

Nokia's Financial Statements 1999

NOKIA

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Review by the Board of Directors

Nokia's net sales in 1999 increased by 48% compared to 1998 and totaled EUR 19 772 million (EUR 13 326 million in 1998). Sales in Nokia Networks grew by 29% to EUR 5 673 million (EUR 4 390 million) and in Nokia Mobile Phones by 63% to EUR 13 182 million (EUR 8 070 million). Sales decreased in Other Operations by 2% to EUR 995 million (EUR 1 014 million).

Operating profit (IAS, International Accounting Standards) grew by 57% and totaled EUR 3 908 million (EUR 2 489 million in 1998). Operating margin improved to 19.8% (18.7% in 1998). Operating profit in Nokia Networks increased to EUR 1 082 million (EUR 960 million) and in Nokia Mobile Phones to EUR 3 099 million (EUR 1 540 million). Operating margin in Nokia Networks was 19.1% (21.9% in 1998) while the operating margin in Nokia Mobile Phones was 23.5% (19.1% in 1998). Other Operations showed an operating loss of EUR 273 million (loss of EUR 11 million) primarily due to low profits at Nokia Communications Products, and substantial investments related to new business opportunities at Nokia Ventures Organization.

Net interests and financial expenses totaled EUR 58 million (EUR 39 million 1998). Profit before tax and minority interests totaled EUR 3 845 million (EUR 2 456 million). Taxes amounted to EUR 1 189 million (EUR 737 million). Profit from continuing operations was EUR 2 577 million (EUR 1 680 million). Net profit was EUR 2 577 million (EUR 1 750 million).

Earnings per share from continuing operations was EUR 2.24 (basic) and EUR 2.17 (diluted) compared to EUR 1.48 (basic) and EUR 1.43 (diluted) in 1998.

At December 31, 1999, net debt to equity ratio (gearing) was -41% (-36% at the end of 1998). Total capital expenditures in 1999 amounted to EUR 1 358 million (EUR 761 million).

Increasing global market presence

The global mobile phone market continued to grow rapidly, and the ensuing strong increase in the sales of Nokia Mobile Phones further consolidated Nokia's number one position in mobile handsets. In infrastructure, Nokia continued to be the world's largest GSM 1800 supplier and one of the two largest GSM 900 suppliers, with increasing focus in broadband and IP network solutions.

In 1999, Europe accounted for 53% of Nokia's net sales (58% in 1998), the Americas 25% (21% in 1998) and Asia Pacific 22% (21% in 1998). The 10 largest markets were the U.S., China, the UK, Germany, Italy, France, Brazil, the Netherlands, Finland and Australia, together representing 67% of total sales.

Intensive research and development

To enable the future growth of the company, Nokia continued to invest in its worldwide research and development network and cooperation. At year-end, Nokia had 52 R&D centers in 14 countries and 17 134 R&D employees, approximately 31% of Nokia's total personnel. Investments in research and development in-

creased by 53% (by 50% in 1998) and totaled EUR 1 755 million (EUR 1 150 million in 1998), representing 8.9% of net sales (8.6% of net sales in 1998).

Expanding operational capabilities

To meet the growing demand for its mobile phones, Nokia continued to expand its handset manufacturing capabilities globally. Nokia's operations in Fort Worth, Texas, are increasing mobile phone capacity gradually during the first half of 2000. Also during the first half of 2000, mobile phone manufacturing facilities in Brazil are being expanded, and the mobile phone plant in Mexico is expected to be ready for additional production.

Construction of the new mobile phone manufacturing and distribution centre in Komárom, Hungary, proceeded well and the factory is expected to reach full capacity during the first half of this year. Investments were also made at the two existing mobile phone joint ventures in China, and at the plants in Finland and Germany. The base station factory in Suzhou, China, started operations in early 2000.

At the end of 1999, Nokia's global production comprised 12 infrastructure manufacturing facilities in 5 countries and 10 mobile phone manufacturing facilities in 8 countries.

Investing in People

In 1999, Nokia increased its personnel by a total of 12 367 new employees (9 819 in 1998), excluding the businesses sold in 1999. The average number of personnel for 1999 was 51 177 (41 091 for 1998). At the end of 1999, Nokia employed 55 260 people worldwide (44 543 at year-end 1998).

Nokia continued to develop motivating and performance-based compensation and benefit programs to its employees. In 1999, the 51% rise in earnings per share resulted in the maximum 5% bonus, based on annual base salary being paid to Nokia's personnel participating in the global Nokia Connecting People Bonus plan.

Focusing on key technologies

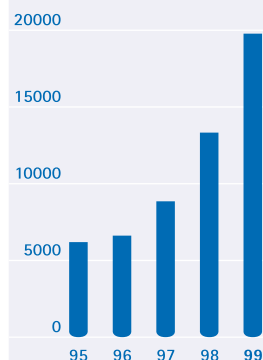
To expand its competencies in new emerging business areas, Nokia carried out several acquisitions in 1999. A number of partnerships with operators, content and service providers and IT players were formed to facilitate development of the market for mobile Internet.

In February, Nokia acquired Diamond Lane Communications Corporation to enhance its fast Internet access expertise. To strengthen its capabilities in wireless broadband access technologies, Nokia acquired Rooftop Communications Corporation in September. A 40% stake of the UK-based AIRCOM International was acquired in June to further strengthen Nokia's PC-based network planning system competence.

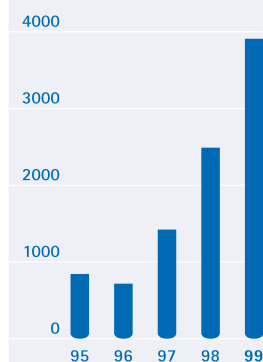
To develop its wireless LAN offering, Nokia acquired InTalk Corporation in February. In October, Nokia acquired Telekol Corporation, a company specializing in intelligent corporate communications solutions.

In a move to focus on its core technologies, Nokia sold its wholly-owned subsidiary Salcomp Oy to EQT

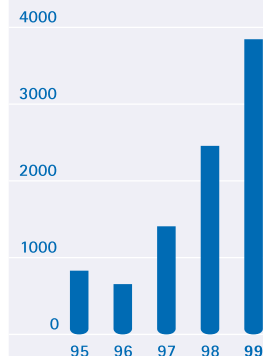
Net sales
EUR million



Operating profit, IAS
EUR million



Profit before tax and
minority interests, IAS,
EUR million



Scandinavia II in October. In addition, Nokia divested its SDH/DWDM transport equipment business to Marconi Communications in December. Nokia decided to discontinue its display manufacturing and sold its plant in Hungary to Elcoteq effective January 1, 2000.

Nokia Networks

Nokia Networks strengthened its offering by introducing several key elements for high capacity and indoor solutions, future data and third generation mobile networks. Launches in 1999 included Nokia InSite, the world's smallest base station, and the Nokia third generation system solution, including Nokia UltraSite, a triple mode base station supporting GSM, EDGE (Enhanced Data Rates for Global Evolution) and WCDMA (Wideband Code Division Multiple Access). Nokia also launched a complete network solution for GPRS (General Packet Radio Service). In wireless data, the new Nokia Artus Messaging Platform supporting WAP 1.1 for GSM and TDMA standards, and the Nokia Artus Picture Messaging Platform further broadened Nokia's portfolio.

In 1999, operators continued to invest in the capacity of their GSM networks. Nokia supplied significant GSM network expansion to its customers in all market areas, with strongest growth in the Asia Pacific region and the U.S. Nokia won new GSM customers in China, Denmark, Hungary, Russia and Spain.

Many operators strengthened their wireless data services with WAP and SMS applications, and prepared their networks to deliver HSCSD (High Speed Circuit Switched Data) and GPRS. Nokia gained a strong market position in HSCSD and GPRS and had signed contracts involving these technologies with more than 20 customers by year-end.

In professional mobile radio networks, Nokia delivered TETRA networks and expansions to operators in the U.K., China, France, Italy and Spain.

In fixed networks, the market for broadband DSL (Digital Subscriber Line) technologies experienced strong growth in the U.S., and a similar development is

expected to take place in Europe and Asia. The Nokia Broadband IP Access Solution, a complete solution aimed at revolutionizing access to IP-based services, integrates ADSL (Asymmetric Digital Subscriber Line) technology with IP technology to provide operators an advanced, end-to-end Internet access system. Nokia gained a sound market position in DSL technology, with orders amounting to approximately 3 million DSL lines at year-end.

Nokia Mobile Phones

The mobile phone market growth continued in 1999 at a rate exceeding 60% globally. Nokia estimates that approximately 275 million mobile phones were sold worldwide in 1999, compared to 168 million units in the previous year. Of the total market volume in 1999, the share of upgrade sales was approximately 40%, and Nokia further estimates that this share will rise to around 50% this year.

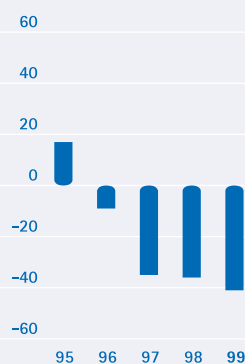
The growth of Nokia's mobile phone sales volume exceeded market growth throughout 1999. As a result, Nokia continued to gain market share and strengthen its market position as the world's largest mobile phone manufacturer. Nokia's total mobile phone sales volume in 1999 was 78.5 million units, an increase of 92% from the previous year's 40.8 million units.

Approximately 40% of the world's mobile phone users are based in Europe, the biggest mobile phone region in terms of cellular subscribers and annual sales volumes. However, the country with the biggest mobile phone market is the United States, followed by Japan, China and the United Kingdom.

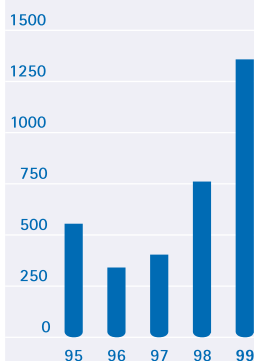
During 1999 Nokia launched a total of 18 new mobile phone models. These included the Nokia 7110, 3210, 6090, 8850, Card Phone 2.0, 7190 and 8210 for GSM; the Nokia 6100i-models, 8860 and 7160 for TDMA; and the Nokia 5170, 5180 and 6185 for CDMA. Nokia also introduced its first ultra-thin Lithium Polymer (Li-Polymer) battery in September.

