

friendships

debate

network

expertise

connect

NOKIA

[illegible]

Agenda

- Myth vs. Reality
- Actions
- Balance sheet and cash flow
- Financial targets

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Myth vs. Reality

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Nokia = geographically balanced

Units by Geography



Net Sales by Geography



Gross Profit by Geography



■ Asia-Pacific

■ Middle East & Africa

■ Greater China

■ Latin America

■ Europe 5

■ Rest of Europe

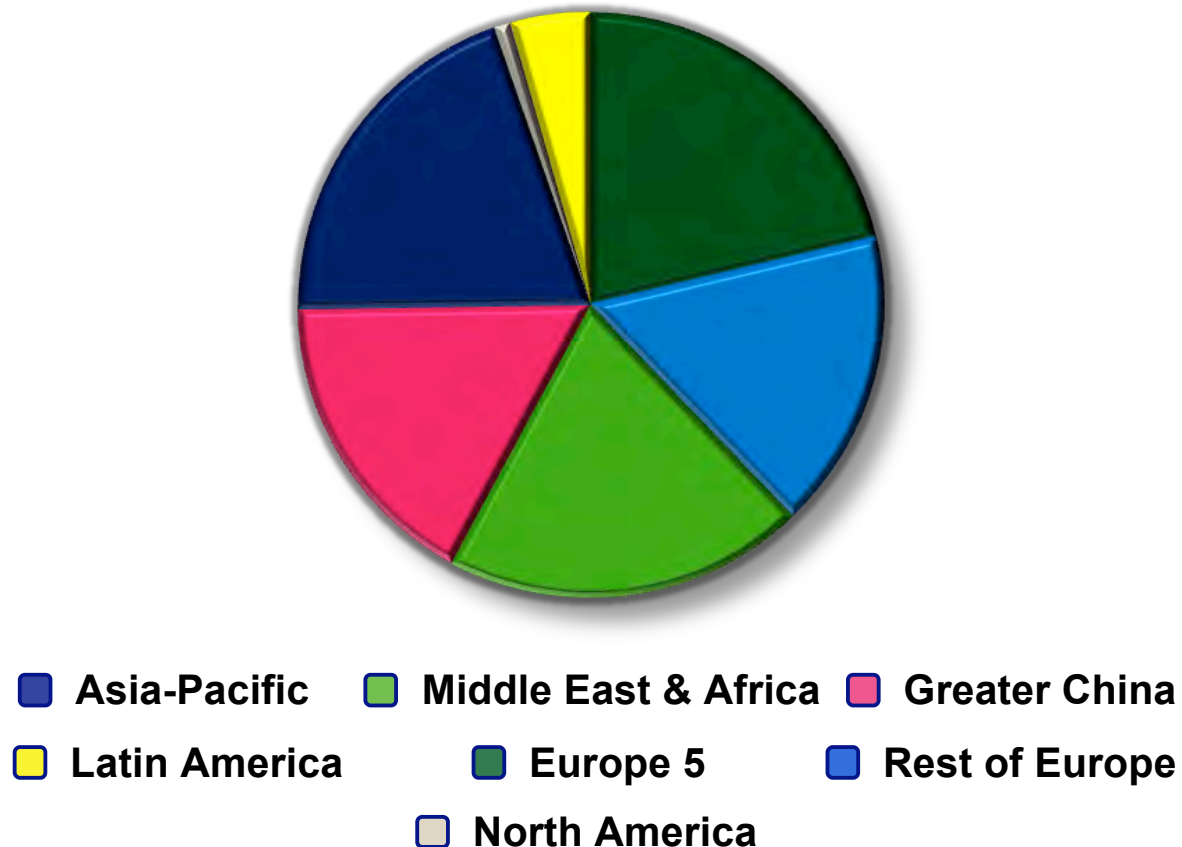
■ North America

Source: Nokia Q1-Q3 2008

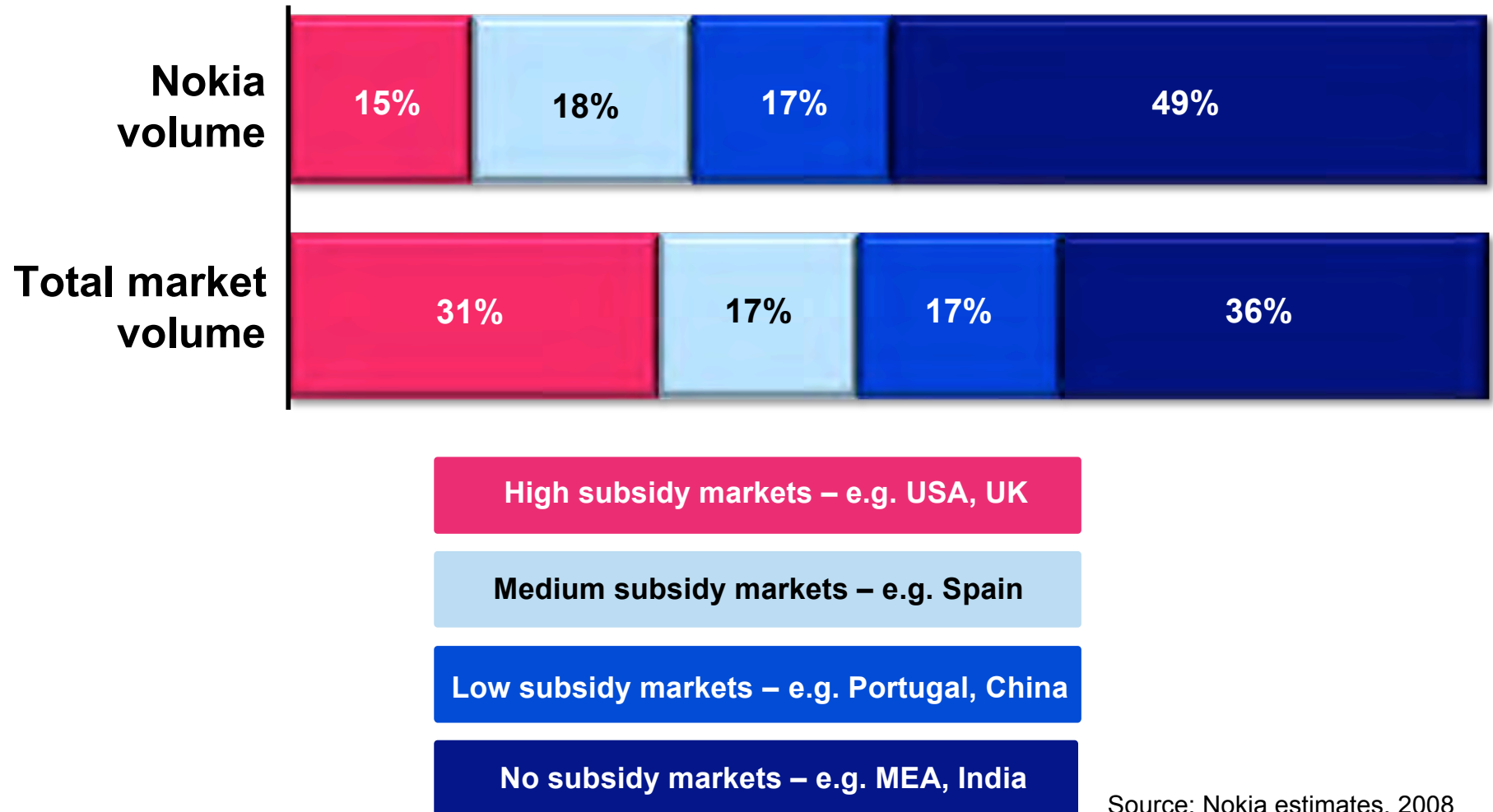
Europe 5 = UK, Germany, France, Spain and Italy

