Q1 2017

Conference call
April 27, 2017
15:00 / Helsinki
08:00 / New York

Disclaimer

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, including, without limitation, those regarding future business and the financial performance of Nokia and its industry and statements preceded by "believe," "expect," "anticipate," "foresee," "sees," "target," "estimate," "designed," "aim," "plans," "intends," "focus," "continue," "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 67 to 85 of our annual report on Form 20-F for the year ended December 31, 2016 under "Operating and Financial Review and Prospects—Risk Factors", our other filings with the U.S. Securities and Exchange Commission and in our interim report issued on April 27, 2017. 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.
In addition to information on our reported IFRS results, we provide certain information on a non-IFRS, or underlying business performance, basis. Non-IFRS results exclude all material special items for all periods. In addition, non-IFRS results exclude intangible asset amortization and other purchase price accounting related items arising from business acquisitions. We believe that our non-IFRS financial measures provide meaningful supplemental information to both management and investors regarding Nokia's underlying business performance by excluding the aforementioned items that may not be indicative of Nokia's business operating results. These non-IFRS financial measures should not be viewed in isolation or as substitutes to the equivalent IFRS measure(s), but should be used in conjunction with the most directly comparable IFRS measure(s) in the reported results. A detailed explanation of the content of the non-IFRS information and a reconciliation between the non-IFRS and the reported information for historical periods can be found in Nokia's respective results reports. Please see our issued interim reports for more information on our results and financial performance for the indicated periods as well as our operating and reporting structure.

NOKIA

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Presented by

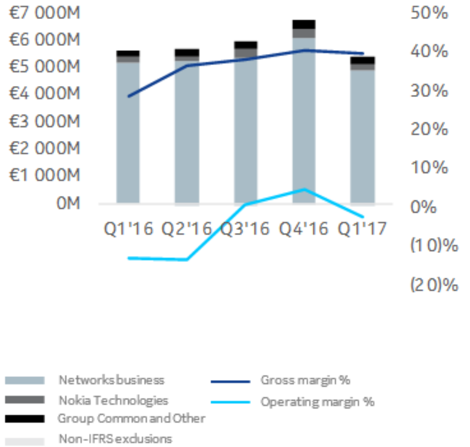
Rajeev Suri
President and CEO

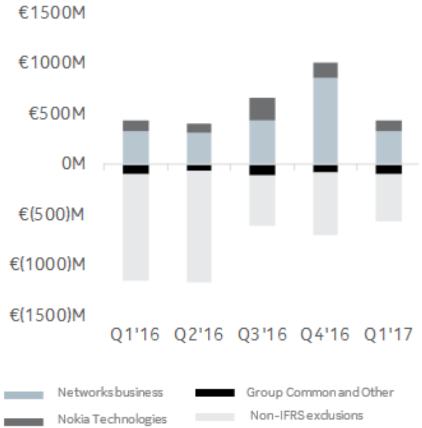
Kristian Pullola
CFO

  NOKIA

Nokia, reported

Components of net sales | Margin | Components of operating profit





First quarter 2017 reported results, unless otherwise specified. Refer to note 1, "Basis of Preparation", in the Financial statement information section for further details [1]

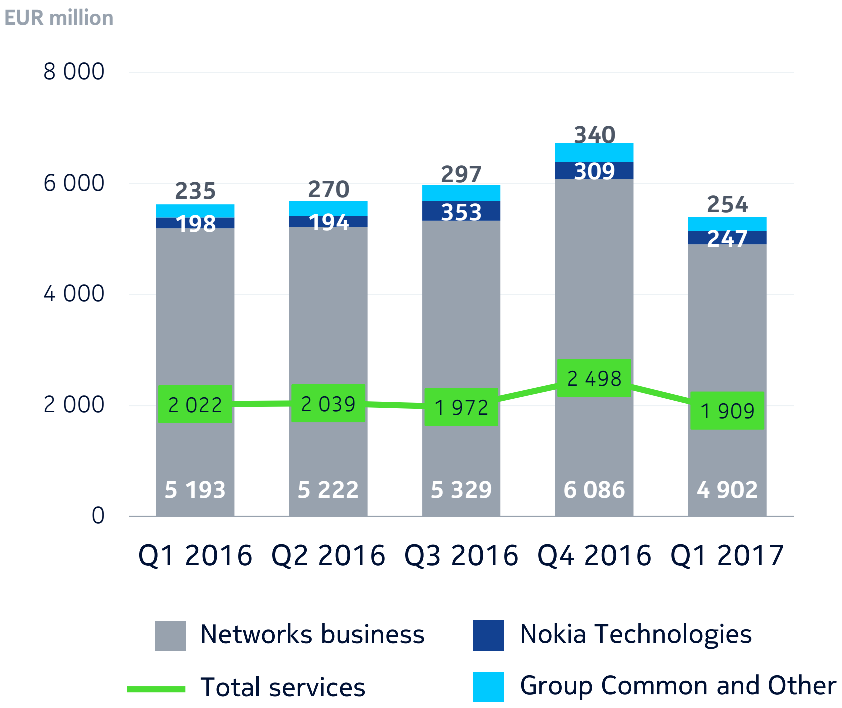
EUR million (except for EPS in EUR)	**Q1'17**	Q1'16	YoY change	Q4'16	QoQ change
Net Sales - constant currency			*(4)%*		*(20)%*
Net sales	**5 378**	5 511	(2)%	6 657	(19)%
Nokia's Networks business	**4 902**	5 193	(6)%	6 086	(19)%
Ultra Broadband Networks	**3 597**	3 741	(4)%	4 346	(17)%
IP Networks and Applications	**1 304**	1 453	(10)%	1 740	(25)%
Nokia Technologies	**247**	198	25%	309	(20)%
Group Common and Other	**254**	235	8%	340	(25)%
Non-IFRS exclusions	**(11)**	(104)		(74)	
Gross profit	**2 125**	1 577	35%	2 683	(21)%
Gross margin %	***39.5%***	*28.6%*	*1 090bps*	*40.3%*	*(80)bps*
Operating (loss)/profit	**(127)**	(712)	(82)%	317	(140)%
Nokia's Networks business	**324**	337	(4)%	858	(62)%
Ultra Broadband Networks	**301**	230	31%	564	(47)%
IP Networks and Applications	**23**	107	(79)%	294	(92)%
Nokia Technologies	**116**	106	9%	158	(27)%
Group Common and Other	**(99)**	(99)	0%	(76)	
Non-IFRS exclusions	**(468)**	(1 057)		(622)	
Operating margin %	***(2.4)%***	*(12.9)%*	*1 050bps*	*4.8%*	*(720)bps*
Financial income and expenses	**(146)**	(103)	42%	(72)	103%
Taxes [2]	**(154)**	101		401	
(Loss)/Profit [2]	**(435)**	(712)	(39)%	658	
(Loss)/Profit attributable to the equity holders of the parent [2]	**(473)**	(623)	(24)%	659	
Non-controlling interests [2]	**37**	(88)		0	
EPS, EUR diluted [2]	**(0.08)**	(0.11)	(27)%	0.11	
Net cash and other liquid assets	**4 409**	8 246	(47)%	5 299	(17)%

