NOKIA

PRESS RELEASE
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Interim Report January - August 1995

Nokia Group net sales grew to FIM 22.9 billion for the January-August period of 1995. Taking into account changes in the structure of the Group and exchange rate fluctuations, net sales growth was 55% over the same period last year.

Strong growth continued in the Group's telecommunications sector. Net sales increased at Nokia Telecommunications by 51% and at Nokia Mobile Phones by 59% compared to the January-August period of 1994. When exchange rate fluctuations are taken into account, the growth in telecommunications groups was even stronger. Nokia General Communications Products' net sales remained at last year's level taking into account the sale of the majority of Nokia-Maillefer shares in May this year.

Strong growth in operating profit

Nokia's operating profit (IAS) for the January-August period 1995 was FIM 3 616 million (FIM 2 061 million in the corresponding period of 1994). The strong growth in Group operating profit is attributable to the good results of Nokia Telecommunications and Nokia Mobile Phones. Nokia Group operating profit grew to 15.8% of net sales, compared to 11.3% in the January-August period of 1994. The operating profit includes a profit originating from the sale of majority interests in Nokian Tyres and Nokia-Maillefer. These units have been treated as associated companies from the dates of disposal.

The Group's net interest and financial expense was FIM 50 million (an income of FIM 219 million in the corresponding period of 1994) and includes exchange rate gains of FIM 5 million (FIM 298 million).

Profit before taxes and minority interests, and the effect of changes in accounting principles totalled FIM 3 624 million (FIM 2 288 million). The Group's profit after taxes and minority interests, but before the effect of the changes in accounting principles totalled FIM 2 660 million (FIM 1 671 million). Earnings per share increased to FIM 9.35 (FIM 6.27). The Group's net profit, including the cumulative net effect (FIM 485 million) of the changes in International Accounting Standards (IAS), totalled FIM 3 145 million.

The net debt-to-equity ratio was 3% (4% at the end of 1994).

As was agreed between Nokia Corporation and ICL plc earlier this year, the early redemption of ICL preference shares amounting to GBP 167,3 million took place in the beginning of July. These shares had been held by Nokia since the divestment of Nokia Data in 1991 and were due to reach their final maturity in 1998.

In September, Nokia signed a USD 150 million loan agreement with the Export-Import Bank of Japan and the Sakura Bank Limited. The loan will be used to partially finance the manufacturing and R&D costs associated with the export of digital cellular mobile phones from Finland to Japan. Nokia has reached a significant market share in the rapidly growing Japanese digital cellular phone market.

See also: tables of contingent liabilities and proforma profit and President and CEO Jorma Ollila's comments.

Global markets in focused segments

Nokia is an international telecommunications company with products sold in some 120 countries. Its succesful global activities are based on a clear focus on the fastest growing market segments. In mobile telecommunications Nokia manufactures phones and accessories for all the major digital and analog systems in the world. In mobile network technology Nokia's focus is on GSM and GSM based PCS network solutions and on analog NMT networks. In fixed networks Nokia's focus is on access networks solutions.

Nokia's long experience and accumulated know-how in audio and video coding technologies is now also used in developing future multimedia products for household and business use, such as large screen digital televisions, TV-PC monitors and multimedia terminals.

Nokia Telecommunications

Nokia Telecommunications' net sales for the January - August period totalled FIM 6 384 million, representing growth of 51% compared with the corresponding period last year. The market growth remained strong in Europe and in the Asia-Pacific region.

In China Nokia reinforced its position as a leading GSM supplier. In June, China Unicom placed an order with Nokia for the second phase of its network. In August, Beijing Nokia Mobile Telecommunications Ltd., the joint venture between Nokia and Beijing Telecommunications Equipment Factory of MPT, signed an agreement for the delivery of a GSM network for the Zhejiang Post and Telecommunications Administration. The deal is valued at FIM 90 million (over USD 20 million).

