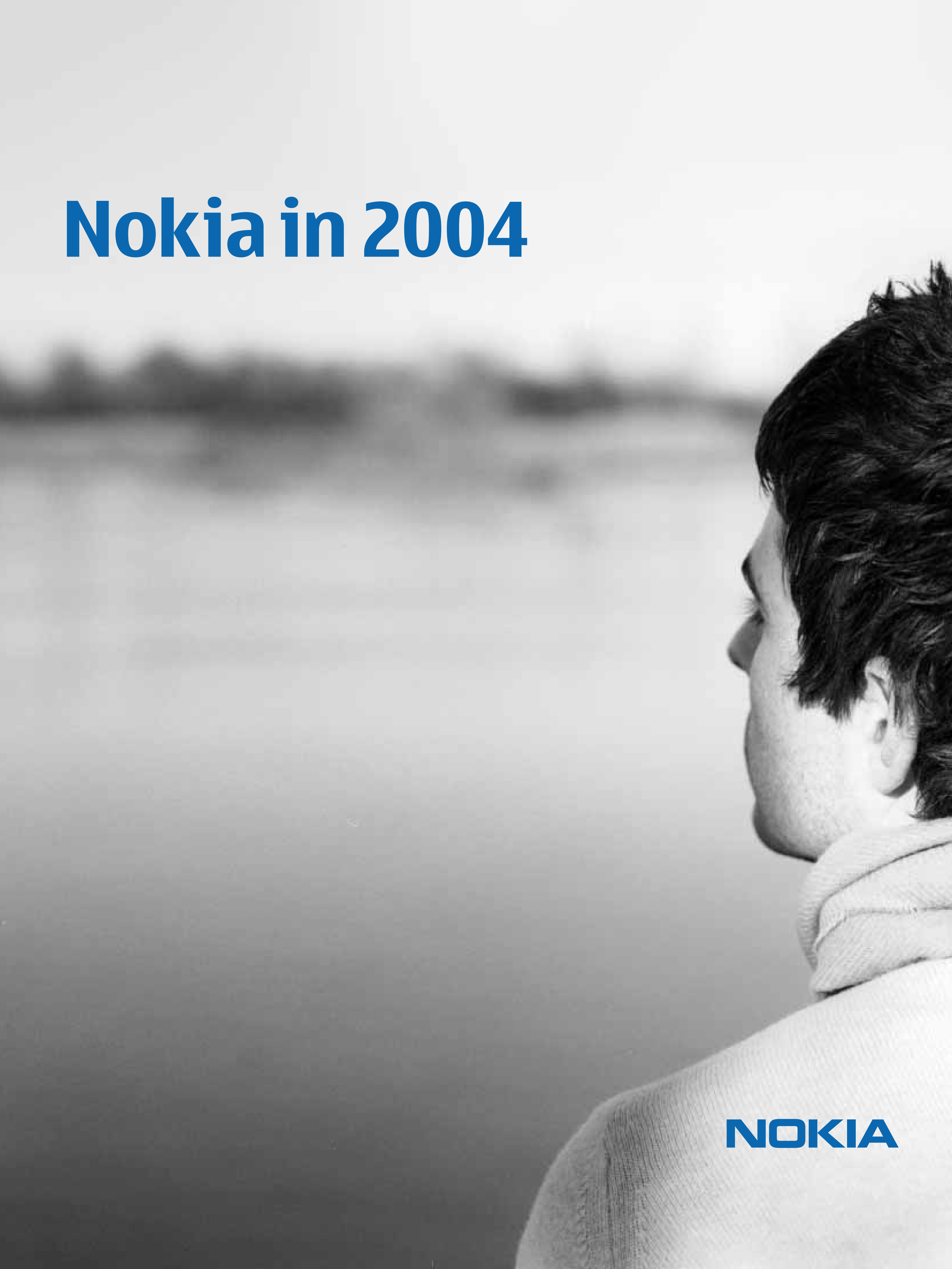
Nokia in 2004



Annual Accounts 2004

Additional information

Key data 2004

Based on financial statements according to International Financial Reporting Standards, IFRS

Nokia	2004	2003	Change, %
EURm			
Net sales	**29 267**	29 455	–1
Operating profit	**4 330**	5 011	–14
Profit before taxes	**4 709**	5 345	–12
Net profit	**3 207**	3 592	–11
Research and development	**3 733**	3 760	–1
Return on capital employed, %	**31.6**	34.7	
Net debt to equity (gearing), %	**–78**	–71	
EUR			
Earnings per share, basic	**0.70**	0.75	–7
Dividend per share	**0.33 ***	0.30	10
Average number of shares (1 000 shares)	**4 593 196**	4 761 121	

* Board's proposal

Business Groups	2004	2003	Change, %
EURm			
Mobile Phones			
Net sales	**18 507**	20 951	–12
Operating profit	**3 768**	5 927	–36
Multimedia			
Net sales	**3 659**	2 504	46
Operating profit/loss	**179**	–186	
Enterprise Solutions			
Net sales	**830**	529	57
Operating loss	**–199**	–141	
Networks			
Net sales	**6 367**	5 620	13
Operating profit/loss	**878**	–219	
Personnel, Dec. 31			
Mobile Phones	**2 558**	2 764	–7
Multimedia	**2 738**	2 777	–1
Enterprise Solutions	**2 234**	1 986	12
Networks	**16 595**	15 301	8
Common Group Functions	**31 380**	28 531	10
Nokia Group	**55 505**	51 359	8

10 major markets	2004	2003
Net sales, EURm		
USA	**3 416**	4 475
China	**2 660**	2 013
UK	**2 261**	2 693
Germany	**1 730**	2 297
India	**1 364**	1 062
Brazil	**1 091**	805
Russia	**938**	570
United Arab Emirates	**909**	1 886
Italy	**884**	1 003
Spain	**768**	748

10 major countries	2004	2003
Personnel, Dec. 31		
Finland	**23 069**	22 274
United States	**6 706**	6 636
China	**4 788**	4 595
Hungary	**3 778**	2 571
Germany	**3 522**	3 486
Brazil	**2 640**	1 497
UK	**1 903**	1 947
Denmark	**1 296**	1 270
Mexico	**1 160**	1 290
Singapore	**713**	717

Main currencies, rates at year end 2004

1 EUR = USD 1.3345
GBP 0.6885
SEK 8.9768
JPY 139.21

Review by the Board of Directors 2004

Nokia's net sales decreased by 1% to EUR 29 267 million (EUR 29 455 million). Sales of Mobile Phones decreased by 12% to EUR 18 507 million (EUR 20 951 million). Sales of Multimedia increased by 46% to EUR 3 659 million (EUR 2 504 million). Sales of Enterprise Solutions increased by 57% and totaled EUR 830 million (EUR 529 million). Sales of Networks increased by 13% to EUR 6 367 million (EUR 5 620 million).

Operating profit decreased by 14% to EUR 4 330 million (EUR 5 011 million), representing an operating margin of 14.8% (17.0%). Operating profit in Mobile Phones decreased by 36% to EUR 3 768 million (EUR 5 927 million), representing an operating margin of 20.4% (28.3%). Operating profit in Multimedia was EUR 179 million (operating loss EUR 186 million), representing an operating margin of 4.9% (–7.4%). Enterprise Solutions reported an operating loss of EUR 199 million (operating loss of EUR 141 million). Operating profit in Networks increased to EUR 878 million including a negative impact from research and development impairments totaling EUR 115 million; representing an operating margin of 13.8% (–3.9%). In 2003, operating profit included a positive adjustment of EUR 226 million related to customer financing impairment charges (MobilCom) and charges of EUR 550 million related to restructuring costs and impairments and write-offs of capitalized R&D expenses, as well as a goodwill impairment of EUR 151 million, with a total net impact of EUR 475 million.

Common Group expenses totaled EUR 296 million (EUR 370 million, including the gain of EUR 56 million on the sale of the remaining shares of Nokian Tyres Ltd) and included a one-time positive item of EUR 160 million representing the premium return under our multi-line, multi-year insurance program, which expired during 2004. The return was due to our low claims experience during the policy period. It also included a EUR 12 million negative impact from the divestiture of Nextrom.

In January – December, net financial income was EUR 405 million (EUR 352 million), including a one-time positive item of EUR 106 million. During the year, Nokia sold approximately 69% of its original holdings in the subordinated convertible perpetual bonds issued by France Telecom. As a result, the company booked a total net gain of EUR 106 million. The bonds had been classified as available-for-sale investments and fair valued through shareholders' equity.

Profit before tax and minority interests was EUR 4 709 million (EUR 5 345 million). Net profit totaled EUR 3 207 million (EUR 3 592 million). Earnings per share decreased to EUR 0.70 (basic) and EUR 0.70 (diluted), compared with EUR 0.75 (basic) and EUR 0.75 (diluted) in 2003.

At December 31, 2004, net debt-to-equity ratio (gearing) was –78% (–71% at December 31, 2003). During the January – December 2004, capital expenditure amounted to EUR 548 million (EUR 432 million).

Global reach

In 2004, Europe/Middle East/Africa accounted for 55% of Nokia's net sales (56% in 2003), North America 12% (16%), Latin America 8% (6%), China 10% (8%), and Asia-Pacific 15% (14%). The 10 largest markets were the US, China, UK, Germany, India, Brazil, Russia, United Arab Emirates, Italy and Spain, together representing 54% of total sales.

Research and development

As of December 31, 2004, we employed 20 722 people in research and development in 12 countries, representing approximately 37% of Nokia's total workforce. R&D expenses totaled EUR 3 733 million in 2004, a decrease of 1% from 2003 (EUR 3 760 million). R&D expenses represented 12.8% of Nokia net sales in 2004, compared with 12.8% of net sales in 2003.

If R&D impairments, write-offs and personnel-related restructuring costs in Networks were excluded from both the 2004 (impairments of EUR 115 million) and 2003 (personnel-related restructuring costs, impairments and write-offs totaling EUR 470 million) R&D expenses, the increase in R&D expenses would have been 10%, and would have represented 12.4% of Nokia net sales in 2004, compared with 11.2% of net sales in 2003.

Technology developments

During the year, Nokia continued to make advances in new technologies for mobile devices, software platforms and developer operations. Nokia added compelling features to its mobile devices with technologies such as Push to Talk over Cellular, megapixel cameras and multiradio capability, including wireless LAN and near field communications.

Nokia entered several technology development agreements with operators to jointly bring innovations to market. These included agreements with France Telecom for rich media solutions and with T-Mobile for the development of Series 60 Platform applications. A mobile service architecture initiative led by Nokia and Vodafone was launched to simplify mobile Java standards. Nokia also continued its work with in numerous industry associations and initiatives to support interoperable, high-quality products and solutions.

Nokia strengthened its commitment to Symbian's long-term success in the mobile operating system market by increasing its shareholding in Symbian from 32.2% to 47.9%. Nokia also extended its Symbian OS application technology development abilities through an agreement with Metrowerks.

In June, Nokia introduced the Series 60 2nd Edition with support for scalable user interfaces, high-resolution displays and multi-radio. The external licensee base of Series 60 continued to grow during the year. Nokia outlined plans to expand the Series 60 Platform for smartphones to a variety of segments, such as enterprise, multimedia and consumer.

In 2004, to support advanced mobile software developers, Nokia opened Forum Nokia PRO, a developer community, and launched the Preminet service.

People

The average number of personnel for 2004 was 53 511 (51 605 for 2003). At the end of 2004, Nokia employed 55 505 people worldwide (51 359 at year-end 2003). In 2004, Nokia's personnel increased by a total of 4 146 employees (decrease of 389 in 2003).

Corporate reorganization

On January 1, 2004, Nokia reorganized to further align the company's overall structure with its strategy, to better position each business group to meet the specific needs of diverse market segments, and to increase Nokia's operational efficiency and maintain the economies of scale. The structure includes four business groups: Mobile Phones, Multimedia, Enterprise Solutions and Networks. In addition, there are two horizontal groups that support the mobile device business groups: Customer and Market Operations and Technology Platforms.

Net sales by business group

Jan. 1 – Dec. 31	2004 EURm	%	2003 EURm	%	Change %
Mobile Phones	**18 507**	**63**	20 951	71	–12
Multimedia	**3 659**	**12**	2 504	8	46
Enterprise Solutions	**830**	**3**	529	2	57
Networks	**6 367**	**22**	5 620	19	13
Inter-business group eliminations	**–96**	–	–149	–	–
Nokia Group	**29 267**	**100**	29 455	100	–1

Operating profit by business group, IFRS

Jan. 1 – Dec. 31	2004 EURm	% of net sales	2003 EURm	% of net sales
Mobile Phones	**3 768**	**20.4**	5 927	28.3
Multimedia	**179**	**4.9**	–186	–7.4
Enterprise Solutions	**–199**	**–24.0**	–141	–26.7
Networks	**878**	**13.8**	–219	–3.9
Common Group Functions	**–296**	–	–370	–
Nokia Group	**4 330**	**14.8**	5 011	17.0

Nokia in mobile devices in 2004

In 2004, the total mobile device sales volume achieved by our Mobile Phones, Multimedia and Enterprise Solutions business groups reached a record of 207.7 million units, representing growth of 16% compared with 2003. According to Nokia's preliminary estimates, the overall market for mobile devices grew by 31% to reach 643 million units.

Of the 36 devices we announced in 2004, the majority had cameras and nearly all had color screens. We also introduced additional designs with ten new clamshell models, in addition to flip-open messenger devices and the Nokia 9300 smartphone for enterprises.

We also expanded our 3G offering with shipments of two mobile devices, the Nokia 7600 and Nokia 6630. In the smartphone segment, where we are a clear market leader, Nokia delivered approximately 12 million Symbian operating system-based mobile devices during 2004.

Mobile Phones in 2004

During 2004, the Mobile Phones business group continued to support the company's long-term strategy of expanding mobile voice in growth markets as well as identifying further opportunities in the more developed markets. In line with this, we announced a range of competitive voice-optimized phones and camera phones as well as a number of new mobile entry models.

Highlights for 2004 in Mobile Phones' portfolio included the Nokia 6230, a business camera phone, with a balanced feature set that sold well throughout the year. In the fourth quarter it became the top-selling phone in Western Europe – a first for a camera phone. Sales of the Nokia 6230 camera phone were followed closely by the Nokia 6610i. The Nokia 3230 camera phone, targeting younger audiences, was also strategically important.

During the year, we announced more than 10 new CDMA products. Of these, the Nokia 6255, a high-end CDMA camera phone for business users, began shipping in December, and strengthened our overall CDMA offering.

In design, the company announced an art-deco inspired Fashion Collection, presenting three distinct form factors and a sample of bold new features: the Nokia 7260, a monoblock design; the Nokia 7270, a clamshell; and the Nokia 7280, a slide phone with no keypad.

In our entry-level offering, initial shipments of the Nokia 2600, a color-screen monoblock phone and the Nokia 2650, a color-screen clamshell model, both met with a positive response from consumers.

Multimedia in 2004

Nokia continued to take advantage of digital convergence by announcing six new smartphones and numerous products in the areas of imaging, games and new enhancement products.

The Nokia 7610 imaging smartphone, Nokia's first megapixel imaging device, started sales in May and quickly became the best selling megapixel GSM imaging smartphone globally. By the end of 2004, Nokia had four different megapixel models in the market, making Nokia the market leader in megapixel mobile imaging in GSM. Nokia continued to collaborate with operators, retailers and printing partners to enable ease-of-use when sharing, printing or storing images.

The Nokia 6630, our latest 3G WCDMA smartphone, was offered by more than 30 operators worldwide, including in Japan, and initial market feedback has been very positive. Sales of Nokia's first EDGE-enabled Series 60 smartphone, the Nokia 6620, started in the Americas in July.

Sales of the imaging devices unit were robust, while the games business in 2004 was a disappointment.

Enterprise Solutions in 2004

Nokia began shipments of the Nokia 6820 and Nokia 6810 messaging devices and the Nokia 9500 Communicator in 2004. These business-optimized devices drove Enterprise Solutions' 2004 full-year sales. During the third quarter 2004, Nokia launched the Nokia 9300 high-end, enterprise smartphone, which is expected to ship during the first quarter 2005.

Nokia announced or reaffirmed alliances with leading IT companies that support our new Communicator family for enterprises. The most significant alliances were with those supporting our mobile e-mail efforts, including Good Technology, Smartner and Visto. These provide a broad range of e-mail options for Nokia business-optimized devices such as, the Nokia 9500 and Nokia 9300.

Two new network security gateways, the Nokia IP2250 and Nokia IP1220, were announced during 2004. Designed for medium-to-large enterprises, service providers and data sites, Nokia's network security gateways are designed to bring improved total cost of ownership and higher return on investment. These new products place Nokia at the top end of performance in the firewall marketplace. The new Nokia IPSO Operating System was also announced and is intended to lengthen the life of Nokia customers' firewall and VPN investments.

The Nokia Secure Access System, an SSL-based remote access solution with clientless virtual private network functionality, also had good success in the market during 2004.

Networks in 2004

During 2004, Nokia announced 13 WCDMA 3G contracts, seven of which were with new 3G customers underscoring Nokia's strong ability to win new business in this technology as the industry moves towards full commercialization of WCDMA. By end of the year, 63 operators had launched commercial WCDMA 3G networks, and Nokia was supplier to 28 of these.

Nokia also signed over 30 GSM, EDGE or GPRS contracts covering all markets, including contracts with 10 new GSM customers. Nokia made important new market entries to several emerging growth markets.

Operators increasing focus on operating expenses, combined with the increasing complexity of mobile networks, further opened the market for services. Nokia rapidly built its position in the managed services market and signed seven significant contracts. The multi-vendor, multi-technology Nokia NetAct(tm) service and network management system was included in most of the infrastructure deals during the year. Systems integration and efficiently run deployments played a key role in the rollout of new technology, and the year saw a rising trend in the volume of consultative service sales to operators. Nokia strengthened its strategic focus on the services business by creating a dedicated Services Business Unit.

Significant progress was also made in the new core networks business. Nokia won its first commercial contracts for the IP Multimedia Subsystem (IMS) for richer multimedia communications. Nokia also started a service trial with Telecom Italia to explore the opportunities this offers for operators. Nokia is the number one in the market for push to talk, winning 26 commercial Push to talk over Cellular contracts with operators during 2004. Nokia was the first vendor to start delivering 3GPP Release 4 architecture to operators, winning 25 deals for the Nokia MSC Server System, which enables significant cost savings in the delivery of voice minutes.

Shares and share capital

In 2004, Nokia's share capital increased by EUR 302.40 as a result of the issue of 5 040 new shares upon exercise of stock options issued to key personnel in 1999. Effective April 14, 2004, a total of 132 536 200 shares held by the company were cancelled pursuant to the shareholders' resolution taken at the Annual General Meeting on March 25, 2004. As a result of the cancellation, the share capital was reduced by the aggregate par value of the shares cancelled, EUR 7 952 172, corresponding to less than 2.8% of the share capital of the company and the total voting rights. The cancellation did not reduce the shareholders' equity. Neither the aforementioned issuances nor the cancellation of shares had any significant effect on the relative holdings of the other shareholders of the company nor on their voting power.

Nokia repurchased through its share repurchase plans a total of 214 057 700 shares on the Helsinki Exchanges at an aggregate price of approximately EUR 2.659 billion during the period from January 23, 2004 to November 26, 2004. The price paid was based on the market price at the time of repurchase. The shares were repurchased to be used for the purposes specified in the authorizations given by the Annual General Meetings of 2003 and 2004 to the Board. The aggregate par value of the shares purchased was EUR 12 843 462, representing approximately 4.59% of the share capital of the company and the total voting rights. These new holdings did not have any significant effect on the relative holdings of the other shareholders of the company nor on their voting power.

On December 31, 2004, Nokia and its subsidiary companies owned 176 819 877 Nokia shares. The shares had an aggregate par value of EUR 10 609 192.62, representing approximately 3.79% of the share capital of the company and the total voting rights.

The total number of shares at December 31, 2004 was 4 663 761 300. As a result of the new share issues, Nokia received a total of EUR 84 810.60 in additional shareholders' equity in 2004. On December 31, 2004, Nokia's share capital was EUR 279 825 678.

Corporate responsibility

As market leader and a leading global brand, our impact on society comes with responsibilities that go beyond providing products. Listening to stakeholders is one key element in developing corporate responsibility programs. Following are some developments made in this area during 2004.

The European Community invited Nokia, as one of two companies, to participate in a multi-stakeholder consultation pilot, called the Integrated Product Policy, that examines how environmental awareness works in practice and aims to improve knowledge of the environmental performance and the sustainable use of products throughout their life-cycle.

We gained positive results from our Philippines pilot of Bridge*it*, a program using mobile technology to bring interactive, multimedia learning materials to teachers and students who would otherwise have no access to them. Launched by Nokia, the International Youth Foundation (IYF), the United Nations Development Programme (UNDP) and Pearson, Bridge*it* is now being expanded to double the number of schools and will be replicated in other countries.

In recognition of this work, we gained first place for the second year running in the Dow Jones Sustainability Index European Technology and Global Communications Technology categories.

Outlook

The year 2004 was demanding for Nokia. In response, the company set five top priorities in the areas of customer relations, product offering, R&D efficiency, demand-supply management and the company's ability to offer end-to-end solutions. Nokia is making good progress in these areas, and is now better positioned to meet future challenges.

Nokia continues to expect the overall mobile device market in 2005 to grow by approximately 10% in volume and to a lesser extent in value. Growth is expected to continue to be driven by replacement and upgrade sales in more developed markets and by new subscriber growth in developing mobile markets, as well as the wide-spread commercialization of 3G devices in the second half of 2005.

In infrastructure, Nokia expects the overall market in 2005 to be up slightly in euro terms as operators continue building coverage and expanding capacity in growth markets, as well as optimizing and expanding existing 2G networks and rolling-out 3G networks in more developed markets.

Competition in both the mobile device and infrastructure markets is expected to further intensify in 2005 as a result of anticipated slower growth, compared with 2004. However, by upholding a clear competitive focus, particularly in the priority areas outlined above, Nokia's goal is to further build on its industry-leading position.

Dividend

Nokia's Board of Directors will propose a dividend of EUR 0.33 per share for 2004.

Consolidated profit and loss accounts, IFRS

Financial year ended Dec. 31	Notes	2004 EURm	2003 EURm	2002 EURm
Net sales		**29 267**	29 455	30 016
Cost of sales		**–18 133**	–17 237	–18 278
Research and development expenses		**–3 733**	–3 760	–3 052
Selling, general and administrative expenses	7, 8	**–2 975**	–3 363	–3 239
Customer finance impairment charges, net of reversals	8	**–**	226	–279
Impairment of goodwill	8	**–**	–151	–182
Amortization of goodwill	10	**–96**	–159	–206
Operating profit	3, 4, 5, 6, 7, 8, 10	**4 330**	5 011	4 780
Share of results of associated companies	33	**–26**	–18	–19
Financial income and expenses	11	**405**	352	156
Profit before tax and minority interests		**4 709**	5 345	4 917
Tax	12	**–1 435**	–1 699	–1 484
Minority interests		**–67**	–54	–52
Net profit		**3 207**	3 592	3 381

Earnings per share	29	2004 EUR	2003 EUR	2002 EUR
Basic		**0.70**	0.75	0.71
Diluted		**0.70**	0.75	0.71

Average number of shares (1 000 shares)	29	2004	2003	2002
Basic		**4 593 196**	4 761 121	4 751 110
Diluted		**4 600 337**	4 761 160	4 788 042

See Notes to Consolidated Financial Statements.

Consolidated balance sheets, IFRS

Dec. 31	Notes	**2004 EURm**	2003 EURm
ASSETS			
Fixed assets and other non-current assets			
Capitalized development costs	13	**278**	537
Goodwill	13	**90**	186
Other intangible assets	13	**209**	185
Property, plant and equipment	14	**1 534**	1 566
Investments in associated companies	15	**200**	76
Available-for-sale investments	16	**169**	121
Deferred tax assets	25	**623**	743
Long-term loans receivable	17	–	354
Other non-current assets		**58**	69
		3 161	3 837
Current assets			
Inventories	18, 20	**1 305**	1 169
Accounts receivable, net of allowances for doubtful accounts (2004: EUR 361 million, 2003: EUR 367 million)	19, 20	**4 382**	5 231
Prepaid expenses and accrued income	19	**1 429**	1 106
Other financial assets		**595**	465
Available-for-sale investments	16	**255**	816
Available-for-sale investments, liquid assets	16	**9 085**	8 512
Available-for-sale investments, cash equivalents	16, 35	**1 367**	1 639
Bank and cash	35	**1 090**	1 145
		19 508	20 083
Total assets		**22 669**	23 920

Dec. 31	Notes	**2004 EURm**	2003 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	22	**280**	288
Share issue premium		**2 272**	2 272
Treasury shares, at cost		**–2 022**	–1 373
Translation differences		**–126**	-85
Fair value and other reserves	21	**69**	93
Retained earnings	23	**13 765**	13 953
		14 238	15 148
Minority interests		**168**	164
Long-term liabilities	24		
Long-term interest-bearing liabilities		**19**	20
Deferred tax liabilities	25	**179**	241
Other long-term liabilities		**96**	67
		294	328
Current liabilities			
Short-term borrowings	26	**215**	387
Current portion of long-term debt		–	84
Accounts payable		**2 669**	2 919
Accrued expenses	27	**2 606**	2 468
Provisions	28	**2 479**	2 422
		7 969	8 280
Total shareholders' equity and liabilities		**22 669**	23 920

See Notes to Consolidated Financial Statements.

Consolidated cash flow statements, IFRS

Financial year ended Dec. 31	Notes	**2004 EURm**	2003 EURm	2002 EURm
Cash flow from operating activities				
Net profit		**3 207**	3 592	3 381
Adjustments, total	34	**1 986**	2 953	3 151
Net profit before change in net working capital		**5 193**	6 545	6 532
Change in net working capital	34	**299**	–194	914
Cash generated from operations		**5 492**	6 351	7 446
Interest received		**204**	256	229
Interest paid		**–26**	–33	–94
Other financial income and expenses, net received		**41**	118	67
Income taxes paid		**–1 368**	–1 440	–1 947
Net cash from operating activities		**4 343**	5 252	5 701
Cash flow from investing activities				
Acquisition of Group companies, net of acquired cash (2004: EUR 0 million, 2003: EUR 0 million, 2002: EUR 6 million)		**–**	–7	–10
Purchase of current available-for-sale investments, liquid assets		**–10 318**	–11 695	–7 392
Purchase of non-current available-for-sale investments		**–388**	–282	–99
Purchase of shares in associated companies		**–109**	–61	–
Additions to capitalized development costs		**–101**	–218	–418
Long-term loans made to customers		**–**	–97	–563
Proceeds from repayment and sale of long-term loans receivable		**368**	315	314
Proceeds from (+) / payment of (–) other long-term receivables		**2**	–18	–32
Proceeds from (+) / payment of (–) short-term loans receivable		**66**	63	–85
Capital expenditures		**–548**	–432	–432
Proceeds from disposal of shares in Group companies, net of disposed cash		**1**	–	93
Proceeds from maturities and sale of current available-for-sale investments, liquid assets		**9 737**	8 793	4 390
Proceeds from sale of current available-for-sale investments		**587**	–	–
Proceeds from sale of non-current available-for-sale investments		**346**	381	162
Proceeds from sale of fixed assets		**6**	19	177
Dividends received		**22**	24	25
Net cash used in investing activities		**–329**	–3 215	–3 870
Cash flow from financing activities				
Proceeds from stock option exercises		**–**	23	163
Purchase of treasury shares		**–2 648**	–1 355	–17
Capital investment by minority shareholders		**–**	–	26
Proceeds from long-term borrowings		**1**	8	100
Repayment of long-term borrowings		**–3**	–56	–98
Repayment of short-term borrowings		**–255**	–22	–406
Dividends paid		**–1 413**	–1 378	–1 348
Net cash used in financing activities		**–4 318**	–2 780	–1 580
Foreign exchange adjustment		**–23**	–146	–135

Financial year ended Dec. 31	Notes	2004 EURm	2003 EURm	2002 EURm
Net increase (+) / decrease (–) in cash and cash equivalents		**–327**	–889	116
Cash and cash equivalents at beginning of period		**2 784**	3 673	3 557
Cash and cash equivalents at end of period		**2 457**	2 784	3 673
Cash and cash equivalents comprise of:				
Bank and cash		**1 090**	1 145	1 496
Current available-for-sale investments, cash equivalents	16, 35	**1 367**	1 639	2 177
		2 457	2 784	3 673

See Notes to Consolidated Financial Statements.