[1] Results are as reported unless otherwise specified. The financial information in this report is unaudited. Non-IFRS results 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. For details, please refer to the non-IFRS exclusions section included in discussions of both the quarterly and year to date performance and note 2, "Non-IFRS to reported reconciliation", in the notes in the Financial statement information in this report. Change in net sales at constant currency excludes the impact of changes in exchange rates in comparison to euro, our reporting currency. For more information on currency exposures, please refer to note 1, "Basis of Preparation", in the Financial statement information section in this report.

[2] Reported Q1'16 result is not comparable to the previously published Reported Q1'16 result due to an update to the Alcatel-Lucent purchase price allocation in Q3'16 which resulted in an adjustment to the reported Q1'16 income tax benefit.

Nokia, non-IFRS

Net sales



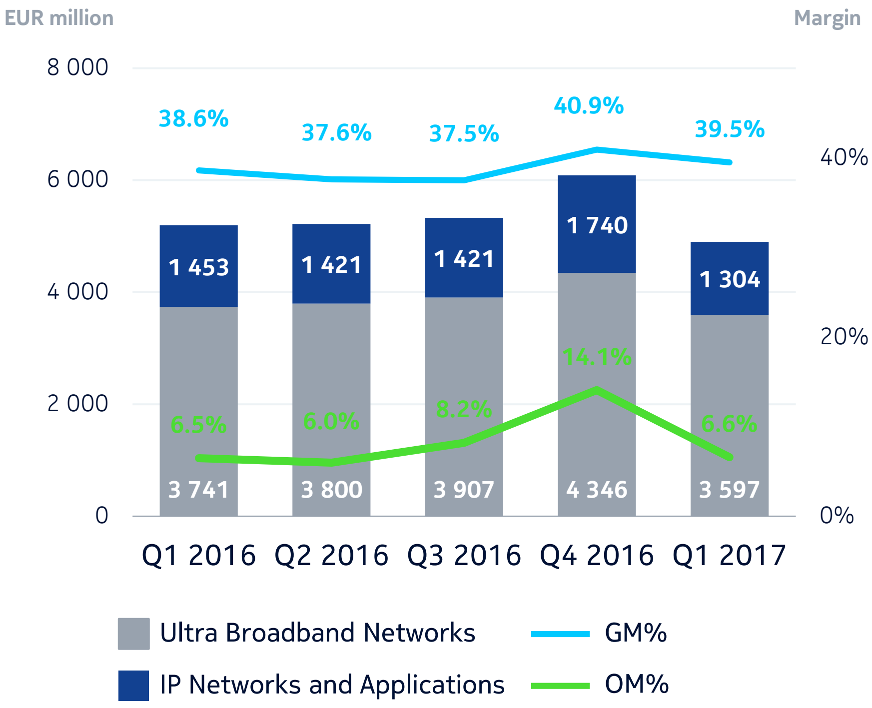
EUR million	Q1'17	Q1'16	YoY change	Q4'16	QoQ change
Net sales – constant currency (non-IFRS)			*(6)%*		*(21)%*
Net sales (non-IFRS)	**5 388**	5 615	(4)%	6 731	(20)%
Nokia's Networks business	**4 902**	5 193	(6)%	6 086	(19)%
Nokia Technologies	**247**	198	25%	309	(20)%
Group Common and Other	**254**	235	8%	340	(25)%
Gross profit (non-IFRS)	**2 196**	2 228	(1)%	2 842	(23)%
Gross margin % (non-IFRS)	***40.8%***	*39.7%*	*110bps*	*42.2%*	*(140)bps*
Operating profit (non-IFRS)	**341**	345	(1)%	940	(64)%
Nokia's Networks business	**324**	337	(4)%	858	(62)%
Nokia Technologies	**116**	106	9%	158	(27)%
Group Common and Other	**(99)**	(99)	0%	(76)	30%
Operating margin % (non-IFRS)	***6.3%***	*6.1%*	*20bps*	*14.0%*	*(770)bps*
Financial income and expenses (non-IFRS)	**(81)**	(67)	21%	(72)	13%
Taxes (non-IFRS)	**(48)**	(140)	(66)%	(204)	(76)%
Profit (non-IFRS)	**203**	139	46%	676	(70)%
Profit attributable to the equity holders of the parent (non-IFRS)	**196**	152	29%	672	(71)%
Non-controlling interests (non-IFRS)	**6**	(13)		4	50%
EPS, EUR diluted (non-IFRS)	**0.03**	0.03	0%	0.12	(75)%

