"We have a very talented and dedicated team across our organization; employee connectedness to our mission is strong; and that puts Nokia in the driver’s seat in the transition to 5G and in delivering further shareholder value."

2017 was a solid year of execution for Nokia, as we delivered on our financial commitments and gained momentum in driving forward all four pillars of our strategy.

With that progress, Nokia is in an excellent position for sharply improving its performance towards 2020 and for leading the transition to 5G that is underway.

Financial Highlights

Our Networks business net sales declined in line with our guidance and it posted an operating margin of 8.3%, which also met our guidance. Nokia Technologies had a strong year, with net sales and operating margin up 57% and 13 percentage points, respectively, compared to 2016, driven by higher licensing revenue that highlights the strength of our patent portfolio. We also closed the year on track to deliver EUR 1.2 billion in structural cost savings in full-year 2018.

Looking forward on the Networks side, we expect our market to decline again in 2018, although at a slightly lower rate than the market decline in 2017, given early signs of improved conditions in North America. For 2019 and 2020, we expect market conditions to improve markedly, driven by full-scale rollouts of 5G networks; and, as those rollouts occur, Nokia is remarkably well-positioned.

With our overall performance, Nokia’s Board of Directors will propose a dividend of EUR 0.19 per share for 2017, up 12% from our 2016 dividend. And, the Board is committed to proposing a growing dividend, including for 2018.

Customers

Customer recognition of Nokia’s work in leading the way to 5G was reflected in our healthy deal-win rate in 2017. This included our agreement with ALTÁN Redes in Mexico, a truly end-to-end project, which underlined the strength of our complete product offering.

We also saw customer support for the progress in our cross-selling capabilities, with the multi-business-group opportunity share of Nokia’s deal pipeline standing at 36%. That is up substantially from 2016 and underlines how customers continue to respond favorably to the broad scope of our portfolio in preparation for 5G.

We also saw it in the market share we gained in 2017 in 4G/LTE and small cells; that is relevant, as the 4G/LTE installed base needs to be truly 5G ready. Now to the excellent execution in the four pillars of our strategy.
Strategy

In the first pillar, leading in high-performance end-to-end networks with CSPs, or communication service providers, our 5G readiness progressed on several fronts.

Let me start by saying that CSPs increasingly realize that, unlike 4G and previous generations of technology, 5G is very different. It is not just about radio but spans the full network: from mobile access, cloud core, and software-defined networking to backhaul, front haul, IP routing, fixed networks, and software.

In the face of fast-rising bandwidth and other performance demands, customers know they need to take an architecture-driven, end-to-end approach that Nokia offers, with a coordinated, holistic view across all elements of the network. And, the work is well underway. In early 2018, we announced an agreement to deliver 5G equipment to Japan’s NTT DOCOMO, kickstarting what we think will be a year of 5G investment and trials with operators around the globe; followed potentially by some deployments towards the end of 2018, with meaningful deployments in 2019.

Mobile Networks broadened our focus into multiple areas of early 5G mobility use cases, including enhanced mobile broadband and ultra-reliable, ultra-low-latency communications. As part of this, we introduced the 5G NR (New Radio) air interface standard to support 5G devices and services.

Fixed Networks launched its Intelligent Access Vision, aimed at making access networks faster, better and smarter. Faster is about bringing the most complete network access toolkit to the market, including copper, fiber, cable and fixed-wireless solutions; better, about delivering a gigabit to the home and throughout the home, as users also expect optimal connectivity in every corner of the home; and smarter, about removing complexity and making the network simpler and easier to manage. As part of that, we introduced our Software-Defined Access Network, or SDAN, solution to bring customers a set of cloud-native software, open hardware, automated operations and integration services. And, we capped all of that by winning the world’s first major SDAN project in December, and we see more progress like that ahead.

Global Services accelerated development of its service offering and delivery capabilities by integrating artificial intelligence, machine learning and automation. It unveiled an enhanced Analytics Services solution, powered by our cloud-based cognitive services platform, AVA (Automation, Virtualized, Analytics). GS also announced our Multi-purpose Intuitive Knowledge Assistant, or MIKA, the world’s first digital assistant for CSPs that gives engineers faster access to accurate answers through voice-dictated automated assistance. Further, it launched the industry’s first global managed service for IoT, Nokia WING (worldwide IoT network grid), to help CSPs enter this market quickly.

In our second pillar, expanding network sales beyond CSPs to select vertical markets, Nokia saw double-digit underlying sales growth compared to 2016. This reflects our confidence that the need for mission-critical, high-performance networks continues to grow as companies and public sector organizations everywhere digitize their operations.

