

**Nokia Interim Report January-April 1995**

The Nokia Group's net sales for the first four months of 1995 totalled FIM 11.4 billion. Taking into account changes in the structure of the Group and exchange rate fluctuations, this represents growth of 48% on the corresponding period of 1994.

**Strong Growth Continued in Telecommunications Sector**

Nokia Telecommunications and Nokia Mobile Phones continued their strong growth, with net sales increases of 43% and 75%, respectively. Nokia Consumer and Industrial Electronics' first tertial net sales remained at last year's level, while Nokia Cables and Machinery's net sales were up 15%.

Nokia's telecommunications sector now accounts for 70% of the Group's net sales, of which 91% originated outside Finland. The Group's exports from Finland grew 46% from last year's January-April period and were FIM 5.8 billion.

**Operating profit grew to 15.7% of net sales**

Nokia's operating profit (IAS) increased 109% and totalled FIM 1,788 million (FIM 854 million). All business groups reported better results compared to the corresponding period last year. The results of Nokia Telecommunications and Nokia Mobile Phones improved most. Nokia Cables and Machinery also recorded a clearly better result. Nokia's operating profit grew to 15.7% of net sales, compared to 10.0% for the January-April 1994 period.

The Group's net interest and financial expense was FIM 13 million (a gain of FIM 108 million in the corresponding period of 1994). This includes exchange rate gains of FIM 37 million (FIM 177 million).

Profit before taxes and minority interests, and the effect of changes in accounting principles totalled FIM 1,802 million, compared to FIM 969 million one year earlier. The Group's profit before the effect of the changes in accounting principles totalled FIM 1,318 million (752 million). Earnings per share increased to FIM 4.63 (FIM 2.87). The cumulative net effect on profit of the changes in IAS standards was FIM 485 million (changes in International Accounting Standards noted below). The Group's net profit totalled FIM 1,803 million.

The net debt-to-equity ratio was 4% (4% at the end of 1994).

**Concentration on Core Businesses Continued**

Nokia continued concentrating on its core businesses, and in accordance with its previously announced plans decreased its shareholding in Nokian Tyres Ltd to 36%. Nokia effected the listing of Nokian Tyres Ltd on the Helsinki Stock Exchange from 1 June 1995. Likewise, Nokia reduced its ownership in Nokia-Maillefer by selling a total of 180 000 bearer shares; Nokia now holds 25% of the company's share capital and 50% of the voting rights.

In May, the Group signed a USD 350 million Revolving Credit Facility with an international bank syndicate.

**Business Groups****Nokia Telecommunications**

Nokia Telecommunications recorded net sales of FIM 2,792 million in the first four months of 1995, an increase of 43% over the comparable period of 1994. During the first tertial, Nokia strengthened its position as the world's leading supplier of PCN systems: in January it concluded an agreement on the supply of a PCN network to Malaysia and on the supply of PCN base stations to the Swiss PTT. In March Nokia made an agreement on the supply of equipment for the third phase of the German E-Plus cellular network. The value of the E-Plus deliveries, covering three years, is more than FIM 2.5 billion, and the agreement is one of the largest in the field.

The position of the GSM standard strengthened further in the Far East. Nokia Telecommunications signed two contracts on the delivery of GSM networks to the new digital mobile phone network markets of India. Nokia will deliver a network to SkyCell in Madras and ModiTelstra in Calcutta.

Furthermore, Nokia telecommunications market was strengthened by the establishment of a Nokia Telecommunications office in New Delhi. In China, Nokia concluded in February an agreement with Beijing Telecommunications Administration for the expansion of the GSM network in Beijing, and in April, with Fujian Post and Telecommunications Administration for the supply of a GSM network in Fujian province. Also in April, Nokia announced its intention to establish a joint venture called Beijing Nokia Mobile Telecommunications which will produce mobile phones and base stations.

In order to satisfy the increasing demand for cellular networks, Nokia Telecommunications is strengthening its global production and product development network. It is expanding its production facilities in Oulu, Finland and in Camberley, U.K. Furthermore, Nokia has decided to establish a base station factory in Fort Worth, Texas, which will produce GSM/DCS base stations for the US market and for export.

In Thailand and Malaysia Nokia Telecommunications concluded agreements for the delivery of transmission systems to the local cellular network operators.

The deregulation of fixed network services continued. In the U.K. cable TV companies offering local telephone services strengthened their positions. Nokia continued to make good progress in these markets. As a supplier of access networks, Nokia Telecommunications also achieved good results in Finland, Sweden, Switzerland and Belgium. In Russia, Nokia concluded a significant deal in April on the supply of a new network solution for the city of St. Petersburg.

### **Nokia Mobile Phones**

Nokia Mobile Phones' growth continued strongly in the January-April period with net sales totalling FIM 4,671 million. Among the main factors contributing to this growth were new consumer marketing trends in several markets and strong increases in the number of digital subscribers in GSM areas, and especially in Japan.

Market growth also contributed to the continued strengthening of Nokia Mobile Phones' global organisation. In Salo, Finland, the new factory building built during 1994 came into service and a new distribution center for the Americas was opened in Fort Worth, Texas. Construction of another European distribution center was begun in Bochum, Germany. To further ensure supply capabilities, primarily in new emerging Asian markets, Nokia joint ventures will start the production of accessories in Dongguan and telephones and other telecommunications equipment in Beijing.

In Finland, the Nokia hybrid circuit operations in Salo were sold to Aspocomp Oy. The Nokia Mobile Phones' marketing network was widened with the establishment of a sales unit for mobile phones in Hungary, a market which represents more than 40 percent of the cellular users in the whole of Eastern Europe.

