Nokia Interim Report

January – March 1998

NOKIA

CONNECTING PEOPLE

Interim Report, January – March 1998

Nokia´s net sales in the first quarter 1998 totaled FIM 14 870 million (FIM 11 331 million in 1997). Net sales increased by 31% compared to the first quarter 1997. Strong growth in net sales continued both at Nokia Telecommunications (42% over the first quarter 1997) and at Nokia Mobile Phones (29% over the first quarter 1997). Net sales in Other Operations increased by 14% in the first quarter 1998 compared to the same period in 1997.

Operating profit (IAS, International Accounting Standards) increased by 58% compared to the first quarter 1997 and was FIM 2 315 million (FIM 1 462 million in 1997). With continued sales growth, all business groups reported higher profits than in the comparable period a year ago.

Net interest and financial expense in the first quarter 1998 was FIM 21 million (FIM 10 million in 1997). Profit before taxes and minority interests totaled FIM 2 302 million (FIM 1 452 million in 1997). Profit from continuing operations for the period totaled FIM 1 586 million (FIM 1 073 million in 1997).

The cumulative impact of a change in accounting policies (IAS 12, "Income taxes") resulted in a one-time positive item of FIM 416 million in the first quarter 1998. Net profit for the first quarter 1998 totaled FIM 2 002 million (FIM 1 073 million in 1997).

At March 31, 1998, the net debt-to-equity ratio (gearing) was -38% (-35% at the end of 1997). In the first quarter 1998, capital expenditures amounted to FIM 690 million (FIM 507 million in 1997).

At March 31, 1998, Nokia had 38 408 employees. The average number of personnel for the January-March period was 37 462 (32 650 in 1997).

Nokia shareholders approved a two-for-one share split and reduction in nominal value of A and K shares at the Annual General Meeting held on March 24. As of April 16, the nominal value of A and K shares is FIM 2.50 and the total number of shares currently issued is 600 707 884.

Building global R&D

ETSI (European Telecommunications Standards Institute) has selected the WCDMA (Wideband Code Division Multiple Access) as the air interface solution for Europe´s 3rd generation mobile communications. The world´s leading telecoms manufacturers, including Nokia, will jointly develop and promote WCDMA air interface to provide wideband wireless multimedia capabilities over the evolving GSM core networks. With the support of operators in Europe, the U.S. and Asia Pacific, this technology is expected to provide a range of new wireless services in the beginning of next millennium, including video and high speed data communications for customers across the world.

In January, Nokia announced the establishment of two R&D units in Budapest, Hungary, one focusing on the development of telecom-related software, including network planning tools and mobile Internet services, and the other focusing on mobile switching software and applications, including the further development of GSM switching toward 3rd generation mobile network (UMTS, Universal Mobile Telecommunications System) switching.

In the first quarter, Nokia´s R&D facility in Beijing, China began operations. The unit focuses on technologies for future mobile communications and technologies for mobile terminals, including wireless data solutions, as well as advanced fixed access solutions.

Statement by Mr Jorma Ollila, President and CEO

Our results for the first quarter 1998 showed continued strong growth, good profitability and solid financial position. All business groups achieved higher sales and profits compared to the 1997 first quarter. We have every reason to be satisfied with the excellent achievements during the first quarter.

At Nokia Telecommunications, major agreements with operators in various regions continued to have a positive impact on order inflow. Along with new agreements signed in the first quarter, we are especially pleased to have announced major GSM agreements in April, including contracts in the UK, China, the Netherlands and Switzerland, further strengthening our position as a leading GSM supplier.

At the CeBIT ´98 exhibition in March, Nokia Telecommunications introduced a number of new system solutions that are at the forefront of the convergence of wireless/wireline and telecoms/datacoms. The combination of GSM with Intranet brings wireless technologies into the office environment, offering operators new sources of revenue. Eksos, the broadband access solution, provides a platform for the smooth transition of wireline subscribers from ISDN to ASDL capacities. These solutions, as well as the recently reached agreement for a standard for the 3rd generation wireless systems, incorporate the IP-protocol as an essential element.