The figures in the consolidated cash flow statement 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.

Consolidated statements of changes in shareholders' equity, IFRS

Group, EURm	Number of shares (1 000)	Share capital	Share issue premium	Treasury shares	Translation differences [1]	Fair value and other reserves [1]	Retained earnings	Total
Balance at December 31, 2001	4 736 302	284	2 060	–21	326	20	9 536	12 205
Stock options exercised	50 377	3	160					163
Stock options exercised related to acquisitions			–17					–17
Tax benefit on stock options exercised			22					22
Acquisition of treasury shares	–900			–17				–17
Reissuance of treasury shares	983			18				18
Dividend							–1 279	–1 279
Translation differences					–285			–285
Net investment hedge gains					94			94
Cash flow hedges, net of tax						60		60
Available-for-sale investments, net of tax						–87		–87
Other increase, net							23	23
Net profit							3 381	3 381
Balance at December 31, 2002	4 786 762	287	2 225	–20	135	–7	11 661	14 281
Share issue related to acquisitions	1 225		18					18
Stock options exercised	7 160	1	22					23
Stock options exercised related to acquisitions			–6					–6
Tax benefit on stock options exercised			13					13
Acquisition of treasury shares	–95 339			–1 363				–1 363
Reissuance of treasury shares	460			10				10
Dividend							–1 340	–1 340
Translation differences					–375			–375
Net investment hedge gains					155			155
Cash flow hedges, net of tax						2		2
Available-for-sale investments, net of tax						98		98
Other increase, net							40	40
Net profit							3 592	3 592
Balance at December 31, 2003	4 700 268	288	2 272	–1 373	–85	93	13 953	15 148
Stock options exercised	5	0	0					0
Stock options exercised related to acquisitions			–8					–8
Acquisition of treasury shares	–214 120			–2 661				–2 661
Reissuance of treasury shares	788			14				14
Cancellation of treasury shares		–8	8	1 998			–1 998	–
Dividend							–1 398	–1 398
Translation differences					–119			–119
Net investment hedge gains					78			78
Cash flow hedges, net of tax						42		42
Available-for-sale investments, net of tax						–66		–66
Other increase, net							1	1
Net profit							3 207	3 207
Balance at December 31, 2004	**4 486 941**	**280**	**2 272**	**–2 022**	**–126**	**69**	**13 765**	**14 238**

1 Accumulated other comprehensive income comprises translation differences and fair value and other reserves.

Dividends declared per share were EUR 0.33 for 2004 (EUR 0.30 for 2003 and EUR 0.28 for 2002), subject to shareholders' approval.

See Notes to 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 Financial Reporting Standards (IFRS). The consolidated financial statements are presented in millions of euros (EURm), except as noted, and are prepared under the historical cost convention except as disclosed in the accounting policies below. The notes to the consolidated financial statements also conform with Finnish Accounting legislation.

Use of estimates

The preparation of financial statements in conformity with IFRS 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 Nokia's parent company ("Parent Company"), and each of those companies in which it either owns, directly or indirectly through subsidiaries, over 50% of the voting rights, or over which it has control of their operating and financial policies. The Group's share of profits and losses of associated companies (generally 20% to 50% voting rights or over which the Group has significant influence) is included in the consolidated profit and loss account in accordance with the equity method of accounting.

All inter-company transactions are eliminated as part of the consolidation process. Minority interests are presented separately in arriving at the net profit. They are also shown separately from shareholders' equity and liabilities 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.

The companies acquired during the financial periods presented have been consolidated from the date on which control of the net assets and 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.

Goodwill

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. 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 adopted the transition provisions of IFRS 3, Business Combinations, with effect from April 1, 2004. As a result, goodwill relating to purchase acquisitions and acquisitions of associated companies for which the agreement date was on or after March 31, 2004, is no longer subject to amortization. Goodwill arising in business combinations completed before March 31, 2004 will continue to be amortized until the standard is fully adopted as of January 1, 2005.

The Group assesses the carrying value of goodwill annually or, more frequently, if events or changes in circumstances indicate that such carrying value may not be recoverable. If such indication exists the recoverable amount is determined for the cash-generating unit, to which goodwill belongs. This amount is then compared to the carrying amount of the cash-generating unit and an impairment loss is recognized if the recoverable amount is less than the carrying amount. Impairment losses are recognized immediately in the profit and loss account.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual 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 sales or to cost of sales. Foreign exchange gains and losses associated with financing are included 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 foreign exchange rates for the accounting period. The balance sheets of foreign Group companies are translated into euro at the year-end foreign exchange rates with the exception of goodwill arising on the acquisition of a foreign company, which is translated to euro at historical rates. 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 also treated as an adjustment affecting consolidated shareholders' equity. On the disposal of all or part of a foreign Group company by sale, liquidation, repayment of share capital or abandonment, the cumulative amount or proportionate share 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.

Fair valuing principles

Financial assets and liabilities

Under IAS 39, the Group classifies its investments in marketable debt and equity securities and investments in unlisted equity securities into the following categories: held-to-maturity, trading, or available-for-sale depending on the purpose for acquiring the investments. All investments of the Group are currently classified as available-for-sale. Available-for-sale investments are fair valued by using quoted market rates, discounted cash flow analyses and other appropriate valuation models at the balance sheet date. Certain unlisted equities for which fair values cannot be measured reliably are reported at cost less impairment. All purchases and sales of investments are recorded on the trade date, which is the date that the Group commits to purchase or sell the asset.

The fair value changes of available-for-sale investments are recognized in shareholders' equity. When the investment is disposed of, the related accumulated fair value changes are released from shareholders' equity and recognized in the profit and loss account. The accumulated fair value changes are calculated using a weighted average purchase price method. An impairment is recorded when the carrying amount of an available-for-sale investment is greater than the estimated fair value and there is objective evidence that the asset is impaired. The cumulative net loss relating to that investment is removed from equity and recognized in the profit and loss account for the period. If, in a subsequent period, the fair value of the investment increases and the increase can be objectively related to an event occurring after the loss was recognized, the loss is reversed, with the amount of the reversal included in the profit and loss account.

The fair values of other financial assets and financial liabilities are assumed to approximate their carrying values, either because of their short maturities, or where their fair values cannot be measured reliably.

Derivatives

Fair values of forward rate agreements, interest rate options and futures contracts are calculated based on quoted market rates at the balance sheet date. Interest rate and currency swaps are valued by using discounted cash flow analyses. The changes in the fair values of these contracts are reported in the profit and loss account.

Fair values of cash settled equity derivatives are calculated by revaluing the contract at year-end quoted market rates. Changes in the fair value are reported in the profit and loss account.

Forward foreign exchange contracts are valued with the forward exchange rate. Changes in fair value are calculated by comparing this with the original amount calculated by using the contract forward rate prevailing at the beginning of the contract. Currency options are valued at the balance sheet date by using the Garman & Kohlhagen option valuation model. Changes in the fair value on these instruments are reported in the profit and loss account except to the extent they qualify for hedge accounting.

Embedded derivatives are identified and monitored in the Group and fair valued at the balance sheet date. In assessing the fair value of embedded derivatives the Group uses a variety of methods, such as option pricing models and discounted cash flow analysis, and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value changes are reported in the profit and loss account.

Hedge accounting

Hedging of anticipated foreign currency denominated sales and purchases

The Group applies hedge accounting for ‘Qualifying hedges’. Qualifying hedges are those properly documented cash flow hedges of the foreign exchange rate risk of future anticipated foreign currency denominated sales and purchases that meet the requirements set out in IAS 39. The cash flow being hedged must be ‘highly probable’ and must ultimately impact the profit and loss account. The hedge must be highly effective both prospectively and retrospectively.

The Group claims hedge accounting in respect of certain forward foreign exchange contracts and options, or option strategies, which have zero net premium or a net premium paid, and where the critical terms of the bought and sold options within a collar or zero premium structure are the same and where the nominal amount of the sold option component is no greater than that of the bought option.

For qualifying foreign exchange forwards the change in fair value is deferred in shareholders’ equity to the extent that the hedge is effective. For qualifying foreign exchange options the change in intrinsic value is deferred in shareholders’ equity to the extent that the hedge is effective. Changes in the time value are at all times taken directly as adjustments to sales or to cost of sales in the profit and loss account.

Accumulated fair value changes from qualifying hedges are released from shareholders’ equity into the profit and loss account as adjustments to sales and cost of sales, in the period when the hedged cash flow affects the profit and loss account. If the hedged cash flow is no longer expected to take place, all deferred gains or losses are released into the profit and loss account as adjustments to sales and cost of sales, immediately. If the hedged cash flow ceases to be highly probable, but is still expected to take place, accumulated gains and losses remain in equity until the hedged cash flow affects the profit and loss account.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the profit and loss account. The fair value changes of derivative instruments that directly relate to normal business operations are recognized as adjustments to sales or cost of sales or treated as other operating income and expense. The fair value changes from all other derivative instruments are recognized in financial income and expenses.

Foreign currency hedging of net investments

The Group also applies hedge accounting for its foreign currency hedging on net investments. Qualifying hedges are those properly documented hedges of the foreign exchange rate risk of foreign currency-denominated net investments that meet the requirements set out in IAS 39. The hedge must be effective both prospectively and retrospectively.

The Group claims hedge accounting in respect of forward foreign exchange contracts, foreign currency-denominated loans, and options, or option strategies, which have zero net premium or a net premium paid, and where the terms of the bought and sold options within a collar or zero premium structure are the same.

For qualifying foreign exchange forwards the change in fair value that reflects the change in spot exchange rates is deferred in shareholders’ equity. The change in fair value that reflects the change in forward exchange rates less the change in spot exchange rates is recognized in the profit and loss account. For qualifying foreign exchange options the change in intrinsic value is deferred in shareholders’ equity. Changes in the time value are at all times taken directly to the profit and loss account. If a foreign currency-denominated loan is used as a hedge, all foreign exchange gains and losses arising from the transaction are recognized in shareholders’ equity.

Accumulated fair value changes from qualifying hedges are released from shareholders’ equity into the profit and loss account only if the legal entity in the given country is sold or liquidated.

Revenue recognition

Sales from the majority of the Group are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable and collectibility is probable. An immaterial part of the revenue from products sold through distribution channels is recognized when the reseller or distributor sells the products to the end users.

In addition, sales and cost of sales from contracts involving solutions achieved through modification of complex telecommunications equipment are recognized on the percentage of completion method when the outcome of the contract can be estimated reliably. A contract’s outcome can be estimated reliably when total contract revenue and the costs to complete the contract can be estimated reliably, it is probable that the economic benefits associated with the contract will flow to the Group and the stage of contract completion can be measured reliably. When the Group is not able to meet those conditions, the policy is to recognize revenues only equal to costs incurred to date, to the extent that such costs are expected to be recovered.

Completion is measured by reference to cost incurred to date as a percentage of estimated total project costs, the cost-to-cost method.

The percentage of completion method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular project. Recognized revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. Losses on projects in progress are recognized in the period they become likely and estimable.

All the Group's material revenue streams are recorded according to the above policies.

Shipping and handling costs

The costs of shipping and distributing products are included in cost of sales.

Research and development

Research and development costs are expensed as 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, comprising direct labor and related overhead, are amortized on a systematic basis over their expected useful lives between two and five years.

Capitalized development costs are subject to regular assessments of recoverability based on anticipated future revenues, including the impact of changes in technology. Unamortized capitalized development costs determined to be in excess of their recoverable amounts are expensed immediately.

Other intangible assets

Expenditures on acquired patents, trademarks and licenses are capitalized and amortized using the straight-line method over their useful lives, but not exceeding 20 years. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down to its recoverable amount. Costs of software licenses associated with internal-use software are capitalized. These costs are included within other intangible assets and are amortized over a period not to exceed three years.

Pensions

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.

The Group's contributions to defined contribution plans and to multi-employer and insured plans are charged to the profit and loss account in the period to which the contributions relate.

For defined benefit plans, principally the reserved portion of the Finnish TEL system, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the profit and loss account so as to spread the service cost over the service lives of employees. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates on government securities that have terms to maturity approximating the terms of the related liabilities. Actuarial gains and losses outside the corridor are recognized over the average remaining service lives of employees.

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
Production machinery, measuring and test equipment	3 years
Other 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 included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on the disposal of fixed assets are included in operating profit/loss.

Leases

The Group has entered into various operating leases, the payments under which are treated as rentals and charged to the profit and loss account on a straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using standard cost, which approximates actual cost, 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 are included in the inventory values.

An allowance is recorded for excess inventory and obsolescence.

Cash and cash equivalents

Bank and cash consist of cash at bank and in hand. Cash equivalents consist of highly liquid available-for-sale investments purchased with remaining maturities at the date of acquisition of three months or less.

Short-term investments

The Group considers all highly liquid marketable securities purchased with maturity at acquisition of more than three months as short-term investments. They are included in current available-for-sale investments, liquid assets, in the balance sheet.

Accounts receivable

Accounts receivable are carried at the original invoice amount to customers less an estimate made for doubtful receivables based on a periodic review of all outstanding amounts, which includes an analysis of historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms. Bad debts are written off when identified.

Borrowings

Borrowings are classified as originated loans and are recognized initially at an amount equal to the proceeds received, net of transaction costs incurred. In subsequent periods, they are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings.

Loans to customers

Loans to customers are recorded at amortized cost. Loans are subject to regular and thorough review as to their collectibility and as to available collateral; in the event that any loan is deemed not fully recoverable, provision is made to reflect the shortfall between the carrying amount and the present value of the expected cash flows. Interest income on loans to customers is accrued monthly on the principal outstanding at the market rate on the date of financing and is included within other operating income within selling, general and administrative expenses.

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 bases.

The principal temporary differences arise from intercompany profit in inventory, warranty and other provisions, untaxed reserves and tax losses carried forward. Deferred tax assets relating to the carry forward 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 utilized.

Stock compensation

No compensation cost is recognized in respect of stock options, restricted shares and performance shares granted to employees. The options are granted with a fixed exercise price set on a date outlined in the plan. When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium. Treasury shares are acquired by the Group to meet its obligations under employee stock compensation plans in the United States. When treasury shares are issued on exercise of stock options any gain or loss is recognized in share issue premium. Tax benefits on options exercised in the United States are credited to share issue premium.

Under the restricted share and performance share programs, Nokia shares are delivered to employees at a future point in time. Performance shares vest subject to the Group's performance reaching the threshold performance levels measured by pre-defined performance criteria. The method by which the shares are obtained for delivery, as determined by the Group, include the use of one or more of the following: treasury shares, newly issued shares and shares purchased on the open market.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement would be recognized as an asset but only when the reimbursement is virtually certain.

The Group recognizes the estimated liability to repair or replace products still under warranty at the balance sheet date. The provision is calculated based on historical experience of the level of repairs and replacements.

The Group recognizes the estimated liability for non-cancellable purchase commitments for inventory in excess of forecasted requirements at each balance sheet date.

The Group recognizes a provision for the estimated future settlements related to asserted and unasserted Intellectual Property Rights (IPR) infringements, based on the probable outcome of each case as of each balance sheet date.

The Group recognizes a provision for social security costs on unexercised stock options granted to employees at the date options are granted. The provision is measured based on the fair value of the options, and the amount of the provision is adjusted to reflect the changes in the Nokia share price.

The Group recognizes a provision for prior year tax contingencies based upon the estimated future settlement amount at each balance sheet date.

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, (IAS 33). 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 stock options, restricted shares and performance shares outstanding during the period.

New IFRS standards and revised IAS standards

In December 2003, International Accounting Standards (IAS) were amended as the IASB released revised IAS 32, Financial Instruments: Disclosure and Presentation and IAS 39, Financial Instruments: Recognition and Measurement. These standards replace IAS 32 (revised 2000), and supersedes IAS 39 (revised 2000), and must be applied for annual periods beginning on or after January 1, 2005. Under IAS 39 (revised) no cash flow hedge accounting is available on forecast intragroup transactions. Any deferral of hedging gains or losses that were included in the 2004 and 2003 consolidated financial statements needs to be reversed. The final form of the standards is still open and given the uncertainty the Group is currently not able to estimate the impact of adopting the revised standards on the financial statements.

The revised IAS 21, The Effects of Changes in Foreign Exchange Rates, issued by the IASB in December 2003, requires the goodwill arising on the acquisition of a foreign operation to be expressed in the functional currency of the foreign operation and translated at the closing rate. Currently the Group records goodwill arising on the acquisition of a foreign entity using the exchange rate at the date of the transaction. The revised standard is effective for fiscal years beginning on or after January 1, 2005. The Group does not expect the adoption of the revised standard will have a material impact on the Group's financial position, results of operations or cash flows.

In February 2004, the IASB issued IFRS 2, Share-based Payment. The standard requires the recognition of share-based payment transactions in financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the Company. Currently the Group has only share-based payment transactions with employees to be settled in equity instruments of the Company. The services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments granted. The compensation is recognized as an expense in the profit and loss account over the service period. IFRS 2 is effective for fiscal years beginning on or after January 1, 2005 and applies to grants of shares, share options or other equity instruments that were granted after November 7, 2002 and had not yet vested at the effective date of the standard. The Group is currently estimating the impact of adopting IFRS 2 on the financial statements.

In March 2004, the IASB issued IFRS 3, Business Combinations, and the revised standards IAS 36, Impairment of Assets, and IAS 38, Intangible Assets. IFRS 3 is required to be applied to all business combinations for which the agreement date is on or after March 31, 2004. The standard requires that all business combinations be accounted for by the purchase method, provides specific criteria for recognizing intangible assets acquired in a business combination and also prohibits the amortization of goodwill and instead requires it to be tested for impairment annually, in accordance with the revised IAS 36. Any excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is recognized immediately as a gain.

Goodwill related to acquisitions prior to March 31, 2004 continued to be amortized through December 31, 2004 as required in the transition guidance. Goodwill related to acquisitions subsequent to March 31, 2004 is not amortized. Intangible assets with definite useful lives will continue to be amortized over their respective estimated useful lives. Intangible assets with indefinite useful lives are not amortized. Currently the Group does not have indefinitely lived intangible assets. The revised standards IAS 36 and IAS 38 are effective for fiscal years beginning on or after January 1, 2005. The Group does not expect the adoption of these standards to have a material impact on the Group's financial position, results of operations or cash flows.

In March 2004, the IASB issued IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, which addresses financial accounting and reporting for the disposal of non-current assets. The standard supersedes IAS 35, Discontinuing Operations. IFRS 5 introduces the concept of a disposal group and adopts the classification "held for sale". IFRS 5 retains the requirement to report separately discontinued operations. An asset classified as held for sale, or included within a disposal group that is classified as held for sale, is not depreciated. IFRS 5 is effective for fiscal years beginning on or after January 1, 2005. The Group does not expect the adoption of this standard will have a material impact on the Group's financial position, results of operations or cash flows.

2. Change in comparative figures – cash equivalents

In 2003 and earlier, the Group maintained its excess cash in a single pool of highly liquid, low risk instruments with varying maturity dates. These pooled instruments were originally presented as cash equivalents irrespective of the instruments' maturities. During 2004, cash management practices were revised, such that this single pool was divided into two – one of instruments with maturities of 90 days or less at the date of acquisition and the other of instruments with maturities of more than 90 days at the date of acquisition.

This change was made in order for the Group to better manage its excess liquidity by enabling the use of longer dated instruments where appropriate and by facilitating a wider range of benchmarks for performance measurement and interest risk management purposes. Both pools remain available to meet the Group's cash commitments, and initially, both have similar highly liquid and low risk profiles, with the pool of 90 day and under instruments treated as cash equivalents and the pool of over 90 day instruments treated as available-for-sale investments, liquid assets.

In the future the risk profile of the two pools may be different in line with the revised cash management practices.

Prior year amounts in the balance sheet and the statement of cash flows have been changed to reflect the current composition of cash equivalents and available-for-sale investments, liquid assets.

Further details of the Group's risk management principles in relation to its excess liquidity are provided in Note 35.

3. Segment information

Until January 1, 2004, Nokia's organizational and reporting structure consisted of three primary business segments: Nokia Mobile Phones, Nokia Networks, and Nokia Ventures Organization. Effective January 1, 2004, Nokia's structure was reorganized in a move to further align the Group's overall structure with its strategy. Nokia's revised structure includes four business segments, which form the main reporting structure: Mobile Phones; Multimedia; Enterprise Solutions; and Networks. Nokia's reportable segments represent the strategic business units that offer different products and services for which monthly financial information is provided to the Board. The comparative figures have been regrouped accordingly.

Mobile Phones currently offers mobile phones and devices based on the three global cellular technologies: GSM/EDGE, CDMA and TDMA.

The Multimedia business group focuses on bringing connected and mobile multimedia to consumers in the form of advanced mobile devices and solutions.

Enterprise Solutions offers businesses solutions ranging from business-optimized mobile devices for end users to a broad portfolio of IP network perimeter security gateways and mobile connectivity offerings.

Networks is a leading provider of network infrastructure, communications and networks service platforms and professional services to operators and service providers.

In addition to the four business groups, the Group's organization has two horizontal units to support the mobile device business groups, increase operational efficiency and competitiveness, and to take advantage of economies of scale: Customer and Market Operations and Technology Platforms. The horizontal groups are not separate reporting entities, but their costs are carried mainly by the mobile device business groups, which comprises of Mobile Phones, Multimedia and Enterprise Solutions, with the balance included in Common Group Expenses. The costs and revenues as well as assets and liabilities of the horizontal groups are allocated to the mobile device business groups on a symmetrical basis; with any amounts not so allocated included in Common Group Functions. Common Group Functions consists of common research and general Group functions.

The accounting policies of the segments are the same as those described in Note 1. Nokia accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices. Nokia evaluates the performance of its segments and allocates resources to them based on operating profit.

No single customer represents 10% or more of Group revenues.

2004, EURm	Mobile Phones	Multi-media	Enterprise Solutions	Networks	Common Group Functions	Total reportable segments	Elimina–tions	Group
Profit and loss information								
Net sales to external customers	18 429	3 636	806	6 367	29	29 267		29 267
Net sales to other segments	78	23	24	–	–29	96	–96	–
Depreciation and amortization	306	77	23	314	148	868		868
Impairment and customer finance charges	–	–	–	115	11	126		126
Operating profit	3 768	179	–199	878	–296	4 330		4 330
Share of results of associated companies	–	–	–	–	–26	–26		–26
Balance sheet information								
Capital expenditures [1]	279	67	18	91	93	548		548
Segment assets [2]	3 758	787	210	3 055	1 142	8 952	–12	8 940
of which: Investments in associated companies	–	–	–	–	200	200		200
Unallocated assets [3]								13 729
Total assets								22 669
Segment liabilities [4]	4 114	934	271	1 574	170	7 063	–12	7 051
Unallocated liabilities [5]								1 212
Total liabilities								8 263
2003, EURm								
Profit and loss information								
Net sales to external customers	20 826	2 496	502	5 620	11	29 455		29 455
Net sales to other segments	125	8	27	–	–11	149	–149	–
Depreciation and amortization	378	55	10	520	175	1 138		1 138
Impairment and customer finance charges	–	–	–	200	40	240		240
Operating profit	5 927	–186	–141	–219	–370	5 011		5 011
Share of results of associated companies	–	–	–	–	–18	–18		–18
Balance sheet information								
Capital expenditures [1]	298	33	3	44	54	432		432
Segment assets [2]	4 169	604	135	4 108	1 101	10 117	–22	10 095
of which: Investments in associated companies	–	–	–	–	76	76		76
Unallocated assets [3]								13 825
Total assets								23 920
Segment liabilities [4]	4 532	689	180	1 628	178	7 207	–22	7 185
Unallocated liabilities [5]								1 423
Total liabilities								8 608
2002, EURm								
Profit and loss information								
Net sales to external customers	21 417	1 552	469	6 538	40	30 016		30 016
Net sales to other segments	211	3	18	1	–40	193	–193	–
Depreciation and amortization	501	46	28	542	194	1 311		1 311
Impairment and customer finance charges	–	–	61	400	77	538		538
Operating profit	5 718	–365	–102	-49	–422	4 780		4 780
Share of results of associated companies	–	–	–	–	–19	–19		–19

1 Including goodwill and capitalized development costs, capital expenditures in 2004 amount to EUR 649 million (EUR 670 million in 2003). The goodwill and capitalized development costs consist of EUR 11 million in 2004 (EUR 17 million in 2003) for Mobile Phones, EUR 3 million in 2004 (12 million in 2003) for Multimedia, EUR 1 million in 2004 (EUR 22 million in 2003) for Enterprise Solutions, EUR 83 million in 2004 (182 million in 2003) for Networks and EUR 3 million in 2004 (EUR 5 million in 2003) for Common Group Functions.

2 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.

3 Unallocated assets include cash and other liquid assets, available-for-sale investments, long-term loans receivable and other financial assets as well as interest and tax related prepaid expenses and accrued income. Tax related prepaid expenses and accrued income, and deferred tax assets amount to EUR 826 million in 2004 (EUR 834 million in 2003).

4 Comprises accounts payable, prepaid income, accrued expenses and provisions except those related to interest and taxes.

5 Unallocated liabilities include long-term liabilities, short-term borrowings and current portion of long-term debt, as well as interest and tax related prepaid income, accrued expenses and provisions. Tax related prepaid income and accrued expenses, and deferred tax liabilities amount to EUR 246 million in 2004 (EUR 394 million in 2003).

Net sales to external customers by geographic area by location of customer	2004 EURm	2003 EURm	2002 EURm
Finland	**351**	347	353
USA	**3 416**	4 475	4 665
China	**2 660**	2 013	2 802
Great Britain	**2 261**	2 693	3 111
German	**1 730**	2 297	1 849
Other	**18 849**	17 630	17 236
Total	**29 267**	29 455	30 016

Segment assets by geographic area	2004 EURm	2003 EURm
Finland	**3 429**	4 215
USA	**1 025**	1 563
China	**880**	1 011
Great Britain	**502**	344
Germany	**353**	387
Other	**2 751**	2 575
Total	**8 940**	10 095

Capital expenditures by market area	2004 EURm	2003 EURm	2002 EURm
Finland	**216**	160	188
USA	**80**	49	71
China	**57**	53	47
Great Britain	**5**	9	27
Germany	**20**	17	21
Other	**170**	144	78
Total [1]	**548**	432	432

1 Including goodwill and capitalized development costs, capital expenditures amount to EUR 649 million in 2004 (EUR 670 million in 2003 and EUR 860 million in 2002). The goodwill and capitalized development costs in 2004 consist of EUR 0 million in USA (EUR 20 million in USA in 2003 and 1 million in USA in 2002) and EUR 101 million in other areas (EUR 218 million in 2003 and EUR 427 million in 2002).