Nokia Smartphones = geographically balanced

Geographical split of Nokia smartphone units
Q1-Q3 2008



Nokia = less vulnerable to decreasing subsidies



Source: Nokia estimates, 2008

Low subsidy markets: limited high-end subsidies or small low-end subsidies

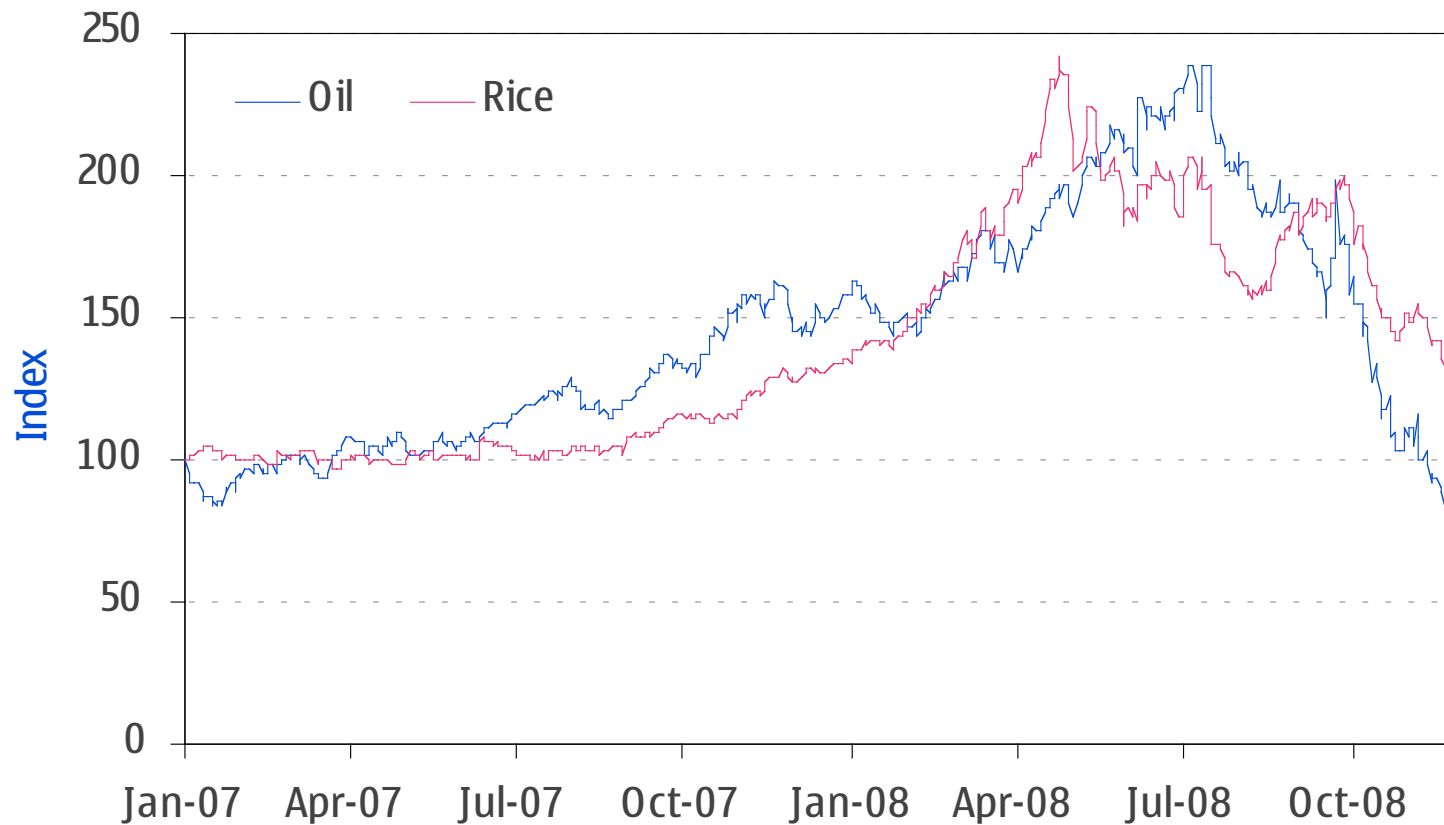
Medium subsidy markets: significant subsidy in high-end, but typically not free with contract; limited or no pre-paid subsidies

High subsidy markets: high-end device typically free with contract; subsidies also in prepaid devices

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Commodity price bubbles **have burst**

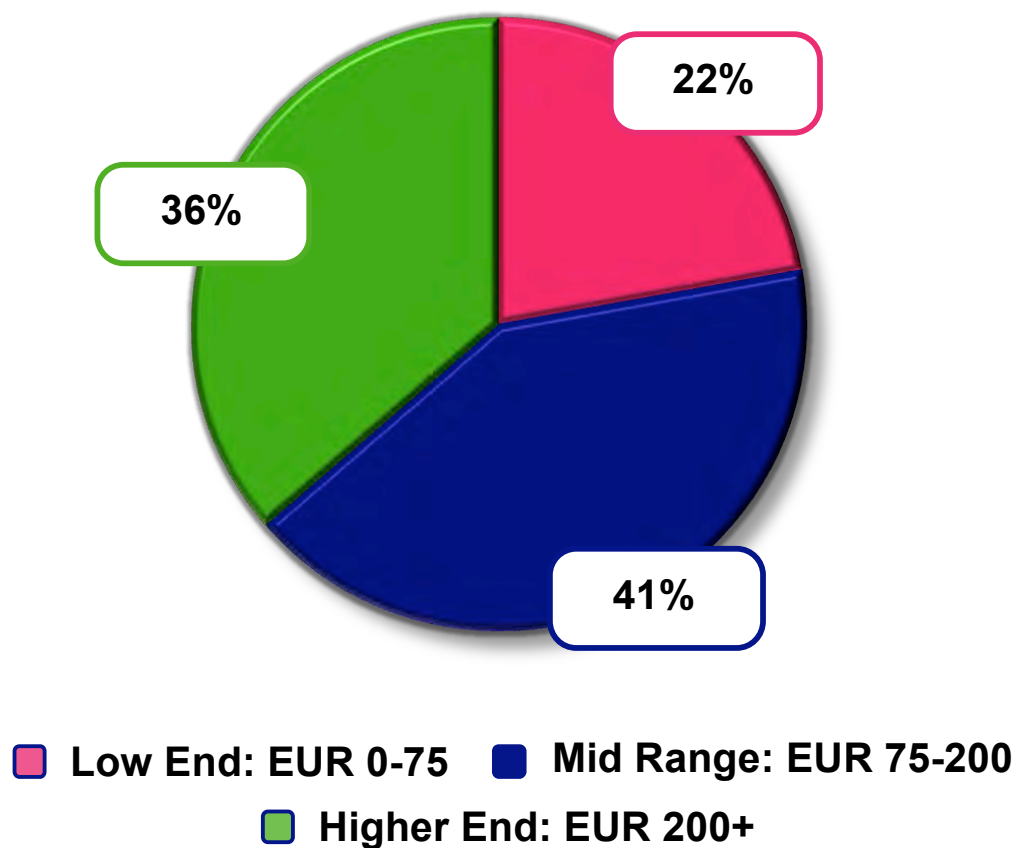
Food = over 50% of spending in rural areas of India