We are also pleased with the sales growth of Nokia Mobile Phones. The favorable market response to the innovative Nokia 6100 series of phones, as well as increasing digitalization of the market for mobile phones in the Americas contributed to the growth.

The new handsets launched in the first quarter, including the Nokia 5100 and 8810 series phones as well as the second generation Communicator, further complement our wide product range addressing the needs of both consumer and highend users. By implementing our concept of "technology with a human touch" we have been able to significantly enhance the user friendliness of our phones, including increased talk and stand-by times and the integration of other value-added features, while at the same time reducing size and weight.

The mobile phone industry has become one of the largest consumer electronics businesses in the world. Along with our technological strength, we believe that the current and growing recognition of the Nokia brand will serve us well in expanding our market position within mobile phones and other wireless terminals across all markets and technologies.

We believe that with our broad technological capabilities, we are fully prepared to exploit the emerging market opportunities in both mobile and fixed communications. We have taken a number of steps to strengthen our position in various technologies and to further build the Nokia brand. Together, these form the cornerstones of our strategy for future success.

Geographically, the continuing transition from analog to digital in the Americas had a favorable impact on our sales. We are now shipping phones for all digital cellular standards in the Americas, including GSM, IS-136 TDMA and IS-95 CDMA. Economic turbulence in certain Southeast Asian markets continued to impact sales during the first quarter of the year. While the future impact of the economic turbulence is difficult to forecast, we continue to believe that these markets, as they emerge from the present financial crisis, will provide opportunities for future growth.

Looking at the whole year, we reiterate our previously stated positive outlook for continued strong growth, good profitability and positive operating cash-flow. 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)*

	1–3/1998 MFIM	**%**	1–3/1997 MFIM	%	1–12/1997 MFIM	%
Net sales	**14 870**	**100.0**	11 331	100.0	52 612	100.0
Costs of goods sold	**-9 598**		-7 748		-33 999	
Research and development expenses	**-1 428**		-978		-4 560	
Selling, general and administrative expenses	**-1 529**		-1 143		-5 599	
Operating profit	**2 315**	**15.6**	1 462	12.9	8 454	16.1
Share of results of associated companies	**8**		-		54	
Financial income and expenses	**-21**		-10		-137	
Profit before tax and minority interests	**2 302**	**15.5**	1 452	12.8	8 371	15.9
Tax	**-682**		-407		-2 274	
Minority interests	**-34**		28		-99	
Profit from continuing operations	**1 586**	**10.7**	1 073	9.5	5 998	11.4
Discontinued operations	**-**		-		261	
Profit from ordinary activities before cumulative effect of change in accounting policies	**1 586**	**10.7**	-		6 259	11.9
Cumulative prior year net effect of change in accounting policies	**416**		-		-	
Net profit	**2 002**	**13.5**	1 073	9.5	6 259	11.9
Earnings per share (FIM)						
Profit from continuing operations						
Basic	**2.79**		1.89		10.59	
Diluted	**2.73**		1.87		10.40	
Net profit						
Basic	**3.53**		1.89		11.05	
Diluted	**3.44**		1.87		10.86	
Average number of shares (1 000 shares)						
Basic	**567 599**		566 538		566 564	
Diluted	**581 615**		572 991		576 583	
Depreciation	**666**		556		2 762	

Net Sales by Business Group

	1–3/1998 MFIM	1–3/1997 MFIM	Change %	1–12/1997 MFIM
Nokia Telecommunications	**5 287**	3 734	41.6	18 826
Nokia Mobile Phones	**7 959**	6 151	29.4	27 643
Other Operations	**1 864**	1 632	14.2	7 239
Inter-business group eliminations	**-240**	-186		-1 096
Nokia Group	**14 870**	11 331	31.2	52 612

Notional Amounts of Derivative Financial Instruments [1)]

	31.3.1998 MFIM	31.3.1997 MFIM	31.12.1997 MFIM
Foreign exchange forward contracts [2) 3)]	**59 499**	36 018	57 228
Currency options bought [3)]	**6 939**	6 493	7 945
Currency options sold [3)]	**7 413**	6 871	8 299
Interest rate forward and futures contracts [2)]	**6 468**	18 596	5 695
Interest rate swaps	**578**	1 178	575
Interest rate options bought	**56**	1 216	187
Interest rate options sold	**-**	1 040	-

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 amounts include contracts used to hedge the net investments in foreign subsidiaries.