4. Percentage of completion

Contract sales recognized under the cost-to-cost method of percentage of completion accounting were approximately EUR 5.2 billion in 2004 (EUR 4.8 billion in 2003 and EUR 5.9 billion in 2002). Billings in advance of contract revenues, included in prepaid income, were EUR 185 million at December 31, 2004 (EUR 195 million in 2003 and 108 million in 2002). Contract revenues recorded prior to billings, included in receivables, were EUR 80 million at December 31, 2004 (EUR 665 million in 2003 and EUR 573 million in 2002).

Revenue recognition on initial 3G network contracts started in 2002 when Nokia Networks achieved 3G functionality for its single-mode and dual-mode WCDMA 3G systems. Until the time 3GPP specifications required by our customers were met, the application of the cost-to-cost input model was deferred. Upon achieving 3G functionality for WCDMA network projects, the Group began recognizing revenue under the cost-to-cost input method of percentage of completion accounting and have continued to apply the method in 2003 and in 2004.

5. Personnel expenses

	2004 EURm	2003 EURm	2002 EURm
Wages and salaries	**2 805**	2 501	2 531
Pension expenses, net	**253**	184	224
Other social expenses	**372**	341	385
Personnel expenses as per profit and loss account	**3 430**	3 026	3 140

Pension expenses, comprised of multi-employer, insured and defined contribution plans were EUR 192 million in 2004 (EUR 146 million in 2003 and EUR 167 million in 2002).

Remuneration of the Chairman and the other members of the Board of Directors, Group Executive Board and Presidents and Managing Directors *	**25**	22	19
* Incentives included in remuneration	**8**	5	4

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 and the President of the Parent Company the retirement age is 60 years. There were also three other Group Executive Board Members whose retirement age is 60 years as of December 31, 2004. There is also one other Member, following his arragement from a previous employer, who has a retirement benefit of 65% of his pensionable salary beginning at age 62 with early retirement possible at age 55 with reduction in benefits. Nokia does not offer any similar benefits to any other members of the 2004 Group Executive Board.

Average personnel	2004	2003	2002
Mobile Phones	**2 853**		
Multimedia	**2 851**		
Enterprise Solutions	**2 167**		
Networks	**15 463**		
Common Group Functions	**30 177**		
Nokia Group	**53 511**	51 605	52 714

6. Pensions

The most significant pension plans are in Finland and are comprised of the Finnish state TEL system with benefits directly linked to employee earnings. These benefits are financed in two distinct portions. The majority of benefits are financed by contributions to a central pool with the majority of the contributions being used to pay current benefits. The other part comprises reserved benefits which are pre-funded through the trustee-administered Nokia Pension Foundation. The pooled portion of the TEL system is accounted for as a defined contribution plan and the reserved portion as a defined benefit plan. The foreign plans include both defined contribution and defined benefit plans.

Effective on January 1, 2005, the Finnish TEL system will undergo a reform. The most significant change that will have an impact on Nokia's future financial statements is that pensions accumulated after 2005 are calculated on the earnings during the entire working career, not only on the basis of the last few years of employment as provided by the old rules. An increase to the rate at which pensions accrue has led to a past service cost of EUR 5 million, which will be recognized over employees' future working life.

The amounts recognized in the balance sheet relating to single employer defined benefit schemes are as follows:

EURm	2004 Domestic Plans	2004 Foreign Plans	2003 Domestic Plans	2003 Foreign Plans
Fair value of plan assets	**768**	**303**	683	204
Present value of funded obligations	**–727**	**–398**	–666	–343
Surplus/(Deficit)	**41**	**–95**	17	–139
Unrecognized net actuarial (gains)/losses	**93**	**82**	140	61
Unrecognized past service cost	**5**	**–**	–	–
Prepaid/(Accrued) pension cost in balance sheet	**139**	**–13**	157	–78

The amounts recognized in the profit and loss account are as follows:

EURm	2004	2003	2002
Current service cost	**62**	54	58
Interest cost	**56**	46	47
Expected return on plan assets	**–56**	–55	–61
Net actuarial losses (gains) recognized in year	**–**	3	2
Past service cost gain (–) loss (+)	**–1**	–	11
Curtailment	**–**	–10	–
Total, included in personnel expenses	**61**	38	57

Movements in prepaid pension costs recognized in the balance sheet are as follows:

EURm	2004	2003
Prepaid pension costs at beginning of year	**79**	70
Net income (expense) recognized in the profit and loss account	**–61**	–38
Contributions paid	**108**	47
Prepaid pension costs at end of year	**126 ***	79 *

* included within prepaid expenses and accrued income

The principal actuarial weighted average assumptions used were as follows:

%	2004 Domestic	2004 Foreign	2003 Domestic	2003 Foreign
Discount rate for determining present values	**4.75**	**5.00**	5.25	5.30
Expected long-term rate of return on plan assets	**5.00**	**5.31**	6.00	6.87
Annual rate of increase in future compensation levels	**3.50**	**3.82**	3.50	3.49
Pension increases	**2.00**	**2.38**	2.30	2.27

The prepaid pension cost above is made up of a prepayment of EUR 202 million (EUR 164 million in 2003) and an accrual of EUR 76 million (EUR 85 million in 2003).

The domestic pension plans' assets include Nokia securities with fair values of EUR 4 million in 2004 (EUR 19 million in 2003).

The foreign pension plan assets include a self investment through a loan provided to Nokia by the Group's German pension fund of EUR 62 million (EUR 64 million in 2003). See Note 32.

The actual return on plan assets was EUR 83 million in 2004 (EUR 41 million in 2003).

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

EURm	2004	2003	2002
Selling and marketing expenses	**–2 552**	–2 649	–2 579
Administration expenses	**–604**	–630	–701
Other operating expenses	**–162**	–384	–292
Other operating income	**343**	300	333
Total	**–2 975**	–3 363	–3 239

Other operating income for 2004 includes a gain of EUR 160 million representing the premium return under a multi-line, multi-year insurance program, which expired during 2004. The return was due to our low claims experience during the policy period.

Other operating income for 2003 includes a gain of EUR 56 million on the sale of the remaining shares of Nokian Tyres Ltd. In 2003, Nokia Networks recorded a charge of EUR 80 million for personnel expenses and other costs in connection with the restructuring taken in light of general downturn in market conditions, of which EUR 15 million was paid during 2003.

Other operating income for 2002 includes a gain of EUR 106 million relating to the sale of Nokia's investment in PayPal. Other operating expenses for 2002 are composed of various items which are individually insignificant.

The Group expenses advertising and promotion costs as incurred. Advertising and promotional expenses were EUR 1 144 million in 2004 (1 414 million in 2003 and EUR 1 174 million in 2002).

8. Impairment

2004, EURm	Mobile Phones	Multimedia	Enterprise Solutions	Networks	Common Group Functions	Group
Impairment of available-for-sale investments	–	–	–	–	11	11
Impairment of capitalized development costs	–	–	–	115	–	115
Total, net	–	–	–	115	11	126
2003, EURm						
Customer finance impairment charges, net of reversals	–	–	–	–226	–	–226
Impairment of goodwill	–	–	–	151	–	151
Impairment of available-for-sale investments	–	–	–	–	27	27
Impairment of capitalized development costs	–	–	–	275	–	275
Total, net	–	–	–	200	27	227
2002, EURm						
Customer finance impairment charges, net	–	–	–	279	–	279
Impairment of goodwill	–	–	61	121	–	182
Impairment of available-for-sale investments	–	–	–	–	77	77
Total, net	–	–	61	400	77	538

During 2004, Nokia recorded an impairment charge of EUR 65 million of capitalized development costs due to the abandonment of FlexiGateway and Horizontal Technology modules. In addition, an impairment charge of EUR 50 million was recorded on WCDMA radio access network program due to changes in market outlook. The impairment loss was determined as the difference between the carrying amount of the asset and its recoverable amount. The recoverable amount for WCDMA radio access network was derived from the discounted cash flow projections, which covers the estimated life of the WCDMA radio access network current technology, using a discount rate of 15%. The impaired technologies were part of Networks business group.

Relating to restructuring at Networks, Nokia recorded in 2003 EUR 206 million impairment of capitalized development costs relating to the WCDMA 3G systems. In 2003 Nokia also recorded a EUR 26 million and EUR 43 million impairment of capitalized development costs relating to FlexiGateway and Metrosite systems, respectively. The impairment losses were determined as the difference between the carrying amount of the asset and its recoverable amount. In determining the recoverable amount, the Group calculated the present value of estimated discounted future cash flows, using a 15% discount rate for WCDMA and FlexiGateway and 12% discount rate for Metrosite, expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

During 2002, Nokia recorded a net customer financing impairment charge of EUR 279 million. Of this amount, EUR 292 million was an impairment charge to write down the loans receivable to their estimated recoverable amount related to MobilCom and EUR 13 million was a partial recovery received relating to amounts written off in 2001 related to Dophin. The impairment charge recorded in 2002 relating to Mobilcom was substantially reversed in 2003 by EUR 226 million as a result of the company receiving repayment of the MobilCom loans receivables in the form of subordinated convertible perpetual bonds of France Telecom. See Notes 11, 16 and 21.

In 2003 and 2002 Nokia has evaluated the carrying value of goodwill arising from certain acquisitions by determining if the carrying values of the net assets of the cash generating unit to which the goodwill belongs exceeds the recoverable amounts of that unit. In 2003 and 2002, in the Nokia Networks business, Nokia recorded an impairment charge of EUR 151 million and EUR 104 million, respectively, on goodwill related to the acquisition of Amber Networks. The recoverable amount for Amber Networks was derived from the value in use discounted cash flow projections, which covers the estimated life of the Amber platform technology, using a discount rate of 15%. At December 31, 2004, there is EUR 0 million of Amber goodwill (EUR 0 million in 2003). The impairment is a result of significant declines in the market outlook for products under development.

In 2002, Nokia recognized impairment loss of EUR 36 million on goodwill related to the acquisition of Ramp Networks. In 2002, Nokia recognized an impairment loss of EUR 25 million, respectively, on goodwill related to the acquisition of Network Alchemy. Both of these entities are part of Enterprise Solutions business segment. The remaining goodwill balances were written off as a result of decisions to discontinue the related product development.

Nokia recognized various minor goodwill impairment charges totaling EUR 0 million in 2004 and 2003 and EUR 17 million in 2002.

During 2004 the Group's investment in certain equity securities suffered a permanent decline in fair value resulting in an impairment charge of EUR 11 million relating to non-current available-for-sale investments (EUR 27 million in 2003 and EUR 77 million in 2002).

9. Acquisitions

In 2003, Nokia made three minor purchase acquisitions for a total consideration of EUR 38 million, of which EUR 20 million was in cash and EUR 18 million in non-cash consideration.

In 2002, Nokia increased its voting percentage of 39.97% and holding percentage of 59.97% in Nextrom Holding S.A. to a voting percentage of 86.21% and a holding percentage of 79.33%. These increases resulted from a rights offering by Nextrom in June 2002 and by acquiring new registered and bearer shares in an offering by Nextrom in December 2002 both totalling EUR 13 million. The fair value of net assets acquired was EUR 4 million giving rise to goodwill of EUR 9 million.

10. Depreciation and amortization

Depreciation and amortization by asset category	2004 EURm	2003 EURm	2002 EURm
Intangible assets			
Capitalized development costs	**244**	327	233
Intangible rights	**38**	51	65
Goodwill	**96**	159	206
Other intangible assets	**30**	21	28
Property, plant and equipment			
Buildings and constructions	**32**	34	37
Machinery and equipment	**426**	545	737
Other tangible assets	**2**	1	5
Total	**868**	1 138	1 311

Depreciation and amortization by function			
Cost of sales	**196**	214	314
R&D	**431**	537	473
Selling, marketing and administration	**137**	185	211
Other operating expenses	**8**	43	107
Goodwill	**96**	159	206
Total	**868**	1 138	1 311

11. Financial income and expenses

	2004 EURm	2003 EURm	2002 EURm
Income from available-for-sale investments			
Dividend income	**22**	24	25
Interest income	**299**	323	230
Other financial income	**178**	38	27
Exchange gains and losses	**8**	32	–29
Interest expense	**–22**	–25	–43
Other financial expenses	**–80**	–40	–54
Total	**405**	352	156

During 2004, Nokia sold approximately 69% of its original holdings in the subordinated convertible perpetual bonds issued by France Telecom. As a result, the Group booked a total net gain of EUR 106 million in other financial income, of which EUR 104 million was recycled from Fair Value and Other Reserves. See Notes 16 and 21.

12. Income taxes

	2004 EURm	2003 EURm	2002 EURm
Income tax expense			
Current tax	**–1 392**	–1 686	–1 423
Deferred tax	**–43**	–13	–61
Total	**–1 435**	–1 699	–1 484
Finland	**–1 117**	–1 118	–1 102
Other countries	**–318**	–581	–382
Total	**–1 435**	–1 699	–1 484

The differences between income tax expense computed at statutory rates (29% in Finland in 2004, 2003 and 2002) and income tax expense provided on earnings are as follows at December 31:

	2004 EURm	2003 EURm	2002 EURm
Income tax expense at statutory rate	**1 372**	1 555	1 431
Amortization of goodwill	**28**	46	59
Impairment of goodwill	**–**	58	70
Provisions without income tax benefit/expense	**–**	–	–10
Taxes for prior years	**–34**	56	8
Taxes on foreign subsidiaries' profits in excess of (lower than) income taxes at statutory rates	**–130**	–77	–59
Operating losses with no current tax benefit	**–**	8	6
Net increase in provisions	**67**	14	–39
Change in deferred tax rate	**26**	–	–
Deferred tax liability on undistributed earnings	**60**	–	–
Other	**46**	39	18
Income tax expense	**1 435**	1 699	1 484

At December 31, 2004, the Group had loss carry forwards, primarily attributable to foreign subsidiaries of EUR 105 million (EUR 186 million in 2003 and EUR 425 million in 2002), most of which will expire between 2005 and 2024.

In 2005, the corporate tax rate in Finland will be reduced from 29% to 26%. The change had no impact on the current tax expense in 2004. The impact of the change on the Profit and loss account through change in deferred taxes in 2004 was EUR 26 million.

Certain of the Group companies' income tax returns for periods ranging from 1998 through 2002 are under examination by tax authorities. The Group does not believe that any significant additional taxes in excess of those already provided for will arise as a result of the examinations.

During 2004, the Group analyzed its future foreign investment plans with respect to certain foreign investments. As a result of this analysis, the Group concluded that it could no longer represent that all foreign earnings may be permanently reinvested. Accordingly, the Group recorded the recognition of a EUR 60 million deferred tax liability during the year.

13. Intangible assets

	2004 EURm	2003 EURm
Capitalized development costs		
Acquisition cost Jan. 1	**1 470**	1 707
Additions	**101**	218
Impairment and write-offs	**–115**	–455
Accumulated amortization Dec. 31	**–1 178**	–933
Net carrying amount Dec. 31	**278**	537
Goodwill		
Acquisition cost Jan. 1	**1 298**	1 429
Additions	**–**	20
Impairment charges (Note 8)	**–**	–151
Accumulated amortization Dec. 31	**–1 208**	–1 112
Net carrying amount Dec. 31	**90**	186
Other intangible assets		
Acquisition cost Jan. 1	**554**	524
Additions	**86**	87
Disposals	**–7**	–44
Translation differences	**–4**	–13
Accumulated amortization Dec. 31	**–420**	–369
Net carrying amount Dec. 31	**209**	185

The amount of capitalized development cost impairment and write-offs in 2004 include an EUR 50 million impairment charge based on IFRS impairment review and EUR 65 million of other impairments (EUR 275 million and EUR 180 million in 2003, respectively).

14. Property, plant and equipment

	2004 EURm	2003 EURm
Land and water areas		
Acquisition cost Jan. 1	**108**	112
Additions	**1**	–
Disposals	**–5**	–
Translation differences	**–**	–4
Net carrying amount Dec. 31	**104**	108
Buildings and constructions		
Acquisition cost Jan. 1	**887**	911
Additions	**38**	5
Disposals	**–10**	–1
Translation differences	**–5**	–28
Accumulated depreciation Dec. 31	**–220**	–196
Net carrying amount Dec. 31	**690**	691
Machinery and equipment		
Acquisition cost Jan. 1	**3 223**	3 249
Additions	**438**	336
Disposals	**–277**	–313
Translation differences	**–13**	–49
Accumulated depreciation Dec. 31	**–2 681**	–2 521
Net carrying amount Dec. 31	**690**	702
Other tangible assets		
Acquisition cost Jan. 1	**18**	22
Additions	**1**	–
Disposals	**–**	–1
Translation differences	**2**	–3
Accumulated depreciation Dec. 31	**–11**	–6
Net carrying amount Dec. 31	**10**	12
Advance payments and fixed assets under construction		
Acquisition cost Jan. 1	**53**	60
Additions	**25**	44
Disposals	**–**	–10
Transfers to:		
Other intangible assets	**–1**	–4
Buildings and constructions	**–8**	–
Machinery and equipment	**–30**	–35
Translation differences	**1**	–2
Net carrying amount Dec. 31	**40**	53
Total property, plant and equipment	**1 534**	1 566

15. Investments in associated companies

	2004 EURm	2003 EURm
Net carrying amount Jan. 1	**76**	49
Additions	**150**	59
Share of results	**–26**	–18
Translation differences	**1**	–2
Other movements	**–1**	–12
Net carrying amount Dec. 31	**200**	76

In 2004, Nokia increased its ownership in Symbian from 32.2% to 47.9% by acquiring part of the shares of Symbian owned by Psion for EUR 102 million (GBP 70 million). EUR 68 million (GBP 47 million) of the total acquisition cost was paid in cash and the remaining purchase price is considered as contingent consideration to be paid in 2005 and 2006 . Nokia also participated in a rights issue to raise EUR 73 million (GBP 50 million) additional funding to Symbian. The issue was pro rata to existing shareholders.

In 2003, Nokia increased its ownership in Symbian from 19.0% to 32.2% by acquiring part of the shares of Symbian owned by Motorola representing 13.2% of all the shares in Symbian, for EUR 57 million (GBP 39.6 million) in cash.

Shareholdings in associated companies are comprised of investments in unlisted companies in all periods presented.

16. Available-for-sale investments

	2004 EURm	2003 EURm
Fair value at Jan. 1	**11 088**	8 093
Additions (deductions), net	**–221**	2 911
Fair value gains/losses	**20**	111
Impairment charges (Note 8)	**–11**	–27
Fair value at Dec. 31	**10 876**	11 088
Non-current	**169**	121
Current	**255**	816
Current, liquid assets	**9 085**	8 512
Current, cash equivalents	**1 367**	1 639

Available-for-sale investments, comprising marketable debt and equity securities and investments in unlisted equity shares, are fair valued, except in the case of certain unlisted equities, where the fair value cannot be measured reliably. Such unlisted equities are carried at cost, less impairment (EUR 54 million in 2004 and EUR 45 million in 2003). Fair value for equity investments traded in active markets and for unlisted equities, where the fair value can be measured reliably, was EUR 115 million in 2004 and EUR 77 million in 2003. Fair value for equity investments traded in active markets is determined by using exchange quoted bid prices. For other investments, fair value is estimated by using the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets. Gains and losses arising from the change in the fair value of available-for-sale investments are recognized directly in fair value and other reserves.

Available-for-sale investments comprise: (1) the subordinated convertible perpetual bonds of France Telecom (convertible at any time to ordinary shares of France Telecom at a price of EUR 40 and with a fixed coupon of 5.75% until the end of 2009, thereafter floating rate plus a spread of 300bp, both being subject to a maximum 50bp step down linked to France Telecom's long-term credit ratings), which are regarded as current available-for-sale investments, (2) highly liquid, interest-bearing investments with maturities at acquisition of longer than 3 months, which are regarded as current available-for-sale investments, liquid assets and (3) similar types of investments as in category (2), but with maturities at acquisition of less than 3 months, which are regarded as current available-for-sale investments, cash equivalents. The remaining part of the available-for-sale investments portfolio is classified as non-current. See Note 35 for details of these investments.

17. Long-term loans receivable

Long-term loans receivable, consisting of loans made to customers principally to support their financing of network infrastructure and services or working capital, net of allowances and write-offs amounts (Note 8), are repayable as follows:

	2004 EURm	2003 EURm
Under 1 year	**–**	–
Between 1 and 2 years	**–**	354
Between 2 and 5 years	**–**	–
Over 5 years	**–**	–
	–	354

18. Inventories

	2004 EURm	2003 EURm
Raw materials, supplies and other	**326**	346
Work in progress	**477**	435
Finished goods	**502**	388
Total	**1 305**	1 169

19. Receivables

Prepaid expenses and accrued income consists of VAT and other tax receivables, prepaid pension costs, accrued interest income and other accrued income, but no amounts which are individually significant.

Accounts receivable include EUR 118 million (EUR 40 million in 2003) due more than 12 months after the balance sheet date.

20. Valuation and qualifying accounts

Allowances on assets to which they apply:	Balance at beginning of year EURm	Charged to cost and expenses EURm	Charged to other accounts EURm	Deductions[1] EURm	Balance at end of year EURm
2004					
Doubtful accounts receivable	367	155	–	–161	361
Excess and obsolete inventory	188	308	–	–324	172
2003					
Doubtful accounts receivable	300	228	–	–161	367
Excess and obsolete inventory	290	229	–	–331	188
2002					
Doubtful accounts receivable	217	186	–	–103	300
Long-term loans receivable	13	–	–	–13	–
Excess and obsolete inventory	314	318	–	–342	290

1 Deductions include utilization and releases of the allowances.

21. Fair value and other reserves

	Hedging reserve, EURm			Available-for-sale investments, EURm			Total, EURm		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
Balance at Dec. 31, 2002	**31**	**–9**	**22**	**–13**	**–16**	**–29**	**18**	**–25**	**–7**
Cash flow hedges:									
Fair value gains/(losses) in period	1	1	2	–	–	–	1	1	2
Available-for-sale investments:									
Net fair value gains/(losses)	–	–	–	110	–12	98	110	–12	98
Transfer to profit and loss account on impairment	–	–	–	27	–	27	27	–	27
Transfer of fair value gains to profit and loss account on disposal	–	–	–	–84	20	–64	–84	20	–64
Transfer of fair value losses to profit and loss account on disposal	–	–	–	43	–6	37	43	–6	37
Balance at Dec. 31, 2003	**32**	**–8**	**24**	**83**	**–14**	**69**	**115**	**–22**	**93**
Cash flow hedges:									
Fair value gains/(losses) in period	59	–16	43	–	–	–	59	–16	43
Available-for-sale investments:									
Net fair value gains/(losses)	–	–	–	18	–1	17	18	–1	17
Transfer to profit and loss account on impairment	–	–	–	11	–	11	11	–	11
Transfer of fair value gains to profit and loss account on disposal	–	–	–	–105	10	–95	–105	10	–95
Transfer of fair value losses to profit and loss account on disposal	–	–	–	–	–	–	–	–	–
Balance at Dec. 31, 2004	**91**	**–24**	**67**	**7**	**–5**	**2**	**98**	**–29**	**69**

In order to ensure that amounts deferred in the cash flow hedging reserve represent only the effective portion of gains and losses on properly designated hedges of future transactions that remain highly probable at the balance sheet date, Nokia has adopted a process under which all derivative gains and losses are initially recognized in the profit and loss account. The appropriate reserve balance is calculated at the end of each period and posted to equity.

Nokia continuously reviews the underlying cash flows and the hedges allocated thereto, to ensure that the amounts transferred to the Hedging Reserve during the year ended December 31, 2004 and 2003 do not include gains/losses on forward exchange contracts that have been designated to hedge forecasted sales or purchases that are no longer expected to occur. Because of the number of transactions undertaken during each period and the process used to calculate the reserve balance, separate disclosure of the transfers of gains and losses to and from the reserve would be impractical.

All of the net fair value gains or losses recorded in the Fair value and other reserve at December 31, 2004 on open forward foreign exchange contracts which hedge anticipated future foreign currency sales or purchases are transferred from the Hedging Reserve to the profit and loss account when the forecasted foreign currency cash flows occur, at various dates up to 1 year from the balance sheet date.

22. The shares of the Parent Company

See Note 15 to the financial statements of the Parent Company.

23. Distributable earnings

	2004 EURm
Retained earnings	**13 765**
Translation differences (distributable earnings)	**–432**
Treasury shares	**–2 022**
Other non-distributable items	
Portion of untaxed reserves	**12**
Distributable earnings Dec. 31	**11 323**

Retained earnings under IFRS and Finnish Accounting Standards (FAS) are substantially the same. Distributable earnings are calculated based on Finnish legislation.

24. Long-term liabilities

EURm	**Outstanding Dec. 31, 2004**	Repayment date beyond 5 years	Outstanding Dec. 31, 2003
Long-term loans are repayable as follows:			
Loans from financial institutions	**–**	–	1
Loans from pension insurance companies	**19**	19	18
Other long-term finance loans	**–**	–	1
Other long-term liabilities	**96**	96	67
	115	115	87
Deferred tax liabilities	**179**		241
Total long-term liabilities	**294**		328

The long-term liabilities, excluding deferred tax liabilities as of December 31, 2004, mature as follows:

	EURm	**Percent of total**
2005	–	–
2006	–	–
2007	–	–
2008	–	–
2009	–	–
Thereafter	115	100.0%
	115	100.0%

The currency mix of the Group long-term liabilities as at December 31, 2004 was as follows:

EUR	**USD**
97.24%	2.76%

25. Deferred taxes

	2004 EURm	2003 EURm
Deferred tax assets:		
Intercompany profit in inventory	**41**	40
Tax losses carried forward	**12**	36
Warranty provision	**118**	157
Other provisions	**174**	179
Other temporary differences	**190**	233
Untaxed reserves	**88**	98
Total deferred tax assets	**623**	743
Deferred tax liabilities:		
Untaxed reserves	**–30**	–33
Fair value gains/losses	**–28**	–22
Undistributed earnings	**–60**	–
Other	**–61**	–186
Total deferred tax liabilities	**–179**	–241
Net deferred tax asset	**444**	502

The tax charged to shareholders' equity is as follows:

Fair value and other reserves, fair value gains/losses	**–7**	–22

In 2005, the corporate tax rate in Finland will be reduced from 29% to 26%. The impact of the change on the deferred tax assets in 2004 was a reduction of EUR 28 million and on the deferred tax liabilities an increase of EUR 2 million. Accordingly, the impact of the change in the tax rate on the profit and loss account through change in deferred taxes in 2004 was EUR 26 million tax expense.

During 2004, the Group analyzed the majority of its future foreign investment plans with respect to foreign investments. As a result of this analysis, the Group concluded that it could no longer represent that all foreign earnings may be permanently reinvested. Accordingly, the Group recorded the recognition of a EUR 60 million deferred tax liability during the year.

