

Nokia in 1994

Nokia Group net sales climbed to FIM 30.2 billion in 1994 (FIM 23.7 billion in 1993). This represents growth of 38% when allowing for changes in currency exchange rates and in the structure of the Group.

Nokia Group operating profit (IAS) increased 146% and was FIM 3596 million (1465 million in 1993). The operating margin was 11.9% (6.2% in 1993).

Nokia continued its international expansion by emphasizing its telecommunications businesses in 1994. The telecommunications sector, comprising Nokia Telecommunications, Nokia Mobile Phones and telecommunication cables, generated 64% of the Group's 1994 net sales, compared to 52% for the previous year.

When focusing on its core businesses Nokia sold its Power division at years-end and announced its intention to sell its majority shareholding in Nokia Tyres during 1995. Nokia Consumer and Industrial Electronics discontinued the operations of its Picture Tubes unit. Nokia Cables and Machinery sold its units outside its core business and concentrated on its main products, cables and cable machinery. Additionally, Nokia and ICL signed an agreement for the early redemption of Nokia's preferred share interest in ICL.

70% of Nokia Group net sales were generated in Europe. However, the Group showed strongest growth in North America and in the Asia-Pacific region. These areas accounted for 24% of the Group's net sales.

In 1994, Nokia made substantial investments in product development and production. Total fixed asset investments amounted to FIM 2 billion, an increase of 66% over the previous year.

Nokia spent a total of FIM 1.9 billion, or 6.4% of net sales, on research and development in 1994. Product development costs grew 32% over the previous year and were primarily targeted at the telecommunications sector.

Nokia's employment has grown commensurate with its operations. The telecommunications business units, Nokia Telecommunications and Nokia Mobile Phones increased employment by a total of 5048 people during the year, the majority of them in Finland. At the end of 1994 the Group employed 28593 people, with the average number of personnel for the year being 28043.

The Group's net financial items saw a gain of FIM 384 million, compared to a loss in the previous year of FIM 347 million. The Group's profit before taxes, minority interests and extraordinary items (IAS) increased 249% to FIM 4002 million (1146 million in 1993).

Minority shareholders' share of the Nokia Group's profit totalled FIM 75 million (80 million in 1993). The Group's taxes rose to FIM 932 million (299 million in 1993).

The Group's profit after taxes and minority interests, but before extraordinary items, increased 290% to FIM 2995 million (767 million in 1993). The earnings per share was up 257% to FIM 43.89 (FIM 12.29 in 1993).

In addition to the FIM 760 million profit net of tax realised on the sale of the Nokia Power business, the FIM 944 million extraordinary item also includes, among other things, proceeds on the sale of the fixed assets from the discontinued TV picture tube factory.

After extraordinary items, Nokia's profit for the financial period was FIM 3939 million (a loss of 1150 million in 1993).

The Group's financial position continued to strengthen during 1994. The net debt-to-equity ratio was 4% (52% in 1993) at the end of the year.

The Board of Directors of Nokia will recommend at the Annual General Meeting that a dividend of FIM 10 per share (FIM 2.80 in 1993) be paid on common and preferred shares.

Additionally the Nokia Board of Directors will propose that the par value of common and preferred shares be divided by four, i.e. from FIM 20 to FIM 5. The Board of Directors shall also propose that the current preferred shares be renamed "A" shares and the current common share become "K" shares.

Business Groups

Nokia Telecommunications' net sales increased 51% and totalled FIM 6906 million (FIM 4578 million in 1993). Operating profit rose 73% to FIM 1700 million (983 million in 1993). The business group's order book total was FIM 4.7 billion at the end of the year, which was 36% more than at the end of 1993. Growth was fastest in cellular systems. Nokia continued to strengthen its position as the second largest supplier of GSM and DCS equipment. The company's position was also strengthened in the fixed networks business in the deregulated telecommunications sector in Europe and Asia.

Nokia Mobile Phones' net sales increased 70% and totalled FIM 10702 million (6314 million). Operating profit was up 84% to FIM 1745 million (950 million in 1993). In 1994 Nokia launched mobile phones for all digital systems and started sales in Japan, as the Japanese digital networks were opened. Digital cellular phones constituted a significant, about 20% share of the overall market for the first time. The introduction of new products further strengthened Nokia's market position. 1994 was also a break-through year for wireless data.

Nokia Consumer and Industrial Electronics' net sales declined from the previous year and totalled FIM 6769 million (6938 million in 1993). The operations of the Picture Tubes unit are not included in the figures for 1994. With comparable figures, the net sales of the business group increased by 4%. Rationalisation measures in the Consumer Electronics division (called Home Electronics in 1993) continued on schedule and the division's profitability improved significantly. Nokia Consumer and Industrial Electronics' operating result improved substantially and the business group recorded a profit of FIM 19 million (a loss of 747 million in 1993).

Cables and Machinery's net sales in 1994 totalled FIM 4768 million (4933 million in 1993). The business group concentrated on its core business operations during the year in order to boost its ability to respond to intensifying competition. Cable Industry's net sales increased to FIM 3268 million (2734 million in 1993). The division's profitability remained at the previous year's level. Net sales by the cable machinery manufacturer Nokia-Maillefer increased 15% to FIM 1117 million (973 million in 1993). Nokia-Maillefer's results remained at the previous year's level. Net sales by the Aluminium unit, which Nokia will sell in 1995, increased and its results improved. Cables and Machinery's operating profit totalled FIM 191 million (261 million in 1993).

Other Operations' combined net sales totalled FIM 1589 million (1500 million in 1993). At the end of the year, the Group sold its Power operations. In addition, it announced its intention to sell its majority shareholding in Nokia Tyres and list the company on the Helsinki Stock Exchange in 1995.

President and CEO Jorma Ollila:

"Nokia employees can be proud of the good results we achieved in 1994. The rapid growth of Nokia Telecommunications and Nokia Mobile Phones continued, as did their excellent profit development. Very gratifying as well was the substantial improvement in the performance of Nokia Consumer and Industrial Electronics, which recorded an operating profit in 1994. The slightly weaker-than-anticipated profit development in Cables and Machinery can be attributed to intense competition.

The rapid growth and internationalisation of the telecommunications sector will continue this year as well. One of our central challenges is to manage that growth. Our personnel base will grow this year by some 6000 people. Nokia will continue to invest in personnel development and the fostering of its management culture.

In the telecommunications sector competition between suppliers, as well as between the operators increases. Customers are today making new

demands on their suppliers. Nokia's success is based increasingly on our ability to serve our customers by developing innovative products suited to their needs.

The good profit development seen in 1994 and our strengthened financial situation provide a solid foundation for favourable development in 1995".

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