Source: Bloomberg

Industry market value by price band = **balanced**

2008E Device Market Value by Price Band



Source: Nokia estimates

Nokia competitive advantages – Not a myth!

- **Scale:** 39% market share YTD Q3 2008; same as next 4 players
- **Ability to invest in innovation:** Services & Software
- **Brand:** #5 worldwide, #1 in Asia and #1 Europe
- **Manufacturing and logistics:** World leading position
- **Distribution:** Substantial lead in China, India, and MEA
- **Cost & IPR:** Significant competitive advantage

Sources: Nokia estimates; Interbrand; BrandZ; AMR Research; Fairfield Resources International

A photograph of two people walking away from the camera on a dark, flat rooftop. The person on the left is wearing a blue and white plaid shirt and blue jeans. The person on the right is wearing a red t-shirt and light-colored trousers. A large, bright yellow arrow is painted on the ground, pointing directly towards the viewer. The scene is brightly lit, casting long shadows of the people onto the wall and ground to the right. The word "Actions" is written in large white letters on the left side of the image.

Actions

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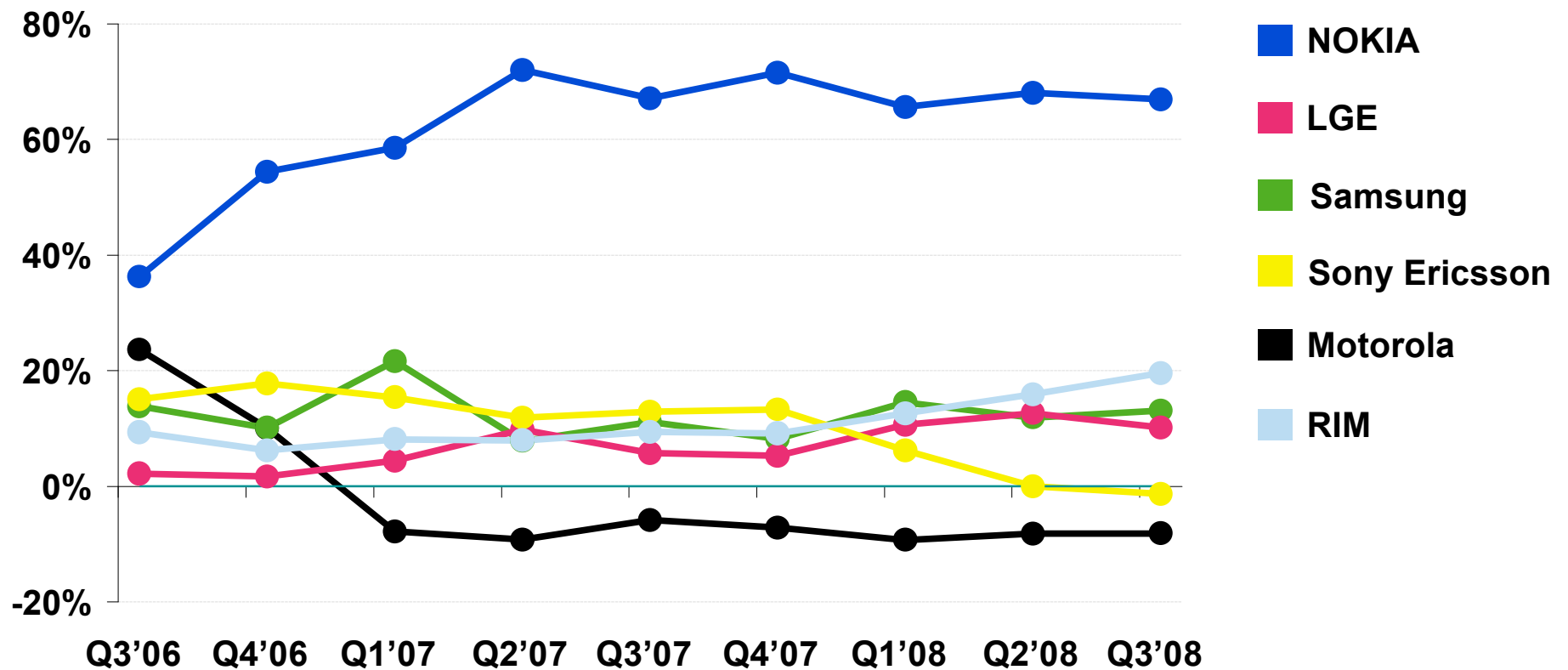
Set Costs to Reality