At December 31, 2004 the Group had loss carry forwards of EUR 67 million (EUR 75 million in 2003) for which no deferred tax asset was recognized due to uncertainty of utilization of these loss carry forwards. These loss carry forwards will expire in years 2005 through 2010.

26. Short-term borrowings

Short-term borrowings consist primarily of borrowings from banks denominated in different foreign currencies. The weighted average interest rate at December 31, 2004 and 2003 was 3.07% and 6.73%, respectively.

27. Accrued expenses

	2004 EURm	2003 EURm
Social security, VAT and other taxes	**450**	501
Wages and salaries	**209**	170
Prepaid income	**293**	276
Other	**1 654**	1 521
Total	**2 606**	2 468

Other includes various amounts which are individually insignificant.

28. Provisions

EURm	Warranty	IPR infringements	Other	Total
At Jan. 1, 2004	1 303	371	748	2 422
Exchange differences	–6	–	–	–6
Additional provisions	751	96	653	1 500
Change in fair value	–	–	–8	–8
Unused amounts reversed	–233	–74	–187	–494
Charged to profit and loss account	518	22	458	998
Utilized during year	–598	–35	–302	–935
At Dec. 31, 2004	**1 217**	**358**	**904**	**2 479**

	2004 EURm	2003 EURm
Analysis of total provisions at December 31:		
Non-current	**726**	593
Current	**1 753**	1 829

The IPR provision is based on estimated future settlements for asserted and unasserted past IPR infringements. Final resolution of IPR claims generally occurs over several periods. This results in varying usage of the provision year to year.

Other provisions include tax provisions of EUR 364 million at December 31, 2004 (EUR 185 million in 2003). Other items within Other provisions include provisions for non-cancelable purchase commitments, provision for social security costs on stock options and provision for losses on projects in progress.

29. Earnings per share

	2004	2003	2002
Numerator/EURm			
Basic/Diluted:			
Net profit	**3 207**	3 592	3 381
Denominator/1 000 shares			
Basic:			
Weighted average shares	**4 593 196**	4 761 121	4 751 110
Effect of dilutive securities: stock options, restricted shares and performance shares	**7 141**	40	36 932
Diluted:			
Adjusted weighted average shares and assumed conversions	**4 600 337**	4 761 161	4 788 042

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 stock options, restricted shares and performance shares outstanding during the period.

30. Commitments and contingencies

	2004 EURm	2003 EURm
Collateral for our own commitments		
Property under mortgages	**18**	18
Assets pledged	**11**	13
Contingent liabilities on behalf of Group companies		
Other guarantees	**275**	184
Collateral given on behalf of other companies		
Securities pledged [1]	**–**	28
Contingent liabilities on behalf of other companies		
Guarantees for loans [1]	**3**	5
Other guarantees	**2**	–
Financing commitments		
Customer finance commitments [1]	**56**	490

1 See also Note 35 b

The amounts above represent the maximum principal amount of commitments and contingencies.

Property under mortgages given as collateral for our own commitments include mortgages given to the Finnish National Board of Customs as a general indemnity of EUR 18 million in 2004 (EUR 18 million in 2003).

Assets pledged for the Group's own commitments include available-for-sale investments of EUR 11 million in 2004 (EUR 3 million of inventories and EUR 10 million available-for-sale investments in 2003).

Other guarantees include guarantees of Nokia's performance of EUR 223 million in 2004 (EUR 171 million in 2003). However, EUR 175 million of these guarantees are provided to certain Networks' customers in the form of bank guarantees, standby letters of credit and other similar instruments. These instruments entitle the customer to claim payment as compensation for non-performance by Nokia of its obligations under network infrastructure supply agreements. Depending on the nature of the instrument, compensation is payable either immediately upon request, or subject to independent verification of nonperformance by Nokia.

Securities pledged and guarantees for loans on behalf of other companies of EUR 3 million in 2004 (EUR 33 million in 2003) represent guarantees relating to payment by certain Networks' customers under specified loan facilities between such customers and their creditors. Nokia's obligations under such guarantees are released upon the earlier of expiration of the guarantee or early payment by the customer.

Financing commitments of EUR 56 million in 2004 (EUR 490 million in 2003) are available under loan facilities negotiated with customers of Networks. Availability of the amounts is dependent upon the borrower's continuing compliance with stated financial and operational covenants and compliance with other administrative terms of the facility. The loan facilities are primarily available to fund capital expenditure relating to purchases of network infrastructure equipment and services and to fund working capital.

The Group has been named as defendant along with certain of its senior executives in a class action complaint in the United States relating to certain public statements about its product portfolio and related financial projections. The Group does not believe that the claim has merit and intends to vigorously defend itself.

The Group is party to routine litigation incidental to the normal conduct of business. In the opinion of management the outcome of and liabilities in excess of what has been provided for related to these or other proceedings, in the aggregate, are not likely to be material to the financial condition or results of operations.

As of December 31, 2004, the Group had purchase commitments of EUR 1 236 million (EUR 1 051 million in 2003) relating to inventory purchase obligations, primarily for purchases in 2005.

31. 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 non-cancellable leasing contracts are as follows:

		Operating leases
Leasing payments, EURm		
	2005	175
	2006	137
	2007	94
	2008	78
	2009	70
	Thereafter	57
	Total	611

Rental expense amounted to EUR 236 million in 2004 (285 million in 2003 and EUR 384 million in 2002).

32. Related party transactions

Nokia Pension Foundation is a separate legal entity that manages and holds in trust the assets for the Group's Finnish employee benefit plans; these assets include 0.008% of Nokia's shares.

At December 31, 2004, the Group had borrowings amounting to EUR 62 million (EUR 64 million in 2003) from Nokia Unterstützungskasse GmbH, the Group's German pension fund, which is a separate legal entity.

The Group recorded net rental expense of EUR 2 million in 2004 (EUR 2 million in 2003 and EUR 2 million in 2002) pertaining to a sale-leaseback transaction with the Nokia Pension Foundation involving certain buildings and a lease of the underlying land.

There were no loans granted to top management at December 31, 2004 or 2003. See Note 5, Personnel expenses, for officers and directors remunerations.

33. Associated companies

	2004 EURm	2003 EURm	2002 EURm
Share of results of associated companies	**–26**	–18	–19
Dividend income	**2**	3	1
Share of shareholders' equity of associated companies	**37**	18	30
Liabilities to associated companies	**3**	3	7

34. Notes to cash flow statement

	2004 EURm	2003 EURm	2002 EURm
Adjustments for:			
Depreciation and amortization (Note 10)	**868**	1 138	1 311
(Profit)/loss on sale of property, plant and equipment and available-for-sale investments	**26**	170	–92
Income taxes (Note 12)	**1 435**	1 699	1 484
Share of results of associated companies (Note 33)	**26**	18	19
Minority interest	**67**	54	52
Financial income and expenses (Note 11)	**–405**	–352	–156
Impairment charges (Note 8)	**129**	453	245
Premium return	**–160**	–	–
Customer financing impairment charges and reversals	**–**	–226	279
Other	**–**	–1	9
Adjustments, total	**1 986**	2 953	3 151
Change in net working capital			
(Increase) Decrease in short-term receivables	**385**	–207	–16
(Increase) Decrease in inventories	**–193**	–41	243
Increase in interest-free short-term liabilities	**107**	54	687
Change in net working capital	**299**	–194	914
Non–cash investing activities			
Acquisition of:			
Current available-for-sale investments in settlement of customer loan	**–**	676	–
Company acquisitions	**–**	18	–
Total	**–**	694	–

35. Risk management

General risk management principles

Nokia's overall risk management concept is based on visibility of the key risks preventing Nokia from reaching its business objectives. This covers all risk areas; strategic, operational, financial and hazard risks. Risk management at Nokia is a systematic and pro-active way to analyze, review and manage all opportunities, threats and risks related to Nokia's objectives rather than to solely eliminate risks.

The principles documented in Nokia's Risk Policy and accepted by the Audit Committee of the Board of Directors require risk management and its elements to be integrated into business processes. One of the main principles is that the business or function owner is also the risk owner, however, it is everyone's responsibility at Nokia to identify risks preventing us from reaching our objectives.

Key risks are reported to the business and Group level management to create assurance on business risks and to enable prioritization of risk management implementation at Nokia. In addition to general principles there are specific risk management policies covering, for example, treasury and customer finance risks.

Financial risks

The key financial targets for Nokia are growth, profitability, operational efficiency and a strong balance sheet. The objective for the Treasury function is twofold: to guarantee cost-efficient funding for the Group at all times, and to identify, evaluate and hedge financial risks in close co-operation with the business groups. There is a strong focus in Nokia on creating shareholder value. The Treasury function supports this aim by minimizing the adverse effects caused by fluctuations in the financial markets on the profitability of the underlying businesses and by managing the balance sheet structure of the Group.

Nokia has Treasury Centers in Geneva, Singapore/Beijing and New York/Sao Paolo, and a Corporate Treasury unit in Espoo. This international organization enables Nokia to provide the Group companies with financial services according to local needs and requirements.

The Treasury function is governed by policies approved by top management. Treasury Policy provides principles for overall financial risk management and determines the allocation of responsibilities for financial risk management in Nokia. Operating Policies cover specific areas such as foreign exchange risk, interest rate risk, use of derivative financial instruments, as well as liquidity and credit risk. Nokia is risk averse in its Treasury activities. Business Groups have detailed Standard Operating Procedures supplementing the Treasury Policy in financial risk management related issues.

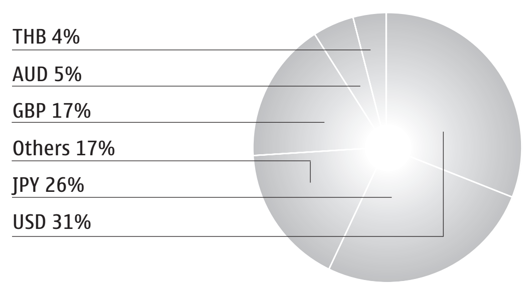
Market risk

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 expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures. These transaction exposures are managed against various local currencies because of Nokia's substantial production and sales outside the Eurozone.

Due to the changes in the business environment, currency combinations may also change within the financial year. The most significant non-euro sales currencies during the year were US dollar (USD), UK pound sterling (GBP) and Australian dollar (AUD). In general, depreciation of another currency relative to the euro has an adverse effect on Nokia's sales and operating profit, while appreciation of another currency has a positive effect, with the exception of Japanese yen (JPY), being the only significant foreign currency in which Nokia has more purchases than sales.

The following chart shows the break-down by currency of the underlying net foreign exchange transaction exposure as of December 31, 2004 (in some of the currencies, especially the US dollar, Nokia has both substantial sales as well as costs, which have been netted in the chart).



According to the foreign exchange policy guidelines of the Group, material transaction foreign exchange exposures are hedged. Exposures are mainly hedged with derivative financial 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. The Group does not hedge forecasted foreign currency cash flows beyond two years.

Nokia uses the Value-at-Risk ("VaR") methodology to assess the foreign exchange risk related to the Treasury management of the Group exposures. The VaR figure represents the potential fair value losses for a portfolio resulting from adverse changes in market factors using a specified time period and confidence level based on historical data. To correctly take into account the non-linear price function of certain derivative instruments, Nokia uses Monte Carlo simulation. Volatilities and correlations are calculated from a one-year set of daily data. The VaR figures assume that the forecasted cash flows materialize as expected. The VaR figures for the Group transaction foreign exchange exposure, including hedging transactions and Treasury exposures for netting and risk management purposes, with a one-week horizon and 95% confidence level, are shown in table below.

Transaction foreign exchange position Value-at-Risk (EURm)

VaR	**2004**	2003
At Dec. 31	**12.7**	16.7
Average for the year	**14**	9.3
Range for the year	**1.6 –26.9**	5.8–16.7

Since Nokia has subsidiaries outside the Euro zone, the euro-denominated value of the shareholders' equity of Nokia is also exposed to fluctuations in exchange rates. Equity changes caused by movements in foreign exchange rates are shown as a translation difference in the Group consolidation. Nokia uses, from time to time, foreign exchange contracts and foreign currency denominated loans to hedge its equity exposure arising from foreign net investments.

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 through changes in interest income or expenses (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.

Treasury is responsible for monitoring and managing the interest rate exposure of the Group. Due to the current balance sheet structure of Nokia, emphasis is placed on managing the interest rate risk of investments.

Nokia uses the VaR methodology to assess and measure the interest rate risk in the investment portfolio, which is benchmarked against a one-year investment horizon. The VaR figure represents the potential fair value losses for a portfolio resulting from adverse changes in market factors using a specified time period and confidence level based on historical data. For interest rate risk VaR, Nokia uses variance-covariance methodology. Volatilities and correlations are calculated from a one-year set of daily data. The VaR-based interest rate risk figures for an investment portfolio with a one-week horizon and 95% confidence level are shown in table below.

Treasury investment portfolio Value-at-Risk (EURm)

VaR	**2004**	2003
At Dec. 31	**10.4**	9.8
Average for the year	**6.3**	6.7
Range for the year	**3.6–10.8**	4.7–11.9

Equity price risk

Nokia has certain strategic minority investments in publicly traded companies. These investments are classified as available-for-sale. The fair value of the equity investments at December 31, 2004 was EUR 7 million (EUR 8 million in 2003).

There are currently no outstanding derivative financial instruments designated as hedges of these equity investments. The VaR figures for equity investments, shown in table, have been calculated using the same principles as for interest rate risk.

Equity investments Value at Risk (EURm)

VaR	**2004**	2003
At Dec. 31	**0.1**	0.2
Average for the year	**0.2**	3.5
Range for the year	**0.1–0.3**	0.2–9.4

In addition to the listed equity holdings, Nokia invests in private equity through Nokia Venture Funds. The fair value of these available-for-sale equity investments at December 31, 2004 was USD 142 million (USD 85 million in 2003). Nokia is exposed to equity price risk on social security costs relating to stock compensation plans. Nokia hedges this risk by entering into cash settled equity swap and option contracts.

Credit risk

Customer Finance Credit Risk

Network operators in some markets sometimes require their suppliers to arrange or provide term financing in relation to infrastructure projects. Nokia has maintained a financing policy aimed at close cooperation with banks, financial institutions and Export Credit Agencies to support selected customers in their financing of infrastructure investments. Nokia actively mitigates, market conditions permitting, this exposure by arrangements with these institutions and investors.

Credit risks related to customer financing are systematically analyzed, monitored and managed by Nokia's Customer Finance organization, reporting to the Chief Financial Officer. Credit risks are approved and monitored by Nokia's Credit Committee along principles defined in the Company's credit policy and according to the credit approval process. The Credit Committee consists of the CFO, Group Controller, Head of Group Treasury and Head of Nokia Customer Finance.

There were no outstanding loans to customers (EUR 354 million in 2003, net of allowances and write-offs), while financial guarantees given on behalf of third parties totaled EUR 3 million (EUR 33 million in 2003). In addition, we had financing commitments totaling EUR 56 million (EUR 490 million in 2003). Total customer financing (outstanding and committed) stood at EUR 59 million (EUR 877 million in 2003).

The term customer financing portfolio at December 31, 2004 was:

	Outstanding	**Financing Commitments**	**Totals**
Total Portfolio EURm	**3**	**56**	**59**

The term customer financing portfolio at December 31, 2004 mainly consists of committed customer financing to wireless operator Astelit LLC in Ukraine, of which none was outstanding.

Financial credit risk

Financial instruments contain an element of risk of the counterparties being unable to meet their obligations. This risk is measured and monitored by the Treasury function. The Group minimizes financial credit risk by limiting its counterparties to a sufficient number of major banks and financial institutions, as well as through entering into netting arrangements, which gives the Company the right to offset in the case that the counterparty would not be able to fulfill the obligations.

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 strict creditworthiness criteria. The outstanding investments are also constantly monitored by the Treasury. Nokia does not expect the counterparties to default given their high credit quality.

Current available-for-sale investments [1, 2, 3]

Maturity date less than 12 months	Fair value	Unrealized losses	Unrealized gains
2004, EURm			
Governments	1 820	–	1
Banks	3 927	–	1
Corporates	166	–	–
Asset backed securities	–	–	–
	5 913	–	2
Maturity date 12 months or more			
2004, EURm			
Governments	3 999	–14	4
Banks	428	–1	2
Corporates	302	–	10
Asset backed securities	65	–	–
	4 794	–15	16
Total			
2004, EURm			
Governments	5 819	–14	5
Banks	4 355	–1	3
Corporates	468	–	10
Asset backed securities	65	–	–
	10 707	**–15**	**18**

Maturity date less than 12 months	Fair value	Unrealized losses	Unrealized gains
2003, EURm			
Governments	1 058	–	1
Banks	5 206	–1	2
Corporates	2 165	–	1
Asset backed securities	–	–	–
	8 430	–2	4
Maturity date 12 months or more			
2003 EURm			
Governments	1 109	–3	6
Banks	264	–	4
Corporates	1 115	–	128
Asset backed securities	50	–	–
	2 538	–3	137
Total			
2003 EURm			
Governments	2 167	–3	7
Banks	5 470	–1	6
Corporates	3 280	–1	128
Asset backed securities	50	–	–
	10 967	**–5**	**141**

1 Available-for-sale investments are carried at fair value in 2004 and 2003.

2 Weighted average interest rate for current available-for-sale investments was 3.63% in 2004 and 3.08% in 2003.

3 Included within current available-for-sale investments is EUR 11 million and EUR 31 million of restricted cash at December 31, 2004 and 2003, respectively.

EURm	2004	2003
Fixed rate investments	**10 429**	10 541
Floating rate investments	**278**	426
Total	**10 707**	10 967

Liquidity risk

Nokia guarantees a sufficient liquidity at all times by efficient cash management and by investing in liquid interest-bearing securities. Due to the dynamic nature of the underlying business Treasury also aims at maintaining flexibility in funding by keeping committed and uncommitted credit lines available. At the end of December 31, 2004, the committed facility totaled USD 2.0 billion. The committed credit facility is intended to be used for U.S. and Euro Commercial Paper Programs back up purposes. The commitment fee on the facility is 0.10% per annum.

The most significant existing funding programs include:

Revolving Credit Facility of USD 2,000 million, maturing in 2008
Local commercial paper program in Finland, totaling EUR 750 million
Euro Commercial Paper (ECP) program, totaling USD 500 million
US Commercial Paper (USCP) program, totaling USD 500 million

None of the above programs have been used to a significant degree in 2004.

Nokia's international creditworthiness facilitates the efficient use of international capital and loan markets. The ratings of Nokia from credit rating agencies have not changed during the year. The ratings as at December 31, 2004 were:

Short-term	Standard & Poor's	A-1
	Moody's	P-1
Long-term	Standard & Poor's	A
	Moody's	A1

Hazard risk

Nokia strives to ensure that all financial, reputation and other losses to the Group and our customers are minimized through preventive risk management measures or purchase of insurance. Insurance is purchased for risks, which cannot be internally managed. Nokia's Insurance & Risk Finance function's objective is to ensure that Group's hazard risks, whether related to physical assets (e.g. buildings) or intellectual assets (e.g. Nokia brand) or potential liabilities (e.g. product liability) are optimally insured.

Nokia purchases both annual insurance policies for specific risks as well as multi-line and/or multi-year insurance policies, where available.

Notional amounts of derivative financial instruments [1]

	2004 EURm	2003 EURm
Foreign exchange forward contracts [2]	**10 745**	10 271
Currency options bought [2]	**715**	2 924
Currency options sold [2]	**499**	2 478
Interest rate swaps	**–**	1 500
Cash settled equity options [3]	**237**	228
Credit default swaps [4]	**200**	–

1 Includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

2 As at December 31, 2004, notional amounts include contracts amounting to EUR 1.6 billion used to hedge the shareholders' equity of foreign subsidiaries (December 31, 2003, EUR 3.3 billion).

3 Cash settled equity options can be used to hedge risk relating to incentive programs and investment activities.

4 Credit default swaps are used to selectively hedge counterparty risks involved in investment activities.

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date were:

	2004 EURm	2003 EURm
Derivatives with positive fair value [1]:		
Forward foreign exchange contracts [2]	**278**	358
Currency options bought	**14**	59
Cash settled equity options	**5**	13
Interest rate swaps	**–**	1
Embedded derivatives [3]	**–**	25
Derivatives with negative fair value [1]:		
Forward foreign exchange contracts [2]	**–89**	–108
Currency options written	**–11**	–35
Credit default swaps	**–2**	–
Embedded derivatives [3]	**–**	–8

1 Out of the forward foreign exchange contracts and currency options, fair value EUR 43 million was designated for hedges of net investment in foreign subsidiaries as at December 31, 2004 (EUR 90 million at December 31, 2003) and reported within translation differences.

2 Out of the foreign exchange forward contracts, fair value EUR 91 million was designated for cash flow hedges as at December 31, 2004 (EUR 33 million at December 31, 2003) and reported in fair value and other reserves.

3 Embedded derivatives are components of contracts having the characteristics of derivatives, and thus requiring fair valuing of such components. The change in the fair value is reported in other financial income and expenses.

36. Principal Nokia Group companies at December 31, 2004

		Parent holding %	Group majority %
US	Nokia Inc.	–	100.00
DE	Nokia GmbH	100.00	100.00
GB	Nokia UK Limited	–	100.00
KR	Nokia TMC Limited	100.00	100.00
CN	Nokia Capitel Telecommunications Ltd	–	52.90
NL	Nokia Finance International B.V.	100.00	100.00
HU	Nokia Komárom Kft	100.00	100.00
BR	Nokia do Brazil Technologia Ltda	99.99	100.00
IT	Nokia Italia Spa	100.00	100.00
IN	Nokia India Ltd	100.00	100.00
CN	Dongguan Nokia Mobile Phones Company Ltd	–	70.00
CN	Beijing Nokia Hang Xing Telecommunications Systems Co. Ltd	–	69.00

Shares in listed companies

Group holding more than 5%	Group holding %	Group voting %
Nextrom Holding S.A.	79.33	86.21

Under a binding sale agreement signed on December 31, 2004, Nokia will sell its entire holding in Nextrom Holding S.A. and the remaining loan agreement to Knill Group. The transaction is expected to be completed during the first quarter of 2005. The negative impact of EUR 12 million from the divestiture was recognized in other operating expenses in 2004.

Associated companies

Symbian Limited	47.90	47.90

A complete list of subsidiaries and associated companies is included in Nokia's Statutory Accounts.

Profit and loss accounts, FAS

Financial year ended Dec. 31	Notes	2004 EURm	2003 EURm
Net sales		**22 888**	22 402
Cost of sales		**–15 162**	–13 704
Gross margin		**7 726**	8 698
Selling and marketing expenses		**–982**	–1 058
Research and development expenses		**–3 587**	–3 496
Administrative expenses		**–666**	–762
Other operating expenses		**–63**	–79
Other operating income		**124**	392
Operating profit	2, 3	**2 552**	3 695
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		**418**	106
Dividend income from other companies		**23**	23
Interest income from Group companies		**6**	15
Interest income from other companies		**–**	21
Other interest and financial income			
Interest income from Group companies		**169**	145
Interest income from other companies		**–**	1
Other financial income from other companies		**21**	42
Exchange gains and losses		**117**	144
Interest expenses and other financial expenses			
Interest expenses to Group companies		**–65**	–26
Interest expenses to other companies		**–2**	–9
Other financial expenses		**–10**	–19
Financial income and expenses, total		**677**	443
Profit before extraordinary items and taxes		**3 229**	4 138
Extraordinary items			
Group contributions		**12**	93
Extraordinary items, total		**12**	93
Profit before taxes		**3 241**	4 231
Income taxes			
for the year		**–826**	–1 132
from previous years		**19**	–29
Net profit		**2 434**	3 070

See Notes to the financial statements of the parent company.

Cash flow statements, FAS

Financial year ended Dec. 31	Notes	2004 EURm	2003 EURm
Cash flow from operating activities			
Net profit		**2 434**	3 070
Adjustments, total	13	**539**	1 041
Net profit before change in net working capital		**2 973**	4 111
Change in net working capital	13	**679**	–660
Cash generated from operations		**3 652**	3 451
Interest received		**175**	167
Interest paid		**–70**	–37
Other financial income and expenses		**133**	127
Income taxes paid		**–928**	–1 095
Cash flow before extraordinary items		**2 962**	2 613
Extraordinary income and expenses		**93**	119
Net cash from operating activities		**3 055**	2 732
Cash flow from investing activities			
Investments in shares		**–398**	–235
Additions to capitalized development costs		**–101**	–218
Capital expenditures		**–39**	–36
Proceeds from sale of shares		**346**	1 024
Long-term loans made to customers		**–1**	–97
Proceeds from repayment and sale of long term loans receivable		**365**	315
Proceeds from other long-term receivables		**13**	163
Payments of short-term receivables		**–2 880**	–1 420
Dividends received		**366**	123
Net cash used in investing activities		**–2 329**	–381
Cash flow from financing activities			
Proceeds from share issue		**–**	23
Proceeds from borrowings		**3 333**	247
Repayment of borrowings		**–23**	–64
Purchase of treasury shares		**–2 660**	–1 351
Dividends paid		**–1 399**	–1 340
Support to the Foundation of Nokia Corporation		**–5**	–
Net cash used in financing activities		**–754**	–2 485
Net decrease in cash and cash equivalents		**–28**	–134
Cash and cash equivalents at beginning of period		**103**	237
Cash and cash equivalents at end of period		**75**	103

Balance sheets, FAS

Dec. 31	Notes	2004 EURm	2003 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	4		
Capitalized development costs		**328**	619
Intangible rights		**59**	52
		387	671
Tangible assets	5	**–**	–
Investments			
Investments in subsidiaries	6	**3 597**	3 540
Investments in associated companies	6	**5**	4
Long-term loan receivables from Group companies		**140**	152
Long-term loan receivables from other companies		**38**	394
Other non-current assets	7	**7**	17
		3 787	4 107
Current assets			
Inventories and work in progress			
Raw materials and supplies		**102**	81
Work in progress		**84**	80
Finished goods		**284**	237
Prepaid inventories		**2**	7
		472	405
Receivables			
Trade debtors from Group companies		**633**	1 895
Trade debtors from other companies		**1 523**	1 046
Short-term loan receivables from Group companies		**12 704**	9 886
Short-term loan receivables from other companies		**6**	13
Prepaid expenses and accrued income from Group companies		**71**	3
Prepaid expenses and accrued income from other companies		**576**	454
		15 513	13 297
Short-term investments		**–**	31
Bank and cash		**75**	72
		20 234	18 583

See Notes to the financial statements of the parent company.

Dec. 31	Notes	2004 EURm	2 003 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	8		
Share capital		**280**	288
Share issue premium		**2 230**	2 222
Treasury shares	8	**–2 012**	–1 351
Retained earnings	9	**7 729**	8 062
Net profit for the year	8, 9	**2 434**	3 070
		10 661	12 291
Liabilities			
Short-term liabilities			
Current finance liabilities from Group companies		**6 436**	3 100
Current finance liabilities from other companies		**2**	65
Advance payments from other companies		**133**	4
Trade creditors to Group companies		**634**	767
Trade creditors to other companies		**902**	923
Accrued expenses and prepaid income to Group companies		**76**	16
Accrued expenses and prepaid income to other companies		**1 390**	1 417
		9 573	6 292
		20 234	18 583

1. Accounting principles

The Parent company Financial Statements are prepared according to Finnish Accounting Standards (FAS).
See Note 1 to Notes to the consolidated financial statements.