In October, Nokia and Palm Computing Inc., a 3Com company, announced a joint development and

**Net debt to equity
(gearing), %**



**Capital expenditure
EUR million**



**Net sales by business group
Jan. 1-Dec. 31**

	1999 EURm	%	1998 EURm	%	Change %
Nokia Networks	5 673	29	4 390	33	29.2
Nokia Mobile Phones	13 182	67	8 070	61	63.3
Other Operations	995	5	1 014	8	-1.9
Inter-business group eliminations	-78	-1	-148	-2	
Nokia Group	19 772	100	13,326	100	48.4

**Operating profit, IAS,
Jan. 1-Dec. 31**

	1999 EURm	% of net sales	1998 EURm	% of net sales
Nokia Networks	1 082	19.1	960	21.9
Nokia Mobile Phones	3 099	23.5	1 540	19.1
Other Operations	-273	-27.4	-11	-1.1
Nokia Group	3 908	19.8	2 489	18.7

licensing agreement to create a new category of pen-based wireless communications devices integrating mobile telephony with data applications, information management features and value-added services.

Other Operations

In order to strengthen Nokia's ability to serve the business communications market, a new unit, Nokia Internet Communications, was formed in October. The aim is to build a powerful channel to the enterprise market through offering world-class VPN (Virtual Private Network) and e-business products and solutions. These products will be crucial to delivery of secure, reliable, and scalable solutions and new connectivity infrastructure for enterprises.

Two new ventures were established within the Nokia Ventures Organization. Nokia Home Communications will focus on the development of digital home platforms and IP technology-based communications solutions for the home environment. Nokia Mobile Display Appliances, in turn, will focus on the development of display-centric devices enabling Internet-based, visually rich communications.

In May, Nokia introduced a comprehensive Wireless LAN solution as part of its Global IP Mobility strategy. Nokia's Wireless LAN product portfolio comprises wireless access points, wireless LAN cards, and sophisticated software providing seamless extension to a fixed network. In December, Nokia announced commercial availability of the Nokia WAP Server 1.0 software product.

Changes in share capital

In 1999, Nokia's share capital increased by EUR 3 857 758.08 as a result of the issue of 16 073 992 new shares upon exercise of warrants issued to key personnel in 1994, 1995 and 1997. Nokia's share capital was also increased in September by EUR 127 087.20 when 529 530 shares were issued to finance the acquisition of Rooftop Communications Corporation. The shares were issued for a subscription price of EUR 80.17 per share which was the average market price of the Nokia ADS on the New York Stock Exchange for a 20 business-day period before the closing of the transaction. Due to the limited number of shares issued, this issuance did not have any significant effect on the division of the holdings or voting rights of other shareholders in Nokia.

In August, Nokiterra Oy, a 100% owned subsidiary, merged into Nokia Corporation as a result of which the parent company received 64 280 684 Nokia shares with an aggregate nominal value of EUR 15 427 364.16. These shares, representing 5.3% of the total number of shares and the total voting rights, were cancelled in December pursuant to resolution of the Extraordinary General Meeting.

The total number of shares at December 31, 1999 was 1 163 515 966. As the result of the new share issues, Nokia received a total of EUR 195 297 621.78 additional shareholders' equity in 1999. In addition, the share capital was increased by EUR 36 051 274.79 through a bonus issue in connection with the conversion of the share capital into euros. The cancellation of 64 280 684 shares did not reduce the restricted capital. At December 31, 1999, the share capital was EUR 279 243 831.84.

Average personnel

	1999	1998
Nokia Networks	22 804	19 280
Nokia Mobile Phones	20 975	16 064
Other Operations	7 398	5 747
Nokia Group	51 177	41 091

Finland	23 155	20 978
Other European countries	12 939	9 381
Americas	8 818	5 924
Asia-Pacific	6 207	4 791
Other countries	58	17
Parent Company	1 663	1 112

Research and development, EURm

	1999	1998
Nokia Networks	777	564
Nokia Mobile Phones	835	522
Other Operations	143	64
Nokia Group	1 755	1 150

On December 31, 1999, the Group companies owned 346 194 Nokia shares. The shares have an aggregate nominal value of EUR 83 086.56 and represent 0.03% of the total number of shares and the total voting rights.

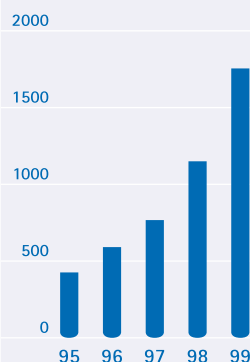
Outlook

Nokia's strategic intent is to take a leading, brand-recognized role in the creation of the mobile information society by combining mobility and the Internet and stimulating the creation of new services. In pursuing this, Nokia emphasizes speed in anticipating and fulfilling evolving customer needs, quality in products and processes and openness with people and to new ideas and solutions. Based on its resources, including technological know-how, market position and continuous building of competencies, Nokia is well positioned to achieve its future goals.

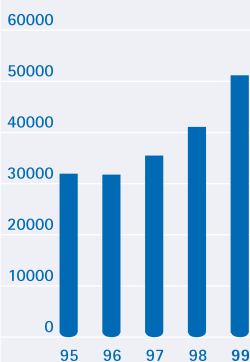
Dividend

The Nokia Board of Directors will propose to the Annual General Meeting on March 22, 2000, that a dividend of EUR 0.80 per share (EUR 0.48 per share for 1998, split adjusted) be paid.

Research and development EUR million



Average personnel



Consolidated financial statements according to international accounting standards (IAS)

Consolidated profit and loss account, IAS

Financial year ended December 31	Notes*	1999 EURm	1998 EURm
Net sales		19 772	13 326
Cost of goods sold		-12 227	-8 299
Research and development expenses		-1 755	-1 150
Selling, general and administrative expenses		-1 811	-1 368
Amortization of goodwill		-71	-20
Operating profit	2, 3, 4, 5, 6, 7	3 908	2 489
Share of results of associated companies		-5	6
Financial income and expenses	8	-58	-39
Profit before tax and minority interests		3 845	2 456
Tax	9	-1 189	-737
Minority interests		-79	-39
Profit from continuing operations		2 577	1 680
Cumulative prior year net effect of change in accounting policies		-	70
Net profit		2 577	1 750
Earnings per share	22	1999 EUR	1998 EUR
Continuing operations			
Basic		2.24	1.48
Diluted		2.17	1.43
Net Profit			
Basic		2.24	1.54
Diluted		2.17	1.49
Average number of shares (1 000 shares)	22	1999	1998
Basic		1 148 440	1 138 341
Diluted		1 185 796	1 173 301

* Notes are shown on pages 10 to 23.

Consolidated balance sheet, IAS

December 31	Notes*	1999 EURm	1998 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	10	838	484
Property, plant and equipment	11	2 031	1 331
Investments in associated companies	12	76	90
Investments in other companies	12	68	75
Deferred tax assets	19	257	196
Other assets	13	217	44
		3 487	2 220
Current assets			
Inventories	14	1 772	1 292
Receivables	15	4 861	3 631
Short-term investments	16	3 136	2 165
Bank and cash		1 023	726
		10 792	7 814
Total assets		14 279	10 034

December 31	Notes*	1999 EURm	1998 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		279	255
Share issue premium		1 079	909
Treasury shares		-24	-110
Translation differences		243	182
Retained earnings	17	5 801	3 873
		7 378	5 109
Minority interests			
		122	63
Long-term liabilities			
Long-term interest-bearing liabilities	18	269	257
Deferred tax liabilities	19	80	88
Other long-term liabilities		58	64
		407	409
Current liabilities			
Short-term borrowings	20	792	699
Current portion of long-term debt	18	1	61
Accounts payable		2 202	1 357
Accrued expenses	21	3 377	2 336
		6 372	4 453
Total shareholders' equity and liabilities		14 279	10 034

Consolidated cash flow statement, IAS

Financial year ended December 31	Notes*	1999 EURm	1998 EURm
Cash flow from operating activities			
Operating profit		3 908	2 489
Adjustments, total	27	597	501
Operating profit before change in net working capital		4 505	2 990
Change in net working capital	27	-21	-451
Cash generated from operations		4 484	2 539
Interest received		189	134
Interest paid		-212	-210
Other financial income and expenses		-113	-3
Income taxes paid		-1 246	-773
Net cash from operating activities		3 102	1 687
Cash flow from investing activities			
Acquisition of Group companies, net of acquired cash		-178	-76
Treasury shares acquired		-25	-
Investments in other shares		-37	-51
Additions in capitalized R&D costs		-271	-182
Capital expenditures		-1 302	-761
Proceeds from disposal of shares in Group companies, net of disposed cash		27	85
Proceeds from sale of other shares		121	16
Proceeds from sale of fixed assets		318	182
Dividends received		6	7
Net cash used in investing activities		-1 341	-780
Cash flow from financing activities			
Share issue		152	108
Capital investment by minority shareholders		28	16
Proceeds from (+), payments of (-) long-term liabilities		-6	66
Proceeds from (+), payments of (-) short-term borrowings		-126	275
Proceeds from (+), payments of (-) long-term receivables		-171	-8
Proceeds from (+), payments of (-) short-term receivables		128	-146
Dividends paid		-597	-374
Net cash used in financing activities		-592	-63
Net increase in cash and cash equivalents		1 169	844
Cash and cash equivalents at beginning of period		2 990	2 047
Cash and cash equivalents at end of period		4 159	2 891
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 1998 and 1997, respectively		2 891	2 060
Foreign exchange adjustment		99	-13
		2 990	2 047
Net increase in cash and cash equivalents		1 169	844
As reported for 1999 and 1998		4 159	2 891

* Notes are shown on pages 10 to 23.

