Q3 2019

Conference call
October 24, 2019
15:00 / Helsinki
08:00 / New York

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It should be noted that Nokia and its business are exposed to various risks and uncertainties and certain statements herein that are not historical facts are forward-looking statements. These forward-looking statements reflect Nokia's current expectations and views of future developments and include statements preceded by "believe", "expect", "expectations", "commit", "anticipate", "foresee", "see", "target", "estimate", "designed", "aim", "plan", "intend", "influence", "assumption", "focus", "continue", "project", "should", "is to", "will" or similar expressions. These statements are based on management's best assumptions and beliefs in light of the information currently available to it. Because they involve risks and uncertainties, actual results may differ materially from the results that we currently expect. Factors, including risks and uncertainties that could cause such differences can be both external, such as general, economic and industry conditions, as well as internal operating factors. We have identified these in more detail on pages 60 to 75 of our annual report on Form 20-F for the year ended December 31, 2018 under "Operating and Financial Review and Prospects—Risk Factors", and in our other filings or documents furnished with the U.S. Securities and Exchange Commission, including Nokia's financial results reports. Other unknown or unpredictable factors or underlying assumptions subsequently proven to be incorrect could cause actual results to differ materially from those in the forward-looking statements. We do not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Nokia presents financial information on reported, non-IFRS and constant currency basis. Non-IFRS measures presented in this document exclude costs related to the acquisition of Alcatel-Lucent and related integration, goodwill impairment charges, intangible asset amortization and other purchase price fair value adjustments, restructuring and associated charges and certain other items that may not be indicative of Nokia's underlying business performance. In order to allow full visibility on determining non-IFRS results, information on non-IFRS exclusions is presented separately for each of the components of profit or loss. Constant currency reporting provides additional information on change in financial measures on a constant currency basis in order to better reflect the underlying business performance. Therefore, change in financial measures at constant currency excludes the impact of changes in exchange rates in comparison to euro, our reporting currency. Non-IFRS or constant currency financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS, and either of these financial measures as used by Nokia may not be comparable to similarly titled measures used by other companies or persons. Please see our complete financial report for more information on our results and financial performance for the indicated periods as well as our operating and reporting structure.

Presented by

Rajeev Suri
President and CEO

Kristian Pullola
CFO

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Contents

Solid Q3 and expected strong Q4; Lowering full year 2019 and full year 2020 outlook due to margin pressure and additional investment needs

- Strong performance in Nokia Software, Nokia Enterprise and IP routing
- 5G momentum continues; 48 deals and 15 live networks launched
- Dividend payments paused to increase investments in 5G and strategic focus areas and to strengthen cash position
- Long term target operating margin of 12-14% supported by our end-to-end portfolio, diversification and patent licensing

Q3 2019 and January-September 2019 reported and non-IFRS results. Refer to note 1, "Basis of Preparation", note 2, "Non-IFRS to reported reconciliation" and note 13, "Performance measures", in the "Financial statement information" section for details.

EUR million (except for EPS in EUR)	**Q3'19**	Q3'18	YoY change	*Constant currency YoY change*	**Q1-Q3'19**	Q1-Q3'18	YoY change	*Constant currency YoY change*
Net sales	**5 686**	5 458	4%	*1%*	**16 412**	15 695	5%	*2%*
Operating profit/(loss)	**264**	(54)			**(318)**	(611)		
Operating margin %	**4.6%**	(1.0)%	560bps		**(1.9)%**	(3.9)%	200bps	
EPS, diluted	**0.01**	(0.02)			**(0.10)**	(0.13)		
Operating profit/(loss) (non-IFRS)	***478***	*487*	*(2)%*		***869***	*1 060*	*(18)%*	
Operating margin % (non-IFRS)	***8.4%***	*8.9%*	*(50)bps*		***5.3%***	*6.7%*	*(140)bps*	
EPS, diluted (non-IFRS)	***0.05***	*0.06*	*(17)%*		***0.07***	*0.10*	*(30)%*	
Net cash and current financial investments[1]	**344**	1 879	(82)%		**344**	1 879	(82)%	

[1]Net cash and current financial investments does not include lease liabilities.

Rajeev Suri, President and CEO, on Q3 2019 results

Nokia delivered a solid third quarter, with positive free cash flow; widespread sales growth; solid operating margin; strong performances in Nokia Enterprise, Nokia Software and IP Routing; and good progress towards meeting our 2019 cost reduction goals. We are proud to have launched 15 live 5G networks with customers, including Sprint, Verizon, AT&T and T-Mobile in the US; Vodafone Italy and Zain in Saudi Arabia; as well as SKT, KT and LGU+ in Korea.

Many of our businesses are performing well and we expect Q4 to be strong, with a robust operating margin and an increase in net cash of approximately EUR 1.2 billion. At the same time, some of the risks that we flagged previously related to the initial phase of 5G are now materializing. In particular, our Q3 gross margin was impacted by product mix; a high cost level associated with our first generation 5G products; profitability challenges in China; pricing pressure in early 5G deals; and uncertainty related to the announced operator merger in North America.

We expect that we will be able to progressively mitigate these issues over the course of next year. To do so, we will increase investment in 5G in order to accelerate product roadmaps and product cost reductions, and in the digitalization of internal processes to improve overall productivity. We will also continue to invest in our enterprise and software businesses, which are developing rapidly and performing well. Given these investments and the risks we see materializing, we are adjusting our targets for full-year 2019 and 2020; and we expect our recovery to drive improvement in our 2021 financial performance relative to 2020.

I am confident that our strategy remains the right one. We continue to focus on leadership in high-performance end-to-end networks with Communication Service Providers; strong growth in enterprise; strengthening our software business; and diversification of licensing into IoT and consumer electronics.

As I look to the future, it is clear to me that Nokia has some unique advantages. We have a powerful, end-to-end portfolio that allows us to benefit from 5G investments across all network domains. We have a demonstrated ability to drive value and cash flow through product leadership. We have successful diversification into enterprise and software well underway. We have a large patent licensing business that is sustainable and cash generative over time, with opportunities to enter new growth segments. We have meaningful opportunities to drive further cost reductions through digitalization and automation.

These advantages give me confidence in our ability to create value for our shareholders and achieve our longer-term operating margin target.

Dividend

Beginning with the distribution for the financial year 2018, Nokia started paying dividends in quarterly instalments. Under the authorization by the Annual General Meeting held on May 21, 2019, the Board of Directors may resolve an aggregate maximum annual distribution of EUR 0.20 per share to be paid quarterly during the authorization period, unless the Board decides otherwise for a justified reason. On the same day, the Board resolved to distribute EUR 0.05 per share as the first instalment of the dividend. On July 25, 2019, the Board resolved to distribute EUR 0.05 per share as the second instalment of the dividend.

On October 24, 2019, the Board resolved to not distribute the third and fourth quarterly instalments of the dividend for the financial year 2018, in order to: a) guarantee Nokia's ability to increase 5G investments, b) continue investing in growth in strategic focus areas of enterprise and software and c) strengthen Nokia's cash position. This is in accordance with Nokia's dividend policy, which states that dividend decisions are made taking into account Nokia's cash position and expected cash flow generation. Over the long term, Nokia continues to target to deliver an earnings-based dividend. The Board will seek a dividend authorization from the next Annual General Meeting, and will continue to review dividend distributions on a quarterly basis. The Board expects to resume dividend distributions after Nokia's net cash position improves to approximately EUR 2 billion.

Outlook

Outlook metrics

Full Year 2019	Metric
Non-IFRS diluted earnings per share	EUR 0.21 plus or minus 3 cents (updated from EUR 0.25 - 0.29), which mathematically implies a Q4 2019 non-IFRS diluted EPS midpoint of approximately EUR 0.135
Non-IFRS operating margin	8.5% plus or minus 1 percentage point (updated from 9 - 12%), which mathematically implies a Q4 2019 non-IFRS operating margin midpoint of approximately 16.5%
Recurring free cash flow[1]	Somewhat negative (updated from slightly positive), which mathematically implies a sequential increase in net cash to approximately EUR 1.5 billion at the end of 2019
Full Year 2020	
Non-IFRS diluted earnings per share	EUR 0.25 plus or minus 5 cents (updated from EUR 0.37 - 0.42)
Non-IFRS operating margin	9.5% plus or minus 1.5 percentage points (updated from 12 - 16%)
Recurring free cash flow[1]	Positive (updated from clearly positive)
Long term (3 to 5 years)	
Non-IFRS operating margin	12 – 14% (new)
Annual distribution to shareholders	An earnings-based growing dividend of approximately 40% to 70% of non-IFRS diluted EPS, taking into account Nokia's cash position and expected cash flow generation. The annual distribution would be paid as quarterly dividends.

