

August 4, 1997

Record Quarter Enhances Nokia's Position in Digital Technologies

Nokia today reports a record quarter both in sales and profits for the three months ended June 30, 1997. Continued global investment in digital communication technologies has led to an increase in sales by 46% to FIM 13 061 million and in operating profit by more than one billion markka to FIM 1 908 million in the second quarter of 1997 compared to the same period in 1996.

Commenting on the results, Nokia President and CEO Jorma Ollila stated, "Our growth and profits during the second quarter give solid confirmation of our customer dedication, digital technology choices, successful product development and operations, as well as the excellent work of our personnel."

"For the first half of the year, especially significant is the growth of Nokia4s digital mobile phone sales by 94%. Also noteworthy is the growth in the order inflow in our infrastructure business which clearly surpassed market growth."

Million FIM	2Q/97	2Q/96	1H/97	1H/96	1996
Net sales	13 061	8 948	24 392	16 879	39 321
Operating profit	1 908	825	3 370	1 337	4 266
Operating profit, %	14.6%	9.2%	13.8%	7.9%	10.8%
Profit before tax and minority interests	1 879	728	3 331	1 127	3 898
Net profit	1 332	518	2 405	842	3 263
Earnings per share (FIM)	4.70	1.83	8.49	2.97	10.73

Interim Report January-June 1997

Second Quarter Results

Nokia4s net sales for the April-June period 1997 totaled FIM 13 061 million (FIM 8 948 million in 1996). Net sales increased by 46% compared to the second quarter of 1996. Strong growth continued in Nokia Telecommunications (35%), in Nokia Mobile Phones (49%) and in Other Operations (71%).

Operating profit (IAS, International Accounting Standards) for the second quarter was 14.6% of net sales, an increase of FIM 1 083 million to FIM 1 908 million (FIM 825 million in 1996). The increase is mainly attributable to continued significant improvement in the operating profit of Nokia Mobile Phones compared to the weak performance in the corresponding period of 1996. Nokia Telecommunications and Other Operations also reported higher profits than in the comparable period in 1996.

The Group4s net interest and financial expense for the three months ended June 30, 1997 was FIM 55 million (FIM 116 million in 1996). Profit before tax and minority interests totaled FIM 1 879 million (FIM 728 million in 1996). The Group4s net profit for the quarter totaled FIM 1 332 million (FIM 518 million).

First Half Year Results

Nokia4s net sales for the six months ended June 30, 1997 totaled FIM 24 392 million (FIM 16 879 million in 1996). Net sales increased by 45%. Net sales in Nokia Telecommunications grew by 35%, in Nokia Mobile Phones by 53% and in Other Operations by 34%.

Operating profit (IAS) for the period increased to FIM 3 370 million (1 337 million in 1996), representing 13.8% of net sales (7.9% in 1996).

Nokia4s net interest and financial expense in the first half of 1997 was FIM 65 million (FIM 229 million in 1996). Profit before tax and minority interests totaled FIM 3 331 million (FIM 1 127 million in 1996), and net profit for the period was FIM 2 405 million (FIM 842 million in 1996).

The net debt to equity ratio (gearing) at June 30, 1997 was -20% (-9% at the end of 1996). Capital expenditure for the six months period amounted to FIM 1 084 million (FIM 961 million).

The average number of personnel for the first six months in 1997 was 33 900 (31 812 in 1996.)

Building Competitiveness

As part of Nokia's focus on maintaining its leadership position in wireless communication technology Nokia announced its support of the new WCDMA (Wideband Code Division Multiple Access) as a solution for 3rd generation radio access. Nokia also supports the joint efforts by Asian and European authorities in the standardization of 3rd generation technology.

Reflecting the rapidly growing importance of IP-based communications solutions, Nokia is developing advanced IP switching nodes for IP/ATM (Internet Protocol/Asynchronous Transfer Mode) networks with Ipsilon, a U.S. company. This technology focuses on traffic and cost optimization in future broadband services networks.

