To the Annual General Meeting of Nokia Oyj

Report on the Audit of the Financial Statements

Opinion
In our opinion:

- The consolidated financial statements give a true and fair view of
  the group’s financial position and financial performance and cash
  flows in accordance with International Financial Reporting Standards
  (IFRS) as adopted by the European Union; and,

- The financial statements give a true and fair view of the parent
  company's financial performance and financial position in accordance
  with the laws and regulations governing the preparation of the
  financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with our additional report to the
Audit Committee.

What we have audited
We have audited the financial statements of Nokia Oyj (business
identity code 0112038-9) for the year ended 31 December 2019. The
financial statements comprise:

- The consolidated statement of financial position, income statement,
  statement of comprehensive income, statement of changes in
  shareholders’ equity and statement of cash flows, and notes to the
  consolidated financial statements including a summary of significant
  accounting policies; and

- The parent company’s statement of financial position, income
  statement, statement of cash flows and notes to the financial
  statements.

Basis for opinion
We conducted our audit in accordance with good auditing practice in
Finland. Our responsibilities under good auditing practice are further
described in the Auditor’s Responsibilities for the Audit of the Financial
Statements section of our report.

We believe that the audit evidence we have obtained is sufficient
and appropriate to provide a basis for our opinion.

Independence
We are independent of the parent company and of the group
companies in accordance with the ethical requirements that are
applicable in Finland and are relevant to our audit, and we have fulfilled
our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge, the non-audit services that we have
provided to the parent company and to the group companies are in
accordance with the applicable law and regulations in Finland and we
have not provided non-audit services that are prohibited under Article
5(1) of Regulation (EU) No 537/2014. The non-audit services that we
have provided are disclosed in Auditor’s fees in Note 3 to the parent
company financial statements.

Our audit approach

Overview

- Overall group materiality: €125 million, which represents
  0.5% of consolidated net sales

- We performed audit procedures at 23 reporting components, in
  addition to group level procedures over specific consolidated
  accounts and analytical procedures to assess unusual
  movements across all entities

- Identification of Performance Obligations related to Networks
  and Nokia Software

- Utilization of deferred tax assets in Finland

As part of designing our audit, we determined materiality and
assessed the risks of material misstatement in the financial
statements. In particular, we considered where management made
subjective judgements; for example, in respect of significant
accounting estimates that involved making assumptions and
considering future events that are inherently uncertain.

Materiality
The scope of our audit was influenced by our application of materiality. An
audit is designed to obtain reasonable assurance whether the financial
statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered
material if individually or in aggregate, they could reasonably be
expected to influence the economic decisions of users taken
on the basis of the financial statements.

Based on our professional judgement, we determined certain
quantitative thresholds for materiality, including the overall group
materiality for the consolidated financial statements as set out in the
table below. These, together with qualitative considerations, helped us
to determine the scope of our audit and the nature, timing and extent
of our audit procedures and to evaluate the effect of misstatements
on the financial statements as a whole.

<table>
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<tr>
<th>Overall group materiality</th>
<th>€125 million (previous year €125 million)</th>
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<tbody>
<tr>
<td>How we determined it</td>
<td>0.5% of consolidated net sales</td>
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<tr>
<td>Rationale for the materiality benchmark applied</td>
<td>The Group’s results from operations were near breakeven, and therefore we assessed that an earnings based measure was not the most appropriate benchmark to determine our materiality. Instead of an earnings based measure, we utilized a percentage of revenue. This is based on perspectives and expectations of the users of the financial statements in the context of our understanding of the entity and the environment in which it operates.</td>
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How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates in a significant number of legal entities or “reporting components” globally. We determined the nature, timing and extent of audit work that needed to be performed at reporting components by us, as the group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by reporting component auditors, we issued specific instructions to those auditors which included our risk analysis, materiality and global audit approach to centralized processes and systems. We visited all significant reporting components and communicated regularly with the reporting component auditors throughout our audit. We performed audits of financial information at individually financially significant reporting components. Additionally, we performed audits of one or more financial statement line items or specified audit procedures at other significant reporting components based on our overall risk assessment and materiality.

