

October 30, 1997

Strong Profitability Marks Nokia's Third Quarter

Nokia today reports its third quarter results showing strong profitability and continued sales growth. Compared to the same period in 1996, Nokia's July-September net sales grew by 27% to FIM 12 363 million. At the same time, operating profit grew by 89% to FIM 2 254 million.

Commenting on the results, Nokia President and CEO Jorma Ollila stated, "We are extremely pleased to have achieved another record quarter with excellent profitability and continued growth. Our industry-first solutions bringing added value to our customers have firmly established our reputation as an innovative leader and we intend to continue to build upon this position."

"We will continue to invest in product development and manufacturing capacity in response to growing customer demand. For the first nine months, our infrastructure order inflow was 67% higher than a year ago. We will also introduce a number of new, leading-edge digital terminals within the next two weeks."

Million FIM	3Q/97	3Q/96	1-9/97	1-9/96	1996
Net sales	12 363	9 773	36 755	26 652	39 321
Operating profit	2 254	1 192	5 624	2 529	4 266
Operating profit, %	18.2	12.2	15.3	9.5	10.8
Profit before tax and minority interests	2 205	1 101	5 536	2 228	3 898
Net profit	1 836	776	4 241	1 618	3 263
Earnings per share (FIM) from continuing operations	5.56	2.74	14.05	5.70	10.73

Interim Report January-September 1997

Third Quarter Results

Nokia's net sales for the July-September period 1997 totaled FIM 12 363 million (FIM 9 773 million in 1996). Net sales increased by 27% compared to the third quarter of 1996. Growth continued in Nokia Telecommunications at 40%, in Nokia Mobile Phones at 18% and in Other Operations at 41% compared to the third quarter in 1996.

Operating profit (IAS, International Accounting Standards) for the third quarter was FIM 2 254 million (FIM 1 192 million in 1996), 18.2% of net sales (12.2% in 1996), reflecting the continued improvement in the operating profit of all business groups.

Nokia's net interest and financial expenses for the July-September period were FIM 56 million (FIM 123 million in 1996). Profit before tax and minority interests totaled FIM 2 205 million (FIM 1 101 million in 1996). Profit from continuing operations was FIM 1 575 million (FIM 776 million in 1996).

Nokia completed the exit from the TV business, reporting a FIM 261 million positive release in discontinued operations against the provisional charge taken in the 1995 accounts for the estimated costs of the discontinuation.

The Group's net profit for the July-September period totaled FIM 1 836 million (FIM 776 million in 1996).

First Nine Months Results

Nokia's net sales grew by 38% during the first nine months of 1997 and totaled FIM 36 755 million (FIM 26 652 million in 1996). Net sales in Nokia Telecommunications grew by 36%, in Nokia Mobile Phones by 39% and in Other Operations by 36%.

Operating profit (IAS) for the period increased to FIM 5 624 million (FIM 2 529 million in 1996), representing 15.3% of net sales (9.5% in 1996).

Net interest and financial expenses for the first nine months of 1997 totaled FIM 121 million (FIM 352 million in 1996).

Profit before tax and minority interests in the January-September period totaled FIM 5 536 million (FIM 2 228 million in 1996). Profit from continuing operations was FIM 3 980 million (FIM 1 618 million in 1996). The Group's net profit was FIM 4 241 million (FIM 1 618 million in 1996).

The net debt to equity ratio (gearing) at September 30, 1997 was -31% (-9% at the end of 1996). Capital expenditure for the first nine months in 1997 amounted to FIM 1 769 million (FIM 1 469 million in 1996).

The average number of personnel during the first nine months was 34 885 (31 795 in 1996).

In September, Nokia signed a USD 350 million Multicurrency Revolving Credit and a USD Swing Line Facilities Agreement with an international bank syndicate, replacing the revolving credit facility signed in 1995.

Nokia Telecommunications

Nokia Telecommunications' net sales for the July-September period totaled FIM 4 370 million (FIM 3 132 million in 1996). This represents an increase of 40% compared to the 1996 third quarter. The group's order inflow throughout the third quarter was very favorable.