Currency rate March 31, 1998, 1 FIM = 0.180 USD

Consolidated Balance Sheet, IAS *(unaudited)*

	31.3.1998 MFIM	31.3.1997 MFIM	31.12.1997 MFIM
ASSETS			
Fixed assets and other non-current assets	**11 168**	8 606	9 445
Current assets			
Inventories	**7 484**	6 921	7 314
Accounts receivable	**14 854**	11 235	12 732
Cash and cash equivalents	**12 658**	7 326	12 247
	34 996	25 482	32 293
Total assets	**46 164**	34 088	41 738
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	**21 532**	16 064	21 524
Minority shareholders' interests	**297**	63	195
Long-term liabilities	**1 969**	1 975	1 643
Current liabilities	**22 366**	15 986	18 376
Total shareholders' equity and liabilities	**46 164**	34 088	41 738
Interest-bearing liabilities	**4 362**	4 402	4 641

Contingent Liabilities *(unaudited)*

	NOKIA GROUP		
	31.3.1998 MFIM	31.3.1997 MFIM	31.12.1997 MFIM
Pension fund liability			
Liability of pension fund	**2**	1	2
Liability for bills of exchange	**2**	5	3
Mortgages			
As security for loans			
For own debts	**45**	67	45
As security for other commitments			
For own commitments	**13**	13	13
Assets pledged			
As security for own debts	**44**	63	107
Guarantees			
Guarantees for loans			
As security for loans of associated companies	**6**	6	6
As security for loans of other companies	**394**	125	341
Other guarantees and commitments			
As security for own commitments	**1 297**	1 053	1 198
Leasing obligations	**1 650**	1 136	1 339

Currency rate March 31, 1998, 1 FIM = 0.180 USD

CHANGES IN INTERNATIONAL ACCOUNTING STANDARDS

Beginning January 1, 1998, the Group has adopted the revised IAS 12, "Income taxes", and recognized deferred tax assets and liabilities for temporary differences. The impact of the adoption of revised IAS 12, if it had already been adopted for 1997, would not have been material to the results of operations, financial position and cash flows of Nokia. The cumulative prior year net effect (FIM 416 million) has been included in the first quarter's profit for 1998.

Beginning in 1998, the Group calculates both basic and diluted earnings per share from profit from continuing operations and from net profit in accordance with the new IAS 33, "Earnings per Share". Under IAS 33 the weighted average number of shares used to calculate basic EPS is the same as that previously reported for the calculation of earnings per share. The weighted average number of shares used to calculate diluted earnings per share has been adjusted to take into consideration the dilutive effect of the warrants outstanding during the period. For comparability, diluted EPS has also been calculated for the previous year.

Nokia, continuously striving to bring new value-added services to mobile phone users, has been actively developing the Wireless Application Protocol (WAP) as its founding member. WAP is targeted to bring Internet content and advanced services to digital mobile phones and other wireless terminals. In January, together with other industry partners, Nokia established a non-profit company, WAP Forum Ltd to lead the worldwide WAP specification process. The specification is expected to be ready in May.

To augment its own broadband access-related R&D, Nokia signed a cooperation agreement with Diamond Lane Communications Corporation, one of the first companies commercially offering DSL (Digital Subscriber Line) data access, in February. The agreement covers the development of future DSLAM (Digital Subscriber Line Access Multiplexer) products and gives Nokia global distribution rights to Diamond Lane products and its OEM (Original Equipment Manufacturer) and manufacturing rights. Nokia also made an equity investment in Diamond Lane Communications.

NOKIA TELECOMMUNICATIONS

Net sales of Nokia Telecommunications for the first quarter 1998 increased by 42% to FIM 5 287 million (FIM 3 734 million in 1997). Net sales grew in all geographical areas, with the strongest growth in Europe.