[1]Free cash flow = net cash from 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.

Key drivers of Nokia's outlook

Net sales and operating margin for Networks and Nokia Software are expected to be influenced by factors including:

- Our expectation that we will perform approximately in-line with our primary addressable market in full year 2019 and full year 2020, as we further prioritize profitability and cash, while continuing to drive growth in our Nokia Software and Nokia Enterprise businesses. (This is an update to earlier commentary to outperform our primary addressable market in full year 2019 and over the longer-term.) On a constant currency basis, we expect our primary addressable market to grow slightly in full year 2019, and for growth to continue in full year 2020;
- Competitive intensity has increased in some accounts as some competitors seek to take share in the early stage of 5G, which is particularly impacting Mobile Access. (This is an update to earlier commentary that competitive intensity could increase);
- Additional 5G investments focused on accelerating our product roadmaps and cost competitiveness. Investment areas include System on Chip based 5G hardware, including diversifying and strengthening the related supplier base (new commentary);
- Additional digitalization investments focused on driving automation and productivity, including further simplification of IT tools and operational processes (new commentary);
- Temporary capital expenditure constraints in North America related to customer merger activity, as well as other potential mergers or acquisitions by our customers (This is an update to earlier commentary for potential mergers or acquisitions by our customers);
- The timing of completions and acceptances of certain projects, particularly related to 5G. Based on the evolving readiness of the 5G ecosystem and the staggered nature of 5G rollouts in lead countries, we expect full year 2019 will have seasonality characterized by a particularly weak first quarter, a strong second quarter, a solid third quarter and an expected strong fourth quarter (This is an update to earlier commentary for an expected soft third quarter and an expected particularly strong fourth quarter);
- Some customers are reassessing their vendors in light of security concerns, creating near-term pressure to invest in order to secure long-term benefits;
- Our expectation that we will improve our R&D productivity and reduce support function costs through the successful execution of our cost savings program;
- Our product and regional mix, including the impact of the high cost level associated with our first generation 5G products (This is an update to our earlier commentary, providing additional details); and
- Macroeconomic, industry and competitive dynamics.

Net sales and operating margin for Nokia Technologies is expected to be influenced by factors including:

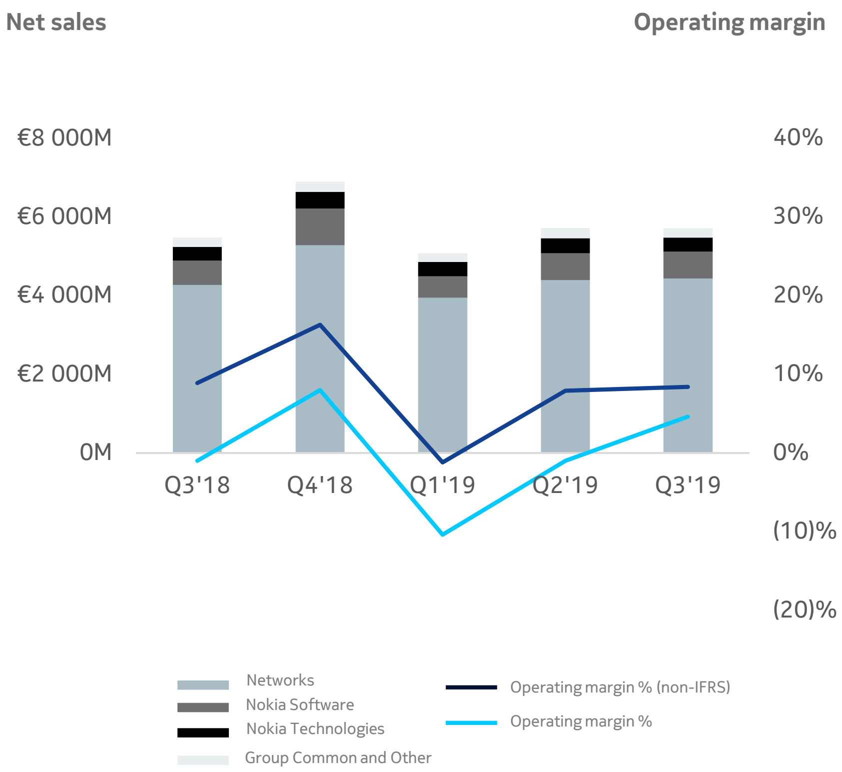
- The timing and value of new and existing patent licensing agreements with smartphone vendors, automotive companies and consumer electronics companies;
- Results in brand and technology licensing;
- Costs to protect and enforce our intellectual property rights; and
- The regulatory landscape.

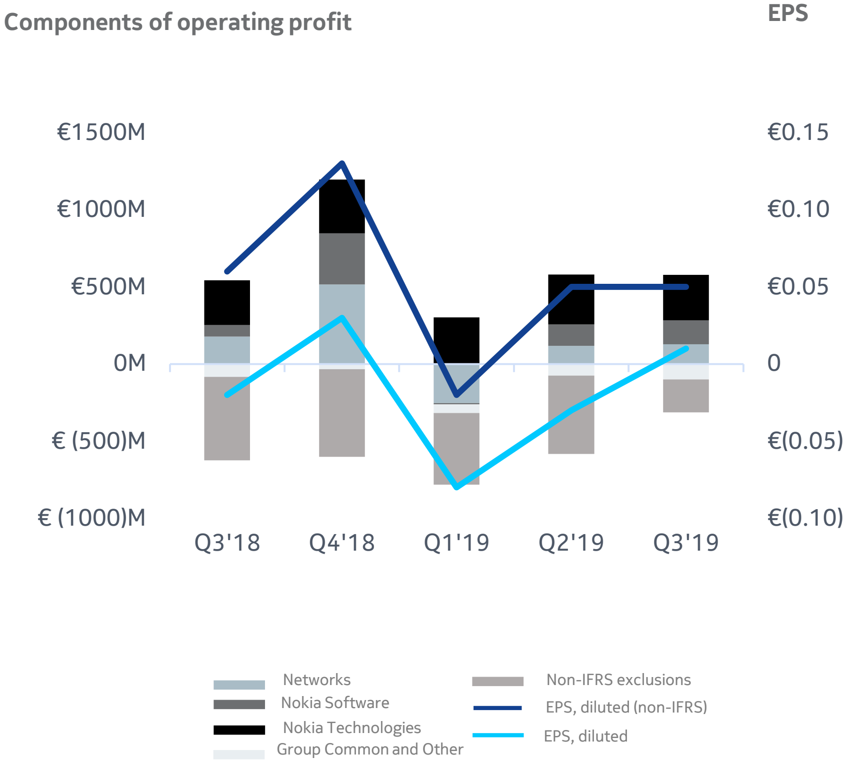
Additionally, our outlook is based on the following assumptions:

- Nokia's recurring free cash flow is expected to improve over the longer-term due to lower cash outflows related to restructuring and network equipment swaps and improved operational results over time;
- Non-IFRS financial income and expenses to be an expense of approximately EUR 400 million in full year 2019 and approximately EUR 350 million over the longer-term (This is an update to earlier commentary for non-IFRS financial income and expenses to be an expense of approximately EUR 350 million in full year 2019);
- Non-IFRS income taxes at a rate of approximately 28% in full year 2019 and approximately 25% over the longer-term, subject to the absolute level of profits, regional profit mix and changes to our operating model;
- Cash outflows related to income taxes of approximately EUR 500 million in full year 2019 and approximately EUR 450 million over the longer term until our US or Finnish deferred tax assets are fully utilized. (This is an update to earlier commentary for cash outflows related to income taxes of approximately EUR 450 million in full year 2019); and
- Capital expenditures of approximately EUR 700 million in full year 2019 and approximately EUR 600 million over the longer-term.

