



NOKIA

Q2 2020

Investor presentation

31 July 2020

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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 in our annual report on Form 20-F for the year ended December 31, 2019 under "Operating and Financial Review and Prospects—Risk Factors", our financial report for Q1/2020 published on 30 April 2020 on Form 6-K, 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

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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.

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# Welcome

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Rajeev Suri  
President and CEO

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Kristian Pullola  
CFO

- 18. Liquidity position and cash update
- 20. Nokia Technologies and Group Common and Other
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- 23. Outlook

## Q2 highlights

Continued improved execution drives strong margin and cash performance

Within previously provided Outlook ranges for full year 2020, adjusted the non-IFRS mid-points for EPS to EUR 0.25 and operating margin to 9.5%

Raised 2020 recurring free cash flow guidance to be clearly positive

**Net sales  
(non-IFRS)**

€5.1bn

Q2 2019: €5.7bn

**Group level gross margin  
(non-IFRS)**

39.6%

Q2 2019: 37.2%

**Group level operating margin  
(non-IFRS)**

8.3%

Q2 2019: 7.9%

**EPS diluted  
(non-IFRS)**

€0.06

Q2 2019: €0.05

**Net cash and current  
financial investments**

€1.6bn

Q4 2019: €1.7bn

**Total cash and current  
financial investments**

€7.5bn

Q4 2019: €6.0bn

# A closer look at our second quarter

1.

Mobile Access  
improvements

2.

Actions to  
strengthen cash  
generation

3.

Progress within  
our business  
groups

4.

Progress in  
our strategic  
diversification

# Mobile Access business improvements

Driving profitability through four key actions

1.

Reduce product cost

2.

Maintain scale

3.

Improve commercial management and deal discipline

4.

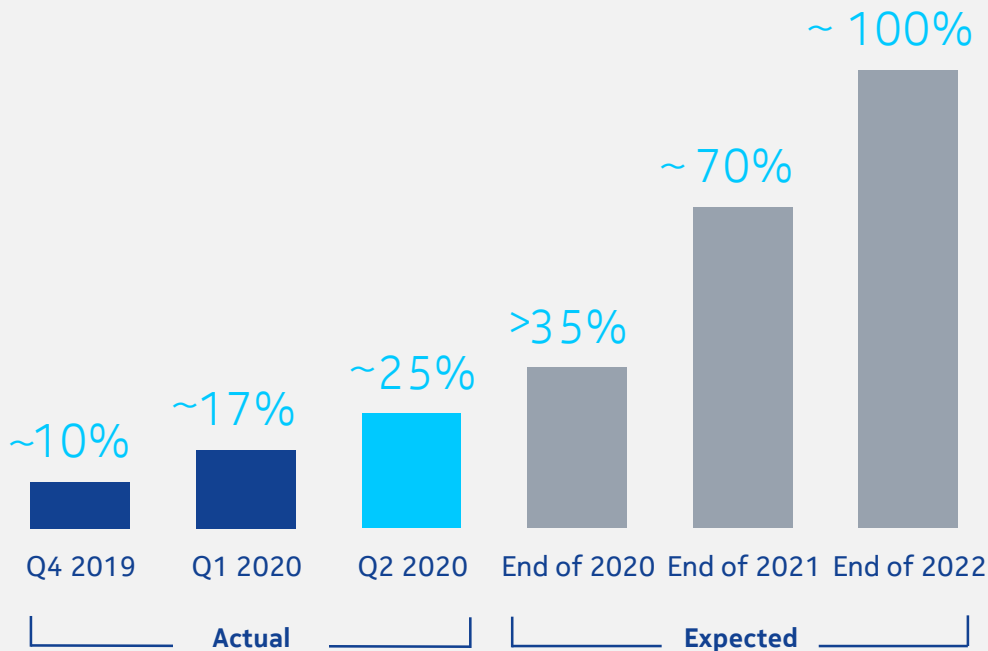
Further strengthen operational performance in services

# “5G Powered by ReefShark”

Q2 2020 performance in-line with our expectations

- This KPI tracks shipments of our System-on-Chip (SoC) based 5G Powered by ReefShark (“5G PBR”) product portfolio. Increased 5G PBR shipments are expected to have a significant impact on reducing our product costs.
- 5G PBR products accounted for approximately 25% of our 5G product shipments in Q2 2020.
- We believe we remain on track to deliver on our shipment target for the end of 2020.

