Q4 2018

Conference call
January 31, 2019
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. These forward-looking statements reflect Nokia's current expectations and views of future developments and include 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 71 to 89 of our annual report on Form 20-F for the year ended December 31, 2017 under "Operating and Financial Review and Prospects—Risk Factors", and in our other filings or documents furnished with the U.S. Securities and Exchange Commission, including Nokia's financial results reports. 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.

Nokia presents financial information on reported, non-IFRS and constant currency basis. Non-IFRS measures presented in this document 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. In order to allow full visibility on determining non-IFRS results, information on non-IFRS exclusions is presented separately for each of the components of profit or loss. Constant currency reporting provides additional information on change in financial measures on a constant currency basis in order to better reflect the underlying business performance. Therefore, change in financial measures at constant currency excludes the impact of changes in exchange rates in comparison to euro, our reporting currency. Non-IFRS or constant currency financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS, and either of these financial measures as used by Nokia may not be comparable to similarly titled measures used by other companies or persons. Please see our complete financial report for more information on our results and financial performance for the indicated periods as well as our operating and reporting structure.

Nokia is a registered trademark of Nokia Corporation. Other product and company names mentioned herein may be trademarks or trade names of their respective owners.

Presented by

Rajeev Suri
President and CEO

Kristian Pullola
CFO

NOKIA

Contents

Nokia delivers strong growth and improved profitability in Q4; strategic momentum in Software and Enterprise

Rajeev Suri, President and CEO, on Q4 2018 results

Nokia ended the year with a strong fourth quarter. We saw the second consecutive quarter of year-on-year sales growth across all five of our Networks business groups, as well as improved profitability in both Networks and Nokia Technologies. The execution of our strategy also proceeded well, with the work we have put into building a solid foundation for Nokia Software showing clear results and our enterprise business rapidly becoming a pillar of growth.

Looking forward, I expect Nokia's performance to strengthen for the full year 2019 versus 2018 and our view of a fast and meaningful shift to 5G remains unchanged. Given that 5G rollouts will be staggered over the course of the year, we expect 2019 to have a soft first half followed by a much more robust second half.

Over the longer-term, we expect a virtuous cycle of investment, where operators update their networks across multiple domains – from optical to macro radio, fixed wireless access to cloud core, small cells to IP routing, network agnostic software and more. Following this, we expect a second wave where industrial customers will invest in private wireless technology including LTE and 5G-ready networks. With our end-to-end portfolio, Nokia is well-positioned to tap this extended cycle.

Annual distribution to shareholders

Board of Directors plans to propose a dividend of EUR 0.20 per share for 2018, up 5% compared to EUR 0.19 for 2017

The dividend to shareholders is Nokia's principal method of distributing earnings to shareholders. Over the long term, Nokia targets to deliver an earnings-based growing dividend by distributing approximately 40% to 70% of non-IFRS diluted EPS, taking into account Nokia's cash position and expected cash flow generation. Beginning with the distribution for 2018, Nokia plans to pay dividends in quarterly installments. In addition, Nokia intends to implement a dividend fee for American Depository Receipt (ADR) holders.

For 2018, Nokia's Board of Directors plans to propose that the Annual General Meeting in 2019 authorizes the Board to resolve on the maximum annual distribution of EUR 0.20 per share, compared to EUR 0.19 for 2017, to be paid quarterly during the authorization period, unless the Board decides otherwise for a justified reason. The Board would make separate resolutions on each distribution and such resolutions would be separately disclosed following the Annual General Meeting 2019 and in connection with our financial reports for Q2, Q3 and Q4. The annual distribution would be paid as quarterly dividends from retained earnings and/or assets from the fund for invested unrestricted equity.

At the end of 2018, the distributable funds on the statement of financial position of the parent company amounted to EUR 17 393 million, including EUR 15 197 million of invested unrestricted equity. The Board proposal to the Annual General Meeting will be published in connection with other proposals later in the spring.