Q1 2017 Highlights

- Solid overall results, with strong performance in Mobile Networks; full year outlook reiterated.
- Non-IFRS net sales in Q1 2017 of EUR 5.4bn (EUR 5.6bn in Q1 2016).
- Non-IFRS diluted EPS in Q1 2017 of EUR 0.03 (EUR 0.03 in Q1 2016).

Nokia's Networks business

Net sales and margins



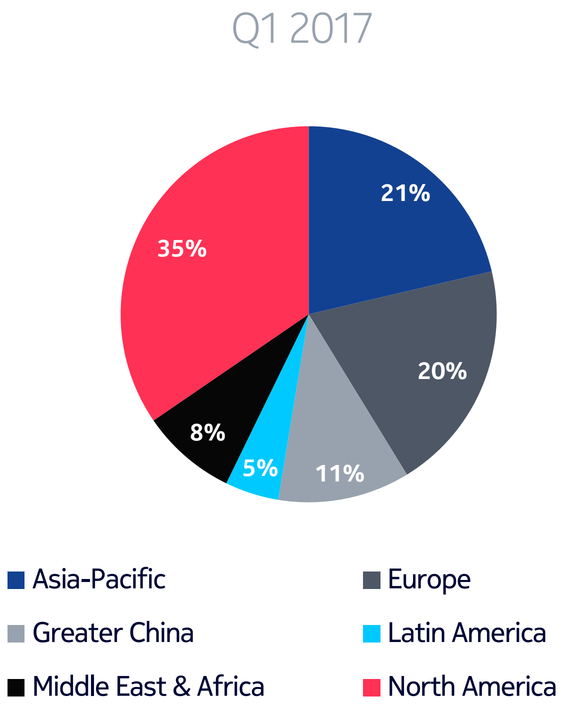
EUR million	Q1'17	Q1'16	YoY change	Q4'16	QoQ change
Net sales - constant currency			*(7)%*		*(20)%*
Net sales	**4 902**	5 193	(6)%	6 086	(19)%
Ultra Broadband Networks	**3 597**	3 741	(4)%	4 346	(17)%
IP Networks and Applications	**1 304**	1 453	(10)%	1 740	(25)%
Gross profit	**1 935**	2 005	(3)%	2 490	(22)%
Gross margin %	***39.5%***	*38.6%*	*90bps*	*40.9%*	*(140)bps*
R&D	**(944)**	(977)	(3)%	(951)	(1)%
SG&A	**(667)**	(669)	0%	(674)	(1)%
Other income and expenses	**0**	(22)	(100)%	(8)	(100)%
Operating profit	**324**	337	(4)%	858	(62)%
Ultra Broadband Networks	**301**	230	31%	564	(47)%
IP Networks and Applications	**23**	107	(79)%	294	(92)%
Operating margin %	***6.6%***	*6.5%*	*10bps*	*14.1%*	*(750)bps*

