

## Q2 2022 Investor Video Transcript

July 21, 2022

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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.

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David Mulholland, Head of Investor Relations

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

In today’s discussion we will be focusing our financial discussion primarily on constant currency growth rates and when we talk about margins on a comparable basis. If you look at our financial report that is published on the investor relations website you can find a full reconciliation to our IFRS financial results.

With that, Pekka, can you give us a few words on how you found Nokia’s financial performance in the second quarter?

Pekka Lundmark, President and CEO

Thanks David. I'm pleased to say we continued to execute well in the second quarter. We improved net sales growth to 3% despite the ongoing impact of supply chain constraints. We saw growth in Network Infrastructure, Mobile Networks and from a regional perspective, North America was a real standout with 19% increase in net sales.

Q2 was also another quarter of robust profitability with a 12.2% operating margin. This was slightly down year-on-year due to the timing effects of contract renewals in Nokia Technologies as well as a one-off software benefit in Mobile Networks that we communicated last year. But excluding these factors we continue to see strong improvement in the underlying profitability of the business.

Overall it was a solid quarter and first half for 2022 and I would like to thank the whole Nokia team for that.

David Mulholland, Head of Investor Relations

And I wonder if you could share a few more words just on how each of the business groups performed in the quarter.

Pekka Lundmark, President and CEO

First of all, Network Infrastructure had another great quarter with 12% growth in net sales. This was driven both by strong market demand and our increased market share. All four of its businesses grew with Fixed Networks and Submarine Networks as the main engines – both delivering double-digit growth.

I was also pleased to see Mobile Networks delivering solid profitability and a 1% growth in net sales. Our continuing investments in technology leadership and competitiveness are showing results. We are confident we will deliver growth on a full year basis this year and that we remain on a path to start growing faster than the market in the mid-term.

Cloud and Network Services growth was flat compared to last year while Nokia Technologies continued to be impacted by the on-going renewal process of two licensing contracts. But we remain confident in the strength of our patent portfolio and expect to return to the previously communicated annual run-rate of Euro 1.4-1.5 billion with the assumption that the two on-going contract renewals are concluded.

David Mulholland, Head of Investor Relations

One of the concerns that we have had from many of our investors recently is around the outlook for the global economy. I wonder if you could you share a few words on how you see that potentially impacting Nokia's business?

Pekka Lundmark, President and CEO

Well we are obviously seeing the same headlines our investors are seeing. None of us has a crystal ball to predict what exactly is going to happen in the world economy in the next twelve months. Our focus is on preparing for all possible scenarios. However, I would like to make a couple of quick comments.

First, even though our business is not immune to macro trends, we continue to see strong investment trends in connectivity, particularly into 5G and fiber deployments. Those investments are very important for many of our customers to cope with increasing data consumption and the need to increase productivity which networks enable.

So far, we haven't seen any major changes in our demand outlook. Customer demand and order intake remain strong and we continue to be more supply than demand limited.

But the macro trends could impact the pace at which our customers are investing. There can, for instance, be some challenges in emerging markets where currency movements could impact the affordability of our products that are effectively priced in U.S. Dollars or Euros.

Finally, the most important thing for us as a company is to make sure we do not become complacent. We will maintain our focus on further increasing our technology leadership and having a constant focus on cost efficiency. If we maintain that focus, I am confident we can continue to deliver on our strategic goals.

David Mulholland, Head of Investor Relations

The other area that we have been getting a lot of questions and I have been discussing at length with our investors is around our supply chain. It's obviously been a constraint on our business, but how do you see that performing in the second quarter and into the second half of the year?

Pekka Lundmark, President and CEO

As you all know, this has been a really challenging situation that we have been dealing with in a number of ways since the pandemic hit. Towards the end of last year we were facing constraints across a lot of suppliers in the business. We said earlier this year,

that the situation was changing a bit towards more supplier-specific challenges that were constraining our business. Today, that largely remains the case but we are seeing signs of the remaining challenges starting to ease through the second half of 2022 and the first half of 2023.

David Mulholland, Head of Investor Relations

And as a global business you mentioned Nokia has some currency exposures. Now obviously we have seen year-to-date that there has been a 10% strengthening of the U.S. Dollar. Could you maybe give us a quick overview of Nokia's exposure to currency and how it can impact the business as well.

Pekka Lundmark, President and CEO

The good thing is that when we are talking about currencies we are relatively well naturally hedged from a currency exposure and have broadly similar sales compared to costs in most currencies. We do however have slightly more revenue than we have costs in U.S. Dollar with roughly 55% of sales and 50% of costs currently. As a rough rule of thumb to our currency exposure in the longer-term, in relation to the U.S. Dollar if the U.S. Dollar strengthens by 10% against the Euro it would provide a roughly 5% tailwind to our sales and a neutral to slightly positive impact to our operating margin before hedging. In the short-term however our hedging program which dampens the impact of currency movements means that our operating profit for the financial year 2022 is largely unaffected. Considering the tailwind it provides to sales, a stronger U.S. Dollar is a slight headwind to our operating margin.

David Mulholland, Head of Investor Relations

Thank you Pekka and for the first half of the year is obviously now behind us how do you see the financial outlook for the second half and for the full year 2022?

Pekka Lundmark, President and CEO

Overall we had a strong first half and with our renewed competitiveness we are well placed to deliver our full year 2022 guidance. There remain risks around the timing of the Technologies contract renewals, potential COVID-19 lockdowns and the supply chain situation. We are currently tracking towards the higher end of our net sales guidance and towards the midpoint of our operating margin guidance as we manage ongoing inflation and currency headwinds.

David Mulholland, Head of Investor Relations

Thanks Pekka. Any final words before we finish up

Pekka Lundmark, President and CEO

Well to sum up we are in a good place, I am pleased with the progress across the business in the first half of the year, it has led to improved revenue and good profitability. I think there are great opportunities for us ahead with the demand for digitalization and connectivity continuing to increase. Our work to refocus R&D investments and improve cost efficiency has put us in a stronger position to capitalize on these opportunities. So all in all I'm pleased with the first half of the year and I look forward to further progress in the second half.

David Mulholland, Head of Investor Relations

Thank you Pekka for these comments and thank you all for joining us today.

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