Nokia in Q3 2019

Nokia financial results





Nokia financial results, Q3 2019 compared to Q3 2018

EUR million (except for EPS in EUR)	**Q3'19**	Q3'18	YoY change	*Constant currency YoY change*
Net sales	**5 686**	5 458	4%	*1%*
Networks	**4 434**	4 265	4%	*1%*
Nokia Software	**677**	623	9%	*5%*
Nokia Technologies	**358**	351	2%	*2%*
Group Common and Other	**236**	236	0%	*0%*
Non-IFRS exclusions	**(2)**	(4)	(50)%	
Gross profit	**1 969**	2 019	(2)%	
Operating profit/(loss)	**264**	(54)		
Networks	**128**	178	(28)%	
Nokia Software	**156**	75	108%	
Nokia Technologies	**294**	290	1%	
Group Common and Other	**(100)**	(56)		
Non-IFRS exclusions	**(214)**	(541)	(60)%	
Operating margin %	**4.6%**	(1.0)%	560bps	
Gross profit (non-IFRS)	***2 006***	*2 141*	*(6)%*	
Operating profit/(loss) (non-IFRS)	***478***	*487*	*(2)%*	
Operating margin % (non-IFRS)	***8.4%***	*8.9%*	*(50)bps*	
Financial income and expenses	**(98)**	(60)	63%	
Income taxes	**(80)**	(15)	433%	
Profit/(loss) for the period	**87**	(127)		
EPS, diluted	**0.01**	(0.02)	(150)%	
Financial income and expenses (non-IFRS)	***(113)***	*(48)*	*135%*	
Income taxes (non-IFRS)	***(101)***	*(133)*	*(24)%*	
Profit/(loss) for the period (non-IFRS)	***267***	*309*	*(14)%*	
EPS, diluted (non-IFRS)	***0.05***	*0.06*	*(17)%*	

Nokia non-IFRS net sales grew 4% as our customers continued to invest in their networks in preparation for the rise in broadband traffic driven by 5G. On a constant currency basis, Nokia non-IFRS net sales grew 1%.

Our solid overall topline performance in Q3 2019 reflected improved industry demand and the competitiveness of our end-to-end portfolio, with growth across four out of six regions and all customer types. In Q3 2019, we continued to make progress with our strategy to diversify and grow, with strong performance in Nokia Software and with enterprise customers.

The strong growth in Nokia Software net sales was primarily due to the timing of completions and acceptances of certain projects. To a lesser extent, net sales also benefitted from Nokia Software's improved product and go-to-market capabilities, with growth in both core networks and applications.

The strong growth in net sales to enterprise customers was primarily driven by increased demand for mission-critical networking solutions in industries including utilities and the public sector, with continued momentum in private wireless solutions. Net sales also benefitted from the timing of completions and acceptances of certain projects.

The overall decrease in Nokia non-IFRS gross profit was primarily due to lower gross margin in Networks. We experienced relatively high 5G product costs in Networks, as well as elevated levels of deployment services, consistent with being in the initial phase of 5G. This was partially offset by net sales growth in both Networks and Nokia Software, as well as higher gross margin in Nokia Software. In Q3 2019, Nokia non-IFRS gross profit benefitted from lower incentive accruals.

The decrease in Nokia non-IFRS operating profit was driven by the lower non-IFRS gross profit, partially offset by continued progress related to Nokia's cost savings program. In Q3 2019, Nokia non-IFRS operating profit benefitted from lower incentive accruals.

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Nokia financial results, Jan-Sept 2019 compared to Jan-Sept 2018

EUR million (except for EPS in EUR)	**Q1-Q3'19**	Q1-Q3'18	YoY change	*Constant currency YoY change*
Net sales	**16 412**	15 695	5%	*2%*
Networks	**12 770**	12 129	5%	*2%*
Nokia Software	**1 898**	1 775	7%	*3%*
Nokia Technologies	**1 112**	1 077	3%	*2%*
Group Common and Other	**720**	768	(6)%	*(6)%*
Non-IFRS exclusions	**(29)**	(13)	123%	
Gross profit	**5 614**	5 684	(1)%	
Operating profit/(loss)	**(318)**	(611)	(48)%	
Networks	**(7)**	258	(103)%	
Nokia Software	**286**	117	144%	
Nokia Technologies	**919**	856	7%	
Group Common and Other	**(329)**	(171)		
Non-IFRS exclusions	**(1 187)**	(1 671)	(29)%	
Operating margin %	**(1.9)%**	(3.9)%	200bps	
Gross profit (non-IFRS)	***5 765***	*6 120*	*(6)%*	
Operating profit/(loss) (non-IFRS)	***869***	*1 060*	*(18)%*	
Operating margin % (non-IFRS)	***5.3%***	*6.7%*	*(140)bps*	
Financial income and expenses	**(326)**	(224)	46%	
Income taxes	**108**	89	21%	
Profit/(loss) for the period	**(545)**	(752)	(28)%	
EPS, diluted	**(0.10)**	(0.13)	(23)%	
Financial income and expenses (non-IFRS)	***(291)***	*(247)*	*18%*	
Income taxes (non-IFRS)	***(161)***	*(275)*	*(41)%*	
Profit/(loss) for the period (non-IFRS)	***409***	*532*	*(23)%*	
EPS, diluted (non-IFRS)	***0.07***	*0.10*	*(30)%*	

Nokia net sales grew 5% in the first nine months of 2019 as our customers continued to invest in their networks in preparation for the rise in broadband traffic driven by 5G. On a constant currency basis, Nokia net sales grew 2% in the first nine months of 2019. Excluding approximately EUR 80 million of one-time licensing net sales in the first nine months of 2019 and EUR 20 million in the first nine months of 2018, Nokia net sales grew 4%.

Our solid overall topline performance in the first nine months 2019 reflected improved industry demand and the competitiveness of our end-to-end portfolio, with growth across four out of six regions and all customer types. In the first nine months of 2019, we continued to make progress with our strategy to diversify and grow, with strong performance in Nokia Software and with enterprise customers.

The overall decrease in Nokia gross profit in the first nine months of 2019 was primarily due to lower gross margin in Networks. We experienced relatively high 5G product costs in Networks, as well as elevated levels of deployment services, consistent with being in the initial phase of 5G. This was partially offset by lower costs related to network equipment swaps, net sales growth in both Networks and Nokia Software, as well as higher gross margin in Nokia Software. In the first nine months of 2019, Nokia gross profit benefitted from lower incentive accruals.

The decrease in Nokia operating loss in the first nine months of 2019 was driven by continued progress related to Nokia's cost savings program, a gain on defined benefit plan amendments and lower restructuring and associated charges, partially offset by the lower gross profit. In the first nine months of 2019, Nokia operating loss benefitted from lower incentive accruals.

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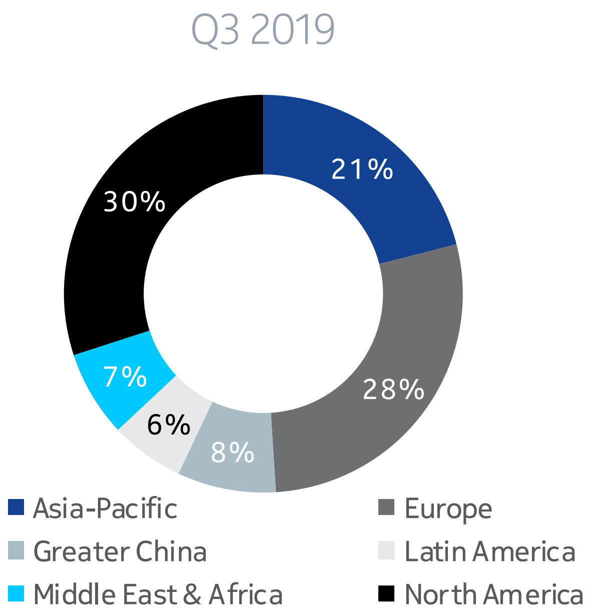
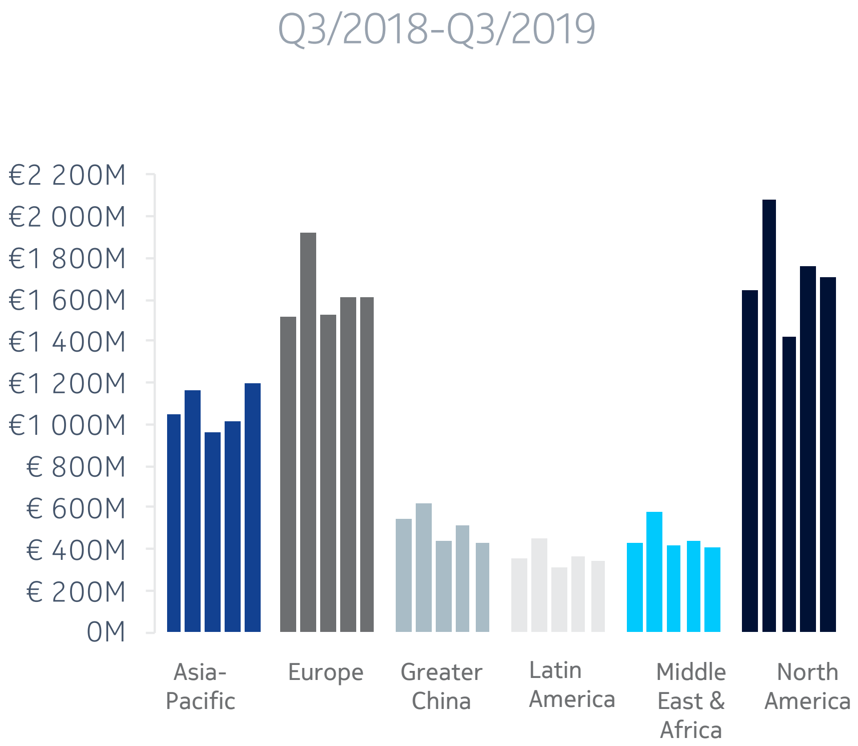
Net sales by region





