Q2 2017

Conference call
July 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," "is to," "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 financial report issued on July 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.

Contents

Presented by

Rajeev Suri

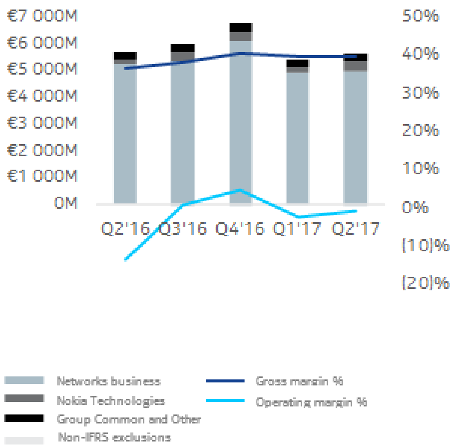
President and CEO

Kristian Pullola

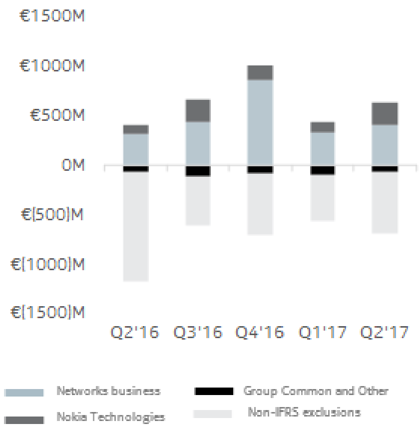
CFO

Nokia, reported

Components of net sales **Margin**



Components of operating profit



Second quarter and January-June 2017 reported results. Refer to note 1, "Basis of Preparation", in the Financial statement information section for further details [1]

EUR million (except for EPS in EUR)	Q2'17	Q2'16	YoY change	Q1'17	QoQ change	Q1-Q2'17	Q1-Q2'16	YoY change
Net Sales - constant currency			*0%*		*7%*			*(2)%*
Net sales	**5 619**	5 576	1%	5 378	4%	**10 996**	11 088	(1)%
Nokia's Networks business	**4 971**	5 222	(5)%	4 902	1%	**9 873**	10 415	(5)%
Ultra Broadband Networks	**2 165**	2 356	(8)%	2 236	(3)%	**4 401**	4 653	(5)%
Global Services	**1 448**	1 444	0%	1 361	6%	**2 809**	2 888	(3)%
IP Networks and Applications	**1 358**	1 421	(4)%	1 304	4%	**2 663**	2 874	(7)%
Nokia Technologies	**369**	194	90%	247	49%	**616**	391	58%
Group Common and Other	**307**	270	14%	254	21%	**562**	506	11%
Non-IFRS exclusions	**(11)**	(93)	(88)%	(11)	0%	**(21)**	(197)	(89)%
Gross profit	**2 236**	2 031	10%	2 125	5%	**4 361**	3 608	21%
Gross margin %	***39.8%***	*36.4%*	*340bps*	*39.5%*	*30bps*	***39.7%***	*32.5%*	*720bps*
Operating (loss)/profit	**(45)**	(760)	(94)%	(127)	(65)%	**(173)**	(1 472)	(88)%
Nokia's Networks business	**406**	313	30%	324	25%	**730**	650	12%
Ultra Broadband Networks	**191**	184	4%	245	(22)%	**437**	311	41%
Global Services	**123**	34	262%	55	124%	**179**	137	31%
IP Networks and Applications	**91**	95	(4)%	23	296%	**114**	202	(44)%
Nokia Technologies	**230**	89	158%	116	98%	**346**	195	77%
Group Common and Other	**(62)**	(70)		(99)		**(161)**	(169)	
Non-IFRS exclusions	**(620)**	(1 092)	(43)%	(468)	32%	**(1 088)**	(2 149)	(49)%
Operating margin %	***(0.8)%***	*(13.6)%*	*1 280bps*	*(2.4)%*	*160bps*	***(1.6)%***	*(13.3)%*	*1 170bps*
Financial income and expenses	**(218)**	(32)	581%	(146)	49%	**(364)**	(135)	170%
Taxes [2]	**(172)**	65		(154)	12%	**(325)**	166	
(Loss)/Profit [2]	**(433)**	(726)	(40)%	(435)	0%	**(868)**	(1 437)	(40)%
(Loss)/Profit attributable to the equity holders of the parent [2]	**(423)**	(667)	(37)%	(473)	(11)%	**(896)**	(1 291)	(31)%
Non-controlling interests [2]	**(9)**	(58)	(84)%	37	(124)%	**28**	(147)	
EPS, EUR diluted [2]	**(0.07)**	(0.12)	(42)%	(0.08)	(13)%	**(0.16)**	(0.23)	(30)%
Net cash and other liquid assets	**3 964**	7 077	(44)%	4 409	(10)%	**3 964**	7 077	(44)%

[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-Q2'16 result is not comparable to the previously published Reported Q1-Q2'16 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.