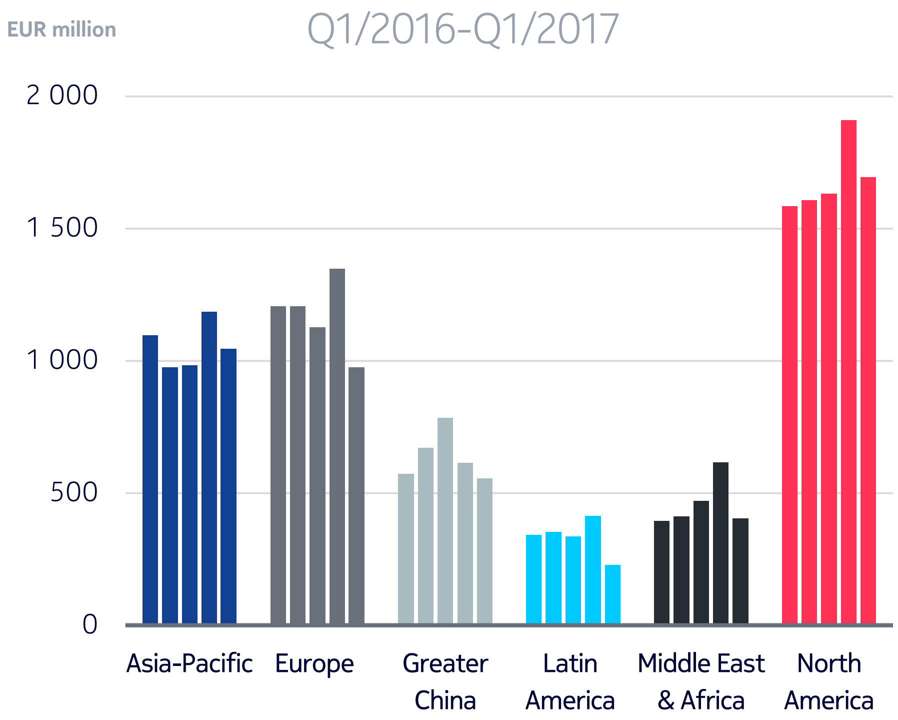
Q1 2017 Highlights

- 6% year-on-year net sales decrease in Q1 2017 primarily due to IP/Optical Networks and Fixed Networks, with approximately flat net sales in Mobile Networks and Applications & Analytics.
- Strong Q1 2017 gross margin of 39.5% and solid operating margin of 6.6%, supported by continued focus on operational excellence, with particularly strong performance in Mobile Networks.

Nokia's Networks business

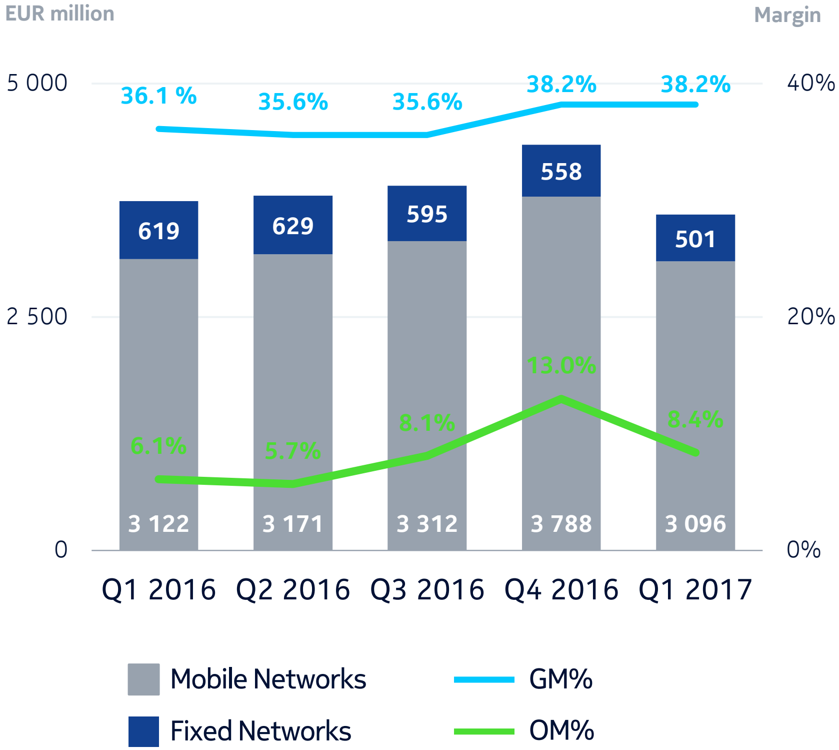
Net sales by geographic area





Ultra Broadband Networks

Net sales and margins



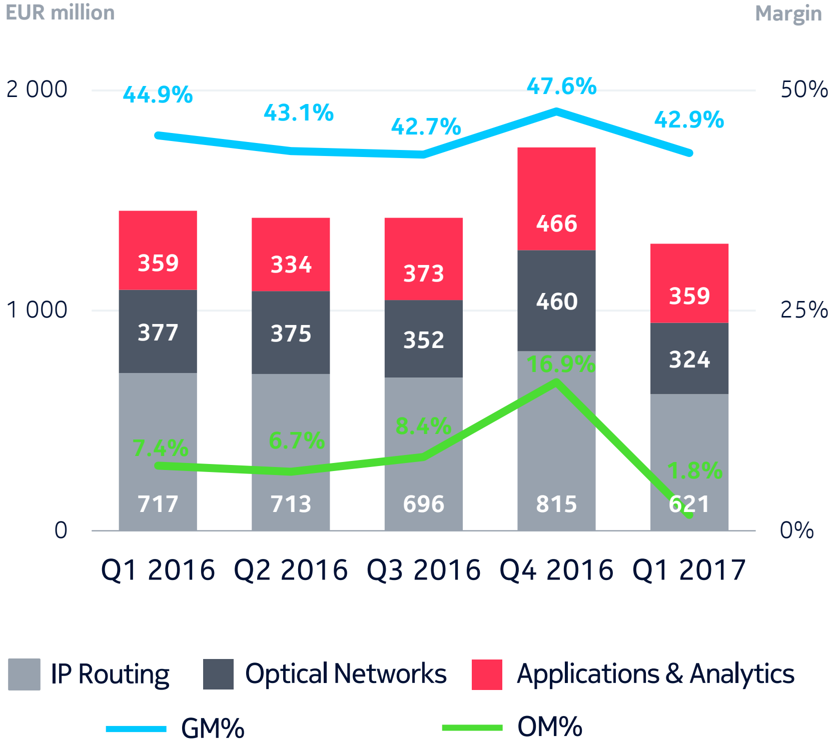
EUR million	**Q1'17**	Q1'16	YoY change	Q4'16	QoQ change
Net sales - constant currency			*(6)%*		*(18)%*
Net sales	**3 597**	3 741	(4)%	4 346	(17)%
Mobile Networks	**3 096**	3 122	(1)%	3 788	(18)%
Fixed Networks	**501**	619	(19)%	558	(10)%
Gross profit	**1 375**	1 352	2%	1 661	(17)%
Gross margin %	***38.2%***	*36.1%*	*210bps*	*38.2%*	*0bps*
R&D	**(606)**	(637)	(5)%	(617)	(2)%
SG&A	**(464)**	(471)	(1)%	(477)	(3)%
Other income and expenses	**(5)**	(14)	(64)%	(4)	25%
Operating profit	**301**	230	31%	564	(47)%
Operating margin %	***8.4%***	*6.1%*	*230bps*	*13.0%*	*(460)bps*

