NOKIA

Q4 and Full Year 2019

Investor presentation

6 February 2020

Disclaimer

During this presentation, we will be making forward-looking statements regarding the future business and financial performance of Nokia and its industry.

These statements are predictions that involve risks and uncertainties. Actual results may therefore differ materially from the results we currently expect.

We have identified such risks in more detail on our 2018 annual report on Form 20-F, our financial report for Q4 issued today as well as our other filings with the SEC.

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 the statements in the Outlook section and 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.

Nokia is a registered trademark of Nokia Corporation. Other product and company names mentioned herein may be trademarks or trade names of their respective owners.

Contents

Rajeev Suri
President and CEO

Kristian Pullola
CFO

NOKIA

A strong end to a challenging year

Full year 2019 non-IFRS diluted EPS of EUR 0.22 driven by strong net sales and operating margin in Q4

Net cash of EUR 1.7 billion, driven by Q4 free cash flow of EUR 1.4 billion

5G deal momentum continues, with 66 commercial deals and 19 live networks

Strong momentum in strategic focus areas of software and enterprise

Year-on-year operational improvement expected over the course of 2020

NOKIA

Our focus during 2020

1. Execute in Mobile Access

2. Generate cash

3. Secure long-term value

NOKIA


Our focus during 2020
1
Execute in
Mobile Access

Addressing Mobile Access profitability through four key actions

1. Reduce product cost
2. Maintain scale
3. Improve commercial management and deal discipline
4. Further strengthen operational performance in services

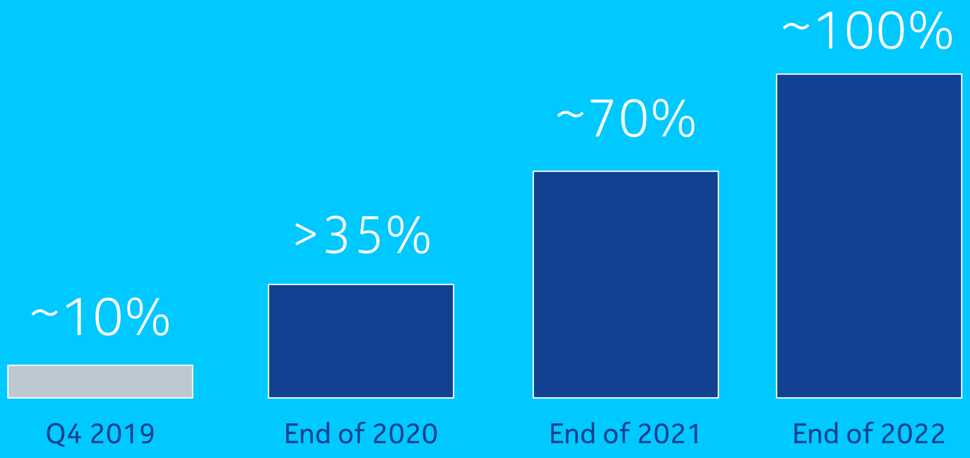
NOKIA

“5G Powered by ReefShark”

Approximately 10% of our 5G product shipments in Q4 2019

- New system on chip shipments underway; expected to deliver product cost and performance advantages
- Quarterly update on the percentage of shipments

Expected “5G Powered by ReefShark” shipments:

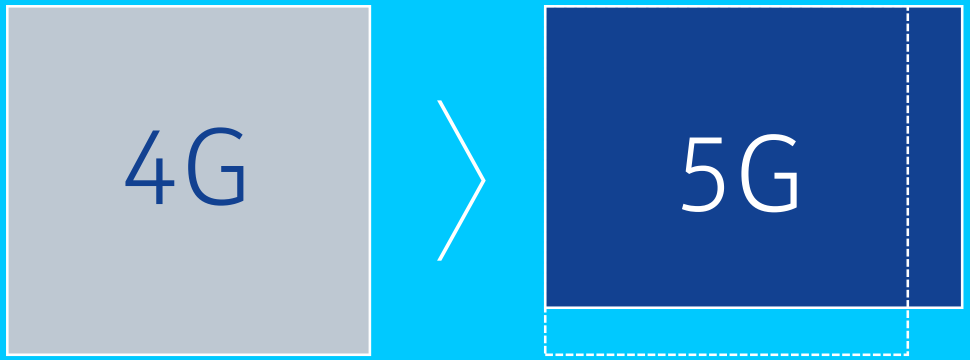


NOKIA

5G win rate

Factors in customer size and measures the conversion of our end of 2018 4G footprint to 5G, and includes new 5G customer wins

- At the end of Q4 2019, our 5G win rate was over 100% outside of China and in the mid 90% range including China
- Quarterly update on 5G win rate



4G and 5G mobile radio market share

4G+5G market share, excluding China, approximately 27% in FY 2019

- Quarterly qualitative update on market share development

4G+5G market share, excluding China, expected to stabilize in FY 2020 at:

~27%

NOKIA

2 Generate cash

Recurring free cash flow

Our outlook for positive recurring free cash flow is, among other things, expected to be supported by an improvement in net working capital performance and improved operational results, partially offset by a more substantial difference in 2020 between profit and free cash flow in Nokia Technologies.