Statement of changes in shareholders' equity, IAS

Group, EURm	Share capital	Share issue premium	Treasury shares	Translation differences	Retained earnings	Total
Balance at Dec. 31, 1997	252	803	-110	182	2 493	3 620
Share issue	3	106				109
Dividend					-378	-378
Dividend on treasury shares					20	20
Translation differences						-
Other increase/decrease, net					-12	-12
Net profit					1 750	1 750
Balance at Dec. 31, 1998	255	909	-110	182	3 873	5 109
Share issue	3	191				194
Bonus issue	36	-36				-
Cancellation of treasury shares	-15	15	110		-110	-
Acquisition of treasury shares			-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	279	1 079	-24	243	5 801	7 378

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 euros (EUR) 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 management control are also consolidated. Certain real estate and housing companies, as well as small companies which had no operations during the financial year, have, however, been left out of the consolidated financial statements. The effect of these companies on the Group's result and shareholders' equity is immaterial. 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%) and also some joint ventures in start-up phase 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 taken to retained earnings. 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. In accordance

with its Treasury policy, Nokia does not currently hold or issue derivative financial instruments for trading purposes. Any deferred gains and losses arising from hedging transactions are shown as a part of the cost of goods sold 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 spot exchange rate prevailing on the reporting date and comparing that with the original amount calculated by using the spot rate prevailing at the beginning of the contract. The interest rate differential of the forward contract is accrued over the life of the contract as part of the financial income or expenses.

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 goods sold 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 hedged 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.

Revenue recognition

Sales are recorded upon shipment of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts. Revenues from large long-term contracts are recognized on the percentage of completion method. Provisions are made to cover anticipated losses on contracts.

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. Any deficits or benefits requiring additional contributions are funded through payments allocated over a period of years not exceeding the expected remaining working lives of the participating employees. The Group has met minimum funding requirements for the countries in which it maintains pension schemes.

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 utilised.

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 two-for-one stock split effective on April 12, 1999.

2. Segment information

1999, EURm	Nokia Networks	Nokia Mobile Phones	Other Operations	Total reportable segment	Elimina- tions	Group
Income Statement Information						
Net sales to external customers	5 670	13 168	934	19 772		19 772
Net sales to other segments	3	14	61	78	-78	-
Depreciation and amortization	286	300	79	665		665
Operating profit	1 082	3 099	-273	3 908		3 908
Share of result of associated companies	-	-3	-2	-5		-5
Balance Sheet Information						
Capital expenditure	395	682	281	1 358		1 358
Segment assets ¹	3 822	4 486	1 837	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	1 097	6 407	-1 156	5 251
Unallocated liabilities						1 318
Total liabilities ⁴						6 569

1998, EURm

Income Statement Information						
Net sales to external customers	4 384	8 050	892	13 326		13 326
Net sales to other segments	6	20	123	149	-149	-
Depreciation and amortization	207	263	39	509		509
Operating profit	960	1 540	-11	2 489		2 489
Share of result of associated companies	-	-1	7	6		6
Balance Sheet Information						
Capital expenditure	217	488	56	761		761
Segment assets ¹	2 940	2 944	1 435	7 319	-705	6 614
of which:						
Investments in associated companies	1	40	49	90		90
Unallocated assets						3 202
Total assets ²						9 816
Segment liabilities ³	1 152	2 195	762	4 109	-750	3 359
Unallocated liabilities						1 154
Segment liabilities ⁴						4 513

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 and prepaid income and accrued expenses except those related to interest and taxes.

⁴ Liabilities excluding prepaid income and accrued expenses related to taxes and deferred tax liabilities.

Net sales to external customers by market area	1999 EURm	1998 EURm
Europe	10 614	7 673
Americas	4 909	2 815
Asia-Pacific	4 249	2 838
Total	19 772	13 326

Segment assets by location of assets	1999 EURm	1998 EURm
Europe	9 058	6 737
Americas	2 448	1 599
Asia-Pacific	2 344	1 480
Total	13 850	9 816

Capital expenditure by market area	1999 EURm	1998 EURm
Europe	831	573
Americas	381	126
Asia-Pacific	146	62
Total	1 358	761

3. Percentage of completion method

Profit on large long-term contracts is recognized when sale is recorded on part-delivery of products or part performance of services, provided that the outcome of the contract can be assessed with reasonable certainty. Most of the Group's net sales arise from businesses other than those of a long-term project nature. Project deliveries occur in Nokia Networks' Network Systems division, where part of its net sales (EUR 1.1 billion in 1999 and EUR 1.0 billion in 1998) was of a long-term project nature.

4. Personnel expenses

	1999 EURm	1998 EURm
Wages and salaries	1 946	1 607
Pension expenses	127	139
Other social expenses	310	212
Personnel expenses as per profit and loss account	2 383	1 958

Remuneration of the Chairman and the other members of the Board of Directors, the Group Executive Board and the Presidents and the Managing Directors*	15	11
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* Salaries include incentives 3 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 the retirement age is 60 years.

The most significant pension plans are in Finland. The Finnish TEL-system is a state plan in accordance with IAS and should be considered as a defined contribution plan. Material share of foreign plans are defined contribution plans.

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

	1999 EURm	1998 EURm
Selling and marketing expenses	-1 220	-905
Administration expenses	-759	-462
Other operating expenses	-234	-94
Other operating income	331	73
Total	-1 882	-1 388

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), and for 1998 a gain of EUR 30 million from the sale of LK-Products. Other operating expenses for 1999 include a charge of EUR 70 million related to exit from the display business.

6. Acquisitions

In October 1999 Nokia acquired Telekol Corporation, a company specializing in intelligent corporate communications solutions, for EUR 45 million. 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 company has developed the market-leading multi-service digital subscriber line access multiplexer (DSLAM), a device that enables Internet access speeds up to 125 times faster than current modems over existing telecommunications networks. The fair value of net assets was EUR 5 million giving rise to a goodwill of EUR 107 million.

In December 1998 Nokia acquired Vienna Systems Corporation, an Internet Protocol telephony company based in Canada. The purchase price was EUR 72 million paid in cash. The fair value of net assets acquired was EUR 2 million giving rise to goodwill of EUR 70 million.

7. Depreciation

	1999 EURm	1998 EURm
Depreciation by asset category		
Intangible assets		
Capitalized R&D costs	110	119
Intangible rights	34	25
Goodwill	71	20
Other intangible assets	19	6
Property, plant and equipment		
Buildings and constructions	18	19
Machinery and equipment	405	302
Other tangible assets	8	18
Total	665	509

Depreciation by function

Cost of goods sold	201	158
R&D	241	223
Selling, marketing and administration	101	80
Other operating expenses	51	28
Goodwill	71	20
Total	665	509

8. Financial income and expenses

	1999 EURm	1998 EURm
Income from long-term investments		
Dividend income	6	7
Interest income	2	1
Other interest and financial income		
Interest income from short-term investments	194	163
Other financial income	5	1
Exchange gains and losses	-5	-7
Interest expenses and other financial expenses		
Interest expenses	-254	-198
Other financial expenses	-6	-6
Total	-58	-39

9. Income taxes

	1999 EURm	1998 EURm
Current tax	-1 250	-753
Deferred tax	61	16
Total	-1 189	-737
Finland	-740	-500
Other countries	-449	-237
Total	-1 189	-737

The differences between income tax expense computed at statutory rates (28% in Finland in 1999 and 1998) and income tax expense provided on earnings are as follows at December 31:

Income tax expense at statutory rate	1 078	706
Deduction for write-down of investments in subsidiaries	-	-12
Amortization of goodwill	17	6
Provisions without income tax benefit/expense	35	48
Taxes for prior years	8	7
Taxes on foreign subsidiaries' net income in excess of income taxes at statutory rates	32	46
Operating losses with no current tax benefit	22	16
Group adjustments	-4	15
Adjustments to opening balance accruals	-	-72
Cumulative adjustments; change in accounting principle	-	-20
Other	1	-3
Income tax expense	1 189	737

Certain of the Group companies' income tax returns for periods ranging from 1994 through 1998 are under examination by tax authorities. The Group does not believe that any significant additional taxes will arise as a result of the examinations.

10. Intangible assets

	1999 EURm	1998 EURm
Capitalized R&D costs		
Acquisition cost Jan. 1	650	469
Additions	271	182
Disposals	-110	-1
Accumulated depreciation Dec. 31	-398	-361
Net carrying amount Dec. 31	413	289
Intangible rights		
Acquisition cost Jan. 1	137	108
Additions	50	38
Disposals	-	-9
Accumulated depreciation Dec. 31	-103	-79
Net carrying amount Dec. 31	84	58
Goodwill		
Acquisition cost Jan. 1	347	267
Additions	210	80
Disposals	-3	-
Accumulated depreciation Dec. 31	-318	-247
Net carrying amount Dec. 31	236	100
Other intangible assets		
Acquisition cost Jan. 1	66	55
Additions	116	15
Disposals	-20	-4
Translation differences	2	-
Accumulated depreciation Dec. 31	-59	-29
Net carrying amount Dec. 31	105	37

11. Property, plant and equipment

	1999 EURm	1998 EURm
Land and water areas		
Acquisition cost Jan. 1	67	64
Additions	48	12
Disposals	-9	-7
Translation differences	5	-2
Net carrying amount Dec. 31	111	67
Buildings and constructions		
Acquisition cost Jan. 1	460	423
Additions	145	66
Disposals	-85	-26
Translation differences	20	-3
Accumulated depreciation Dec. 31	-104	-91
Net carrying amount Dec. 31	436	369
Machinery and equipment		
Acquisition cost Jan. 1	1 685	1 451
Additions	863	416
Disposals	-207	-170
Translation differences	41	-12
Accumulated depreciation Dec. 31	-1 208	-990
Net carrying amount Dec. 31	1 174	695

Other tangible assets

Acquisition cost Jan. 1	86	74
Additions	12	36
Disposals	-52	-22
Translation differences	7	-2
Accumulated depreciation Dec. 31	-44	-37
Net carrying amount Dec. 31	9	49

Advance payments and fixed assets under construction

Acquisition cost Jan. 1	151	26
Additions	352	163
Disposals	-32	-7
Transfers		
Land and water areas	-1	-
Buildings and constructions	-13	-2
Machinery and equipment	-162	-29
Translation differences	6	-
Net carrying amount Dec. 31	301	151

12. Investments

	1999 EURm	1998 EURm
Associated companies		
Acquisition cost Jan. 1	91	57
Additions	16	41
Disposals	-33	-6
Share of results	-6	-1
Translation differences	8	-
Net carrying amount Dec. 31	76	91

Shareholdings in associated companies include listed investments of EUR 11 million (EUR 22 million in 1998). At the balance sheet date, the fair value of these investments, based on quoted market prices, was EUR 15 million (EUR 85 million in 1998).

