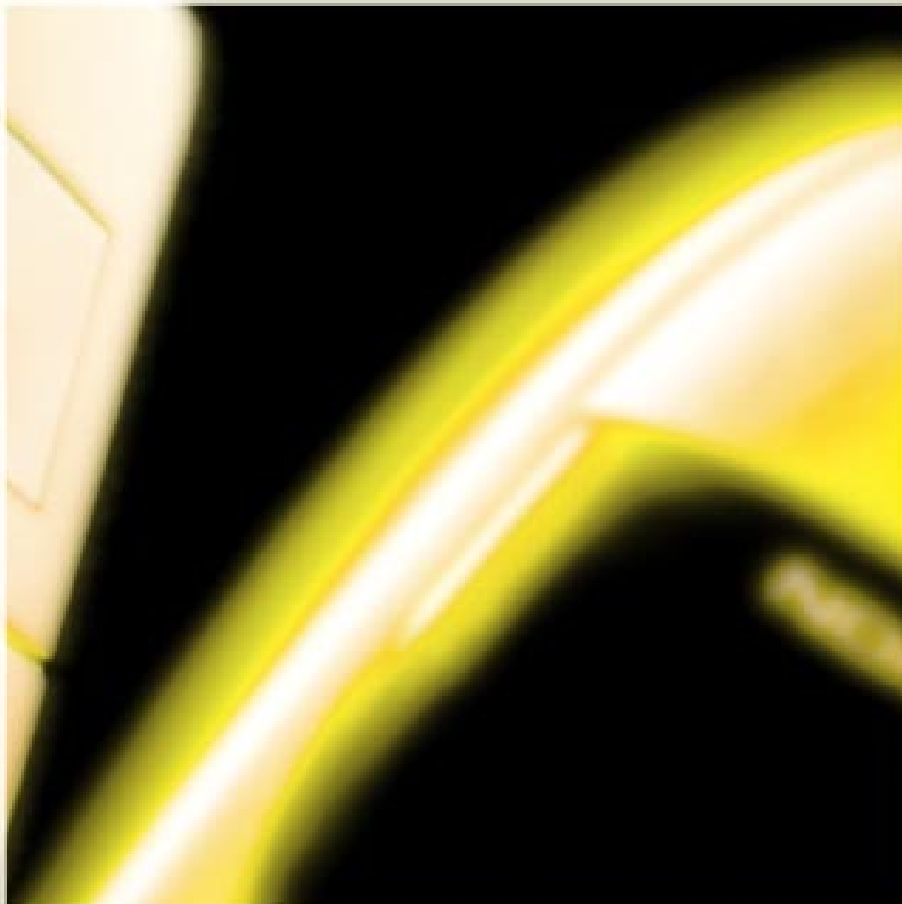


Nokia Interim Report

January – September 1998



Interim Report, January – September 1998

THIRD QUARTER RESULTS

Nokia's net sales in the third quarter 1998 increased by 62% compared to the same period in 1997 and totaled FIM 20 064 million (12 363 million in 1997). Sales growth continued at Nokia Telecommunications (42%) and at Nokia Mobile Phones (94%). Sales at Other Operations decreased by 29% compared to the same period in 1997.

Operating profit (IAS, International Accounting Standards) increased by 81% compared to the third quarter 1997 to FIM 4 081 million (2 254 million in 1997). Both Nokia Telecommunications and Nokia Mobile Phones reported higher operating profits in the third quarter 1998 than in the same period a year ago. Profits in Other Operations were lower than in the third quarter 1997. Net interest and financial expenses for the three months ended September 30, 1998 were FIM 11 million (56 million in 1997). Profit before tax and minority interests totaled FIM 4 084 million (2 205 million in 1997). Net profit for the third quar-

ter totaled FIM 2 760 million (1 836 million in 1997).

In September, Nokia sold all of the shares of its 100%-owned subsidiary LK-Products to the UK-based Filtronic plc., reporting a FIM 177 million gain, which contributed to operating profit.

FIRST NINE MONTHS RESULTS

Nokia's net sales for the nine months ended September 30, 1998 totaled FIM 53 354 million (36 755 million in 1997), an increase of 45%. Operating profit (IAS) for the period increased to FIM 9 742 million (5 624 million in 1997), representing 18.3% of net sales (15.3% in 1997). Profit before tax and minority interests in the first nine months of 1998 totaled FIM 9 632 million (5 536 million in 1997), and net profit for the period was FIM 6 934 million (4 241 million in 1997).