## Expected “5G Powered by ReefShark” shipments:



# 4G and 5G mobile radio market share

Q2 2020 performance in-line with our expectations

- We finished 2019 with our 4G+5G mobile radio market share standing at ~27% excluding China. At Q4 2019, we stated that we expected our market share, excluding China, to end 2020 at ~27%.
- We believe we remain on track to deliver on our market share target for the end of 2020.

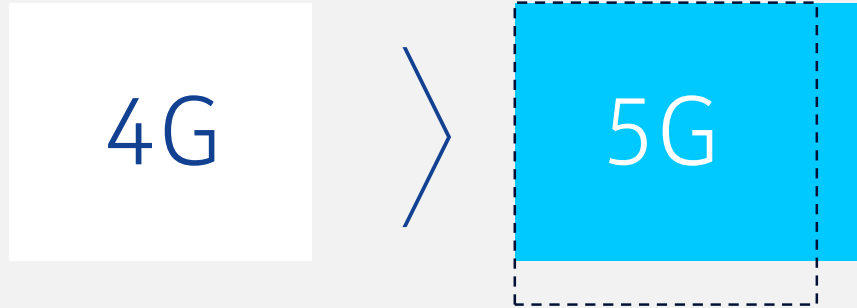
**4G+5G mobile radio market share, excluding China, expected to stabilize in Full Year 2020 at:**

~ 27%



## 5G win rate

- This KPI measures how we are doing in converting our end of 2018 4G footprint into 5G footprint. It factors in customer size, as well as new 5G footprint where we did not previously have a 4G installed base (meaning it can be over 100%).
- 5G win rate remained strong at over 100% outside of China.
- 5G win rate including China moved to the low 90% range from the mid 90% range, following our prudent approach to pursuing market share in China.



# Mobile Access business improvements

Driving 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

# Strengthening cash generation

Fourth consecutive quarter of solid  
cash performance

**Net cash and current  
financial investments**

€1.6bn

**Total cash and current  
financial investments**

€7.5bn

# Networks highlights

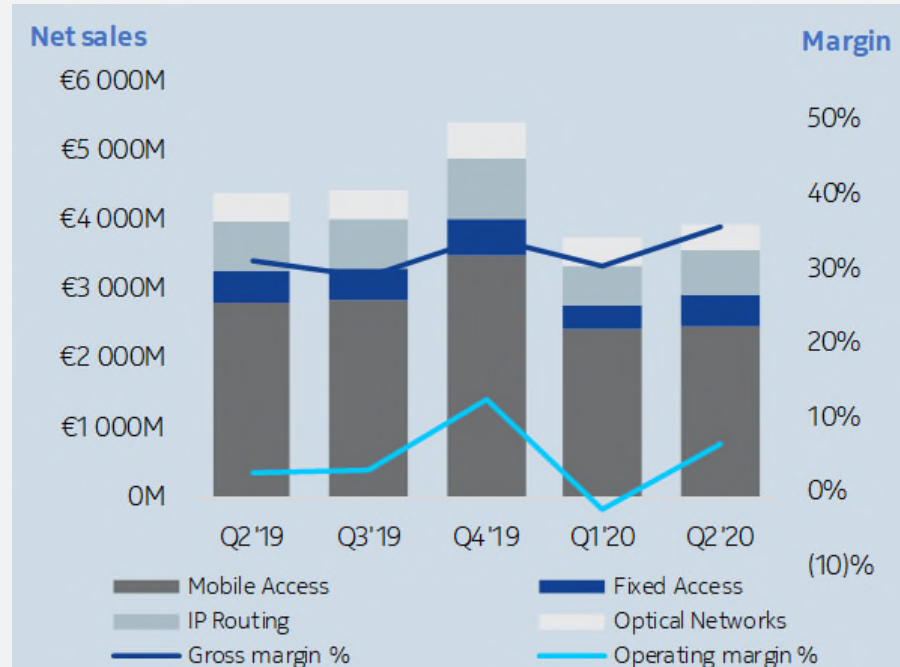
**Mobile Access** – good operational momentum and strong margin expansion; 83 5G commercial deals and 32 live 5G networks

**Fixed Access** – margin expansion and improving demand for fiber

**IP Routing** – continued market leadership; difficult YoY comparison

**Optical Networks** – COVID-19 supply constraints impacted Q2 but are expected to ease in Q3

COVID-19 had a ~ EUR 150 million negative net impact on net sales in Q2.