	1999 EURm	1998 EURm
Other companies		
Acquisition cost Jan. 1	75	76
Additions	21	10
Disposals	-19	-7
Write-downs	-10	-4
Translation differences	1	-
Net carrying amount Dec. 31	68	75

Shareholdings in other companies include listed investments of EUR 44 million (EUR 50 million in 1998).

At the balance sheet date, the fair value of these investments was EUR 180 million (EUR 124 million in 1998).

13. Other assets

	1999 EURm	1998 EURm
Long-term loan receivables	20	10
Other non-current assets	197	34
Total	217	44

14. Inventories

	1999 EURm	1998 EURm
Raw materials, supplies and other	1 020	474
Work in progress	446	450
Finished goods	306	368
Total	1 772	1 292

15. Receivables

	1999 EURm	1998 EURm
Accounts receivable	3 827	2 806
Short-term loan receivables	145	160
Prepaid expenses and accrued income	889	665
Total	4 861	3 631

Current receivables falling due after one year amounted to EUR 16 million in 1999 (EUR 80 million in 1998). Prepaid expenses and accrued income mainly consist of VAT receivables and other accruals.

16. Short-term investments

	1999 EURm	1998 EURm
Government, long-term (bonds)	703	727
Government, short-term (bills)	383	973
Corporate, long-term (bonds)	131	6
Corporate, short-term (CP)	1 919	459
Total	3 136	2 165

17. Distributable earnings

	1999 EURm
Retained earnings	5 801
Treasury shares	-24
Non-distributable items	-107
Distributable earnings Dec. 31	5 670

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, 1999 EURm	Repayment date beyond 5 years EURm
Long-term loans are repayable as follows:		
Loans from financial institutions	101	10
Pension loans	6	6
Other long-term finance loans	162	-
Other long-term liabilities	138	138
	407	154

The long-term liabilities as of December 31, 1999 mature as follows:

	EURm	
2000	1	0.2%
2001	142	34.8%
2002	1	0.2%
2003	31	7.6%
2004	79	19.4%
Thereafter	154	37.8%
	408	

The currency mix of the Group long-term liabilities as at December 31, 1999

EUR	GBP	USD	Others
64.6 %	24.2 %	3.0 %	8.2 %

Long-term loan portfolio includes a fixed-rate loan with a face amount of 50 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, 1999, no Group borrowings were collateralized by mortgages. Assets were pledged with a net book value of EUR 3 million.

At December 31, 1999 and 1998 the weighted average interest rate of loans from financial institutions was 4.3% and 5.7%, respectively.

Bonds	Million		Interest	1999 EURm	1998 EURm
1989-2004	50.0	GBP	11.375%	79	72
1993-2003	150.0	FIM	Floating	25	25
1996-2001	300.0	FIM	7.000%	47	47
				151	144

Convertible bonds	Million		Interest	1999 EURm	1998 EURm
Bonds issued with warrants					
1995-2000	1.45	FIM	0.000%	-	0.2
1997-2000	2.38	FIM	0.000%	-	0.4
				-	0.6

The remaining part of convertible bonds, EUR 0.6 million, expires in 2000 and is included in current liabilities on line current portion of long-term debt.

19. Deferred taxes

	1999 EURm	1998 EURm
In companies' balance sheet		
Tax losses carried forward	40	17
Temporary differences	91	93
	131	110
On consolidation		
Intercompany profit in inventory	88	69
Property, plant and equipment	6	6
Other	1	3
	95	78
Appropriations		
Untaxed reserves	-49	-80
	-49	-80
Net deferred tax asset	177	108

of which in 1999 deferred tax assets amounted to EUR 257 million (EUR 196 million in 1998) and deferred tax liabilities to EUR 80 million (EUR 88 million in 1998).

Beginning in January 1, 1998 the Group adopted revised IAS 12, Income taxes. The cumulative prior year net effect (EUR 70 million) has been included in the cumulative prior year net effect of change in accounting policies in the consolidated profit and loss account for 1998.

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, 1999 the Group had loss carryforwards of EUR 84 million (EUR 112 million in 1998) for which no deferred tax asset was recognised due to uncertainty of utilisation of these losses. These losses will expire in the years 2002 to 2005.

20. Short-term borrowings

Short-term borrowings consist primarily of borrowings from banks. The weighted average interest rate at December 31, 1999 and 1998 is 5.2% and 6.4%, respectively. The weighted average interest rate of short-term borrowings derived from different foreign currency denominated loan amounts.

21. Accrued expenses

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

22. Earnings per share

		1999	1998
Numerator/EURm			
Basic/Diluted:	Income available to common shareholders	2 577	1 750
Denominator/1000 shares			
Basic:	Weighted average shares	1 148 440	1 138 341
	Effect of dilutive securities: warrants	37 356	34 960
Diluted:	Adjusted weighted average shares and assumed conversions	1 185 796	1 173 301

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 two-for-one stock split effective on April 12, 1999.

23. Commitments and contingencies

	1999 EURm	1998 EURm
Collateral for own commitments		
Mortgages	6	6
Assets pledged	3	9
Contingent liabilities on behalf of Group companies		
Other guarantees	427	283
Contingent liabilities on behalf of associated companies		
Guarantees for loans	-	1
Contingent liabilities on behalf of other companies		
Guarantees for loans	234	84

24. 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:

	Finance lease	Operating lease
1999		
Leasing payments, EURm		
2000	10	132
2001	10	115
2002	10	81
2003	10	65
2004	10	61
and thereafter	10	106
Total	60	560

Rental expense amounted to EUR 216 million and EUR 106 million in 1999 and 1998, respectively.

25. Loans granted to top management

	1999 EURm	1998 EURm
Loans granted to top management	-	1

The loan period is generally between 5 and 10 years. The interest rates vary between 3-8% depending on the level of interest rate in the respective country.

26. Associated companies

	1999 EURm	1998 EURm
Share of results of associated companies	-5	6
Dividend income	2	2
Share of shareholders' equity of associated companies	68	91
Receivables from associated companies		
Current receivables	1	-
Liabilities to associated companies		
Current liabilities	6	-

27. Notes to cash flow statement

	1999 EURm	1998 EURm
Adjustments for:		
Depreciation	665	509
Other operating income and expenses	-68	-8
Adjustments, total	597	501
Change in net working capital		
Short-term trade receivables, increase (-), decrease (+)	-982	-1 573
Inventories, increase (-), decrease (+)	-362	-103
Interest-free short-term liabilities, increase (+), decrease (-)	1 323	1 225
Change in net working capital	-21	-451

28. Financial risk management

The continuously evolving financial markets together with a rapidly changing business environment creates a challenging environment for Nokia's Treasury function. The overall objective of Nokia Group Treasury is two-fold: 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 and Dallas, and a Corporate Treasury unit in Helsinki. This international organization of the Treasury enables the company to provide 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. Business Groups have more 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, since Nokia has an increasing amount of production and sales outside the Eurozone. Due to the rapid growth in the Group, currency combinations may also change within the financial year. From 1.1.1999 the principal transaction exposure in Nokia has been against Euro. The introduction of Euro has decreased Nokia's transaction exposure. The most significant sales currencies were USD, GBP and AUD. In

general, the appreciation of the base currency of Nokia relative to other currencies has an adverse effect on Nokia's sales and operating profit in the medium to long term, while depreciation of the base currency has a positive effect in the medium to long term. The only significant purchasing currency is JPY.

According to the foreign exchange policy guidelines of the Group, material open foreign exchange exposures are hedged. Exposures are mainly hedged with derivative 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. 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 99 % confidence level was EUR 8.5 million at December 31, 1999 (EUR 11.0 million in 1998). The average VaR figure in 1999 was EUR 11.0 million. The VaR figure fluctuated between EUR 4.9 million and EUR 18.4 million in 1999. In 1998 the average VaR figure was EUR 8.0 million, and it fluctuated between EUR 4.8 million and EUR 11.0 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. The equity changes caused by movements in foreign exchange rates are shown as a translation difference in the Group consolidation. Nokia uses 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. The Board of Directors provides the framework for hedging decisions. Actual decisions on the currency pairs to be hedged are supported by quantitative methods based on mean - variance efficiency. Foreign exchange translation risk is also measured by Value-at-Risk methodology. The VaR based risk figure of the total net translation exposure using a one week target horizon and 99% confidence level was EUR 21.4 million as at the end of the fiscal year (EUR 8.8 million in 1998). Translation risk was managed according to same principles as during the previous year.

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 the interest expenses or revenues 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 instruments, such as interest rate swaps, forwards and options. The maturities of interest rate swaps are usually less than five years. Interest rate risk is managed by using duration based sensitivity analysis and by constantly monitoring the market value of the financial instruments. Investment portfolios are benchmarked against one year investment horizon in order to facilitate internal performance measurement.

The net interest rate sensitivity of the fixed income investments, loan portfolio and interest rate derivatives of Nokia was at the end of 1999 EUR -19.2 million for a 1% parallel interest rate rise (EUR -15.1 million in 1998). Corresponding sensitivity for a 1% parallel interest rate decline was EUR 20.0 million (EUR 15.0 million in 1998). Interest rate risks are actively monitored by the treasury units and the treasury management. The increase in the sensitivity to interest rate changes was mainly due to growth in the investment portfolio compared with the previous year.