During the summer, Nokia signed agreements for GSM equipment deliveries to Holland's PTT and for an Actionet radio telephone system to Northern Ireland, as well as a three-year, FIM 800 million framework agreement in Finland in June. Under the agreement, Nokia will supply Telecom Finland with DX 200 switching technology for both their GSM and fixed networks. Nokia will additionally supply base stations systems for the cellular network. In June Nokia also signed its first agreement for the delivery of DCS 1900 base stations to the United States. The ten-year agreement was made with GO Communications, and the value of the deliveries in the first phase is estimated at about USD 200 million. Deliveries under the supply agreement are contingent upon GO winning the required licenses.

In July, Nokia signed an agreement with The Cable Corporation (TCC), an English cable TV operator offering telephony services, for the delivery of SDH transmission systems. The value of the agreement is in excess of FIM 80 million. Nokia also signed SDH delivery agreements in Germany and in Spain, and received significant access solution orders from Optus of Australia and the Swiss PTT.

Nokia's effectiveness in network implementation was demonstrated by the inauguration in August of Modi Telstra Pvt. Ltd's GSM network in Calcutta. The agreement for delivery of this network was not made until the late spring this year. In fixed network systems, Nokia has become a leading supplier in those countries where deregulation of the telecommunications markets has had the fastest progress, i.e. UK, Sweden and New Zealand.

To respond to the needs of growing cellular network markets, Nokia is building its capacity for base station production. At the end of August, a substantial expansion of the base station factory in Oulu, Finland was completed.

The second tertial consolidated Nokia's market expectations in cellular transmission. Both European and Asian markets will evolve rapidly as more cellular operators start to build their own transmission networks. The largest transmission equipment orders were received from TAC of Thailand and SFR of France. In both cases contracts were signed for the further extension of their cellular transmission networks. Nokia also signed agreements for the delivery of microwave radios for the Australian Optus' GSM network and of multiplexers and cross connect equipment to AIS of Thailand and Telecom Finland.

In October, Nokia signed a USD 90 million frame agreement for three years with the Danish operator SONOFON. The deal calls for the delivery of Nokia DX 200 exchanges, base stations, base station controllers, transmission equipment and system capability for IN (Intelligent Network) services to SONOFON's GSM network.

Also in October, Nokia signed an agreement with Henan Post and Telecommunications Administration (PTA) for the supply of a GSM digital cellular network to the Henan province in China.

Nokia Mobile Phones

Nokia Mobile Phones' net sales for the January-August period totalled FIM 9 573 million, which represents an increase of 59% on the same period in 1994. Sales growth continued to be strong in all main markets, particularly in Europe and Asia. Complexity in the global standards environment is increasing. However, about two thirds of the market in 1995 is projected to be covered by AMPS or GSM systems.

The growth in demand in many established markets is emerging from mainly consumer segments. Among these markets, Sweden was the first to reach 20% penetration for mobile phones. Strong market growth was also seen in several South American and Asian countries, as well as in Australia.

In June, Nokia started GSM phone sales to India, thereby opening potentially significant opportunities for sales in the years ahead. Overall, sales increased significantly in Asia and, in Japan, Nokia further strengthened its market position in the digital phone segment. In the US, Nokia won a contract to deliver PCS phones based on the DCS 1900 standard to APC, which will be among the first PCS operators in the US to begin commercial service this year.

Production volumes grew in all Nokia Mobile Phones plants. In June, a new factory using the most modern production facilities was inaugurated in Salo, Finland and the construction of the new factory in Fort Worth, Texas continued as planned. Production in Texas is scheduled to move into the new premises at the end of this year. In China, mobile telephone production in a joint venture will begin during the first half of 1996. To further secure capacity for the emerging Asian markets, another Chinese joint venture will start production of mobile telephone accessories in Dongguan.

In August, Nokia was the first manufacturer to introduce a phone supporting GSM phase II features, such as call charge indication, closed user groups and conference calls.

During the summer, Nokia complemented its range of products in the area of cellular data products with a Data Card Expander and Cellularware, the first software product which makes it possible to manage mobile phone memory locations and short messages through a computer. Data services have been taken into use in various GSM networks in more than 20 countries.