At September 30, 1998, the net debt-to-equity ratio (gearing) was -35% (-35% at the end of 1997). During the January-September period, capital expenditures

amounted to FIM 3 168 million (1 769 million in 1997).

Nokia had 42 327 employees at September 30, 1998. The average number of personnel for the nine-month period ending September 30, 1998 was 39 977 (34 885 in 1997).

As a result of share subscriptions from the exercise of stock options, the number of Nokia shares continued to increase. At September 30, 1998, the total number of shares was 602 255 332 and the share capital FIM 1 505 638 330.

MAIN DEVELOPMENTS IN THE THIRD QUARTER 1998

During the quarter, Nokia announced plans for new production and distribution facilities, as well as for strengthening its product-related development and production know-how.

To fulfill the continued strong demand in the rapidly growing market for Nokia's mobile phones, Nokia announced the investment of close to FIM 1 billion in a

Statement by Jorma Ollila, President and CEO:

Our third quarter results show a continuation of the fundamental strengths in telecommunications markets and we again substantially surpassed all our previously reported quarterly results.

Lower than anticipated price erosion in mobile phones and rapid digitalization in the Americas resulted in higher than expected sales and profitability. In September, we sold more than one million handsets in one week. Based on our strong performance and preliminary market data for the first nine months in 1998, we now feel confident in declaring that we have significantly increased our market share in mobile phones to become the largest manufacturer of mobile phones world-wide.

Strong market development in 1998 has resulted in an upward revision of our long-term mobile subscriber estimates. The estimated 250 million mobile subscriber base at mid-year 1998 is expected to reach 300 million by year-end. We currently estimate that there will be approximately one billion subscribers in the year 2005 and that a substantial portion of the phones sold that year will have multimedia capabilities. We have also raised our replacement assumptions and expect the mobile phone upgrade market to exceed 50% of all units sold at the turn of the millennium.

During the past months we have introduced a number of new products aimed at solidifying our market leadership position for the year 1999 and beyond. These

include the Nokia 6150 dual-band GSM 900 and 1800 phone, for which first deliveries are already underway. The Nokia 6150 retains all the competitive and appreciated features of the 6100 family and adds the convenience of seamless operation in both 900 and 1800 MHz networks. We believe dual-band GSM phones will be the single largest category within GSM by the end of 1999 and that by the end of 2000 dual-band phones will largely replace single-band models in the sales of new phones.

Nokia Telecommunications continued to strengthen its leading position in GSM systems by winning new customers in Europe and Latin America. Stronger than anticipated subscriber growth, combined with an increase in minutes of usage in certain advanced markets, resulted in a number of operators announcing an acceleration of their plans for network build-out and capacity increases in the coming years.

As operators continue to invest in infrastructure to meet growing subscriber demands, Nokia will continue to develop cost-efficient, cost-competitive solutions to meet the increasing capacity needs in GSM networks. Nokia Telecommunications also extended its market leadership position by signing first orders for the new High Speed Circuit Switched Data upgrade for existing GSM networks. The software upgrade, ordered by several operators, increases the basic transmission rate in GSM to 14.4 Kbit/s and allows for up to 56 Kbit/s data

communications thus allowing for fast Internet access over GSM.

We have already earlier expressed our vision, together with concrete action steps, to establish and contribute to the development of the future wireless information society. This development will include the convergence of Internet and wireless technologies. We are a founding and leading participant in the recent industry initiatives including WAP (Wireless Application) Forum, Symbian and Bluetooth. These initiatives, together with the second generation mobile standards, General Packet Radio Service and the third generation WCDMA radio air interface are key elements for creating future infrastructure and terminal products, thus enabling digital services to everyone.

Continued fast growth in several major markets, especially in China, Europe and the U.S., contributed to our overall high growth figures. We expect the strong growth, good profitability and positive cash flow to continue in the fourth quarter 1998. As always our actual results will also depend on various external factors, including general economic and industry conditions. While forecasting the outlook for 1999 remains a challenge due to the uncertainties in general economic conditions, we feel confident about our businesses in telecommunications markets and maintain our previously stated sales growth targets.

