NOKIA

/insight:

Financial Statements 2000

CONTENTS

Key data

Based on financial statements according to International Accounting Standards, IAS.

Nokia	2000, EURm	1999, EURm	Change, %
Net sales	30 376	19 772	54
Operating profit	5 776	3 908	48
Profit before taxes	5 862	3 845	52
Net profit	3 938	2 577	53
Research and development	2 584	1 755	47
Capital expenditure	1 580	1 358	16
Market capitalization	222 876	209 371	6

	2000, %	1999, %
Return on capital employed	58.0	55.7
Net debt to equity (gearing)	-26	-41

	2000, EUR	1999, EUR	Change, %
Earnings per share, basic, split adjusted	0.84	0.56	50
Dividend per share, split adjusted	0.28 *)	0.20	40
Average number of shares (1 000 shares), split adjusted	4 673 162	4 593 761	

*) Board's proposal

Business Groups	2000, EURm	1999, EURm	Change, %
Nokia Networks			
Net sales	7 714	5 673	36
Operating profit	1 358	1 082	26
Research and development	1 013	777	30
Nokia Mobile Phones			
Net sales	21 887	13 182	66
Operating profit	4 879	3 099	57
Research and development	1 306	835	56
Nokia Ventures Organization			
Net sales	854	415	106
Operating profit	-387	-175	-121
Research and development	235	110	114

Personnel, Dec. 31	2000	1999	Change, %
Nokia Networks	23 965	23 718	1
Nokia Mobile Phones	28 047	23 775	18
Nokia Ventures Organization	2 570	1 879	37
Common Group Functions	5 707	5 888	-3
Nokia Group	60 289	55 260	9

10 major countries, personnel, Dec. 31	2000	1999
Finland	24 379	23 267
United States	8 765	7 441
China	5 675	4 375
Germany	4 747	4 660
UK	2 777	2 822
Hungary	1 972	2 034
Denmark	1 266	1 110
Brazil	1 260	1 233
Mexico	1 122	1 392
South Korea	937	694

10 major markets, net sales	2000, EURm	1999, EURm
USA	5 312	3 360
China	3 065	2 332
UK	2 828	1 855
Germany	2 579	1 679
Italy	1 243	968
France	1 085	951
Brazil	1 056	600
Philippines	780	203
Australia	723	437
Spain	678	420

1 EUR	Main currencies, rates at the end of 2000
USD	0.890
GBP	0.607
SEK	8.698
JPY	99.960

Review by the Board of Directors

Nokia's net sales in 2000 increased by 54% compared to 1999 and totaled EUR 30 376 million (EUR 19 772 million in 1999). Sales in Nokia Networks grew by 36% to EUR 7 714 million (EUR 5 673 million) and in Nokia Mobile Phones by 66% to EUR 21 887 million (EUR 13 182 million). Sales increased in Nokia Ventures Organization by 106% to EUR 854 million (EUR 415 million).

Operating profit (IAS, International Accounting Standards) grew by 48% and totaled EUR 5 776 million (EUR 3 908 million in 1999). Operating margin was 19.0% (19.8% in 1999). Operating profit in Nokia Networks increased to EUR 1 358 million (EUR 1 082 million) and in Nokia Mobile Phones to EUR 4 879 million (EUR 3 099 million). Operating margin in Nokia Networks was 17.6% (19.1% in 1999) while the operating margin in Nokia Mobile Phones was 22.3% (23.5% in 1999). Nokia Ventures Organization showed an operating loss of EUR 387 million (loss of EUR 175 million). Common Group Expenses, which comprises Nokia Head Office and Nokia Research Center, totaled EUR 74 million (EUR 98 million).

Financial income totaled EUR 102 million (financial expenses of EUR 58 million 1999). Profit before tax and minority interests totaled EUR 5 862 million (EUR 3 845 million). Taxes amounted to EUR 1 784 million (EUR 1 189 million). Net profit was EUR 3 938 million (EUR 2 577 million).

Earnings per share was EUR 0.84 (basic) and EUR 0.82 (diluted) compared to EUR 0.56 (basic) and EUR 0.54 (diluted) in 1999.

At December 31, 2000, net debt to equity ratio (gearing) was -26% (-41% at the end of 1999). Total capital expenditures in 2000 amounted to EUR 1 580 million (EUR 1 358 million).

Global Reach

In 2000, Europe accounted for 52% of Nokia's net sales (53% in 1999), the Americas 25% (25% in 1999) and Asia-Pacific 23% (22% in 1999). The 10 largest markets were the US, China, the UK, Germany, Italy, France, Brazil, the Philippines, Australia and Spain, together representing 64% of total sales.

Research and development

In 2000, Nokia continued to invest in its worldwide research and development network and cooperation. At year-end, Nokia had 19 304 R&D employees, approximately 30% of Nokia's total personnel. Investments in research and development increased by 47% (by 53% in 1999) and totaled EUR 2 584 million (EUR 1 755 million in 1999), representing 8.5% of net sales (8.9% of net sales in 1999).

People

In 2000, Nokia increased its personnel by a total of 7 864 new employees (12 367 in 1999), excluding the businesses sold in 2000. The average number of personnel for 2000 was 58 708 (51 177 for 1999). At the end of 2000, Nokia employed 60 289 people worldwide (55 260 at year-end 1999).

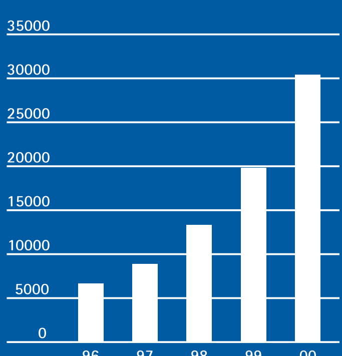
Nokia continued to develop motivating and performance-based compensation and benefit programs for its employees. In 2000, the 50% rise in earnings per share resulted in the maximum 5% bonus under the global Nokia Connecting People Bonus plan. During the year, the number of personnel participating in the Nokia global stock-option plans increased significantly to more than 16 000.

Average personnel	**2000**	1999
Nokia Networks	**23 508**	22 804
Nokia Mobile Phones	**27 353**	20 975
Nokia Ventures Organization	**2 222**	1 256
Common Group Functions	**5 625**	6 142
Nokia Group	**58 708**	51 177
Finland	**24 495**	23 155
Other European countries	**14 365**	12 997
Americas	**11 491**	8 818
Asia-Pacific	**8 357**	6 207
Nokia Group	**58 708**	51 177
Parent Company	**1 730**	1 663

Research and development, EURm	**2000**	1999
Nokia Networks	**1 013**	777
Nokia Mobile Phones	**1 306**	835
Nokia Ventures Organization	**235**	110
Common Group Expenses	**30**	33
Nokia Group	**2 584**	1 755

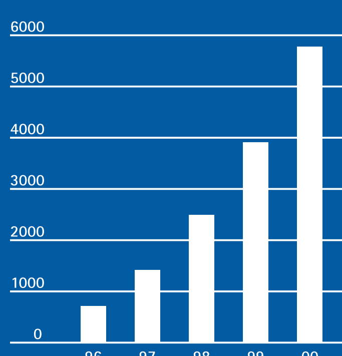
Net sales

EURm



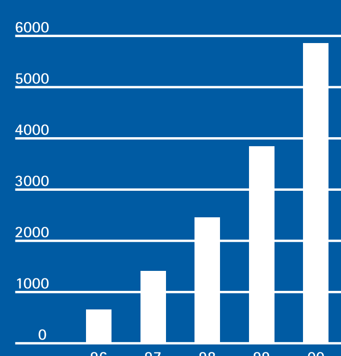
Operating profit, IAS

EURm



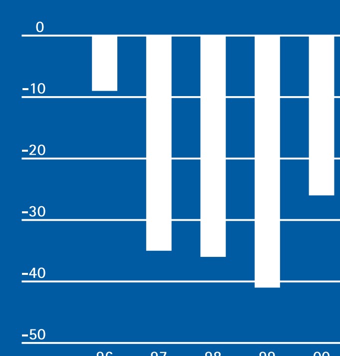
Profit before tax and minority interests, IAS

EURm



Net debt to equity

(gearing), %



Acquisitions and divestments

In accordance with its strategy, Nokia continued to focus on its core competence areas and increased its use of contract manufacturing. In January, Nokia divested its display manufacturing operations and sold Nokia Display Products' branded business. Nokia Network's cabling and electromechanical manufacturing units were sold to one of our contract manufacturers.

In February, Nokia acquired Network Alchemy, the California-based leading provider of IP clustering solutions. This acquisition provides a platform from which Nokia will build highly scalable and secure solutions required for the large number of on-line transactions envisioned in a mobile world.

In August, Nokia expanded its broadband solutions portfolio by acquiring DiscoveryCom, a leading US provider of loop management solutions for broadband DSL services. The acquisition will strengthen Nokia's loop management and related DSL competencies.

In October, Nokia increased its ownership of the Brazilian handset manufacturing joint venture NG Industrial (NGI) from 51% to 100% by acquiring all the shares of NGI held by Gradiente Telecom S.A. for USD 415 million. Obtaining full ownership of NGI was an important step for Nokia to increase its presence in Brazil.

In December, Nokia strengthened its ability to offer world-class network security solutions to the small office sector by agreeing to commence a tender offer to buy all outstanding shares of Ramp Networks, a California-based provider of purpose built Internet security appliances specifically designed for small office applications. The tender offer closed on January 19, 2001, with over 90% of the shares purchased.

Joint initiatives

The Location Interoperability Forum (LIF) has reached the milestone of 100 support members. The aim of LIF is to produce a common industry view on positioning technologies and system solutions to meet emerging service requirements such as information retrieval and mobile commerce applications. Nokia is a founding member of the LIF initiative.

Symbian announced in November the release of its first fully integrated software platform for next generation mobile phones. The Nokia 9210 is the world's first product based on the Symbian Platform v6.0. Symbian also announced that it has licensed the Nokia WAP browser technology to be incorporated in its platform.

In December, the SyncML initiative released its 1.0 specification for universal data synchronization of both mobile and local data. SyncML is an initiative sponsored by Nokia and other leading companies and supported by over 500 industry parties.

In November, Nokia and Hewlett-Packard agreed to develop Internet-based platform solutions for the proliferation of mobile e-services. An initial application, available in 2001, would enable a person using a Nokia mobile phone to command an HP printer to print from the Web. These solutions are based on open industry standards such as Infrared, vCard and Bluetooth.

Nokia Networks

The year 2000 was characterized by continuing GSM expansion, as operators responded to growth in the GSM subscriber base by investing in network capacity. In addition to delivering GSM network expansion to its existing customers, Nokia won 13 new customers in 2000, and its total number of GSM customers rose to 100.

Operators invested in wireless data capabilities, such as GPRS, a forerunner for 3G. GPRS shipments accelerated during the year, and Nokia has now delivered well over 50 GPRS networks to leading operators in Europe, the US and Asia. By the end of the year, 15 operators had launched GPRS services based on Nokia solutions, accounting for more than half of all commercial GPRS launches worldwide.

Nokia signed its first contracts for 3G networks and had by the end of the year been chosen as a 3G supplier by a total of 13 operators in Asia, the US and Europe.

Nokia combined its mobile Internet infrastructure solutions into one division to increase focus on critical points in the mobile Internet value system. Product launches included Nokia mPlatform, an open platform to implement mobile Internet services, and Nokia mPosition Solution, an end-to-end solution for location-based services in mobile networks. Nokia also entered into cooperation with several companies operating in the mobile Internet area.

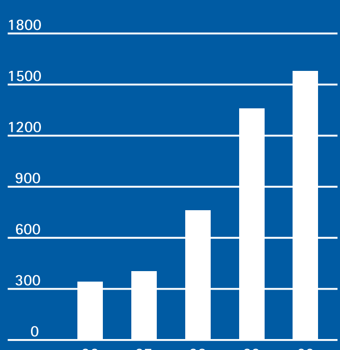
Underscoring the company's commitment to being one of the first to deliver fully 3GPP-compliant WCDMA networks in 2001, Nokia continued to introduce industry-first radio access solutions that dramatically reduce costs and improve capacity. Launches included a new family of WCDMA base stations and the Nokia Common Radio Resource Management solution, which will increase radio network capacity and simplify the operation of future multi-standard mobile networks. Nokia also introduced the Nokia 3G All-IP Core, an IPv6 based concept for 3G core networks, and 3G functionality for mobile switches.

Nokia expects its first 3G deliveries in the first half of 2001, with volume deliveries commencing in the second half. During 2000, Nokia prepared for volume rollouts of 3G networks both in production and network implementation. This included verifying the capacity of the Nokia supplier network, signing agreements with a significant number of suppliers and subcontractors, and signing cooperation agreements for turnkey implementation of 3G and GSM with four major companies; ABB, Bovis Lend Lease, MKI and Wireless Facilities Inc.

The TETRA standard continued to expand from Europe to Asia, most notably China. During 2000, Nokia developed and delivered the world's first integrated TETRA voice and IP Packet Data system that considerably boosts TETRA's data

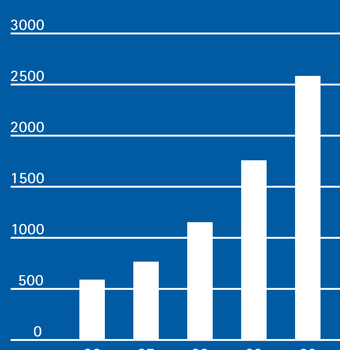
Capital expenditure

EURm



Research and development

EURm



capabilities. In October, Nokia launched the new 800 MHz TETRA system and had won the first order for this new system by the end of the year.