2. Personnel expenses

	2004 EURm	2003 EURm
Wages and salaries	**1 172**	1 050
Pension expenses	**162**	149
Other social expenses	**80**	117
Personnel expenses as per profit and loss account	**1 414**	1 316

Remuneration of the members of the Board of Directors, the Chief Executive Officer and the President *	**6**	5
* Salaries include incentives	**3**	2

Pension commitments for the management:
For the Chief Executive Officer and the President of the Parent Company the retirement age is 60 years. There were also three other Group Executive Board Members whose retirement age is 60 years as of December 31, 2004. There is also one other Member, following his arragement from a previous employer, who has a retirement benefit of 65% of his pensionable salary beginning at age 62 with early retirement possible at age 55 with reduction in benefits. Nokia does not offer any similar benefits to any other members of the 2004 Group Executive Board.

Personnel average	**2004**	**2003**
Production	**5 029**	4 839
Marketing	**1 609**	1 577
R&D	**12 861**	12 553
Administration	**3 292**	3 481
	22 791	22 450

Personnel, Dec. 31	**2004**	2003
	22 990	22 132

3. Depreciation and amortization

	2004 EURm	2003 EURm
Depreciation and amortization by asset class category		
Intangible assets		
Capitalized development costs	**290**	327
Intangible rights	**31**	42
Tangible assets	**–**	–
Total	**321**	369
Depreciation and amortization by function		
R&D	**298**	332
Production	**–**	–
Selling, marketing and administration	**23**	37
Total	**321**	369

4. Intangible assets

	2004 EURm	2003 EURm
Capitalized development costs		
Acquisition cost Jan. 1	**1 416**	1 706
Additions	**101**	201
Disposals	**–123**	–491
Accumulated amortization Dec. 31	**–1 066**	–797
Net carrying amount Dec. 31	**328**	619
Intangible rights		
Acquisition cost Jan. 1	**256**	225
Additions	**40**	36
Disposals	**–4**	–5
Accumulated amortization Dec. 31	**–233**	–204
Net carrying amount Dec. 31	**59**	52
Other intangible assets		
Acquisition cost Jan. 1	**3**	50
Additions	**–**	–
Disposals	**–**	–47
Accumulated amortization Dec. 31	**–3**	–3
Net carrying amount Dec. 31	**–**	–

5. Tangible assets

At the end of 2004 and 2003 the parent company had no tangible assets. These assets were leased from Nokia Asset Management Oy, a company wholly owned by Nokia Oyj.

6. Investments

	2004 EURm	2003 EURm
Investments in subsidiaries		
Acquisition cost Jan. 1	**3 540**	3 519
Additions	**68**	41
Disposals	**–11**	–20
Net carrying amount Dec. 31	**3 597**	3 540
Investments in associated companies		
Acquisition cost Jan. 1	**4**	5
Additions	**1**	–
Disposals	**–**	–1
Net carrying amount Dec. 31	**5**	4

7. Other non-current assets

	2004 EURm	2003 EURm
Investments in other shares		
Acquisition cost Jan. 1	**17**	17
Additions	**334**	231
Disposals	**–344**	–238
Net carrying amount Dec. 31	**7**	10
Other investments	**–**	7
	7	17

At the balance sheet date, the fair value of investments in listed companies was EUR 0 million (EUR 1 million in 2003).

8. Shareholders' equity

Parent Company, EURm	Share capital	Share issue premium	Treasury shares	Retained earnings	Total
Balance at Dec. 31, 2002	287	2 182	–	9 401	11 870
Share issue	1	40			41
Acquisitions of treasury shares			–1 351		–1 351
Dividend				–1 339	–1 339
Net profit				3 070	3 070
Balance at Dec. 31, 2003	288	2 222	–1 351	11 132	12 291
Share issue					–
Cancellation of treasury shares	–8	8	1 999	–1 999	–
Acquisitions of treasury shares			–2 660		–2 660
Dividend				–1 399	–1 399
Support to the Foundation of Nokia Corporation				–5	–5
Net profit				2 434	2 434
Balance at Dec. 31, 2004	**280**	**2 230**	**–2 012**	**10 163**	**10 661**

9. Distributable earnings

	2004 EURm	2003 EURm
Retained earnings from previous years	**7 729**	8 062
Net profit for the year	**2 434**	3 070
Retained earnings, total	**10 163**	11 132
Treasury shares	**–2 012**	–1 351
Distributable earnings, Dec. 31	**8 151**	9 781

10. Commitments and contingencies

	2004 EURm	2003 EURm
Collateral for own commitments		
Mortgages	**–**	–
Collateral given on behalf of other companies		
Assets pledged	**–**	28
Contingent liabilities on behalf of Group companies		
Guarantees for loans	**173**	112
Leasing guarantees	**246**	350
Other guarantees	**244**	186
Contingent liabilities on behalf of other companies		
Guarantees for loans	**3**	5
Other guarentees	**1**	–

11. Leasing contracts

At December 31, 2004 the leasing contracts of the Parent Company amounted to EUR 491 million (EUR 936 million in 2003), of which EUR 454 million in 2004 relate to Group internal agreements. EUR 473 million will expire in 2005 (EUR 472 million in 2004).

12. Loans granted to top management

There were no loans granted to top management at December 31, 2004.

13. Notes to cash flow statements

	2004 EURm	2003 EURm
Adjustments for:		
Depreciation	**321**	339
Income taxes	**807**	1 161
Financial income and expenses	**–677**	–443
Impairment charge	**102**	374
Other operating income and expenses	**–14**	–390
Adjustments, total	**539**	1 041
Change in net working capital		
Short-term trade receivables, increase (–), decrease (+)	**682**	–564
Inventories, increase (–), decrease (+)	**–67**	181
Interest-free short-term liabilities, increase (+), decrease (–)	**64**	–277
Change in net working capital	**679**	–660
Non-cash investing activities		
Acquisition of:		
Current available-for-sale investments in settlement of customer loan	**–**	676

14. Principal Nokia Group companies on December 31, 2004

See Note 36 to Notes to the consolidated financial statements.

15. Nokia shares and shareholders

See Nokia shares and shareholders p. 42–48.

Nokia shares and shareholders

Shares and share capital

Nokia has one class of shares. Each Nokia share entitles the holder to one (1) vote at General Meetings of Nokia. With effect from April 10, 2000, the par value of the share is EUR 0.06.

The minimum share capital stipulated in the articles of association is EUR 170 million and the maximum share capital EUR 680 million. The share capital may be increased or reduced within these limits without amending the articles of association.

On December 31, 2004, the share capital of Nokia Corporation was EUR 279 825 678.00 and the total number of shares was 4 663 761 300.

On December 31, 2004, the total number of shares included 176 819 877 shares owned by the Group companies with an aggregate par value of EUR 10 609 192.62 representing approximately 3.79% of the total number of shares and votes.

Share capital and shares, Dec. 31, 2004 [1]	**2004**	2003	2002	2001	2000
Share capital, EURm	**280**	288	287	284	282
Shares (1 000, par value EUR 0.06)	**4 663 761**	4 796 292	4 787 907	4 737 530	4 696 213
Shares owned by the Group (1 000)	**176 820**	96 024	1 145	1 228	4 080
Number of shares excluding shares owned by the Group (1 000)	**4 486 941**	4 700 268	4 786 762	4 736 302	4 692 133
Average number of shares excluding shares owned by the Group during the year (1 000), basic	**4 593 196**	4 761 121	4 751 110	4 702 852	4 673 162
Average number of shares excluding shares owned by the Group during the year (1 000), diluted	**4 600 337**	4 761 160	4 788 042	4 787 219	4 792 980
Number of registered shareholders [2]	**142 095**	133 991	129 508	116 352	94 500

1 Figures have been recalculated to reflect the par value of EUR 0.06 of the share.

2 Each account operator is included in the figure as only one registered shareholder.

Key Ratios, Dec. 31, 2004, IFRS (calculation see page 51)	**2004**	2003	2002	2001	2000
Earnings per share from net profit, EUR					
Earnings per share, basic	**0.70**	0.75	0.71	0.47	0.84
Earnings per share, diluted	**0.70**	0.75	0.71	0.46	0.82
P/E ratio	**16.60**	18.28	21.34	61.60	56.50
(Nominal) dividend per share, EUR	**0.33 ***	0.30	0.28	0.27	0.28
Total dividends paid, EURm [1]	**1 539 ***	1 439	1 341	1 279	1 315
Payout ratio	**0.47**	0.40	0.39	0.57	0.33
Dividend yield, %	**2.8**	2.2	1.8	0.9	0.6
Shareholders' equity per share, EUR	**3.17**	3.22	2.98	2.58	2.30
Market capitalization, EURm [2]	**52 138**	65 757	72 537	137 163	222 876

* Board's proposal.

1 Calculated for all the shares of the company as of the applicable year-end.

2 Shares owned by the Group companies are not included.

Splits of the par value of the Nokia share	**Par value before**	**Split ratio**	**Par value after**	**Effective date**
1986	FIM 100 (EUR 16.82)	5:1	FIM 20 (EUR 3.36)	December 31, 1986
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 [1]	April 12, 1999
2000	EUR 0.24	4:1	EUR 0.06	April 10, 2000

1 At the same time with a bonus issue of EUR 0.03 per each share of a par value of EUR 0.24.

Authorizations

Authorization to increase the share capital

The Board of Directors had been authorized by Nokia shareholders at the Annual General Meeting held on March 27, 2003, to decide on an increase of the share capital by a maximum of EUR 57 000 000 offering a maximum of 950 000 000 new shares. In 2004, the Board of Directors did not increase the share capital on the basis of this authorization. The authorization expired on March 27, 2004.

At the Annual General Meeting held on March 25, 2004, Nokia shareholders authorized the Board of Directors to decide on an increase of the share capital by a maximum of EUR 55 500 000, of which a maximum of EUR 3 000 000 may result from incentive plans, within one year from the resolution of the Annual General Meeting. The increase of the share capital may consist of one or more issues offering a maximum of 925 000 000 new shares with a par value of EUR 0.06. The share capital may be increased in deviation from the shareholders' pre-emptive rights for share subscription provided that from the company's perspective important financial grounds exist such as financing or carrying out of an acquisition or another arrangement and granting incentives to selected members of the personnel. In 2004, the Board of Directors did not increase the share capital on the basis of this authorization. The authorization is effective until March 25, 2005.

At the end of 2004, the Board of Directors had no other authorizations to issue shares, convertible bonds, warrants or stock options.

Other authorizations

The Board of Directors had been authorized by Nokia shareholders at the Annual General Meeting held on March 27, 2003 to decide to repurchase a maximum of 225 million Nokia shares. In 2004 Nokia repurchased 38 057 700 Nokia shares on the basis of this authorization.

At the Annual General Meeting held on March 25, 2004 Nokia shareholders authorized the Board of Directors to repurchase a maximum of 230 million Nokia shares, representing less than 5% of total shares outstanding, and to resolve on the disposal of a maximum of 230 million Nokia shares. In 2004, a total of 176 000 000 Nokia shares were repurchased under the buy-back authorization, as a result of which the unused authorization amounted to 54 000 000 shares on December 31, 2004. No shares were disposed of in 2004 under the respective authorization. The shares may be repurchased under the buy-back authorization in order to carry out the company's stock repurchase plan as a means to develop the capital structure of the company, to finance or carry out acquisitions or other arrangements, to grant incentives to selected members of the personnel or in connection with these, to be transferred in other ways, or to be cancelled. The authorization to dispose of the shares may be carried out pursuant to terms determined by the Board in connection with acquisitions or other arrangements or for incentive purposes to selected members of the personnel. The Board may resolve to dispose the shares in another proportion than that of the shareholders' pre-emptive rights to the company's shares, provided that from the company's perspective important financial grounds exist for such disposal. These authorizations are effective until March 25, 2005.

Nokia's equity based incentive plans

Stock option plans

The table "Outstanding stock option plans, Dec. 31, 2004" depicts the main features of outstanding stock option plans, which may result in an increase of our share capital. The increase in share capital resulted by these stock options is the number of shares to be issued times the par value of each share. The plans have been approved by the Annual General Meetings in the year of the launch of the plan. Shares subscribed for pursuant to the stock options will entitle to dividend for the financial year in which the subscription occurs. Other shareholder rights will commence on the date on which the shares subscribed for are registered with the Finnish Trade Register.

Pursuant to the stock options issued, an aggregate maximum number of 140 379 459 new shares may be subscribed for representing EUR 8 422 767.54 of the share capital and approximately 3.0% of the total number of votes on December 31, 2004. During 2004 the exercise of 1 260 options resulted in the issuance of 5 040 new shares and the increase of the share capital of Nokia Corporation with EUR 302.40.

There were no other stock options and no convertible bonds outstanding as of December 31, 2004, the exercise of which would result in an increase of the share capital of the parent company.

In addition to above, Nokia has minor stock option plans for Nokia employees in the U.S. and Canada which do not result in an increase of the share capital of Nokia Corporation and in which holders receive Nokia ADSs (American Depositary Shares). On the basis of these stock option plans Nokia had granted 2 577 857 stock options on December 31, 2004. Each stock option entitles the holder to receive one Nokia ADS. The average exercise price of stock options under these plans is USD 22.95. These stock options are included in the table "Options outstanding by range of exercise price, Dec. 31, 2004".

Performance shares

In 2004, we introduced performance shares as the main element to our broad-based equity compensation program, as approved by the Board of Directors, to further emphasize the performance element in employees' long-term incentives. As part of this change, the number of stock options to be granted was significantly reduced as compared to 2003.

A total number of 3.9 million Performance Share Units were granted to a wide number of selected employees on many levels of the organization in 2004. Performance Share Units represent a commitment by the company to deliver Nokia shares to employees at a future point in time, subject to the company's fulfillment of pre-defined performance criteria. No Performance Share Units will vest unless the company performance reaches at least one of the threshold levels measured by two pre-defined performance criteria: the company's Average Annual Net Sales Growth and EPS Growth (basic) for 2004 to 2007. If the required performance level is achieved, the first payout will take place in 2006. The second and final payout, if any, will be in 2008.

Both the EPS and Average Annual Net Sales Growth criteria have an equal weight of 50%. The initial threshold for the Average Annual Net Sales Growth criteria is 4% resulting in the vesting of up to 1.95 million performance shares. Similarly, the first threshold for the annual EPS Growth criteria is EUR 0.84 in 2007 resulting in the vesting of up to 1.95 million performance shares. The maximum performance threshold for Average Annual Net Sales Growth criteria is 16% resulting in the vesting of up to 7.8 million performance shares. Similarly, the maximum performance for the annual EPS Growth criteria is EUR 1.18 in 2007 resulting in the vesting of up to 7.8 million performance shares.

The maximum performance level for both criteria will result in the vesting of the maximum of 15.6 million performance shares. For performance between the threshold and maximum performance levels the payout follows a linear scale. Performance exceeding the maximum criteria does not increase the number of shares vesting.

The company will determine later the method by which the shares are obtained for delivery, which may also include cash settlement. Until the shares are transferred and delivered, the recipients will not have any shareholder rights, such as voting or dividend rights associated with respect to the Performance Share Units.

Restricted shares
In 2004, we granted a total of 1.9 million restricted shares to recruit, retain, reward and motivate selected high potential employees, who are critical to the future success of Nokia. The restricted shares granted during 2004 will vest in October 2007, after which time the shares will be transferred and delivered to the recipients. Until the shares are transferred and delivered, the recipients will not have any shareholder rights, such as voting or dividend rights associated with these restricted shares.

Outstanding stock option plans, Dec. 31, 2004

Plan (Year of launch)	Total plan size	Number of participants (approx.)	(Sub) category	Vesting status (as % of total number of stock options outstanding)	Exercise periods Starting	Exercise periods Ending	Exercise price /option	Exercise price /share	Split ratio
1999 [1]			1999A	Expired	Apr. 1, 2001	Dec. 31, 2004	67.55 EUR	16.89 EUR	4:1
			1999B	Expired	Apr. 1, 2002	Dec. 31, 2004	225.12 EUR	56.28 EUR	4:1
			1999C	Expired	Apr. 1, 2003	Dec. 31, 2004	116.48 EUR	29.12 EUR	4:1
	97 693 000	16 000							
2001 [2, 3]			2001A+B	81.25	Jul. 1, 2002	Dec. 31, 2006	36.75 EUR	36.75 EUR	1:1
			2001C3Q/01	75.00	Oct. 1, 2002	Dec. 31, 2006	20.61 EUR	20.61 EUR	1:1
			2001C4Q/01	68.75	Jan. 1, 2003	Dec. 31, 2006	26.67 EUR	26.67 EUR	1:1
			2001C1Q/02	62.50	Apr. 1, 2003	Dec. 31, 2007	26.06 EUR	26.06 EUR	1:1
			2001C3Q/02	50.00	Oct. 1, 2003	Dec. 31, 2007	12.99 EUR	12.99 EUR	1:1
			2001C4Q/02	43.75	Jan. 1, 2004	Dec. 31, 2007	16.86 EUR	16.86 EUR	1:1
			2002A+B	56.25	Jul. 1, 2003	Dec. 31, 2007	17.89 EUR	17.89 EUR	1:1
	104 326 000	31 000							
2003 [3]			2003 2Q	31.25	Jul. 1, 2004	Dec. 31, 2008	14.95 EUR	14.95 EUR	1:1
			2003 3Q	25.00	Oct. 1, 2004	Dec. 31, 2008	12.71 EUR	12.71 EUR	1:1
			2003 4Q	0.00	Jan. 3, 2005	Dec. 31, 2008	15.05 EUR	15.05 EUR	1:1
			2004 2Q	0.00	Apr. 1, 2005	Dec. 31, 2009	11.79 EUR	11.79 EUR	1:1
			2004 3Q	0.00	Oct. 3, 2005	Dec. 31, 2009	9.44 EUR	9.44 EUR	1:1
	36 053 000	22 000							

1 Figures have been recalculated to reflect the par value of EUR 0.06 of the shares.
2 The stock options under the 2001 plan are listed on the Helsinki Exchanges.
3 Our 2001 and 2003 stock option plans have a vesting schedule with a 25% vesting 1 year after grant, and quarterly vesting thereafter, each representing 6.25% of the total grant. The grants vest fully in 4 years.

Information relating to stock options during 2004, 2003 and 2002

	Number of shares	Weighted average exercise price EUR
Shares under option at Dec. 31, 2001	**227 999 753**	**25.71**
Granted [1]	51 127 314	17.96
Exercised	51 586 807	3.61
Forfeited	6 097 025	33.51
Shares under option at Dec. 31, 2002	**221 443 235**	**28.81**
Granted [1]	31 098 505	14.94
Exercised	7 700 791	3.97
Forfeited	5 847 332	25.23
Shares under option at Dec. 31, 2003	**238 993 617**	**27.90**
Granted	7 172 424	11.88
Exercised	781 338	12.85
Forfeited	4 733 995	19.55
Expired	97 693 392	33.99
Shares under option at Dec. 31, 2004	**142 957 316**	**23.29**
Options exercisable at Dec. 31, 2002 (shares)	107 721 842	27.92
Options exercisable at Dec. 31, 2003 (shares)	148 150 370	31.88
Options exercisable at Dec. 31, 2004 (shares)	**83 667 122**	**26.18**

1 Includes options converted in acquisitions.

Options outstanding by range of exercise price, Dec. 31, 2004

Options outstanding				Vested options outstanding	
Exercise prices EUR	Number of shares	Weighted average remaining contractual life in years	Weighted average exercise price EUR	Number of of shares	Weighted average exercise price EUR
0.28 – 14.72	8 566 058	3.50	11.26	1 524 533	8.72
14.95	28 912 535	2.30	14.95	9 027 050	14.95
14.97 – 17.29	323 635	2.40	15.70	98 242	16.58
17.89	46 657 996	1.57	17.89	26 387 016	17.89
18.18 – 26.67	19 171 279	1.46	27.61	14 181 913	26.49
28.87 – 36.15	139 708	5.08	33.87	139 613	33.87
36.75	38 980 544	1.46	36.75	32 103 194	36.75
38.09 – 56.28	205 561	3.95	39.54	205 561	39.54
	142 957 316			**83 667 122**	

Share and bonus issues 1999–2004

Year	Type of Issue	Subscription price or amount of bonus issue EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
1999	Nokia Stock Option Plan 1994	0.98	12 238	1999	12.03	0.73
	Nokia Stock Option Plan 1995	1.77	18 602	1999	32.85	1.12
	Nokia Stock Option Plan 1997	3.23	33 456	1999	107.97	2.01
	Bonus Issue	0.01		1999		36.05
	Share issue to stockholders of Rooftop Communications Corporation	20.04	2 118	1999	42.45	0.13
	Total		**66 414**		**195.30**	**40.04**
2000	Nokia Stock Option Plan 1995	1.77	22 011	2000	38.87	1.32
	Nokia Stock Option Plan 1997	3.23	10 117	2000	32.65	0.61
	Share issue to stockholders of Network Alchemy, Inc.	49.91	6 112	2000	305.06	0.37
	Share issue to stockholders of DiscoveryCom, Inc.	45.98	3 909	2000	179.75	0.23
	Total		**42 149**		**556.33**	**2.53**
2001	Nokia Stock Option Plan 1995	1.77	1 682	2001	2.97	0.10
	Nokia Stock Option Plan 1997	3.23	20 993	2001	67.81	1.26
	Nokia Stock Option Plan 1999	16.89	382	2001	6.46	0.02
	Share issue to stockholders of Amber Networks, Inc.	20.77	18 329	2001	380.72	1.10
	Total		**41 386**		**457.96**	**2.48**
2002	Nokia Stock Option Plan 1997	3.23	50 357	2002	162.50	3.02
	Nokia Stock Option Plan 1999	16.89	20	2002	0.33	0.00
	Total		**50 377**		**162.83**	**3.02**
2003	Nokia Stock Option Plan 1997	3.23	7 160	2003	23.11	0.43
	Share issue to stockholders of Eizel Technologies Inc.	14.76	1 225	2003	18.08	0.07
	Total		**8 385**		**41.19**	**0.50**
2004	Nokia Stock Option Plan 1999	16.89	5	2004	0.09	0.00
	Total		**5**		**0.09**	**0.00**

Reductions of share capital

Type of reduction	Year	Number of affected (1 000, par value EUR 0.06)	Amount of reduction of the share capital EURm	Amount of reduction of the restricted capital EURm	Amount of reduction of the retained earnings EURm
Cancellation of shares	2001	69	0.004	–	–
Cancellation of shares	2004	132 536	7.95	–	–

Nokia shares and shareholders

Share turnover (all stock exchanges) [1]

	2004	2003	2002	2001	2000
Share turnover (1 000)	**14 091 430**	11 788 172	12 926 683	11 457 748	7 827 428
Total number of shares (1 000)	**4 663 761**	4 796 282	4 787 907	4 737 530	4 696 213
% of total number of shares	**302**	246	270	242	167

Share prices, EUR (Helsinki Exchanges) [1]

	2004	2003	2002	2001	2000
Low/high	**8.97/18.79**	11.44/16.16	11.10/29.45	14.35/46.50	35.81/64.88
Average [2]	**12.84**	14.12	18.13	24.57	51.09
Year-end	**11.62**	13.71	15.15	28.96	47.50

Share prices, USD (New York Stock Exchange) [2]

	2004	2003	2002	2001	2000
ADS					
Low/high	**11.03/23.22**	12.67/18.45	10.76/26.90	12.95/44.69	29.44/61.88
Average [2]	**15.96**	15.99	16.88	24.84	47.36
Year-end	**15.67**	17.00	15.50	24.53	43.50

1 Figures have been recalculated to reflect the par value of EUR 0.06 of the share.

2 Calculated by weighing average price with daily volumes.

Shareholders, December 31, 2004

Shareholders registered in Finland represent 13.37% and shareholders registered in the name of a nominee represent 86.63% of the total number of shares of Nokia Corporation. The number of registered shareholders was 142 095 on December 31, 2004. Each account operator (23) is included in this figure as only one registered shareholder.

Nominee registered shareholders include holders of American Depositary Receipts (ADR) and Svenska Depåbevis (SDB). As of December 31, 2004 ADRs represented 24.51% and SDBs 3.39% of the total number of shares in Nokia.

Largest shareholders registered in Finland, Dec. 31, 2004 (excluding nominee registered shares and shares owned by Nokia Corporation [1])	**Total number of shares (1 000)**	**% of all the shares and voting rights**
Svenska Litteratursällskapet i Finland r f	20 611	0.44
Sigrid Jusélius Foundation	15 500	0.33
BNP Arbitrage	15 316	0.33
Ilmarinen Mutual Pension Insurance Company	10 787	0.23
Varma Mutual Pension Insurance Company	8 000	0.17
The State Pension Fund	7 900	0.17
The Local Government Pensions Institution	7 480	0.16
The Finnish Cultural Foundation	6 411	0.14
Nordea Bank Finland Plc	5 470	0.12
Finnish National Fund for Research an developement (SITRA)	4 885	0.10

1 Nokia Corporation owned 176 000 000 Nokia shares as of December 31, 2004.

Breakdown of share ownership, Dec. 31, 2004 [1]

By number of shares owned	Number of shareholders	% of shareholders	Total number of shares	% of share capital	Average holding
1–100	46 652	32.83	2 863 238	0.06	0.06
101–1 000	66 122	46.53	26 865 209	0.57	0.57
1 001–10 000	24 629	17.33	76 491 591	1.64	1.64
10 001–100 000	4 282	3.01	111 238 749	2.39	2.39
100 001– 500 000	318	0.22	63 734 744	1.37	1.37
500 001–1 000 000	41	0.03	29 160 236	0.63	0.63
1 000 001–5 000 000	34	0.02	71 629 263	1.53	1.53
Over 5 000 000	17	0.01	4 281 778 270	91.81	91.81
Total	142 095	100.00	4 663 761 300	100.00	100.00

By nationality, %	Shares
Non-Finnish shareholders	86.63
Finnish shareholders	13.37
Total	**100.00**

By shareholder category (Finnish shareholders), %	Shares
Corporations	4.50
Households	4.47
Financial and insurance institutions	0.94
Non-profit organizations	2.20
General government	1.26
Total	**13.37**

1 Please note that the breakdown covers only shareholders registered in Finland, and each account operator (23) is included in the number of shareholders as only one registered shareholder. Due to this, the breakdown is not illustrative to the entire shareholder base of Nokia.

Shares and stock options 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, 2004 an aggregate of 1 524 824 shares representing approximately 0.03% of the aggregate number of shares and voting rights, as well as stock options, which, if exercised in full, would be exercisable for 7 652 500 shares representing approximately 0.16% of the total number of shares and voting rights on December 31, 2004.