## Nokia Enterprise

Q2 2020 performance in-line with our expectations

- Strong momentum in webscale and private wireless
- 180 private 4G and 5G deals to date
- 18% year-on-year growth

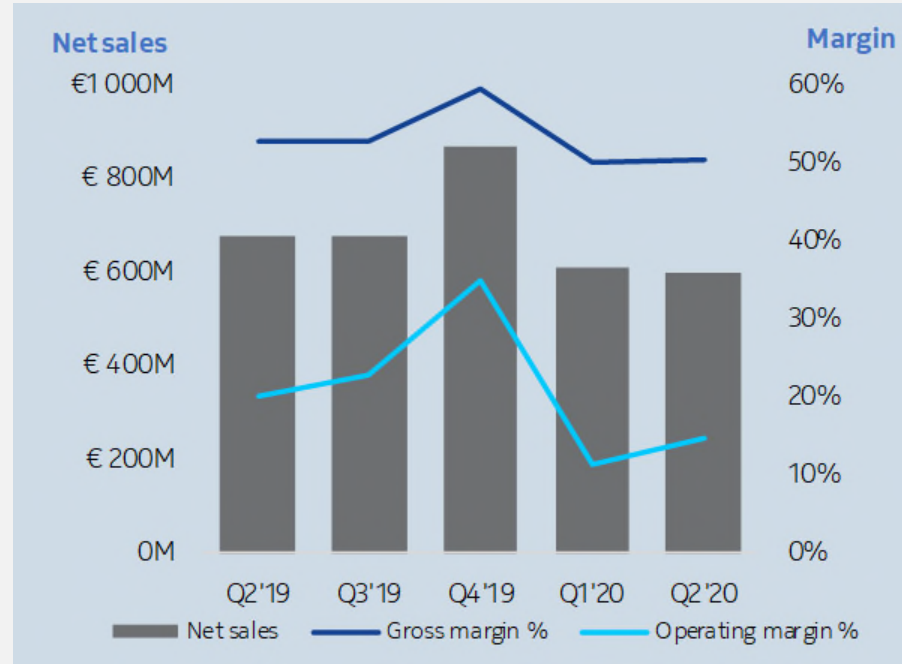
**Q2 net sales growth**  
**Constant currency YoY change**

+ 18%

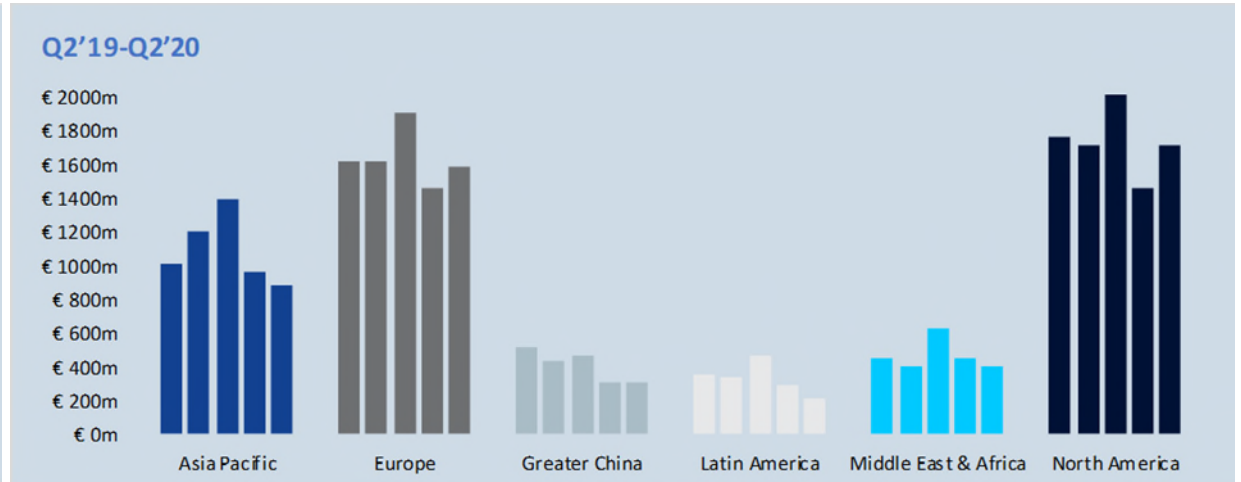
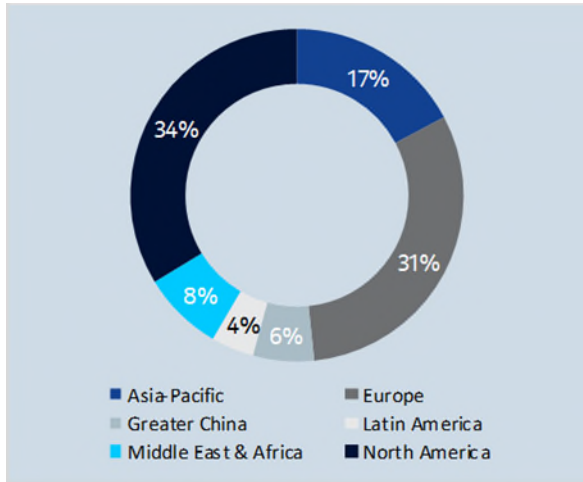
# Nokia Software