With value-added information services gaining significance in digital networks, Nokia introduced its Smart Messaging concept, a new technology enabling direct access to Internet-based services from standard GSM phones. Nokia is working with other industry representatives in defining a common Wireless Application Protocol that incorporates Nokia's Smart Messaging to consolidate wireless data technologies to give the industry common tools and platforms.

To further increase technological interaction with the fast expanding markets in Asia, Nokia Research Center established research co-operation with the Beijing University of Post and Telecommunications (BUPT) in China and the Indian Institute of Science (IISC) in India.

Business Groups

Nokia Telecommunications

Nokia Telecommunications' net sales for the second quarter totaled FIM 4 354 million, representing growth of 35% over the corresponding period in 1996 (FIM 3 225 million). The group's order inflow developed very favorably. Growth was strong in both cellular and fixed network systems.

Nokia signed major GSM 1800 agreements with new operators, further strengthening its position as the world's leading supplier of GSM 1800 systems. Nokia has supplied over half of the GSM 1800 networks currently in commercial use. In Europe, Nokia signed agreements to supply networks for Telia in Finland, a subsidiary of the Swedish Telia, Mobilix in Denmark, a subsidiary of France Telecom, and Cosmote in Greece, a joint venture between the Greek PTT, OTE and the Norwegian PTT, Telenor. In China, Nokia signed an agreement for the delivery of a GSM 1800 test network to Beijing.

With the number of GSM 900 subscribers increasing rapidly in the Asia-Pacific region, operators are making substantial investments to build capacity. Nokia signed GSM network expansion agreements in China with Yunnan Telecom and Shanghai Unicom. Nokia is also expanding MobileOne's GSM network in Singapore and BellSouth's network in New Zealand. Nokia also signed an agreement for significant GSM and NMT network expansions in Thailand with Advanced Information Systems (AIS). Under the agreement, Nokia will now also supply the mobile switches for AIS's GSM network.

GSM network roll-outs continued in the United States. Nokia supplied networks were launched for commercial use in several cities, including Houston, Texas; Kansas City, Kansas; Minneapolis, Minnesota and Tampa, Florida. Additionally, Wireless Alliance placed an order with Nokia for base station systems.

Nokia continued to gain new customers for its SDH (Synchronous Digital Hierarchy) transmission system technology. At June 30, 1997 Nokia had a total of 61 SDH customers in 18 countries. During the second quarter, Total Access Communications (TAC) in Thailand ordered Nokia's SDH technology for its network expansion.

Nokia Mobile Phones

Nokia Mobile Phones' net sales for the second quarter of 1997 totaled FIM 7 316 million (FIM 4 910 million in 1996). This represents an increase of 49% compared to the 1996 second quarter. Demand for cellular phones continued to grow in all major markets globally, with digital technologies accounting for an increasing share of sale volumes.

Following the launch of digital networks in the United States, Nokia entered into several agreements for the supply of digital handsets, including the Nokia 2190es. These phones incorporate Nokia's own leading-edge technology, the Enhanced Full Rate (EFR) voice codec, which is now the industry standard for GSM 1900. The initial shipments of Nokia's first CDMA phone for IS-95 are scheduled for August.

During the second quarter, Nokia successfully launched its new GSM mobile phone, the Nokia 3110 with the unique Navi Key (TM). In Asia, Nokia launched the Nokia 3810, a GSM mobile phone with Asian language capabilities.

Nokia Wireless Payphone, the first integrated cellular payphone in the market, is now available for GSM 900/1800/1900, NMT 450 and AMPS networks. In June, Nokia and SingTel introduced a joint initiative to launch integrated GSM wireless payphones in Singapore. Nokia's wireless payphones are now used in over 30 countries globally.

In May, Nokia announced a cooperation agreement with Gradiante Electronica S/A, a leading Brazilian electronics company, to establish a joint venture to manufacture mobile phones for the Brazilian and other markets.

