NOKIA

Higher returns through focused growth

Capital Markets Day 2016

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Agenda

Nokia Business System

Capital Structure

Guidance

Nokia Business System, built to drive value across Nokia

Investment optimization

Performance management

Continuous improvement

Talent management

Capital allocation is built in the core of Nokia Business System

Strategy and financial planning process

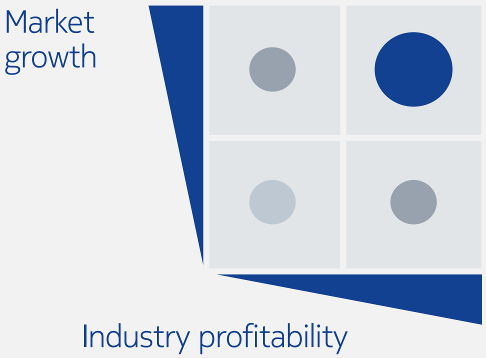
- Capital allocations
- Business strategies
- Long-term and annual financial plans

End-to-end M&A process

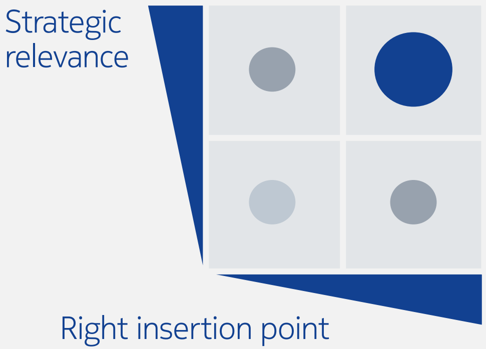
- M&A target funnel management
- M&A execution
- Structured businesses case follow-up

How we assess value creation potential

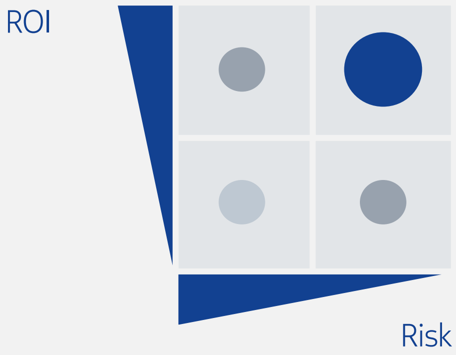
1. Market attractiveness



2. Strategic fit



3. Return on investment



Disciplined group level portfolio management with capital allocation based on value creation potential

Group steers decisions based on structured evaluation of existing businesses and new business opportunities...

... Resulting in target setting and investment levels to drive optimal resource allocation...

... Followed by rigorous monthly follow-up

Strategy and financial planning process

Business Performance Management

Monthly business performance reviews enable fast corrective actions

Execution planning and plan deployment

- Translating strategic priorities into concrete targets and action plans
- Cascading actions down into the organization

KPI framework and scorecards

- Enforcing the alignment of efforts towards shareholder value creation throughout the organization

Nokia Business Reviews

- Rigorous monthly process
- Follow-up Annual Plan realization and overall business development
- Prompt contingency plans

Capital structure

Our key priorities for cash

Business

Investments for future

Increasing R&D spend in attractive growth areas

Bolt on M&A in attractive growth areas, while consolidation M&A in more mature areas

Integration and transformation

~EUR 2.15 billion of total expected restructuring and associated cash outflows, of which **~EUR 1.87 billion** remains after Q3 2016

In addition, **~EUR 900 million** of swap-out related cash outflows expected in total

Shareholder returns

Dividend

Annual dividend is our main tool for shareholder distributions

Targeting to deliver earnings-based, growing dividend:

2016: Nokia targets to propose a dividend of EUR 0.17 per share

Future: targeting to grow dividends by distributing approximately 40%-70% of non-IFRS EPS, taking into account cash position and cash flow generation

Share repurchase

~EUR 560 million used in 2016 to acquire the equity based securities of Alcatel-Lucent before launching the buy-out offer