In the growing broadband solutions market, Nokia continued to build its position, signing contracts with 17 new customers. Commercial shipments began of the Nokia MW1122, which combines wireless in-premise connectivity and high-speed Internet access for the residential gateway market.

Nokia Mobile Phones

Growth in Nokia's mobile phone sales continued to exceed market growth in 2000 as a whole and in every quarter. Overall, Nokia sold 128.4 million mobile phones in 2000, representing 64% year-on-year growth. In 1999, Nokia sold 78.5 million units worldwide.

According to Nokia's preliminary estimates, global mobile phone market volume in 2000 was approximately 405 million units, representing 45% growth on the previous year. Market volume for 1999 was estimated at approximately 280 million units. Replacement sales account for an estimated 40% of the 405 million total volume estimate for 2000. This share is expected to rise to around 50% of total volume in 2001.

Growth in market volume in 2000 continued to be highest in Europe at slightly above 50%, compared with approximately 45% in the Americas and 35% in Asia-Pacific. Nokia's sales volume growth was clearly higher than market volume growth in all regions, most notably Asia-Pacific and Europe.

Consequently, Nokia continued to strengthen its market leadership in 2000, leading to a total global market share of approximately 32% for the full year 2000. Nokia continues to target mobile phone sales volume growth that exceeds projected market growth and thus further increase its global leadership.

During 2000, Nokia made 19 new product announcements including its first Bluetooth solution, the Nokia Connectivity Pack for the Nokia 6210.

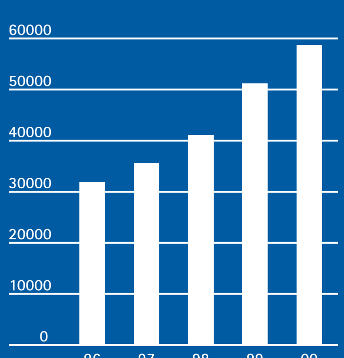
Nokia Ventures Organization

Nokia invited industry players from around the world to take part in a global initiative to develop architecture for mobile Internet technology. The initiative, Mobile Internet Technical Architecture, is the first of its kind to focus specifically on the mobile Internet, and is aimed at bringing a richer Mobile Internet experience to users in the next generation of products and services.

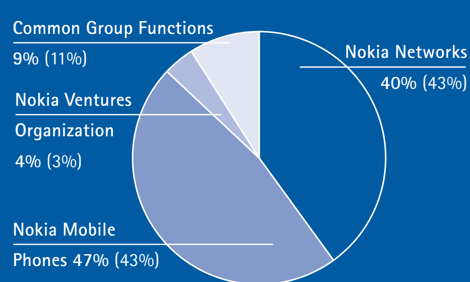
Net sales by business group Jan. 1- Dec. 31	**2000** **EURm**	%	1999 EURm	%	Change %
Nokia Networks	**7 714**	25	5 673	29	36.0
Nokia Mobile Phones	**21 887**	72	13 182	67	66.0
Nokia Ventures Organization	**854**	3	415	2	105.8
Discontinued Display Products	-	-	580	3	-100.0
Inter-business group eliminations	-79	0	-78	-1	
Nokia Group	**30 376**	100	19 772	100	53.6

Operating profit, IAS Jan. 1- Dec. 31	**2000** **EURm**	% of net sales	1999 EURm	% of net sales
Nokia Networks	**1 358**	17.6	1 082	19.1
Nokia Mobile Phones	**4 879**	22.3	3 099	23.5
Nokia Ventures Organization	**-387**	-45.3	-175	-42.2
Common Group Expenses	**-74**		-98	
Nokia Group	**5 776**	19.0	3 908	19.8

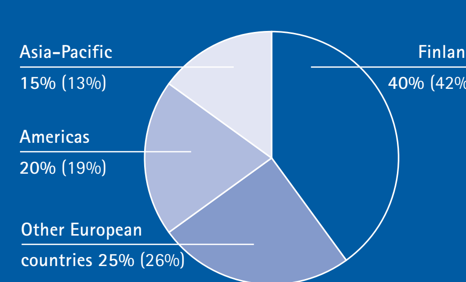
Average personnel



Personnel by business group 2000 (1999)



Personnel by market area 2000 (1999)



In 2000, Nokia Internet Communications established itself as a market leader in security infrastructure for corporate customers and strengthened its offering with several new elements. Nokia and Internet Security Systems (ISS) announced RealSecure for Nokia, the first enterprise-class intrusion detection appliance. In addition, through its relationship with McAfee, Network Associates Inc., the company announced the WebShield for Nokia, a unique anti-virus appliance dedicated to stopping viruses at the network perimeter.

Nokia Home Communications introduced its first Home Gateway product, intended for the Americas, the Nokia MW 1122, and launched the Media Terminal, a new, powerful infotainment center for the home with a software platform based on open standards and technologies. Nokia Multimedia Terminals signed its first two agreements to deliver digital multimedia terminals and related services in China. Nokia also launched a new multimedia terminal, the Mediamaster 9450, designed to meet the rapidly increasing digital free-to-air terminal demand in the Central European and Middle Eastern markets. At the end of the year, the company merged Nokia Multimedia Terminals into Nokia Home Communications.

Nokia launched its Mobile Display Appliances venture focusing on the development of Internet-enabled mobile display devices. This venture uses Nokia's expertise in mobility, IP technologies and high performance displays to offer consumers convenient and innovative access to the Internet.

Nokia Venture Partners continued to invest in emerging mobile Internet businesses, increasing Nokia's portfolio to 25 companies. The new USD 500 million fund launched in December 2000 offers Nokia early insight into new technologies and developments in the Internet economy. In addition to the Americas and Europe, the fund will focus on the fast-growing mobile Internet segments in Israel and the Asia-Pacific region.

Changes in share capital

In 2000, Nokia's share capital increased by EUR 1 927 669.44 as a result of the issue of 32 127 824 new shares upon exercise of warrants issued to key personnel in 1995 and 1997. Nokia's share capital was also increased in March by EUR 366 704.40, when 6 111 740 shares (split adjusted) were issued to finance the acquisition of Network Alchemy. The shares were issued for a subscription price of EUR 49.9131 per share, the average market price of Nokia ADSs on the New York Stock Exchange for the 15 business-day period before the closing of the transaction (split adjusted). In addition, Nokia's share capital was increased in September by EUR 234 557.70 when 3 909 295 shares were issued to finance the acquisition of DiscoveryCom. The shares were issued for a subscription price of EUR 45.9805 per share, the average market price of Nokia ADSs on the New York Stock Exchange for the five business-day period before the signing of the transaction. Due to the limited number of shares issued in these transactions, the issuances did not have any significant effect on the relative holdings of the other shareholders of the company nor on the voting powers among them.

The total number of shares at December 31, 2000 was 4 696 212 723. As a result of the new share issues, Nokia received a total of EUR 556 325 962.58 in additional shareholders' equity in 2000. At December 31, 2000, Nokia's share capital was EUR 281 772 763.38.

Nokia repurchased a total of 2 532 000 shares (split adjusted) over the Helsinki Exchanges at an aggregate price of EUR 126.8 million during the period from February 21 to March 2. The price paid was determined on the basis of the market price at the time of repurchase. The shares were repurchased to be used for the purposes specified in the authorization held by the Board. The aggregate par value of the shares purchased was EUR 151 920, representing 0.05% of the share capital of the company and the total voting rights. On July 1, a total of 61 036 Nokia shares were returned to Nokia pursuant to agreements made in connection with business acquisitions effected before the said date. The aggregate par value of these shares, which were received without consideration, was EUR 3 662.16 and they represented 0.001% of the share capital of the company and the total voting rights. These new holdings did not have any significant effect on the relative holdings of the other shareholders of the company nor on the voting powers among them.

On December 31, 2000, Nokia and its subsidiary companies owned 4 079 425 Nokia shares. The shares had an aggregate nominal value of EUR 244 765.50, representing 0.09% of the share capital of the company and the total voting rights.

Outlook

Nokia's objective is to take a leading role in creating communications products and services that enrich the daily lives of people and enable enterprises to prosper. The company strives to keep a clear focus on human needs, outstanding brand, secure and reliable products and services, and excellence in execution. Based on its resources, including technological know-how, market position, and continuous building of competencies, Nokia is well-positioned to achieve its future goals.

Dividend

The Nokia Board of Directors will propose to the Annual General Meeting on March 21, 2001, that a dividend of EUR 0.28 per share (EUR 0.20 per share for 1999, split adjusted) be paid.

Consolidated financial statements according to International Accounting Standards (IAS)

Consolidated profit and loss account, IAS

Financial year ended December 31	Notes *)	2000 EURm	1999 EURm
Net sales		**30 376**	19 772
Cost of sales		**-19 072**	-12 227
Research and development expenses		**-2 584**	-1 755
Selling, general and administrative expenses		**-2 804**	-1 811
Amortization of goodwill		**-140**	-71
Operating profit	2, 3, 4, 5, 6, 7	**5 776**	3 908
Share of results of associated companies		**-16**	-5
Financial income and expenses	8	**102**	-58
Profit before tax and minority interests		**5 862**	3 845
Tax	9	**-1 784**	-1 189
Minority interests		**-140**	-79
Net profit		**3 938**	2 577

Earnings per share	23	2000 EUR	1999 EUR
Net profit			
Basic		**0.84**	0.56
Diluted		**0.82**	0.54
Average number of shares (1 000 shares)	23	**2000**	1999
Basic		**4 673 162**	4 593 761
Diluted		**4 792 980**	4 743 184

*) Notes are shown on pages 12 to 25.

Consolidated balance sheet, IAS

December 31	Notes*	2000 EURm	1999 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	10	**1 994**	838
Property, plant and equipment	11	**2 732**	2 031
Investments in associated companies	12	**61**	76
Investments in other companies	12	**150**	68
Deferred tax assets	19	**401**	257
Other assets	13	**1 050**	217
		6 388	3 487
Current assets			
Inventories	14	**2 263**	1 772
Receivables	15	**7 056**	4 861
Short-term investments	16	**2 774**	3 136
Bank and cash		**1 409**	1 023
		13 502	10 792
Total assets		**19 890**	14 279

December 31	Notes*	2000 EURm	1999 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		**282**	279
Share issue premium		**1 695**	1 079
Treasury shares		**-157**	-24
Translation differences		**347**	243
Retained earnings	17	**8 641**	5 801
		10 808	7 378
Minority interests		**177**	122
Long-term liabilities	18		
Long-term interest-bearing liabilities		**173**	269
Deferred tax liabilities	19	**69**	80
Other long-term liabilities		**69**	58
		311	407
Current liabilities			
Short-term borrowings	20	**1 069**	792
Current portion of long-term debt	18	**47**	1
Accounts payable		**2 814**	2 202
Accrued expenses	21	**2 860**	2 026
Provisions	22	**1 804**	1 351
		8 594	6 372
Total shareholders' equity and liabilities		**19 890**	14 279

*) Notes are shown on pages 12 to 25.

Consolidated cash flow statement, IAS

Financial year ended December 31	Notes*	2000 EURm	1999 EURm
Cash flow from operating activities			
Operating profit		5 776	3 908
Adjustments, total	28	967	597
Operating profit before change in net working capital		6 743	4 505
Change in net working capital	28	-1 377	-21
Cash generated from operations		5 366	4 484
Interest received		255	189
Interest paid		-115	-212
Other financial income and expenses		-454	-113
Income taxes paid		-1 543	-1 246
Net cash from operating activities		3 509	3 102
Cash flow from investing activities			
Acquisition of Group companies, net of acquired cash		-400	-178
Treasury shares acquired		-160	-25
Investments in other shares		-111	-37
Additions in capitalized development costs		-393	-271
Capital expenditures		-1 580	-1 302
Proceeds from disposal of shares in Group companies, net of disposed cash		4	27
Proceeds from sale of other shares		75	121
Proceeds from sale of fixed assets		221	318
Dividends received		51	6
Net cash used in investing activities		-2 293	-1 341
Cash flow from financing activities			
Share issue		72	152
Capital investment by minority shareholders		7	28
Proceeds from (+), payments of (-) long-term liabilities		-82	-6
Proceeds from (+), payments of (-) short-term borrowings		133	-126
Proceeds from (+), payments of (-) long-term receivables		-776	-171
Proceeds from (+), payments of (-) short-term receivables		378	128
Dividends paid		-1 004	-597
Net cash used in financing activities		-1 272	-592
Net decrease/increase in cash and cash equivalents		-56	1 169
Cash and cash equivalents at beginning of period		4 239	2 990
Cash and cash equivalents at end of period		4 183	4 159

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 1999 and 1998, respectively	4 159	2 891
Foreign exchange adjustment	80	99
	4 239	2 990
Net decrease/increase in cash and cash equivalents	-56	1 169
As reported for 2000 and 1999	4 183	4 159

*) Notes are shown on pages 12 to 25.