Nokia 2000–2004, IFRS

	2004	2003	2002	2001	2000
Profit and loss account, EURm					
Net sales	**29 267**	29 455	30 016	31 191	30 376
Cost and expenses	**–24 937**	–24 444	–25 236	–27 829	–24 600
Operating profit	**4 330**	5 011	4 780	3 362	5 776
Share of results of associated companies	**–26**	–18	–19	–12	–16
Financial income and expenses	**405**	352	156	125	102
Profit before tax and minority interests	**4 709**	5 345	4 917	3 475	5 862
Tax	**–1 435**	–1 699	–1 484	–1 192	–1 784
Minority interests	**–67**	–54	–52	–83	–140
Net profit	**3 207**	3 592	3 381	2 200	3 938
Balance sheet items, EURm					
Fixed assets and other non-current assets	**3 161**	3 837	5 742	6 912	6 388
Current assets	**19 508**	20 083	17 585	15 515	13 502
Inventories	**1 305**	1 169	1 277	1 788	2 263
Accounts receivable and prepaid expenses	**6 406**	6 802	6 957	7 602	7 056
Available-for-sale investments	**255**	816	–	–	–
Total cash and other liquid assets	**11 542**	11 296	9 351	6 125	4 183
Shareholders’ equity	**14 238**	15 148	14 281	12 205	10 808
Minority shareholders’ interests	**168**	164	173	196	177
Long-term liabilities	**294**	328	461	460	311
Long-term interest-bearing liabilities	**19**	20	187	207	173
Deferred tax liabilities	**179**	241	207	177	69
Other long-term liabilities	**96**	67	67	76	69
Current liabilities	**7 969**	8 280	8 412	9 566	8 594
Short-term borrowings	**215**	387	377	831	1 069
Current portion of long-term loans	**–**	84	–	–	47
Accounts payable	**2 669**	2 919	2 954	3 074	2 814
Accrued expenses and provisions	**5 085**	4 890	5 081	5 661	4 664
Total assets	**22 669**	23 920	23 327	22 427	19 890

Nokia 2000–2004, IFRS

Key ratios and economic indicators	2004	2003	2002	2001	2000
Net sales, EURm	**29 267**	29 455	30 016	31 191	30 376
Change, %	**–0.6**	–1.9	–3.8	2.7	53.6
Exports and foreign subsidiaries, EURm	**28 916**	29 108	29 663	30 738	29 882
Salaries and social expenses, EURm	**3 430**	3 026	3 140	3 235	2 888
Operating profit, EURm	**4 330**	5 011	4 780	3 362	5 776
% of net sales	**14.8**	17.0	15.9	10.8	19
Financial income and expenses, EURm	**405**	352	156	125	102
% of net sales	**1.4**	1.2	0.5	0.4	0.3
Profit before tax and minority interests, EURm	**4 709**	5 345	4 917	3 475	5 862
% of net sales	**16.1**	18.1	16.4	11.1	19.3
Profit from continuing operations, EURm	**3 207**	3 592	3 381	2 200	3 938
% of net sales	**11.0**	12.2	11.3	7.1	13.0
Taxes, EURm	**1 435**	1 699	1 484	1 192	1 784
Dividends, EURm	**1 539** *	1 439	1 340	1 279	1 315
Capital expenditure, EURm	**548**	432	432	1 041	1 580
% of net sales	**1.9**	1.5	1.4	3.3	5.2
Gross investments * *, EURm	**1 197**	1 013	966	2 149	3 095
% of net sales	**4.1**	3.4	3.2	6.9	10.2
R&D expenditure, EURm	**3 733**	3 760	3 052	2 985	2 584
% of net sales	**12.8**	12.8	10.2	9.6	8.5
Average personnel	**53 511**	51 605	52 714	57 716	58 708
Non-interest bearing liabilities, EURm	**8 029**	8 117	8 309	8 988	7 616
Interest-bearing liabilities, EURm	**234**	491	564	1 038	1 289
Return on capital employed, %	**31.6**	34.7	35.3	27.9	58.0
Return on equity, %	**21.8**	24.4	25.5	19.1	43.3
Equity ratio, %	**64.4**	64.8	62.5	56.0	55.7
Net debt to equity, %	**–78**	–71	–61	–41	–26

* Board's proposal

** Includes acquisitions, investments in shares and capitalized development costs.

Calculation of Key Ratios, see page 51.

Calculation of key ratios

Key ratios under IFRS

Operating profit
Profit after depreciation

Shareholders' equity
Share capital + reserves

Earnings per share

$$\frac{\text{Net profit}}{\text{Average of adjusted number of shares during the year}}$$

P/E ratio

$$\frac{\text{Adjusted share price, December 31}}{\text{Earnings per share}}$$

Dividend per share

$$\frac{\text{Nominal dividend per share}}{\text{The adjustment coefficients of the share issues that have taken place during or after the year in question}}$$

Payout ratio

$$\frac{\text{Dividend per share}}{\text{Earnings per share}}$$

Dividend yield, %

$$\frac{\text{Nominal dividend per share}}{\text{Share price}}$$

Shareholders' equity per share

$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at year end}}$$

Market capitalization
Number of shares x share price per share class

Adjusted average share price

$$\frac{\text{Amount traded, in EUR, during the period}}{\text{Adjusted number of shares traded during the period}}$$

Share turnover, %

$$\frac{\text{Number of shares traded during the period}}{\text{Average number of shares during the period}}$$

Return on capital employed, %

$$\frac{\text{Profit before taxes and minority interests + interest and other net financial expenses}}{\text{Average shareholders' equity + short-term borrowings + long-term interest-bearing liabilities (including the current portion thereof) + minority shareholders' interests}}$$

Return on shareholders' equity, %

$$\frac{\text{Net profit}}{\text{Average shareholders' equity during the year}}$$

Equity ratio, %

$$\frac{\text{Shareholders' equity + minority shareholders' interests}}{\text{Total assets – advance payments received}}$$

Net debt to equity (gearing), %

$$\frac{\text{Long-term interest-bearing liabilities (including the current portion thereof) + short-term borrowings – cash and other liquid assets}}{\text{Shareholders' equity + minority shareholders' interests}}$$

Year-end currency rates 2004

	1 EUR =
USD	1.3345
GBP	0.6885
SEK	8.9768
JPY	139.21

Proposal by the Board of Directors to the Annual General Meeting

The distributable earnings in the balance sheet of the Group amount to EUR 11 323 million and those of the Company to EUR 8 151 million.

The Board proposes that from the funds at the disposal of the Annual General Meeting, a dividend of EUR 0.33 per share is to be paid out on a total of 4 663 761 300 shares, amounting to EUR 1 539 million.

Espoo, January 27, 2005

Jorma Ollila
Chairman and CEO

Paul J. Collins

Georg Ehrnrooth

Bengt Holmström

Per Karlsson

Marjorie Scardino

Vesa Vainio

Arne Wessberg

Pekka Ala-Pietilä
President

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, 2004. 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 Financial Reporting Standards (IFRS), and parent company financial statements prepared in accordance with prevailing regulations in Finland. 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 Financial Reporting Standards give a true and fair view of the consolidated results 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, January 27, 2005

PricewaterhouseCoopers Oy
Authorized Public Accountants

Eero Suomela
Authorized Public Accountant

Additional information

Differences between International Financial Reporting Standards and U.S. Generally Accepted Accounting Principles

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards, which differ in certain respects from accounting principles generally accepted in the United States (U.S. GAAP). The principal differences between IFRS 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:

	2004 EURm	2003 EURm	2002 EURm
Reconciliation of net income			
Net income reported under IFRS	**3 207**	3 592	3 381
U.S. GAAP adjustments:			
Pension expense	**–**	–12	–5
Development costs	**42**	322	–66
Provision for social security cost on stock options	**–8**	–21	–90
Stock compensation expense	**–21**	–9	–35
Cash flow hedges	**89**	9	6
Net investment in foreign companies	**–**	–	48
Amortization of identifiable intangible assets acquired	**–11**	–22	–22
Impairment of identifiable intangible assets acquired	**–47**	–	–
Amortization of goodwill	**106**	162	206
Impairment of goodwill	**–**	151	104
Deferred tax effect of U.S. GAAP adjustments	**–14**	–75	76
Net income under U.S. GAAP	**3 343**	4 097	3 603

	2004 EURm	2003 EURm
Reconciliation of shareholders' equity		
Total shareholders' equity reported under IFRS	**14 238**	15 148
U.S. GAAP adjustments:		
Pension expense	**–49**	–49
Additional minimum liability	**–**	–
Development costs	**–57**	–99
Marketable securities and unlisted investments	**35**	49
Provision for social security cost on stock options	**6**	14
Deferred compensation	**–50**	–10
Share issue premium	**247**	186
Stock compensation	**–197**	–176
Acquisition purchase price	**2**	3
Amortization of identifiable intangible assets acquired	**–62**	–51
Impairment of identifiable intangible assets acquired	**–47**	–
Amortization of goodwill	**502**	396
Impairment of goodwill	**255**	255
Translation of goodwill	**–319**	–293
Deferred tax effect of U.S. GAAP adjustments	**72**	64
Total shareholders' equity under U.S. GAAP	**14 576**	15 437

Pension expense and additional minimum liability

Under IFRS, pension assets, defined benefit pension liabilities and expense are actuarially determined in a similar manner to U.S. GAAP. However, under IFRS the prior service cost, transition adjustments and expense resulting from plan amendments are generally recognized immediately. Under U.S. GAAP, these expenses are generally recognized over a longer period. Also, under U.S. GAAP the employer should recognize an additional minimum pension liability charged to other comprehensive income when the accumulated benefit obligation (ABO) exceeds the fair value of the plan assets and this amount is not covered by the liability recognized in the balance sheet. The calculation of the ABO is based on approach two as described in EITF 88-1, Determination of Vested Benefit Obligation for a Defined Benefit Pension Plan, under which the actuarial present value is based on the date of separation from service.

The U.S. GAAP pension adjustment reflects the difference between the prepaid pension asset and related pension expense as determined by applying IAS 19, Employee Benefits, and the pension asset and pension expense determined by applying FAS 87, Employers' Accounting for Pensions.

Development costs

Development costs have been capitalized under IFRS 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 IFRS would not be capitalizable under U.S. GAAP and therefore would have been expensed under U.S. GAAP.

Under IFRS, whenever there is an indication that capitalized development costs may be impaired the recoverable amount of the asset is estimated. An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is defined as the higher of an asset's net selling price and value in use. Value in use is the present value of estimated discounted future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Under US GAAP, the unamortized capitalized costs of a computer software product is compared at each balance sheet date to the net realizable value of that product with any excess written off. Net realizable value is defined as the estimated future gross revenues from that product reduced by the estimated future costs of completing and disposing of that product, including the costs of performing maintenance and customer support required to satisfy the enterprise's responsibility set forth at the time of sale.

The amount of unamortized capitalized computer software costs, under U.S. GAAP, is EUR 210 million in 2004 (EUR 438 million in 2003).

Marketable securities and unlisted investments

All available-for-sale investments, which includes all publicly listed and non-listed marketable securities, are measured at fair value and gains and losses are recognized within shareholders' equity until realized in the profit and loss account upon sale or disposal.

Under U.S. GAAP, the Group's listed 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. Investments in equity securities that are not traded on a public market are carried at historical cost, giving rise to an adjustment between IFRS and U.S. GAAP.

Provision for social security cost on stock options

Under IFRS, the Group provides for social security costs on stock options on the date of grant, based on the market value of the underlying stock at the date of grant. The provision is adjusted for movements in the market value of the underlying stock.

Under U.S. GAAP, no expense is recorded until the options are exercised.

Stock compensation

Under IFRS, no compensation expense is recorded on stock options, restricted shares or performance shares granted. Under U.S. GAAP, the Group follows the methodology in APB Opinion 25, Accounting for Stock Issued to Employees (APB 25), and related interpretations to measure employee stock compensation. Under APB 25 intrinsic value from Nokia's option programs arises when the exercise price is less than the quoted market value of the underlying stock on the date of grant.

Restricted shares and performance shares are accounted for as variable award plans under U.S. GAAP where compensation is measured each period end as the difference between the exercise price and the quoted market value of the underlying stock. For performance shares, the Group assesses the probability of whether the performance criteria will be met in calculating the compensation expense. Compensation arising from stock option programs, restricted shares and performance shares is recorded as deferred compensation within shareholders' equity and recognized in the profit and loss account over the vesting period of the stock.

Cash flow hedges

As a result of a specific difference in the rules under IAS 39 and FAS 133, Accounting for Derivative Instruments and Hedging Activities, relating to hedge accounting, certain foreign exchange gains and losses classified within equity under IFRS are included in the income statement under U.S. GAAP.

Net investment in foreign companies

Under IFRS, on the disposal of a foreign entity, the cumulative amount of the exchange differences which have been deferred and which relate to that foreign entity should be recognized as income or as expenses in the same period in which the disposal is recognized. An enterprise may dispose of its interest in a foreign entity through sale, liquidation, repayment of share capital and permanent loans, or abandonment of all, or part of, that entity.

Under U.S. GAAP, the cumulative translation differences are reported in the profit and loss account only upon the sale or upon complete or substantially complete liquidation of the investment in a foreign entity.

Acquisition purchase price

Under IFRS, when the consideration paid in a business combination includes shares of the acquirer, the purchase price of the acquired business is determined at the date on which the shares are exchanged.

Under U.S. GAAP, the measurement date for shares of the acquirer is the date the acquisition is announced or, if the number of shares is uncertain on such date, the first day on which both the number of acquirer shares and the amount of other considerations become fixed. The average share price for a few days before and a few days after the measurement date is then used to value the shares.

Amortization and impairment of identifiable intangible assets acquired

Prior to April 1, 2004, unpatented technology acquired was not separately recognized on acquisition under IFRS but was included within goodwill.

Under U.S. GAAP, any unpatented technology acquired in a business combination is recorded as an identifiable intangible asset with a related deferred tax liability. The intangible asset is amortized over its estimated useful life. The adjustment to U.S. GAAP net income and shareholders' equity relates to the amortization and accumulated amortization, respectively, of Amber Networks' intangible asset.

During 2004 the carrying value of Amber Network upatented technology was impaired since Nokia no longer develops nor uses the technology acquired and its carrying amount is not recoverable through estimated future cash flows. The total impact on net income in 2004 amounted to EUR 58 million of which the write-down recognized under U.S. GAAP was EUR 47 million.

The net carrying amount of other intangible assets under U.S. GAAP is EUR 419 million in 2004 (EUR 623 million in 2003) and consists of capitalized development costs of EUR 210 million (EUR 438 million in 2003) and acquired patents, trademarks and licenses of EUR 209 million (EUR 185 million). The Group does not have any indefinite lived intangible assets. The amortization expense under U.S. GAAP of other intangible assets subject to amortization as of December 31, 2004, is expected to be approximately EUR 172 million for each of the next five years.

Amortization of goodwill

The Group adopted the transition provisions of IFRS 3, Business Combinations, with effect from 1 April 2004. As a result, goodwill relating to purchase acquisitions and acquisitions of associated companies for which the agreement date was on or after March 31, 2004, is no longer subject to amortization. Goodwill arising in business combinations completed before March 31, 2004 will continue to be amortized over its estimated useful life until the standard is fully adopted as of January 1, 2005.

The Group adopted the provisions of FAS 142, Goodwill and Other Intangible Assets (FAS 142), on January 1, 2002 and as a result, under U.S. GAAP goodwill relating to purchase acquisitions and acquisitions of associated companies is no longer subject to amortization subsequent to the date of adoption.

The U.S. GAAP adjustment reverses the amortization expense recorded under IFRS and also reverses the movement in accumulated amortization under IFRS during the period subsequent to the adoption of FAS 142.

Impairment of goodwill

As of January 1, 2002, the Group performed the transitional impairment test under FAS 142 and compared the carrying value for each reporting unit to its fair value, which was determined based on discounted cash flows. Upon completion of the transitional impairment test, the Group determined that there was no impairment as of January 1, 2002, as the carrying value of each reporting unit did not exceed its fair value. The Group has also completed the annual impairment test required by FAS 142 during the fourth quarter of 2004, 2003 and 2002, which was also performed by comparing the carrying value of each reporting unit to its fair value based on discounted cash flows.

Under IFRS, goodwill is allocated to “cash generating units”, which are the smallest group of identifiable assets which includes the goodwill under review for impairment, and that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets. Under IFRS, the Group recorded in 2003 and 2002 an impairment of goodwill of EUR 151 million and EUR 104 million, respectively, related to Amber Networks as the carrying amount of the cash generating unit exceeded the recoverable amount of the unit. Upon completion of the annual impairment test, the Group determined that the impairment recorded for Amber Networks should be reversed for U.S. GAAP purposes because, at the Core Networks reporting unit level in 2003 and IP Mobility Network reporting unit level in 2002, where Amber Networks resides, the fair value of the reporting unit exceeded the book value of the reporting unit.

The Group recorded no goodwill impairments during 2004.

Below is a roll forward of U.S. GAAP goodwill during 2004 and 2003. The comparative figures are regrouped according to the new organizational structure:

EURm	Mobile Phones	Multimedia	Enterprise Solutions	Networks	Common Group Functions	Group
Balance as of Jan. 1, 2003	125	21	26	323	9	504
Goodwill acquired	–	–	20	–	–	20
Translation adjustment	4	1	–6	–52	–	–53
Balance as of Dec. 31, 2003	129	22	40	271	9	471
Goodwill acquired	–	–	–	–	–	–
Translation adjustment	–1	–	–3	–22	–	–26
Balance as of Dec. 31, 2004	**128**	**22**	**37**	**249**	**9**	**445**

Goodwill is not deductible for tax purposes.

Translation of goodwill

Under IFRS, the Group translates goodwill arising on the acquisition of foreign subsidiaries at historical rates.

Under U.S. GAAP, goodwill is translated at the closing rate on the balance sheet date with gains and losses recorded as a component of shareholders’ equity.

Critical accounting policies

Our accounting policies affecting our financial condition and results of operations are more fully described in Note 1 to our consolidated financial statements. Certain of Nokia's accounting policies require the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported carrying values of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Nokia believes the following are the critical accounting policies and related judgments and estimates used in the preparation of its consolidated financial statements. We have discussed the application of these critical accounting estimates with our Board of Directors and Audit Committee.

Revenue recognition

Revenue from the majority of the Group is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable and collectibility is probable. The remainder of revenue is recorded under the percentage of completion method.

For Mobile Phones, Multimedia and Enterprise Solutions, as well as certain of Networks' revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable and collectibility is probable. This requires us to assess at the point of delivery whether these criteria have been met. When management determines that such criteria have been met, revenue is recognized. Nokia records estimated reductions to revenue for customer programs and incentive offerings, including special pricing agreements, price protection and other volume based discounts at the time of sale, mainly in the mobile device business. Sales adjustments for volume based discount programs are estimated based largely on historical activity under similar programs. Price protection adjustments are based on estimates of future price reductions and certain agreed customer inventories at the date of the price adjustment. An immaterial part of the revenue from products sold through distribution channels is recognized when the reseller or distributor sells the product to the end user.

Networks' revenue from contracts involving solutions achieved through modification of telecommunications equipment is recognized on the percentage of completion basis when the outcome of the contract can be estimated reliably. A contract's outcome can be estimated reliably when total contract revenue can be estimated reliably, it is probable that economic benefits associated with the contract will flow to the company, and the stage of contract completion can be measured reliably. When we are not able to meet those conditions, the policy is to recognize revenues only equal to costs incurred to date, to the extent that such costs are expected to be recovered. Completion is measured by reference to costs incurred to date as a percentage of estimated total project costs.

The percentage of completion method relies on estimates of total expected contract revenue and costs, as well as the dependable measurement of the progress made towards completing the particular project. Recognized revenues and profit are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. Losses on projects in progress are recognized in the period they become likely and estimable.

Revenue recognition on initial 3G network contracts started in 2002 when Networks achieved 3G functionality for its single-mode and dual-mode WCDMA 3G systems. Until the time the 3GPP specifications required by our customers were met, we deferred the application of the cost-to-cost input model. Upon achieving 3G functionality for WCDMA network projects, we began recognizing revenue under the cost-to-cost input method of percentage of completion accounting and have continued to apply the method in 2003 and 2004.

Networks' current sales and profit estimates for projects may change due to the early stage of a long-term project, new technology, changes in the project scope, changes in costs, changes in timing, changes in customers' plans, realization of penalties, and other corresponding factors.

Customer financing

We have provided a limited amount of customer financing and agreed extended payment terms with selected customers in our Networks business. In establishing credit arrangements, management must assess the creditworthiness of the customer and the timing of cash flows expected to be received under the arrangement. However, should the actual financial position of our customers or general economic conditions differ from our assumptions, we may be required to re-assess the ultimate collectibility of such financings and trade credits, which could result in a write-off of these balances in future periods and thus negatively impact our profits in future periods. Our assessment of the net recoverable value considers the collateral and security arrangements of the receivable as well as the likelihood and timing of estimated collections. See also Note 35(b) to our consolidated financial statements for a further discussion of long-term customer loans.

Allowances for doubtful accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the subsequent inability of our customers to make required payments. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyzes accounts receivables and analyzes historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Inventory-related allowances

We periodically review our inventory for excess inventory, obsolescence and declines in market value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory.

Warranty provisions

We provide for the estimated cost of product warranties at the time revenue is recognized. Nokia's products are covered by product warranty plans of varying periods, depending on local practices and regulations. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligations are affected by actual product failure rates (field failure rates) and by material usage and service delivery costs incurred in correcting a product failure. Our warranty provision is established based upon our best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. As our new products incorporate complex technologies, as we continuously introduce new products, and as local laws, regulations and practices may change, it will be increasingly difficult to anticipate our failure rates, the length of warranty periods and repair costs. While we believe that our warranty provisions are adequate and that the judgments applied are appropriate, the ultimate cost of product warranty could differ materially from our estimates. When the actual cost of quality of our products is lower than we originally anticipated, we release an appropriate proportion of the provision, and if the cost of quality is higher than anticipated, we increase the provision.

Provision for intellectual property rights, or IPR, infringements

We provide for the estimated future settlements related to asserted and unasserted IPR infringements based on the probable outcome of each infringement. The ultimate outcome or actual cost of settling an individual infringement may vary from our estimates.

Our products and solutions include increasingly complex technologies involving numerous patented and other proprietary technologies. Although we proactively try to ensure that we are aware of any patents related to our products and solutions under development and thereby avoid inadvertent infringement of proprietary technologies, the nature of our business is such that patent infringements may and do occur. Through contact with parties claiming infringement of their patented technology, or through our own monitoring of developments in patent cases involving our competitors, we identify potential IPR infringements.

We estimate the outcome of all potential IPR infringements made known to us through assertion by third parties, or through our own monitoring of patent-related cases in the relevant legal systems. To the extent that we determine that an identified potential infringement will more likely than not result in an outflow of resources, we record a liability based on our best estimate of the expenditure required to settle infringement proceedings.

Our experience with claims of IPR infringement is that there is typically a discussion period with the accusing party, which can last from several months to years. In cases where a settlement is not reached, the discovery and ensuing legal process typically lasts a minimum of one year. For this reason, the ultimate outflow relating to IPR infringement claims can last for varying periods of time, resulting in irregular movements in the IPR infringement provision.

Capitalized development costs

We capitalize certain development costs when it is probable that a development project will be a success and certain criteria, including commercial and technological feasibility, have been met. These costs are then amortized on a systematic basis over their expected useful lives, which due to the constant development of new technologies is between two to five years. During the development stage, management must estimate the commercial and technological feasibility of these projects as well as their expected useful lives. Should a product fail to substantiate its estimated feasibility or life cycle, we may be required to write off excess development costs in future periods.

Whenever there is an indicator that development costs capitalized for a specific project may be impaired, the recoverable amount of the asset is estimated. An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset's net selling price and value in use. Value in use is the present value of discounted estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For projects still in development, these estimates include the future cash out flows that are expected to occur before the asset is ready for use. See Note 8 to our consolidated financial statements.

Impairment reviews are based upon our projections of anticipated future cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. While we believe that our assumptions are appropriate, such amounts estimated could differ materially from what will actually occur in the future. For IFRS, discounted estimated cash flows are used to identify the existence of an impairment while for U.S. GAAP undiscounted future cash flows are used. Consequently, an impairment could be required under IFRS but not under U.S. GAAP.

Valuation of long-lived and intangible assets and goodwill

We assess the carrying value of identifiable intangible assets, long-lived assets and goodwill annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors we consider important, which could trigger an impairment review, include the following:

- significant underperformance relative to historical or projected future results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and
- significant negative industry or economic trends.

When we determine that the carrying value of intangible assets, long-lived assets or goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on discounted projected cash flows.

This review is based upon our projections of anticipated future cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. While we believe that our assumptions are appropriate, such amounts estimated could differ materially from what will actually occur in the future. For IFRS these discounted cash flows are prepared at a cash generating unit level, and for U.S. GAAP these cash flows are prepared at a reporting unit level. Consequently, an impairment could be required under IFRS and not U.S. GAAP or vice versa.

Deferred taxes

Management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognized. We recognize deferred tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. We have considered future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognized.

Pensions

The determination of our pension benefit obligation and expense for defined benefit pension plans is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 6 to our consolidated financial statements and include, among others, the discount rate, expected long-term rate of return on plan assets and annual rate of increase in future compensation levels. A portion of our plan assets is invested in equity securities. The equity markets have experienced volatility, which has affected the value of our pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Actual results that differ from our assumptions are accumulated and amortized over future periods and therefore generally affect our recognized expense and recorded obligation in such future periods. Our assumptions are based on actual historical experience and external data regarding compensation and discount rate trends. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension obligation and our future expense.

Group Executive Board

March 8, 2005

Our articles of association provide for a Group Executive Board, which is responsible for managing the operations of Nokia. The Chairman and the members of the Group Executive Board are elected by the Board of Directors. Only the Chairman of the Group Executive Board can be a member of both the Board of Directors and the Group Executive Board. The current members of our Group Executive Board are set forth below.

Chairman Jorma Ollila, b. 1950

**Chairman and CEO of Nokia Corporation.
Group Executive Board member since 1986.
Chairman since 1992.
Joined Nokia 1985.**

Master of Political Science (University of Helsinki), Master of Science (Econ.) (London School of Economics), Master of Science (Eng.) (Helsinki University of Technology).

President and CEO, and Chairman of the Group Executive Board of Nokia Corporation 1992–1999, President of Nokia Mobile Phones 1990–1992, Senior Vice President, Finance of Nokia 1986–1989. Holder of various managerial positions at Citibank within corporate banking 1978–1985.

Member of the Board of Directors of Ford Motor Company and Vice Chairman of the Board of Directors of UPM-Kymmene Corporation and Vice Chairman of the Board of Directors of Otava Books and Magazines Group Ltd. Chairman of the Boards of Directors and the Supervisory Boards of Finnish Business and Policy Forum EVA and The Research Institute of the Finnish Economy ETLA. Member of The European Round Table of Industrialists.

Pekka Ala-Pietilä, b. 1957

**President of Nokia Corporation and
Head of Customer and Market Operations.
Group Executive Board member since 1992.
Joined Nokia 1984.**

Master of Science (Econ.) (Helsinki School of Economics and Business Administration).

President of Nokia Corporation and Head of Nokia Ventures Organization 1999–2003, Executive Vice President and Deputy to the CEO of Nokia Corporation and President of Nokia Communications Products 1998–1999, President of Nokia Mobile Phones 1992–1998, Vice President, Product Marketing of Nokia Mobile Phones 1991–1992, Vice President, Strategic Planning of Nokia Mobile Phones 1990–1991.

Member of the Supervisory Board of SAP AG. Member of the Science and Technology Policy Council of Finland, member of the Board of the Finnish-American Chamber of Commerce, member of the Board of the Economic Information Bureau.

Simon Beresford-Wylie, b. 1958

**Executive Vice President
and General Manager of Networks.
Group Executive Board member since
February 1, 2005.
Joined Nokia 1998.**

Bachelor of Arts (Economic Geography and History) (Australian National University).