Further **EUR 1.0 billion** of share repurchases to be completed by yearend 2017

2017 cash estimates

Sources

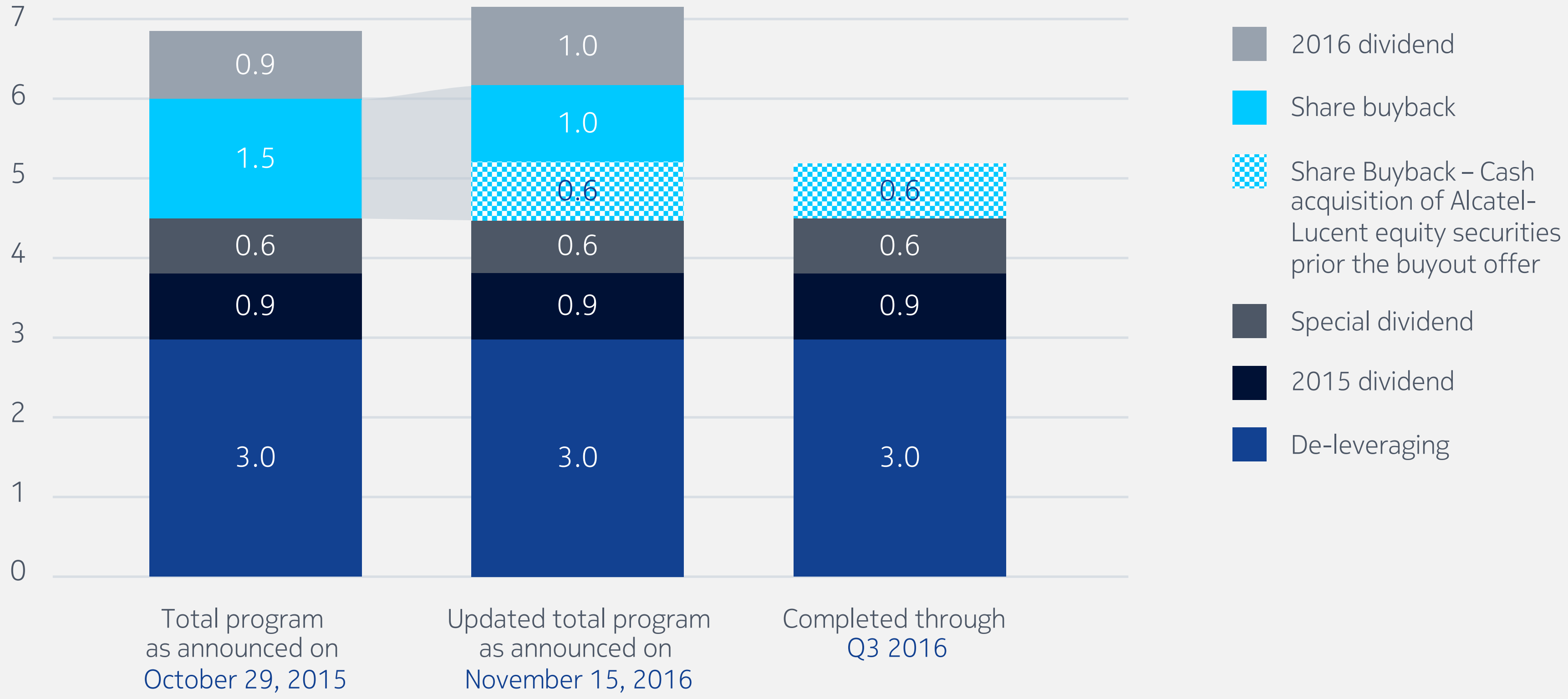
Cash flow from operations excl. restructuring and swaps:	Divestments:	Net cash at end-2016:	Debt at end-2016:	Financing transactions:
~€2.5-3bn Assuming conversion of over 90% of non-IFRS EBITDA into cash over time	#	~€5bn	~€4bn	#

Total cash available **~€11-12bn**

Uses

Restructuring and swaps	CAPEX	M&A	FIE	Taxes	Dividend	Share repurchases	Estimated total cash at end-2017
~€1.0bn	~€0.5bn	#	~€0.2bn	~€0.4bn	~€1bn	~€0.7-1bn	~€7-8bn

EUR 7 billion Capital Structure Optimization Program



Target investment grade credit rating and to maintain total cash of approximately 30% of net sales over time

Full year free cash flow to bottom in 2016

Restructuring and associated cash outflows and network equipment swaps expected to weigh on free cash flow and net cash in 2016, 2017 and 2018.

