

# Q2 2021 Investor Video Transcript

July 29, 2021

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During this presentation, we will be making forward-looking statements regarding our future business and financial performance and these statements are predictions that involve risks and uncertainties. Actual results may therefore differ materially from the results we currently expect. Factors that could cause such differences can be both external as well as internal operating factors. We have identified such risks in more detail in the section titled “Operating and financial review and prospects – Risk Factors” of our 2020 annual report on Form 20-F, as well as our other filings with the U.S. Securities and Exchange Commission.

Please note that our results release, the complete report with tables and the presentation on our website include comparable results information in addition to the reported results information. Our complete financial report with tables available on our website includes a detailed explanation of the content of the comparable information and a reconciliation between the comparable and the reported information. Today’s stock exchange release and presentation can be found on the investor relations section of the Nokia website.

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Melissa Schoeb, Chief Corporate Affairs Officer

Hi everyone and welcome to this introduction to Nokia’s second quarter results. My name is Melissa Schoeb and I’m Chief Corporate Affairs Officer for Nokia. Joining me today is Pekka Lundmark, Nokia’s President and CEO. Welcome.

Pekka Lundmark, President and CEO

Thank you Melissa, pleasure to be here.

Melissa Schoeb, Chief Corporate Affairs Officer

Pekka, could you please start us off by highlighting some of the results from the quarter.

Pekka Lundmark, President and CEO

Well, obviously I'm delighted by the second quarter results and overall the first half year results. We had 9% constant currency growth in the quarter and the very important thing is that this was broad-based growth and it was driven by all of our businesses. Particularly strong were Network Infrastructure and Tech which both had a really good 20% growth. It was not only all of our businesses – it was also six out of seven regions, particularly Latin America and India. Our comparable gross margin was up 270bps to 42.3%. This was driven primarily by Mobile Networks and Tech. In Mobile Networks we had a one-time software deal that supported the margin but it was not only that. It was also 5G growth, very good progress in cost competitiveness and overall favourable product mix. The combination of the topline growth, gross margin expansion and very good operational expense control resulted in this very good 12.8% comparable operating margin. On top of this I would like to highlight the fact that this was the fifth consecutive quarter of positive free cash flow.

Melissa Schoeb, Chief Corporate Affairs Officer

Nokia launched its three-phased strategy back in March. How is it going?

Pekka Lundmark, President and CEO

Well I'm pleased to confirm that we are making very good progress on our three-phased strategy. I would like to highlight three examples. The first one would be the operational model where of course the fundamental principal is that we have now given full financial accountability to our business groups and that is really helping us to drive our margins. BGs [Business groups] are making very good progress on this. The second highlight would be the very important steps that we are taking to secure full competitiveness in Mobile Networks. One of the key highlights of the entire quarter was the launch of the AirScale product family in Mobile Networks. The third example is really the importance of technology leadership. As you have seen we had 20% growth in Network Infrastructure which was really driven by technology leadership and there is actually more to come. We will have more product launches in the pipeline for the second half of the year. So good progress on our strategy.

Melissa Schoeb, Chief Corporate Affairs Officer

Pekka – you mentioned the AirScale launch – what made that so significant?

Pekka Lundmark, President and CEO

Yes, as I already said it was a major launch with an objective to make us significantly more competitive. The new product family has more capacity, it's lighter and very importantly it's more energy efficient so it is also supporting our customers sustainability goals. On top of this it is ORAN ready, which is very important for the upcoming disaggregation of some of the network architectures. As a final point, this pretty much completes our journey where we are implementing the ReefShark chipset family across our entire AirScale base station portfolio by the end of 2022.

Melissa Schoeb, Chief Corporate Affairs Officer

Thank you. Could you give us a little bit more colour on some additional feedback from our customers?

Pekka Lundmark, President and CEO

The feedback has been really fantastic. Of course as we know, AirScale allows our customers to continue their 5G network evolution and the capacity evolution, in particular. The very important thing is that now we are able to combine the capacity evolution with increasing energy efficiency and achieving both goals simultaneously.

Melissa Schoeb, Chief Corporate Affairs Officer

Our Network Infrastructure business has been performing extremely well. Can you give some highlights on that performance and is it sustainable?

Pekka Lundmark, President and CEO

We had again double-digit growth or actually 20% growth in Network Infrastructure. Excellent quarter. It is actually not that complicated. It just shows what technology leadership can deliver when you do it right. The highlight that I would like to mention this time is our Fixed Networks division where growth is driven by broad based appetite for broadband in homes, in 5G base station connectivity, in many different applications. In some cases actually this demand is driven by the COVID pandemic and the resulted lockdowns, which is driving bandwidth demand in many parts of the network. What we should remember of course is that when we move to the second half of the year the year-on-year comparisons will get tougher. But having said that I remain confident on the future prospects of this business.

Melissa Schoeb, Chief Corporate Affairs Officer

Cloud and Network Services continues to rebalance its portfolio, what are the key developments for the quarter?

Pekka Lundmark, President and CEO

Yes, as you said there is a pretty big portfolio rebalancing ongoing in Cloud and Network Services and that is progressing well. While we are doing that, we are making progress on the market. 5G Core software is of course one of the most important products that we have in CNS and the progress is good. We added 7 new deals in the second quarter and we now have >150 customers for 5G core. Another important product area is private wireless for enterprise customers where we also had really good growth and we now have over 340 customers.

Melissa Schoeb, Chief Corporate Affairs Officer

Technology business had another strong quarter with 20% constant currency growth, what enabled that growth?

Pekka Lundmark, President and CEO

Of course the fundamental part of this business is driven by the run-rate of our patent licensing which is in the ballpark of EUR1.4 to EUR1.5bn. Very importantly we are now expanding to new segments where automotive is perhaps one of the most important ones and here's where we signed two new deals with two manufacturers during the quarter, which further demonstrates the strength in our cellular portfolio which we are now applying in new domains. In addition to the traditional mobile phone segment.

Melissa Schoeb, Chief Corporate Affairs Officer

Lastly Pekka, we recently updated our financial guidance for the year, can you explain why?

Pekka Lundmark, President and CEO

Well, as you have seen, it was really a robust start to the year. Great Q2 and great H1 overall. As a result we now expect our full year comparable operating margin to be between 10-12% instead of our previous expectation of between 7-10%. We have actually executed on our strategy a little bit faster than we thought ourselves. Great first half of the year. When we look at the overall picture for the full year we need to of course remember that there were certain one-off benefits in H1. We have also been talking about certain market share and pricing related headwinds that we still expect to be there in the second half of the year. This all means that the typical seasonality in our result that we have often seen will be less pronounced in 2021 than

earlier and we will also continue to invest in R&D. And very importantly since the semiconductor supply situation in the world remains pretty tight, we need to keep a close eye on component availability. All of these factors have of course now been built into our new guidance of 10-12% comparable operating margin. Overall I am extremely happy with our second quarter and I would like to thank the entire Team Nokia for this achievement and of course the hard work continues.

Melissa Schoeb, Chief Corporate Affairs Officer

Thank you Pekka and thank you everyone for joining. If you would like to find out more please visit [Nokia.com](https://www.nokia.com).