Equity price risk

Nokia has some investments in publicly traded companies. These equity securities are held for purposes other than trading. During the year Nokia divested some of its holdings. The market value of the equity investments at December 31, 1999 was EUR 180 million (EUR 124 million in 1998). A 10 % adverse move in equity prices would have decreased the market value of the investments by EUR 18 million (EUR 12 million in 1998). 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 Fund. The value of these equity investments at December 31, 1999 was USD 42 million.

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 an important means of competing 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

risk related to vendor financing is systematically analysed and monitored by the Credit committee along the principles defined in the policy for Commercial Credit Risk. The outstanding liabilities on long-term customer financing were on December 31, 1999, EUR 600 million (EUR 259 million in 1998) out of which EUR 370 million were long-term receivables (EUR 178 million in 1998) and EUR 230 million contingent liabilities (EUR 81 million in 1998). No credit losses have occurred.

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 Group 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. The ratings of Nokia from credit rating agencies as at December 31, 1999 were:

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

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 1999.

Notional amounts of derivative financial instruments ¹

EURm	1999	1998
Foreign exchange forward contracts ^{2,3}	9 473	15 638
Currency options bought	1 184	741
Currency options sold	978	876
Interest rate forward and futures contracts ²	598	-
Interest rate swaps	250	67

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, 1999 notional amount includes contracts amounting to EUR 0.6 billion used to hedge the shareholders' equity of foreign subsidiaries (December 31, 1998 EUR 1.3 billion).

29. 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, 1999 and 1998. 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	1999		1998	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	4 159	4 166	2 891	2 906
Receivables	3 985	3 985	2 975	2 975
Investments in other shares	68	212	75	149
Other non-current assets	197	197	34	34
Financial liabilities				
Accounts payable	2 404	2 404	1 317	1 317
Short-term borrowings	792	792	699	699
Long-term interest-bearing liabilities	269	285	257	283
Off-balance-sheet instruments				
Currency options purchased ^{1,2}	25	25	22	22
Currency options written ²	-28	-28	-16	-16
Forward foreign exchange contracts ^{1,2}	-54	-54	147	147
Interest rate swaps ³	-2	-1	1	6

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 interest rate 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

Fair value of swap instruments have been estimated by using discounted cash flow analyses.

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.

30. Principal Nokia Group companies on December 31, 1999

		Net sales EURm	Number of shares	Parent holding %	Group majority %	Total nominal value in 1 000 units	Book value EUR 1 000
FI	Nokia Matkapuhelimet Oy	8 217	665	60.2	100.0	33 250 FIM	17 946
US	Nokia Mobile Phones Inc.	4 066	1 300		100.0	1 USD	50 278
FI	Nokia Networks Oy	3 579	226 000	100.0	100.0	226 000 FIM	63 239
DE	Nokia GmbH	3 462	10		100.0	10 810 EUR	9 736
GB	Nokia UK Limited	2 053	20 000 000		100.0	20 000 GBP	31 867
KR	Nokia TMC Limited	1 329	232 080	100.0	100.0	2 320 800 KRW	27 701
CN	Beijing Nokia Mobile Telecommunications Ltd	1 035	2		50.0	10 000 USD	9 917
NL	Nokia Finance International B.V.		229	100.0	100.0	229 NLG	205 383

Shares in listed companies

Group holding more than 5%	Group holding %	Group voting %
Nextrom Holding S.A.	25.0	50.0
Nokian Renkaat Oyj/Nokian Tyres plc	19.2	19.2
Geoworks Inc.	5.7	5.7

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*	1999 EURm	1998 EURm
Net sales		69	46
Cost of goods sold		-3	-
Gross margin		66	46
Marketing expenses		-7	-
Research and development expenses		-138	-72
Administrative expenses		-79	-26
Other operating expenses		-21	-4
Other operating income		116	12
Operating loss	2, 3	-63	-44
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		34	3 478
Dividend income from other companies		8	7
Interest income from Group companies		5	9
Interest income from other companies		2	1
Other interest and financial income			
Interest income from Group companies		57	42
Interest income from other companies		31	30
Other financial income from other companies		3	-
Exchange gains and losses		-55	16
Interest expenses and other financial expenses			
Interest expenses to Group companies		-7	-15
Interest expenses to other companies		-45	-37
Other financial expenses		-2	-2
Financial income and expenses, total		31	3 529
Profit before extraordinary items, appropriations and taxes		-32	3 485
Extraordinary items			
Group contributions		2 238	1 795
Extraordinary items, total		2 238	1 795
Profit before appropriations and taxes		2 206	5 280
Appropriations			
Difference between actual and planned depreciation, increase (-)/decrease (+)		5	4
Income taxes			
for the year		-602	-507
from previous years		5	-3
Net profit		1 614	4 774

Cash flow statement, parent company, FAS

Financial year ended December 31	Notes*	1999 EURm	1998 EURm
Cash flow from operating activities			
Operating loss		-63	-44
Adjustments, total	16	-96	-2
Operating loss before change in net working capital		-159	-46
Change in net working capital	16	110	19
Cash generated from operations		-49	-27
Interest received		86	51
Interest paid		-40	-62
Other financial income and expenses		-65	20
Income taxes paid		-663	-593
Cash flow before extraordinary items		-731	-611
Extraordinary income and expenses		1 794	1 011
Net cash from operating activities		1 063	400
Cash flow from investing activities			
Investments in shares		-84	-33
Capital expenditures		-65	-16
Proceeds from sale of shares and discontinued operations, net		176	9
Proceeds from sale of fixed assets		20	1
Dividends received		40	48
Net cash from investing activities		87	9
Cash flow from financing activities			
Share issue		152	108
Proceeds from (+), payments of (-) long-term liabilities		7	-55
Proceeds from (+), payments of (-) short-term borrowings		142	133
Proceeds from (+), payments of (-) long-term receivables		-172	81
Proceeds from (+), payments of (-) short-term receivables		-814	-44
Dividends paid		-589	-380
Net cash used in financing activities		-1 274	-157
Net increase (+) /decrease (-) in cash and cash equivalents		-124	252
Cash and cash equivalents at beginning of period		622	370
Cash and cash equivalents at end of period		498	622

* Notes are shown on pages 26 to 29.

Balance sheet, parent company, FAS

December 31	Notes*	1999 EURm	1998 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	4		
Intangible rights		1	2
Other intangible assets		4	3
		5	5
Tangible assets	5		
Land and water areas		34	23
Buildings and constructions		75	72
Machinery and equipment		27	23
Other tangible assets		1	1
Advance payments and fixed assets under construction		19	2
		156	121
Investments			
Investments in subsidiaries	6	836	768
Investments in associated companies	6	622	31
Investments in other shares	6	30	76
Long-term loan receivables from Group companies		112	38
Long-term loan receivables from other companies		1	3
Other non-current assets		128	27
		1 129	943
Current assets			
Inventories and work in progress			
Finished goods		-	1
Receivables			
Trade debtors from Group companies		80	28
Trade debtors from other companies		1	1
Short-term loan receivables from Group companies		3 861	5 979
Short-term loan receivables from other companies		7	6
Prepaid expenses and accrued income from Group companies		30	20
Prepaid expenses and accrued income from other companies		171	99
		4 150	6 133
Short-term investments		487	581
Bank and cash		11	41
		5 938	7 825

December 31	Notes*	1999 EURm	1998 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7		
Share capital		279	255
Share issue premium		1 065	895
Retained earnings	8	1 645	894
Net profit for the year	8	1 614	4 774
		4 603	6 818
Accumulated appropriations	9		
Accumulated depreciation in excess of plan		71	75
Liabilities			
Long-term liabilities	10		
Bonds	11	151	144
Convertible bonds	12	-	1
		151	145
Short-term liabilities			
Current finance liabilities from Group companies		821	532
Loans from financial institutions		-	39
Current maturities of long-term loans		1	59
Advance payments from other companies		4	3
Trade creditors to Group companies		13	3
Trade creditors to other companies		10	3
Accrued expenses and prepaid income to Group companies		1	2
Accrued expenses and prepaid income to other companies		263	146
		1 113	787
Total liabilities		1 264	932
		5 938	7 825

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

	1999 EURm	1998 EURm
Wages and salaries	47	40
Pension expenses	7	7
Other social expenses	12	8
Personnel expenses as per profit and loss account	66	55

Remuneration of the Chairman and the other members of the Board of Directors and the President*	2	1
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* Salaries include incentives - -

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

Personnel average	1999	1998
Marketing	37	-
R&D	1 198	886
Administration	428	226
	1 663	1 112

3. Depreciation

	1999 EURm	1998 EURm
Depreciation by asset class category		
Intangible assets		
Intangible rights	1	1
Property, plant and equipment		
Buildings and constructions	3	3
Machinery and equipment	9	8
Total	13	12
Depreciation by function		
R&D	9	4
Selling, marketing and administration	4	8
Total	13	12

4. Intangible assets

	1999 EURm	1998 EURm
Intangible rights		
Acquisition cost Jan. 1	5	5
Additions	-	1
Disposals	-	-1
Accumulated depreciation Dec. 31	-4	-3
Net carrying amount Dec. 31	1	2

Other intangible assets

Acquisition cost Jan. 1	4	3
Additions	2	1
Disposals	-1	-
Accumulated depreciation Dec. 31	-1	-1
Net carrying amount Dec. 31	4	3

5. Tangible assets

	1999 EURm	1998 EURm
Land and water areas		
Acquisition cost Jan. 1	23	14
Additions	12	10
Disposals	-1	-1
Net carrying amount Dec. 31	34	23

Buildings and constructions

Acquisition cost Jan. 1	84	82
Additions	9	2
Accumulated depreciation Dec. 31	-18	-12
Net carrying amount Dec. 31	75	72

Machinery and equipment

Acquisition cost Jan. 1	41	40
Additions	14	5
Disposals	-1	-3
Accumulated depreciation Dec. 31	-27	-19
Net carrying amount Dec. 31	27	23

Other tangible assets

Acquisition cost Jan. 1	2	2
Accumulated depreciation Dec. 31	-1	-1
Net carrying amount Dec. 31	1	1

Advance payments and fixed assets under construction

Acquisition cost Jan. 1	2	-
Additions	36	2
Transfers	-	-
Disposals	-19	-
Net carrying amount Dec. 31	19	2

6. Investments

	1999 EURm	1998 EURm		1999 EURm	1998 EURm
Investments in subsidiaries			Investments in other shares		
Acquisition cost Jan. 1	768	770	Acquisition cost Jan. 1	76	53
Additions	105	4	Additions	21	29
Disposals	-37	-6	Disposals	-67	-6
Net carrying amount Dec. 31	836	768	Net carrying amount Dec. 31	30	76
Investments in associated companies			Shareholdings in other companies include listed		
Acquisition cost Jan. 1	31	31	investments of EUR 29 million (EUR 69 million in		
Disposals	-9	-	1998). At the balance sheet date, the fair value of these		
Net carrying amount Dec. 31	22	31	investments was EUR 149 million (EUR 110 million in		
			1998).		