Other Operations

In the second quarter of 1997, net sales in Other Operations grew by 71% to FIM 1 675 million (FIM 979 million in 1996). Growth was strong in both Nokia Multimedia Network Terminals and Nokia Industrial Electronics.

Demand for digital satellite TV decoders grew in the European market during the second quarter. Nokia introduced new multimedia terminal product concepts, including access to the World Wide Web, and the first digital satellite receiver with an open standard for conditional access systems in Scandinavia. In May, Nokia signed an agreement to supply common interface technology-based terminals to the Spanish digital satellite operator Via Digital.

In Nokia Industrial Electronics, strong growth for monitors was driven by new product introductions of multimedia monitors as well as a reorganization of U.S. distribution channels. Growth in the mobile phone market had a positive impact on sales of battery chargers.

Statement by Mr. Jorma Ollila, President and CEO

The 1997 second quarter was another strong quarter for Nokia. Our results showed continued growth and profitability with overall growth in sales by 46% and operating margins at 14.6%. All of our businesses recorded strong results which strengthened our market position.

It gives me great pleasure to note that cash flow from operations for the first half of the year was positive at FIM 4.2 billion. Our strong financial position will allow us to continue to exploit emerging opportunities in an environment characterized by rapid technological developments and changing market conditions.

With the aim to build our competitiveness in both our infrastructure and terminal businesses, we are continuously contributing to these developments. We are an active partner in the standardization work underway for the future 3rd generation and broadband technology. Together with our own initiatives, we have also signed agreements for standardization collaboration with various industry participants.

We are very satisfied with the growth in the order inflow in our infrastructure business for the first half of 1997 which clearly surpassed market growth. We signed major network agreements further consolidating our position as the world's number one GSM 1800 supplier. Nokia has supplied the majority of all GSM 1800 networks currently in use. At the same time, our success in fixed networks as well as expansion to integrated services have further increased Nokia's recognition as a total telecoms infrastructure supplier.

The success of our product range and brand building efforts led to strong demand for our mobile phones in all major markets. Sales of our digital handsets grew by 94% in the first half of 1997 compared to the same period a year ago, solidifying our leading market position. We believe that our CDMA phone, with deliveries now starting in the United States, will continue to enhance our leadership in digital mobile phones. At the same time, we continue to invest in existing analog systems which show market opportunities.

We have every reason to be pleased with our performance for the second quarter of the year. The results meet our performance targets and give us reason to maintain our previously stated positive outlook for strong growth and good profitability for the whole year. But as always, actual performance will also depend on a variety of external factors, including general economic and industry conditions.

Consolidated Profit and Loss Account, IAS
(unaudited)

	4-6/97 MFIM	4-6/96 MFIM	1-6/97 MFIM	1-6/96 MFIM	1-12/96 MFIM
Net Sales	13 061	8 948	24 392	16 879	39 321
Cost of goods sold	-8 657	-6 592	-16 405	-12 461	-28 029
Research and development expenses	-1 066	-839	-2 044	-1 625	-3 514
Selling, general and administrative expenses	-1 430	-692	-2 573	-1 456	-3 512
Operating profit	1 908	825	3 370	1 337	4 266
Share of results of associated companies	26	19	26	19	37
Financial income and expenses	-55	-116	-65	-229	-405
Profit before tax and minority interests	1 879	728	3 331	1 127	3 898
Tax	-526	-204	-933	-287	-856
Minority interests	-21	-6	7	2	2
Profit from continuing operations	1 332	518	2 405	842	3 044
Discontinued operations	-	-	-	-	219
Net profit	1 332	518	2 405	842	3 263
Earnings per share (FIM):					
Continuing operations	4.70	1.83	8.49	2.97	10.73
Depreciation	590	481	1 146	979	2 236