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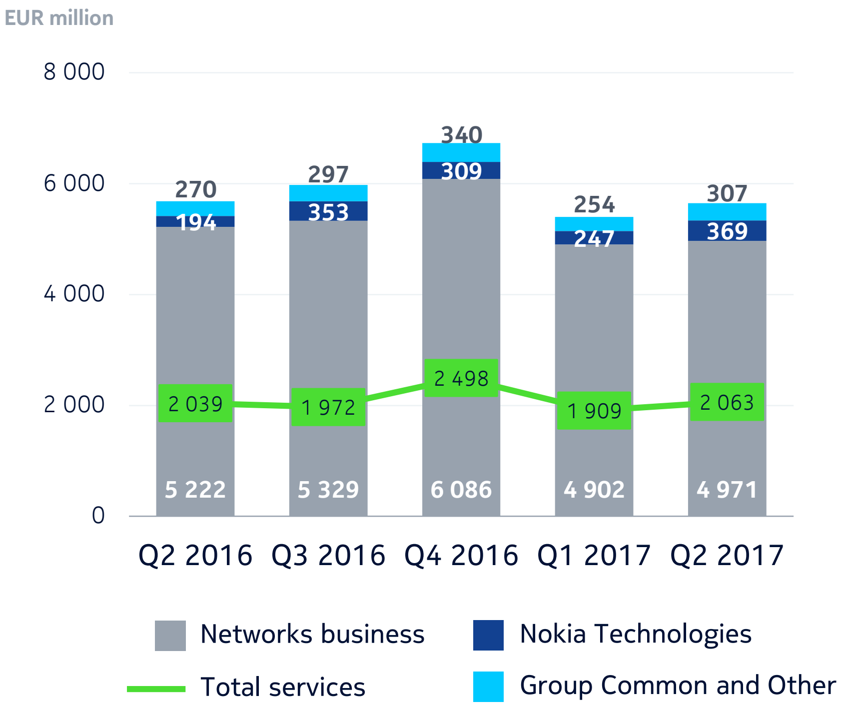
Nokia, non-IFRS

Net sales



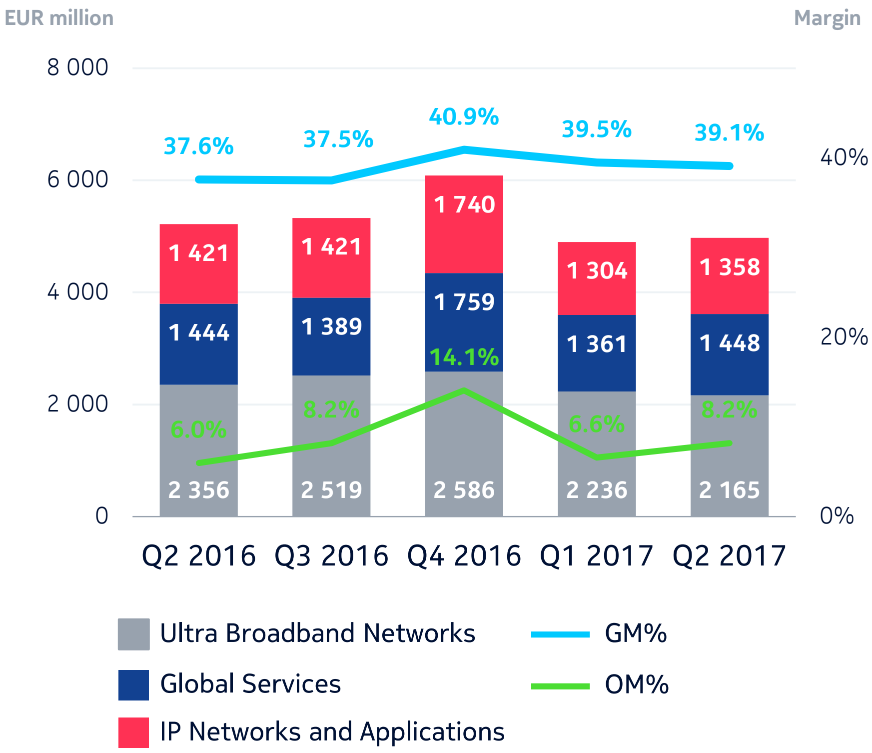
EUR million	Q2'17	Q2'16	YoY change	Q1'17	QoQ change
Net sales – constant currency (non-IFRS)			*(2)%*		*7%*
Net sales (non-IFRS)	**5 629**	5 670	(1)%	5 388	4%
Nokia's Networks business	**4 971**	5 222	(5)%	4 902	1%
Nokia Technologies	**369**	194	90%	247	49%
Group Common and Other	**307**	270	14%	254	21%
Gross profit (non-IFRS)	**2 350**	2 205	7%	2 196	7%
Gross margin % (non-IFRS)	***41.7%***	*38.9%*	*280bps*	*40.8%*	*90bps*
Operating profit (non-IFRS)	**574**	332	73%	341	68%
Nokia's Networks business	**406**	313	30%	324	25%
Nokia Technologies	**230**	89	158%	116	98%
Group Common and Other	**(62)**	(70)		(99)	
Operating margin % (non-IFRS)	***10.2%***	*5.9%*	*430bps*	*6.3%*	*390bps*
Financial income and expenses (non-IFRS)	**(63)**	(29)	117%	(81)	(22)%
Taxes (non-IFRS)	**(74)**	(135)	(45)%	(48)	54%
Profit (non-IFRS)	**441**	171	158%	203	117%
Profit attributable to the equity holders of the parent (non-IFRS)	**449**	194	131%	196	129%
Non-controlling interests (non-IFRS)	**(9)**	(24)	(63)%	6	
EPS, EUR diluted (non-IFRS)	**0.08**	0.03	167%	0.03	167%

Q2 2017 Highlights

- Strong results in Nokia Technologies and solid performance in Nokia's Networks business
- Non-IFRS net sales in Q2 2017 of EUR 5.6bn (EUR 5.7bn in Q2 2016). Reported net sales in Q2 2017 of EUR 5.6bn (EUR 5.6bn in Q2 2016).
- Non-IFRS diluted EPS in Q2 2017 of EUR 0.08 (EUR 0.03 in Q2 2016). Reported diluted EPS in Q2 2017 of negative EUR 0.07 (negative EUR 0.12 in Q2 2016).