Q1 2017 Highlights

- The year-on-year decrease in Ultra Broadband Networks net sales in the first quarter 2017 was due to Fixed Networks and, to a lesser extent, Mobile Networks.
- The net sales performance in Fixed Networks was in comparison to a particularly strong first quarter 2016, which was driven by high order intake in the fourth quarter 2015. The decrease in Fixed Networks net sales was primarily due to broadband access and, to a lesser extent, services and digital home. The slight decrease in Mobile Networks net sales was primarily due to services, partially offset by advanced mobile networks solutions and radio networks. From a growth perspective, small cells continued to deliver strong performance on a year-on-year basis.
- On a year-on-year basis, in the first quarter 2017, Ultra Broadband Networks operating profit increased primarily due to lower R&D expenses, higher gross profit and a net positive fluctuation in other income and expenses.
- The increase in Ultra Broadband Networks gross profit was primarily due to Mobile Networks, partially offset by Fixed Networks.
- The decrease in Ultra Broadband Networks R&D expenses was primarily due to Mobile Networks, partially offset by Fixed Networks.

IP Networks and Applications

Net sales and margins



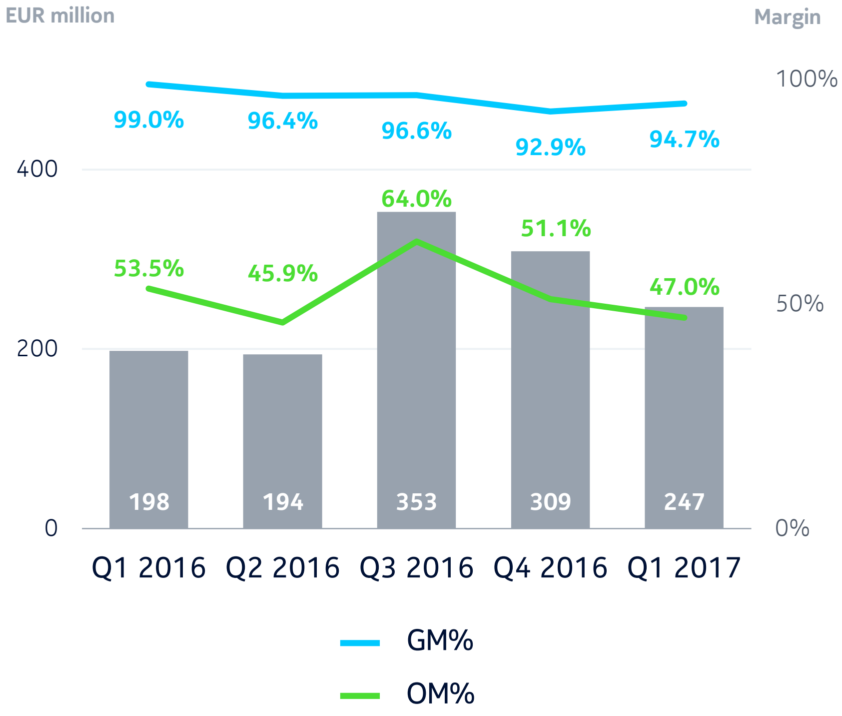
EUR million	Q1'17	Q1'16	YoY change	Q4'16	QoQ change
Net sales - constant currency			*(12)%*		*(26)%*
Net sales	**1 304**	1 453	(10)%	1 740	(25)%
IP/Optical Networks	**945**	1 094	(14)%	1 275	(26)%
IP Routing	**621**	717	(13)%	815	(24)%
Optical Networks	**324**	377	(14)%	460	(30)%
Applications & Analytics	**359**	359	0%	466	(23)%
Gross profit	**560**	653	(14)%	829	(32)%
Gross margin %	***42.9%***	*44.9%*	*(200)bps*	*47.6%*	*(470)bps*
R&D	**(338)**	(340)	(1)%	(335)	1%
SG&A	**(203)**	(198)	3%	(197)	3%
Other income and expenses	**4**	(8)		(3)	
Operating profit	**23**	107	(79)%	294	(92)%
Operating margin %	***1.8%***	*7.4%*	*(560)bps*	*16.9%*	*(1 510)bps*

Q1 2017 Highlights

- The year-on-year decrease in IP Networks and Applications net sales in the first quarter 2017 was primarily due to IP/Optical Networks.
- The net sales performance in IP/Optical Networks was in comparison to a particularly strong first quarter 2016, which was driven by high order intake in the fourth quarter 2015. The decrease in IP/Optical Networks net sales was primarily due to weakness in the communication service provider market for both IP routing and optical equipment.
- On a year-on-year basis, in the first quarter 2017, IP Networks and Applications operating profit decreased primarily due to lower gross profit, partially offset by a net positive fluctuation in other income and expenses.
- The decrease in IP Networks and Applications gross profit was primarily due to IP/Optical Networks. The decrease in gross profit and gross margin in IP/Optical Networks was primarily due to lower net sales.
- IP Networks and Applications other income and expenses was an income of EUR 4 million in the first quarter 2017, compared to an expense of EUR 8 million in the year-ago quarter. On a year-on-year basis, the change was primarily due to IP/Optical Networks and related to a settlement with a component supplier.