Net sales by customer type

EUR million	**Q3'19**	Q3'18	YoY change	*Constant currency YoY change*	Q1-Q3'19	Q1-Q3'18	YoY change	*Constant currency YoY change*
Communication service providers	**4 780**	4 632	3%	*0%*	13 742	13 111	5%	*1%*
Enterprise	**333**	256	30%	*27%*	910	796	14%	*12%*
Licensees	**358**	351	2%	*2%*	1 112	1 052	6%	*4%*
Other[1]	**215**	219	(2)%	*(1)%*	648	736	(12)%	*(12)%*
Total	**5 686**	5 458	4%	*1%*	16 412	15 695	5%	2%

[1] Includes net sales of Alcatel Submarine Networks (ASN) and Radio Frequency Systems (RFS), both of which are being managed as separate entities, and certain other items, such as eliminations of inter- segment revenues and certain items related to purchase price allocation. ASN and RFS net sales include also revenue from communications service providers and enterprise customers.

Our Nokia Enterprise business is performing well. Net sales to enterprise customers, excluding the third party integration business that we are exiting, grew 29% on a reported basis and 26% on a constant currency basis in Q3 2019, and grew 14% on a reported basis and 12% on a constant currency basis in the first nine months of 2019.

Amounts related to licensing and Nokia Bell Labs allocated 85% to Networks and 15% to Nokia Software

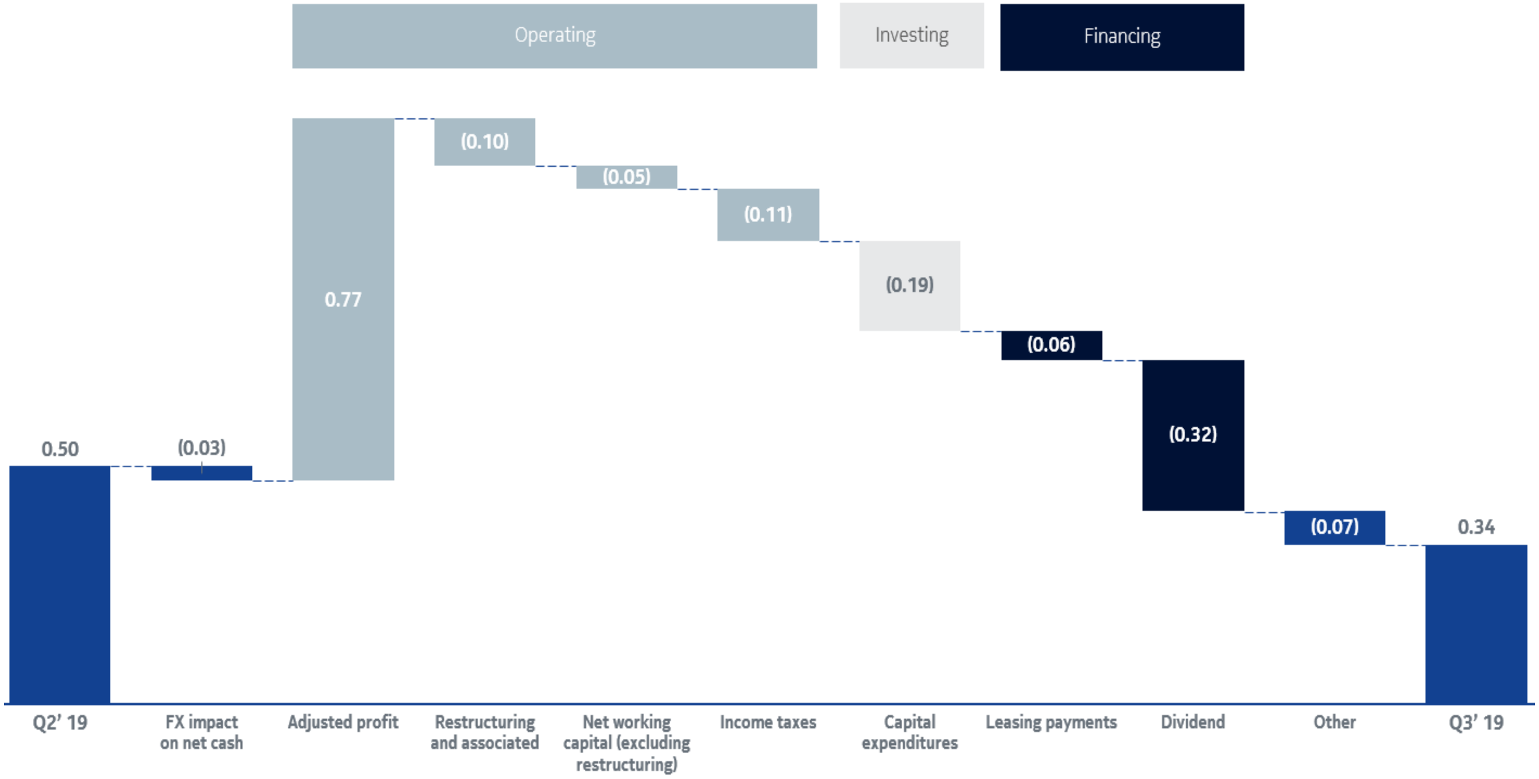
Nokia is providing additional adjusted financial disclosure for its Networks and Nokia Software reportable segments, with amounts related to licensing and Nokia Bell Labs allocated 85% to Networks and 15% to Nokia Software. In addition to Nokia's primary financial disclosures, this reflects Nokia's strategy, organizational structure and the way it evaluates operational performance and allocates resources, is in accordance with industry practice and improves comparability with peer companies.

If we would have reported amounts related to licensing and Nokia Bell Labs as part of Networks and Nokia Software, our Q3 2019 Networks operating margin would have been 7.2% instead of 2.9%, and our Q3 2019 Nokia Software operating margin would have been 26.4% instead of 23.0%.

	Q3'19	Allocations		Q3'19	Q3'18
	Before allocations	Licensing	Nokia Bell Labs	After allocations	After allocations
Net sales (EUR million)					
Networks	4 434	305	2	**4 740**	4 565
Nokia Software	677	54		**731**	676
Nokia Technologies	358	(358)		**0**	0
Group Common and Other	236		(2)	**235**	234
Eliminations	(17)			**(17)**	(14)
Non-IFRS total	5 688	0	0	**5 688**	5 461
Operating Profit (EUR million)					
Networks	128	250	(38)	**340**	384
Nokia Software	156	44	(6)	**193**	111
Nokia Technologies	294	(294)		**0**	0
Group Common and Other	(100)		44	**(56)**	(8)
Non-IFRS total	478	0	0	**478**	487
Operating Margin %					
Networks	2.9%			**7.2%**	8.4%
Nokia Software	23.0%			**26.4%**	16.4%
Nokia Technologies	82.1%				
Group Common and Other	(42.4)%			**(23.8)%**	(3.4)%
Non-IFRS total	8.4%			**8.4%**	8.9%

Change in net cash and current financial investments

(EUR billion)



Cost savings program

We expect our most recent cost savings program to result in a net EUR 500 million reduction of non-IFRS operating expenses and production overheads ("fixed costs") in full year 2020 compared to full year 2018, of which EUR 350 million is expected to come from operating expenses and EUR 150 million is expected to come from cost of sales. This reflects a EUR 150 million reduction in our expected operating expense savings and a EUR 50 million reduction in our expected cost of sales savings. The change from a net EUR 700 million reduction to a net EUR 500 million reduction is primarily due to our expectation to make additional 5G investments and additional digitalization investments.

Note that, since the announcement of our most recent cost savings program on October 25, 2018, net foreign exchange fluctuations have resulted in an increase in estimated full year 2020 fixed costs of approximately EUR 180 million, creating an additional headwind to achieve the earlier net reduction.

The following table summarizes the financial information related to our cost savings program as of the end of the third quarter 2019.