Nokia's Networks business

Net sales and margins



EUR million	Q2'17	Q2'16	YoY change	Q1'17	QoQ change
Net sales - constant currency			*(6)%*		*4%*
Net sales	**4 971**	5 222	(5)%	4 902	1%
Ultra Broadband Networks	**2 165**	2 356	(8)%	2 236	(3)%
Global Services	**1 448**	1 444	0%	1 361	6%
IP Networks and Applications	**1 358**	1 421	(4)%	1 304	4%
Gross profit	**1 945**	1 966	(1)%	1 935	1%
Gross margin %	***39.1%***	*37.6%*	*150bps*	*39.5%*	*(40)bps*
R&D	**(916)**	(948)	(3)%	(944)	(3)%
SG&A	**(652)**	(664)	(2)%	(667)	(2)%
Other income and expenses	**30**	(41)		0	
Operating profit	**406**	313	30%	324	25%
Ultra Broadband Networks	**191**	184	4%	245	(22)%
Global Services	**123**	34	262%	55	124%
IP Networks and Applications	**91**	95	(4)%	23	296%
Operating margin %	***8.2%***	*6.0%*	*220bps*	*6.6%*	*160bps*

Q2 2017 Highlights

- 5% year-on-year net sales decrease in Q2 2017, primarily due to Ultra Broadband Networks. Within Ultra Broadband Networks, Mobile Networks declined in Q2 following a strong Q1, while Fixed Networks declined at a lower rate in Q2 compared to Q1. Within IP Networks and Applications, IP/Optical Networks declined at a lower rate in Q2 compared to Q1, and Applications & Analytics grew. Global Services net sales were approximately flat.
- Strong Q2 2017 gross margin of 39.1% and operating margin of 8.2%, with solid performance across Ultra Broadband Networks, Global Services and IP Networks and Applications.

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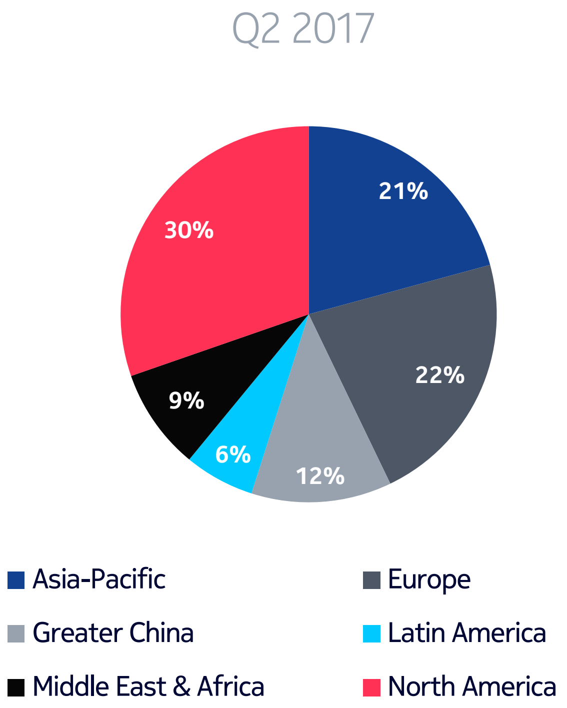
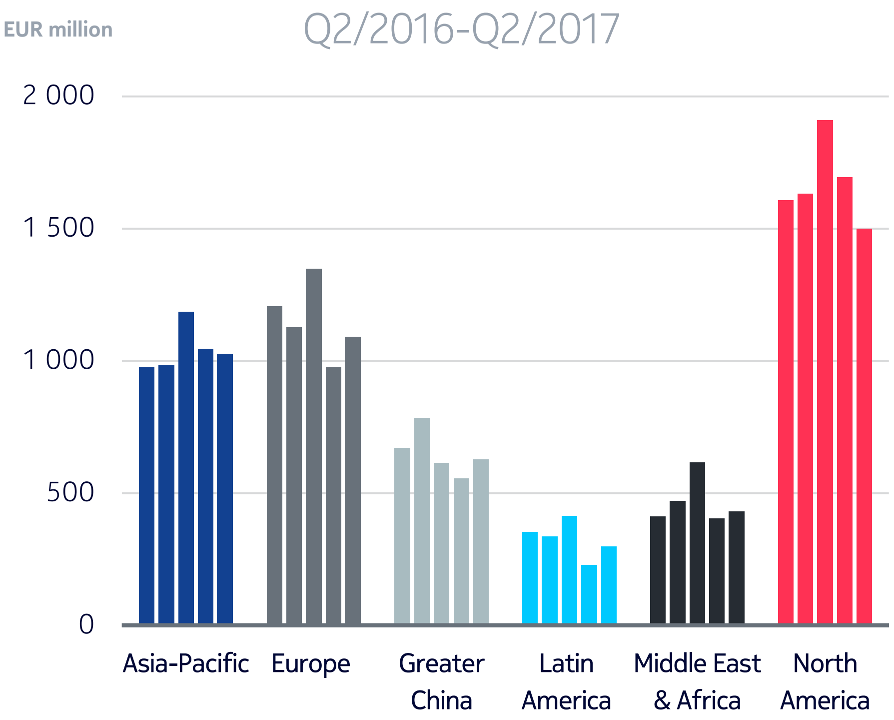
Nokia's Networks business