Nokia Technologies

Net sales and margins



EUR million	Q1'17	Q1'16	YoY change	Q4'16	QoQ change
Net sales - constant currency			*25%*		*(20)%*
Net sales	**247**	198	25%	309	(20)%
Gross profit	**234**	196	19%	287	(18)%
Gross margin %	***94.7%***	*99.0%*	*(430)bps*	*92.9%*	*180bps*
R&D	**(61)**	(58)	5%	(70)	(13)%
SG&A	**(58)**	(32)	81%	(63)	(8)%
Other income and expenses	**0**	0	0%	4	(100)%
Operating profit	**116**	106	9%	158	(27)%
Operating margin %	***47.0%***	*53.5%*	*(650)bps*	*51.1%*	*(410)bps*

Q1 2017 Highlights

- Of the EUR 247 million of net sales in the first quarter 2017, EUR 231 million related to patent and brand licensing and EUR 16 million related to digital health and digital media.
- The year-on-year increase in Nokia Technologies net sales in the first quarter 2017 was primarily related to higher net sales related to an IPR license agreement that was expanded in the third quarter 2016, our brand partnership with HMD, non-recurring net sales primarily related to a new license agreement in the first quarter 2017 and the acquisition of Withings in the second quarter 2016. This was partially offset by the absence of licensing income related to certain expired agreements and lower licensing income from certain existing licensees. The vast majority of the net sales related to the new license agreement in the first quarter of 2017 were non-recurring in nature and related to prior periods. Approximately one third of the overall year-on-year increase in Nokia Technologies net sales in the first quarter 2017 was due to non-recurring net sales.
- The year-on-year increase in Nokia Technologies operating profit was primarily due to higher gross profit, partially offset by higher SG&A and R&D expenses.
- The increase in Nokia Technologies gross profit was primarily due to higher net sales, partially offset by lower gross margin. The lower gross margin was primarily due to a higher proportion of digital health and digital media net sales, which carries a lower gross margin than patent and brand licensing.
- The slight increase in Nokia Technologies R&D expenses was primarily due to the ramp-up of our digital health and digital media businesses, including the acquisition of Withings, partially offset by lower patent portfolio costs.
- The increase in Nokia Technologies SG&A expenses was primarily due to increased licensing-related litigation costs and higher marketing costs related to our digital health business.

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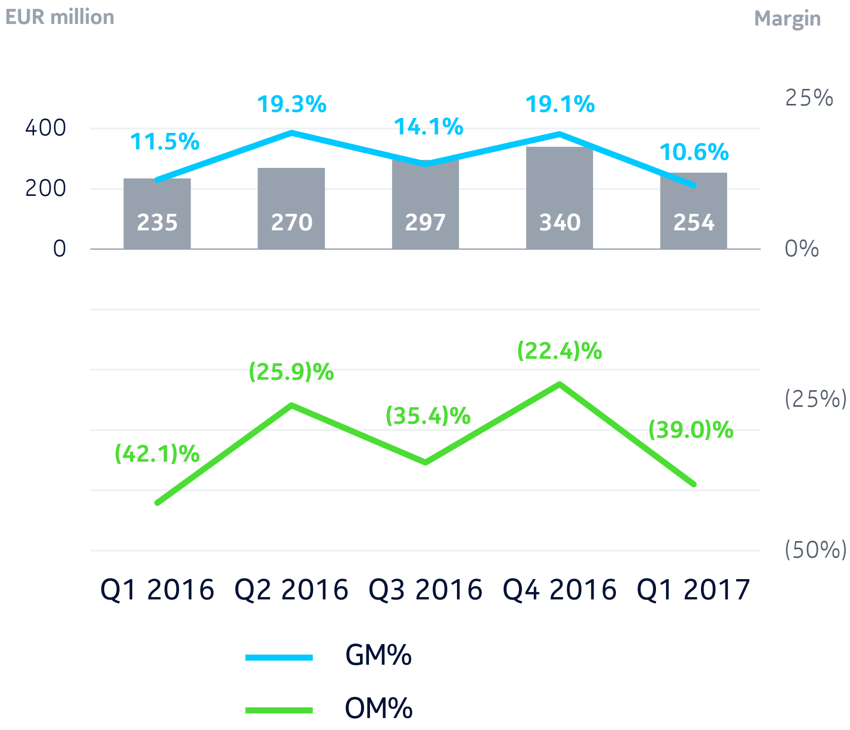
Group Common and Other