Continued strong execution; difficult YoY comparison

With the industry's leading cloud-native, multi-vendor, and multi-network solutions, we continue to see robust deal win rates.



# Regional update



# Our sustainability performance

## Improving lives with our technology



Climate

Continuing to recalibrate our existing science-based targets (SBT) according to the 1.5° Celsius warming scenario.

Seeing progress in commercializing solutions that decrease network-related emissions.



Integrity

Strengthened our compliance communications to ensure our values remain top of mind.

Launched new human rights policy training for all employees.



Culture

Committed to promoting a culture of inclusion and diversity, while doing our part to support equality.

Accelerating our progress on increasing the share of women in leadership.



# Results

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Kristian Pullola  
CFO

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- 20. Results for Nokia Technologies and Group Common and Other
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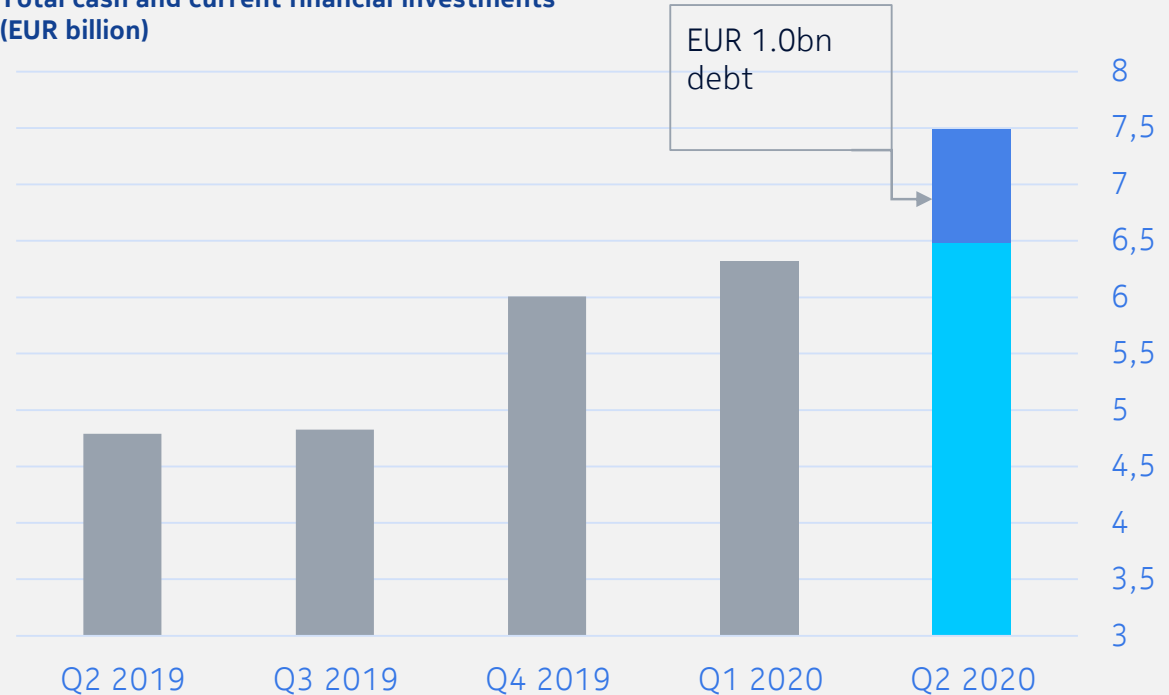
# Liquidity position