Ongoing through 2009 and 2010

- 1) Cost of Goods Sold
- 2) Operating Expenses
- 3) Capital Expenditures

Nokia margin advantage

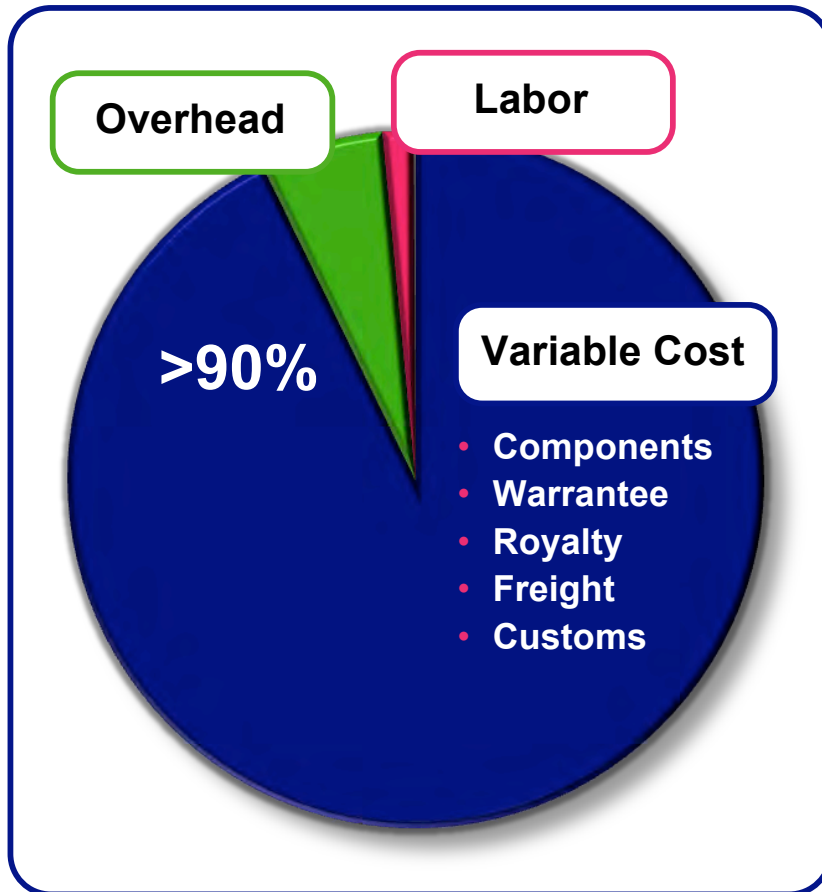
Percent of operating profit



Source: Nokia, company reports

Devices & Services COGS

COGS Breakdown: >90% Variable



Source: Nokia

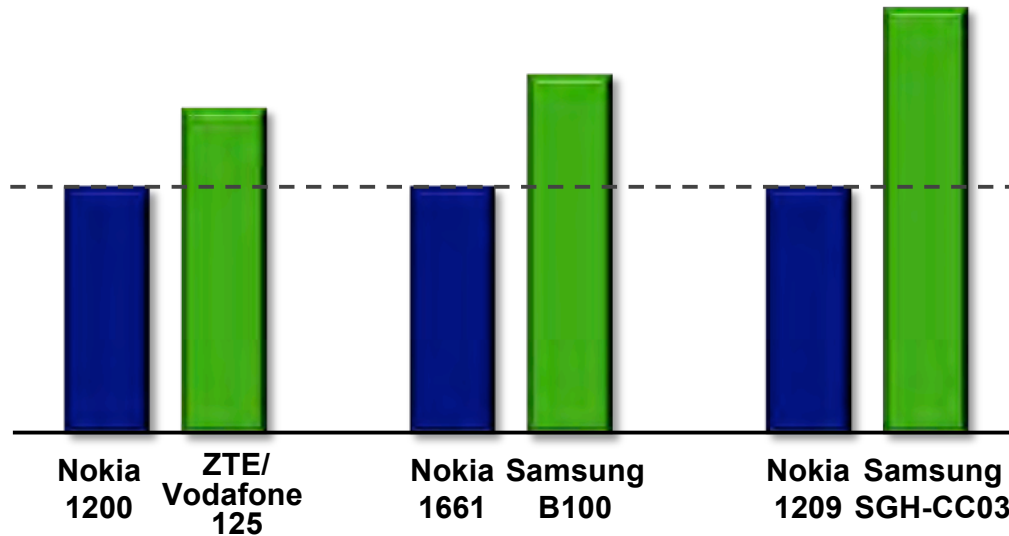
Drivers of COGS Advantages

- Component purchasing
- IPR
- Warranty costs
- Inventory carry costs
- Design for manufacturing
- In-house manufacturing

Product cost advantage: two examples