Net sales and margins



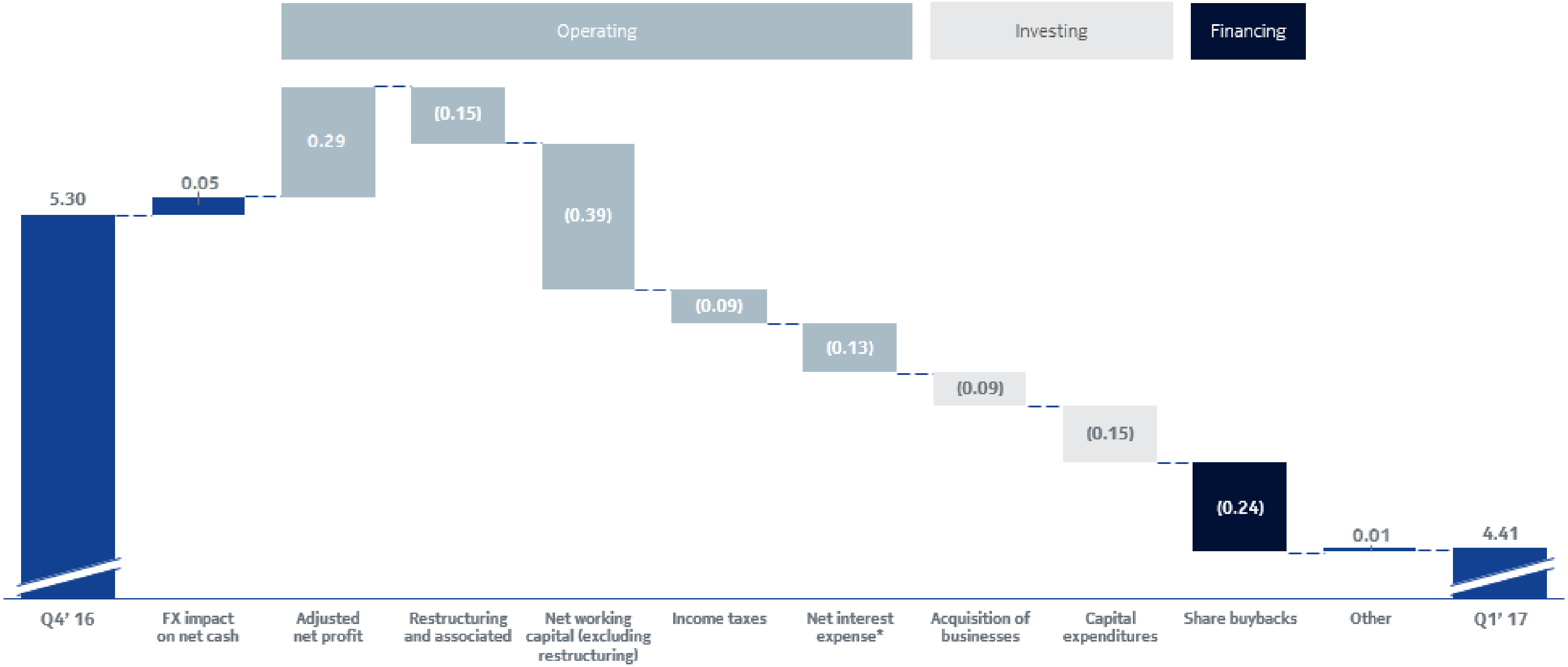
EUR million	**Q1'17**	Q1'16	YoY change	Q4'16	QoQ change
Net sales - constant currency			*3%*		*(26)%*
Net sales	**254**	235	8%	340	(25)%
Gross profit	**27**	27	0%	65	(58)%
Gross margin %	***10.6%***	*11.5%*	*(90)bps*	*19.1%*	*(850)bps*
R&D	**(76)**	(73)	4%	(74)	3%
SG&A	**(56)**	(47)	19%	(60)	(7)%
Other income and expenses	**6**	(5)		(6)	
Operating loss	**(99)**	(99)	0%	(76)	
Operating margin %	***(39.0)%***	*(42.1)%*	*310bps*	*(22.4)%*	*(1 660)bps*

Q1 2017 Highlights

- The year-on-year increase in Group Common and Other net sales in the first quarter 2017 was primarily due to Radio Frequency Systems, partially offset by Alcatel Submarine Networks.
- On a year-on-year basis, in the first quarter 2017, Group Common and Other operating loss was flat, primarily due to a net positive fluctuation in other income and expenses, partially offset by higher SG&A expenses.
- The increase in SG&A expenses was primarily related to real estate utilization.
- Group Common and Other other income and expenses was an income of EUR 6 million in the first quarter 2017, compared to an expense of EUR 5 million in the year-ago quarter. On a year-on-year basis, the change was primarily due to a gain on the sale of an investment.