Expected Full Year 2020 recurring free cash flow:

Positive

Free cash flow

Quarterly commentary on free cash flow and underlying factors such as:

1. Adjusted net profit
2. Net working capital
3. Restructuring cash outflows
4. Interest received/paid
5. Taxes
6. Capex

3 Secure long-term Value

Securing long-term value

We will continue to leverage and develop our assets.

Comprehensive portfolio

Our comprehensive portfolio of Access, Transport and Software allows us to leverage our existing customer sales channel to generate incremental sales opportunities across multiple network domains, and secure value throughout the network investment cycle.

Over the long term, multi-domain integrated end-to-end solutions will allow us to offer our customers guaranteed mission-critical performance, total cost of ownership savings, time-to-market gains and higher reliability.

Software

We will continue to develop our software business, enabling us to leverage our strong sales channels to compete for adjacent areas of customer spend.

Our standalone software business has strong margins and generates healthy operating profit. Our capabilities in software will become ever more critical as the market transitions to software defined networks and virtualization.

Enterprise

We will continue to leverage our existing portfolio of products into the high growth enterprise market.

This provides long-term growth opportunities and we aim for Nokia Enterprise net sales to grow at a double-digit rate in 2020.

Patent licensing

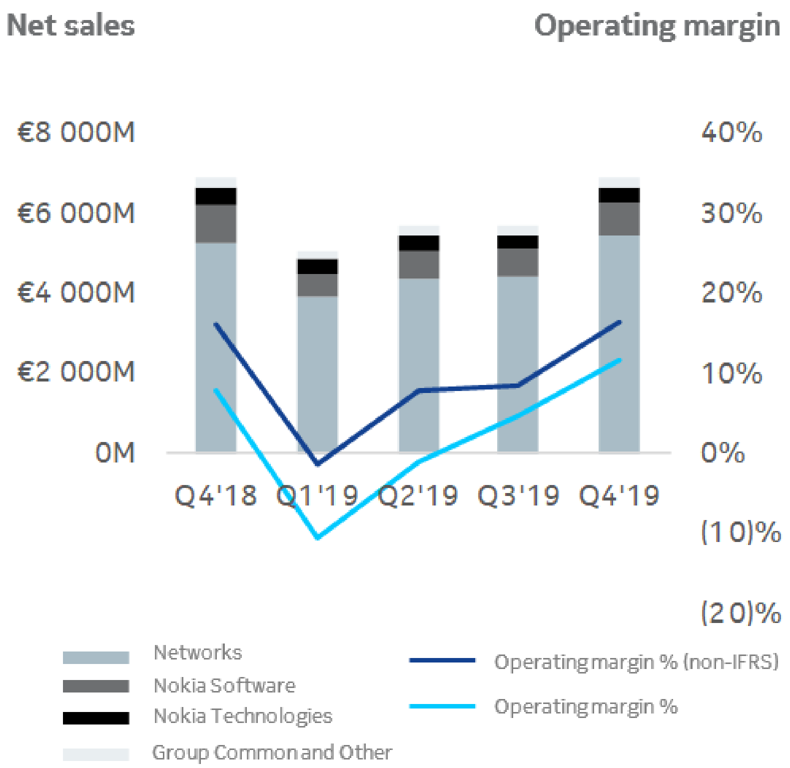
Our strong, high quality patent portfolio is expected to provide long-term, highly profitable and cash generative opportunities, including extension into new segments of connected devices.