Shareholdings in associated companies include listed investments of EUR 18 million (EUR 22 million in 1998). At the balance sheet date, the fair value of these investments, based on quoted market prices, was EUR 15 million (EUR 86 million in 1998).

7. Shareholders' equity

Parent Company, EURm	Share capital	Share issue premium	Contingency reserve	Retained earnings	Total
Balance at Dec. 31, 1997	252	790	21	1 254	2 317
Share issue	3	105			108
Dividend				-378	-378
Reserved for public worthy causes decided by the Board				-3	-3
Other increase/decrease, net			-21	21	-
Net profit				4 774	4 774
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

8. Distributable earnings

	1999 EURm	1998 EURm
Retained earnings from previous years	1 645	894
Net profit for the year	1 614	4 774
Retained earnings, total	3 259	5 668
Non-distributable items	-	-3 435
Distributable earnings, Dec. 31	3 259	2 233

In August 1999, Nokiterra Oy, a 100% owned subsidiary, merged into Nokia Corporation as a result of which the parent company received 64 280 684 Nokia shares. These shares were cancelled in December by resolution of the Extraordinary General Meeting held on December 13, 1999. The cancellation of these shares diminished the retained earnings by EUR 3 435 million.

9. Accumulated appropriations

Deferred tax liability for the accumulated appropriations computed using the tax rate of 29% totalled EUR 21 million (EUR 21 million in 1998, tax rate 28%).

10. Long-term liabilities

	Outstanding Dec. 31, 1999 EURm	Repayment date beyond 5 years EURm
Long-term loans are repayable as follows:		
Bonds	151	-
Convertible bonds	-	-
	151	-

The long-term liabilities as of December 31, 1999 mature as follows:

	EURm	
2000	1	0.4%
2001	47	30.9%
2002	-	-
2003	25	16.6%
2004	79	52.1%
Thereafter	-	-
	152	

11. Bonds

	Million		Interest	1999 EURm	1998 EURm
1989-2004	50.0	GBP	11.375%	79	72
1993-2003	150.0	FIM	Floating	25	25
1996-2001	300.0	FIM	7.000%	47	47
				151	144

12. Convertible bonds

	Million		Interest	1999 EURm	1998 EURm
Bonds issued with warrants					
1995-2000	1.45	FIM	0.000%	-	0.2
1997-2000	2.38	FIM	0.000%	-	0.4
				-	0.6

The remaining part of convertible bonds, EUR 0.6 million, expires in 2000 and is included in current liabilities on line current portion of long-term debt.

13. Commitments and contingencies

	1999 EURm	1998 EURm
Collateral for own commitments		
Assets pledged	-	3
Contingent liabilities on behalf of Group companies		
Guarantees for loans	155	116
Other guarantees	90	113
Contingent liabilities on behalf of associated companies		
Guarantees for loans	-	1
Contingent liabilities on behalf of other companies		
Guarantees for loans	178	75

14. Leasing contracts

At December 31, 1999 the leasing contracts of the Parent Company amounted to EUR 41 million (EUR 41 million in 1998), of which EUR 5 million will fall due in 2000 (EUR 6 million in 1999).

15. Loans granted to top management

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

16. Notes to cash flow statement

	1999 EURm	1998 EURm
Adjustments for:		
Depreciation	13	12
Other operating income and expenses	-109	-14
Adjustments, total	-96	-2
Change in net working capital		
Short-term trade receivables, increase (-), decrease (+)	-108	69
Inventories, increase (-), decrease (+)	1	-
Interest-free short-term liabilities, increase (+), decrease (-)	217	-50
Change in net working capital	110	19

During 1999 Nokia acquired Rooftop Communications Corporation 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.

17. Principal Nokia Group companies on December 31, 1999

See Group note no. 30

18. Nokia shares and shareholders

See Nokia shares and shareholders p. 30 – 34.

Nokia shares and shareholders

Shares and voting rights

At the Annual General Meeting held on March 17, 1999 Nokia shareholders resolved to consolidate the two classes of shares, A shares and K shares, into one class of shares. The consolidation of the classes of shares is effective as of April 9, 1999 whereafter Nokia has one class of shares only¹. Each share entitles to one (1) vote at General Meetings of Nokia, and to a fixed annual dividend amounting to 10 per cent of the nominal value of the share. Should it be impossible in any year to distribute such dividend, the shares are entitled to the remainder in the following year.²

Nokia shareholders resolved at the Annual General Meeting held on March 17, 1999 to convert the share capital and the nominal value of the share into euros, to split the nominal value of the share on a two-for-one basis, and to increase the share capital through a bonus issue by rounding up the nominal value of each share to an appropriate two decimal number.

With effect from April 9, 1999, the nominal value of the share is EUR 0.24.

The minimum share capital stipulated in the Articles of Association is EUR 170 million and the maximum share capital EUR 680 million upon the resolution by Nokia shareholders at the Annual General Meeting held on March 17, 1999. The share capital may be increased or reduced within these limits without amending the Articles of Association. On December 31, 1999 the share capital of the Parent Company was EUR 279 243 831.84 and the total number of votes 1 163 515 966.

On December 31, 1999 the total number of shares included 346 194 shares owned by the Group companies with an aggregate nominal value of EUR 83 086.56 representing 0.03 per cent of the total number of shares and voting rights.

Share capital and shares, Dec. 31³

	1999	1998	1997	1996	1995
Share capital, EURm					
K (common)	^{*)}	54	66	84	92
A (preferred)		201	186	168	160
Total	279	255	252	252	252
Shares					
(1000, nominal value EUR 0.24)					
K (common)	^{*)}	254 061	314 750	398 851	437 508
A (preferred)		957 132	884 659	799 349	760 692
Total	1 163 516	1 211 193	1 199 409	1 198 200	1 198 200
Shares owned by the Group at year-end (1 000)	346	64 322	64 322	65 122	60 722
Number of shares excl. shares owned by the Group at year-end (1 000)	1 163 170	1 146 871	1 135 087	1 133 078	1 137 478
Average number of shares excl. shares owned by the Group during the year (1 000)	1 148 440	1 138 341	1 133 128	1 134 244	1 138 268
Number of registered shareholders⁴	48 771	30 339	28 596	26 160	27 466

^{*)} As of April 9, 1999 one class of shares only

¹ Before the consolidation, the Articles of Association contained a provision permitting a conversion of K shares to an equivalent number of A shares, within the limits set for the minimum and maximum numbers of shares in each class of shares. By March 17, 1999, a total of 63.5 % of all the K shares had been converted into A shares and only 154 120 shares could still have been converted.

² 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 no fixed annual dividend.

³ Figures have been recalculated to reflect the nominal value of EUR 0.24.

⁴ Each nominee register is included in the figure as only one registered shareholder.

Key Ratios Dec. 31, IAS (calculation see page 42)

	1999	1998	1997	1996	1995
Earnings per share from continuing operations, basic, EUR	2.24	1.48	0.89	0.45	0.61
P/E Ratio					
K (common)	^{*)}	35.3	18.4	24.8	12.0
A (preferred)	80.4	35.3	18.3	24.9	11.9
(Nominal) dividend per share, EUR	0.80 ⁵	0.48	0.31	0.15	0.13
Total dividends paid, EURm	931 ⁵	586	378	176	151
Payout ratio	0.36	0.33	0.35	0.33	0.21
Dividend yield, %					
K (common)	^{*)}	0.9	1.9	1.3	1.7
A (preferred)	0.4	0.9	1.9	1.3	1.8
Shareholders' equity per share, EUR	6.34	4.45	3.19	2.36	2.04
Market capitalization, EURm ⁶	209 371	59 796	18 503	12 706	8 195

^{*)} As of April 9, 1999 one class of shares only

Splits of the nominal value of Nokia shares

	Nominal value before	Split ratio	Nominal value after	Effective date in public trading
1986	FIM 100 (EUR 16.82)	5:1	FIM 20 (EUR 3.36)	January 2, 1987
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 ⁷	April 12, 1999

Authorizations

At the Annual General Meeting held on March 17, 1999 Nokia shareholders authorized the Board of Directors to decide on an increase of the share capital by a maximum of EUR 28 800 000 million in one or more issues offering a maximum of 120 000 000 new shares within one year as of the resolution of the Annual General Meeting. The shares to be issued will be used to finance possible business acquisitions or corresponding arrangements in deviation from the shareholders' preemptive rights for share subscription. In 1999 the Board of Directors has increased the share capital on the basis of the authorization by an aggregate EUR 127 087.20 consisting of 529 530 shares, as a result of which the unused authorization amounted up to EUR 28 672 912.80 corresponding to 119 470 470 shares on December 31, 1999.

At the end of 1999, the Board of Directors had no other unused authorizations to issue shares, convertible bonds, stock options or warrants.