In EUR million, approximately[1]	Q3'19
Balance of restructuring and associated liabilities for prior programs	750
+ Charges in the quarter	70
- Cash outflows in the quarter	100
= Ending balance of restructuring and associated liabilities	720
of which restructuring provisions	*520*
of which other associated liabilities	*200*
Total expected restructuring and associated charges, related to our most recent cost savings program *(rounded to the nearest EUR 50 million)*	900
- Cumulative recorded	440
= Charges remaining to be recorded	460
Total expected restructuring and associated cash outflows *(rounded to the nearest EUR 50 million)*	1 550
- Cumulative recorded	340
= Cash outflows remaining to be recorded	1 210

[1]Balances related to previous restructuring and cost savings programs have been included as part of this cost savings program. At the beginning of Q1 2019, the balance of restructuring and associated liabilities related to prior cost savings programs was approximately EUR 630 million. This amount is included in the total expected restructuring and associated cash outflows of EUR 1 550 million, rounded to the nearest EUR 50 million, in addition to the approximately EUR 900 million of expected cash outflows related to our most recent cost savings program.

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Cost savings program

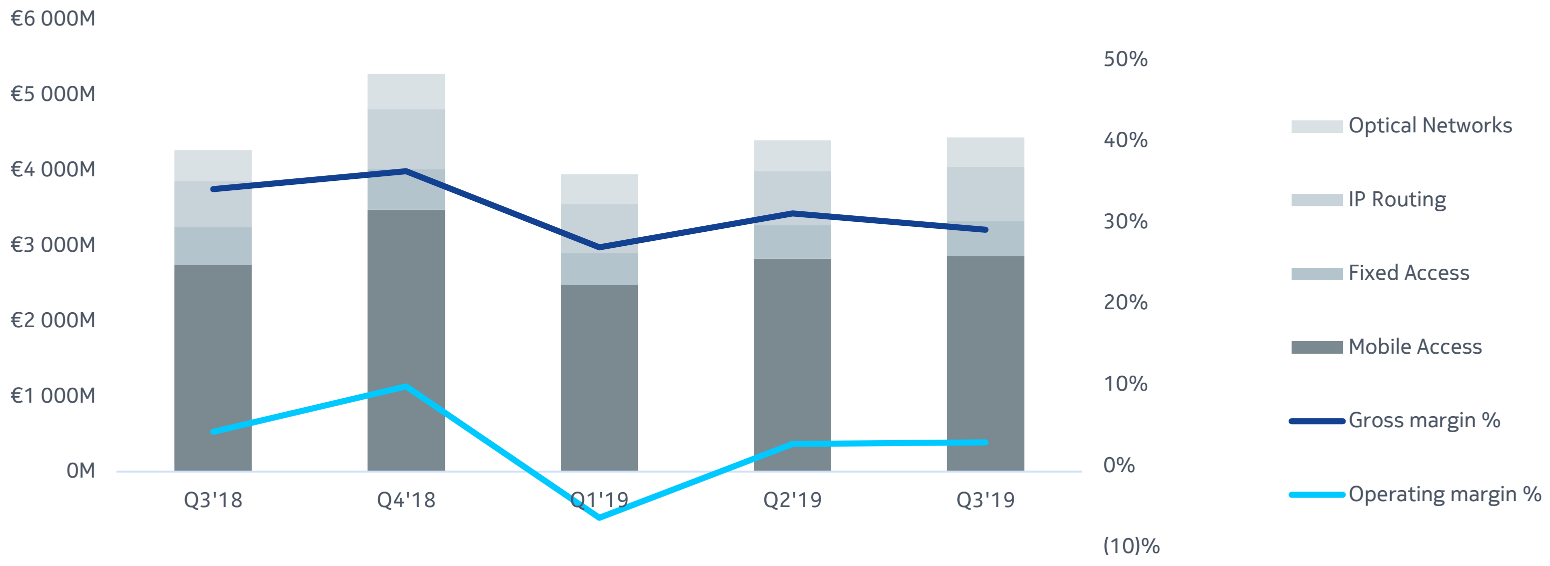
The table below includes future expectations related to our most recent cost savings program, as well as the remaining cash outflows related to our previous programs and network equipment swaps. Please note that we exclude the impact of lower incentive accruals from our definition of "Recurring annual cost savings". In the first nine months of 2019, excluding the impact of the incentive accruals, we achieved approximately EUR 180 million of structural fixed costs savings, compared to the first nine months of 2018. Despite net foreign exchange fluctuations resulting in an increase in estimated full year 2019 fixed costs of approximately EUR 130 million, we are well on our way to meet the cost reduction targets for 2019.

In EUR million, approximately rounded to the nearest EUR 50 million	Expected amounts for			
	FY 2019	FY 2020	Beyond FY 2020	Total
Recurring annual cost savings	200	300	-	500
- operating expenses	*150*	*200*	-	*350*
- cost of sales	*50*	*100*	-	*150*
Restructuring and associated charges	500	400	-	900
Restructuring and associated cash outflows	550	450	550	1 550
Charges related to network equipment swaps	150	-	-	150
Cash outflows related to network equipment swaps	150	-	-	150

The expected timeline for the related cash outflows has been adjusted, with expected cash outflows in full year 2019 moving from EUR 700 million to EUR 550 million, expected cash outflows in full year 2020 moving from EUR 350 million to EUR 450 million and expected cash outflows beyond 2020 moving from EUR 500 million to EUR 550 million. The related restructuring charges are expected to total EUR 900 million.

Reportable Segments in Q3 2019

Networks
Net sales and margins



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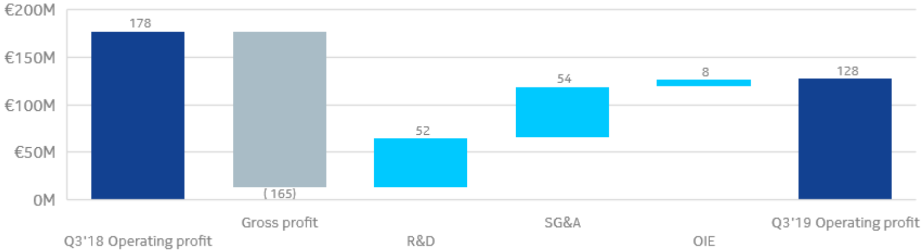
Networks

EUR million	Q3'19	Q3'18	YoY change	*Constant currency YoY change*
Net sales	**4 434**	4 265	4%	*1%*
Mobile Access	**2 861**	2 741	4%	*1%*
Fixed Access	**466**	503	(7)%	*(10)%*
IP Routing	**716**	610	17%	*13%*
Optical Networks	**390**	412	(5)%	*(8)%*
Gross profit	**1 289**	1 454	(11)%	
Gross margin %	***29.1%***	*34.1%*	*(500)bps*	
R&D	**(703)**	(755)	(7)%	
SG&A	**(464)**	(518)	(10)%	
Other income and expenses	**6**	(2)		
Operating profit/(loss)	**128**	178	(28)%	
Operating margin %	***2.9%***	*4.2%*	*(130)bps*	



Networks net sales grew 4%. On a constant currency basis, Networks net sales grew 1%.

The growth in Networks net sales was primarily due to Mobile Access and IP Routing, partially offset by Fixed Access and Optical Networks.

The growth in Mobile Access was primarily due to 5G radio technologies and network deployment services, partially offset by decreases in legacy radio technologies. Mobile Access net sales were negatively affected by temporary capital expenditure constraints in North America related to customer merger activity, as well as continued competitive pressure in Greater China. The growth in IP Routing was primarily due to our market-leading portfolio and improved supply chain execution. The decrease in Fixed Access was primarily due to a shift in capital expenditures away from fixed access and towards 5G wireless access. The net sales performance in Optical Networks was in comparison to a particularly strong Q3 2018.

The decrease in Networks gross profit was primarily due to Mobile Access and, to a lesser extent, Fixed Access and Optical Networks, partially offset by IP Routing. The decrease in Mobile Access gross profit was primarily due to lower gross margin, partially offset by higher net sales. The decrease in Fixed Access gross profit was due to lower gross margin and lower net sales. The decrease in Optical Networks gross profit was primarily due to lower net sales. The increase in IP Routing gross profit was due to higher net sales and higher gross margin. In Q3 2019, Networks gross profit benefitted from lower incentive accruals.