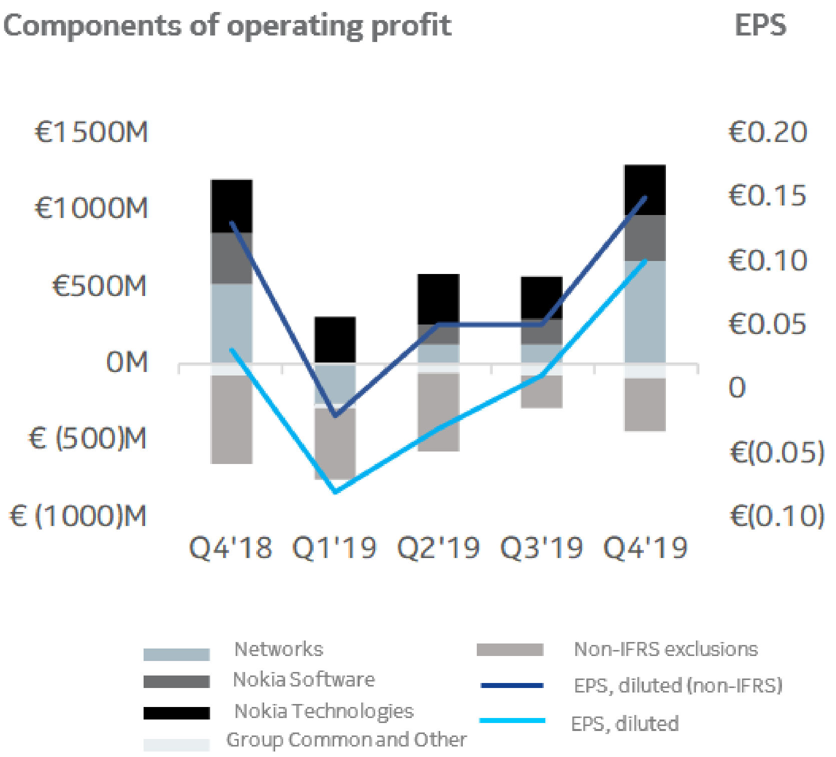
We expect to continue to generate a new flow of patents to sustain future licensing opportunities.