Solid total cash position of EUR 7.5 billion

Raised EUR 1.0 billion of debt, on a net basis

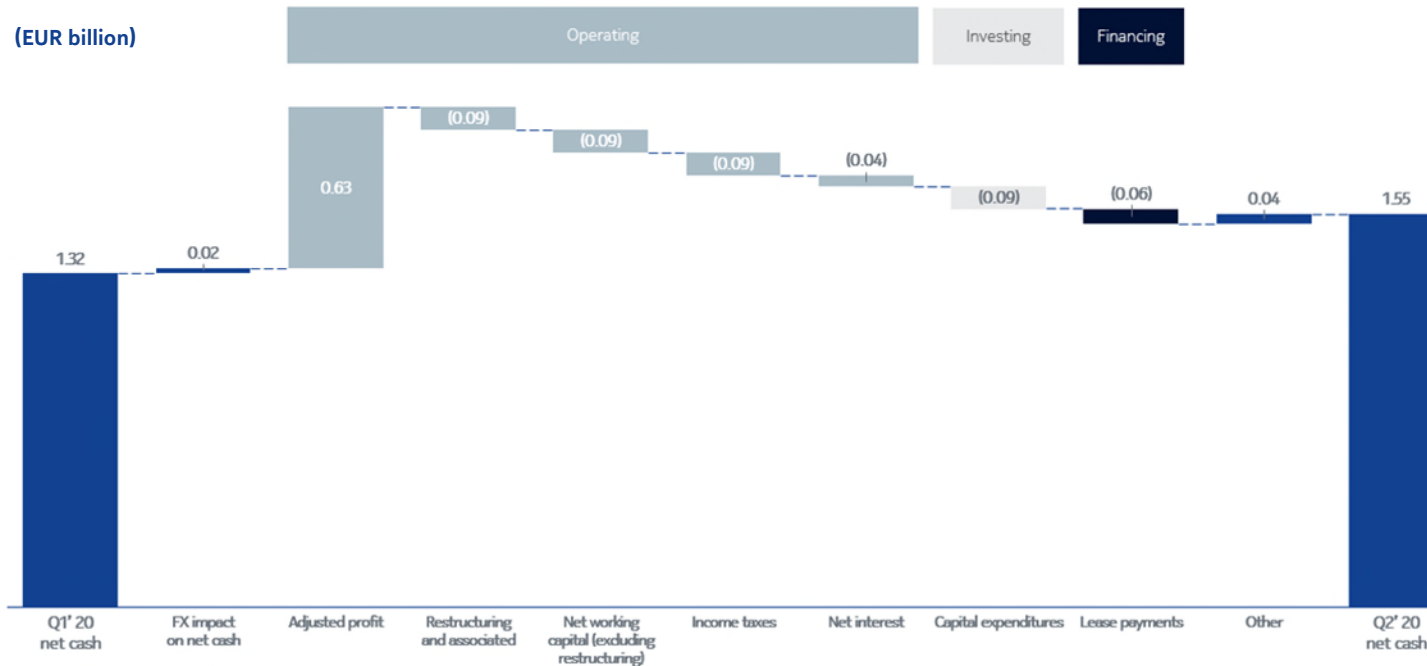
EUR 1.5 billion revolving credit facility

Total cash and current financial investments (EUR billion)