Convertible bonds and stock options⁸

The Annual General Meeting held on April 7, 1994 approved the issue of up to 200 2 per cent bonds with warrants due April 15, 1999, 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 has a principal amount of FIM 1 000 and carries 1 000 warrants, each of which is exercisable at FIM 374 for sixteen shares from December 1, 1998 to January 31, 2000. The bonds were issued on April 15, 1994 and they had been fully repaid by December 31, 1999. If exercised in full, the warrants would be exercisable for a total of 3 200 000 shares, whereby the share capital would be increased by a maximum amount of EUR 768 000 representing less than one per cent of the outstanding share capital of Nokia⁹. The stock option plan was offered to approximately 50 persons.

The Annual General Meeting held on March 30, 1995 approved the issue of up to 1 450 non-interest bearing bonds with warrants due May 31, 2000, for up

⁵ Proposed by the Board of Directors.

⁶ Shares owned by the Group companies is not included.

⁷ A bonus issue of EUR 0.03 per share in the same connection.

⁸ Figures have been recalculated to reflect the nominal value of EUR 0.24.

⁹ At the Annual General Meeting held on March 17, 1999 Nokia's shareholders resolved to amend the terms and conditions of the Nokia Stock Option Plan 1994 to reflect the nominal value of EUR 0.24.

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, 1999 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 of USD 82 per ADS. On December 31, 1999 a total of 247 000 stock options granted to approximately 600 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 ADS that may be issued under the Plan is 825 000.

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. Each A warrant confers the right to subscribe for four shares during the period from December 1, 1997 to January 31, 2001, and each B warrant during the period from December 1, 1999 to January 31, 2001, respectively. The bonds were issued on May 31, 1995. If exercised in full, the warrants would be exercisable for a total of 23 200 000 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 Nokia¹⁰. The aggregate subscription price for four shares is FIM 168. The stock option plan covers approximately 350 persons. The B warrants are listed on the Helsinki Exchanges as of December 1, 1999.

The Annual General Meeting held on March 25, 1997 approved the issue of up to 4 750 non-interest bearing bonds with warrants due April 16, 2000, 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. Each warrant confers the right to subscribe for four shares. 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. The bonds were issued on April 16, 1997. If exercised in full, the warrants would be exercisable for a total of 38 000 000 shares whereby the share capital would be increased by a maximum amount of EUR 9 120 000 representing approximately 3.3 per cent of the outstanding share capital of Nokia¹¹. The aggregate subscription price for four shares is FIM 307. The plan covers approximately 2 000 persons. The A and B warrants are listed on the Helsinki Exchanges as one security as of November 1, 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 one share. 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. The subscription price for the A stock options is EUR 67.55, and for the B stock options the trade volume weighted average price of the share on the Helsinki Exchanges during the last five trading days in March 2000, and for the C stock options the trade volume weighted average price of the share on the Helsinki Exchanges during the last five trading days in March 2001. If exercised in full, the stock options would be exercisable for a total of 36 000 000 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. The stock option plan presently covers approximately 5 000 persons.

Shares subscribed under the bonds will rank for dividend for the financial year in which 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 71 332 800 new shares may be subscribed for representing 5.8 per cent of votes. During 1999 the exercise of 3 444 838 warrants attached to the bonds resulted in the issue of 16 073 992 new shares and the increase of share capital of the parent company with EUR 3 857 758,08.

There were no other bonds with warrants or stock options, and no convertible bonds outstanding during the year 1999.

Share issues and bonus issues 1995–1999¹²

Type of Issue	Subscription date	Subscription price or amount of bonus issue EUR	Number of new shares	Date of payment	Net proceeds EURm	New share capital EURm
Nokia Stock Option Plan 1994	1998	3.93	67 008	1998	0.26	0.01
	1999	3.93	3 059 520	1999	12.03	0.73
Nokia Stock Option Plan 1995	1997	7.06	581 600	1997	4.11	0.12
	1998	7.06	7 576 000	1998	53.52	1.59
	1999	7.06	4 650 380	1999	32.85	1.12
Nokia Stock Option Plan 1997	1997	12.91	627 104	1997	8.09	0.13
	1998	12.91	4 141 496	1998	53.46	0.87
	1999	12.91	8 364 092	1999	107.97	2.01
Bonus issue	1999	0.03	-	1999	36.05	36.05
Share issue to stockholders of Rooftop Communications Corporation						
	1999	80.17	529 530	1999	42.45	0.13

Reductions of share capital in 1999

Type of reduction	Number of shares affected	Amount of reduction of share capital EUR	Amount of reduction of the restricted capital EUR	Amount of reduction of the retained earnings EUR
Cancellation of shares	64 280 684	15 427 364.16	-	3 435 269 906,47

Share turnover (all stock exchanges)¹³

	1999*)	1998	1997	1996	1995
K share turnover (1000)		63 777	49 658	135 234	199 742
Total number of K shares (1000)		127 031	157 374	199 426	218 754
% of total number of K shares		50	32	68	91
A share turnover (1000)	1 982 653	1 282 039	1 303 052	1 520 758	1 285 426
Total number of A shares (1000)	1 163 516	478 566	442 330	399 674	380 346
% of total number of K shares	170	268	295	380	338

Share prices, EUR (Helsinki Exchanges)¹³

	1999*)	1998	1997	1996	1995
K share					
Low/high		15.47/53.65	10.93/22.96	6.14/11.29	5.80/14.30
Average ¹⁴		41.12	14.80	7.90	9.33
Year-end		52.14	16.40	11.18	7.23
A share					
Low/high	54.95/180	15.56/53.65	11.02/23.04	6.14/11.29	5.80/14.30
Average ¹⁴	87.66	31.79	16.48	7.99	9.25
Year-end	180	52.14	16.31	11.27	7.14

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

Share prices, USD (New York Stock Exchange)¹⁵

	1999	1998	1997	1996	1995
ADS					
Low/high	63.75/191.06	17.03/62.41	13.94/25.44	7.94/14.59	8.19/19.09
Average ¹⁶	93.89	34.15	18.41	9.94	11.88
Year-end	191.06	60.22	17.38	14.41	9.75

¹⁰ At the Annual General Meeting held on March 17, 1999 Nokia's shareholders resolved to amend the terms and conditions of the Nokia Stock Option Plan 1995 to reflect the nominal value of EUR 0.24.

¹¹ At the Annual General Meeting held on March 17, 1999 Nokia's shareholders resolved to amend the terms and conditions of the Nokia Stock Option Plan 1997 to reflect the nominal value of EUR 0.24.

¹² Prices and numbers of shares have recalculated to correspond the nominal value of EUR 0.24 of the shares.

¹³ Recalculated to reflect the nominal value of EUR 0.24 of the share.

¹⁴ Calculated by weighing average price of each day with daily trading volumes.

¹⁵ Recalculated to reflect the nominal value of EUR 0.24 of the share.

¹⁶ Calculated by weighing average price of each day with daily trading volumes.

Nokia share price on the Helsinki Exchanges
EUR



Nokia ADS price on the New York Stock Exchange
USD



Largest registered shareholders

Registered shareholders represent 14.4 per cent of the total number of shares of the parent company. The largest registered shareholders, without the shares registered in the name of a nominee, as of December 31, 1999 are as follows:

	Total	Per cent of all the shares and voting rights
UPM-Kymmene Corporation	8 574 736	0.7
Pohjola Group Insurance Corporation	8 362 800	0.7
Industrial Insurance Company Ltd	7 090 000	0.6
Suomi Mutual Life Assurance Company	6 661 000	0.6
Svenska Litteratursällskapet i Finland r f	6 087 172	0.5
The Local Government Pensions Institution	5 530 976	0.5
Ilmarinen Mutual Pension Insurance Company	5 113 500	0.4
Juselius Sigrd stiftelse	4 286 944	0.4
Pohjola Life Assurance Company Ltd	3 749 000	0.3
The Pension Foundation of the Nokia Corporation	3 360 530	0.3

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. Part of the holdings is in the form of ADRs, and part in ordinary shares.

The number of registered shareholders was 48 771 on December 31, 1998. Each nominee register (20) 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, 1999 an aggregate of 127 954 shares representing 0.01 per cent of the aggregate number of shares and voting rights, as well as a number of warrants representing 6.4 per cent of the total number of warrants issued. If exercised in full the said warrants would be exercisable for 4 825 180 shares representing 0.41 per cent of the total number of shares and total voting rights as of December 31, 1999.

Breakdown of share ownership on December 31, 1999

By number of shares owned

	Number of shareholders	Per cent of shareholders	Total number of shares	Per cent of share capital	Average holding
1-500	34 462	70.7	4 324 113	0.4	125
501-1 000	4 472	9.2	3 386 611	0.3	757
1 001-10 000	8 473	17.4	26 264 996	2.2	3 100
10 001-100 000	1 247	2.5	31 285 871	2.7	25 089
Over 100 000	97	0.2	102 832 804	8.8	1 060 132
Total	48 751	100.0	168 094 395	14.4	3 447

Shares registered in the name
of a nominee

	995 421 571	85.6
Total	1 163 515 966	100.0

By shareholder category, per cent

	Shares
1. Foreign shareholders ¹⁷	86.0
2. Non-financial corporations	4.5
3. Households	3.1
4. Financial and insurance institutions	2.8
5. Non-profit organizations	2.1
6. General government	1.5
Total	100.0

Shares registered in the name of a nominee on December 31, 1999

	Shares	Per cent of shares and voting rights
Merita Bank Ltd	932 009 614	80.10
Other nominees	63 411 957	5.45

¹⁷ Includes the shares registered in the name of a nominee and the shares owned by Nokia Holding Inc.