New financial reporting structure beginning Q1 2019

Nokia announced organizational changes to accelerate its strategy execution on October 25, November 22 and December 31, 2018. Nokia will revise its financial reporting structure to better reflect its strategy, organizational structure and the way it evaluates operational performance and allocates resources. As of the first quarter 2019, Nokia will have three reportable segments: (i) Networks, (ii) Nokia Software and (iii) Nokia Technologies. In addition, Nokia will disclose segment-level data for Group Common and Other.

For each reportable segment, Nokia will provide detailed financial disclosure, including net sales and operating profit. Additionally, Nokia will provide adjusted financial disclosure for its Networks and Nokia Software reportable segments, with amounts related to Nokia Technologies and Nokia Bell Labs allocated 85% to Networks and 15% to Nokia Software. This is also in accordance with industry practice and improves comparability with peer companies.

In addition, Nokia will provide net sales disclosure for the following businesses: (i) Mobile Access, (ii) Fixed Access, (iii) IP Routing and (iv) Optical Networks, which together comprise the new Networks reportable segment. Nokia will also provide separate net sales disclosure for its different customer types: (i) Communication Service Providers, (ii) Enterprises and (iii) Licensees. Net sales by region will be provided at the Nokia level.

To provide a basis for comparison, Nokia will present a recasting of financial results on an unaudited basis for all four quarters of 2018 prior to publishing its Q1 2019 financial report. Note that certain reclassifications will be made in order to reflect the new organizational structure of the company, the most significant of which are: (i) activities related to our cloud core offering will be reclassified from the former Mobile Networks business group and former Global Services reportable segment to the new Nokia Software reportable segment and (ii) activities related to the former Mobile Networks business group and former Global Services reportable segment that are not reclassified to the new Nokia Software reportable segment will be reported together under the new Mobile Access business.

Financial Summary

Q4 and January-December 2018 reported and non-IFRS results. Refer to note 1, "Basis of Preparation", note 2, "Non-IFRS to reported reconciliation" and note 15, "Performance measures", in the "Financial statement information" section for details.								
EUR million (except for EPS in EUR)	**Q4'18**	Q4'17	YoY change	*Constant currency YoY change*	**Q1-Q4'18**	Q1-Q4'17	YoY change	*Constant currency YoY change*
Net sales	**6 869**	6 651	3%	*3%*	**22 563**	23 147	(3)%	*1%*
Operating profit/(loss)	**552**	419	32%		**(59)**	16		
Operating margin %	**8.0%**	6.3%	170bps		**(0.3)%**	0.1%	(40)bps	
EPS, diluted	**0.03**	(0.07)			**(0.10)**	(0.26)		
Operating profit/(loss) (non-IFRS)	***1 120***	*1 004*	*12%*		***2 180***	*2 587*	*(16)%*	
Operating margin % (non-IFRS)	***16.3%***	*15.1%*	*120bps*		***9.7%***	*11.1%*	*(140)bps*	
EPS, diluted (non-IFRS)	***0.13***	*0.13*	*0%*		***0.23***	*0.33*	*(30)%*	
Net cash and current financial investments	**3 051**	4 514	(32)%		**3 051**	4 514	(32)%	

NOKIA

Outlook

Outlook metrics

Metric	Full Year 2019 (new)	Full Year 2020
Non-IFRS diluted earnings per share	EUR 0.25 - 0.29	EUR 0.37 - 0.42
Non-IFRS operating margin	9 - 12%	12 - 16%
Recurring free cash flow[1]	Slightly positive	Clearly positive
Annual distribution to shareholders	Over the long term, Nokia targets to deliver an earnings-based growing dividend by distributing approximately 40% to 70% of non-IFRS diluted EPS, taking into account Nokia's cash position and expected cash flow generation. The annual distribution would be paid as quarterly dividends.	

[1]Free cash flow = net cash from operating activities - capital expenditures + proceeds from sale of property, plant and equipment and intangible assets – purchase of non-current financial investments + proceeds from sale of non-current financial investments.