Senior Vice President of Nokia Networks, Asia Pacific 2003–2004, Senior Vice President, Customer Operations of Nokia Networks 2002–2003, Vice President, Customer Operations of Nokia Networks 2000–2002, Managing Director of Nokia Networks in India and Area General Manager, South Asia 1999–2000, Regional Director of Business Development, Project and Trade Finance of Nokia Networks, Asia Pacific 1998–1999, Chief Executive Officer of Modi Telstra, India 1995–1998, General Manager, Banking and Finance, Corporate and Government business unit of Telstra Corporation 1993–1995, holder of executive positions in the Corporate and Government business units of Telstra Corporation 1989–1993. Holder of executive, managerial and clerical positions in the Australian Commonwealth Public Service 1982–1989.

Olli-Pekka Kallasvuo, b. 1953

**Executive Vice President and
General Manager of Mobile Phones.
Group Executive Board member since 1990.
With Nokia 1980–81, rejoined 1982.**

LL.M. (University of Helsinki).

Executive Vice President, CFO of Nokia 1999–2003, Executive Vice President of Nokia Americas and President of Nokia Inc. 1997–1998, Executive Vice President, CFO of Nokia 1992–1996, Senior Vice President, Finance of Nokia 1990–1991.

Chairman of the Board of Directors of Sampo plc and Nextrom Holding S.A., Member of the Board of Directors of EMC Corporation.

Pertti Korhonen, b. 1961

**Senior Vice President,
Chief Technology Officer.
Group Executive Board member since 2002.
Joined Nokia 1986.**

Master of Science (Electronics Eng.) (University of Oulu).

Executive Vice President of Nokia Mobile Software 2001–2003, Senior Vice President, Global Operations, Logistics and Sourcing of Nokia Mobile Phones 1999–2001, Senior Vice President, Global Operations and Logistics of Nokia Mobile Phones 1998–1999, Vice President, Logistics of Nokia Mobile Phones 1996–1998, Vice President, Manufacturing Europe of Nokia Mobile Phones 1993–1996, Project Executive of Nokia Mobile Phones UK Ltd 1991–1993, Vice President, R&D of Nokia Mobile Phones, Oulu 1990–1991.

Mary T. McDowell, b. 1964

**Senior Vice President
and General Manager of Enterprise Solutions.
Group Executive Board member since 2004.
Joined Nokia 2004.**

Bachelor of Science (Computer Science) (College of Engineering at the University of Illinois).

Senior Vice President, Strategy and Corporate Development of Hewlett-Packard Company 2003, Senior Vice President & General Manager, Industry-Standard Servers of Hewlett-Packard Company 2002–2003, Senior Vice President & General Manager, Industry-Standard Servers of Compaq Computer Corporation 1998–2002, Vice President, Marketing, Server Products Division of Compaq Computer Corporation 1996–1998. Holder of executive, managerial and other positions at Compaq Computer Corporation 1986–1996.

Member of the Board of Visitors for the College of Engineering at the University of Illinois.

Hallstein Moerk, b. 1953

Senior Vice President, Human Resources.
Group Executive Board member since 2004.
Joined Nokia 1999.

Diplomøkonom (Econ.) (Norwegian School of Management).

Holder of various positions at Hewlett-Packard Corporation 1977–1999.

Member of the Board of Directors of Flisekompaniet. Member of the Board of Advisors for Center for HR Strategy, Rutgers University.

Dr. Yrjö Neuvo, b. 1943

Senior Vice President, Technology Advisor.
Group Executive Board member since 1993.
Joined Nokia 1993.

Master of Science (Eng.), Licentiate of Science (Technology) (Helsinki University of Technology), Ph.D. (EE) (Cornell University).

Executive Vice President, CTO of Nokia Mobile Phones 1999–2003, Senior Vice President, Product Creation of Nokia Mobile Phones 1994–1999, Senior Vice President, Technology of Nokia 1993–1994, National Research Professor of The Academy of Finland 1984–1992, Professor of Tampere University of Technology 1976–1992, Visiting Professor of University of California, Santa Barbara 1981–1982.

Vice Chairman of the Board of Directors of Vaisala Corporation. Member of Finnish Academy of Technical Sciences, The Finnish Academy of Science and Letters, and Academiae Europae, Foreign member of Royal Swedish Academy of Engineering Sciences, and Fellow of the Institute of Electrical and Electronics Engineers.

Dr. Tero Ojanperä, b. 1966

Senior Vice President, Chief Strategy Officer.
Group Executive Board member since January 1, 2005.
Joined Nokia 1990.

Master of Science (University of Oulu), Ph.D. (Delft University of Technology, The Netherlands).

Senior Vice President, Head of Nokia Research Center 2002–2004, Vice President, Research, Standardization and Technology of IP Mobility Networks, Nokia Networks 1999–2001, Vice President, Radio Access Systems Research and General Manager of Nokia Networks in Korea, 1999, Head of Radio Access Systems Research, Nokia Networks 1998–1999, Principal Engineer, Nokia Research Center, 1997–1998.

Chairman of Nokia Foundation. Vice Chairman of the Center for Wireless Communications, Oulu University, Member of the Board of Technomedicum Research Institute, Member of IST Advisory Group (ISTAG) for the European Commission, Member of the Board of the Foundation of Finnish Institute in Japan, Member of the Industrial Advisory Council of Center for TeleInFrastruktur (CTIF), Aalborg University, Member of the Institute of Electrical and Electronics Engineers, Inc. (IEEE).

Richard A. Simonson, b. 1958

Senior Vice President, Chief Financial Officer.
Group Executive Board member since 2004.
Joined Nokia 2001.

Bachelor of Science (Mining Eng.) (Colorado School of Mines), Master of Business Administration (Finance) (Wharton School of Business at University of Pennsylvania).

Vice President & Head of Customer Finance of Nokia Corporation 2001–2003, Managing Director of Telecom & Media Group of Barclays 2001, Head of Global Project Finance and other various positions at Bank of America Securities 1985–2001.

Member of the Board of Directors of Nextrom Holding S.A.

Veli Sundbäck, b. 1946

Senior Vice President, Corporate Relations and Responsibility of Nokia Corporation.
Group Executive Board member since 1996.
Joined Nokia 1996.

LL.M. (University of Helsinki).

Executive Vice President, Corporate Relations and Trade Policy of Nokia Corporation 1996–2003. Secretary of State at the Ministry for Foreign Affairs 1993–1995, Under-Secretary of State for External Economic Relations at the Ministry for Foreign Affairs 1990–1993.

Member of the Board of Directors of Finnair Oyj. Member of the Bureau of the United Nations Information and Communication Technologies Task Force (UN ICT TF), Vice Chairman of the Board of the International Chamber of Commerce, Finnish Section, Chairman of the Board of the Finland-China Trade Association, Member of the Board of Directors, Confederation of Finnish Industries (EK), Vice Chairman of the Board of Directors and its committee, Technology Industries of Finland.

Anssi Vanjoki, b. 1956

Executive Vice President and General Manager of Multimedia.
Group Executive Board member since 1998.
Joined Nokia 1991.

Master of Science (Econ.) (Helsinki School of Economics and Business Administration).

Executive Vice President of Nokia Mobile Phones 1998–2003, Senior Vice President, Europe & Africa of Nokia Mobile Phones 1994–1998, Vice President, Sales of Nokia Mobile Phones 1991–1994, 3M Corporation 1980–1991.

Member of the Board of Directors of Amer Group Plc.

March 8, 2005

Pursuant to the provisions of the Finnish Companies Act and our articles of association, the control and management of Nokia is divided among the shareholders in a general meeting, the Board of Directors and the Group Executive Board. The current members of the Board of Directors were elected at the Annual General Meeting on March 25, 2004, in accordance with the proposal of the Corporate Governance and Nomination Committee of the Board. On the same date, the Chairman and Vice Chairman were elected by the Board members. Certain information with respect to these individuals is set forth below.

Jorma Ollila, b. 1950

Chairman and CEO.
Chairman of the Group Executive Board of Nokia Corporation.
Board member since 1995. Chairman since 1999.

Master of Political Science (University of Helsinki), Master of Science (Econ.) (London School of Economics), Master of Science (Eng.) (Helsinki University of Technology).

President and CEO, Chairman of the Group Executive Board of Nokia Corporation 1992–1999, President of Nokia Mobile Phones 1990–1992, Senior Vice President, Finance of Nokia 1986–1989. Holder of various managerial positions at Citibank within corporate banking 1978–1985.

Member of the Board of Directors of Ford Motor Company and Vice Chairman of the Board of Directors of UPM-Kymmene Corporation and Vice Chairman of the Board of Directors of Otava Books and Magazines Group Ltd. Chairman of the Boards of Directors and the Supervisory Boards of Finnish Business and Policy Forum EVA and The Research Institute of the Finnish Economy ETLA. Member of The European Round Table of Industrialists.

Paul J. Collins, b. 1936

Board member since 1998. Vice Chairman since 2000

BBA (University of Wisconsin), MBA (Harvard Business School).

Vice Chairman of Citigroup Inc. 1998–2000, Vice Chairman and member of the Board of Directors of Citicorp and Citibank N.A. 1988–2000. Holder of various executive positions at Citibank within investment management, investment banking, corporate planning as well as finance and administration 1961–1988.

Member of the Board of Directors of BG Group and The Enstar Group, Inc. Member of the Supervisory Board of Actis Capital LLP.

Georg Ehrnrooth, b. 1940

Board member since 2000.

Master of Science (Eng.) (Helsinki University of Technology).

President and CEO of Metra Corporation 1991–2000, President and CEO of Lohja Corporation 1979–1991. Holder of various executive positions at Wärtsilä Corporation within production and management 1965–1979.

Chairman of the Board of Directors of Assa Abloy AB (publ) and Vice Chairman of the Board of Directors of Rautaruukki Corporation, member of the Board of Directors of Oy Karl Fazer Ab, Sandvik AB (publ) and Sampo plc. Vice Chairman of the Boards of Directors of The Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA.

Dr. Bengt Holmström, b. 1949

Paul A. Samuelson Professor of Economics at MIT, joint appointment at the MIT Sloan School of Management.
Board member since 1999.

Bachelor of Science (Helsinki University), Master of Science (Stanford University), Doctor of Philosophy (Stanford University).

Edwin J. Beinecke Professor of Management Studies at Yale University 1985–1994.

Member of the Board of Directors of Kuusakoski Oy. Member of the American Academy of Arts and Sciences and Foreign Member of The Royal Swedish Academy of Sciences.

Per Karlsson, b. 1955

Independent Corporate Advisor.
Board member since 2002.

Degree in Economics and Business Administration (Stockholm School of Economics).

Executive Director, with mergers and acquisitions advisory responsibilities, at Enskilda M&A, Enskilda Securities (London) 1986–1992, Corporate strategy consultant at the Boston Consulting Group (London) 1979–1986.

Board member of IKANO Holdings S.A.

Dame Marjorie Scardino, b. 1947

Chief Executive and member of the Board of Directors of Pearson plc.
Board member since 2001.

BA (Baylor), JD (University of San Francisco).

Chief Executive of The Economist Group 1993–1997, President of the North American Operations of The Economist Group 1985–1993, lawyer 1976–1985 and publisher of The Georgia Gazette newspaper 1978–1985.

Vesa Vainio, b. 1942

Board member since 1993.

LL.M. (University of Helsinki).

Chairman 1998–1999 and 2000–2002 and Vice Chairman 1999–2000 of the Board of Directors of Nordea AB (publ), Chairman of the Executive Board and CEO of Merita Bank Ltd and CEO of Merita Ltd 1992–1997, President of Kymmene Corporation 1991–1992. Holder of various other executive positions in Finnish industry 1972–1991.

Chairman of the Board of Directors of UPM-Kymmene Corporation.

Arne Wessberg, b. 1943

Chairman of the Board of Directors and Chief Executive Officer of Yleisradio Oy (Finnish Broadcasting Company).
Board member since 2001.

Studies in economics in the University of Tampere (1963–1966).

Chairman of the Board of Eurosport Consortium 1998–2000, member 1989–1997, Member of the Board of Trustees of IIC 1996–1998 and 1993–1995. Holder of various positions at Yleisradio Oy (Finnish Broadcasting Company) in different executive roles 1979–1994 and as a reporter and editor 1971–1976.

President of the European Broadcasting Union (EBU), member of the Board of Directors of the International Academy of Television Arts & Sciences and member of the Trilateral Commission (Europe).

On January 27, 2005, the Corporate Governance and Nomination Committee announced its proposal to the Annual General Meeting convening on April 7, 2005 regarding the election of the members of the Board of Directors. The Corporate Governance and Nomination Committee will propose to the Annual General Meeting that the number of Board members be increased from eight to ten and that all of the present members be re-elected for a term of one year. In addition, the Committee will propose that Mr. Daniel R. Hesse and Mr. Edouard Michelin be elected as new members of the Board of Directors for the same one-year term. Mr. Hesse is a member of the Board of Directors of Terabeam Wireless, a US based telecommunications technology and services company. Mr. Michelin is the CEO of Michelin Group, the French world-leading tire manufacturing company.

Drs Robert Van Oordt served as a member of the Board of Directors until the Annual General Meeting on March 25, 2004, but did not stand for re-election as he had reached the Board of Directors' guideline retirement age of 68 years.

Risk factors

March 8, 2005

Set forth below is a description of factors that may affect our business, results of operations and share price from time to time.

- Our sales and profitability depend on the continued growth of the mobile communications industry as well as the growth of the new market segments within that industry in which we have recently invested. If the mobile communications industry does not grow as we expect, or if the new market segments on which we have chosen to focus and in which we have recently invested grow less than expected, or if new faster-growing market segments emerge in which we have not invested, our sales and profitability may be adversely affected.

- Our results of operations, particularly our profitability, may be adversely affected if we do not successfully manage price erosion related to our products.

- We must develop or otherwise acquire complex, evolving technologies to use in our business. If we fail to develop these technologies or to successfully commercialize them as new advanced products and solutions that meet customer demand, or fail to do so on a timely basis, it may have a material adverse effect on our business, our ability to meet our targets and our results of operations.

- We need to understand the different markets in which we operate and meet the needs of our customers, which include mobile network operators, distributors, independent retailers and enterprise customers. We need to have a competitive product portfolio, and to work together with our operator customers to address their needs. Our failure to identify key market trends and to respond timely and successfully to the needs of our customers may have a material adverse impact on our market share, business and results of operations.

- Competition in our industry is intense. Our failure to respond successfully to changes in the competitive landscape may have a material adverse impact on our business and results of operations.

- Reaching our sales, profitability, volume and market share targets depends on numerous factors. These include our ability to offer products and solutions that meet the demands of the market and to manage the prices and costs of our products and solutions, our operational efficiency, the pace of development and acceptance of new technologies, our success in the business areas that we have recently entered, and general economic conditions. Depending on those factors, some of which we may influence and others of which are beyond our control, we may fail to reach our targets and we may fail to provide accurate forecasts of our sales and results of operations.

- Our sales and results of operations could be adversely affected if we fail to efficiently manage our manufacturing and logistics without interruption, or fail to ensure that our products and solutions meet our and our customers' quality, safety and other requirements and are delivered in time.

- We depend on our suppliers for the timely delivery of components and for their compliance with our supplier requirements, such as, most notably, our and our customers' product quality, safety and other standards. Their failure to do so could adversely affect our ability to deliver our products and solutions successfully and on time.

- We are developing a number of our new products and solutions together with other companies. If any of these companies were to fail to perform, we may not be able to bring our products and solutions to market successfully or in a timely way and this could have a material adverse impact on our sales and profitability.

- Our operations rely on complex and highly centralized information technology systems and networks. If any system or network disruption occurs, this reliance could have a material adverse impact on our operations, sales and operating results.

- Our products and solutions include increasingly complex technology involving numerous new Nokia patented and other proprietary technologies, as well as some developed or licensed to us by certain third parties. As a consequence, evaluating the protection of the technologies we intend to use is more and more challenging, and we expect increasingly to face claims that we have infringed third parties' intellectual property rights. The use of increasingly complex technology may also result in increased licensing costs for us, restrictions on our ability to use certain technologies in our products and solution offerings, and/or costly and time-consuming litigation. Third parties may also commence actions seeking to establish the invalidity of intellectual property rights on which we depend.

- If we are unable to recruit, retain and develop appropriately skilled employees, we may not be able to implement our strategies and, consequently, our results of operations may suffer.

- The global networks business relies on a limited number of customers and large multi-year contracts. Unfavorable developments under such a contract or in relation to a major customer may affect our sales, our results of operations and cash flow adversely.

- Our sales derived from, and assets located in, emerging market countries may be adversely affected by economic, regulatory and political developments in those countries. As sales from these countries represent an increasing portion of our total sales, economic or political turmoil in these countries could adversely affect our sales and results of operations. Our investments in emerging market countries may also be subject to other risks and uncertainties.

- Our sales, costs and results are affected by exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the UK pound sterling and the Japanese yen as well as certain other currencies.

- Customer financing to network operators can be a competitive requirement and could affect our sales, results of operations, balance sheet and cash flow adversely.

- Allegations of health risks from the electromagnetic fields generated by base stations and mobile devices, and the lawsuits and publicity relating to them, regardless of merit, could affect our operations negatively by leading consumers to reduce their use of mobile devices or by causing us to allocate monetary and personnel resources to these issues.

- An unfavorable outcome of litigation could materially impact our business, financial condition or results of operations.

- Changes in various types of regulation in countries around the world could affect our business adversely.

- Our share price has been and may continue to be volatile in response to conditions in the global securities markets generally and in the communications and technology sectors in particular.

We file an annual report on Form 20-F with the US Securities and Exchange Commission, which report also includes a description of risk factors that may affect us. Nokia filed its Form 20-F annual report for the year ended December 31, 2004 on March 8, 2005. For further information please refer to our Form 20-F annual report.

Pursuant to the provisions of the Finnish Companies Act and our articles of association, the control and management of Nokia is divided among the shareholders in a general meeting, the Board of Directors and the Group Executive Board. Our articles of association provide for a Group Executive Board, which is responsible for managing the operations of Nokia. The Chairman and the members of the Group Executive Board are elected by the Board of Directors. Only the Chairman of the Group Executive Board can be a member of both the Board of Directors and the Group Executive Board.

The Board of Directors

The operations of the company are managed under the direction of the Board of Directors, within the framework set by the Finnish Companies Act and our articles of association and the complementary Corporate Governance Guidelines and related charters as adopted by the Board.

The responsibilities of the Board of Directors

The Board of Directors represents and is accountable to the shareholders of the company. The Board's responsibilities are active and not passive and include the responsibility to regularly evaluate the strategic direction of the company, management policies and the effectiveness with which management implements its policies. The Board's responsibilities further include overseeing the structure and composition of the company's top management and monitoring legal compliance and the management of risks related to the company's operations. In doing so the Board may set out annual ranges and/or individual limits for capital expenditures, investments and divestitures and financial commitments not to be exceeded without Board approval.

The Board has the responsibility for appointing and discharging the Chief Executive Officer and the President and the other members of the Group Executive Board. Subject to the requirements of Finnish law, the independent directors of the Board will confirm the compensation and the employment conditions of the Chief Executive Officer and the President upon the recommendation of the Personnel Committee. The compensation and employment conditions of the other members of the Group Executive Board are approved by the Personnel Committee.

The basic responsibility of the members of the Board is to act in good faith and with due care so as to exercise their business judgment on an informed basis in what they reasonably and honestly believe to be the best interests of the company and its shareholders. In discharging that obligation, the directors must inform themselves of all relevant information reasonably available to them.

Election, composition and meetings of the Board of Directors

Pursuant to the articles of association, Nokia Corporation has a Board of Directors composed of a minimum of seven and a maximum of ten members. The members of the Board are elected for a term of one year at each Annual General Meeting, which convenes each March or April. Since the Annual General Meeting held on March 25, 2004, the Board has consisted of eight members. Nokia's CEO, Mr. Jorma Ollila, also serves as the Chairman of the Board. The other members of the Board are all non-executive and independent as defined in the Finnish rules and regulations. The Board convened nine times during 2004, three of the meetings were held in the form of a conference call, and the average ratio of attendance at the meetings was 100%. The non-executive directors meet without executive directors twice a year, or more often as they deem appropriate. Such sessions are presided over by the Vice Chairman of the Board or, in his absence, the most senior non-executive member of the Board. In addition, the independent directors meet separately at least annually. The Board and each committee also has the power to hire independent legal, financial or other advisors as it deems necessary.

The Board elects a Chairman and a Vice Chairman from among its members for one term at a time. On March 25, 2004 the Board resolved that Mr. Jorma Ollila should continue to act as Chairman and that Mr. Paul J. Collins should continue to act as Vice Chairman. The Board also appoints the members and the chairmen for its committees from among its non-executive, independent members for one term at a time.

Under Finnish law, if the roles of the Chairman and the Chief Executive Officer are combined, the company must have a President. The responsibilities of the President are defined in the Finnish Companies Act and other relevant legislation along with any additional guidance and instructions given from time to time by the Board and the Chief Executive Officer. The responsibilities of the Chief Executive Officer are determined by the Board.

The Board and each of its committees conducts annual performance self-evaluations, the results of which are discussed in the committees, respectively, and in the full Board. The Corporate Governance Guidelines concerning the directors' responsibilities, the composition and selection of the Board, Board committees and certain other matters relating to corporate governance are available on our website, www.nokia.com.

Committees of the Board of Directors

The Audit Committee consists of a minimum of three members of the Board, who meet all applicable independence, financial literacy and other requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including the Helsinki Exchanges and the New York Stock Exchange. Since March 25, 2004, the Committee has consisted of the following three members of the Board: Messrs. Per Karlsson (Chairman), Georg Ehrnrooth and Arne Wessberg.

The Audit Committee is established by the Board primarily for the purpose of overseeing the accounting and financial reporting processes of the company and audits of the financial statements of the company. The Committee is responsible for assisting the Board's oversight of (1) the quality and integrity of the company's financial statements and related disclosure, (2) the external auditor's qualifications and independence, (3) the performance of the external auditor subject to the requirements of Finnish law, (4) the performance of the company's internal controls and risk management and assurance function, and (5) the company's compliance with legal and regulatory requirements. The Committee also maintains procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal controls, or auditing matters and for the confidential, anonymous submission by employees of the company of concerns regarding accounting or auditing matters.

Under Finnish law, our external auditor is elected by our shareholders at the Annual General Meeting. The Committee makes a recommendation to the shareholders in respect of the appointment of the external auditor based upon its evaluation of the qualifications and independence of the auditor to be proposed for election or re-election. The Committee meets at least four times per year based upon a schedule established at the first meeting following the appointment of the Committee. The Committee meets separately with the representatives of the management and the external auditor at least twice a year. The Audit Committee convened three regular meetings and one extended regular meeting in 2004.

The Personnel Committee consists of a minimum of three members of the Board, who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including the Helsinki Exchanges and the New York Stock Exchange. Since March 25, 2004, the Personnel Committee has consisted of the following three members of the Board: Mr. Paul J. Collins (Chairman), Dame Marjorie Scardino and Mr. Vesa Vainio.

The primary purpose of the Personnel Committee is to oversee the personnel policies and practices of the company. It assists the Board in discharging its responsibilities relating to all compensation, including equity compensation, of the company's executives and the terms of employment of the same. The Committee has overall responsibility for evaluating, resolving and making recommendations to the Board regarding (1) compensation of the company's top executives and their employment conditions, (2) all equity-based plans, (3) incentive compensation plans, policies and programs of the company affecting executives, and (4) other significant incentive plans. The Committee is responsible for ensuring that the above compensation programs are performance-based, properly motivate management, support overall corporate strategies and align with shareholders' interests. The Committee is responsible for the review of senior management development and succession plans. The Personnel Committee convened three times in 2004.

The Corporate Governance and Nomination Committee consists of three to five members of the Board, who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including the Helsinki Exchanges and the New York Stock Exchange. Since March 25, 2004, the Corporate Governance and Nomination Committee has consisted of the following three members of the Board: Dame Marjorie Scardino (Chairman), Mr. Paul J. Collins and Mr. Vesa Vainio.

The Corporate Governance and Nomination Committee's purpose is (1) to prepare the proposals for the general meetings in respect of the composition of the Board along with the director remuneration to be approved by the shareholders, and (2) to monitor issues and practices related to corporate governance and to propose necessary actions in respect thereof.

The Committee fulfills its responsibilities by (i) actively identifying individuals qualified to become members of the Board, (ii) recommending to the shareholders the director nominees for election at the Annual General Meetings, (iii) monitoring significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies, (iv) assisting the Board and each committee of the Board in its annual performance self-evaluation, including establishing criteria to be used in connection with such evaluation, and (v) developing and recommending to the Board and administering the Corporate Governance Guidelines of the company. The Corporate Governance and Nomination Committee convened five meetings in 2004.

The charters of each of the committees are available on our website, www.nokia.com.

Proposal of the Corporate Governance and Nomination Committee of the Board

On January 27, 2005, we announced the proposal of the Corporate Governance and Nomination Committee to the Annual General Meeting convening on April 7, 2005 regarding the election of the members of the Board of Directors. The Corporate Governance and Nomination Committee will propose to the Annual General Meeting that the number of Board members be increased from eight to ten and that all of the present members be re-elected for a term of one year. In addition, the Committee will propose that Mr. Dan Hesse and Mr. Edouard Michelin be elected as new members of the Board of Directors for the same one-year term. Mr. Hesse is a member of the Board of Directors of Terabeam Wireless, a US based telecommunications technology and services company. Mr. Michelin is the CEO of Michelin Group, the French world-leading tire manufacturing company.

Management and corporate governance practices

We have a company Code of Conduct which is equally applicable to all of our employees, directors and management and is accessible at our website, www.nokia.com. As well, we have a Code of Ethics for the Principal Executive Officers and the Senior Financial Officers. For more information about our Code of Ethics, please see www.nokia.com.

Nokia's corporate governance practices comply with the Corporate Governance Recommendation for Listed Companies approved by the Helsinki Exchanges in December 2003, effective as of July 1, 2004. The Recommendation recommends a company to describe the manner in which the internal audit function of the company is organized. As Nokia has comprehensive risk management and internal control processes in place, there is no separate internal audit function at Nokia.

Compensation of the members of the Board of Directors and the Group Executive Board

Board of Directors

For the year ended December 31, 2004, the aggregate compensation of the seven non-executive members of the Board of Directors was approximately EUR 775 000. Non-executive members of the Board of Directors do not receive stock options, bonuses or other variable compensation. The remuneration for members of the Board of Directors for each term expiring at the close of the next Annual General Meeting is resolved annually by the Annual General Meeting, after being proposed by the Corporate Governance and Nomination Committee of the Board.

The following table depicts the total annual remuneration paid to the members of the Board of Directors, as resolved by the Annual General Meetings in the respective years. Since the fiscal period 1999, approximately 60% of each Board member's annual retainer has been paid in cash, with the balance in Nokia Corporation shares acquired from the market.

Compensation of the Board of Directors 2002–2004

	Chairman		Vice Chairman		Other Members	
Year	Gross annual retainer (EUR 1 000)	Shares received [1]	Gross annual retainer (EUR 1 000)	Shares received [1]	Gross annual retainer (EUR 1 000)	Shares received [1]
2002	130	2 650	100	2 038	75	1 529
2003	150	4 032	150	4 032	100	2 688
2004	150	4 834	150 [2]	4 834 [2]	100 [3]	3 223 [3]

1 As part of the Gross Annual Retainer for that year.

2 Includes a retainer of EUR 125 000 for Mr. Paul Collins's services as Vice Chairman of the Board and EUR 25 000 for services as Chairman of the Personnel Committee. Of the shares received by Mr. Collins in 2004, 4 028 shares were for services as Vice Chairman of the Board and 806 shares for services as Chairman of the Personnel Committee.

