# Q3 2023 Investor Video Transcript

## 19 October 2023

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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 2022 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.

References in this video to margins related to Nokia's comparable reporting. References to growth rates are in constant currency. Full reconciliation tables to Nokia's IFRS financials are published in our Q3 financial report published on our investor relations website.

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| David Mulholland, Head of Investor Relations |
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So Pekka, there have been quite a few announcements from Nokia today along with the Q3 results. Before we get to results, let's dive into the announcements. Firstly, you announced changes to accelerate Nokia's strategy execution – what's changed?

| Pekka Lundmark, President and CEO |
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Thank you David and you're right we have made a number of important announcements this morning, where we are taking decisive action on three levels – strategic, operational and cost.

We are accelerating our strategy execution by providing our four business groups with increased operational autonomy and agility. This will enable the business groups to better address opportunities in their distinctive markets. They will be empowered to faster diversify beyond service providers, build new ecosystem partnerships, implement new business models and invest for technology leadership.

| David Mulholland, Head of Investor Relations |
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Secondly, you've announced changes to Nokia's operating model – what's being changed?

Pekka Lundmark, President and CEO

Well, if you remember in 2021, we created four P&L responsible business groups structured around unique customer offerings but supported by a shared sales organization. The next evolution on this journey is to embed the sales and other go-to-market teams into the business groups.

Dedicated sales teams with a strong product and customer connection will enable business groups to better seize growth opportunities and diversify into enterprise, webscale and government sectors. This change will bring highly empowered teams in front of customers that are able to make quicker decisions based on their needs.

We will also move to a leaner corporate center with oversight for financial performance, portfolio optimization, and long-term research through Nokia Bell Labs.

David Mulholland, Head of Investor Relations

Finally, you've also announced changes to Nokia's cost base to protect profitability. How do you see that impacting Nokia?

Pekka Lundmark, President and CEO

In the face of a challenging market environment we will reduce our cost base to protect our profitability. We will lower our cost base on a gross basis by EUR 800 million to EUR 1.2 billion by the end of 2026 while still protecting our R&D capacity and commitment to technology leadership. The program is expected to result in a 72 000 to 77 000 employee organization instead of the approximately 86 000 employees Nokia has today.

We will execute quickly on the program and expect to already achieve at least EUR 400 million of in-year savings in 2024.

These actions keep us on track to achieve our long-term operating margin target of at least 14% by 2026.

David Mulholland, Head of Investor Relations

Thank you Pekka – so if we now turn back to the third quarter, how did you see the business performance?

Pekka Lundmark, President and CEO

It is fair to say that this quarter has been dominated by the continued pressure of a weaker macro-economic environment and the impact of higher interest rates on operator spending. This led to a top-line decline of 15% in constant currency.

In terms of profitability, we obviously aspire to do better but our operating margin of 8.5% held up reasonably well considering the topline softness.

This was due to our continued cost control as well as some other operating income in the quarter.

So a challenging quarter overall in terms of top line, but I firmly believe that it is during challenging times that businesses prove their resilience and that is what we are doing.

David Mulholland, Head of Investor Relations

So you mentioned the challenges on the top-line that the business has been experiencing and particularly within Mobile Networks and Network Infrastructure – can you go into a bit more detail about what is happening there?

Pekka Lundmark, President and CEO

Of course – obviously much of it is a consequence of the macro-economic environment that I already mentioned but if we look by business group:

In Network Infrastructure, last quarter we noted that macroeconomic uncertainty and customer inventory digestion were starting to impact the business after a few years of significant growth. These factors continued into Q3, most notably impacting IP Networks and Fixed Networks, which lead to an overall decline of 14% in the business group.

Our Mobile Networks business declined by 19% and this was primarily driven by North America which has seen operators continue to digest inventories and prioritize cash over capex spend. India showed year-on-year growth again this quarter as the 5G deployments there continued, but sequentially volumes have started to normalize.

I would also call out the positive development in Mobile Networks gross margin which is an important KPI and improved sequentially due to the more favorable regional mix.

David Mulholland, Head of Investor Relations

Cloud and Network Services had a more stable performance in the quarter – what were the drivers of that?

Pekka Lundmark, President and CEO

You're right – I was pleased with the performance of our Cloud and Network Services business which was more stable with a modest 2% decline. We continued to see strong growth in Enterprise Solutions which was offset by slight declines in the other business lines.

I would also like to mention the Network as Code platform launch that we made in September. This is a platform that we have developed organically and puts us firmly at the forefront of the opportunity to help operators monetize their 4G and 5G assets by using Network APIs. We want to empower a new wave of enterprise and industrial applications that can utilize the network in a much more programmable way.

David Mulholland, Head of Investor Relations

So Pekka – it's been a couple of quarters now that we have been talking about the challenges to the topline impacting the business – when do see there being a potential turning point in that?

Pekka Lundmark, President and CEO

Clearly when the challenges we are facing are related to the macro-economic environment, it is impossible for us to predict exactly when the market will recover.

Having said that – I remain confident in the fundamental drivers of our business. Data traffic growth continues, the 5G rollout is still only around 25% complete excluding China and networks will need continued investment.

Cloud Computing and AI revolutions will not happen without significant investment in networks that have vastly improved capabilities.

To call out just a couple of specific opportunities we see: Firstly, we continue to expand into Enterprise, which grew 5% in the quarter, a segment that has grown despite the weaker environment and is now around 10% of our group sales.

Secondly, it should not be forgotten that our Fixed Networks business is likely to start seeing the benefit in 2024 of some of the broadband infrastructure subsidy programs.

So while we may not know exactly when the demand environment will improve, we do see significant opportunities ahead of us.

David Mulholland, Head of Investor Relations

Finally Pekka, as we look to the rest of 2023, how has your outlook evolved?

Pekka Lundmark, President and CEO

Although our third quarter net sales were weaker than planned, we expect to see a more normal seasonal improvement in our network businesses in the fourth quarter.

Based on this and assuming we resolve the outstanding renewals in Nokia Technologies, we are tracking towards the lower end of our net sales range for 2023 of EUR 23.2 billion to EUR 24.6 billion net sales and towards the mid-point of our operating margin range of 11.5% to 13.0%.

David Mulholland, Head of Investor Relations

Thank you Pekka.

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