Key factors and assumptions influencing our outlook

Net sales and operating margin for Networks and Nokia Software are expected to be influenced by factors including:

- Our expectation that we will outperform our primary addressable market in full year 2019 and over the longer-term, driven by our strategy, which includes competing in 5G more effectively due to our strong end-to-end portfolio, focusing on targeted growth opportunities in attractive adjacent markets and building a strong network agnostic software business. On a constant currency basis, we expect our primary addressable market to be flattish in full year 2019 (this is an update to earlier commentary for growth) and to grow in full year 2020;
- The timing of completions and acceptances of certain projects, particularly related to 5G. Based on the evolving readiness of the 5G ecosystem and the staggered nature of 5G rollouts in lead countries, we expect full year 2019 to follow a similar pattern as full year 2018: a soft first half followed by a robust second half, with a particularly weak Q1 (new commentary);
- Our expectation that we will improve our R&D productivity and reduce support function costs through the successful execution of our cost savings program;
- Potential mergers or acquisitions by our customers;
- Our product and regional mix; and
- Macroeconomic, industry and competitive dynamics.

Net sales and operating margin for Nokia Technologies is expected to be influenced by factors including:

- The timing and value of new and existing patent licensing agreements with smartphone vendors, automotive companies and consumer electronics companies;
- Results in brand and technology licensing;
- Costs to protect and enforce our intellectual property rights; and
- The regulatory landscape.

Additionally, our outlook is based on the following assumptions:

- Nokia's recurring free cash flow is expected to improve over the longer-term due to lower cash outflows related to restructuring and network equipment swaps and improved operational results over time;
- Non-IFRS financial income and expenses to be an expense of approximately EUR 300 million in full year 2019 and over the longer-term;
- Non-IFRS income taxes at a rate of approximately 28% in full year 2019 and approximately 25% over the longer-term, subject to the absolute level of profits, regional profit mix and changes to our operating model;
- Cash outflows related to income taxes of approximately EUR 450 million in full year 2019 and over the longer term until our US or Finnish deferred tax assets are fully utilized; and
- Capital expenditures of approximately EUR 700 million in full year 2019 and approximately EUR 600 million over the longer-term.

