Capital Markets Day 2021

NOKIA

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Chief Financial Officer (CFO)

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Agenda

CFO Priorities

- Creating shareholder value
- Driving improved returns and consistency through rigorous performance management
- Focus on capital allocation and free cash flow generation
- Focus on transparent investor communications
- Outlook for 2021 and 2023

Creating shareholder value

Key observations

End to end strategy was not aligned with how customers buy

Complex organization and operating model

Heavy corporate structure and steering

Unclear accountability

Additional R&D investments needed in Mobile Networks

Our employees are highly engaged

We have technology leadership in many areas

Fundamental change in our operating model

From	To
End-to-end	Best of breed
Complexity	Streamlined focus on customers and value creation
Heavy corporate	Lean corporate
Unclear accountability	Four empowered and accountable Business Groups
Additional R&D needed	Prioritization of R&D

Strong focus on long term value creation by

Technology leadership	Capital allocation	Performance management

Four empowered and P/L accountable Business Groups, with management and employee incentives aligned with fundamental value creation

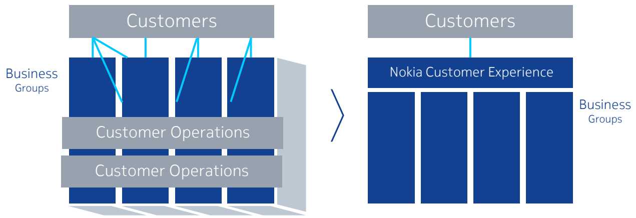
ROCE > WACC*	Responsibility for portfolio management and go-to-market will support growth	Focus on free cash flow generation and working capital efficiency	Operating margin targets consistent with strategy to create value

*Nokia Group level WACC is estimated to be approximately 7%

Streamlined organization, designed to empower our Business Groups

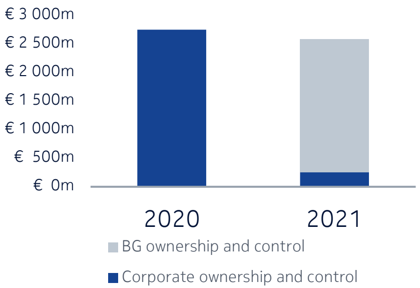
We have established change momentum

Empowerment and accountability for operating decisions to Business Groups



From complex matrix to clear accountability according to how customers buy

Lean corporate center



~14 000 people directly embedded into Business Groups

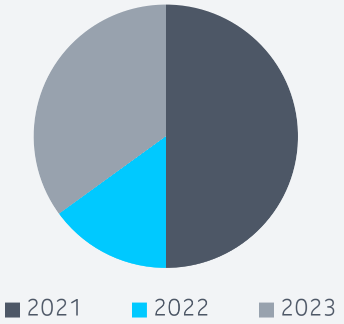
Optimizing for future value creation

Business Group-led restructuring

Planned restructuring to lower cost base by EUR 600 million by end of 2023

Expected cost savings have been factored into 2023 guidance

Expected restructuring and associated charges



~EUR 600-700m

- BG-led restructuring
- Cost savings will offset:
  - Increased investments in R&D and future capabilities
  - Costs related to salary inflation
- Continue to expect approximately EUR 500m of cash outflows related to previous plans

Driving improved returns and consistency through rigorous performance management

New Nokia business system to steer our journey

Designed to capture benefits from our new decentralized operating model

Target setting and capital allocation
- Portfolio choices
- Target to improve step by step
- Annual capital allocation

Performance management
- Performance driven by P/L entities
- Focus on risks/opportunities and scorecards
- Constant drumbeat and early warning system

Policy and process architecture
- Group sets critical policies
- Decentralized and lean processes
- Charging mechanism

People value Proposition
- Coaching employees
- Frequent feedback on performance
- Empowering and inspiring employees

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Focus on capital allocation and free cash flow generation

Clear capital allocation policy leads to strong capital structure and technology leadership

Our primary focus

To deploy our capital towards organic or inorganic investments to ensure technology leadership in areas where we have a clear path towards creating shareholder value, while maintaining a strong capital structure and prudent financial strategy.

Our next priority

To provide shareholders with capital returns.

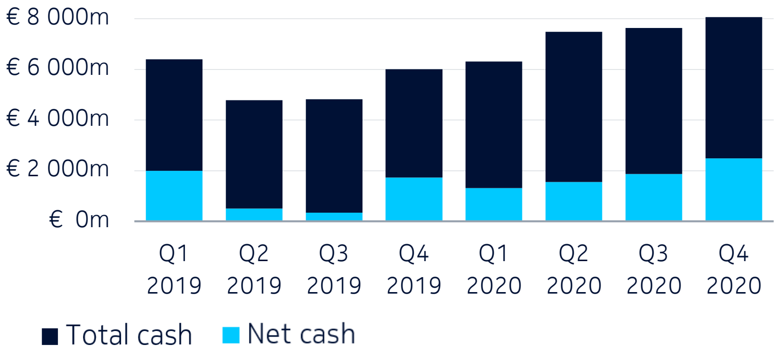
Updated dividend policy

We target recurring, stable and over time growing ordinary dividend payments, taking into account the previous year's earnings as well as the company's financial position and business outlook.