In the segments we are targeting—spanning webscale companies, extra-large enterprises that use technology as a competitive advantage, and large players in transportation, energy and the public sector—we added almost 100 new customers in 2017, including Amazon, Fujitsu, and Philips.

Our IP/Optical Networks, or ION, business group was a key driver in our momentum in new vertical markets, which represented roughly 5% of Nokia’s total sales in 2017. And, with our FP4, silicon-based routing products starting to ship, ION is well-placed to fundamentally improve our IP routing position with webscale companies in 2018 and beyond.
In our **third pillar**, building a strong, standalone software business at scale, our Applications & Analytics (A&A) business group built Nokia’s first dedicated software sales force and re-architected our software on a common foundation. We introduced several new products and services, including Nokia Smart Plan Suite, Nokia Session Border Controller and Nokia NetGuard Security Management Center, and we acquired Comptel to enhance our software intelligence and automation capabilities. In February 2018, we renamed A&A as Nokia Software, highlighting our longer-term ambitions for this business and the opportunities we see in helping CSPs and our select vertical markets improve the digital customer experience, implement innovative business models, and unlock new revenue opportunities.

In our **fourth pillar**, creating new business and licensing opportunities in the consumer ecosystem, Nokia did not miss a beat. Nokia Technologies signed several new patent licensing agreements and won patent arbitration awards with companies that included Apple, Blackberry, and Huawei. We advanced plans to develop our licensing business in new areas like automotive, and in geographies like China and India. We saw early progress in our brand licensing agreement with HMD Global, which launched several Nokia-branded smartphones and feature phones that have achieved outstanding net promoter scores. We also took the decision to stop development of the OZO virtual reality camera, as we focus Nokia Technologies’ efforts on our licensing business and lowering costs. As part of that approach, in early 2018, we initiated a strategic review of our Digital Health business. We have a disciplined and pragmatic approach towards investing in new growth opportunities in Nokia Technologies. If we think a bet won’t meet our criteria for becoming a meaningful business, we will move on quickly, and you see that in the actions we have taken.

**Innovation**

An important dimension to our strategy progress was the fact that 2017 was another year in which Nokia Bell Labs and all our business groups lived up to Nokia’s innovation prowess. Just after 2017 closed, we introduced our end-to-end 5G Future X network architecture and ReefShark chipset for our radio portfolio. Together, these innovations provide significant differentiation for Nokia against the competition and enable full-scale commercial deployments of standards-based 5G networks, which we see happening towards the end of 2018 or early 2019. And, we launched the most powerful internet routing platforms, powered by Nokia’s new FP4 silicon, the world’s first multi-terabit chipset that is many times faster and smarter than anything on the market.

**People**

In 2017, we strengthened awareness and understanding of our core cultural principles, which are summarized in the “Drive, Dare and Care” behaviors we put into place during the year.

It is especially pleasing to see Nokia employees’ strong belief in our company’s direction, as indicated by our internal Culture Cohesion Tracker survey, along with particularly good progress in reducing bureaucracy and hierarchies. All of this progress is encouraging even as we continue to deepen our common culture and ways of working in all six of our business groups and in geographies across the world.
Looking ahead

With our 2017 performance, there is much to look forward to at Nokia.

Our strategy is working well; our customer relationships continue to grow and deepen; and we are taking meaningful steps to further strengthen our disciplined execution, including in our customer operations.

Our competitive advantages—from the strength of our innovation capacity to the scale and scope of our portfolio—give Nokia the capabilities to continue to live up to the rich legacy of our 153-year old company. And, that is why we are confident about our market prospects as we move forward.

We have a very talented and dedicated team across our organization; employee connectedness to our mission is strong; and that puts Nokia in the driver’s seat in the transition to 5G and in delivering further shareholder value.

Rajeev Suri  
President and CEO

Sustainability and Corporate Responsibility

We also continued to do the right things the right way in delivering on our sustainability commitments, which are an important dimension to everything we do at Nokia.

Working with the Science Based Targets initiative, we set a long term carbon emissions reduction target of 75%; this target includes customer use of our products and forms the largest portion of our carbon footprint. We also set a science-based emissions reduction target of 41% for our own operations. Both targets are set for 2030 against a 2014 baseline. We track these annually and are progressing against both targets.

Nokia was also again ranked in the top 1% of suppliers assessed in 2017 as part of the EcoVadis scorecards, which measure corporate sustainability performance. We achieved excellent scores in environmental performance, sustainable procurement, and labor practices. And, we were again rated an industry leader in the Communications Equipment (“CMT”) sector of the Dow Jones Sustainability Indices (“DJSI”) and were awarded a “Gold” level by RobecoSAM in early 2018 for our sustainability performance.