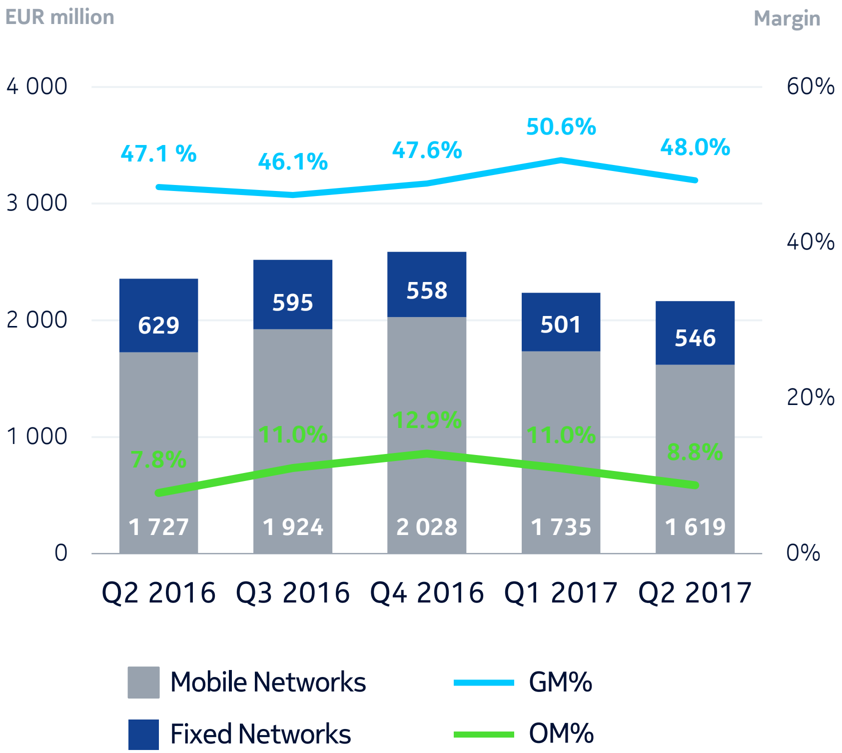
Net sales by geographic area





Ultra Broadband Networks

Net sales and margins

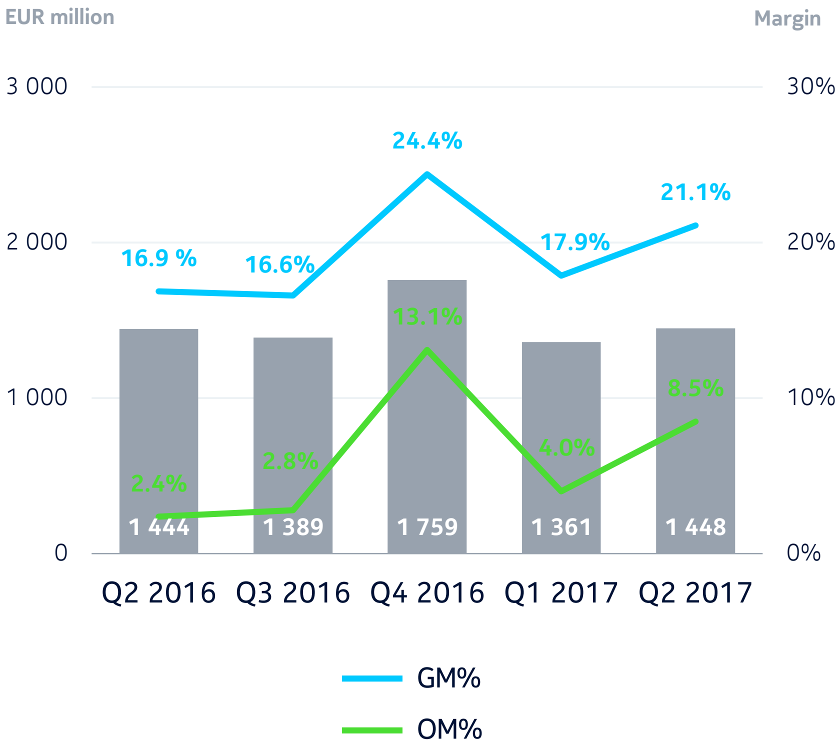


EUR million	Q2'17	Q2'16	YoY change	Q1'17	QoQ change
Net sales - constant currency			*(9)%*		*0%*
Net sales	**2 165**	2 356	(8)%	2 236	(3)%
Mobile Networks	**1 619**	1 727	(6)%	1 735	(7)%
Fixed Networks	**546**	629	(13)%	501	9%
Gross profit	**1 040**	1 110	(6)%	1 131	(8)%
Gross margin %	***48.0%***	*47.1%*	*90bps*	*50.6%*	*(260)bps*
R&D	**(581)**	(614)	(5)%	(583)	0%
SG&A	**(293)**	(304)	(4)%	(300)	(2)%
Other income and expenses	**25**	(9)		(3)	
Operating profit	**191**	184	4%	245	(22)%
Operating margin %	***8.8%***	*7.8%*	*100bps*	*11.0%*	*(220)bps*

Q2 2017 Highlights

- The year-on-year decrease in Ultra Broadband Networks net sales in the second quarter 2017 was due to both Mobile Networks and Fixed Networks.
- The decrease in Mobile Networks net sales was primarily due to radio networks and converged core networks. Small cells continued to deliver strong growth in percentage terms. The decrease in Fixed Networks net sales was primarily due to broadband access and, to a lesser extent, services and digital home. The year-on-year decrease was primarily related to one specific customer which completed a large project in Asia-Pacific in the fourth quarter 2016. The net sales performance in Fixed Networks was in comparison to a particularly strong second quarter 2016, which was driven by high order intake in the fourth quarter 2015.
- On a year-on-year basis, in the second quarter 2017, Ultra Broadband Networks operating profit increased primarily due to lower R&D expenses, a net positive fluctuation in other income and expenses and lower SG&A expenses, partially offset by lower gross profit. On a year-on-year basis, second quarter 2017 results benefitted from the absence of an adverse effect related to a customer in Latin America undergoing judicial recovery in the second quarter 2016.
- The decrease in Ultra Broadband Networks gross profit was due to both Mobile Networks and Fixed Networks.
- The decrease in both Ultra Broadband Networks R&D and SG&A expenses was primarily due to Mobile Networks.
- Ultra Broadband Networks other income and expenses was an income of EUR 25 million in the second quarter 2017, compared to an expense of EUR 9 million in the year-ago quarter. On a year-on-year basis, the change was primarily related to a net positive fluctuation related to foreign exchange hedging and lower doubtful account allowances.