Nokia change in net cash and other liquid assets

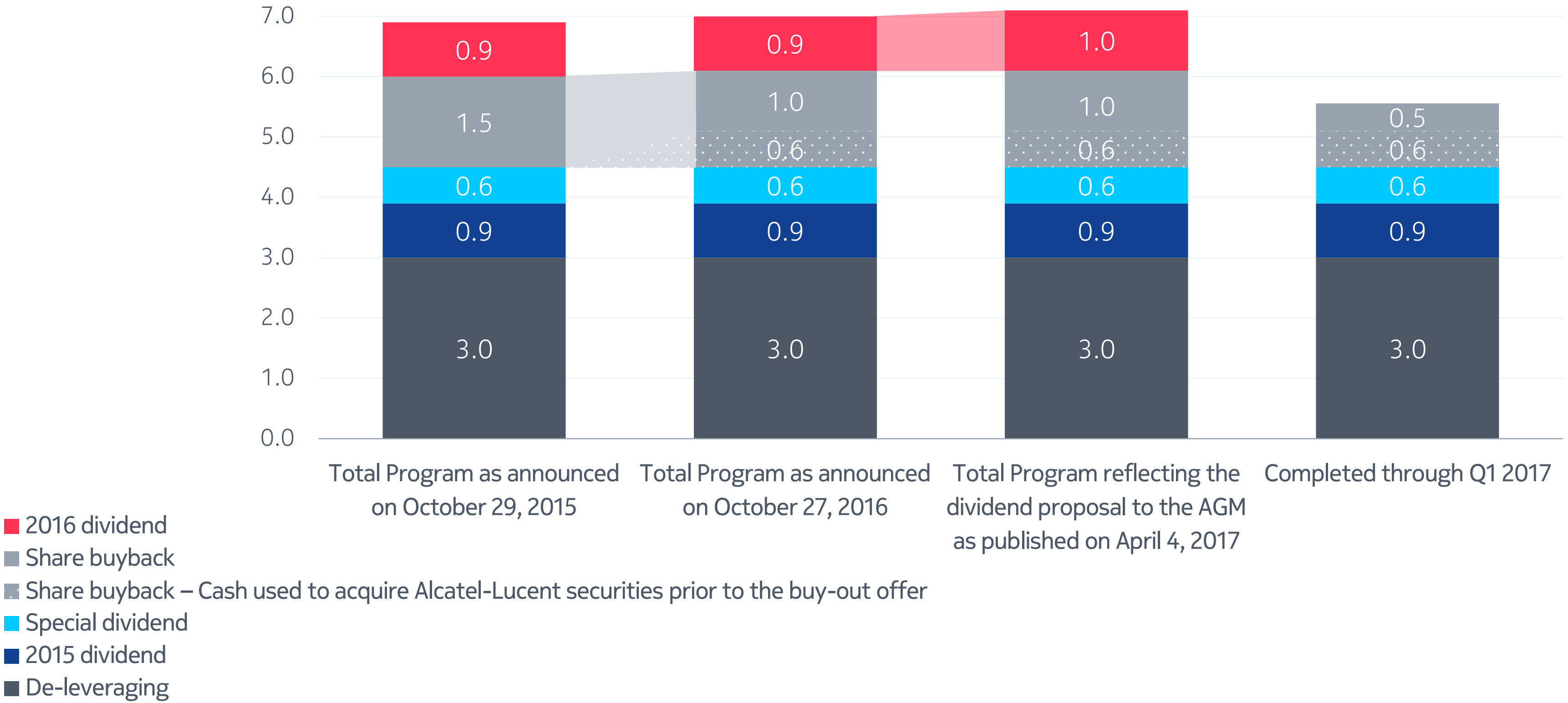
(EUR billion)



** Cash outflows related to net interest were approximately EUR 130 million, approximately half of which were non-recurring in nature, and related to Nokia's tender offer to repurchase certain bonds.*

Nokia EUR 7 billion Capital Structure Optimization Program

all figures approximate, in EUR billion



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Cost savings program

all figures approximate, in EUR million

The following table summarizes the financial information related to our cost savings program, as of the end of the first quarter 2017. Balances related to previous Nokia and Alcatel-Lucent restructuring and cost savings programs have been included as part of this overall cost savings program as of the second quarter 2016.

In EUR million, approximately	Q1'17
Opening balance of restructuring and associated liabilities	790
+ Charges in the quarter	80
- Cash outflows in the quarter	150
= Ending balance of restructuring and associated liabilities	720
of which restructuring provisions	650
of which other associated liabilities	70
Total expected restructuring and associated charges	1 700
- Cumulative recorded	830
= Charges remaining to be recorded	870
Total expected restructuring and associated cash outflows	2 150
- Cumulative recorded	560
= Cash outflows remaining to be recorded	1 590

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Cost savings program

The following table summarizes our full year 2016 results and future expectations related to our cost savings program and network equipment swaps.

In EUR million, approximately rounded to the nearest EUR 50 million	Actual 2016	Expected amounts for FY 2017 as of the end of Q4'16	FY 2017 as of the end of Q1'17	FY 2018 as of the end of Q4'16	FY 2018 as of the end of Q1'17	FY 2019 and beyond as of the end of Q4'16	FY 2019 and beyond as of the end of Q1'17	Total as of the end of Q4'16	Total as of the end of Q1'17
Total cost savings	550	250	250	400	400	0	0	1 200	1 200
- operating expenses	*350*	*100*	*100*	*350*	*350*	*0*	*0*	*800*	*800*
- cost of sales	*200*	*150*	*150*	*50*	*50*	*0*	*0*	*400*	*400*
Restructuring and associated charges	750	750	750	200	200	0	0	1 700	1 700
Restructuring and associated cash outflows	400	750	750	550	550	450	450	2 150	2 150
Charges and cash outflows related to network equipment swaps	150	450	450	300	300	0	0	900	900

In full year 2016, the actual total cost savings benefitted from lower incentive accruals, related to the financial performance in full year 2016. Lower incentive accruals drove more than half of the higher than previously expected decrease in total costs in 2016, and this is expected to reverse in 2017, assuming full year 2017 financial performance in-line with our expectations. On a cumulative basis, Nokia continues to be well on track to achieve the targeted EUR 1.2 billion of total cost savings in full year 2018.

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