FY 2016 FCF: Clearly negative

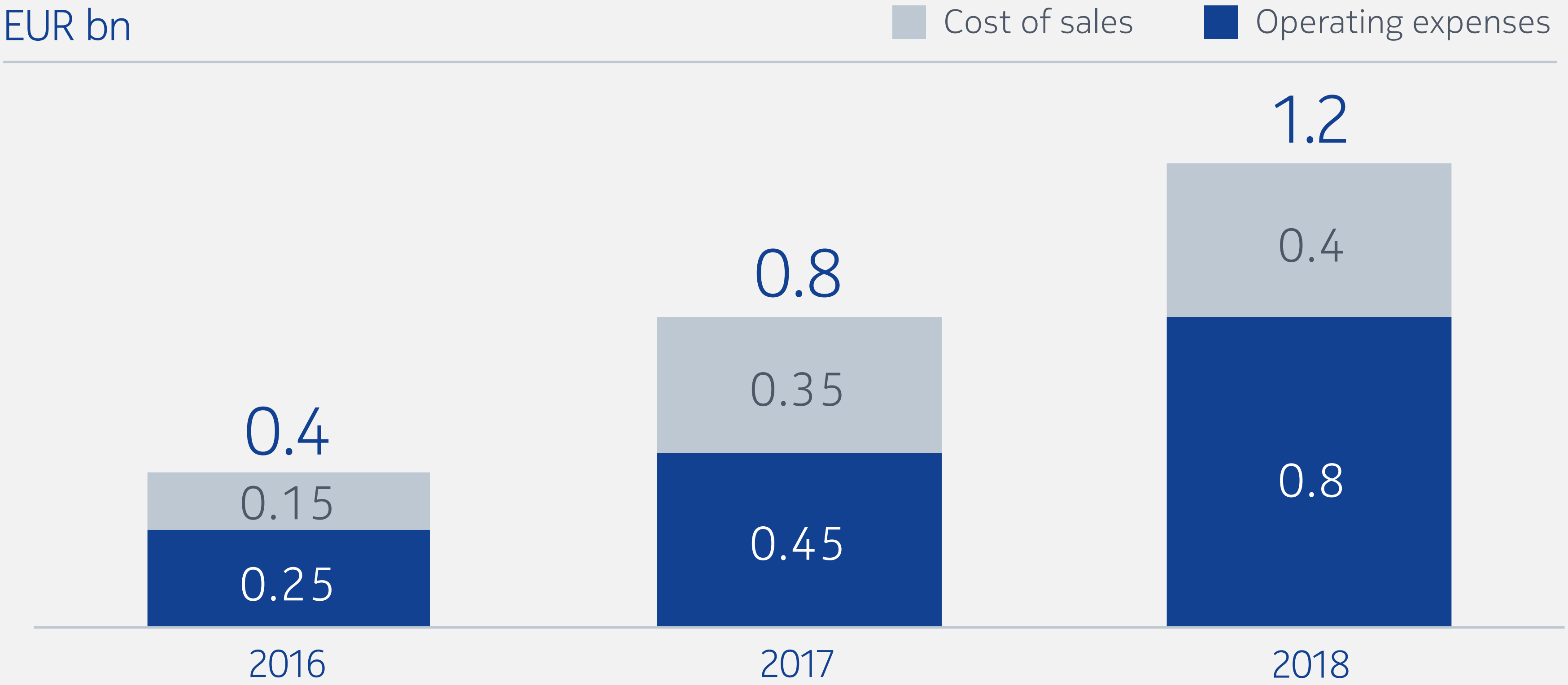
FY 2017 FCF: Slightly positive

FY 2018 FCF: Clearly positive

EUR 1.2bn

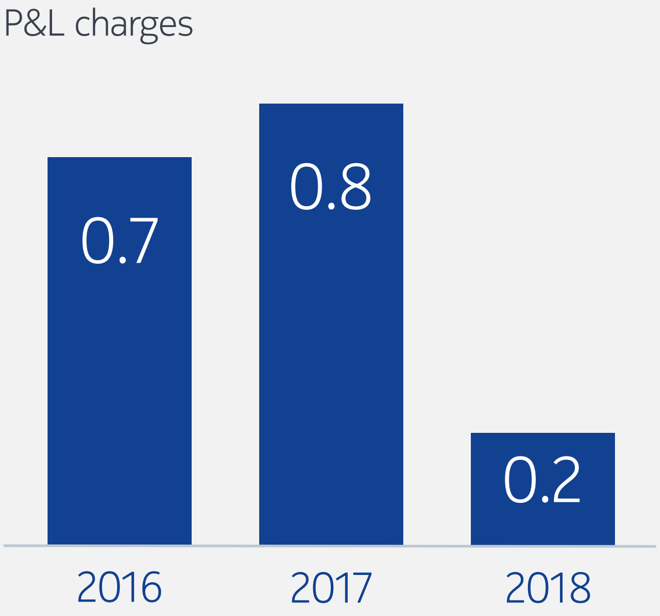
of annual net cost savings to be achieved in full year 2018