Consolidated Profit and Loss Account, IAS *(unaudited)*

	7-9/98 MFIM	7-9/97 MFIM	1-9/98 MFIM	1-9/97 MFIM	1-12/97 MFIM
Net sales	20 064	12 363	53 354	36 755	52 612
Cost of goods sold	-12 165	-7 872	-33 048	-24 277	-33 999
Research and development expenses	-1 616	-987	-4 682	-3 031	-4 560
Selling, general and administrative expenses	-2 202	-1 250	-5 882	-3 823	-5 599
Operating profit	4 081	2 254	9 742	5 624	8 454
Share of results of associated companies	14	7	34	33	54
Financial income and expenses	-11	-56	-144	-121	-137
Profit before tax and minority interests	4 084	2 205	9 632	5 536	8 371
Tax	-1 242	-617	-2 897	-1 550	-2 274
Minority interests	-82	-13	-217	-6	-99
Profit from continuing operations	2 760	1 575	6 518	3 980	5 998
Discontinued operations	-	261	-	261	261
Profit from ordinary activities before cumulative effect of change in accounting policies	2 760	1 836	6 518	4 241	6 259
Cumulative prior year net effect of change in accounting policies	-	-	416	-	-
Net profit	2 760	1 836	6 934	4 241	6 259
Earnings per share (FIM):					
Continuing operations					
Basic	4.84	2.78	11.46	7.03	10.59
Diluted	4.69	2.71	11.12	6.91	10.40
Net profit					
Basic	4.84	3.24	12.19	7.49	11.05
Diluted	4.69	3.16	11.83	7.37	10.86
Average number of shares (1 000 shares)					
Basic	569 762	566 538	568 804	566 538	566 564
Diluted	587 922	581 093	586 182	575 804	576 583
Depreciation	777	608	2 204	1 754	2 762

Net Sales by Business Group, MFIM

	7-9/98	7-9/97	1-9/98	1-9/97	1-12/97
Nokia Telecommunications	6 185	4 370	17 765	12 458	18 826
Nokia Mobile Phones	12 956	6 671	31 910	20 138	27 643
Other Operations	1 152	1 630	4 448	4 937	7 239
Inter-business group eliminations	-229	-308	-769	-778	-1 096
Nokia Group	20 064	12 363	53 354	36 755	52 612

Notional Amounts of Derivative Financial Instruments ¹⁾

	30.9.1998 MFIM	30.9.1997 MFIM	31.12.1997 MFIM
Foreign exchange forward contracts ^{2) 3)}	81 213	53 089	57 228
Currency options bought	5 173	10 529	7 945
Currency options sold	7 535	10 269	8 299
Interest rate forward and futures contracts ²⁾	2 631	17 237	5 695
Interest rate swaps	421	735	575
Interest rate options bought	103	508	187
Interest rate options sold	-	134	-

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.

Consolidated Balance Sheet, IAS *(unaudited)*

	30.9.1998 MFIM	30.9.1997 MFIM	31.12.1997 MFIM
ASSETS			
Fixed assets and other non-current assets	12 564	9 078	9 445
Current assets			
Inventories	8 064	8 024	7 314
Accounts receivable	17 841	11 038	12 732
Cash and cash equivalents	13 425	9 927	12 247
	39 330	28 989	32 293
Total assets	51 894	38 067	41 738
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	26 604	19 298	21 524
Minority shareholders' interests	434	98	195
Long-term liabilities	1 786	1 664	1 643
Current liabilities	23 070	17 007	18 376
Total shareholders' equity and liabilities	51 894	38 067	41 738
Shareholders' equity per share	46.67	34.07	37.93
Interest-bearing liabilities	3 984	3 965	4 641

Contingent Liabilities *(unaudited)*

	30.9.1998 MFIM	30.9.1997 MFIM	31.12.1997 MFIM
Pension fund liability			
Liability of pension funds	1	2	2
Liability for bills of exchange	1	3	3
Mortgages			
As security for loans			
For own debts	25	67	45
As security for other commitments			
For own commitments	13	13	13
Assets pledged			
As security for own debts	37	108	107
Guarantees			
Guarantees for loans			
As security for loans of associated companies	6	6	6
As security for loans of other companies	432	267	341
Other guarantees and commitments			
As security for own commitments	1 483	1 105	1 198
On behalf of other companies	3	-	-
Leasing obligations	2 456	1 518	1 339

Currency rate September 30, 1998, 1 FIM = 0.194 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.

new mobile phones manufacturing and distribution center in Hungary. Nokia also announced its plans for production capacity expansion at Nokia Mobile Phones' plant in Salo, Finland.