Global Services
Net sales and margins



EUR million	Q2'17	Q2'16	YoY change	Q1'17	QoQ change
Net sales - constant currency			*0%*		*9%*
Net sales	**1 448**	1 444	0%	1 361	6%
Gross profit	**305**	244	25%	243	26%
Gross margin %	***21.1%***	*16.9%*	*420bps*	*17.9%*	*320bps*
R&D	**(21)**	(24)	(13)%	(23)	(9)%
SG&A	**(159)**	(170)	(6)%	(164)	(3)%
Other income and expenses	**(1)**	(15)	(93)%	(2)	(50)%
Operating profit	**123**	34	262%	55	124%
Operating margin %	***8.5%***	*2.4%*	*610bps*	*4.0%*	*450bps*

Q2 2017 Highlights

- The approximately flat net sales in Global Services was primarily due to growth in network implementation, primarily related to the timing of certain projects, partially offset by decreases in systems integration and care.
- On a year-on-year basis, in the second quarter 2017, Global Services operating profit increased primarily due to higher gross profit, a net positive fluctuation in other income and expenses and lower SG&A expenses. On a year-on-year basis, second quarter 2017 results benefitted from the absence of an adverse effect related to a customer in Latin America undergoing judicial recovery in the second quarter 2016.
- The increase in Global Services gross profit was primarily due to network implementation, which benefitted from the timing of certain projects, as well as higher gross margin across all other business units, reflecting progress related to Nokia's cost savings program.
- The decrease in Global Services SG&A expenses was primarily due to lower personnel expenses, reflecting progress related to Nokia's cost savings program.
- Global Services other income and expenses was an expense of EUR 1 million in the second quarter 2017, compared to an expense of EUR 15 million in the year-ago quarter. On a year-on-year basis, the change was primarily due to lower doubtful account allowances.

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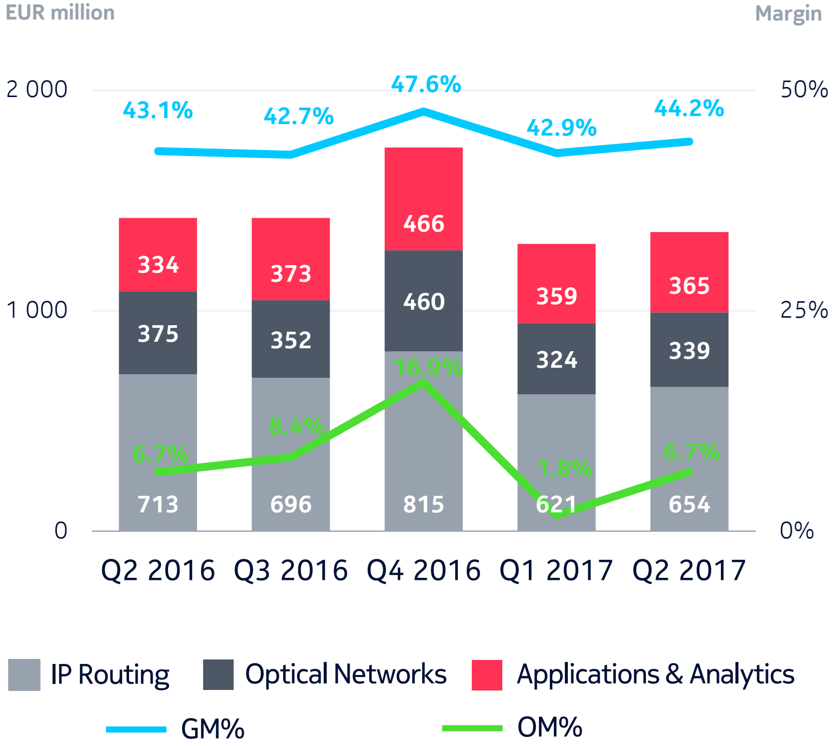
IP Networks and Applications

Net sales and margins



EUR million	Q2'17	Q2'16	YoY change	Q1'17	QoQ change
Net sales - constant currency			*(5)%*		*7%*
Net sales	**1 358**	1 421	(4)%	1 304	4%
IP/Optical Networks	**993**	1 087	(9)%	945	5%
IP Routing	**654**	713	(8)%	621	5%
Optical Networks	**339**	375	(10)%	324	5%
Applications & Analytics	**365**	334	9%	359	2%
Gross profit	**600**	612	(2)%	560	7%
Gross margin %	***44.2%***	*43.1%*	*110bps*	*42.9%*	*130bps*
R&D	**(314)**	(310)	1%	(338)	(7)%
SG&A	**(199)**	(190)	5%	(203)	(2)%
Other income and expenses	**6**	(17)		4	50%
Operating profit	**91**	95	(4)%	23	296%
Operating margin %	***6.7%***	*6.7%*	*0bps*	*1.8%*	*490bps*

Q2 2017 Highlights

- The year-on-year decrease in IP Networks and Applications net sales in the second quarter 2017 was due to IP/Optical Networks, partially offset by Applications & Analytics.
- The decrease in IP/Optical Networks net sales was due to both IP routing and optical networks, primarily due to weakness in the communication service provider market, as well as a product portfolio transition in IP routing. The increase in Applications & Analytics net sales was primarily due to growth in the services, network management, operational support systems and emerging businesses business units, the latter two of which showed particularly strong growth in percentage terms. The year-on-year performances of services and operational support systems benefitted from the acquisition of Comptel. To drive growth and higher returns, building a standalone software business at scale is a key priority for Nokia. Thus, Applications & Analytics is driving a significant transformation, enabled by investments in sales, R&D and services capabilities. As of the beginning of the second quarter 2017, the stand-alone sales force was fully operational. As a result, organic net sales performance has improved, and on a year-on-year basis, excluding the acquisition of Comptel, Applications & Analytics net sales would have increased.
- On a year-on-year basis, in the second quarter 2017, IP Networks and Applications operating profit was approximately flat, primarily due to a net positive fluctuation in other income and expense, partially offset by lower gross profit.
- IP Networks and Applications other income and expenses was an income of EUR 6 million in the second quarter 2017, compared to an expense of EUR 17 million in the year-ago quarter. On a year-on-year basis, the change was primarily due to lower doubtful account allowances.