Low end tear-down study

Nokia solution 30 – 70% lower cost

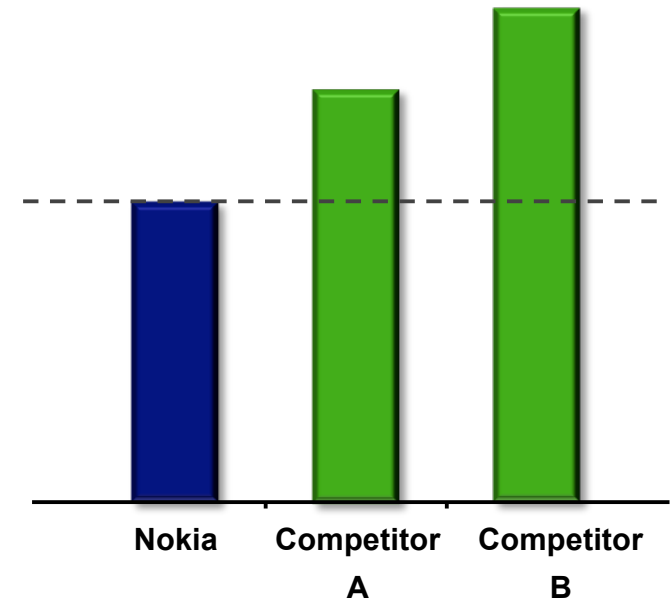


Cost comparison: Relative device+battery materials cost of product pairs

Sources: Portelligent, iSuppli and Nokia estimates

Mid range chipset cost study

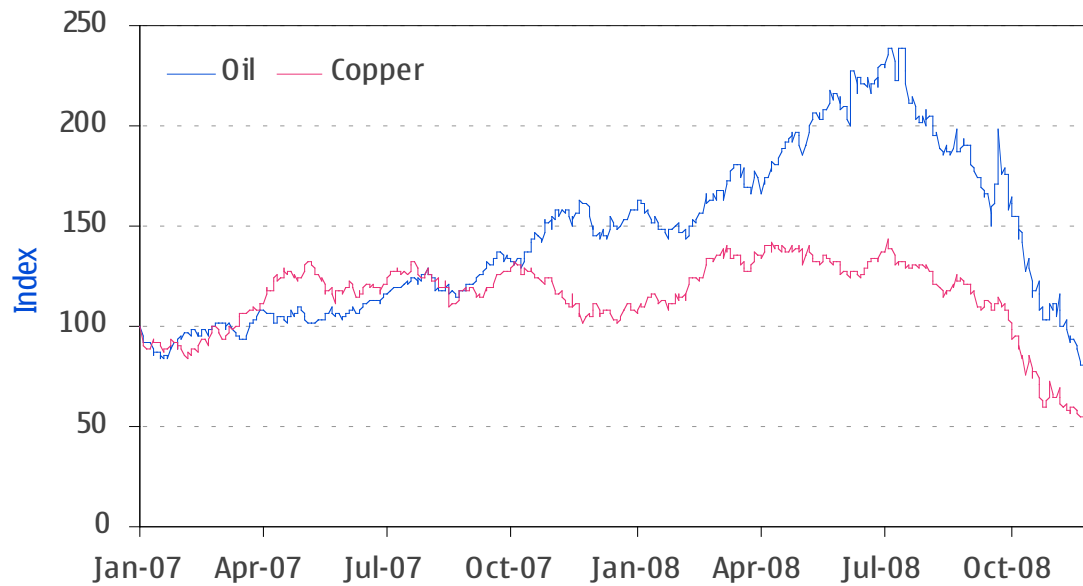
Nokia solution avg. 20% lower cost



Source: Nokia estimates

Devices & Services: COGS reduction

External developments



- Commodity prices down 60% from highs
- Excess production capacity in supply chain