3 The 2004 retainer of Mr. Per Karlsson amounted to a total of EUR 125 000, consisting of a retainer of EUR 100 000 for services as Member of the Board and EUR 25 000 for services as Chairman of the Audit Committee. The shares received by Mr. Karlsson amounted to a total of 4 029 shares, consisting of 3 223 shares for services as a Member of the Board and 806 shares for services as Chairman of the Audit Committee.

Group Executive Board

For the year ended December 31, 2004, Nokia had a Group Executive Board consisting of 13 members. Of the Group Executive Board members, Dr. Matti Alahuhta, Ms. Sari Baldauf and Dr. J.T. Bergqvist ceased employment with Nokia and resigned as members of the Group Executive Board with effect from December 31, 2004 for Dr. Matti Alahuhta, and January 31, 2005 for Ms. Sari Baldauf and Dr. J.T. Bergqvist. Dr. Tero Ojanperä and Mr. Simon Beresford-Wylie were named as new members of the Group Executive Board as of January 1, 2005 and February 1, 2005, respectively.

The aggregate compensation, excluding gains realized upon the exercise of stock options and also excluding grants of Performance Share Units and restricted shares, of the 13 members of the Group Executive Board for 2004, including Mr. Jorma Ollila, was approximately EUR 13.6 million. Of this amount, approximately EUR 6.0 million was paid pursuant to bonus arrangements for the 2004 calendar year. The bonuses of the members of the Group Executive Board are paid as a percentage of annual base salary based on Nokia's Short-Term Incentive Plan. Short-term cash incentives are paid twice each year based on performance for each of Nokia's short-term plans that end on June 30 and December 31 of each year. Short-term incentive payments are primarily determined based on a formula that considers the company's performance to pre-established targets for net sales, operating profit and net working capital efficiency measures. Certain executives may have objectives related to quality, technology innovation, new product revenue, total shareholder return or other objectives of key strategic importance, which may require a discretionary assessment of performance by the Personnel Committee.

Subject to the requirements of Finnish law, the independent directors of the Board will confirm the compensation and the employment conditions of Messrs. Jorma Ollila and Pekka Ala-Pietilä upon the recommendation of the Personnel Committee. The compensation and employment conditions of the other members of the Group Executive Board are approved by the Personnel Committee, pursuant to its charter.

The compensation, excluding gains realized upon the exercise of stock options and also excluding grants of Performance Share Units and restricted shares, of our five most highly paid executive officers for 2004 is detailed in the following table.

Name and Principal Position in 2004	Year	Salary, EUR	Bonus, EUR [1]	Other Annual Compensation	Other Compensation, EUR
Jorma Ollila [2]	2004	1 475 238	1 936 221	*	150 000
Chairman and Chief Executive Officer	2003	1 400 000	2 253 192	*	150 000
	2002	1 386 666	1 384 967	*	130 000
Pekka Ala-Pietilä	2004	717 000	479 509	*	–
President of Nokia Corporation and	2003	711 279	520 143	*	–
Head of Customer and Market Operations	2002	662 090	271 192	*	–
Matti Alahuhta [3]	2004	632 000	472 766	*	–
Chief Strategy Officer	2003	626 953	532 138	*	–
	2002	591 719	297 265	*	–
Sari Baldauf [4]	2004	521 000	571 452	*	–
President of Networks	2003	514 943	387 627	*	31 535
	2002	476 705	60 875	*	–
Olli-Pekka Kallasvuo [5]	2004	584 000	454 150	*	–
President of Mobile Phones	2003	575 083	505 724	*	–
	2002	520 788	285 072	*	42 142

1 Bonus amounts are based on the performance of the Group and the individual for the fiscal year and were paid under Nokia's Short Term Incentive Plan.

2 "Other Compensation" in 2004 for Mr. Jorma Ollila includes EUR 150 000 for his services as Chairman of the Board, of which EUR 90 000 was paid in cash and the balance paid in 4 834 Nokia shares.

3 Dr. Matti Alahuhta ceased employment with us and resigned as member of the Group Executive Board effective December 31, 2004.

4 "Other Compensation" in 2003 for Ms. Sari Baldauf represents a payment for the 20 year anniversary of her employment with Nokia, consistent with a policy for all Finnish-based employees. Ms. Sari Baldauf ceased employment with us and resigned as member of the Group Executive Board effective January 31, 2005. In connection with the cease of employment of Ms. Sari Baldauf, Nokia established a fixed term consultancy relationship with her as of February 1, 2005 to capture the needs for her services for smooth transfer of duties to her successor. The term of the consultancy agreement will end by June 30, 2005. The compensation related to the consultancy will be based on Ms. Sari Baldauf's base salary for 2004 with a potential addition of a normal management incentive for the first half of 2005.

5 "Other Compensation" in 2002 for Mr. Olli-Pekka Kallasvuo represents a payment for the 20 year anniversary of his employment with Nokia, consistent with a policy for all Finnish-based employees.

* Each executive listed received benefits and perquisites not exceeding the lesser of EUR 50 000 or 10% of the executive's total compensation in each year.

Our executives forming the Group Executive Board in 2004 participate in the local retirement programs applicable to all employees in the country where they reside. Executives in Finland participate in the Finnish TEL pension system, which provides for a retirement benefit based on years of service and earnings according to the prescribed statutory system. Under the Finnish TEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, although gains realized from stock options are not. The Finnish TEL pension scheme provides for early retirement benefits at age 60 and full retirement benefits at age 65. The current TEL provisions cap the total pension benefit at 60% of the pensionable earnings amount.

Executives in the United States participate in Nokia's Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by the company up to 6% of eligible earnings. The Company makes an additional annual discretionary contribution of up to 2% of eligible earnings. In addition for participants earning in excess of the eligible earning limit, the Company offers an additional Restoration and Deferral Plan. This plan allows employees to defer income into a non-qualified plan. The Company also makes an annual discretionary contribution of up to 2% of the earnings above 401(k) eligibility limits.

For Mr. Jorma Ollila, Mr. Pekka Ala-Pietilä, and Mr. Olli-Pekka Kallasvuo, Nokia offers a full retirement benefit at age 60. The full retirement benefit is calculated as if the executive had continued his service with Nokia through age 65. Mr. Hallstein Moerk, following his arrangement from a previous employer, has a retirement benefit of 65% of his pensionable salary beginning at age 62. Early retirement is possible at age 55 with reductions in benefits. Nokia does not offer any similar benefit to any other members of the 2004 Group Executive Board.

Service contracts of the Chairman and CEO and of the President

We have a service contract with each of Mr. Jorma Ollila and Mr. Pekka Ala-Pietilä, each of an indefinite duration. The Board has also agreed with Mr. Jorma Ollila on the continuation of his services as CEO of Nokia through 2006.

Mr. Jorma Ollila's contract has provisions for severance payments for up to 24 months of compensation (both base compensation and bonus) in the event of his termination of employment for reasons other than cause, including a change of control. As previously mentioned, Mr. Jorma Ollila is further entitled to a full statutory pension from the date he turns 60 years of age, instead of the statutory age of 65.

Mr. Pekka Ala-Pietilä's contract has provisions for severance payments for up to 18 months of compensation (both base compensation and bonus) in the event of his termination of employment for reasons other than cause, including a change of control. As previously mentioned, Mr. Pekka Ala-Pietilä is entitled to a full statutory pension from the date he turns 60 years of age, instead of the statutory age of 65.

Share ownership of the members of the Board of Directors and the Group Executive Board

The following tables set forth the number of shares and ADSs beneficially held by members of the Board of Directors and the Group Executive Board as of December 31, 2004 (not including the new Group Executive Board members whose service began on or after January 1, 2005). Of the Group Executive Board members, Dr. Matti Alahuhta, Ms. Sari Baldauf and Dr. J.T. Bergqvist ceased employment with Nokia and resigned as members of the Group Executive Board with effect from December 31, 2004 for Dr. Matti Alahuhta, and January 31, 2005 for Ms. Sari Baldauf and Dr. J.T. Bergqvist.

Board of Directors, Dec. 31, 2004	Shares [1]	ADSs
Jorma Ollila [2]	194 222	–
Paul J. Collins	–	114 210
Georg Ehrnrooth [3]	308 782	–
Bengt Holmström	10 910	–
Per Karlsson [3]	12 546	–
Marjorie Scardino	–	8 322
Vesa Vainio	21 570	–
Arne Wessberg	8 322	–
Total	**556 352**	**122 532**

1 The number of shares includes not only shares acquired as compensation for services as member of the Board of Directors, but also shares acquired by any other means.

2 For Mr. Jorma Ollila's holdings of stock options, see the table under "Stock Option Ownership of the Group Executive Board, Dec. 31, 2004" below.

3 Mr. Georg Ehrnrooth's and Mr. Per Karlsson's holdings include both shares held personally and shares held through a company.

Group Executive Board, Dec. 31, 2004	Shares	ADSs
Pekka Ala-Pietilä	49 600	–
Matti Alahuhta	144 200	–
Sari Baldauf	183 200	–
J.T. Bergqvist	60 000	–
Olli-Pekka Kallasvuo	54 000	–
Pertti Korhonen	15 300	–
Mary McDowell	–	–
Hallstein Moerk	14 100	–
Yrjö Neuvo	74 540	–
Richard Simonson	–	20 000
Veli Sundbäck	125 000	–
Anssi Vanjoki	106 000	–
Total	**825 940**	**20 000**

On December 31, 2004, the aggregate interest of the members of the Board of Directors and the Group Executive Board (not including the new Group Executive Board members whose service began on or after January 1, 2005) in our outstanding share capital was 1 524 824 shares and ADSs, representing less than 1% of the issued share capital and voting rights in Nokia Corporation.

Management stock option ownership

The following tables provide certain information relating to stock options held by members of the Group Executive Board as of December 31, 2004 (not including the new Group Executive Board members whose service began on or after January 1, 2005). These stock options were issued pursuant to our Nokia Stock Option Plans 1999, 2001 and 2003. For a description of our stock option plans, please see the table "Outstanding stock option plans, Dec. 31, 2004" on page 44.

Stock option ownership of the Group Executive Board, Dec. 31, 2004

Number of shares represented by exercisable options, Dec. 31, 2004 [1]

Exercise price per share, EUR	1999 A, B and C [2] See note 2	2001 A and B EUR 36.75	2001 C 3Q/01 EUR 20.61	2001 C 4Q/01 EUR 26.67	2002 A and B EUR 17.89	2003 2Q EUR 14.95
Jorma Ollila	1 600 000	812 500	–	343 750	562 500	250 000
Pekka Ala-Pietilä	720 000	203 125	–	85 934	140 625	53 125
Matti Alahuhta	900 000	81 250	–	34 375	98 435	37 500
Sari Baldauf	560 000	81 250	–	34 375	98 435	37 500
J.T. Bergqvist	140 000	32 500	–	13 750	39 375	15 625
Olli-Pekka Kallasvuo	560 000	81 250	–	34 375	98 435	37 500
Pertti Korhonen	140 000	24 375	–	10 309	39 375	15 625
Mary McDowell	–	–	–	–	–	–
Hallstein Moerk	144 000	24 375	–	10 309	16 875	6 250
Yrjö Neuvo	400 000	56 875	–	24 059	39 375	12 500
Richard Simonson	–	–	27 000	–	8 435	3 593
Veli Sundbäck	400 000	32 500	–	13 750	22 500	15 625
Anssi Vanjoki	–	56 875	–	24 059	56 250	31 250

1 For information regarding the vesting and expiry of the stock option plans presented in this table, see the table "Outstanding stock option plans, Dec. 31, 2004" on page 44.

2 All of the 1999 stock options expired as of December 31, 2004. The column depicts the total number of allocated stock options 1999 A, B and C, the exercise prices of which were EUR 16.89 (A), EUR 56.28 (B) and EUR 29.12 (C) per share, respectively.

Number of shares represented by unexercisable options, Dec. 31, 2004

Exercise price per share, EUR	2001 B EUR 36.75	2001 C 3Q/01 EUR 20.61	2001 C 4Q/01 EUR 26.67	2002 B EUR 17.89	2003 2Q EUR 14.95	2003 4Q EUR 15.05	2004 2Q EUR 11.79
Jorma Ollila	187 500	–	156 250	437 500	550 000	–	400 000
Pekka Ala-Pietilä	46 875	–	39 066	109 375	116 875	–	80 000
Matti Alahuhta	18 750	–	15 625	76 565	82 500	–	60 000
Sari Baldauf	18 750	–	15 625	76 565	82 500	–	60 000
J.T. Bergqvist	7 500	–	6 250	30 625	34 375	–	30 000
Olli-Pekka Kallasvuo	18 750	–	15 625	76 565	82 500	–	60 000
Pertti Korhonen	5 625	–	4 691	30 625	34 375	–	50 000
Mary McDowell	0	–	–	–	–	70 000	50 000
Hallstein Moerk	5 625	–	4 691	13 125	13 750	–	30 000
Yrjö Neuvo	13 125	–	10 941	30 625	27 500	–	20 000
Richard Simonson	0	9 000	–	6 565	7 907	–	50 000
Veli Sundbäck	7 500	–	6 250	17 500	34 375	–	30 000
Anssi Vanjoki	13 125	–	10 941	43 750	68 750	–	60 000

On December 31, 2004, the aggregate holdings of exercisable stock options of members of the Group Executive Board (not including the new Group Executive Board members whose service began on or after January 1, 2005) called for approximately 3.9 million shares, representing less than 1% of the issued share capital and voting rights in Nokia Corporation.

Performance Share Unit and restricted share ownership

Performance Share Units

The following table provides certain information relating to Performance Share Units held by members of the Group Executive Board as of December 31, 2004 (not including the new Group Executive Board members whose service began on or after January 1, 2005). These Performance Share Units were issued under the 2004 Nokia Equity Program. For a description of our performance share plan, please see “Nokia’s equity based incentive plans” on pages 43–44.

	Granted Amounts of Performance Share Units [1, 3]	Maximum number of shares [2, 3]
Jorma Ollila	100 000	400 000
Pekka Ala-Pietilä	20 000	80 000
Matti Alahuhta	15 000	60 000
Sari Baldauf	15 000	60 000
J. T. Bergqvist	7 500	30 000
Olli-Pekka Kallasvuo	15 000	60 000
Pertti Korhonen	12 500	50 000
Mary McDowell	12 500	50 000
Hallstein Moerk	7 500	30 000
Yrjö Neuvo	5 000	20 000
Richard Simonson	12 500	50 000
Veli Sundbäck	7 500	30 000
Anssi Vanjoki	15 000	60 000
Total	**245 000**	**980 000**

1 The Grant Amount vests as Nokia shares, if threshold level performance is met for both the EPS growth and Average Annual Net Sales growth criteria. No Performance Share Units shall vest as Nokia shares, if the threshold level performance is not met for any of the EPS or Average Annual Net Sales criterion.

2 The maximum number of Performance Share Units shall vest as Nokia shares provided that the maximun performance level is achieved for both of the EPS and Average Annual Net Sales growth criteria.

3 The closing market price of the Nokia share on the Helsinki Exchanges as of December 31, 2004 was EUR 11.62.

Restricted shares

The following table provides certain information relating to restricted shares held by members of the Group Executive Board as of December 31, 2004 (not including the new Group Executive Board member whose service began on or after January 1, 2005). For a description of our restricted share plans, please see “Nokia’s equity based incentive plans” on pages 43–44.

	Number of restricted shares 2004 [2, 3]	Number of restricted shares 2003 [1, 3]
Jorma Ollila	–	100 000
Pekka Ala-Pietilä	–	35 000
Matti Alahuhta	–	35 000
Sari Baldauf	–	35 000
J. T. Bergqvist	–	10 000
Olli-Pekka Kallasvuo	–	35 000
Pertti Korhonen	35 000	25 000
Mary McDowell	–	20 000
Hallstein Moerk	26 000	20 000
Richard Simonson	33 250	25 000
Veli Sundbäck	–	20 000
Anssi Vanjoki	–	35 000
Total	**94 250**	**395 000**

1 Restriction period end date (Vesting Date) October 1, 2006.

2 Restriction period end date (Vesting Date) April 1, 2007.

3 The closing market price of the Nokia share on the Helsinki Exchanges as of December 31, 2004 was EUR 11.62.

Nokia's Equity Based Compensation Programs

For a description of Nokia's equity based compensation programs as of December 31, 2004 to which also members of the Group Executive Board participate, please see pages 43–44. The stock option plans have been approved by the Annual General Meetings in the year of the launch of the plan.

Nokia's Equity Based Compensation Program 2005

The Board of Directors announced its proposed design for the 2005 Equity Program on January 27, 2005. The Equity Program 2005 follows the design of the 2004 Equity Program. The primary equity elements in 2005 will be performance shares for the wide number of employees, stock options to a more limited population, and a continued, very limited usage of restricted shares for high potential and critical employees. The key elements of the proposed Equity Program 2005 are:

- The performance criteria for the 2005 Performance Share Plan, running for a performance period of 4 years, are:

  1) Average Annual Net Sales Growth: 3% (threshold) and 12% (maximum), and

  2) Annual EPS Growth: EUR 0.82 (threshold) and EUR 1.33 in 2008 (maximum).

  EPS growth is calculated based on the compounded annual growth rate over the full performance period (2005–2008) compared to 2004 EPS of 0.70.

  The maximum performance level for both criteria will result in the vesting of the maximum of 18.8 million Nokia shares. If the threshold levels of performance are not achieved, none of the Performance Share Units will vest. For performance between the threshold and maximum performance levels the payout follows a linear scale.

- It is our intent to grant Performance Share Units to a similar target group and amounting to a similar number also in 2006. We have also reserved a pool of units, to be used for grants within the anticipated annual grant cycle in 2006 as well as for recruiting and special retention needs for 2005 and 2006 combined. This amount may result in a maximum payout of 31.2 million Nokia shares.

- We intend to grant 8.5 million stock options in 2005, each entitling to a subscription of one Nokia share. Our intent is to grant a similar amount also in 2006. We have reserved an additional pool of stock options to be used for grants within the anticipated annual grant cycle in 2006 as well as for recruiting and special retention needs, for 2005 and 2006 combined. The Equity Program 2005 includes a proposal by the Board of Directors to Nokia's Annual General Meeting 2005 for the approval of a new two-year stock option plan amounting to a maximum of 25 million stock options, permitting these plans.

- The maximum number of restricted shares that we intend to grant during 2005 is 3.5 million. Our intent is to grant a similar amount in 2006. We have also reserved a pool of restricted shares to be used for special needs in 2005 and 2006. This amount may result in a maximum payout of 9 million Nokia shares.

Stock ownership guidelines for executive management

The goal of our long-term, equity-based incentive awards is to recognize progress towards the achievement of our strategic objectives, and to focus executives on building value for shareholders. In addition to stock option grants, we encourage stock ownership by our top executives. In January 2001, we introduced a stock ownership commitment guideline with minimum recommendations tied to annual fixed salaries. For the members of the Group Executive Board, the recommended minimum investment in our shares corresponds to two times the member's annual base salary, to be fulfilled by January 2006. In the case of the new Group Executive Board members whose service began after the original 2001 guidelines were established, this requirement is replaced by the requirement to retain after-tax equity gains in shares until the same minimum investment level applicable to the other Group Executive Board members is met.

Insiders' trading in securities

The Board of Directors has established a policy in respect of insiders' trading in Nokia securities. Under the policy, the holdings of Nokia securities by the primary insiders (as defined) are public information, which is available in the Finnish Central Securities Depositary and on the company's website. As well, both primary insiders and secondary insiders (as defined) are subject to a number of trading restrictions and rules, including among other things, prohibitions on trading in Nokia securities during the three-week "closed-window" period immediately preceding the disclosure of our quarterly results and the four-week "closed-window" period immediately preceding the disclosure of our annual results. In addition, the company may set trading restrictions based on project participation. We update our insider trading policy from time to time and monitor our insiders' compliance with the policy on a regular basis. Nokia's Insider Policy is in line with the Helsinki Exchanges Guidelines for Insiders and also sets out requirements beyond those guidelines.

Auditor fees and services

PricewaterhouseCoopers Oy served as Nokia's independent public auditor for the fiscal year ended December 31, 2004. The auditor is elected annually by the Annual General Meeting. The Audit Committee of the Board of Directors will propose to the Annual General Meeting convening on April 7, 2005 that PricewaterhouseCoopers Oy be elected as the auditor for 2005.

The following table presents the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers to Nokia in 2004 and 2003.

EURm	2004	2003
Audit Fees [1]	**4.2**	4.8
Audit-related Fees [2]	**1.0**	0.9
Tax Fees [3]	**5.0**	6.0
All Other Fees [4]	**0.3**	0.7
Total	**10.5**	12.4

1 Audit Fees consist of fees billed for the annual audit of the company's consolidated financial statements and the statutory financial statements of the company's subsidiaries. They also include fees billed for other audit services, which are those services that only the external auditor reasonably can provide, and include the provision of comfort letters and consents and the review of documents filed with the SEC and other capital markets or local financial reporting regulatory bodies.

2 Audit-related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the company's financial statements or that are traditionally performed by the external auditor, and include consultations concerning financial accounting and reporting standards; internal control reviews; advice and assistance in connection with local statutory accounting requirements; due diligence related to acquisitions; and employee benefit plan audits and reviews; and miscellaneous reports in connection with grant applications.

3 Tax Fees include fees billed for tax compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations, such as assistance and representation in connection with tax audits and appeals, tax advice related to mergers and acquisitions, transfer pricing, and requests for rulings or technical advice from taxing authorities; tax planning services; and expatriate tax compliance, consultation and planning services.

4 All Other Fees include fees billed for forensic accounting and occasional training services and, in 2004 only, for advisory services in connection with the outsourcing of an operational process.

Audit Committee pre-approval policies and procedures

The Audit Committee of Nokia's Board of Directors is responsible, among other matters, for the oversight of the external auditor subject to the requirements of Finnish law. The Audit Committee has adopted a policy regarding pre-approval of audit and permissible non-audit services provided by our independent auditors (the "Policy").

Under the Policy, proposed services either (i) may be pre-approved by the Audit Committee without consideration of specific case-by-case services ("general pre-approval"); or (ii) require the specific pre-approval of the Audit Committee ("specific pre-approval"). The Audit Committee may delegate either type of pre-approval authority to one or more of its members. The appendices to the Policy set out the audit, audit-related, tax and other services that have received the general pre-approval of the Audit Committee, which services are subject to annual review by the Audit Committee. All other services, including all internal control related services, must receive a specific pre-approval from the Audit Committee.

The Audit Committee establishes budgeted fee levels annually for each of the four categories of audit and non-audit services that are pre-approved under the Policy, namely, audit, audit-related, tax and other services. Requests or applications to provide services that require specific approval by the Audit Committee are submitted to the Audit Committee by both the external auditor and the Chief Financial Officer. At each regular meeting of the Audit Committee, the external auditor provides a report in order for the Audit Committee to review the services that the external auditor is providing, as well as the status and cost of those services.

Investor information

Information on the Internet
www.nokia.com/investor

Available on the Internet: financial reports, Nokia management's presentations, conference call and other investor related material, press releases as well as environmental and social information.

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Annual General Meeting
Date: Thursday April 7, 2005 at 3.00 pm
Address: Hartwall Areena, Veturitie 13, Helsinki, Finland

Dividend
Dividend proposed by the Board of Directors for 2004 is EUR 0.33. The dividend record date is proposed to be April 12, 2005 and pay date April 22, 2005

Financial reporting
Nokia's quarterly reports in 2005 are planned for April 21, July 21, and October 20. The 2005 results will be published in January 2006 and the financial statements in March 2006.

Stock exchanges
The shares of Nokia Corporation are quoted on the following stock exchanges:

	Symbol	Trading currency
HEX, Helsinki (quoted since 1915)	**NOK1V**	**EUR**
Stockholmsbörsen (1983)	**NOKI**	**SEK**
Frankfurter Wertpapierbörse (1988)	**NOA3**	**EUR**
New York Stock Exchange (1994)	**NOK**	**USD**

List of indices

NOK1V	NOKI	NOK
HEX HEX General Index	**OMX** Stockholm	**NYA** NYSE Composite
HEXTELE HEX Telecommunications	**GENX** Swedish General	**NNA** NYSE Utilities
HEX 25 HEX 25 Index	**GENX04** Swedish Engineer	**NN** NYSE Utilities
BE500 Bloomberg Europe	**GENX16** Swedish SX 16 Index	**CTN** CSFB Technology
BETECH BBG Europe Technology		**MLO** Merrill Lynch Tech 10
SX5E DJ Euro STOCXX 50		
SX5P DJ Europe STOXX		
SX_ Various other DJ Indices		
E300 FTSE Eurotop 300		

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding: A) the timing of product and solution deliveries; B) our ability to develop, implement and commercialize new products, solutions and technologies; C) expectations regarding market growth, developments and structural changes; D) expectations and targets for our results of operations; E) the outcome of pending and threatened litigation; and F) statements preceded by "believe," "expect," "anticipate," "foresee","target" or similar expressions are forward-looking statements. Because these statements involve risks and uncertainties, actual results may differ materially from the results that we currently expect. Factors that could cause these differences include, but are not limited to: 1) the extent of the growth of the mobile communications industry and the new market segments in which we have recently invested; 2) price erosion; 3) timing and success of the introduction and roll-out of new products and solutions; 4) competitiveness of our product portfolio; 5) our failure to identify key market trends and to respond timely and successfully to the needs of our customers; 6) the impact of changes in technology and the success of our product and solution development; 7) the intensity of competition in the mobility industry and changes in the competitive landscape; 8) our ability to control the variety of factors affecting our ability to reach our targets and give accurate forecasts; 9) the availability of new products and services by network operators and other market participants; 10) general economic conditions globally and in our most important markets; 11) our success in maintaining efficient manufacturing and logistics as well as the high quality of our products and solutions; 12) inventory management risks resulting from shifts in market demand; 13) our ability to source quality components without interruption and at acceptable prices; 14) our success in collaboration arrangements relating to technologies, software or new products and solutions; 15) the success, financial condition, and performance of our collaboration partners, suppliers and customers; 16) any disruption to information technology systems and networks that our operations rely on; 17) our ability to have access to the complex technology involving patents and other intellectual property rights included in our products and solutions at commercially acceptable terms and without infringing any protected intellectual property rights; 18) our ability to recruit, retain and develop appropriately skilled employees; 19) developments under large, multi-year contracts or in relation to major customers; 20) exchange rate fluctuations, including, in particular, fluctuations between the euro, which is our reporting currency, and the US dollar, the UK pound sterling and the Japanese yen; 21) the management of our customer financing exposure; and 22) the impact of changes in government policies, laws or regulations; as well as 23) the risk factors specified on pages 12–22 of the company's Form 20-F for the year ended December 31, 2004 under "Item 3.D Risk Factors."

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Paper: Galerie Art Silk 115 g/m^2
Cover: Galerie Art Silk 300 g/m^2
Printed matter
Design: Louise Boström Oy. Sävypaino ISO 9001, 2005.

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