Nokia General Communications Products

The net sales of Nokia General Communications Products amounted to FIM 7 070 million. Sales of Nokia Consumer Electronics were affected negatively by the continued decline of European consumer electronics markets and tight price competition. Nokia's TV sales were lower than during the corresponding period last year in net sales and volumes. Global demand for PC monitors grew which was reflected in Nokia's monitor sales both in the OEM and branded segments.

Sales of Nokia Industrial Electronics grew reflecting the recovery in the European car industry and high demand for mobile phone accessories. Nokia started the sub-assembly of loudspeaker components in Hungary. Sales of mobile phone chargers nearly doubled compared to the January-August period in 1994.

Nokia launched a new range of televisions, satellite receivers and videorecorders in August at the biennial consumer electronics fair IFA in Berlin. Nokia also demonstrated in co-operation with Texas Instruments a new slim rear projection television for home environments. These large screen televisions are based on TI's DMD (Digital Micromirror Device) and DLP (Digital Light Processing) technologies to ensure high-resolution, bright images. The DMD projection TVs will be available in Europe in early 1997.

In August, Nokia signed a contract with the German media company BetaTechnik, which belongs to the KirchGroup, for one million digital multimedia terminals. The multimedia terminal turns a TV into an interactive multimedia station. In addition, peripherals, such as a PC, printer and CD-ROM, can be connected to it. Digital TV-broadcasts will commence next spring in Germany and during 1996 also in several other European countries.

In September, Nokia expanded its monitor manufacturing base by acquiring a plant in Pécs, Hungary. The factory will commence production of 15 inch monitors for the global market in early 1996.

The order development of the Nokia Cable Industry was positive in the January-August period. In August, NKF signed a contract for a high-voltage project in Indonesia with a value of USD 91 million (FIM 400 million). Nokia Cables signed a breakthrough contract with the Chinese Ministry of Posts and Telecommunications, MPT, for the supply of optical fibre cables. In the summer, Nokia Cables started to build a new line for its RF-cable production in Oulu, Finland to respond to the growing global demand for radio frequency cables.

Jorma Ollila, President and CEO

Nokia Group results for the second third of the year developed favourably. The Group's operating margin grew to 15.8% compared to 11.3% during the January-August period of 1994. The Group's results for the second tertial were at the same level as in the first tertial of the year. Taking into consideration the seasonality of the summer months, we consider this to be a good achievement.

The events of this reporting period were significant in many respects. Nokia Telecommunications' development continued favourably in all markets. The strengthening of Nokia's market position in China and the good start in India, a country with great potential, both provide particular reason for satisfaction. Developments in the American PCS market give Nokia good opportunities to utilize its strong position as a supplier of GSM-based systems in the US market. An important and noteworthy event is also the strategic alliance agreed on with Cisco Systems, Inc. in October for the development of ATM-based network products.

Nokia Mobile Phones continued its strong growth, although the pace slowed somewhat from the first tertial of the year. The primary reasons for this are the stronger seasonality and the slower growth of the US cellular phone segment. The business group's market share has continued to increase. The notable shift to digital phones is expected to continue in Europe and the Asia-Pacific region towards the end of the year. This provides a good opportunity for Nokia to further improve its market position.

Nokia General Communications Products signed an important agreement with the KirchGroup for the delivery of multimedia terminals. The deal is an illustration of Nokia's strategy of shifting its consumer electronics focus from the traditional to new, innovative products.

Growth in Nokia's main markets will continue throughout the year. At the same time, the last tertial of the year will bring new challenges for the development of the Group. The competitive situation is expected to grow more difficult in some markets. Especially uncertain is the outlook of the US cellular phone market and of Europe's television market.

Nokia's market position in its main businesses has continued to improve. Our confidence in the long-term market growth potential has further strengthened. New product areas such as cellular data have opened new, important opportunities for growth beyond existing markets. We are well prepared to further improve our market position and to effectively utilize the new opportunities for growth.