Statement of changes in shareholders' equity, IAS

Group, EURm	Number of shares (1 000)	Share capital	Share issue premium	Treasury shares	Translation differences	Retained earnings	Total
Balance at Dec. 31, 1998	4 587 485	255	909	-110	182	3 873	5 109
Share issue	66 414	3	191				194
Bonus issue		36	-36				-
Cancellation of treasury shares		-15	15	110		-110	-
Acquisition of treasury shares	-1 220			-24		24	-
Dividend						-586	-586
Dividend on treasury shares						31	31
Translation differences					61		61
Other increase/decrease, net						-8	-8
Net profit						2 577	2 577
Balance at Dec. 31, 1999	4 652 679	279	1 079	-24	243	5 801	7 378
Share issue	42 149	3	554				557
Acquisition of treasury shares	-3 252			-160			-160
Disposal of treasury shares	557			27			27
Stock options issued on acquisitions			75				75
Stock options exercised related to acquisition			-13				-13
Dividend						-931	-931
Translation differences					104		104
Change in accounting policy						-206	-206
Other increase/decrease, net						39	39
Net profit						3 938	3 938
Balance at Dec. 31, 2000	**4 692 133**	**282**	**1 695**	**-157**	**347**	**8 641**	**10 808**

Notes to the consolidated financial statements

1. Accounting principles

Basis of presentation

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

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the parent company, Nokia Corporation, and each of those companies in which it owns, directly or indirectly through subsidiaries, over 50% of the voting rights. The accounts of certain companies in which Nokia has control are also consolidated. The companies acquired during the financial period have been consolidated from the date the responsibility for their operations was transferred to the Group. Similarly the result of a Group company divested during an accounting period is included in the Group accounts only to the date of disposal.

All inter-company transactions are eliminated as part of the consolidation process. Minority interests are presented separately in arriving at the profit from continuing operations. They are also shown separately from shareholders' equity and liabilities in the consolidated balance sheet.

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

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

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

Investments in other companies (voting rights less than 20%) are stated at cost; provision is made when there has been an other than temporary decline in value.

Transactions in foreign currencies

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

Foreign Group companies

In the consolidated accounts all items in the profit and loss accounts of foreign subsidiaries are translated into euro at the average exchange rates for the accounting period. The balance sheets of foreign Group companies are translated into euro at the rates of exchange ruling at the year-end. Exchange differences arising from the application of the purchase method are treated as an adjustment affecting consolidated shareholders' equity. Differences resulting from the translation of profit and loss account items at the average rate and the balance sheet items at the closing rate are also treated as an adjustment affecting consolidated shareholders' equity. On the disposal of a foreign group company, the cumulative amount of the translation difference is recognized as income or as expense in the same period in which the gain or loss on disposal is recognized.

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

Derivative financial instruments

The Group enters into derivative financial instruments such as forward foreign exchange and option contracts to hedge its exposure against foreign currency fluctuations on certain assets, liabilities and probable transactions denominated in foreign currencies. Any deferred gains and losses arising from hedging transactions are shown as a part of the cost of sales when the sale or purchase transactions are recognized. Derivative contracts used for hedging foreign exchange exposure have high correlation with the items being hedged, both at inception and throughout the hedge period; and are designated to the underlying exposure. The majority of derivative financial instruments hedging foreign exchange exposures have a duration of less than a year. Written options are only used as part of combination strategies.

Foreign exchange gains and losses on forward contracts are calculated by valuing the forward contract with the forward exchange rate prevailing on the year-end date and comparing that with the original amount calculated by using the forward rate prevailing at the beginning of the contract.

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

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

The Group uses cash settled equity swaps to hedge risks relating to incentive programs and investment activities. The change in the market value of the contract is calculated by revaluing the contract at year-end quoted market rate, comparing it with the value calculated with prevailing market rate at the inception of the contract. The interest relating to the contract is accrued over the life of the contract.

Revenue recognition

The Group recognizes sales when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, and collectibility is probable. For Nokia Networks, substantially all sales are derived from contracts for products and services which involve solutions achieved through significant customization and modification. The percentage of completion method is used for all such contracts, provided that the outcome of the contract can be assessed with reasonable certainty. Sales are recognized over the contract period based on the progress to completion as determined by relevant input measures or milestone activities. When it is probable that contract costs will exceed total contract revenue, the expected loss is expensed immediately.

Research and development

Research and development costs are expensed in the financial period during which they are incurred, except for certain development costs which are capitalized when it is probable that a development project will be a success, and certain criteria, including commercial and technological feasibility, have been met. Capitalized development costs are amortized on a systematic basis over their expected useful lives. The amortization period is between 2 and 5 years.

Pensions and coverage of pension liabilities

The Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations.

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

For defined benefit plans, principally the reserved portion of the Finnish TEL system, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates on government securities that have terms to maturity approximating the terms of the related liabilities. Actuarial gains and losses outside the corridor are recognized over the average remaining service lives of employees. This represents a change in accounting method as explained in Note 4.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the expected useful lives of the assets as follows:

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

Land and water areas are not depreciated.

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

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

Leasing

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

Inventories

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

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and short-term investments.

Income taxes

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

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

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

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

Stock options

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

Provisions

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

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

Provision for social security costs on stock options

In 2000, the Group has adopted the new IAS 37, Provisions, contingent liabilities and contingent assets, and recognized a provision for social security costs on unexercised stock options granted to employees. In accordance with the transitional rule of IAS 37 the cumulative prior year net of tax effect has been recorded as an adjustment to the 2000 opening balance of retained earnings. Nokia previously recognized the social security obligation when the options were exercised.

Under IAS 37, the provision is recognized at the date options are granted. The provision is measured based on the intrinsic value of the options, and the amount of the provision is adjusted to reflect the changes in the Nokia share price. These changes are recorded through the profit and loss account. Nokia hedges the exposure arising from the provision through the use of cash settled equity swaps.

Dividends

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

Earnings per share

The Group calculates both basic and diluted earnings per share in accordance with IAS 33, Earnings per share. Under IAS 33, basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of warrants and stock options outstanding during the period. Share and per share data presented reflect the four-for-one stock split effective on April 10, 2000.

Changes in Accounting Standards

The Group adopted IAS 10 (revised), Events after the balance sheet date, IAS 22 (revised), Business combinations, IAS 36, Impairment of assets, IAS 37, Provisions, contingent liabilities and contingent assets and IAS 38, Intangible assets, during the year ended December 31, 2000. Other than the provision for social security costs on stock options discussed above, these adoptions did not have a material effect on the consolidated financial statements.

The Group will adopt, beginning January 1, 2001, IAS 39, Financial instruments: recognition and measurement. The transfer to the new standard will not result in a material adjustment to the profit and loss account.

2. Segment information

Nokia is organized on a worldwide basis into three primary business segments: Nokia Networks, Nokia Mobile Phones and Nokia Ventures Organization. As of January 1, 2000, the Nokia Ventures Organization has been segregated into a separate segment as a result of the increased activity in this segment. Nokia's reportable segments are strategic business units that offer different products and services for which monthly financial information is provided to the Board.

Nokia Networks develops, manufactures and supplies cellular network mobile Internet and broadband solutions for mobile operators, corporate customers, ASPs and ISPs.

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

Nokia Ventures Organization comprises new business areas, the largest of which is Nokia Internet Communications, which offers enterprises and managed ISPs strategic IP-oriented products and solutions.

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

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

2000, EURm	Nokia Networks	Nokia Mobile Phones	Nokia Ventures Organization	Common Group Functions	Total reportable segment	Elimina-tions	Group
Income Statement Information							
Net sales to external customers	7 708	21 844	824	-	30 376		30 376
Net sales to other segments	6	43	30	-	79	-79	-
Depreciation and amortization	354	467	102	86	1 009		1 009
Operating profit	1 358	4 879	-387	-74	5 776		5 776
Share of result of associated companies	-	-	-	-16	-16		-16
Balance Sheet Information							
Capital expenditure	304	902	38	336	1 580		1 580
Segment assets (1)	5 076	7 108	709	1 577	14 470	-688	13 782
of which:							
Investments in associated companies	-	-	-	61	61		61
Unallocated assets							5 543
Total assets (2)							19 325
Segment liabilities (3)	1 936	4 602	256	686	7 480	-685	6 795
Unallocated liabilities							1 771
Total liabilities (4)							8 566
1999, EURm							
Income Statement Information							
Net sales to external customers	5 670	13 168	409	525	19 772		19 772
Net sales to other segments	3	14	6	55	78	-78	-
Depreciation and amortization	286	300	44	35	665		665
Operating profit	1 082	3 099	-175	-98	3 908		3 908
Share of result of associated companies	-	-3	-	-2	-5		-5
Balance Sheet Information							
Capital expenditure	395	682	45	236	1 358		1 358
Segment assets (1)	3 822	4 486	434	1 403	10 145	-962	9 183
of which:							
Investments in associated companies	1	41	-	34	76		76
Unallocated assets							4 667
Total assets (2)							13 850
Segment liabilities (3)	1 588	3 722	168	929	6 407	-1 156	5 251
Unallocated liabilities							1 318
Total liabilities (4)							6 569

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

(2) Total assets excluding prepaid expenses and accrued income related to taxes and deferred tax assets.

(3) Comprises accounts payable, prepaid income, accrued expenses and provisions except those related to interest and taxes.

(4) Total liabilities excluding prepaid income and accrued expenses related to taxes and deferred tax liabilities.

Net sales to external customers by market area	2000 EURm	1999 EURm
Finland	494	479
USA	5 312	3 360
China	3 065	2 332
Great Britain	2 828	1 855
Germany	2 579	1 679
Other	16 098	10 067
Total	30 376	19 772

Segment assets by location of assets	2000 EURm	1999 EURm
Finland	4 688	3 144
USA	2 774	1 894
China	2 030	1 312
Great Britain	654	476
Germany	909	748
Other	8 270	6 276
Total	19 325	13 850

Capital expenditure by market area	2000 EURm	1999 EURm
Finland	587	487
USA	279	313
China	157	121
Great Britain	75	54
Germany	133	124
Other	349	259
Total	1 580	1 358

3. Personnel expenses

	2000 EURm	1999 EURm
Wages and salaries	2 378	1 946
Pension expenses, net	54	127
Other social expenses	456	310
Personnel expenses as per profit and loss account	2 888	2 383

Pension expenses comprise EUR 93 million (EUR 127 million in 1999) in respect of multi-employer, insured and defined contribution plans.

Remuneration of the Chairman and the other members of the Boards of Directors, Group Executive Board and Presidents and Managing Directors*	17	15
* Incentives included in remuneration	4	3

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

4. Pensions

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

Prior to the year ended December 31, 2000, the reserved portion of the TEL system was accounted for as a defined contribution plan. The cumulative difference between the accounting for this plan as a defined contribution plan versus a defined benefit plan from January 1, 1998, upon the adoption of IAS 19, to December 31, 1999 is EUR 13 million which has been recorded as a reduction in total pension expense for 2000.

Had the company accounted for this plan as a defined benefit plan since January 1, 1998, retained earnings on January 1, 1998 and pension expense for 1998, 1999 and 2000 would have (increased)/decreased as follows:

	EURm
1998 opening retained earnings	85 *
Pension expense:	
1998	12
1999	-84
2000	42
Cumulative adjustment (pension credit)	55

* EUR 70 million net of tax

The following tables are prepared as if the above adjustments were recorded in the respective periods.

Balances relating to single employer defined benefit schemes are determined as follows:

	2000		1999	
	Domestic plans EURm	**Foreign plans EURm**	Domestic plans EURm	Foreign plans EURm
Fair value of plan assets	**921**	**116**	1 000	107
Present value of funded obligations	**-453**	**-194**	-400	-199
Surplus/(Deficit)	**468**	**-78**	600	-92
Unrecognized net actuarial (gains)/losses	**-347**	**12**	-525	30
Prepaid/(Accrued) pension cost in balance sheet	**121**	**-66**	75	-62

Net periodic pension cost includes the following:

	2000 EURm	1999 EURm
Current service cost	**40**	22
Interest cost	**36**	25
Expected return on plan assets	**-78**	-40
Net actuarial (gains) recognized in year	**-24**	-3
Past service cost	**-**	87
Total (income)/expense	**-26**	91

Changes in prepaid pension costs were as follows:

	2000 EURm	1999 EURm
At beginning of year	**13**	97
Less net periodic pension expense	**26**	-91
Contributions paid	**16**	7
At end of year	**55 ***	13

* Included within other non-current assets

The principal actuarial assumptions used were as follows:

	2000		1999	
	Domestic plans %	**Foreign plans %**	Domestic plans %	Foreign plans %
Discount rate for determining present values	**5.80**	**6.10**	5.80	5.70
Expected long term rate of return on plan assets	**7.25**	**6.60**	7.00	6.60
Annual rate of increase in future compensation levels	**4.00**	**3.10**	4.00	2.90

Under IAS, the domestic pension plan assets include Nokia securities with fair values of EUR 577 million (EUR 605 million in 1999).

The actual return on plan assets was EUR -76 million (EUR 469 million in 1999).