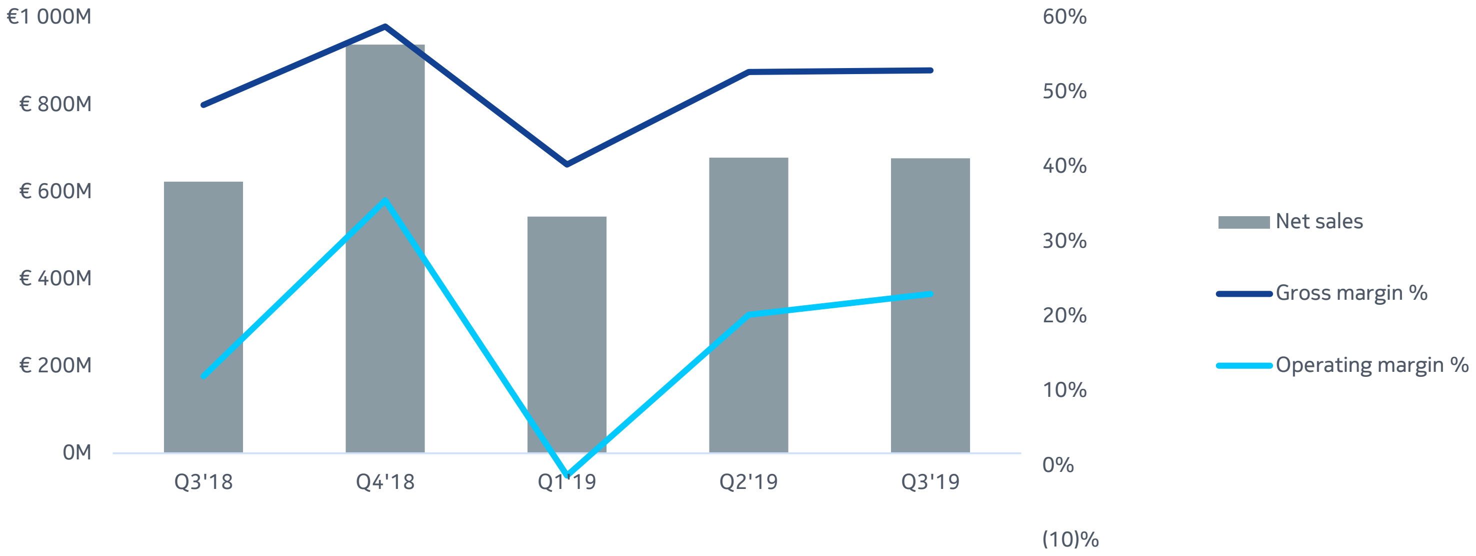
The lower gross margin in Mobile Access was primarily due to relatively high 5G product costs, as well as elevated levels of deployment services, consistent with being in the initial phase of 5G. In Q3 2019, we experienced broad-based gross margin declines across most product categories, partially offset by improvements across most services categories driven by strengthened operational execution, with a focus on cost discipline and initiatives to improve service delivery digitalization and automation. The lower gross margin in Fixed Access was primarily due to broadband access and digital home. The higher gross margin in IP Routing was primarily due to our market-leading portfolio.

The decrease in Networks R&D expenses was primarily due to continued progress related to Nokia's cost savings program, partially offset by higher 5G investments in Mobile Access. In Q3 2019, Networks R&D expenses benefitted from lower incentive accruals.

The decrease in Networks SG&A expenses was primarily due to Mobile Access, reflecting continued progress related to Nokia's cost savings program. In Q3 2019, Networks SG&A expenses benefitted from lower incentive accruals.

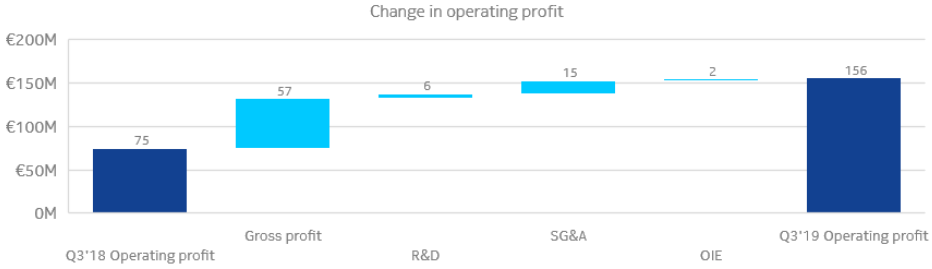
Nokia Software

Net sales and margins



Nokia Software

EUR million	Q3'19	Q3'18	YoY change	*Constant currency YoY change*
Net sales	**677**	623	9%	*5%*
Gross profit	**358**	301	19%	
Gross margin %	***52.9%***	*48.3%*	*460bps*	
R&D	**(111)**	(117)	(5)%	
SG&A	**(94)**	(110)	(15)%	
Other income and expenses	**2**	0		
Operating profit/(loss)	**156**	75	108%	
Operating margin %	***23.0%***	*12.0%*	*1 100bps*	



Nokia Software net sales grew 9%. On a constant currency basis, Nokia Software net sales grew 5%.

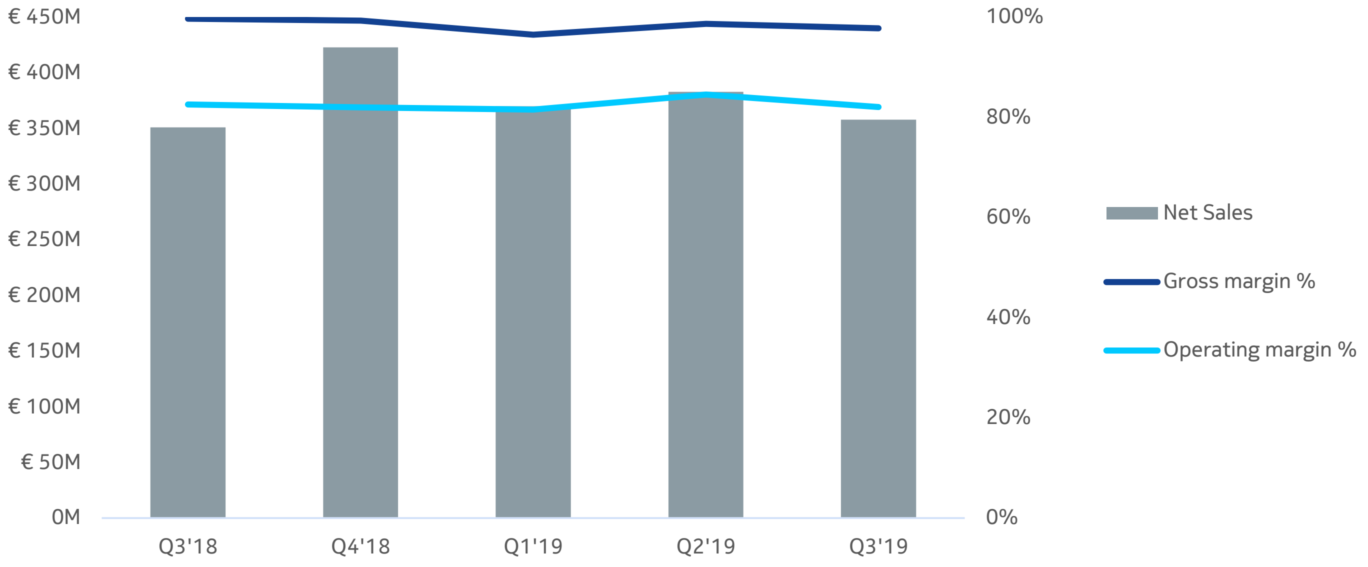
The strong growth in Nokia Software net sales was primarily due to the timing of completions and acceptances of certain projects, as well as improved product and go-to-market capabilities, with growth in both core networks and applications. In core networks, growth was primarily driven by several projects going live. In applications, growth was driven by strength in our market-leading cloud-native digital intelligence and network management portfolios. From a regional perspective, growth was particularly driven by strong execution in North America, Europe and Latin America.

The increase in Nokia Software gross profit was primarily due to higher gross margin in core networks, as well as higher net sales in both core networks and applications. In Q3 2019, Nokia Software gross profit benefitted from lower incentive accruals.

The decrease in Nokia Software SG&A expenses was primarily due to the integration and streamlining of core networks into our existing specialized software salesforce.

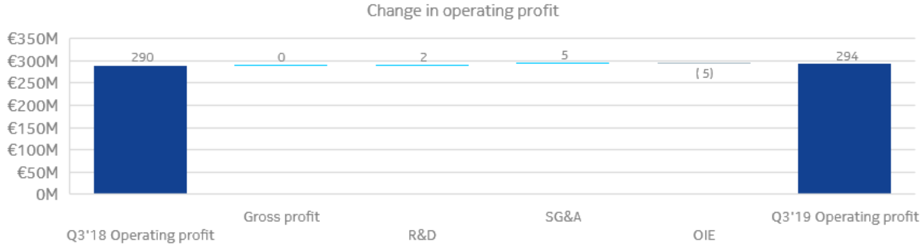
In Q3 2019, Nokia Software operating expenses benefitted from lower incentive accruals.