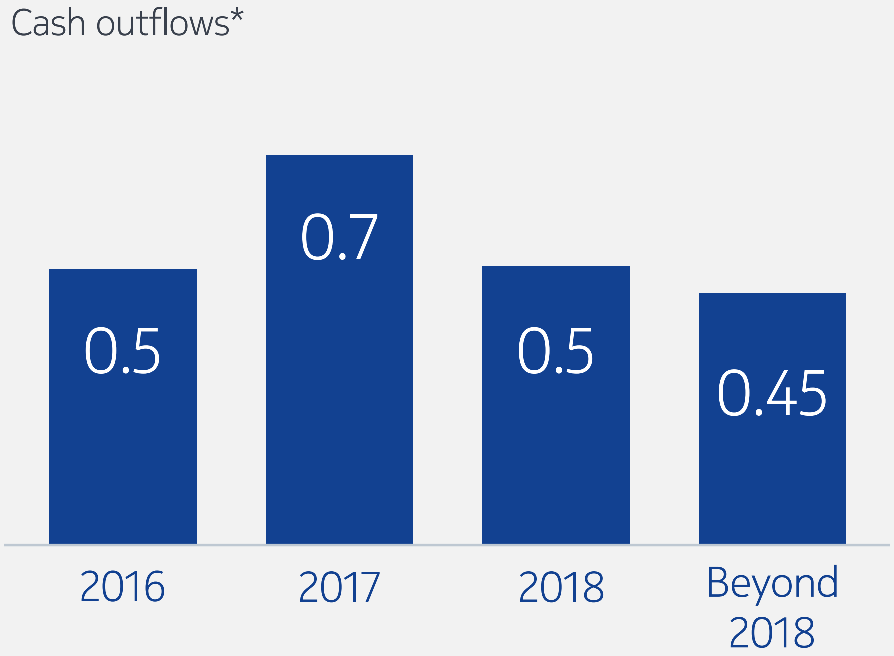
EUR 1.2 billion annual net cost savings expected in full year 2018



P&L charges related to the EUR 1.2 billion cost savings program and total restructuring and associated cash outflows