The strong growth in mobile networks continued during the first quarter. In GSM 1800 networks, Nokia signed significant contracts with Orange in the UK, Sonofon in Denmark and New World PCS in Hong Kong, China. Additionally, the Shanghai PTA selected Nokia's GSM 1800 network solution, which will form the first dual band network in China. Nokia also signed GSM 900 contracts with Pannon GSM in Hungary and Polkomtel S.A. in Poland, further strengthening Nokia´s position among the two leading GSM suppliers worldwide.

Demand for Nokia's Intelligent Network (IN) solutions continued to grow. Polkomtel, Poland selected Nokia's IN solution for their GSM network, as did BellSouth New Zealand and Sonofon, Denmark.

Nokia also signed its first agreements for solutions providing voice quality comparable to fixed networks in mobile networks. Optus Communications in Australia is implementing the Nokia AEC (Accoustic Echo Cancellation), the only solution of its type available in the market today, in combination with the Nokia-pioneered EFR (Enhanced Full Rate) in its network. MobileOne, Singapore also launched EFR in its GSM network in January.

In the January-March period, Nokia signed a number of fixed network agreements with new operators in deregulated markets. Core Telecommunications of the UK selected Nokia's DX 200 switching platform to launch its services. ISIS Multimedia Net GmbH, Germany and SL Bansystem, Sweden selected Nokia's Synfonet Access System for their SDH (Synchronous Digital Hierarchy) networks.

Nokia Customer Services is playing an increasingly important role in the success of many of Nokia's customers´ networks. In January, Nokia signed its largest ever customer services contract with Connect Austria for a turnkey engineering project.

Nokia Telecommunications also introduced a wide range of new and innovative products during the first quarter. The unique Nokia Intelligent Frequency Hopping (IFH) solution combines the benefits of both the patented Nokia Intelligent Underlay-Overlay (IUO) and frequency hopping, enabling the addition of increased capacity of up to 70% to a GSM network without adding sites. This is a world-first solution in the market. At the CeBIT '98 exhibition in March, Nokia introduced the GSM Intranet Office, another world-first product of its kind. Nokia also launched the Nokia Eksos Concept for fixed networks, enabling operators to provide narrowband and broadband services quickly and cost-efficiently. Eksos, providing modern V5 access technology, allows operators to offer high-capacity broadband services over the ATM platform.

NOKIA MOBILE PHONES

Net sales of Nokia Mobile Phones for the first quarter 1998 increased by 29% to FIM 7 959 million (FIM 6 151 million in 1997). Net sales grew in all geographical areas, with the strongest growth in the U.S. and China.

During the first quarter of 1998, Nokia began volume deliveries of the Nokia 6110 and 6130 phones for GSM 900 and 1800. In January, the Nokia 6120 and 6160 dual band, dual mode versions for the American market were added to the Nokia 6100 product family. In February, Nokia began deliveries of the Nokia 6190 for GSM 1900 and the Nokia 2180, an AMPS/CDMA 800 handset, to the U.S. market.

Nokia is building on the continued digitalization of the American market and is well-equipped to respond to this trend with its wide selection of advanced digital handsets. With three new GSM phone introductions in March, the Nokia mobile communications product portfolio is the most extensive worldwide, covering all major standards and mobile phone user segments.

In March, Nokia introduced the second generation Nokia 9110 Communicator, a digital GSM handportable with integrated data communications, including Internet, e-mail, telefax and short message service (SMS) with personal organizer functions. This Communicator weighs only 249 grams and offers new features including wireless imaging and an optional MultiMediaCard for extra data storage. The synchronization of information with a PC has also been improved. The Nokia 9110 Communicator for GSM 900 is expected to be available in volume in the third quarter of 1998.

Nokia´s other new GSM phone introductions during the first quarter include the Nokia 8810 which, at 98 grams and 74 cubic centimeters, is the world´s smallest cellular phone, offering a large display and a comfortable keypad under a sliding cover. The phone has an internal antenna and vibration alert, as well as built-in data with infrared. The Nokia 8810 for GSM 900 is expected to be available in the third quarter 1998.