Nokia Technologies
Net sales and margins



Nokia Technologies

EUR million	Q3'19	Q3'18	YoY change	*Constant currency YoY change*
Net sales	**358**	351	2%	*2%*
Gross profit	**350**	350	0%	
Gross margin %	***97.8%***	*99.7%*	*(190)bps*	
R&D	**(26)**	(28)	(7)%	
SG&A	**(25)**	(30)	(17)%	
Other income and expenses	**(6)**	(1)		
Operating profit/(loss)	**294**	290	1%	
Operating margin %	***82.1%***	*82.6%*	*(50)bps*	



Nokia Technologies net sales grew 2% on both a reported and constant currency basis.

The EUR 358 million of net sales in the third quarter 2019 and the EUR 351 million of net sales in the third quarter 2018 both related entirely to licensing.

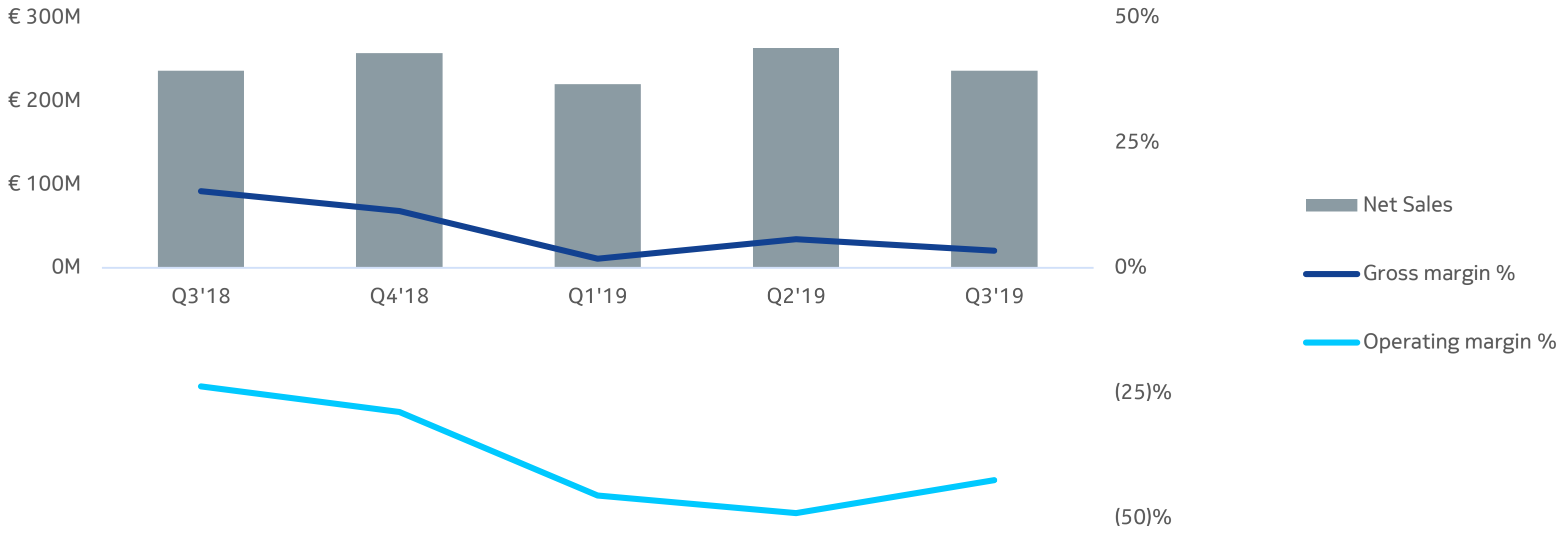
The growth in Nokia Technologies net sales was primarily due to higher one-time licensing net sales. One-time net sales amounted to approximately EUR 10 million in the third quarter 2019 and approximately zero in the third quarter 2018.

The lower gross margin in Nokia Technologies was primarily due to a one-time sale of patent assets.

The decrease in Nokia Technologies operating expenses was primarily due to lower licensing related litigation costs and lower patent portfolio costs. In Q3 2019, Nokia Technologies operating expenses benefitted from lower incentive accruals.

Group Common and Other

Net sales and margins



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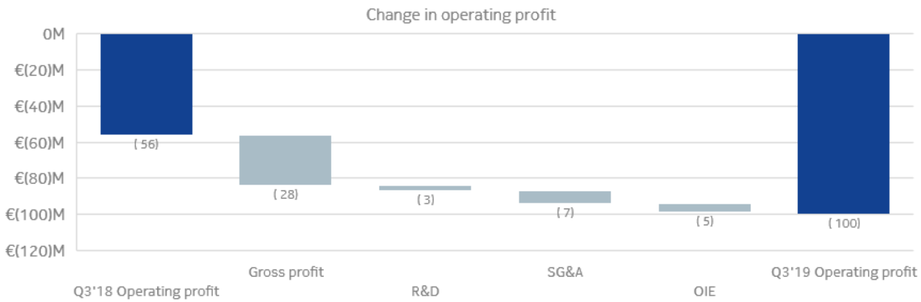
Group Common and Other

EUR million	Q3'19	Q3'18	YoY change	*Constant currency YoY change*
Net sales	**236**	236	0%	*0%*
Gross profit	**8**	36	(78)%	
Gross margin %	***3.4%***	*15.3%*	*(1 190)bps*	
R&D	**(74)**	(71)	4%	
SG&A	**(60)**	(52)	15%	
Other income and expenses	**27**	32		
Operating profit/(loss)	**(100)**	(56)		
Operating margin %	***(42.4)%***	*(23.7)%*	*(1 870)bps*	



Group Common and Other net sales were flat on both a reported and constant currency basis.

The net sales in Group Common and Other were flat, with growth in Alcatel Submarine Networks offset by a decrease in Radio Frequency Systems. The increase in Alcatel Submarine Networks was primarily due to the ramp-up of new projects. The decrease in Radio Frequency Systems was primarily due to the absence of a large customer roll-out, which benefitted the year-ago quarter.

The decrease in Group Common and Other gross profit was primarily due to lower gross margin in Radio Frequency Systems and Alcatel Submarine Networks.

The increase in Group Common and Other R&D and SG&A expenses was primarily due to investments to drive digitalization of internal processes, partially offset by lower incentive accruals.

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Financial Statements

Consolidated income statement (condensed, unaudited)

EUR million	Reported Q3'19	Reported Q3'18	Reported Q1-Q3'19	Reported Q1-Q3'18	Non-IFRS Q3'19	Non-IFRS Q3'18	Non-IFRS Q1-Q3'19	Non-IFRS Q1-Q3'18
Net sales (notes 2, 3, 4)	5 686	5 458	16 412	15 695	5 688	5 461	16 441	15 708
Cost of sales	(3 717)	(3 439)	(10 798)	(10 010)	(3 682)	(3 320)	(10 677)	(9 588)
Gross profit (notes 2, 3)	1 969	2 019	5 614	5 684	2 006	2 141	5 765	6 120
Research and development expenses	(1 060)	(1 123)	(3 342)	(3 455)	(914)	(971)	(2 901)	(2 998)
Selling, general and administrative expenses	(739)	(870)	(2 326)	(2 530)	(643)	(710)	(2 020)	(2 138)
Other income and expenses	95	(80)	(263)	(310)	29	28	26	76
Operating profit/(loss) (notes 2, 3)	264	(54)	(318)	(611)	478	487	869	1 060
Share of results of associated companies and joint ventures	3	2	(8)	(6)	3	2	(8)	(6)
Financial income and expenses	(98)	(60)	(326)	(224)	(113)	(48)	(291)	(247)
Profit/(loss) before tax (note 2)	168	(112)	(653)	(841)	368	442	569	807
Income tax (expense)/benefit	(80)	(15)	108	89	(101)	(133)	(161)	(275)
Profit/(loss) from continuing operations (note 2)	87	(127)	(545)	(752)	267	309	409	532
Profit/(loss) attributable to equity holders of the parent	84	(127)	(549)	(745)	264	309	404	539
Non-controlling interests	3	0	4	(7)	3	0	4	(7)
(Loss)/profit from discontinued operations	(2)	48	(8)	211	0	0	0	0
(Loss)/profit attributable to equity holders of the parent	(2)	48	(8)	211	0	0	0	0
Non-controlling interests	0	0	0	0	0	0	0	0
Profit/(loss) for the period	85	(79)	(553)	(541)	267	309	409	532
Profit/(loss) attributable to equity holders of the parent	82	(79)	(557)	(533)	264	309	404	539
Non-controlling interests	3	0	4	(7)	3	0	4	(7)
Earnings per share, EUR (for profit/(loss) attributable to equity holders of the parent)								
Basic earnings per share								
Continuing operations	0.02	(0.02)	(0.10)	(0.13)	0.05	0.06	0.07	0.10
Discontinued operations	0.00	0.01	0.00	0.04	0.00	0.00	0.00	0.00
Profit/(loss) for the period	0.01	(0.01)	(0.10)	(0.10)	0.05	0.06	0.07	0.10
Diluted earnings per share								
Continuing operations	0.01	(0.02)	(0.10)	(0.13)	0.05	0.06	0.07	0.10
Discontinued operations	0.00	0.01	0.00	0.04	0.00	0.00	0.00	0.00
Profit/(loss) for the period	0.01	(0.01)	(0.10)	(0.10)	0.05	0.06	0.07	0.10
Average number of shares ('000 shares)								
Basic								
Continuing operations	5 599 834	5 588 225	5 598 237	5 586 484	5 599 834	5 588 225	5 598 237	5 586 484
Discontinued operations	5 599 834	5 588 225	5 598 237	5 586 484	5 599 834	5 588 225	5 598 237	5 586 484
Profit/(loss) for the period	5 599 834	5 588 225	5 598 237	5 586 484	5 599 834	5 588 225	5 598 237	5 586 484
Diluted								
Continuing operations	5 630 484	5 588 225	5 598 237	5 586 484	5 630 484	5 609 339	5 623 226	5 612 484
Discontinued operations	5 599 834	5 609 339	5 598 237	5 612 484	5 630 484	5 609 339	5 623 226	5 612 484
Profit/(loss) for the period	5 630 484	5 588 225	5 598 237	5 586 484	5 630 484	5 609 339	5 623 226	5 612 484