Due to continued infrastructure market growth and further development of third generation technologies and products, Nokia expanded its base station production and R&D facilities in Oulu, Finland. In China, Nokia announced that its joint venture Beijing Nokia Hang Xing Telecommunications Systems Ltd., (BNT) will be expanded to manufacture mobile switching centres and base station controllers. Established in 1994, BNT already produces Nokia's DX 200 fixed switching systems. To date, Nokia has delivered subscriber line capacity on Nokia 900 and 1800 GSM networks in China to over 10 million subscribers. Nokia produces in China complete GSM networks, including mobile switches, base station systems and cellular transmission. Nokia also signed an agreement for the establishment of a new joint venture, ChongQing Nokia Telecommunications Ltd. Supplying products for fixed access networks, this factory is expected to begin production in 1999.

Nokia also signed an agreement with Finland-based contract manufacturer Enviset for further production cooperation. Under this agreement, production of mobile radios for Nokia Telecommunications Professional Mobile Radio unit and of printed circuit boards in Äänekoski, Finland for Nokia Telecommunications Switching Platforms was outsourced to Enviset.

Effective July 1, 1998, Nokia is organized into three business groups: Nokia Telecommunications, Nokia Mobile Phones and Nokia Communications Products, which includes the business divisions Nokia Multimedia Network Terminals and Nokia Industrial Electronics. In addition to the business groups, Nokia Ventures Organization is responsible for Nokia's new start-up businesses and technologies. Nokia Communications Products and Nokia Ventures Organization are reported within Other Operations through 1998.

Also effective July 1, 1998, there have been certain changes in the Nokia Group Executive Board. Pekka Ala-Pietilä (41) has become Executive Vice President and deputy to Jorma Ollila (48), President and CEO, with responsibilities covering Nokia Ventures Organization. He has also become President of Nokia Communications Products. Matti Alahuhta (46) has become President of Nokia Mobile Phones, and Sari Baldauf (43) has become President of Nokia Telecommunications. Matti Alahuhta is also responsible for Nokia's operations in Japan and Sari Baldauf for Nokia's operations in China. Olli-Pekka Kallasvuo (45), appointed CFO as of January 1, 1999, continues to be responsible for Nokia's U.S. operations.

Nokia has also strengthened its Executive Board. Effective July 1, 1998, Mikko

Heikkonen (48), President of the Network Systems Division, Nokia Telecommunications, and Anssi Vanjoki (42), Senior Vice President Europe and Africa, Nokia Mobile Phones have both become new members of the Nokia Group Executive Board.

NOKIA TELECOMMUNICATIONS' net sales for the third quarter 1998 increased by 42% to FIM 6 185 million (FIM 4 370 million in 1997). Sales were especially strong in China and Europe.

Strong growth continued in mobile systems. Nokia signed significant agreements with new GSM 1800 operators to deliver complete networks to Orange SA in Switzerland and the Oulun Puhelin Telephone Company in Finland. Nokia entered the Latin American market in August by signing a contract with Corporacion Digitel CA in Venezuela for delivery of a complete GSM 900 network. With this announcement, the number of operators to which Nokia supplies GSM technology increased to 74 operators in 37 countries.

Existing GSM customers are continuing to experience strong subscriber growth, making further investments in increased network capacity. In July-September, Nokia signed network expansion contracts with the Beijing Telecom Administration in China, EuroTel Praha in the Czech Republic, North-West GSM, St Petersburg, MobileOne in Singapore and Globe Telecom in the Philippines.

In response to operators' capacity demands in mobile networks, Nokia is pioneering the development of a 58 GHz technology for radio access links aimed at changing the economies of dense networks in heavily populated areas. With the demand for service differentiation and an increase in data and telecommunications convergence in mobile networks, Nokia announced that its High Speed Circuit Switched Data solution will be used by Sonera in Finland and MobileOne in Singapore.

In fixed networks, Nokia made another breakthrough in the Latin American market signing an agreement with Netstream to supply transport and access networks to eight of the largest cities in Brazil. Sales of Nokia's Synchronous Digital Hierarchy (SDH) solutions increased, and Nokia signed contracts with Tianjin TTB and the Liao He Petroleum Exploration Bureau in China. Nokia has now supplied SDH technology to approximately 130 customers in 30 countries.

In Europe, deregulated markets are offering opportunities for new operators in fixed networks and Nokia signed new network agreements with Teleos and TelSA in Germany which included Nokia's DX 200 digital switching platform and access products. Nokia signed a DX 200 switching and access systems agreement with Mobilix in Denmark. Nokia also signed additional DX 200 contracts including EiTele Øst in Norway and Redstone Telecom and Cable and Wireless Communications in the UK.

NOKIA MOBILE PHONES' net sales for the third quarter 1998 increased by 94% to FIM 12 956 million (FIM 6 671 million in 1997). Nokia continued to strengthen its market position on all continents, with especially strong growth in the U.S. Nokia's comprehensive product portfolio covering all major cellular standards and consumer segments world-wide continued to be extremely competitive.