Nokia Mobile Phones entered into a number of important new sales agreements. Deliveries of digital cellular phones to NTT-DoCoMo in Japan started in March, and a major supply contract was concluded with Mobility Canada. In India, Nokia reached a nation-wide supply agreement for FM pagers with HCL Ltd.

Nokia made an equity investment into the U.S. company Geoworks which develops next generation personal wireless products, and introduced new digital data products in Europe at CeBIT in March.

### **Nokia Consumer and Industrial Electronics**

Nokia Consumer and Industrial Electronics reported net sales of FIM 2,223 million, approximately the same as a year previously.

The sales of Nokia Consumer Electronics were at last year's level. Demand for televisions was stable, and price competition continued strongly as a result of currency fluctuations and overcapacity in the industry.

Sales of Nokia's satellite products increased by 30% following the introduction of the SAT 800 series. Monitor sales grew, due to strong demand both in Europe and in the United States. Nokia's monitor-television with integrated TV, loudspeakers and amplifier, was named the Best of Computer Products and awarded the CeBIT Highlight 1995. At the CeBIT exhibition in March, Nokia also launched a multimedia monitor for videoconferencing, featuring built-in stereo sound, microphone and video camera.

Sales of Nokia Industrial Electronics increased mainly due to higher volumes in loudspeaker systems and

components. The European automotive market has picked up as a result of the improved economies in several countries. Also demand for loudspeakers for TV and hi-fi applications is on the increase. The sales of mobile phone chargers and other components continued steady.

### **Nokia Cables and Machinery**

The net sales of Nokia Cables and Machinery amounted to FIM 1,592 million.

Nokia Cable Industry reported net sales of FIM 1,009 million. Nokia Cables booked a FIM 60 million order for the supply of optical fibre cables to China. The inauguration ceremony of the newly established joint venture of Nokia and Cable-Wire Group of Shanghai took place in February and the production of optical cables started up in May. NKF won projects for the supply of telecommunications cables in Jamaica, Malaysia, Sri Lanka and Zimbabwe.

The integration of the German and Dutch telecommunications cables operations reached a further milestone. The production of optical fibre cables was concentrated in Delfzijl, the Netherlands, and production of plastic insulated copper cables in Nuremberg, Germany. Production of optical fibre cables in Cologne was ended.

Nokia Cable Machinery reported net sales of FIM 488 million. Demand for manufacturing systems for power cables and optical fibre cables continued to be strong, especially in Asia/Pacific and North America where Nokia-Maillefer registered important orders.

### **Nokian Tyres**

Nokian Tyres' net sales totalled FIM 313 million. Both exports and sales in Finland grew.

The growth in sales was due to the improved general economic situation in Nokian Tyres' main markets. Demand for new cars increased in the Nordic countries influencing positively the demand for tyres. The company also benefited from the growth in the machinery and equipment markets in Europe and in North America.

### **Jorma Ollila, President and CEO:**

The Nokia Group's results for the first four months of 1995 provide ample reason for satisfaction. The Group's strong growth continued while profitability improved as the operating profit margin grew from 10.0% to 15.7%. Results for the period were in fact better than expected. This positive trend is projected to continue throughout the rest of 1995, although not necessarily as strongly as during the first tertial due to increasingly competitive market conditions.

Nokia further boosted its research and development activities. The level of R&D staffing has been strongly increased both in the business groups and at Nokia Research Center which performs long-range basic research. Nokia brand awareness has been promoted through increased efforts in the growing consumer markets. Based on marketing surveys conducted to date, the results of this effort have been good.

Establishment of the new business group, Nokia General Communications Products, continues our strategy to concentrate on telecommunications and clarifies the structure of the Nokia Group as a focused telecommunications company.

### Net Sales by Business Group, MFIM

	1995 1.1.-30.4.	1994 1.1.-30.4.	Change %	1994 1.1.-31.12.
Nokia Telecommunications	2 792	1 952	43.0	6 906
Nokia Mobile Phones	4 671	2 675	74.6	10 702
Nokia Consumer and Industrial Electronics	2 223	2 185	1.7	6 769
Cables and Machinery	1 592	1 384	15.0	4 768
Other operations	347	501	-30.7	1 589
Inter-business group eliminations	-209	-132		-557
Nokia Group	11 416	8 565	33.3	30 177
Exports from Finland and subsidiaries outside Finland	10 376	7 478	38.8	26 728

### Consolidated Profit and Loss Account, IAS

	1.1.-30.4.1995		1.1.-30.4.1994		1.1.-31.12.1994	
	MFIM	%	MFIM	%	MFIM	%
Net sales	11 416	100.0	8 565	100.0	30 177	100.0
Cost of goods sold	-7 523		-5 977		-20 808	
Research and development expenses	-754		-585		-1 937	
Selling, general and administrative expenses	-1 351		-1 149		-3 836	
Operating profit	1 788	15.7	854	10.0	3 596	11.9
Share of results of associated companies	27		7		22	
Financial income and expenses	-13		108		384	
Profit before tax and minority interests	1 802	15.8	969	11.3	4 002	13.3
Tax	-450		-191		-932	
Minority interests	-34		-26		-75	
Profit from ordinary activities before cumulative effect of change in accounting policies	1 318	11.5	752	8.8	2 995	9.9
Cumulative prior year effect (after tax) of change in accounting policies	485		-		-	
Profit from ordinary activities	1 803	15.8	752		2 955	
Extraordinary items	-		-		944	
Net profit	1 803	15.8	752	8.8	3 939	13.1
Earnings per share (FIM)	4.63		2.87		10.97	
Depreciations	535		311		1 009	

Currency rate 30.4.1995, 1 FIM = 0.236 USD