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

	2000 EURm	1999 EURm
Selling and marketing expenses	**-2 103**	-1 220
Administration expenses	**-754**	-759
Other operating expenses	**-225**	-163
Other operating income	**278**	331
Total	**-2 804**	-1 811

Other operating income and expenses for 2000 are composed of various items which are individually insignificant. Other operating income for 1999 includes gains from the divestments of Salcomp and the SDH transport business (EUR 80 million and EUR 56 million, respectively). Other operating expenses for 1999 include a charge EUR 70 million related to exit from the display business.

6. Acquisitions

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

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

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

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

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

In February 1999, Nokia acquired Diamond Lane Communications for EUR 112 million in cash. The fair value of net assets acquired was EUR 5 million giving rise to a goodwill of EUR 107 million.

7. Depreciation

	2000 EURm	1999 EURm
Depreciation by asset category		
Intangible assets		
Capitalized development costs	118	110
Intangible rights	50	34
Goodwill	140	71
Other intangible assets	29	19
Property, plant and equipment		
Buildings and constructions	27	18
Machinery and equipment	615	405
Other tangible assets	30	8
Total	1 009	665

	2000 EURm	1999 EURm
Depreciation by function		
Cost of sales	298	201
R&D	244	241
Selling, marketing and administration	230	101
Other operating expenses	97	51
Goodwill	140	71
Total	1 009	665

8. Financial income and expenses

	2000 EURm	1999 EURm
Income from long-term investments		
Dividend income	70	6
Interest income	2	2
Other interest and financial income		
Interest income from short-term investments	210	194
Other financial income	17	5
Exchange gains and losses	-1	-5
Interest expenses and other financial expenses		
Interest expenses	-115	-254
Other financial expenses	-81	-6
Total	102	-58

9. Income taxes

	2000 EURm	1999 EURm
Current tax	-1 852	-1 250
Deferred tax	68	61
Total	-1 784	-1 189
Finland	-1 173	-740
Other countries	-611	-449
Total	-1 784	-1 189

The differences between income tax expense computed at statutory rates (29% in Finland in 2000 and 28% in 1999) and income tax expense provided on earnings are as follows at December 31:

	2000 EURm	1999 EURm
Income tax expense at statutory rate	1 689	1 078
Deduction for write-down of investments in subsidiaries	-28	-
Amortization of goodwill	40	17
Provisions without income tax benefit/expense	53	35
Taxes for prior years	53	8
Taxes on foreign subsidiaries' net income in excess of income taxes at statutory rates	-29	32
Operating losses with no current tax benefit	25	22
Group adjustments	-	-4
Other	-19	1
Income tax expense	1 784	1 189

Certain of the Group companies' income tax returns for periods ranging from 1995 through 1999 are under examination by tax authorities. The Group does not believe that any significant additional taxes in excess of those already provided for will arise as a result of the examinations.

10. Intangible assets

	2000 EURm	1999 EURm
Capitalized development costs		
Acquisition cost Jan. 1	811	650
Additions	394	271
Disposals	-108	-110
Accumulated depreciation Dec. 31	-457	-398
Net carrying amount Dec. 31	640	413
Intangible rights		
Acquisition cost Jan. 1	187	137
Additions	77	50
Disposals	-19	-
Accumulated depreciation Dec. 31	-134	-103
Net carrying amount Dec. 31	111	84
Goodwill		
Acquisition cost Jan. 1	554	347
Additions	1 016	210
Disposals	-	-3
Accumulated depreciation Dec. 31	-458	-318
Net carrying amount Dec. 31	1 112	236
Other intangible assets		
Acquisition cost Jan. 1	164	66
Additions	55	116
Disposals	-12	-20
Translation differences	7	2
Accumulated depreciation Dec. 31	-83	-59
Net carrying amount Dec. 31	131	105

11. Property, plant and equipment

	2000 EURm	1999 EURm
Land and water areas		
Acquisition cost Jan. 1	111	67
Additions	33	48
Disposals	-3	-9
Translation differences	2	5
Net carrying amount Dec. 31	143	111
Buildings and constructions		
Acquisition cost Jan. 1	540	460
Additions	224	145
Disposals	-39	-85
Translation differences	14	20
Accumulated depreciation Dec. 31	-117	-104
Net carrying amount Dec. 31	622	436
Machinery and equipment		
Acquisition cost Jan. 1	2 382	1 685
Additions	1 089	863
Disposals	-178	-207
Translation differences	50	41
Accumulated depreciation Dec. 31	-1 718	-1 208
Net carrying amount Dec. 31	1 625	1 174
Other tangible assets		
Acquisition cost Jan. 1	53	86
Additions	34	12
Disposals	-15	-52
Translation differences	2	7
Accumulated depreciation Dec. 31	-46	-44
Net carrying amount Dec. 31	28	9
Advance payments and fixed assets under construction		
Acquisition cost Jan. 1	301	151
Additions	230	352
Disposals	-62	-32
Transfers		
Land and water areas	-4	-1
Buildings and constructions	-76	-13
Machinery and equipment	-91	-162
Translation differences	16	6
Net carrying amount Dec. 31	314	301

12. Investments

	2000 EURm	1999 EURm
Associated companies		
Acquisition cost Jan. 1	76	91
Additions	6	16
Disposals	-	-33
Share of results	-16	-6
Translation differences	-5	8
Net carrying amount Dec. 31	61	76

Shareholdings in associated companies include listed investments of EUR 7 million (EUR 11 million in 1999). At the balance sheet date, the fair value of these investments, based on quoted market prices, was EUR 45 million (EUR 15 million in 1999).

	2000 EURm	1999 EURm
Other companies		
Acquisition cost Jan. 1	68	75
Additions	104	21
Disposals	-24	-19
Write-downs	-	-10
Translation differences	2	1
Net carrying amount Dec. 31	150	68

Shareholdings in other companies include listed investments of EUR 120 million (EUR 44 million in 1999). At the balance sheet date, the fair value of these investments was EUR 118 million (EUR 180 million in 1999).

13. Other assets

	2000 EURm	1999 EURm
Long-term loans receivable from customers	808	20
Other non-current assets	242	197
Total	1 050	217

14. Inventories

	2000 EURm	1999 EURm
Raw materials, supplies and other	1 057	1 020
Work in progress	685	446
Finished goods	521	306
Total	2 263	1 772

15. Receivables

	2000 EURm	1999 EURm
Accounts receivable	5 594	3 827
Short-term loan receivables	44	145
Prepaid expenses and accrued income	1 418	889
Total	7 056	4 861

Prepaid expenses and accrued income mainly consist of VAT receivables and other accruals.

16. Short-term investments

	2000 EURm	1999 EURm
Government, long-term (bonds)	**615**	703
Government, short-term (bills)	**-**	383
Corporate, long-term (bonds)	**384**	131
Corporate, short-term (CP)	**1 775**	1 919
Total	**2 774**	3 136

Short-term investments are carried at amortized cost unless provision is made for a permanent diminution in value.

17. Distributable earnings

	2000 EURm
Retained earnings	**8 641**
Translation differences (distributable earnings)	**207**
Treasury shares	**-157**
Other non-distributable items	**-94**
Distributable earnings Dec. 31	**8 597**

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

18. Long-term liabilities

	Outstanding Dec. 31, 2000 EURm	Repayment date beyond 5 years EURm
Long-term loans are repayable as follows:		
Loans from financial institutions	**62**	-
Pension loans	**12**	12
Other long-term finance loans	**99**	-
Deferred tax liabilities	**69**	-
Other long-term liabilities	**69**	58
	311	70

The long-term liabilities as of December 31, 2000 mature as follows:

	EURm	
2001	47	13.1%
2002	64	17.9%
2003	31	8.7%
2004	66	18.4%
2005	-	-
Thereafter	150	41.9%
	358	100.0%

The currency mix of the Group long-term liabilities as at December 31, 2000

EUR	GBP	USD	Others
63.44%	21.05%	2.93%	12.58%

Long-term loan portfolio includes a fixed-rate loan with a face amount of 40 million British pound sterling that matures in 2004. The loan is callable by the creditor on a three-month notice basis beginning in 1994, although the Group does not anticipate that the creditors will request for repayment prior to the final maturity.

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

At December 31, 2000, no Group borrowings were collateralized by assets pledged or by mortgages.

At December 31, 2000 and 1999 the weighted average interest rate of loans from financial institutions was 7.8% and 4.3%, respectively.

Bonds	Million	Interest	2000 EURm	1999 EURm
1989-2004	40.0 GBP	11.375%	**66**	79
1993-2003	150.0 FIM	Floating	**25**	25
1996-2001	280.0 FIM	7.000%	**-**	47
			91	151

The bond 1996-2001, EUR 47 million, expires in 2001 and is included in current liabilities on line current portion of long-term debt.

19. Deferred taxes

	2000 EURm	1999 EURm
In companies' balance sheet		
Tax losses carried forward	73	40
Temporary differences	147	91
	220	131
On consolidation		
Intercompany profit in inventory	87	88
Property, plant and equipment	6	6
Other	17	1
	110	95
Appropriations		
Untaxed reserves	2	-49
	2	-49
Net deferred tax asset	332	177

of which in 2000 deferred tax assets amounted to EUR 401 million (EUR 257 million in 1999) and deferred tax liabilities to EUR 69 million (EUR 80 million in 1999).

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

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

At December 31, 2000 the Group had loss carryforwards of EUR 28 million (EUR 84 million in 1999) for which no deferred tax asset was recognized due to uncertainty of utilization of these losses. These losses will expire in the years 2003 to 2005.

20. Short-term borrowings

Short-term borrowings consist primarily of borrowings from banks. The weighted average interest rate at December 31, 2000 and 1999 is 5.9% and 5.2%, respectively. The weighted average interest rate of short-term borrowings is derived from loans denominated in different foreign currencies.

21. Accrued expenses

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

22. Provisions

	2000 EURm	1999 EURm
Warranty	903	656
Other	901	695
Total	1 804	1 351

23. Earnings per share

		2000	1999
Numerator/EURm			
Basic/Diluted:	Income available to common shareholders	3 938	2 577
Denominator/1 000 shares			
Basic:	Weighted average shares	4 673 162	4 593 761
	Effect of dilutive securities: warrants	119 818	149 423
Diluted:	Adjusted weighted average shares and assumed conversions	4 792 980	4 743 184

Under IAS 33, basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of warrants and stock options outstanding during the period. Share and per share data presented reflect the four-for-one stock split effective on April 10, 2000.

24. Commitments and contingencies

	2000 EURm	1999 EURm
Collateral for own commitments		
Mortgages	12	6
Assets pledged	4	3
Contingent liabilities on behalf of Group companies		
Other guarantees	656	427
Collateral given on behalf of other companies		
Securities pledged	23	-
Contingent liabilities on behalf of other companies		
Guarantees for loans	298	234

25. 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:

2000		Finance lease	Operating lease
Leasing payments, EURm	2001	3	179
	2002	2	156
	2003	1	137
	2004	-	128
	2005	-	127
	and thereafter	-	161
Total		6	888

Rental expense amounted to EUR 370 million and EUR 216 million in 2000 and 1999, respectively.

26. Related party transactions

Nokia Pension Foundation is a separate legal entity that manages and holds in trust the assets for the Group's Finnish employee benefit plans these assets include 0.3% of Nokia's shares. Nokia Pension Foundation is also the counterparty to an equity swap agreement with the Group. This transaction was executed on standard commercial terms and conditions. The notional amount of this swap is EUR 336 million and the fair value at December 31, 2000 is EUR -19 million.

There were no loans granted to top management at December 31, 2000 or 1999.

See Note 3, Personnel Expenses for officers and directors remunerations.

27. Associated companies

	2000 EURm	1999 EURm
Share of results of associated companies	**-16**	-5
Dividend income	**1**	2
Share of shareholders' equity of associated companies	**45**	68
Receivables from associated companies		
Accounts receivable	**4**	1
Short-term loans receivable	**1**	-
Long-term loans receivable	**31**	-
Liabilities to associated companies		
Current liabilities	**-**	6

28. Notes to cash flow statement

	2000 EURm	1999 EURm
Adjustments for:		
Depreciation	**1 009**	665
Other operating income and expenses	**-42**	-68
Adjustments, total	**967**	597
Change in net working capital		
Short-term trade receivables, increase (-), decrease (+)	**-2 304**	-982
Inventories, increase (-), decrease (+)	**-422**	-362
Interest-free short-term liabilities, increase (+), decrease (-)	**1 349**	1 323
Change in net working capital	**-1 377**	-21
Non-cash investing activities		
Acquisition of:		
Network Alchemy	**336**	-
DiscoveryCom	**223**	-
Rooftop	**-**	42
	559	42

29. Financial risk management

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

Treasury operations are controlled by policies approved by the top management. Treasury Policy provides principles for overall financial risk management in Nokia. Operating Policies cover specific areas such as foreign exchange risk, interest rate risk, use of derivative financial instruments and liquidity and credit risk. Basic operating policy in Treasury is risk averse. Financial transactions, which are not related to the business, are not entered into. Business Groups have detailed Standard Operating Procedures covering for example foreign exchange exposure management.

