do not represent amounts exchanged by the parties and, thus are not a measure of the exposure of Nokia caused by its use of derivatives.	
2) Notional amounts outstanding at March 31 include positions, which have been closed off.	
3) Notional amount includes contracts used for hedging net investments in foreign subsidiaries.	

Proforma 1995 Consolidated Profit and Loss Accounts by Quarter

	1-3/1995 MFIM	4-6/1995 MFIM	7-9/1995 MFIM	10-12/1995 MFIM
Net sales	8 525	9 002	8 328	10 955
Cost of goods sold	-5 742	- 6 012	- 5 904	- 7 860
Research and development expenses	- 553	- 599	- 673	- 706
Selling, general and administrative expenses	- 890	- 721	- 768	- 1 370
Operating profit	1 340	1 670	983	1 019
Share of results of associated companies	21	22	26	16
Financial income and expenses	-10	-22	-46	-86
Profit before tax and minority interests	1 351	1 670	963	949
Tax	-330	-400	-210	171
Minority interests	-18	-36	-3	-20
Profit from continuing operations	1 003	1 234	750	1 100
Discontinued operations	-35	-78	-103	-2 124
Profit from ordinary activities before cumulative effect of change in accounting policies	968	1 156	647	-1 024
Cumulative prior year effect (after tax) of change in accounting policies	485	-	-	-
Net profit	1 453	1 156	647	-1 024
Earnings per share (FIM)				
from continuing operations	3.52	4.34	2.64	3.86

Currency rate 31.3.1996, FIM = 0.216 USD

Proforma 1995 Consolidated Balance Sheets by Quarter

	31.3.95 MFIM	30.6.95 MFIM	30.9.95 MFIM	31.12.95 MFIM
ASSETS				
Fixed assets and other non-current assets	8 865	9 333	8 590	9 047
Current assets				
Inventories	7 674	8 708	9 648	9 982
Accounts receivable	7 829	7 587	7 955	9 518
Cash and cash equivalents	5 375	2 906	3 445	4 214
	20 878	19 201	21 048	23 714
Total assets	29 743	28 534	29 638	32 761
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	13 122	14 173	14 824	13 806
Minority shareholders' interests	564	364	367	422
Long-term liabilities	3 618	2 436	2 490	2 578
Current liabilities	12 439	11 561	11 957	15 955
Total shareholders' equity and liabilities	29 743	28 534	29 638	32 761

It should be noted that the statements contained in this report which are not historical facts are forward looking statements that involve risks and uncertainties. In addition to the factors discussed above, among other factors that could cause actual results to differ materially from the results currently expected by the Company are the following: general economic conditions, such as the rate of economic growth in the Company's principal geographic markets or fluctuations in exchange rates; industry conditions, such as the strength of product demand, the intensity of competition, pricing pressures, the acceptability of new product introductions, the introduction of new products by competitors, changes in technology or the ability of the Company to source components from third parties without interruption and at reasonable prices; operating factors, such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development or inventory risks due to shifts in market demand, as well as the risk factors mentioned in documents filed by the Company from time to time with the SEC.

Nokia will publish its January-June results on August 8, 1996 and its January-September results on November 14, 1996.