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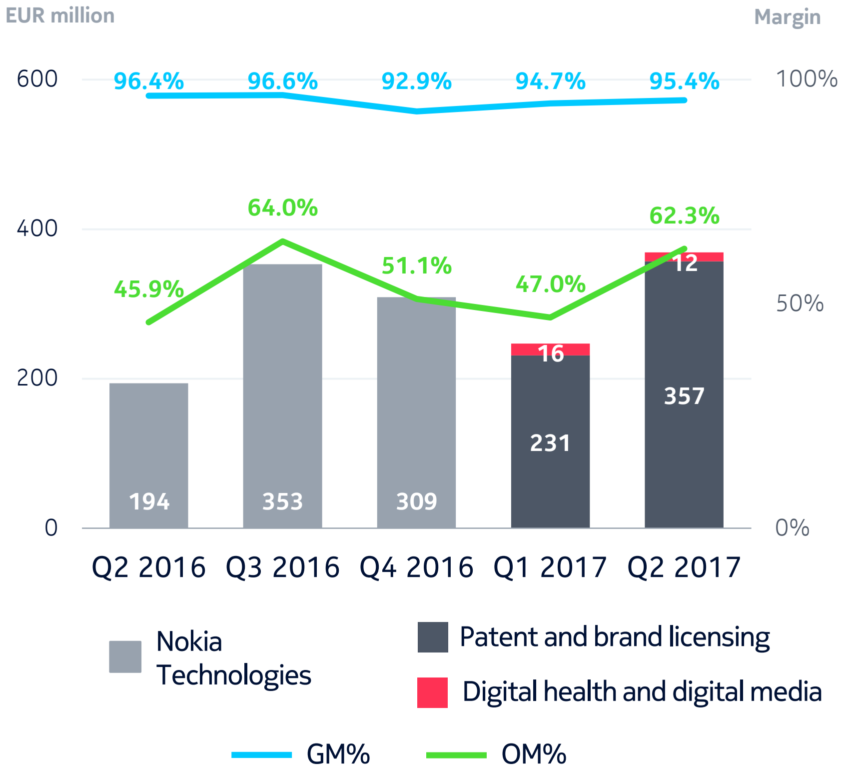
Nokia Technologies

Net sales and margins



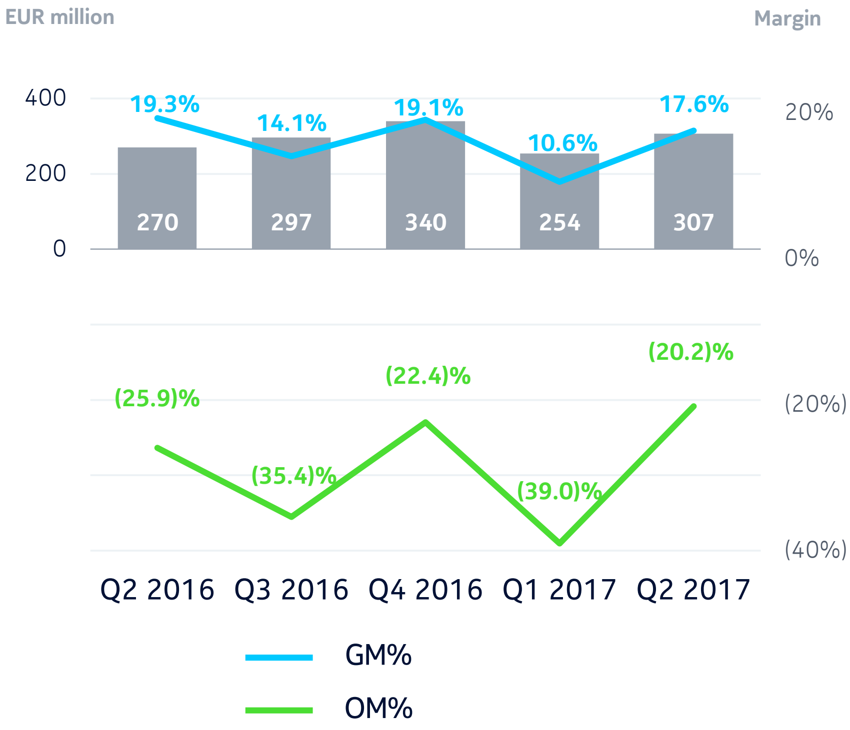
EUR million	Q2'17	Q2'16	YoY change	Q1'17	QoQ change
Net sales - constant currency			*90%*		*50%*
Net sales	**369**	194	90%	247	49%
Gross profit	**352**	187	88%	234	50%
Gross margin %	***95.4%***	*96.4%*	*(100)bps*	*94.7%*	*70bps*
R&D	**(60)**	(57)	5%	(61)	(2)%
SG&A	**(50)**	(39)	28%	(58)	(14)%
Other income and expenses	**(12)**	(2)	500%	0	
Operating profit	**230**	89	158%	116	98%
Operating margin %	***62.3%***	*45.9%*	*1 640bps*	*47.0%*	*1 530bps*