Source: Bloomberg

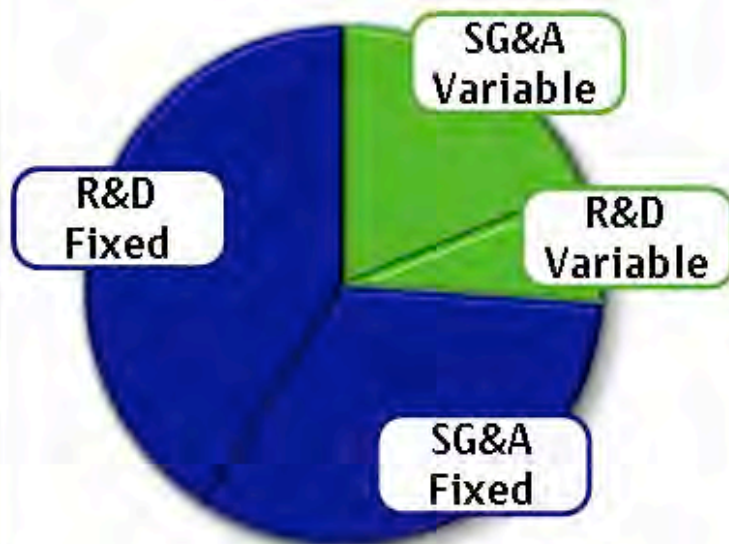
Internal actions

- Use Nokia's buying power to negotiate with suppliers for the best prices
- Low cost design focus
Example – super low end Bill of Materials down 10% with each new generation

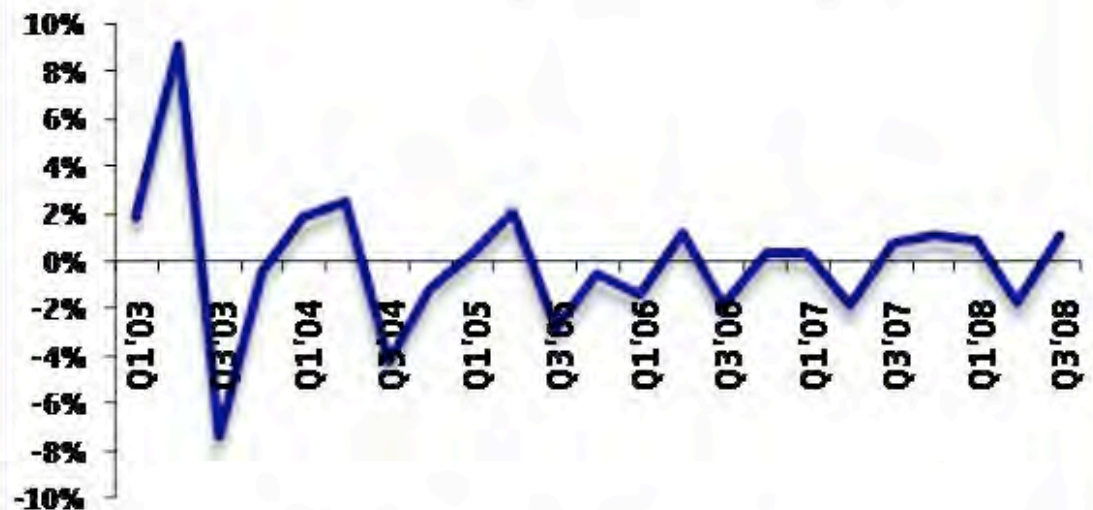
Devices & Services OPEX

Our scale gives us more than 5 percentage points
OPEX cost advantage on average

**Devices & Services OPEX
Fixed vs. Variable**



**Nokia OPEX volatility -
Sequential Percentage Point Change in OPEX***



* Excludes special items and purchase price accounting related items

Source: Nokia estimates

Devices & Services: OPEX cost reduction

Taking action to adjust to the new reality

- “Plans” not “Budgets”
- Announced 4th November: 700+ employees impacted
- Announced 27th November: Partial exit from Japanese market
- Targeted actions:
 - R&D
 - Sales & Marketing
 - General & Administrative
- Communicate urgency throughout the organization: immediate travel restrictions, hiring freeze, curtail consultants