MARKET RISK

Foreign exchange risk

Nokia operates globally and is thus exposed to foreign exchange risk arising from various currency combinations. Foreign currency denominated assets and liabilities together with firm and probable purchase and sale commitments give rise to foreign exchange exposure. Foreign exchange exposures are managed against various local currencies because of Nokia's increasing production and sales outside the Eurozone. Due to the rapid growth in the Group, currency combinations may also change within the financial year. The most significant sales currencies were U.S. dollar, U.K. pound Sterling and Australian dollar. In general, the appreciation of the euro to other currencies has an adverse effect on Nokia's sales and operating profit in the medium to long term, while depreciation of the euro has a positive effect. The only significant purchasing currency is Japanese yen.

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

Nokia uses Value-at-Risk methodology ("VaR") to assess the foreign exchange risk. The VaR figure represents the potential losses for a portfolio from adverse changes in market factors, for a specified time period and confidence level based on historical data. To correctly take into account the non-linear value changes of certain derivative instruments, Nokia uses Monte Carlo simulation. Volatilities and correlations are calculated from a one-year set of daily data. The VaR based net foreign exchange transaction risk figure after hedging transactions in Nokia Group with a one-week horizon and 95% confidence level was EUR 12.9 million at December 31, 2000 (EUR 6.0 million in 1999). The average VaR figure in 2000 was EUR 9.1 million. The VaR figure fluctuated between EUR 1.8 million and EUR 13.7 million in 2000. The comparative VaR figures for 1999 have been recalculated using a 95% confidence level. In 1999, the average VaR figure was EUR 7.8 million, and it fluctuated between EUR 3.5 million and EUR 13.0 million.

Since Nokia has subsidiaries outside the Eurozone, the euro-denominated value of the equity of Nokia is also exposed to fluctuations in exchange rates. Equity changes caused by movements in foreign exchange rates are shown as a translation difference in the Group consolidation. Nokia uses, from time to time, foreign exchange contracts and foreign currency denominated loans to hedge its equity exposure arising from foreign net investments. Exchange gains and losses resulting from the hedging transactions are offset against the translation differences arising from consolidation and are recorded in shareholders' equity.

Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investment risk). Interest rate risk mainly arises through interest-bearing liabilities and assets. Estimated future changes in cash flows and balance sheet structure also expose the Group to interest rate risk. Group companies are responsible for managing their short-term interest rate exposure. Long-term interest rate exposure of the Group is monitored and managed by Corporate Treasury. Due to the current balance sheet structure of Nokia, emphasis is placed on managing the interest rate risk of investments.

The Group hedges its interest rate exposure by using derivative financial instruments, such as interest rate swaps, forwards and options. The maturities of interest rate swaps are usually less than five years. Investment portfolios are benchmarked and measured with Value-at-Risk against a one-year investment horizon in order to facilitate internal performance measurement.

Prior to January 1, 2000, Nokia used sensitivity analysis to report interest rate risk. From January 1, 2000 Nokia uses Value-at-Risk methodology ("VaR") to assess the interest rate risk. The VaR figure represents the potential losses for a portfolio from adverse changes in market factors, for a specified time period and confidence level based on historical data. For interest rate risk Nokia uses variance-covariance methodology. Volatilities and correlations are calculated from a minimum of one-year set of daily data. The VaR based net interest rate risk figure after hedging transactions in Nokia Group with a one-week horizon and 95% confidence level was EUR 2.9 million at December 31, 2000 (EUR 3.2 million in 1999). The average VaR figure in 2000 was EUR 3.1 million and the VaR figure fluctuated between EUR 1.8 million and EUR 4.7 million.

Equity price risk

Nokia has certain strategic minority investments in publicly traded companies. These investments are held for purposes other than trading. The market value of the equity investments on December 31, 2000 was EUR 140 million (EUR 180 million in 1999). A 10% adverse move in equity prices would have decreased the market value of the investments by EUR 14 million (EUR 18 million in 1999). There are currently no outstanding derivative financial instruments designated as hedges of these equity investments.

In addition to the listed equity holdings, Nokia invests in private equity through Nokia Venture Funds. The value of these equity investments at December 31, 2000 was USD 121 million (USD 42 million in 1999).

Nokia is exposed to equity price risk on social security costs relating to stock option plans. Nokia hedges this risk by entering into cash settled equity swaps.

CREDIT RISK

Financial credit risk

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

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

Commercial credit risk

Vendor financing is often involved in the international trade of telecommunication networks. Nokia has maintained conservative financing policy in this area and aimed at close cooperation with banks and financial institutions to support clients in their financing of infrastructure investments. Credit risks related to vendor financing are systematically analysed and monitored by the Credit committee along the principles defined in the Company's credit policy and according to the Credit Approval Process. The outstanding exposures on long-term customer financing on December 31, 2000 were EUR 1 226 million (EUR 600 million in 1999) out of which EUR 907 million were long-term receivables (EUR 370 million in 1999) and EUR 319 million contingent liabilities (EUR 230 million in 1999).

LIQUIDITY RISK

Nokia guarantees a sufficient liquidity at all times by efficient cash management and by investing in liquid fixed income instruments. Due to the dynamic nature of the underlying business Treasury aims at maintaining flexibility in funding by keeping committed and uncommitted credit lines available. Nokia's international creditworthiness facilitates the efficient use of international capital and loan markets. Moody's credit rating agency gave Nokia a long rating A1 in 2000. The ratings of Nokia from credit rating agencies as at December 31, 2000 were:

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

The most significant existing funding programs include:

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

None of the above programs has been used to a significant degree in 2000.

Notional amounts of derivative financial instruments [1]

EURm	2000	1999
Foreign exchange forward contracts [2, 3, 5]	10 497	9 473
Currency options bought[3]	2 165	1 184
Currency options sold[3]	2 029	978
Interest rate forward and futures contracts [2]	-	598
Interest rate swaps	250	250
Cash settled equity swaps[4]	336	-

1 The notional amounts of derivatives summarized here do not represent amounts exchanged by the parties and, thus are not a measure of the exposure of Nokia caused by its use of derivatives.

2 Notional amounts outstanding include positions, which have been closed off.

3 As at December 31, 2000 notional amounts include contracts amounting to EUR 0.7 billion used to hedge the shareholders' equity of foreign subsidiaries (December 31, 1999 EUR 0.6 billion).

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

5 Includes EUR 416 million forward foreign exchange contracts, which do not meet hedge accounting criteria. A gain of EUR 24 million has been realised in the profit and loss account in 2000.

30. 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, 2000 and 1999. 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.

EURm	2000 Carrying amount	2000 Fair value	1999 Carrying amount	1999 Fair value
Financial assets				
Cash and cash equivalents	4 183	4 226	4 159	4 166
Receivables	6 437	6 437	3 985	3 985
Investments in other shares	150	185	68	212
Other non-current assets	242	242	197	197
Financial liabilities				
Accounts payable	3 004	3 004	2 404	2 404
Short-term borrowings	1 069	1 069	792	792
Long-term interest-bearing liabilities	173	185	269	285
Off-balance-sheet instruments				
Currency options purchased [1, 2]	44	44	25	25
Currency options written [1,2]	-36	-36	-28	-28
Forward foreign exchange contracts [1, 2]	-81	-81	-54	-54
Interest rate swaps[3]	-	-	-2	-1
Cash settled equity swaps[3]	-19	-19	-	-

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 the swaps includes accrued interest.

Estimation of fair values

Receivables, accounts payable, short-term borrowings

The carrying amounts are a reasonable estimate of the fair values because of the short maturity of such instruments.

Cash and cash equivalents, investments and other non-current assets

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

Long-term interest-bearing liabilities

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

Currency option and forward foreign exchange contracts

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

Interest rate and currency swaps, cash settled equity swaps

Fair value of swap instruments have been estimated by using discounted cash flow analyses and quoted market rates at year-end dates.

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.

31. Principal Nokia Group companies on December 31, 2000

		Net sales EURm	Number of shares	Parent holding %	Group majority %	Total nominal value in 1 000 units	Book value EURm
FI	Nokia Matkapuhelimet Oy	13 763	665	60.2	100.0	33 250 FIM	18
US	Nokia Mobile Phones Inc.	6 102	1 300		100.0	1 USD	934
FI	Nokia Networks Oy	5 382	226 000	100.0	100.0	226 000 FIM	63
DE	Nokia GmbH	5 319			100.0		10
HK	Nokia (H.K.) Ltd	4 052	5 000 000		100.0	5 000 HKD	2
GB	Nokia UK Limited	3 184	20 000 000		100.0	20 000 GBP	33
KR	Nokia TMC Limited	2 629	232 080	100.0	100.0	2 320 800 KRW	28
CN	Beijing Nokia Mobile Telecommunications Ltd	2 277	2		50.0	10 000 USD	11
US	Nokia Holding Inc.		10 000	100.0	100.0	10 USD	809
NL	Nokia Finance International B.V.		231	100.0	100.0	229 NLG	348

Shares in listed companies

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

*) Nokia has agreed to abstain from exercising the voting rights relating to the shares subscribed for during 2000.

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*	2000 EURm	1999 EURm
Net sales		**128**	69
Cost of sales		**-13**	-3
Gross margin		**115**	66
Marketing expenses		**-29**	-7
Research and development expenses		**-240**	-138
Administrative expenses		**-191**	-79
Other operating expenses		**-11**	-21
Other operating income		**85**	116
Operating loss	2, 3	**-271**	-63
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		**290**	34
Dividend income from other companies		**69**	8
Interest income from Group companies		**18**	5
Interest income from other companies		**2**	2
Other interest and financial income			
Interest income from Group companies		**97**	57
Interest income from other companies		**1**	31
Other financial income from other companies		**8**	3
Exchange gains and losses		**-34**	-55
Interest expenses and other financial expenses			
Interest expenses to Group companies		**-7**	-7
Interest expenses to other companies		**-18**	-45
Other financial expenses		**-41**	-2
Financial income and expenses, total		**385**	31
Profit before extraordinary items, appropriations, and taxes		**114**	-32
Extraordinary items			
Group contributions		**3 517**	2 238
Extraordinary items, total		**3 517**	2 238
Profit before appropriations and taxes		**3 631**	2 206
Appropriations			
Difference between actual and planned depreciation, increase (-)/decrease (+)		**8**	5
Income taxes			
for the year		**-975**	-602
from previous years		**-9**	5
Net profit		**2 655**	1 614

* Notes are shown on pages 28 to 30.

Cash flow statement, parent company, FAS

Financial year ended December 31	Notes*	2000 EURm	1999 EURm
Cash flow from operating activities			
Operating loss		**-271**	-63
Adjustments, total	15	**-4**	-96
Operating loss before change in net working capital		**-275**	-159
Change in net working capital	15	**-85**	110
Cash generated from operations		**-360**	-49
Interest received		**181**	86
Interest paid		**-24**	-40
Other financial income and expenses		**-357**	-65
Income taxes paid		**-897**	-663
Cash flow before extraordinary items		**-1 457**	-731
Extraordinary income and expenses		**2 195**	1 794
Net cash from operating activities		**738**	1 063
Cash flow from investing activities			
Investments in shares		**-802**	-84
Treasury shares acquired		**-127**	-
Capital expenditures		**-50**	-65
Proceeds from sale of shares and discontinued operations, net		**192**	176
Proceeds from sale of fixed assets		**49**	20
Dividends received		**341**	40
Net cash from investing activities		**-397**	87
Cash flow from financing activities			
Share issue		**72**	152
Proceeds from (+), payments of (-) long-term liabilities		**-50**	7
Proceeds from (+), payments of (-) short-term borrowings (-)		**-278**	142
Proceeds from (+), payments of (-) long-term receivables		**-429**	-172
Proceeds from (+), payments of (-) short-term receivables		**794**	-814
Dividends paid		**-931**	-589
Net cash used in financing activities		**-822**	-1 274
Net decrease in cash and cash equivalents		**-481**	-124
Cash and cash equivalents at beginning of period		**498**	622
Cash and cash equivalents at end of period		**17**	498

* Notes are shown on pages 28 to 30.

Balance sheet, parent company, FAS

December 31	Notes*	2000 EURm	1999 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	4		
Intangible rights		**1**	1
Other intangible assets		**4**	4
		5	5
Tangible assets	5		
Land and water areas		**25**	34
Buildings and constructions		**73**	75
Machinery and equipment		**19**	27
Other tangible assets		**-**	1
Advance payments and fixed assets under construction		**28**	19
		145	156
Investments			
Investments in subsidiaries	6	**1 902**	836
Investments in associated companies	6	**25**	22
Investments in other shares	6	**104**	30
Long-term loan receivables from Group companies		**613**	112
Long-term loan receivables from other companies		**31**	1
Other non-current assets		**25**	128
		2 700	1 129
Current assets			
Inventories and work in progress			
Finished goods		**2**	-
Receivables			
Trade debtors from Group companies		**63**	80
Trade debtors from other companies		**5**	1
Short-term loan receivables from Group companies		**4 580**	3 861
Short-term loan receivables from other companies		**8**	7
Prepaid expenses and accrued income from Group companies		**51**	30
Prepaid expenses and accrued income from other companies		**79**	171
		4 786	4 150
Short-term investments		**3**	487
Bank and cash		**14**	11
		7 655	5 938

December 31	Notes*	2000 EURm	1999 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7		
Share capital		**282**	279
Share issue premium		**1 619**	1 065
Treasury shares	8	**-127**	-
Retained earnings	8	**2 328**	1 645
Net profit for the year	8	**2 655**	1 614
		6 757	4 603
Accumulated appropriations	9		
Accumulated depreciation in excess of plan		**63**	71
Liabilities			
Long-term liabilities	10		
Bonds	11	**91**	151
Short-term liabilities			
Current finance liabilities from Group companies		**429**	821
Current maturities of long-term loans	10	**47**	1
Advance payments from other companies		**3**	4
Trade creditors to Group companies		**38**	13
Trade creditors to other companies		**11**	10
Accrued expenses and prepaid income to Group companies		**5**	1
Accrued expenses and prepaid income to other companies		**211**	263
		744	1 113
Total liabilities		**835**	1 264
		7 655	5 938

* Notes are shown on pages 28 to 30.