  Public

Maintaining strong capacity to invest consistently in R&D for the future

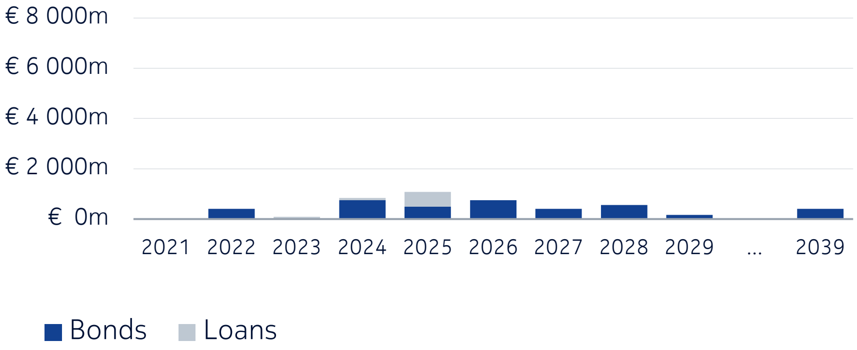
Total cash and net cash



We intend to maintain a level of total cash at 30% or more of annual net sales

Sufficient cash to cover all debt maturities; 2024 maturity next to be refinanced

Debt maturities



We target investment grade credit ratings.
Current credit ratings, all with stable outlook:

- Fitch BBB-
- Moody's Ba2
- S&P BB+

  Public NOKIA

Positive free cash flow expected in 2021

Targeting meaningful uplift beyond 2021

Free cash flow[1] in 2021	% of net sales rounded to the nearest 0.5%
Comparable operating margin	7 to 10%
Add back non-cash items, including depreciation and amortization	Approx. 3.5%
Working capital, net	+/-
Interest paid, net	Approx. -0.5%
Income taxes paid, net	Approx. -1.5%
Restructuring[2]	Approx. -2.5%
Capital expenditures	Approx. -3.5%
Free cash flow	**Positive**

Incentivized net working capital rotation days optimization

Inventories

Optimized levels by categorization of inventories

Receivables

Discipline on customer T&C's

Payables

Continue the optimized payment terms

[1]Free cash flow = net cash from/(used in) operating activities - capital expenditures + proceeds from sale of property, plant and equipment and intangible assets – purchase of non-current financial investments + proceeds from sale of non-current financial investments.
[2] Of which EUR 250 million is related to remaining cash outflows from our previous cost savings program

Focus on transparent investor communications

Improving investor communications

Financial reports

Focus on streamlining content, to make it easier to find key content

Transparency to business performance

Focus on enabling investors and analysts to assess and value each Business Groups

Outlook

Focus on providing a balanced outlook and transparent updates on a quarterly basis