Q2 2017 Highlights

- The year-on-year increase in Nokia Technologies net sales in the second quarter 2017 was primarily related to non-recurring net sales related to a new license agreement in the second quarter 2017, higher net sales related to an IPR license agreement that was expanded in the third quarter 2016, higher net sales related to a new license agreement in the second quarter 2017, our brand partnership with HMD, divested IPR and the acquisition of Withings in the second quarter 2016. This was partially offset by lower licensing income from certain existing licensees. Approximately 40% of the overall EUR 175 million year-on-year increase in Nokia Technologies net sales in the second quarter 2017 were non-recurring in nature and related to catch-up net sales for the first quarter of 2017.
- The year-on-year increase in Nokia Technologies operating profit was primarily due to higher gross profit, partially offset by higher SG&A expenses.
- The increase in Nokia Technologies gross profit was primarily due to higher net sales.
- The increase in Nokia Technologies SG&A expenses was primarily due to increased licensing-related litigation costs and the ramp-up of our digital health business unit. The higher SG&A expenses in digital health was primarily due to the acquisition of Withings in the second quarter 2016.
- Nokia Technologies other income and expenses was an expense of EUR 12 million in the second quarter 2017, compared to an expense of EUR 2 million in the year-ago quarter. The change was primarily related to a net negative foreign exchange impact in the second quarter 2017.

Group Common and Other

Net sales and margins



EUR million	Q2'17	Q2'16	YoY change	Q1'17	QoQ change
Net sales - constant currency			*10%*		*21%*
Net sales	**307**	270	14%	254	21%
Gross profit	**54**	52	4%	27	100%
Gross margin %	***17.6%***	*19.3%*	*(170)bps*	*10.6%*	*700bps*
R&D	**(66)**	(70)	(6)%	(76)	(13)%
SG&A	**(53)**	(63)	(16)%	(56)	(5)%
Other income and expenses	**3**	10	(70)%	6	(50)%
Operating loss	**(62)**	(70)	(11)%	(99)	(37)%
Operating margin %	***(20.2)%***	*(25.9)%*	*570bps*	*(39.0)%*	*1 880bps*

Q2 2017 Highlights

- The year-on-year increase in Group Common and Other net sales in the second quarter 2017 was primarily due to Alcatel Submarine Networks.
- On a year-on-year basis, in the second quarter 2017, Group Common and Other operating loss decreased, primarily due to lower SG&A expenses.
- The decrease in SG&A expenses was primarily due to lower personnel expenses.

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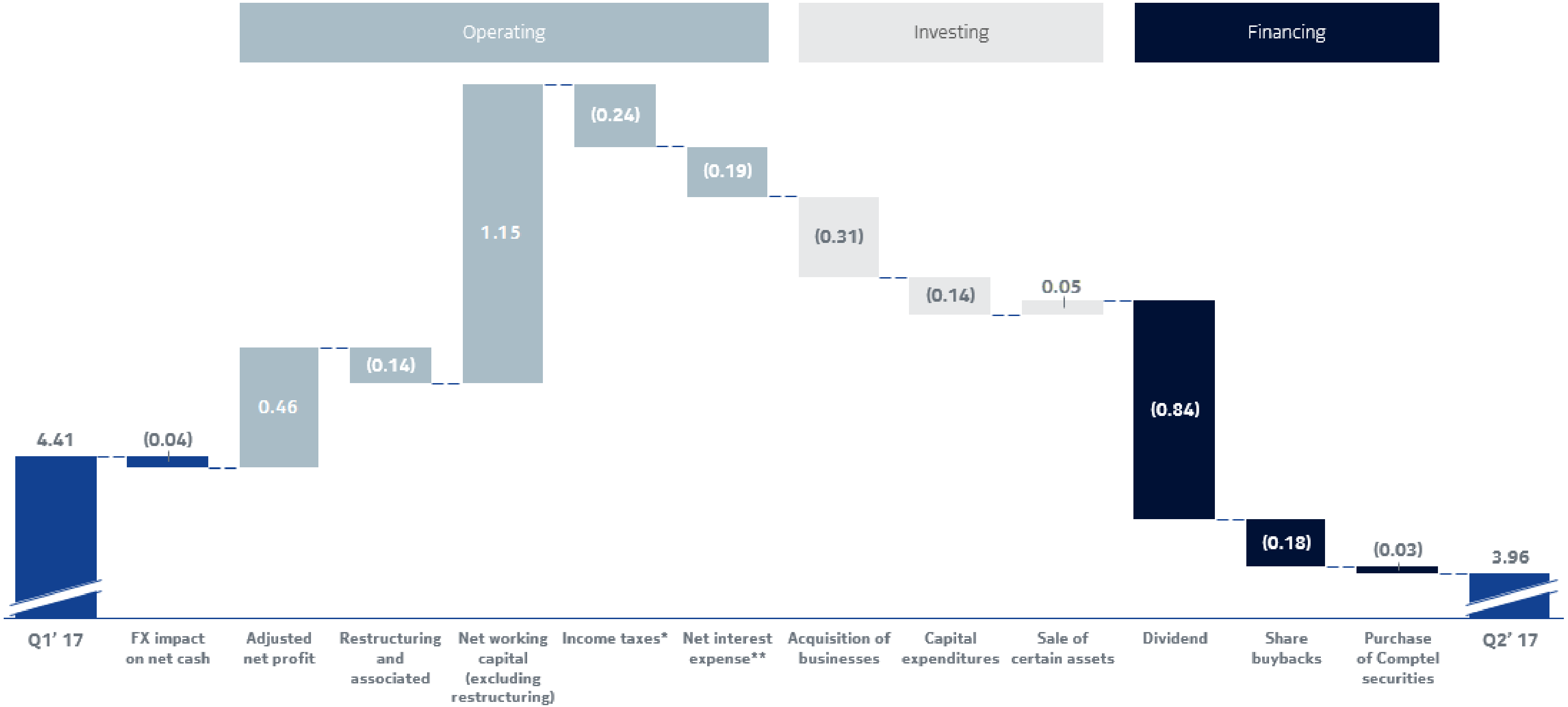
Nokia change in net cash and other liquid assets