Currency rate June 30, 1997, 1 FIM = 0.194 USD

Net Sales by Business Group, MFIM

	4-6/97	4-6/96	1-6/97	1-6/96	1-12/96
Nokia Telecommunications	4 354	3 225	6 002	13 333	
Nokia Mobile Phones	7 316	4 910	13 467	8 799	21 579
Other Operations *	1 675	979	3 307	2 477	5 197
Inter-business group eliminations	-284	-166	-470	-399	-788
Nokia Group	13 061	8 948	24 392	16 879	39 321
* of which Discontinued and Divested Operations	-	38	-	467	589

Currency rate June 30, 1997, 1 FIM = 0.194 USD

Consolidated Balance Sheet, IAS
(unaudited)

	30.6.1997 MFIM	30.6.1996 MFIM	31.12.1996 MFIM
Assets			
Fixed assets and other non-current assets	8 890	8 125	8 409
Current assets			
Inventories	7 535	8 920	6 423
Accounts receivable	11 956	9 340	10 898
Cash and cash equivalents	8 012	3 928	7 545
	27 503	22 188	24 866
Total assets	36 393	30 313	33 275
Shareholders' Equity and Liabilities			
Shareholders' equity	17 410	13 598	15 925
Minority shareholders' interests	81	29	29
Long-term liabilities	1 996	2 128	2 414
Current liabilities	16 906	14 558	14 907
Total shareholders' equity and liabilities	36 393	30 313	33 275
Shareholders' equity per share (FIM)	61.46	48.00	56.24

Currency rate June 30, 1997, 1 FIM = 0.194 USD

Contingent Liabilities (unaudited)

Nokia Group			
	30.6.1997 MFIM	30.6.1996 MFIM	31.12.1996 MFIM
Pension fund liability			
Liability of pension funds	1	1	2
Liability for bills of exchange	16	25	1
Mortgages			
As security for loans			
For own debts	67	237	254
As security for other commitments			
For own commitments	13	114	37
Assets pledged			
As security for own debts	91	52	62
Guarantees			
Guarantees for loans			
As security for loans of associated companies	6	252	6
As security for loans of other companies	201	48	82
Other guarantees and commitments			
As security for own commitments	1 189	973	991
Leasing obligations	1 312	1 345	1 181

Notional Amounts of Derivative Financial Instruments¹⁾

	30.6.1997 MFIM	30.6.1996 MFIM	31.12.1996 MFIM
Foreign exchange forward contracts ^{2), 3)}	48 590	33 551	30 714
Currency options bought	7 373	5 316	5 796
Currency options sold	8 978	4 624	5 827
Interest rate forward and futures contracts ²⁾	11 200	27 309	25 519
Interest rate swaps	1 123	895	1 645
Interest rate options bought	986	970	1 139
Interest rate options sold	342	1 314	342

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⁾ Notional amount includes contracts used to hedge the net investments in foreign subsidiaries.

Currency rate June 30, 1997, 1 FIM = 0.194 USD

It should be noted that certain statements herein which are not historical facts, including, without limitation those regarding the timing of product introduction, and expectations for growth and profitability, are forward looking statements. Because such statements involve risks and uncertainties, actual results may differ materially from the results currently expected by the Company. Factors that could cause such differences include, but are not limited to general economic conditions, such as the rate of economic growth in the Company's principal geographic markets or fluctuations in exchange rates; industry conditions, such as the strength of product demand, the intensity of competition, pricing pressures, the acceptability of new product introductions, the introduction of new products by competitors, changes in technology or the ability of the Company to source components from third parties without interruption and at reasonable prices and the financial condition of the Company's customers; operating factors, such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development or inventory risks due to shifts in market demand, as well as the risk factors specified in the Company's Form 20-F for the year ended December 31, 1996.

Exception nr. 1448, granted by the Accounting Board (KILA), February 10, 1997.

Helsinki August 4, 1997

NOKIA

BOARD OF DIRECTORS

For more information:

Mr Lauri Kivinen, Senior Vice President, Corporate Communications, tel. +358 9 1807 495

Nokia will publish its January-September results on October 30, 1997.