To address the consumer market, Nokia introduced its 5100 series of mobile phones. The new phones offer special features, including the Xpress-on™ Covers which allow users to change the phone´s color cover, as well as the Nokia Navi™Key concept, providing direct access to most functions through an intelligent menu system. With a standard battery, the Nokia 5100 phones provide standby-time of up to 270 hours and talk-time of up to 5 hours. Together with a selection of GSM Phase 2+ features, the Nokia 5100 phones support all three voice codecs and include a built-in calculator and three games. Deliveries of the Nokia 5110 and 5130 for GSM 900 and GSM 1800 are expected to begin in May.

Nokia expects to begin deliveries of the new Nokia mobile phone for the Japanese PDC (Personal Digital Cellular Standard), incorporating Nokia´s innovative voice activation feature, in the 1998 second quarter.

In March, Nokia sold its 20 millionth GSM phone in Europe, a Nokia 6110. In 1991, the first commercial GSM phone call was made with a Nokia handset and in a Nokia supplied network in Finland. Today, GSM is the world's most popular digital cellular standard, in use in over 100 countries by more than 70 million subscribers, accounting for approximately one-third of the world's total cellular subscriber base.

OTHER OPERATIONS

Net sales of Other Operations for the first quarter 1998 increased by 14% to FIM 1 864 million (FIM 1 632 million in 1997). Excluding the impact of discontinued businesses in 1997, the growth would have been 30%. Net sales continued to grow in both Nokia Multimedia Network Terminals and Nokia Industrial Electronics.

NOKIA MULTIMEDIA NETWORK

TERMINALS´ sales developed positively during the first quarter in 1998. Digital satellite and cable market activity slowed in Germany due to the prolonged EU Competition Commission´s review of the proposed joint venture between DF1 and Premiere.

In March, Nokia Multimedia Network Terminals was selected as one of the key suppliers to the UK-based digital terrestrial operator, British Digital Broadcasting.

In February, Nokia announced a licensing agreement with Spyglass Inc., a pioneer in Internet browsing technology, for up-front web technology to be integrated into

Nokia´s next generation digital cable, satellite and terrestrial set-top-boxes. Nokia intends to use a modified Spyglass Device Mosaic web browser for integrating advanced interactive television services, such as Internet access and web browsing, e-mail, interactive home shopping and banking with video on demand and pay per view, into the Nokia DVB (Digital Video Broadcasting) set-top-boxes.

To further strengthen its market position, Nokia Multimedia Network Terminals will continue to focus its resources on competitive product concept design and distribution concepts to serve operators in their value-added application business.

NOKIA INDUSTRIAL ELECTRONICS´ sales continued to grow with new product introductions. At the CeBIT'98 exhibition in March, Nokia launched several new display products for professional and business use. Nokia also extended its flat panel display product range with two new LCD (Liquid Crystal Display) monitors, the 14.1" Super TFT 400Xa and the 15.1" Nokia 500Xa. These new Nokia models offer small footprint and high image quality, an integrated microphone and built-in speakers with stereo sound.

Nokia Display Products also announced that its 445Xavc and 447Xavc displays will also be delivered together with the Intel Business Video Conferencing System 4.0., enabling an easy access for real-time, face-to-face interactive audio, video and data exchange.

In March, Nokia announced an expansion of its manufacturing complex in Reynosa, Mexico, to produce a complete range of high-end computer displays. The new manufacturing facility is expected to further strengthen the position of Nokia Display Products in the Americas.

In March, Nokia reached an agreement to sell its car electronics business in Motala, Sweden to Swedish Autoliv AB. The effective date of the agreement is January 1st, 1998.

Helsinki, April 24, 1998

NOKIA

Board of Directors

It should be noted that certain statements herein which are not historical facts, including, without limitation those regarding 1) the timing of product deliveries; 2) expectations regarding market developments in Southeast Asia and elsewhere; 3) expectations for growth and profitability; and 4) statements preceded by "believes", "expects", "anticipates", "foresee", or similar expressions, 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 1) general economic conditions, such as the rate of economic growth in the Company's principal geographic markets or fluctuations in exchange rates; 2) 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; 3) 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 4) the risk factors specified in the Company's Form 20-F for the year ended December 31, 1997.

Exception nr. 1504, granted by the Accounting Board (KILA), Helsinki, November 24, 1997.

Nokia will publish its 2Q results on July 24 and 3Q results on October 23, 1998.

NOKIA
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