In addition to the net subscriber growth, mobile phone sales volumes are increasing due to the growing upgrade market, currently representing well over 30% of the overall mobile phone market. During the first nine months in 1998, more than 80% of the Nokia mobile phones sold were digital.

The Nokia 6100 series of mobile phones, which includes models for most digital standards, continued to sell in high volumes world-wide. Deliveries of the latest addition to that product family, the dual band (GSM 900/1800) Nokia 6150 model, started in September.

Deliveries of the consumer oriented Nokia 5100 series phones for GSM 900 and 1800, which began in May, reached mass market volumes during the third quarter. In August, a GSM 1900 model was added to that product family, with the Nokia 5120 dual-mode (AMPS 800/TDMA 900) and the Nokia 5160 trimode (AMPS 800/TDMA 800/TDMA 1900) models for the TDMA standard introduced in September. Nokia also introduced a new analog mobile phone model, the Nokia 282, to the Americas market.

Sales of the Nokia 8810, a premium lifestyle phone with distinctively elegant design, started in August. Consumer response to this GSM 900 phone has been very favorable in both Europe and Asia.

Nokia expects to start deliveries of the second generation communicator, the Nokia 9110, by the end of the year.

In early September, Nokia announced a successfully completed call with a Nokia-made third generation terminal based on NTT DoCoMo's trial specification at Nokia's R&D unit in Yokosuka Research Park, Japan. Nokia aims to be among the first manufacturers to launch third generation terminals in 2001-2002.

Nokia has also announced its commitment to maintain global leadership in intelligent telematics solutions. The first Nokia-developed car telematics products from Nokia's Smart Traffic Products unit are expected to be available in the vehicles of several leading car manufacturers during 1999.

OTHER OPERATIONS' net sales for the third quarter 1998 decreased by 29% to FIM 1 152 million (FIM 1 630 million in 1997). Excluding the impact of divested businesses, sales would have decreased by 21%.

Nokia Multimedia Network Terminals' sales continued to be affected by slow market growth in Germany. In Scandi-

navia, the roll-out of digital satellite terminals for the Canal Digital service started with Nokia as a major supplier.

In September, Nokia announced the acquisition of the Swedish software company UID, further strengthening Nokia Multimedia Network Terminals' leading role as the supplier of DVB-based (Digital Video Broadcasting) multimedia terminals. Incorporating its multimedia research in Sweden, Nokia announced the establishment of a software competence centre in Linköping. The centre focuses on the development of

graphical design and advanced value-adding software applications.

Nokia Industrial Electronics' sales were adversely affected by continued price erosion in the display market. Excluding the impact of divested businesses, sales were 12% lower than in the third quarter a year ago. In October, Nokia announced that within two years' time it will move all Finland-based display manufacturing to its Hungarian and Mexican factories.

Nokia launched several new display products, including the Nokia 500Xa, a new

15" LCD monitor, and the Nokia 446XS and 447XS, representing a new type of monitor with small footprint and ergonomic viewing angle due to innovative stand solution. Nokia monitors continued to collect several awards in various industry publications, including Editors Choice from PC Magazine, USA for the Nokia 446Xpro.

In August, Nokia sold LK-Products, a company manufacturing telecommunications components, to UK-based Filtronic plc.

Helsinki, October 23, 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 growth and developments; 3) expectations for growth and profitability; and 4) statements preceded by "believes", "expects", "anticipates", "foresees", 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; 4) the uncertainties, costs and risks associated with Year 2000 issues; as well as 5) 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 DIVIDEND REINVESTMENT AND DIRECT PURCHASE PLAN

A Dividend Reinvestment and Direct Stock Purchase Plan (the Plan) for ADSs (American Depositary Share) of Nokia was implemented in December 1997. The Plan is designed to provide owners of ADSs and other interested investors who participate in the plan a convenient way to accumulate and increase their investments in ADSs and to reinvest all or a portion of their cash dividends or optional cash investments in additional ADSs.

The Plan is sponsored and administered by the Depositary Bank, Citibank, N.A. Nokia has consented by the establishment of the Plan by the Depositary Bank, but does not, and should not be deemed to, sponsor or administer the Plan. Nokia assumes no obligation or liability for the operation of the Plan.

A brochure describing the Plan and an Enrollment Form can be obtained only from Citibank, N.A. by calling +1 800 483 9010.

Nokia will publish its 4Q 1998 and the whole year 1998 results on January 29, 1999.



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