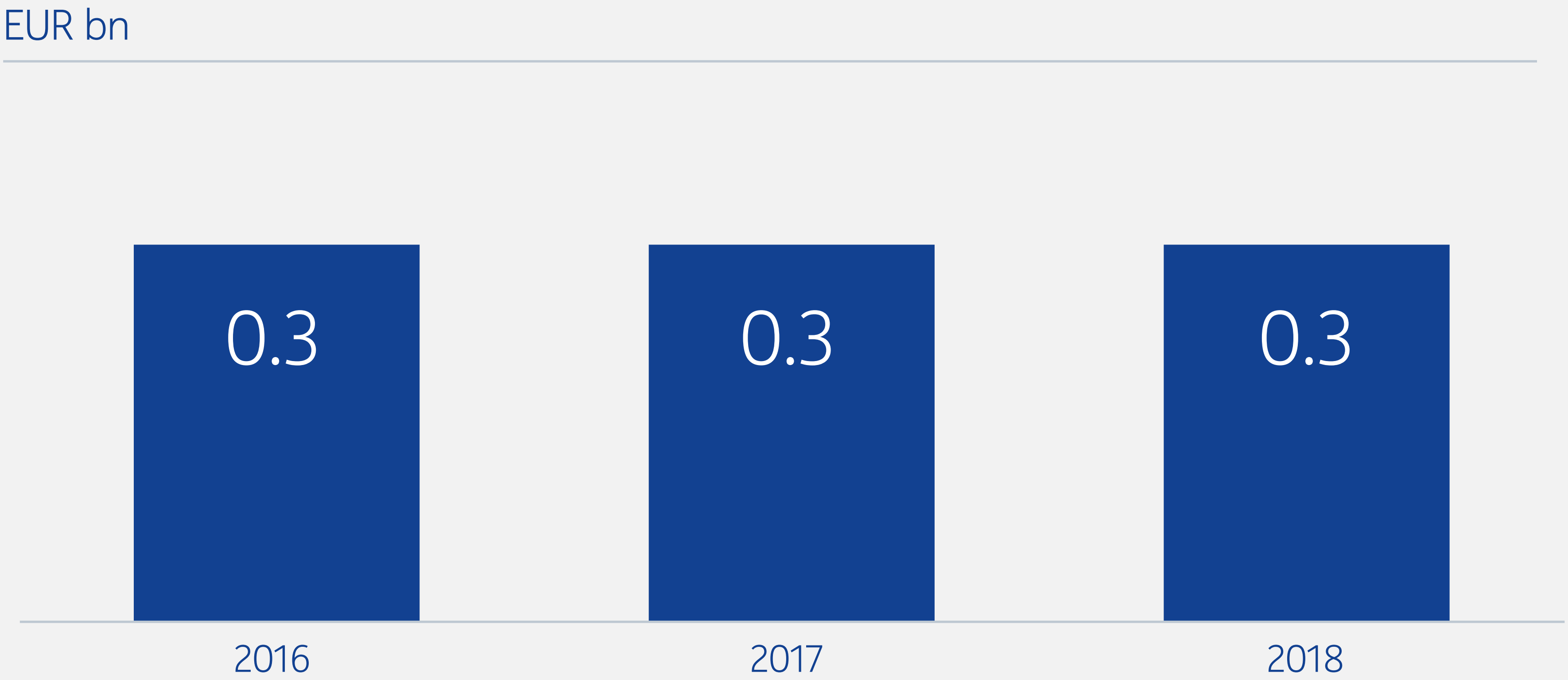
EUR bn





*Including cash outflows related to the previous Nokia and Alcatel-Lucent restructuring and cost savings programs

Cash outflows and P&L charges related to equipment swap-outs targeted to total ~EUR 0.9 billion



Guidance

Guidance

Taxes

Long-term effective non-IFRS P&L tax rate

~30%

Non-IFRS P&L tax rate in 2017 and 2018

30%-35%

Cash taxes in 2017

~EUR 400 million

~EUR 5.1 billion of recognized deferred tax assets on our balance sheet as of end-Q3 2016

Guidance

FIE in 2017

~EUR 300 million

~1/3 being non-cash accounting charges

Financial income & expenses	**EURm**
Net FX and interest expenses	~200
Non-cash accounting charges: Interest costs on DB pensions and other	~100
Total	**~300**

Further opportunities to achieve lower interest expenses over time

Nokia's Outstanding Bonds

Issuer	Instrument (Senior Notes)	Currency	Nominal (million)	Maturity
Nokia	**6.75%**	EUR	500	**2019**
Nokia	**5.375%**	USD	1 000	**2019**
Alcatel-Lucent	**6.5%**	USD	300	**2028**
Alcatel-Lucent	**6.45%**	USD	1 360	**2029**
Nokia	**6.625%**	USD	500	**2039**

Guidance

Capex in 2017

~EUR 500 million

Guidance

Networks net sales for 2017

Decline year on year in line with its primary addressable market

Guidance

Networks operating margin

Long-term operating margin in the range of

10%-15%

Full year 2017 operating margin in the range of

8%-10%

Summary

End-to-end diversified Networks portfolio

Cost savings

Patent licensing in Nokia Technologies

Creating an independent software business at scale

Licensing and products in Nokia Technologies

Strong governance

Operational excellence

Higher returns through focused growth

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In addition to information on our reported IFRS results, we provide certain information on a non-IFRS, or underlying business performance, basis. Non-IFRS results exclude costs related to the Alcatel-Lucent transaction and related integration, goodwill impairment charges, intangible asset amortization and purchase price related items, restructuring related costs, and certain other items that may not be indicative of Nokia's underlying business performance. We believe that our non-IFRS financial measures provide meaningful supplemental information to both management and investors regarding Nokia’s underlying business performance by excluding the aforementioned items that may not be indicative of Nokia’s business operating results. These non-IFRS financial measures should not be viewed in isolation or as substitutes to the equivalent IFRS measure(s), but should be used in conjunction with the most directly comparable IFRS measure(s) in the reported results. A detailed explanation of the content of the non-IFRS information and a reconciliation between the non-IFRS and the reported information for historical periods can be found in Nokia’s respective results reports. Please see our issued interim reports for more information on our results and financial performance for the indicated periods as well as our operating and reporting structure.


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