ESG

Clear focus on ESG and integrated reporting

Ranked #4 on WSJ list of most sustainably managed companies

Named as one of the world's most ethical companies by Ethisphere

Outlook

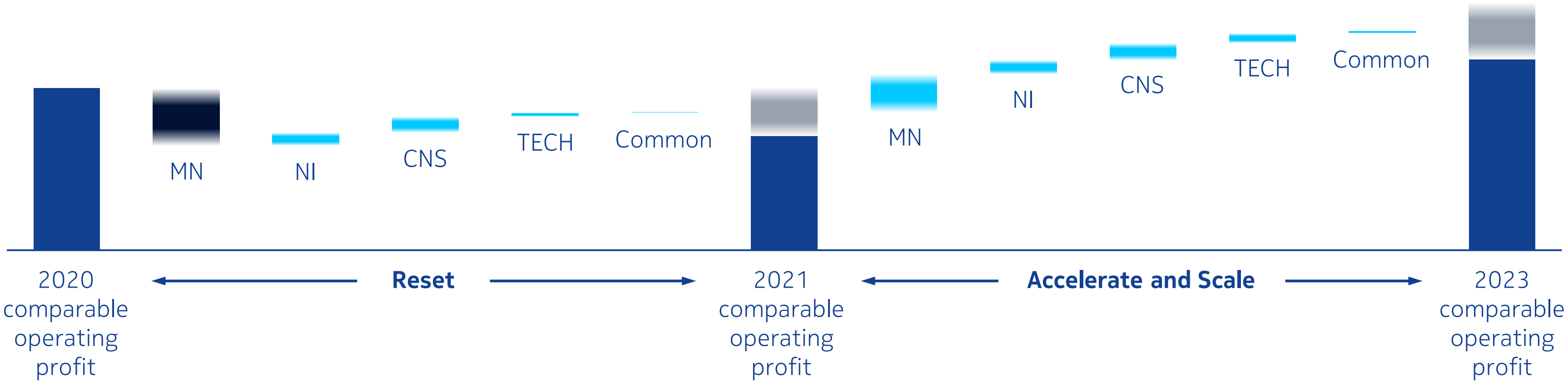
2021-2023

Our outlook for 2021 and 2023

	2020 actual	2021 outlook	2023 outlook
Net sales	€21.9bn	€20.6 to 21.8bn*	Grow faster than market*
Comparable operating margin	9.7%	7 to 10%	10 to 13%
Free cash flow	€1.4bn	Positive	Clearly positive
Comparable ROIC	11.9%	10 to 15%	15 to 20%

* Assuming continuation of 2020 year-end EUR/USD rate of 1.23

Comparable operating profit bridge



Comparable operating margin

9.7% → 7-10% → 10-13%

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Each business group contributes to value creation

Comparable operating margin	Mobile Networks	Network Infrastructure	Cloud and Network Services	Nokia Technologies	Nokia Group
2021	-1 to +2%	7 to 10%	3 to 6%	>75%	7 to 10%
2023	5 to 8%	9 to 12%	8 to 11%	>75%	10 to 13%
	Increase R&D and complete turnaround Restructure to reset cost base Drive value creation through focus on 5G growth, trust and security, enterprise and ORAN/vRAN	Deliver portfolio innovation in silicon and systems, software leadership and automation Strengthen CSP foundation Accelerate growth through focus on enterprise digital transformation, cloud and Industry 4.0	Restructure to optimize portfolio for accelerated growth and value creation Capture key emerging opportunities in 5G core, analytics and AI-based services, private wireless, digital operations, and managed security Drive XaaS business models	Drive innovation Secure renewals Expand coverage Build brand partnerships	

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Summary and key takeaways

A phased journey of value creation

2021 focus

Reset

Moved away from end-to-end as a cornerstone of our equity story

Created new operating model

Defined new Global Leadership Team

Securing full portfolio competitiveness in Mobile Networks

Resetting our cost base

Renewing our purpose and ways of working

2022 and mid term

Accelerate

Increase the digitalization of operations

Enhance margins through improved portfolio competitiveness and technology leadership investments

Create growth opportunities through new products and services

Scale

Setting our sights on new value resulting from next-generation critical networks

(i.e., O-RAN, vRAN, cloud-native software, as-a-service business models)

Driving improved focus on capital allocation and technology leadership in 2021, positioning Nokia to grow profitably in 2022 and beyond

Key takeaways

Technology leadership

Aim to lead in all segments where we compete

Capital allocation

Streamlined focus on value creation fundamentals

Performance management

Ensure we stay on track

Four empowered and P/L accountable Business Groups, with management and employee incentives aligned with sustainable value creation

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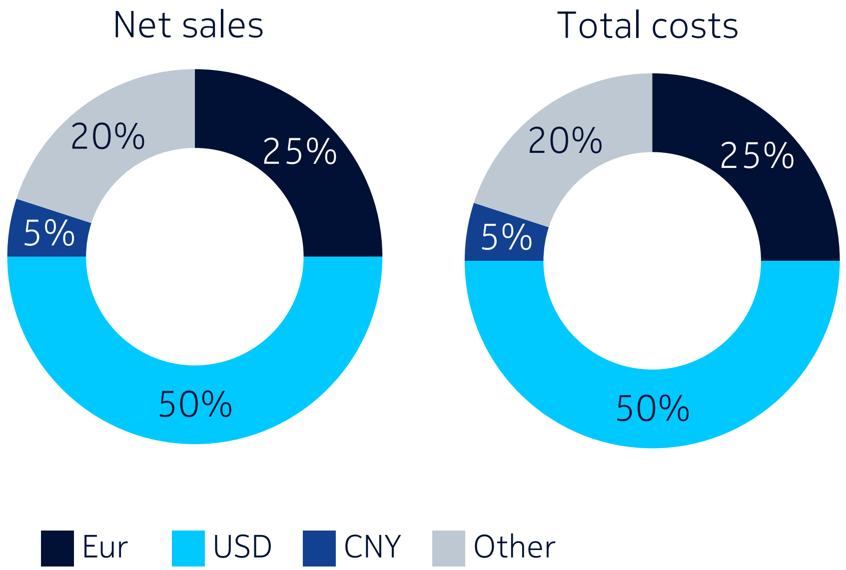
Appendix

Currency exposure and rule of thumb

Exposure to currencies in full year 2020



Rule of thumb*

Change in EUR/USD:

+10%

Net sales impact:

-4 to -5%

Operating profit impact:

Neutral

* Assuming current mix of net sales and total costs

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