Nokia signed significant GSM 1800 network agreements with several new operators. In August, Nokia became the main supplier of base stations for the German Viag Interkom/E2 network. Valued at about FIM one billion, this agreement strengthens Nokia's position as Europe's leading supplier of GSM base stations. In September, Nokia announced exclusive agreements for the supply of systems to Connect Austria and the Thai Digital Phone Company. The total value of these two orders is in excess of FIM 2 billion. Additionally, Nokia signed an agreement with Poland's Centertel on the delivery of a GSM 1800 network. Nokia is also expanding the GSM 1800 networks of its existing customers, including Orange in the UK and Bouygues in France.

GSM 900 network operators in Europe and the Far East are continuing to expand their networks. As a result, Nokia signed major network expansion agreements with new customers, including Telkomsel of Indonesia, Mobilkom Austria and Telsim of Turkey. In addition, Nokia signed GSM network expansion agreements with Italy's Omnitel, UK's Cellnet, the Philippines' Globe Telecom, Australia's Optus and New Zealand's Bell South. The combined value of these agreements was well over FIM 4 billion. In its biggest order received to date in China, Nokia signed an agreement valued at FIM 1.6 billion for the expansion of the Fujian PTA4s network to be delivered jointly by Nokia and its joint venture Beijing Nokia Mobile Telecommunications Ltd Co.

Nokia is investing in the further development of GSM technology to offer cost-effective solutions for building both network coverage and capacity. In September, Nokia introduced its dual band base station, which allows GSM 900/1800 operators to quickly and efficiently create added capacity for their networks. Nokia also introduced the Nokia Booster Site that can triple a GSM base station's output power, thus making it substantially more economical to build coverage in sparsely populated areas.

To meet the increased demand for its GSM networks, Nokia is expanding base station manufacturing capacity worldwide.

Nokia's successful marketing efforts for the new digital TETRA (Terrestrial Trunked Radio) professional mobile radio networks have resulted in deliveries with the Dutch police authority and Oslo Energi for the implementation of a Nokia supplied TETRA system.

In the fixed network sector, market deregulation has created new opportunities for Nokia, particularly in access networks. Sales of SDH (Synchronous Digital Hierarchy) solutions have increased, and Nokia now has 64 SDH customers in approximately 20 countries. Volume deliveries of the STM 16 (Synchronous Transfer Mode) product, launched last spring, are expected to begin at the end of the year.

Along with market liberalization, an increasing number of GSM operators are now investing in fixed network exchanges for transit switching purposes and to provide international gateways. Through October 1997, Nokia Telecommunications had signed agreements with 11 new customers for fixed switching.

Nokia Mobile Phones

Nokia Mobile Phones' net sales for the July-September period 1997 totaled FIM 6 671 million (FIM 5 641 million in 1996). This represents an increase of 18% compared to the third quarter 1996. The percentage increase in growth in net sales compared to the 1996 third quarter was lower primarily as a result of a decrease in the number of units sold in Japan, a shift in product mix in advance of the introduction of new products and somewhat slower than anticipated development in some South East Asian markets.

During the third quarter, Nokia began deliveries of the Nokia 2180, the company's first digital CDMA (Code Division Multiple Access) phone. Reflecting Nokia's strong technology know-how, the dual-mode 800 MHz phone is based on Nokia's own chip set.

Nokia introduced several new digital products during the July-September period. The Nokia 2160i, an enhanced TDMA IS-136 (Time Division Multiple Access) phone including the Nokia co-developed Enhanced Full Rate voice codec, became available in October. Additionally, Nokia introduced the Nokia 9000i Communicator, the all-in-one communications product for the North American GSM 1900 markets. For the GSM market, Nokia also introduced the Nokia 6081 car phone with full mobile data communication capabilities designed to meet demanding user needs.

For the analog mobile phone markets, Nokia unveiled a new AMPS (Advanced Mobile Phone Service) handset, the Nokia 252 design phone in the USA. Sporting a stylish, contoured shape, the Nokia 252 features a range of high-gloss and brushed metallic finishes. For the analog NMT 450 standard, Nokia launched the Nokia 550, the smallest and lightest NMT 450 phone on the market. The handset has extended operating times and a range of new features.