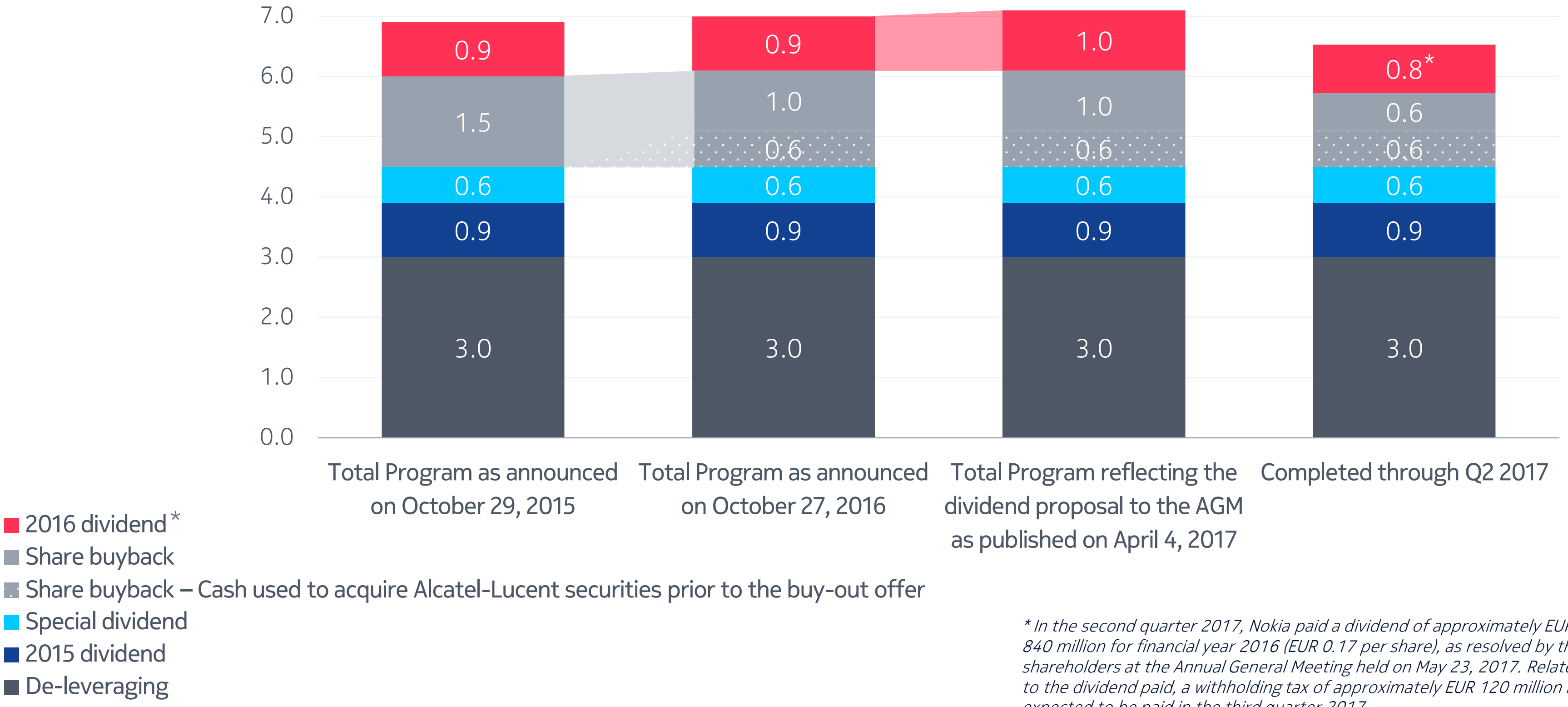
(EUR billion)



** Cash outflows related to income taxes were approximately EUR 240 million, of which approximately EUR 110 million was non-recurring in nature and related to the integration of the former Alcatel-Lucent and Nokia operating models.*
*** Cash outflows related to net interest were approximately EUR 190 million, the vast majority of which were non-recurring in nature, and related to Nokia's tender offer to purchase certain bonds.*

Nokia EUR 7 billion Capital Structure Optimization Program

all figures approximate, in EUR billion



** In the second quarter 2017, Nokia paid a dividend of approximately EUR 840 million for financial year 2016 (EUR 0.17 per share), as resolved by the shareholders at the Annual General Meeting held on May 23, 2017. Related to the dividend paid, a withholding tax of approximately EUR 120 million is expected to be paid in the third quarter 2017.*

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	Q2'17
Opening balance of restructuring and associated liabilities	720
+ Charges in the quarter	170
- Cash outflows in the quarter	140
= Ending balance of restructuring and associated liabilities	750
of which restructuring provisions	670
of which other associated liabilities	80
Total expected restructuring and associated charges	1 700
- Cumulative recorded	1 000
= Charges remaining to be recorded	700
Total expected restructuring and associated cash outflows	2 150
- Cumulative recorded	700
= Cash outflows remaining to be recorded	1 450

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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 Q1'17	FY 2017 as of the end of Q2'17	FY 2018 as of the end of Q1'17	FY 2018 as of the end of Q2'17	FY 2019 and beyond as of the end of Q1'17	FY 2019 and beyond as of the end of Q2'17	Total as of the end of Q1'17	Total as of the end of Q2'17
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 on track to achieve the targeted EUR 1.2 billion of total cost savings in full year 2018.


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