We also performed targeted audit procedures at less significant reporting components in order to provide further coverage over the Group’s revenue and consolidation process. None of the remaining reporting components individually contributed greater than 2.5% of either Group net sales or Group total assets. In addition to the audit work performed on internal controls which operate on a Group-wide basis, we performed analytical procedures over these components, which corroborated our assessment that these components did not present a reasonable risk of material misstatement. By performing the procedures above at reporting components, combined with additional procedures at the Group level, we have obtained sufficient and appropriate evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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<tr>
<th>Key audit matter in the audit of the group</th>
<th>How our audit addressed the key audit matter</th>
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<tr>
<td>Identification of Performance Obligations related to Networks and Nokia Software</td>
<td>We designed our audit procedures to be responsive to this risk. We obtained an understanding of management’s revenue recognition process and evaluated the design and tested the operating effectiveness of controls over revenue recognition, with particular focus on the controls related to the identification of performance obligations, within revenue contracts and determination of the timing of recognition for each revenue obligation. Audit procedures were performed over revenue recognition at the Group level and at each of the reporting components that were in scope for revenue for the Group audit. We completed detailed testing procedures over revenue arrangements that we selected based on size and complexity to assess the appropriateness of judgements made by management regarding performance obligations, the determination of fair value of deliverables and the appropriateness of recognition triggers. We tested a sample of revenue transactions recorded during the year by tracing them to supporting evidence of delivery and acceptance and assessed the revenue recorded in the period by comparing it to contractual terms. We assessed the Group’s revenue recognition accounting policies for compliance with IFRS.</td>
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Refer to Note 4, Use of estimates and critical accounting judgments, and Note 7, Revenue recognition of the consolidated financial statements

Certain revenue contracts in the Networks and Nokia Software businesses include multiple performance obligations. For example, a revenue arrangement may include a combination of hardware, software, licensing of intellectual property and rendering of services. The associated revenue recognized for such contracts depends on the nature of the underlying goods and services provided. The Group conducts an assessment at contract inception to determine which promised goods and services in a customer contract are distinct and accordingly identified as performance obligations. The Group considers there to be a distinct performance obligation if the customer can benefit from the good or service either on its own or together with other resources readily available, and if the Group’s promise to transfer the good or service is separately identifiable from other promises in the contract. These arrangements may give rise to the risk of material misstatement due to the incorrect identification of performance obligations and timing of revenue recognition for each obligation.

We have determined that this area constitutes a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.
Key audit matter in the audit of the group

Utilization of deferred tax assets in Finland
Refer to Note 4, Use of estimates and critical accounting judgments, and Note 12, Income taxes of the consolidated financial statements
At December 31, 2019, the Group had recognized net deferred tax assets of EUR €4.7 billion, of which €2.8 billion related to Finland.

The recognition of deferred tax assets is based on the assessment of whether it is probable that sufficient taxable profit will be available in the future to utilize the reversal of deductible temporary differences, unused tax losses and unused tax credits before the unused tax losses and unused tax credits expire. The analysis of the utilization of the deferred tax assets was significant to our audit as the amounts are material, the assessment process is judgemental and is based on assumptions that are impacted by expected future market conditions, specifically as it relates to future performance in Finland.

We have determined that this area constitutes a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.

How our audit addressed the key audit matter

We designed our audit procedures to be responsive to this risk.

We obtained an understanding of the process that management has implemented for accounting for deferred tax assets. We also evaluated the design and tested the operating effectiveness of controls in this area.

We performed substantive audit procedures to validate the deferred tax balances, which are recorded with a consideration of enacted tax laws in each jurisdiction in accordance with IFRS.

Our audit work on the valuation of deferred tax assets, with the involvement of our tax specialists, included:

- Validating the completeness and accuracy of tax attributes;
- Confirming the appropriate application of tax rules for utilizing deferred tax assets, including expiry of those attributes;
- Evaluating the Company’s ability to generate sufficient taxable income to utilize deferred tax assets. This evaluation takes into account the Company’s historical profitability and future projections; and,
- Reviewing the adequacy of the disclosures made by the company in accordance with IFRS.

In addition, we assessed the Group’s accounting for compliance with IFRS.

There are no key audit matters to report or significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.
Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company’s or the group’s internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company’s or the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view; and,
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
Other reporting requirements

Appointment
We were first appointed as auditors by the annual general meeting on 25 March 1987. Our appointment represents a total period of uninterrupted engagement of 33 years.

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion:
- the information in the report of the Board of Directors is consistent with the information in the financial statements; and,
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements
We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki 5 March 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant (KHT)