Net Sales by Business Group, MFIM

	1.1.-31.8. 1995	1.1.-31.8. 1994	Change %	1.1.-31.12. 1994
Nokia Telecommunications	6 384	4 224	51.1	6 906
Nokia Mobile Phones	7 070	7 247	-2.4	11 537
Other operations	393	951	-58.7	1 589
Inter-business group eliminations	-481	-263		-557
Nokia Group	22 939	18 194	26.1	30 177
Exports from Finland and subsidiaries outside Finland	20 779	15 945	30.3	26 728

Consolidated Profit and Loss Account, MFIM

(under IAS, unaudited)

	1.1.-31.8. 1995		**1.1.-31.8. 1994**		**1.1.-31.12. 1994**	
	FIM	%	FIM	%	MFIM	%
Net sales	22 939	100.0	18 194	100.0	30 177	100.0
Cost of goods sold	-15 267		-12 569		-20 808	
Research and development expenses	-1 624		-1 194		-1 937	
Selling, general and administrative expenses	-2 432		-2 370		-3 836	
Operating profit	3 616	15.8	2 061	11.3	3 596	11.9
Share of results of associated companies	58		8		22	
Financial income and expenses	-50		219		384	
Profit before tax and minority interests	3 624	15.8	2 288	12.6	4 002	13.3
Tax	-910		-570		-932	
Minority interests	-54		-47		-75	
Profit from ordinary activities before cumulative effect of change in accounting policies	2 660	11.6	1 671	9.2	2 995	9.9
Cumulative prior year effect (after tax) of change in accounting policies	485		-		-	
Profit from ordinary activities	3 145	13.7	1 671	9.2	2 955	
Extraordinary items	-		-		944	
Net profit	3 145	13.7	1 671	9.2	3 939	13.1
Earnings per share (FIM)						
Adjusted to exclude cumulative effects of accounting policy changes	9.35		6.27		10.97	
Shareholders' equity per share (FIM)	51.66		36.10		43.64	
Depreciations	1 107		645		1 009	

Currency rate 31.8.1995, 1 FIM = 0.228 USD

Contingent Liabilities, MFIM

	Nokia Group		Parent Company	
	31.8.95	31.12.94	31.8.95	31.12.94
Pension fund liability				
Liability of pension funds	27	27	-	-
Liability for bills of exchange	32	93		-
Mortgages				
As security for loans				
For own debts	296	327	5	5
As security for other commitments				
For own commitments	46	142	-	-
For group company commitments	66	78	-	-
Assets pledged				
As security for own debts	55	240	20	169
As security for group company commitments	-	-	21	21
Guarantees				
Guarantees for loans				
As security for loans of group companies	-	-	21	21
As security for loans of group companies	-	-	1 531	1 797
As security for loans of associated companies	353	340	338	325
As security for loans of other companies	20	35	9	25
Other guarantees and commitments				
As security for own commitments	841	980	-	-
As security for group company commitments	-	58	393	288
As security for loans of associated companies	85	-	6	-
On behalf of other companies	-	1	-	-

Proforma Profit in Accordance with the Revised IAS Standards, MFIM

	1.1.-31.8.95	1.1.-31.8.94	1.1.-31.12.94
Proforma profit from ordinary activities restated to reflect the new accounting policies (MFIM)			
Profit from continuing operations	2 660	1 785	2 982
Discontinued operations	-	-	1 125
Profit from ordinary activities	2 660	1 785	4 107
Proforma earnings per share (FIM)			
From continuing operations	9.35	6.70	10.93
From ordinary activities	9.35	6.70	15.05

Currency rate 31.8.1995, 1 FIM = 0.228 USD

Changes in International Accounting Standards

As disclosed in the interim report for the four months ended 30 April 1995, Nokia adopted the revised IAS effective from the beginning of this year.

The cumulative prior year net effect of the R&D expenses (FIM 485 million) resulting from accounting policy changes was included in the first four months profits for 1995. 1994 comparative profit information has been restated above on a proforma basis as if the new policies had always been used.

1. On a proforma basis net profit for 1994 and the first eight months of 1994 increase by FIM 168 million and FIM 114 million respectively.
2. To restate items previously reported as extraordinary in 1994 in the proforma profit information either as part of profit from continuing operations or as part of results from discontinued operations, as appropriate.