Nokia 1995 – 1999, IAS

Key ratios and economic indicators

	1999	1998	1997	1996	1995
Net sales, EURm	19 772	13 326	8 849	6 613	6 191
Change, %	48.4	50.6	33.8	6.8	22.0
Exports from Finland, EURm	9 334	7 038	5 408	3 946	2 983
Exports and foreign subsidiaries, EURm	19 293	12 861	8 419	6 203	5 648
Salaries and social expenses, EURm	2 383	1 958	1 317	899	1 092
Operating profit, EURm	3 908	2 489	1 422	717	843
% of net sales	19.8	18.7	16.1	10.8	13.6
Financial income and expenses, EURm	-58	-39	-23	-68	-27
% of net sales	-0.3	-0.3	-0.3	-1.0	-0.4
Profit before tax and minority interests, EURm	3 845	2 456	1 408	655	830
% of net sales	19.4	18.4	15.9	9.9	13.4
Profit from continuing operations, EURm	2 577	1 680	1 009	512	687
% of net sales	13.0	12.6	11.4	7.7	11.1
Taxes, EURm	1 189	737	382	144	130
Dividends, EURm	931 *	586	378	176	151
Capital expenditure, EURm	1 358	761	404	341	555
% of net sales	6.9	5.7	4.6	5.2	9.0
Gross investments**, EURm	1 914	1 072	668	514	703
% of net sales	9.7	8.0	7.6	7.8	11.4
R&D expenditure, EURm	1 755	1 150	767	591	426
% of net sales	8.9	8.6	8.7	8.9	6.9
Average personnel	51 177	41 091	35 490	31 766	31 948
Non-interest bearing liabilities, EURm	5 717	3 844	2 586	1 891	2 000
Interest bearing liabilities, EURm	1 062	1 017	781	1 022	1 117
Return on capital employed, %	55.7	50.2	38.3	22.7	29.1
Return on equity, %	41.3	38.5	32.0	20.5	31.2
Equity ratio, %	53.3	52.0	52.7	48.4	44.0
Net debt to equity, %	-41	-36	-35	-9	17

* Board's proposal

** Incl. acquisitions, investments in shares and R&D capitalization.

Calculation of Key Ratios, see page 42.

Nokia 1995 – 1999, IAS

	1999	1998	1997	1996	1995
Profit and loss account, EURm					
Net sales	19 772	13 326	8 849	6 613	6 191
Cost and expenses	-15 864	-10 837	-7 427	-5 896	-5 348
Operating profit	3 908	2 489	1 422	717	843
Share of results of associated companies	-5	6	9	6	14
Financial income and expenses	-58	-39	-23	-68	-27
Profit before tax and minority interests	3 845	2 456	1 408	655	830
Tax	-1 189	-737	-382	-144	-130
Minority interests	-79	-39	-17	1	-13
Profit from continuing operations	2 577	1 680	1 009	512	687
Discontinued operations	-	-	44	37	-393
Profit from ordinary activities before cumulative effect of change in accounting policies	2 577	1 680	1 053	549	294
Cumulative prior year effect (after tax) of change in accounting policies	-	70	-	-	81
Net profit	2 577	1 750	1 053	549	375
Balance sheet items, EURm					
Fixed assets and other non-current assets	3 487	2 220	1 589	1 414	1 522
Current assets	10 792	7 814	5 431	4 182	3 988
Inventories	1 772	1 292	1 230	1 080	1 679
Accounts receivable and prepaid expenses	4 861	3 631	2 141	1 833	1 601
Cash and cash equivalents	4 159	2 891	2 060	1 269	708
Shareholders' equity	7 378	5 109	3 620	2 678	2 322
Minority shareholders' interests	122	63	33	5	71
Long-term liabilities	407	409	276	406	434
Long-term interest-bearing liabilities	269	257	226	356	357
Deferred tax liabilities	80	88	-	-	-
Other long-term liabilities	58	64	50	50	77
Current liabilities	6 372	4 453	3 091	2 507	2 683
Short-term borrowings	792	699	506	573	729
Current portion of long-term loans	1	61	48	93	31
Accounts payable	2 202	1 357	818	599	686
Accrued expenses	3 377	2 336	1 719	1 242	959
Discontinuity/restructuring provision	-	-	-	-	278
Total assets	14 279	10 034	7 020	5 596	5 510

	1999	1998	1997	1996	1995
Net sales by business group, EURm					
Nokia Networks	5 673	4 390	3 166	2 242	1 739
Nokia Mobile Phones	13 182	8 070	4 649	3 629	2 700
Other Operations*	995	1 014	1 218	874	1 876
Inter-business group eliminations	-78	-148	-184	-132	-124
Nokia Group	19 772	13 326	8 849	6 613	6 191
Net sales by market area, EURm					
Europe	10 614	7 673	5 212	4 070	4 197
of which Finland	479	465	430	410	543
Americas	4 909	2 815	1 601	1 065	793
Asia-Pacific	4 249	2 838	2 036	1 478	1 201
Total	19 772	13 326	8 849	6 613	6 191
Operating profit/loss, EURm					
Nokia Networks	1 082	960	682	501	458
Nokia Mobile Phones	3 099	1 540	645	241	295
Other Operations**	-273	-11	95	-25	90
Nokia Group	3 908	2 489	1 422	717	843
Average personnel					
Nokia Networks	22 804	19 280	15 710	12 558	9 915
Nokia Mobile Phones	20 975	16 064	12 631	10 927	10 616
Other Operations*	7 398	5 747	7 149	8 281	11 417
Nokia Group	51 177	41 091	35 490	31 766	31 948
In Finland	23 155	20 978	19 342	17 999	17 821
Outside Finland	28 022	20 113	16 148	13 767	14 127

* "Other operations" include discontinued and divested operations as follows: Nokia Tyres and Machinery until the moment of disposal 1995, TV business 1995, NKF/Cable Industry until the moment of disposal 1995-1996 and Türkablo/Cable Industry 1995-1996.

** "Other operations" include the operating profit/loss of discontinued and divested operations as follows: Nokia Tyres and Machinery until the moment of disposal 1995, NKF/Cable Industry until the moment of disposal 1995-1996 and Türkablo/Cable Industry 1995-1996.

Proposal by the Board of Directors to the Annual General Meeting

The distributable earnings in the balance sheet of the Group amount to EUR 5 670 million and those of the Company to EUR 3 259 million.

The Board proposes that from the funds at the disposal of the Annual General Meeting, a dividend of EUR 0.80 per share is to be paid out on a total of 1 163 515 966 shares, amounting to EUR 931 million.

Espoo, February 1, 2000

Jorma Ollila
Chairman and CEO

Iiro Viinanen

Pirkko Alitalo

Edward Andersson

Paul J. Collins

Bengt Holmström

Jouko K. Leskinen

Robert F.W. van Oordt

Vesa Vainio

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, 1999. 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 February 1, 2000

Eric Haglund
Authorized Public Accountant
(KPMG)

Lars Blomquist
Authorized Public Accountant
(PricewaterhouseCoopers)

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:

	1999 EURm	1998 EURm
Reconciliation of net income		
Net income reported under IAS	2 577	1 750
U.S. GAAP adjustments:		
Deferred income taxes	-	-70
Pension expense	9	16
Development costs	-47	-18
Marketable securities	-15	29
Sale-leaseback transaction	4	1
Deferred tax effect of U.S. GAAP adjustments	14	-19
Net income under U.S. GAAP	2 542	1 689
Reconciliation of shareholders' equity		
Total shareholders' equity reported under IAS	7 378	5 109
U.S. GAAP adjustments:		
Pension expense	54	45
Development costs	-186	-138
Marketable securities	142	89
Sale-leaseback transaction	-	-4
Deferred tax effect of U.S. GAAP adjustments	-4	1
Total shareholders' equity under U.S. GAAP	7 384	5 102

Deferred income taxes

Beginning January 1, 1998 the Group has accounted for deferred income taxes under IAS using the liability method. The differences between the application of IAS and U.S. GAAP are insignificant in relation to Nokia's deferred tax balance.

The 1998 U.S. GAAP net income amount has been revised to appropriately reflect the fact that there is no difference in accounting for income taxes under U.S. GAAP and IAS as a result of the adoption of IAS 12 revised. The effect of this revision was to decrease net income by EUR 70 million.

Prior to January 1, 1998, under IAS, deferred income taxes were not provided for differences between taxable income and accounting income that were not expected to reverse for some considerable period of time. U.S. GAAP requires recognition of deferred income taxes on a comprehensive basis for all temporary differences. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect at year-end. Deferred tax assets are also recognized on net operating loss carryforwards, reduced by a valuation allowance where it is more likely than not that the asset will not be realized.

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. Any unrealized losses recognized under IAS would be reversed under U.S. GAAP.

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.

Calculation of key ratios

Key ratios under IAS

Operating profit

Profit after depreciation

Shareholders' equity

Share capital + reserves

Earnings per share

Profit from continuing operations

Average of adjusted number of shares during the year

P/E ratio

Adjusted share price, December 31

Earnings per share

Dividend per share

Nominal dividend per share

The adjustment coefficients of the share issues that have taken place during or after the year in question

Payout ratio

Dividend per share

Earnings per share

Dividend yield, %

Nominal dividend per share

Share price

Shareholders' equity per share

Shareholders' equity

Adjusted number of shares at year-end

Market capitalization

Number of shares x share price per share class

Adjusted average share price

Amount traded during the period

Adjusted number of shares traded during the period

Share turnover, %

Number of shares traded during the period

Average number of shares during the period

Return on capital employed, %

Profit before taxes and minority interests

+ interest and other financial expenses

Average shareholders' equity + short-term borrowings + long-term interest-bearing liabilities (including the current portion thereof) + minority shareholders' interests

Return on shareholders' equity, %

Profit from continuing operations

Average shareholders' equity during the year

Equity ratio, %

Shareholders' equity + minority shareholders' interests

Total assets – advance payments received

Net debt to equity (gearing), %

Long-term interest-bearing liabilities (including the current portion thereof) + short-term borrowings - cash and cash equivalents

Shareholders' equity + minority shareholders' interests

Year-end currency rates 1999

Average rates 1999

	1 EUR =		1 EUR =
USD	1.008	USD	1.073
GBP	0.628	GBP	0.661
SEK	8.599	SEK	8.857
JPY	103.070	JPY	122.068



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