Notes to the financial statements of the parent company

1. Accounting principles

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

Appropriations

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

2. Personnel expenses

	2000 EURm	1999 EURm
Wages and salaries	87	47
Pension expenses	3	7
Other social expenses	45	12
Personnel expenses as per profit and loss account	135	66

Remuneration of the members of the Board of Directors and the Chief Executive Officer and the President*	3	2
* Incentives included in remuneration	1	-

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

Personnel average	2000	1999
Marketing	54	37
R&D	1 166	1 198
Administration	510	428
	1 730	1 663

3. Depreciation

	2000 EURm	1999 EURm
Depreciation by asset class category		
Intangible assets		
Intangible rights	1	1
Other intangible assets	1	-
Property, plant and equipment		
Buildings and constructions	3	3
Machinery and equipment	8	9
Total	13	13
Depreciation by function		
R&D	3	4
Selling, marketing and administration	10	9
Total	13	13

4. Intangible assets

	2000 EURm	1999 EURm
Intangible rights		
Acquisition cost Jan. 1	5	5
Additions	1	-
Disposals	-	-
Accumulated depreciation Dec. 31	-5	-4
Net carrying amount Dec. 31	1	1
Other intangible assets		
Acquisition cost Jan. 1	5	4
Additions	1	2
Disposals	-1	-1
Accumulated depreciation Dec. 31	-1	-1
Net carrying amount Dec. 31	4	4

5. Tangible assets

	2000 EURm	1999 EURm
Land and water areas		
Acquisition cost Jan. 1	34	23
Additions	-	12
Disposals	-9	-1
Net carrying amount Dec. 31	25	34
Buildings and constructions		
Acquisition cost Jan. 1	93	84
Additions	1	9
Accumulated depreciation Dec. 31	-21	-18
Net carrying amount Dec. 31	73	75
Machinery and equipment		
Acquisition cost Jan. 1	54	41
Additions	9	14
Disposals	-15	-1
Accumulated depreciation Dec. 31	-29	-27
Net carrying amount Dec. 31	19	27
Other tangible assets		
Acquisition cost Jan. 1	2	2
Accumulated depreciation Dec. 31	-2	-1
Net carrying amount Dec. 31	-	1
Advance payments and fixed assets under construction		
Acquisition cost Jan. 1	19	2
Additions	39	36
Disposals	-30	-19
Net carrying amount Dec. 31	28	19

6. Investments

	2000 EURm	1999 EURm
Investments in subsidiaries		
Acquisition cost Jan. 1	**836**	768
Additions	**1 080**	105
Disposals	**-14**	-37
Net carrying amount Dec. 31	**1 902**	836

	2000 EURm	1999 EURm
Investments in associated companies		
Acquisition cost Jan. 1	**22**	31
Additions	**3**	-
Disposals	**-**	-9
Net carrying amount Dec. 31	**25**	22

Shareholdings in associated companies include listed investments of EUR 20 million (EUR 18 million in 1999). At the balance sheet date, the fair value of these investments, based on quoted market prices, was EUR 45 million (EUR 15 million in 1999).

	2000 EURm	1999 EURm
Investments in other shares		
Acquisition cost Jan. 1	**30**	76
Additions	**219**	21
Disposals	**-145**	-67
Net carrying amount Dec. 31	**104**	30

Shareholdings in other companies include listed investments of EUR 92 million (EUR 29 million in 1999). At the balance sheet date, the fair value of these investments was EUR 113 million (EUR 149 million in 1999).

7. Shareholders' equity

Parent Company, EURm	Share capital	Share issue premium	Treasury shares	Retained earnings	Total
Balance at Dec. 31, 1998	255	895	-	5 668	6 818
Share issue	3	191			194
Bonus issue	36	-36			-
Cancellation of treasury shares	-15	15			-
Dividend				-586	-586
Reserved for public worthy causes decided by the Board				-2	-2
Other increase/decrease, net				-3 435	-3 435
Net profit				1 614	1 614
Balance at Dec. 31, 1999	279	1 065	-	3 259	4 603
Share issue	3	554			557
Acquisition of treasury shares			-127		-127
Dividend				-931	-931
Net profit				2 655	2 655
Balance at Dec. 31, 2000	**282**	**1 619**	**-127**	**4 983**	**6 757**

8. Distributable earnings

	2000 EURm	1999 EURm
Retained earnings from previous years	**2 328**	1 645
Net profit for the year	**2 655**	1 614
Retained earnings, total	**4 983**	3 259
Treasury shares	**-127**	-
Distributable earnings, Dec. 31	**4 856**	3 259

9. Accumulated appropriations

Deferred tax liability for the accumulated appropriations computed using the tax rate of 29% totalled EUR 18 million (EUR 21 million in 1999, tax rate 29%).

10. Long-term liabilities

	Outstanding Dec. 31, 2000 EURm	Repayment date beyond 5 years EURm
Long-term loans are repayable as follows:		
Bonds	91	-
	91	-

The long-term liabilities as of December 31, 2000 mature as follows:

	EURm	%
2001	47	34.1
2002	-	-
2003	25	18.3
2004	66	47.6
2005	-	-
Thereafter	-	-
	138	100.0

11. Bonds

	Million	Interest	2000 EURm	1999 EURm
1989-2004	40.0 GBP	11.375%	66	79
1993-2003	150.0 FIM	Floating	25	25
1996-2001	280.0 FIM	7.000%	-	47
			91	151

The bond 1996-2001, EUR 47 million, expires in 2001 and is included in current liabilities on line current portion of long-term debt.

12. Commitments and contingencies

	2000 EURm	1999 EURm
Contingent liabilities on behalf of Group companies		
Guarantees for loans	111	155
Leasing guarantees	595	-
Other guarantees	122	90
Contingent liabilities on behalf of other companies		
Guarantees for loans	193	178

13. Leasing contracts

At December 31, 2000 the leasing contracts of the Parent Company amounted to EUR 55 million (EUR 41 million in 1999), of which EUR 7 million will fall due in 2001 (EUR 5 million in 2000).

14. Loans granted to top management

There were no loans granted to top management at 31.12.2000.

15. Notes to cash flow statement

	2000 EURm	1999 EURm
Adjustments for:		
Depreciation	13	13
Other operating income and expenses	-17	-109
Adjustments, total	-4	-96
Change in net working capital		
Short-term trade receivables, increase (-), decrease (+)	3	-108
Inventories, increase (-), decrease (+)	-2	1
Interest-free short-term liabilities, increase (+), decrease (-)	-86	217
Change in net working capital	-85	110

In August 2000 Nokia acquired DiscoveryCom for EUR 223 million, which was paid in Nokia stock and Nokia stock options. In March 2000 Nokia acquired Network Alchemy for EUR 336 million, which was paid in Nokia stock and Nokia stock options. During 1999 Nokia acquired Rooftop Communications for EUR 48 million of which EUR 42 million was satisfied by issuing Nokia shares and the remainder EUR 6 million was paid in cash.

16. Principal Nokia Group companies on December 31, 2000

See Group note no. 31.

17. Nokia Shares and Shareholders

See Nokia Shares and Shareholders p. 31-35.

Nokia shares and shareholders

Shares and voting rights

Nokia has one class of shares. Each Nokia share entitles to one (1) vote at General Meetings of Nokia, and to a fixed annual dividend amounting to 10 per cent of the par value of the share.[1]

Nokia shareholders resolved at the Annual General Meeting held on March 22, 2000 to split the par value of the share on a four-for-one basis. With effect from April 10, 2000, the par value of the share is EUR 0.06.

The minimum share capital stipulated in the Articles of Association is EUR 170 million and the maximum share capital EUR 680 million. The share capital may be increased or reduced within these limits without amending the Articles of Association. On December 31, 2000 the share capital of the Parent Company was EUR 281 772 763.38 and the total number of votes 4 696 212 723.

On December 31, 2000 the total number of shares included 4 079 425 shares owned by the Group companies with an aggregate par value of EUR 244 765.50 representing approximately 0.09 per cent of the total number of shares and voting rights.

Share capital and shares, Dec. 31[2]

	2000	1999	1998	1997	1996
Share capital, EURm					
K (common)	*)	*)	54	66	84
A (preferred)			201	186	168
Total	282	279	255	252	252
Shares (1000, par value EUR 0.06)					
K (common)	*)	*)	1 016 246	1 259 000	1 595 403
A (preferred)			3 828 527	3 538 634	3 197 397
Total	**4 696 213**	4 654 064	4 844 773	4 797 634	4 792 800
Shares owned by the Group at year-end (1 000)	**4 080**	1 385	257 288	257 288	260 488
Number of shares excl. shares owned by the Group at year-end (1 000)	**4 692 133**	4 652 679	4 587 485	4 540 346	4 532 312
Average number of shares excl. shares owned by the Group during the year (1 000)	**4 673 162**	4 593 761	4 553 364	4 532 512	4 536 976
Number of registered shareholders[3]	**94 500**	48 771	30 339	28 596	26 160

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

Key Ratios, Dec. 31, IAS (calculation see page 39)

	2000	1999	1998	1997	1996
Earnings per share from continuing operations, basic					
Earnings per share, EUR	**0.84**	0.56	0.37	0.22	0.11
P/E Ratio					
K (common)	*)	*)	35.3	18.4	24.8
A (preferred)	**56.5**	80.4	35.3	18.3	24.9
(Nominal) dividend per share, EUR	**0.28**)	0.20	0.12	0.08	0.04
Total dividends paid, EURm	**1 315**)	931	586	378	176
Payout ratio	**0.33**	0.36	0.33	0.35	0.33
Dividend yield, %					
K (common)	*)	*)	0.9	1.9	1.3
A (preferred)	**0.6**	0.4	0.9	1.9	1.3
Shareholders' equity per share, EUR	**2.30**	1.59	1.11	0.80	0.59
Market capitalization, EURm[4]	**222 876**	209 371	59 796	18 503	12 706

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

**) Proposed by the Board of Directors.

[1] Nokia used to have two classes of shares, A shares and K shares. Nokia shareholders resolved at the Annual General Meeting held on March 17, 1999 to consolidate the two classes of shares. The rights presently related to all Nokia shares correspond to the rights of the previous class A shares. The rights of the previous class K shares entitled to ten (10) votes at General Meetings, but to no fixed annual dividend. The consolidation of the two classes of shares is effective since April 9, 1999.

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

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

[4] Shares owned by the Group companies are not included.

Splits of the par value of the Nokia share

	Par value before	Split ratio	Par value after	Effective date
1986	FIM 100 (EUR 16.82)	5:1	FIM 20 (EUR 3.36)	December 31, 1986
1995	FIM 20 (EUR 3.36)	4:1	FIM 5 (EUR 0.84)	April 24, 1995
1998	FIM 5 (EUR 0.84)	2:1	FIM 2.5 (EUR 0.42)	April 16, 1998
1999	FIM 2.5 (EUR 0.42)	2:1	EUR 0.24 [5]	April 12, 1999
2000	**EUR 0.24**	**4:1**	**EUR 0.06**	**April 10, 2000**

Authorizations

Authorizations to increase the share capital

The Board of Directors had been authorized by Nokia shareholders at the Annual General Meeting held on March 17, 1999 to decide on an increase of the share capital by a maximum of EUR 28 800 000 offering a maximum of 480 000 000 new shares (split adjusted). In 2000, the Board of Directors increased the share capital on the basis of this authorization by an aggregate EUR 366 704.40 consisting of 6 111 740 shares (split adjusted). The authorization expired on March 17, 2000.

At the Annual General Meeting held on March 22, 2000 Nokia shareholders authorized the Board of Directors to decide on an increase of the share capital by a maximum of EUR 28 800 000 in one or more issues offering a maximum of 480 000 000 new shares with a par value of 6 cents within one year as of the resolution of the Annual General Meeting. The share capital may be increased to finance possible business acquisitions or corresponding arrangements in deviation from the shareholders' pre-emptive rights for share subscription. In 2000 the Board of Directors has increased the share capital on the basis of the authorization by an aggregate EUR 234 557.70 consisting of 3 909 295 shares, as a result of which the unused authorization amounted up to EUR 28 565 442.30 corresponding to 476 090 705 shares on December 31, 2000. The authorization is effective until March 22, 2001.

At the end of 2000, the Board of Directors had no other unused authorizations to issue shares, convertible bonds, warrants or stock options.

Other authorizations

At the Annual General Meeting held on March 22, 2000 Nokia shareholders authorized the Board of Directors to repurchase a maximum of 224 million Nokia shares and to resolve on the transfer of such shares. No shares were repurchased or transferred in 2000 under the authorizations. These authorizations are effective until March 22, 2001.