Devices & Services: CAPEX cost reduction plan

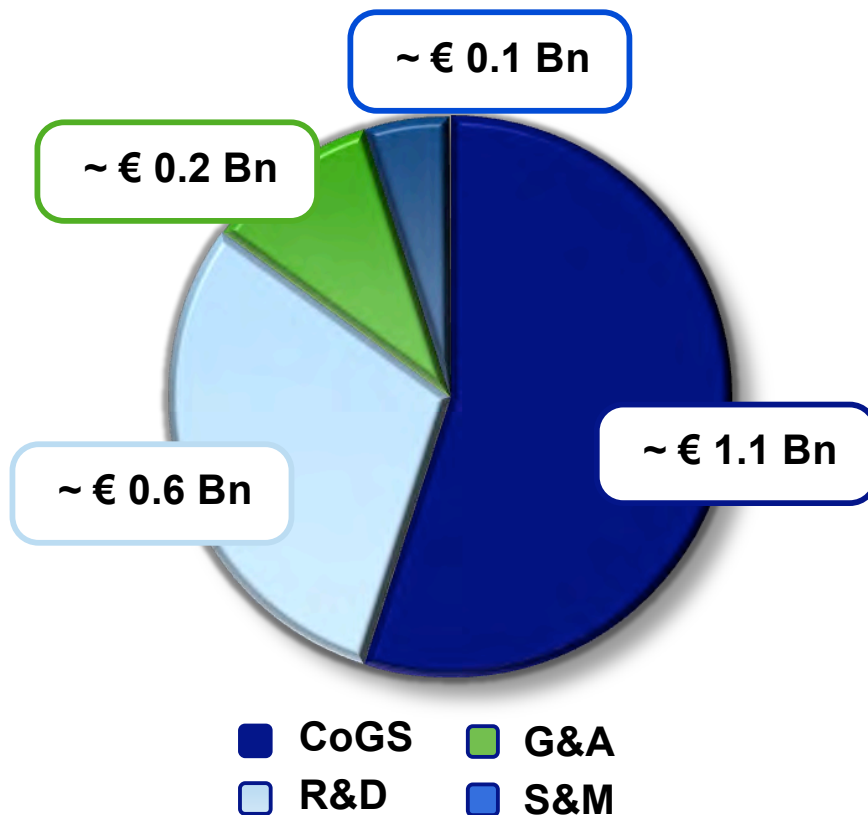
Good starting point: not a CAPEX-intensive business

- Targeted actions:
 - Estimated CAPEX investment in 2009:
 - ~700 million euros (estimated ~850 million euros in 2008)
 - Consolidate production lines
 - Reduce the pacing of incremental CAPEX
 - Test equipment
 - Building improvements
 - IT equipment

NSN cost reduction plan

Track record of delivery

Annual cost synergy estimate by function



Levers for ongoing cost reduction

- Scale
- Asset reuse
- Design to cost
- Global resource balancing
- Supply chain optimization
- Supplier and subcontractor consolidation
- IT and process development
- Real estate consolidation

Balance sheet and Cash flow

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Balance sheet

Clean, simple, strong

| | <u>Q3'08 (EUR)</u> |
|------------------------------|---------------------------|
| Cash and other liquid assets | 7.2B |
| Debt | 4.3B |
| Net cash | 2.9B |

Quarterly Cash Flow

EUR
millions





Financial targets

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2009 Mobile device market

2009 Mobile device market: Down 5% or more

- Global slowdown in consumer spending
- Currency devaluation
- Credit tightness
- Channel destocking

Nokia 2009 financial targets

Do better relative to competitors, and minimize volatility

- Nokia Devices & Services operating margin in the teens*
- NAVTEQ operating margin somewhat above the Devices & Services operating margin*
- Nokia Siemens Networks operating margin in the single digits*

* Non-IFRS

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Summary

- Reality – strong competitive position
- We are taking action
- Our capital structure is solid
- Our view of the market is realistic

Thank you.

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Connecting People

friendships
debate
network
expertise
connect
ideas
invent
possibilities
experience
fun
opinions
future
vision
exchange
inspire
connect
debate
progress
learn
relevant
real
experience
share
exchange
inspire
explore
exchange
share
future
exchange
share

Other financial targets

| | 2008E | 2009E |
|--|-------|--------|
| Tax Rate* | 26% | 26% |
| Capex (m EUR) | ~ 850 | ~ 700 |
| Depr. and Amort. (m EUR)* | ~ 900 | ~ 900 |
| Financial Income and Expense (m EUR) | ~ -40 | ~ -110 |
| Common Group Functions* (m EUR expense) | ~ 210 | ~ 175 |

* Non-IFRS