The above condensed consolidated income statement should be read in conjunction with accompanying notes.

Consolidated statement of financial position (condensed, unaudited)

EUR million	September 30, 2019	September 30, 2018	December 31, 2018
ASSETS			
Goodwill	5 651	5 410	5 452
Other intangible assets	2 704	3 424	3 353
Property, plant and equipment	1 835	1 753	1 790
Right-of-use assets (note 12)	857	0	0
Investments in associated companies and joint ventures	149	125	145
Non-current financial investments (note 8)	761	747	690
Deferred tax assets (note 6)	5 427	4 898	4 911
Other non-current financial assets (note 8)	402	335	373
Defined benefit pension assets (note 5)	4 475	4 233	4 224
Other non-current assets	259	316	308
Non-current assets	22 520	21 241	21 246
Inventories	3 642	3 179	3 168
Trade receivables (note 8)	4 538	4 784	4 856
Contract assets	1 682	1 878	1 875
Prepaid expenses and accrued income	1 090	1 070	1 024
Social security, VAT and other indirect taxes	646	534	514
Divestment related receivables	38	73	67
Other	406	464	443
Current income tax assets	398	483	227
Other current financial assets (note 8)	424	253	243
Current financial investments (note 8)	103	813	612
Cash and cash equivalents (note 8)	4 721	4 799	6 261
Current assets	16 598	17 259	18 266
Assets held for sale	2	34	5
Total assets	39 120	38 533	39 517

	September 30, 2019	September 30, 2018	December 31, 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	246	246	246
Share issue premium	437	429	436
Treasury shares	(368)	(417)	(408)
Translation differences	(90)	(712)	(592)
Fair value and other reserves	682	1 070	1 063
Reserve for invested unrestricted equity	15 616	15 608	15 606
Accumulated deficit	(2 174)	(1 253)	(1 062)
Total capital and reserves attributable to equity holders of the parent	14 351	14 971	15 289
Non-controlling interests	79	68	82
Total equity	14 430	15 039	15 371
Long-term interest-bearing liabilities (notes 8, 10)	4 063	2 766	2 826
Long-term lease liabilities (note 12)	734	2	2
Deferred tax liabilities (note 6)	322	414	350
Defined benefit pension and post-retirement liabilities (note 5)	4 891	4 244	4 327
Contract liabilities	951	1 139	1 113
Deferred revenue and other long-term liabilities	745	920	852
Deferred revenue	653	808	770
Other (note 8)	92	113	82
Provisions (note 9)	592	612	572
Non-current liabilities	12 298	10 097	10 042
Short-term interest-bearing liabilities (notes 8, 10)	417	967	994
Short-term lease liabilities (note 12)	239	0	0
Other financial liabilities (note 8)	879	952	891
Current income tax liabilities	175	206	268
Trade payables (note 8)	3 860	4 026	4 773
Contract liabilities	2 557	2 495	2 383
Accrued expenses, deferred revenue and other liabilities	3 470	3 783	3 940
Deferred revenue	155	155	155
Salaries, wages and social charges	1 199	1 327	1 426
Other	2 116	2 301	2 359
Provisions (note 9)	795	969	855
Current liabilities	12 392	13 398	14 104
Total shareholders' equity and liabilities	39 120	38 533	39 517

Interest-bearing liabilities, EUR million	4 480	3 733	3 820
Shareholders' equity per share, EUR	2.56	2.68	2.73
Number of shares (1 000 shares, excluding treasury shares)	5 603 281	5 591 614	5 593 162

September 30, 2018, comparative statement of financial position has been revised from that presented in the third quarter 2018 to conform the presentation of accrued expenses related to customer projects to the annual consolidated financial statements for 2018.

The above condensed consolidated statement of financial position should be read in conjunction with accompanying notes.

Consolidated statement of cash flows (condensed, unaudited)

EUR million	Q3'19	Q3'18	Q1-Q3'19	Q1-Q3'18
Cash flow from operating activities				
Profit/(loss) for the period	85	(79)	(553)	(541)
Adjustments	684	433	1 882	1 319
Depreciation and amortization	414	356	1 235	1 088
Impairment charges	91	21	89	53
Restructuring charges	59	43	378	198
Financial income and expenses	39	60	267	144
Income tax (expense)/benefit	75	(33)	(112)	(210)
Other	6	(14)	25	46
Change in net working capital	(149)	(339)	(1 982)	(1 345)
Decrease/(Increase) in receivables[1]	388	(179)	514	193
Decrease/(increase) in inventories	2	(273)	(390)	(576)
(Decrease)/increase in non-interest-bearing liabilities[1]	(539)	113	(2 106)	(962)
Cash from/(used in) operations	620	15	(653)	(567)
Interest received	8	11	34	53
Interest paid	(52)	(18)	(127)	(134)
Income taxes paid, net	(112)	(90)	(453)	(378)
Net cash from/(used in) operating activities	464	(82)	(1 199)	(1 026)
Cash flow from investing activities				
Purchase of property, plant and equipment and intangible assets	(191)	(137)	(497)	(501)
Proceeds from sale of property, plant and equipment and intangible assets	7	18	18	38
Acquisition of businesses, net of cash acquired	0	0	0	(31)
Proceeds from disposal of businesses, net of disposed cash	0	0	19	0
Purchase of current financial investments	(71)	(541)	(420)	(1 720)
Proceeds from maturities and sale of current financial investments	63	597	932	1 816
Purchase of non-current financial investments	(12)	(50)	(89)	(98)
Proceeds from sale of non-current financial investments	32	19	113	80
Payment of other long-term loans receivable	0	(1)	(22)	(1)
Other	(1)	(1)	2	(1)
Net cash (used in)/from investing activities	(173)	(96)	56	(418)
Cash flow from financing activities				
Purchase of equity instruments of subsidiaries	0	0	(1)	0
Proceeds from long-term borrowings	3	0	1 002	75
Repayment of long-term borrowings	(1)	(10)	(766)	(27)
Proceeds from/(repayment of) short-term borrowings	77	81	162	(19)
Payment of lease liabilities	(60)	0	(187)	0
Dividends paid	(321)	(131)	(570)	(1 081)
Net cash used in financing activities	(302)	(60)	(360)	(1 052)
Translation differences	39	44	(37)	(74)
Net increase/(decrease) in cash and cash equivalents	28	(194)	(1 540)	(2 570)
Cash and cash equivalents at beginning of period	4 693	4 993	6 261	7 369
Cash and cash equivalents at end of period	4 721	4 799	4 721	4 799

[1]Comparatives for Q3'18 have been adjusted to reflect the revision to the adoption of IFRS 15, Revenue from Contracts with Customers, in the third quarter 2018.

Consolidated statement of cash flows combines cash flows from both the continuing and the discontinued operations. The figures in the consolidated statement of cash flows cannot be directly traced from the statement of financial position without additional information as a result of acquisitions and disposals of subsidiaries and net foreign exchange differences arising on consolidation.

The above condensed consolidated statement of cash flows should be read in conjunction with accompanying notes.

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