Convertible bonds, warrants and stock options[6]

Nokia Stock Option Plan 1994

The Annual General Meeting held on April 7, 1994 approved the issue of up to 200 2 per cent bonds with warrants for up to an aggregate principal amount of FIM 200 000 to certain members of Nokia's management (Nokia Stock Option Plan 1994). Each bond had a principal amount of FIM 1 000 and carried 1 000 warrants. The bonds had been fully repaid by December 31, 1999. By termination of Nokia Stock Option Plan 1994 on January 31, 2000, a total of 12 506 112 shares had been exercised and the share capital had been increased by a total of EUR 750 366.72 representing less than one per cent of the outstanding share capital of Nokia. Nokia Stock Option Plan 1994 had been offered to approximately 50 persons.

Nokia Stock Option Plan 1995

The Annual General Meeting held on March 30, 1995 approved the issue of up to 1 450 non-interest bearing bonds with warrants for up to an aggregate principal amount of FIM 1 450 000 to certain members of the management of the Nokia Group (Nokia Stock Option Plan 1995). Each bond has a principal amount of FIM 1 000 and carries 2 000 A warrants and 2 000 B warrants. The bonds were fully repaid by December 31, 2000. Each warrant confers the right to subscribe for sixteen shares at an aggregate subscription price of FIM 168. The A warrants may be exercised from December 1, 1997 to January 31, 2001, and the B warrants from December 1, 1999 to January 31, 2001. If exercised in full, the warrants would be exercisable for a total of 92 800 000 shares, whereby the share capital would be increased by a maximum amount of EUR 5 568 000 representing approximately 2.0 per cent of the outstanding share capital of Nokia. Nokia Stock Option Plan 1995 covers approximately 350 persons. The B warrants were listed on the Helsinki Exchanges from December 1, 1999 until January 24, 2001. Nokia Stock Option Plan 1995 came to an end on January 31, 2001.

Nokia Stock Option Plan 1997

The Annual General Meeting held on March 25, 1997 approved the issue of up to 4 750 non-interest bearing bonds with warrants for up to an aggregate principal amount of FIM 2 375 000 to key personnel of the Nokia Group (Nokia Stock Option Plan 1997). Each bond has a principal amount of FIM 500 and carries 500 A warrants, 500 B warrants and 1 000 C warrants. The bonds were fully repaid by December 31, 2000. Each warrant confers the right to subscribe for sixteen shares at an aggregate subscription price of FIM 307. The A warrants may be exercised from December 1, 1997 to January 31, 2003, the B warrants from November 1, 1999 to January 31, 2003 and the C warrants from November 1, 2001 to January 31, 2003. If exercised in full, the warrants would be exercisable for a total of 152 000 000 shares whereby the share capital would be increased by a maximum amount of EUR 9 120 000 representing approximately 3.2 per cent of the outstanding share capital of Nokia. Nokia Stock Option Plan 1997 covers approximately 2 000 persons. The A and B warrants are listed on the Helsinki Exchanges as one security as of November 1, 1999 and Nokia will apply for including the C warrants into the listing as of November 1, 2001.

Nokia Stock Option Plan 1999

The Annual General Meeting held on March 17, 1999 approved the issue of up to 36 000 000 stock options to key personnel of the Nokia Group (Nokia Stock Option Plan 1999). Of these stock options 12 000 000 have been marked with A, 12 000 000 with B, and 12 000 000 with C. Each stock option confers the right to subscribe for four shares. The aggregate subscription price for four shares for the A stock option is EUR 67.55, for the B stock option EUR 225.12, and for the C stock option the trade volume weighted average price of the share on the Helsinki Exchanges during the last five trading days in March 2001. The A stock options may be exercised from April 1, 2001 to December 31, 2004, the B stock options from April 1, 2002 to December 31, 2004, and the C stock options from April 1, 2003 to December 31, 2004. If exercised in full, the stock options would be exercisable for a total of 144 000 000 shares whereby the share capital would be increased by a maximum amount of EUR 8 640 000 representing approximately 3.1 per cent of the outstanding share capital of Nokia. Nokia Stock Option Plan 1999 covers more than 16 000 persons. Nokia will apply for listing of the A stock options on the Helsinki Exchanges as of April 2, 2001.

General

Shares subscribed for pursuant to the warrants and stock options will rank for dividend for the financial year in which the subscription occurs. Other shareholder rights will commence on the date on which the share subscription is entered in the Finnish Trade Register.

Pursuant to the warrants and stock options issued, an aggregate maximum number of 252 909 488 new shares may be subscribed for representing approxi-

Continues on page 35

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

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

Share issues and bonus issues 1996–2000[7]

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

Reductions of share capital

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

Share turnover (all stock exchanges)[8]

	2000	1999	1998	1997	1996
K share turnover (1 000)			255 108	198 632	540 936
Total number of K shares (1 000)	*)	*)	508 124	629 496	797 704
% of total number of K shares			50	32	68
A share turnover (1 000)	**7 827 428**	7 930 612	5 128 156	5 212 208	6 083 032
Total number of A shares (1 000)	**5 000 000**	4 654 064	1 914 264	1 769 320	1 598 696
% of total number of A shares	**157**	170	268	295	380

Share prices, EUR (Helsinki Exchanges)[8]

	2000	1999	1998	1997	1996
K share					
Low/high			3.87/13.41	2.73/5.74	1.54/2.82
Average[9]	*)	*)	10.28	3.70	1.98
Year-end			13.04	4.10	2.80
A share					
Low/high	**35.81/64.88**	13.74/45.00	3.89/13.41	2.76/5.76	1.54/2.82
Average[9]	**51.09**	21.67	7.95	4.12	2.00
Year-end	**47.50**	45.00	13.04	4.08	2.82

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

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

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

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

Share prices, USD (New York Stock Exchange)[10]

	2000	1999	1998	1997	1996
ADS					
Low/high	**29.44/61.88**	15.05/47.77	4.25/15.75	3.50/6.50	2.00/3.75
Average[11]	**47.36**	23.16	8.50	4.75	2.50
Year-end	**43.50**	47.77	15.00	4.50	3.75

Largest registered shareholders, December 31, 2000

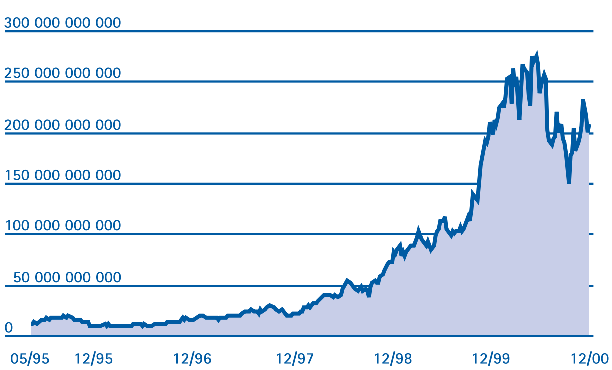
Registered shareholders represent 10.84 per cent of the total number of shares of the Parent Company.

Largest registered shareholders (shares registered in the name of a nominee not included)	Total number of shares (1 000)	Per cent of all the shares and voting rights
UPM-Kymmene Corporation	25 299	0.54
Industrial Insurance Company Ltd	21 275	0.45
Suomi Mutual Life Assurance Company	21 200	0.45
Svenska Litteratursällskapet i Finland r f	20 522	0.44
Juselius Sigrid stiftelse	16 800	0.36
The Local Government Pensions Institution	16 131	0.34
The Pension Foundation of Nokia Corporation	12 142	0.26
Finnish National Fund for Research and Development	10 335	0.22
The Finnish Cultural Foundation	8 649	0.18
Varma-Sampo Mutual Pension Insurance Company	8 480	0.18

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

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

Nokia market capitalization, EUR



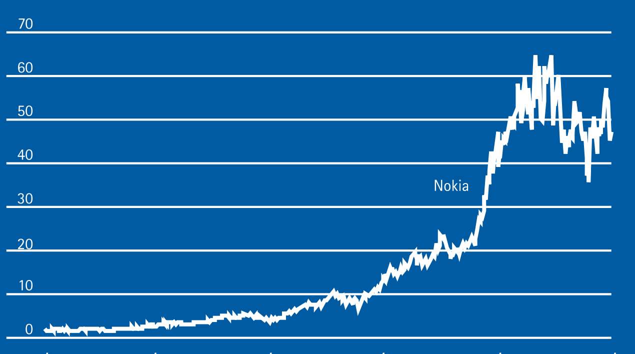
Janus Capital Corporation informed Nokia on December 9, 1999 that its holdings in Nokia shares had exceeded the limit of 5 per cent of the total voting rights and the share capital of Nokia Corporation. Part of the holdings is in the form of ADSs, and part in ordinary shares.

The number of registered shareholders was 94 500 on December 31, 2000. Each account operator (23) is included in this figure as only one registered shareholder.

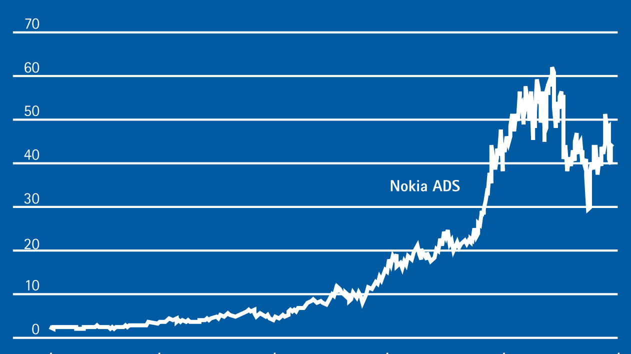
Shares and warrants owned by the members of the Board of Directors and the Group Executive Board

Members of the Board of Directors and the Group Executive Board owned on December 31, 2000 an aggregate of 393 268 shares representing approximately 0.01 per cent of the aggregate number of shares and voting rights, as well as a total of 3 057 000 warrants and stock options representing approximately 5.96 per cent of the total number of warrants and stock options issued. If exercised in full the said warrants and stock options would be exercisable for 15 312 000 shares representing approximately 0.32 per cent of the total number of shares and voting rights on December 31, 2000.

Nokia share price on the Helsinki Exchanges, EUR



Nokia ADS price on the New York Stock Exchange, USD



Breakdown of share ownership, December 31, 2000

By number of shares owned	Number of shareholders [12]	Per cent of shareholders	Total number of shares	Per cent of share capital	Average holding
1 – 100	38 861	41.15	2 208 775	0.05	57
101 – 1 000	35 613	37.71	13 337 251	0.28	375
1 001 – 10 000	15 373	16.28	52 829 755	1.12	3 437
10 001 – 100 000	4 159	4.40	112 902 774	2.40	27 147
100 001 – 500 000	339	0.36	66 304 939	1.41	195 590
500 001 – 1 000 000	30	0.03	21 787 384	0.46	726 246
1 000 001 – 5 000 000	33	0.03	70 189 419	1.50	2 126 952
Over 5 000 000	21	0.02	4 355 309 706	92.75	207 395 700
Total	**94 429 [13]**		**4 694 870 003**	**99.97**	**49 718**
Shares not transferred into the book-entry system[14]			1 342 720	0.03	
Total			**4 696 212 723**	**100.00**	

By shareholder category, per cent	Shares
1. Foreign shareholders	89.47
1.a Directly registered	0.31
1.b Registered in the name of a nominee	89.16
2. Corporations	1.25
3. Households	4.03
4. Financial and insurance institutions	1.49
5. Non-profit organizations	2.35
6. General government	1.41
Total	**100.00**

[12] The account operators (23) are included.

[13] Shareholders holding Nokia shares in a joint ownership (71) calculated as one shareholder.

[14] The shares of Nokia are registered in the Finnish book-entry system. By December 31, 2000 a total number of 99.97 per cent of Nokia shares had been transferred to this system. Nokia shareholders resolved at the Extraordinary General Meeting held on December 13, 1999 to sell the shares that have not been transferred into the book-entry system to the benefit of holders of such shares. The shares were not sold by December 31, 2000.

Continues from page 32

mately 5.1 per cent of the total number of votes on December 31, 2000. During 2000 the exercise of 2 007 989 warrants attached to the bonds resulted in the issue of 32 127 824 new shares and the increase of the share capital of the Parent Company with EUR 1 927 669.44.

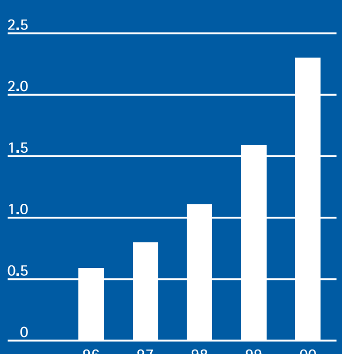
There were no other bonds with warrants or stock options and no convertible bonds outstanding during the year 2000, the exercise of which would result to an increase of the share capital of the Parent Company.

The Nokia Holding Inc. 1999 Stock Option Plan

In 1999 Nokia introduced a complementary stock option plan available for Nokia employees in the U.S. and Canada (The Nokia Holding Inc. 1999 Stock Option Plan). Each stock option granted by December 31, 2000 entitles to purchase of one Nokia ADS during certain periods of time after April 1, 2001 until five years from the date of grant, for a price within the range of USD 20.50 – 54.50 per ADS. On December 31, 2000 a total of 958 300 stock options granted to approximately 700 employees were outstanding under the Plan. An exercise of the stock options under this Plan does not result in increase of the share capital of Nokia Corporation. The maximum number of ADSs that may be issued under the Plan is 2 000 000.