Nokia's work with other industry partners in defining a common Wireless Application Protocol (WAP) has proceeded as planned. When implemented into digital networks, WAP will provide a tool for Internet access from standard mobile phones. The Nokia 8110i is the first handset optimized to support the new Internet-based services.

Other Operations

In the third quarter of 1997, net sales in Other Operations grew by 41% to FIM 1 630 million (FIM 1 152 million in 1996). Growth was strong in both Nokia Multimedia Network Terminals and Nokia Industrial Electronics divisions.

Nokia Multimedia Network Terminals

The market for digital satellite and cable-TV terminals based on the DVB (Digital Video Broadcasting) standard continued to grow during the third quarter of the year, resulting in increased sales of Nokia's multimedia terminals. To meet growing demand in existing markets, including Germany and Spain, as well as other emerging new markets, Nokia signed a manufacturing cooperation agreement with SCI Systems Inc. in September.

At the IFA fair in Berlin and the Telecom Interactive exhibition in Geneva, Nokia introduced its interactive multimedia terminal concept for broadband cable services and the first DVB terrestrial terminal solution.

Nokia Industrial Electronics

Sales of Nokia monitors continued to grow, with the sales growth of professional user group displays surpassing market growth. Nokia Display Products introduced a new line of professional monitor products with high quality picture and excellent ergonomic features.

To meet growing demand, Nokia expanded production of its fast chargers for cellular phones. In August, Nokia also began fast charger contract manufacturing in Doumen, China for the Asian market.

In October, Nokia signed a letter of intent to sell its audioelectronics business to the US-based Harman International Industries.

Statement by Mr. Jorma Ollila, President and CEO

We are extremely pleased to have achieved another record quarter with excellent profitability and continued growth. Our financial position continued to be strong with cash flow from operations positive at FIM 7.4 billion for the first nine months of the year.

We are pleased with the high growth as well as continued excellent level of profitability within Nokia Telecommunications. In Europe, Nokia has now established itself as the market leader in GSM base stations. In GSM systems, our global market share exceeds 25%. We are also the undisputed leader in GSM 1800 systems.

Our infrastructure business order inflow has been very strong in 1997. For the first nine months the order inflow was 67% higher than a year ago. We will continue to invest in product development and manufacturing capacity in response to growing customer demand.

In Nokia Mobile Phones, we clearly exceeded our profitability target. Enhanced capacity utilization and productivity, as well as somewhat slower than expected price erosion, had a positive impact. In the year-over-year perspective, sales growth was affected by a number of factors, including an unfavorable comparison to a very strong third quarter in 1996.

The excellent profitability of the handset business reflects the overall strength of our global R&D and operations. This gives us a solid base for our market position in 1998. We will continue to launch new products and will introduce a number of new, leading-edge GSM terminals within the next two weeks. We have also acted decisively to strengthen our market position in Japan. Next week we will launch a new product for this fast growing market.

Sales in our biggest mobile phone markets, including China, the Americas and Europe, have met or exceeded our expectations, while some South East Asian markets developed somewhat slower than anticipated.

Our industry-first solutions bringing added value to our customers have firmly established our reputation as an innovative leader and we intend to continue to build upon this position. We believe that we are well placed to take advantage of emerging business opportunities toward the year 2000 and beyond. With fast growing mobile phone penetration, we anticipate increased demand for new networks as well as expansions of existing ones. We also see increasing importance of value-added services to our customers as they seek to differentiate. Our achievements to date, competence and ability to offer innovative solutions give us a firm basis to exploit these opportunities and to continue to solidify our global position.

In preparation for the third generation, we are confident that the advanced WCDMA (Wideband Code Division Multiple Access) radio technology built on an evolved core GSM network is an optimal solution for enhanced wireless services. We have expanded our global R&D activities by establishing a research and development center in the Yokosuka Research Park near Tokyo, Japan. One of the responsibilities of the new unit is to support our participation in the development and standardization of the future third generation cellular technology. The center will also increase our cooperation with local universities and research institutes.

Looking to the whole year, we renew our previously stated positive outlook for strong growth and good profitability. However, our actual results will always depend not only on our performance but also on a variety of external factors, including general economic and industry conditions.

