

Q1 2022 Investor Video Transcript

April 28, 2022

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 2021 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.

David Mulholland, Head of Investor Relations

Hi everyone and welcome to this short introduction to Nokia’s first quarter 2022 results. My name is David Mulholland, Head of Investor Relations and today with me I have Pekka Lundmark our President and CEO.

In this video we will be discussing Nokia’s financial performance on a constant currency basis where we discuss growth rates and on a comparable basis where we refer to our margins. Full reconciliation tables can be found in our earnings release to our IFRS financials. With that let’s get started.

Pekka, could you please summarize Nokia’s Q1 performance?

Pekka Lundmark, President and CEO

Our Q1 was a great start to the year. We had 1% constant currency growth, 5% reported, despite some supply chain challenges. We would actually have been able to

grow faster without those challenges. 250bps improvement in gross margin shows that our cost competitiveness has increased, our technology competitiveness has improved and this we were able to do despite the cost inflation that of course the whole world is currently seeing. Our operating margin was flat at 10.9%. It shows strong underlying improvement in profitability that was offset by increased investment in R&D, slightly lower other operating income against the comparables last year and then some timing impacts in our Technologies business.

Now looking at this year we have a very strong order backlog and the demand environment continues strong so overall we are happy with the progress in Q1 and this is clearly a first step to delivering on our 2022 outlook.

David Mulholland, Head of Investor Relations

So, Pekka, if we dig into the performance in a little more detail. What would you see as the key highlights from Mobile Networks?

Pekka Lundmark, President and CEO

Mobile Networks had a 4% decline on the topline and this was because of supply chain constraints. We have a strong order book in Mobile Networks it's looking really good and we do expect to return to growth in 2022.

On the profitability side, despite the weak topline we had really really great profitability improvement. We had strong gross margin expansion and the operating margin expanded by 410bps to 7.5%.

On the technology side – of course the KPI we have been following is the share of our products that are powered by ReefShark and that share was now 82% in the quarter. So we are clearly on track to achieve the 100% target of deliveries by the end of this year.

David Mulholland, Head of Investor Relations

Network Infrastructure continued to deliver really strong growth, can you possibly comment on what has been the driver behind that?

Pekka Lundmark, President and CEO

Well you're absolutely right, Network Infrastructure had a fantastic growth from a top-line perspective, up 9% year-over-year and this was driven by Fixed Networks +29% and Submarine Networks +25%. The only weaker point was Optical Networks

which was suffering from component availability, but other than that a fantastic top line quarter for NI.

On the technology side as you remember we launched last year our next generation routing silicon FP5 and it is right now going to the first customer trials and it's looking really really good; we initially targeted 4.8 Tbps throughput but now we are looking at even 6 Tbps which obviously further strengthens the value proposition to our customers.

David Mulholland, Head of Investor Relations

So Cloud and Network Services delivered 5% net sales growth in the quarter and also good profitability improvements, can you possibly talk about what drove the improvement?

Pekka Lundmark, President and CEO

This was indeed a good quarter for Cloud and Network Services, we have been doing a lot of product portfolio rebalancing, we have selected the areas into which we invest which we believe will deliver growth for us and now this quarter was actually an encouraging one. I believe that we are clearly on the right track. The growth was driven by Core Networks as operators are investing more and more in to the 5G Core Network but it was also then supported by Private Wireless deployments, both Wide Area networks and Campus Wireless networks. We had a really nice gross margin expansion of 520bps which then together with the top line growth and other operational improvements strongly supported the operating profit improvement that we had.

David Mulholland, Head of Investor Relations

One area of the business that did face some challenges and saw net sales decline in the quarter was [Nokia] Technologies. Could you possibly comment on what happened there?

Pekka Lundmark, President and CEO

This is primarily a timing issue. We are currently in litigation regarding two contract renewals and once these negotiations are completed we expect a strong recovery in net sales. In addition to this, there is one licensing agreement which will not be renewed because the customer has exited the market. Overall we expect to be able to deliver a stable operating profit year-over-year.

David Mulholland, Head of Investor Relations

Last question Pekka. You now have one quarter behind you, how do you see the outlook for the financial year 2022?

Pekka Lundmark, President and CEO

Well Q1 was indeed a strong start to the year both from a net sales and profitability point of view. The demand environment continues strong and while there continue to be supply chain and inflation challenges, we are confident that we can deliver our 2022 outlook and also continue to make good progress towards our long term targets.

There are some short term COVID-related challenges in China – as we all know – but we do not expect these to affect our full year outlook.

Our full year net sales outlook is unchanged in constant currency. We have adjusted the figures to the end of Q1 exchange rates, so we are now expecting to have net sales between €22.9 and €24.1 billion.

Then in the long-term, we still look to grow revenues faster than the market and to achieve a comparable operating margin of at least 14% in the next 3 to 5 years.

David Mulholland, Head of Investor Relations

Thank you Pekka and thank you everyone for joining us today.

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