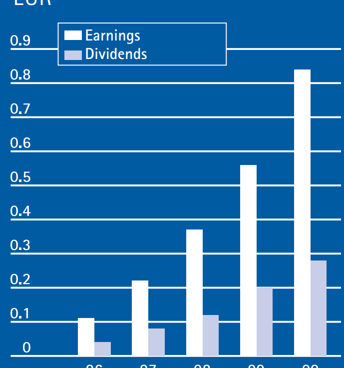
Shareholders' equity per share

EUR



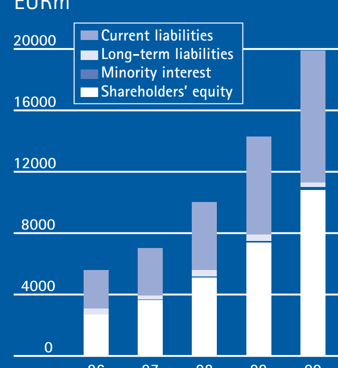
Earnings and dividend per share

EUR



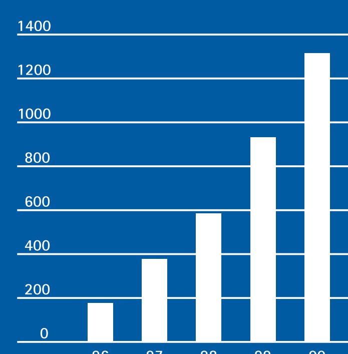
Shareholders' equity and liabilities

EURm



Total dividends

EURm



Nokia 1996–2000, IAS

	2000	1999	1998	1997	1996
Profit and loss account, EURm					
Net sales	**30 376**	19 772	13 326	8 849	6 613
Cost and expenses	**-24 600**	-15 864	-10 837	-7 427	-5 896
Operating profit	**5 776**	3 908	2 489	1 422	717
Share of results of associated companies	**-16**	-5	6	9	6
Financial income and expenses	**102**	-58	-39	-23	-68
Profit before tax and minority interests	**5 862**	3 845	2 456	1 408	655
Tax	**-1 784**	-1 189	-737	-382	-144
Minority interests	**-140**	-79	-39	-17	1
Profit from continuing operations	**3 938**	2 577	1 680	1 009	512
Discontinued operations	**-**	-	-	44	37
Profit from ordinary activities before cumulative effect of change in accounting policies	**3 938**	2 577	1 680	1 053	549
Cumulative prior year effect (after tax) of change in accounting policies	**-**	-	70	-	-
Net profit	**3 938**	2 577	1 750	1 053	549

	2000	1999	1998	1997	1996
Balance sheet items, EURm					
Fixed assets and other non-current assets	**6 388**	3 487	2 220	1 589	1 414
Current assets	**13 502**	10 792	7 814	5 431	4 182
Inventories	**2 263**	1 772	1 292	1 230	1 080
Accounts receivable and prepaid expenses	**7 056**	4 861	3 631	2 141	1 833
Cash and cash equivalents	**4 183**	4 159	2 891	2 060	1 269
Shareholders' equity	**10 808**	7 378	5 109	3 620	2 678
Minority shareholders' interests	**177**	122	63	33	5
Long-term liabilities	**311**	407	409	276	406
Long-term interest-bearing liabilities	**173**	269	257	226	356
Deferred tax liabilities	**69**	80	88	-	-
Other long-term liabilities	**69**	58	64	50	50
Current liabilities	**8 594**	6 372	4 453	3 091	2 507
Short-term borrowings	**1 069**	792	699	506	573
Current portion of long-term loans	**47**	1	61	48	93
Accounts payable	**2 814**	2 202	1 357	818	599
Accrued expenses and provisions	**4 664**	3 377	2 336	1 719	1 242
Total assets	**19 890**	14 279	10 034	7 020	5 596

	2000	1999	1998	1997	1996
Net sales by business group, EURm					
Nokia Networks	**7 714**	5 673	4 390	3 166	2 242
Nokia Mobile Phones	**21 887**	13 182	8 070	4 649	3 629
Nokia Ventures Organization	**854**	415	-	-	-
Discontinued Operations[1]	**-**	580	1 014	1 218	874
Inter-business group eliminations	**-79**	-78	-148	-184	-132
Nokia Group	**30 376**	19 772	13 326	8 849	6 613
Net sales by market area, EURm					
Europe	**15 554**	10 614	7 673	5 212	4 070
of which Finland	**494**	479	465	430	410
Americas	**7 708**	4 909	2 815	1 601	1 065
Asia-Pacific	**7 114**	4 249	2 838	2 036	1 478
Total	**30 376**	19 772	13 326	8 849	6 613
Operating profit/loss, EURm					
Nokia Networks	**1 358**	1 082	960	682	501
Nokia Mobile Phones	**4 879**	3 099	1 540	645	241
Nokia Ventures Organization	**-387**	-175	-	-	-
Common Group Expenses[2]	**-74**	-98	-11	95	-25
Nokia Group	**5 776**	3 908	2 489	1 422	717
Average personnel					
Nokia Networks	**23 508**	22 804	19 280	15 710	12 558
Nokia Mobile Phones	**27 353**	20 975	16 064	12 631	10 927
Nokia Ventures Organization	**2 222**	1 256	-	-	-
Common Group Functions[3]	**5 625**	6 142	5 747	7 149	8 281
Nokia Group	**58 708**	51 177	41 091	35 490	31 766
In Finland	**24 495**	23 155	20 978	19 342	17 999
Outside Finland	**34 213**	28 022	20 113	16 148	13 767

1 "Discontinued Operations" include discontinued and divested operations as follows: Display Products 1996-1999, NKF/Cable Industry until the moment of disposal 1996 and Türkkablo 1996.

2 "Common Group Expenses" include the operating profit/loss of Common Group Functions and discontinued and divested operations as follows: Display Products 1996-1999, NKF/Cable Industry until the moment of disposal 1996 and Türkkablo 1996.

3 "Common Group Functions" include also discontinued and divested operations as follows: Display Products 1996-1999, NKF/Cable Industry until the moment of disposal 1996 and Türkkablo 1996.

Nokia 1996–2000, IAS

Key ratios and economic indicators

	2000	1999	1998	1997	1996
Net sales, EURm	**30 376**	19 772	13 326	8 849	6 613
Change, %	**53.6**	48.4	50.6	33.8	6.8
Exports from Finland, EURm	**13 390**	9 334	7 038	5 408	3 946
Exports and foreign subsidiaries, EURm	**29 882**	19 293	12 861	8 419	6 203
Salaries and social expenses, EURm	**2 888**	2 383	1 958	1 317	899
Operating profit, EURm	**5 776**	3 908	2 489	1 422	717
% of net sales	**19.0**	19.8	18.7	16.1	10.8
Financial income and expenses, EURm	**102**	-58	-39	-23	-68
% of net sales	**0.3**	-0.3	-0.3	-0.3	-1.0
Profit before tax and minority interests, EURm	**5 862**	3 845	2 456	1 408	655
% of net sales	**19.3**	19.4	18.4	15.9	9.9
Profit from continuing operations, EURm	**3 938**	2 577	1 680	1 009	512
% of net sales	**13.0**	13.0	12.6	11.4	7.7
Taxes, EURm	**1 784**	1 189	737	382	144
Dividends, EURm	**1 315** *	931	586	378	176
Capital expenditure, EURm	**1 580**	1 358	761	404	341
% of net sales	**5.2**	6.9	5.7	4.6	5.2
Gross investments**, EURm	**3 095**	1 889	1 072	668	514
% of net sales	**10.2**	9.6	8.0	7.6	7.8
R&D expenditure, EURm	**2 584**	1 755	1 150	767	591
% of net sales	**8.5**	8.9	8.6	8.7	8.9
Average personnel	**58 708**	51 177	41 091	35 490	31 766
Non-interest bearing liabilities, EURm	**7 616**	5 717	3 844	2 586	1 891
Interest bearing liabilities, EURm	**1 289**	1 062	1 017	781	1 022
Return on capital employed, %	**58.0**	55.7	50.2	38.3	22.7
Return on equity, %	**43.3**	41.3	38.5	32.0	20.5
Equity ratio, %	**55.7**	53.3	52.0	52.7	48.4
Net debt to equity, %	**-26**	-41	-36	-35	-9

* Board's proposal

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

Calculation of key ratios, see page 39.

Calculation of key ratios

Key ratios under IAS

Operating profit
Profit after depreciation

Shareholders' equity
Share capital + reserves

Earnings per share

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

P/E ratio

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

Dividend per share

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

Payout ratio

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

Dividend yield, %

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

Shareholders' equity per share

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

Market capitalization
Number of shares x share price per share class

Adjusted average share price

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

Share turnover, %

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

Return on capital employed, %

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

Return on shareholders' equity, %

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

Equity ratio, %

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

Net debt to equity (gearing), %

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

Year-end currency rates 2000			Average rates 2000
	1 EUR =		1 EUR =
USD	0.890	USD	0.921
GBP	0.607	GBP	0.608
SEK	8.698	SEK	8.450
JPY	99.960	JPY	99.065

Proposal by the Board of Directors to the Annual General Meeting

The distributable earnings in the balance sheet of the Group amount to EUR 8 597 million and those of the Company to EUR 4 856 million.

The Board proposes that from the funds at the disposal of the Annual General Meeting, a dividend of EUR 0.28 per share is to be paid out on a total of 4 696 212 723 shares, amounting to EUR 1 315 million.

Espoo, January 30, 2001

Jorma Ollila
Chairman and CEO

Paul J. Collins

Georg Ehrnrooth

Bengt Holmström

Jouko K. Leskinen

Robert F.W. van Oordt

Vesa Vainio

Iiro Viinanen

Pekka Ala-Pietilä
President

Auditors' report

To the shareholders of Nokia Corporation

We have audited the accounting records, the financial statements and the administration of Nokia Corporation for the year ended December 31, 2000. The financial statements prepared by the Board of Directors and the President include the report of the Board of Directors, consolidated financial statements prepared in accordance with International Accounting Standards (IAS), and parent company financial statements prepared in accordance with prevailing regulations in Finland (FAS). Based on our audit we express an opinion on the consolidated financial statements and on the parent company's financial statements and administration.

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

Consolidated financial statements

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

Parent company's financial statements and administration

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

Espoo January 30, 2001

Pricewaterhouse Coopers Oy
Authorized Public Accountants

Lars Blomquist
Authorized Public Accountant

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:

	2000 EURm	1999 EURm
Reconciliation of net income		
Net income reported under IAS	3 938	2 577
U.S. GAAP adjustments:		
Pension expense	-13	9
Development costs	-65	-47
Marketable securities	-10	-15
Sale-leaseback transaction	-	4
Provision for social security cost on stock options	34	-
Stock compensation expense	-46	-
Deferred tax effect of U.S. GAAP adjustments	9	14
Net income under U.S. GAAP	3 847	2 542

	2000 EURm	1999 EURm
Reconciliation of shareholders' equity		
Total shareholders' equity reported under IAS	10 808	7 378
U.S. GAAP adjustments:		
Pension expense	41	54
Development costs	-251	-186
Marketable securities	58	142
Provision for social security cost on stock options	257	-
Deferred compensation	-24	-
Shares under option	70	-
Stock compensation expense	-46	-
Deferred tax effect of U.S. GAAP adjustments	-42	-4
Total shareholders' equity under U.S. GAAP	10 871	7 384

Pension expense

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

Development costs

Development costs have been capitalized under IAS after the product involved has reached a certain degree of technical feasibility. Capitalization ceases and depreciation begins when the product becomes available to customers. The depreciation period of these capitalized assets is between two and five years.

Under U.S. GAAP software development costs would similarly be capitalized after the product has reached a certain degree of technical feasibility. However, certain non-software related development costs capitalized under IAS would not be capitalizable under U.S. GAAP and therefore would have been expensed.

Marketable securities

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

Sale-leaseback transaction

Under IAS, the Group recorded a gain from a transaction involving the sale of property and equipment and has recorded rental expense associated with the subsequent leaseback of such property and equipment.

Under U.S. GAAP, the sale-leaseback transaction would be treated as a financing. Accordingly, the gain would be reversed and the proceeds from the sale treated as an obligation. Rental payments would be applied to interest expense on the obligation as well as to reducing the principal amount of the obligation.

Provision for social security cost on stock options

Under IAS the Group provides for social security costs on stock options on the date of grant, based on intrinsic value. The provision is adjusted for movements in the Nokia share price.

Under U.S. GAAP no expense is recorded until the options are exercised.

Stock compensation

Under IAS, no compensation expense is recorded on stock options granted. Under U.S. GAAP, the Group follows the methodology in APB 25 to measure employee stock compensation. For the year ended December 31, 2000, certain employees were granted stock options with an exercise price less than the quoted market value of the underlying stock on the date of grant. This intrinsic value is recorded as deferred compensation within shareholders' equity and recognized in the profit and loss account over the vesting period of the stock options.

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