Consolidated Profit and Loss Account, IAS
(unaudited)

	7-9/97 MFIM	7-9/96 MFIM	1-9/97 MFIM	1-9/96 MFIM	1-12/96 MFIM
Net Sales	12 363	9 773	36 755	26 652	39 321
Cost of goods sold	-7 872	-6 891	-24 277	-19 352	-28 029
Research and development expenses	-987	-828	-3 031	-2 453	-3 514
Selling, general and administrative expenses	-1 250	-862	-3 823	-2 318	-3 512
Operating profit	2 254	1 192	5 624	2 529	4 266
Share of results of associated companies	7	32	33	51	37
Financial income and expenses	-56	-123	-121	-352	-405
Profit before tax and minority interests	2 205	1 101	5 536	2 228	3 898
Tax	-617	-308	-1 550	-595	-856
Minority interests	-13	-17	-6	-15	2
Profit from continuing operations	1 575	776	3 980	1 618	3 044
Discontinued operations	261	-	261	-	219
Net profit	1 836	776	4 241	1 618	3 263
Earnings per share (FIM):					
Continuing operations	5.56	2.74	14.05	5.70	10.73
Depreciation	608	523	1 754	1 502	2 236

Currency rate September 30, 1997, 1 FIM = 0.187 USD

Net Sales by Business Group, MFIM

	7-9/97	7-9/96	1-9/97	1-9/96	1-12/96
Nokia Telecommunications	4 370	3 132	12 458	9 134	13 333
Nokia Mobile Phones	6 671	5 641	20 138	14 440	21 579
Other Operations *	1 630	1 152	4 937	3 629	5 197
Inter-business group eliminations	-308	-152	-778	-551	-788
Nokia Group	12 363	9 773	36 755	26 652	39 321
* of which Discontinued and Divested Operations	-	45	-	512	589

Currency rate September 30, 1997, 1 FIM = 0.187 USD

Consolidated Balance Sheet, IAS
(unaudited)

	30.9.1997 MFIM	30.9.1996 MFIM	31.12.1996 MFIM
Assets			
Fixed assets and other non-current assets	9 078	8 168	8 409
Current assets			
Inventories	8 024	7 752	6 423
Accounts receivable	11 038	10 214	10 898
Cash and cash equivalents	9 927	4 893	7 545
	28 989	22 859	24 866
Total assets	38 067	31 027	33 275
Shareholders' Equity and Liabilities			
Shareholders' equity	19 298	14 292	15 925
Minority shareholders' interests	98	45	29
Long-term liabilities	1 664	2 327	2 414
Current liabilities	17 007	14 363	14 907
Total shareholders' equity and liabilities	38 067	31 027	33 275
Shareholders' equity per share (FIM)	68.13	50.45	56.24
Interest bearing liabilities	3 965	6 380	6 076

Currency rate September 30, 1997, 1 FIM = 0.187 USD

Contingent Liabilities
(unaudited)

	Nokia Group		
	30.9.1997 MFIM	30.9.1996 MFIM	31.12.1996 MFIM
Pension fund liability			
Liability of pension funds	2	2	2
Liability for bills of exchange	3	5	1
Mortgages			
As security for loans			
For own debts	67	228	254
As security for other commitments			
For own commitments	13	26	37
Assets pledged			
As security for own debts	108	80	62
Guarantees			
Guarantees for loans			
As security for loans of associated companies	6	152	6
As security for loans of other companies	267	49	82
Other guarantees and commitments			
As security for own commitments	1 105	927	991
Leasing obligations	1 518	1 259	1 181

Currency rate September 30, 1997, 1 FIM = 0.187 USD

Notional Amounts of Derivative Financial Instruments¹⁾

	30.9.1997 MFIM	30.9.1996 MFIM	31.12.1996 MFIM
Foreign exchange forward contracts ^{2), 3)}	53 089	31 237	30 714
Currency options bought	10 529	6 596	5 796
Currency options sold	10 269	5 699	5 827
Interest rate forward and futures contracts ²⁾	17 237	24 412	25 519
Interest rate swaps	735	1 362	1 645
Interest rate options bought	508	1 283	1 139
Interest rate options sold	134	1 253	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 September 30, 1997, 1 FIM = 0.187 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 October 30, 1997

NOKIA

BOARD OF DIRECTORS

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