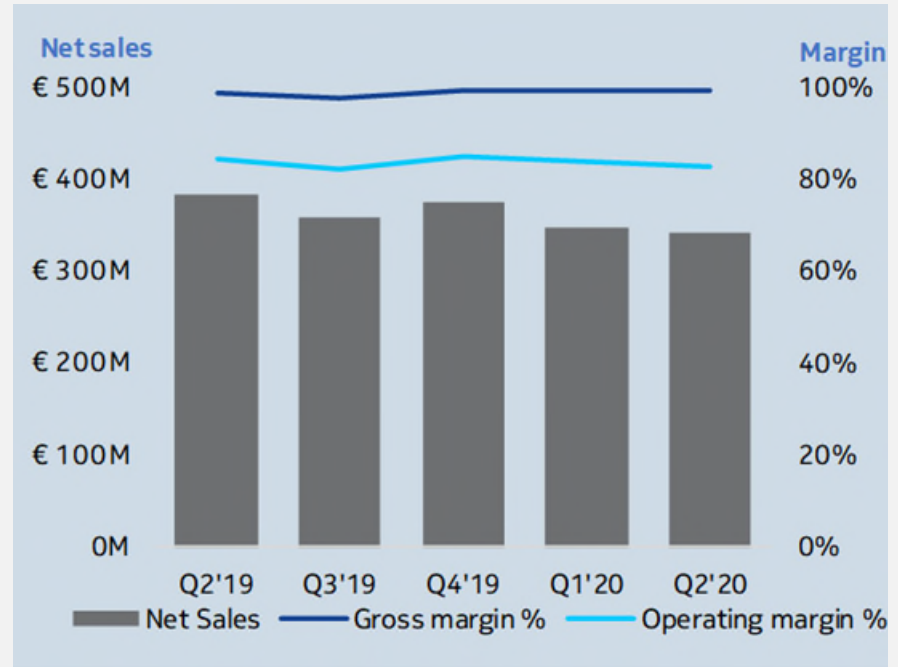
# Change in net cash

Free cash flow of EUR 265 million



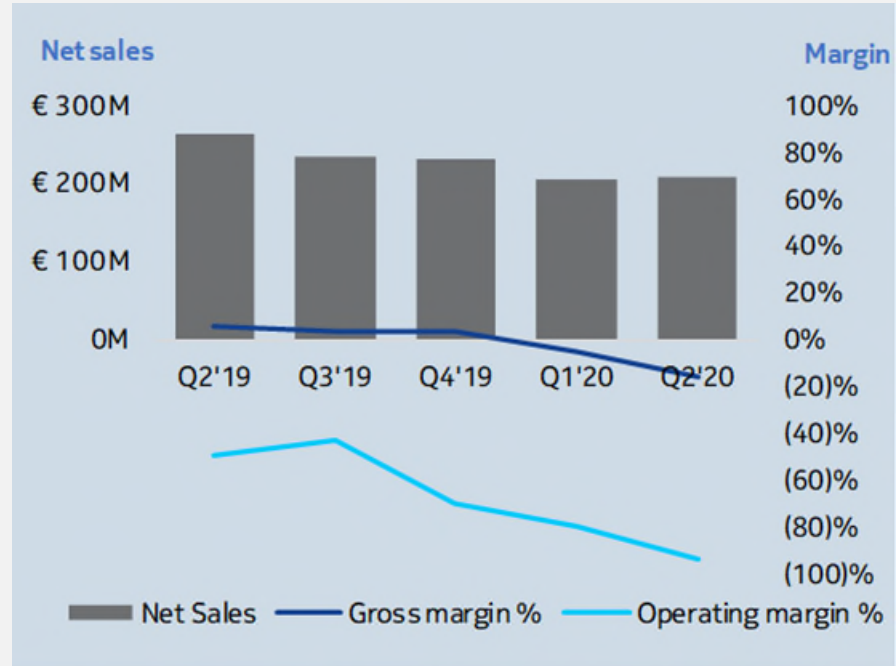
# Nokia Technologies

Profits remain strong, but declined mainly as a result of lower net sales.



# Group Common and Other

COVID-19 had a ~ EUR 150 million negative net impact on net sales in Q2.



# Nokia Group Cost savings program

Remain on track to meet  
EUR 500 million target by  
end of 2020

No changes to expectations  
for restructuring charges  
and cash outflows

In EUR million, approximately	Total expected	Recorded as of Q2 2020	To be recorded in Q3-Q4 2020	To be recorded beyond 2020
Restructuring and associated charges related to our most recent cost savings program	900	660	240	0
Restructuring and associated cash outflows	1550	670	330	550

# Outlook

## Full Year 2020

Non-IFRS diluted earnings per share	EUR 0.25 ( <u>adjusted</u> from EUR 0.23) plus or minus 5 cents
Non-IFRS operating margin	9.5% ( <u>adjusted</u> from 9.0%) plus or minus 1.5 percentage points
Recurring free cash flow <sup>1</sup>	Clearly positive ( <u>This is an update</u> from 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.

<sup>1</sup> 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.

# Q&A



**NOKIA**