Q4 and FY 2019 Financial Results

NOKIA

Nokia – Q4'18-Q4'19

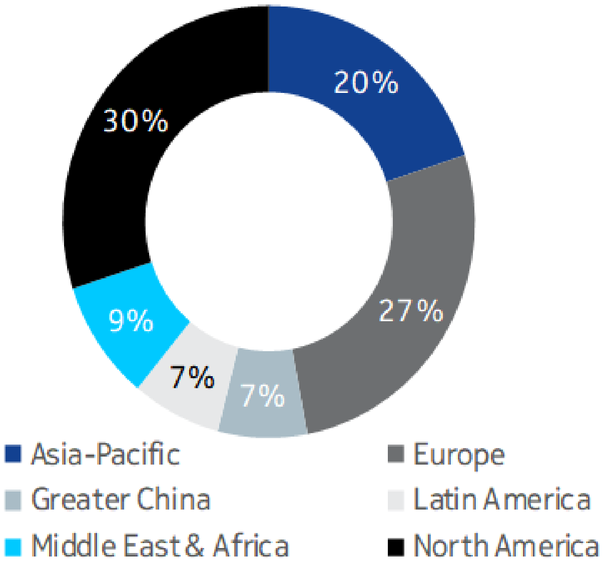




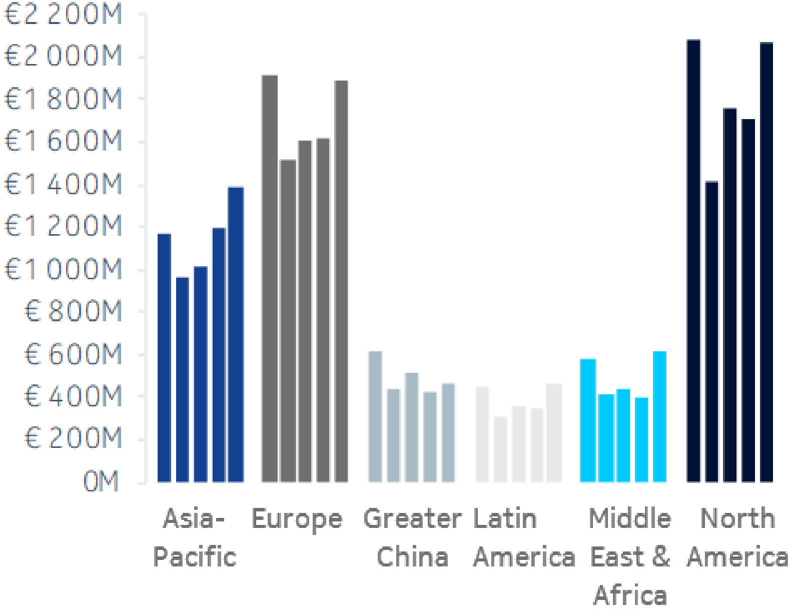
NOKIA

Net sales by region

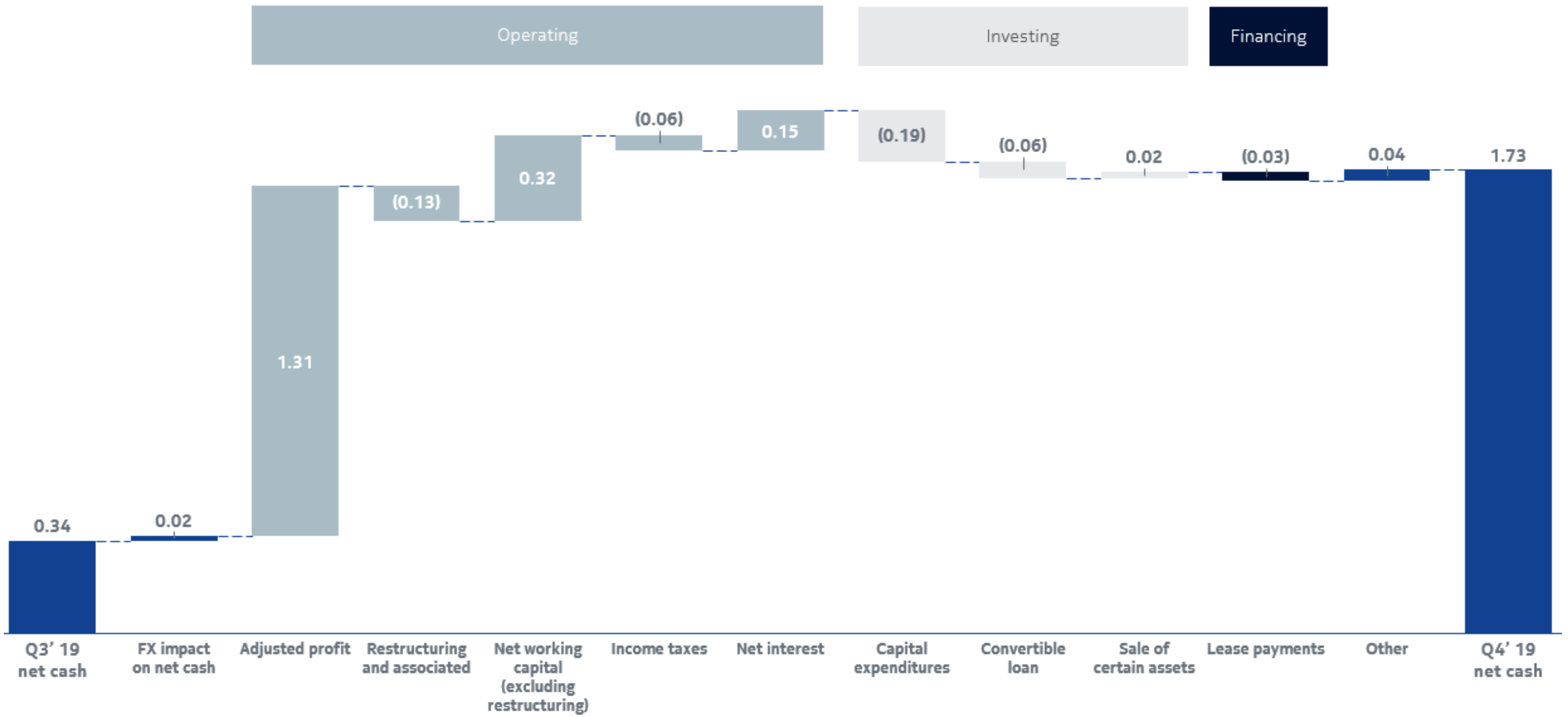
Net sales by region – Q4’19



Net sales by region – Q4’18-Q4’19



Change in net cash – Q4’19



Progress on our cost savings program

- In full year 2019, excluding the impact of the lower incentive accruals, we achieved approximately EUR 200 million of recurring annual costs savings, compared to full year 2018.

- In full year 2019, consistent with Nokia's business performance, annual employee incentives for 2019 were reduced by approximately EUR 300 million, of which approximately EUR 200 million benefitted operating expenses. Therefore, assuming business performance in full year 2020 that would support on-target annual employee incentives and the achievement of our expected full year 2020 operating expense savings, non-IFRS operating expenses in full year 2020 would be approximately EUR 50 million higher compared to full year 2019.

In EUR million, approximately rounded to the nearest EUR 50 million	Actual	Expected amounts for		
	FY 2019	FY 2020	Beyond FY 2020	Total
Recurring annual cost savings	200	300	-	500
- operating expenses	*200*	*150*	*-*	*350*
- cost of sales	*0*	*150*	*-*	*150*
Restructuring and associated charges	450	450	-	900
Restructuring and associated cash outflows	450	550	550	1 550
Charges related to network equipment swaps	100	-	-	100
Cash outflows related to network equipment swaps	100	-	-	100

Outlook

Full Year 2020	
Non-IFRS diluted earnings per share	EUR 0.25 plus or minus 5 cents
Non-IFRS operating margin	9.5% plus or minus 1.5 percentage points
Recurring free cash flow[1]	Positive
Long term (3 to 5 years)	
Non-IFRS operating margin	12 – 14%
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.

NOKIA

"While I believe that 2020 will present its share of challenges, I am confident that we are taking the right steps to deliver progressive improvement over the course of this year and to position us for a stronger 2021."

Rajeev Suri
President and CEO

NOKIA