Nokia in Q4 and Jan-Dec 2018

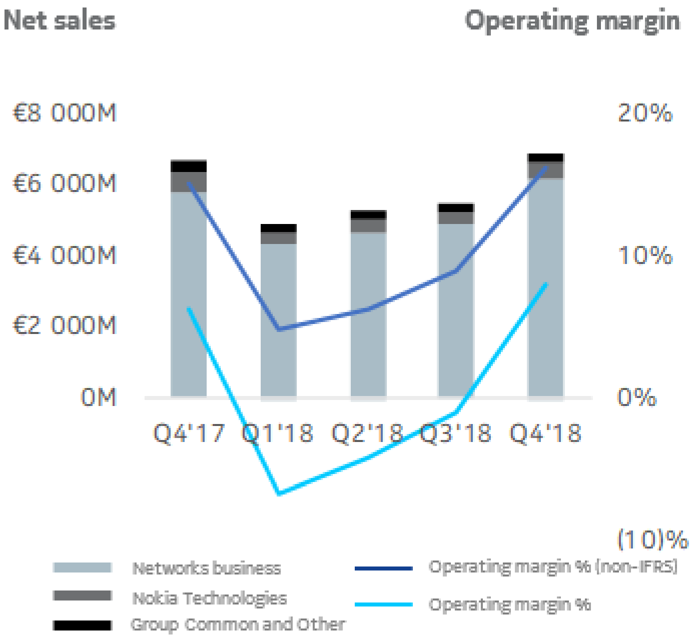
Nokia financial results

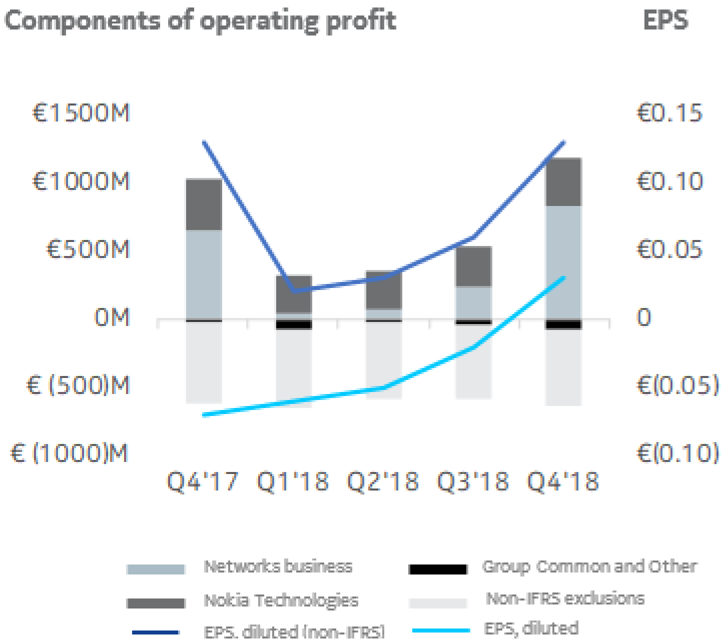
EUR million (except for EPS in EUR)	**Q4'18**	Q4'17	YoY change	*Constant currency YoY change*	**Q1-Q4'18**	Q1-Q4'17	YoY change	*Constant currency YoY change*
Net sales	**6 869**	6 651	3%	*3%*	**22 563**	23 147	(3)%	*1%*
Nokia's Networks business	**6 215**	5 827	7%	*6%*	**20 121**	20 523	(2)%	*2%*
Nokia Technologies	**423**	554	(24)%	*(24)%*	**1 501**	1 654	(9)%	*(9)%*
Group Common and Other	**255**	302	(16)%	*(12)%*	**1 021**	1 115	(8)%	*(4)%*
Non-IFRS exclusions	**(3)**	(17)	(82)%		**(17)**	(75)	(77)%	
Gross profit	**2 761**	2 593	6%		**8 446**	9 139	(8)%	
Operating profit/(loss)	**552**	419			**(59)**	16		
Nokia's Networks business	**841**	647	30%		**1 199**	1 711	(30)%	
Nokia Technologies	**347**	389	(11)%		**1 203**	1 124	7%	
Group Common and Other	**(68)**	(31)			**(221)**	(248)		
Non-IFRS exclusions	**(568)**	(585)	(3)%		**(2 239)**	(2 571)	(13)%	
Operating margin %	**8.0%**	6.3%	170bps		**(0.3)%**	0.1%	(40)bps	
Gross profit (non-IFRS)	***2 915***	*2 762*	*6%*		***9 035***	*9 674*	*(7)%*	
Operating profit/(loss) (non-IFRS)	***1 120***	*1 004*	*12%*		***2 180***	*2 587*	*(16)%*	
Operating margin % (non-IFRS)	***16.3%***	*15.1%*	*120bps*		***9.7%***	*11.1%*	*(140)bps*	
Financial income and expenses	**(89)**	(41)	117%		**(313)**	(537)	(42)%	
Income taxes	**(278)**	(772)			**(189)**	(927)		
Profit/(loss) for the period	**203**	(378)	(154)%		**(549)**	(1 437)	(62)%	
EPS, diluted	**0.03**	(0.07)			**(0.10)**	(0.26)		
Financial income and expenses (non-IFRS)	***(110)***	*(73)*	*51%*		***(358)***	*(280)*	*28%*	
Income taxes (non-IFRS)	***(288)***	*(232)*	*24%*		***(563)***	*(443)*	*27%*	
Profit/(loss) for the period (non-IFRS)	***741***	*716*	*3%*		***1 272***	*1 875*	*(32)%*	
EPS, diluted (non-IFRS)	***0.13***	*0.13*	*0%*		***0.23***	*0.33*	*(30)%*	

Results are as reported and relate to continuing operations 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 note 2, "Non-IFRS to reported reconciliation", in the notes to the Financial statement information in this report. Change in net sales at constant currency excludes the effect 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.

NOKIA

Nokia financial results





Nokia financial results, Q4 2018 compared to Q4 2017

EUR million (except for EPS in EUR)	Q4'18	Q4'17	YoY change	*Constant currency YoY change*
Net sales	**6 869**	6 651	3%	*3%*
Nokia's Networks business	**6 215**	5 827	7%	*6%*
Nokia Technologies	**423**	554	(24)%	*(24)%*
Group Common and Other	**255**	302	(16)%	*(12)%*
Non-IFRS exclusions	**(3)**	(17)	(82)%	
Gross profit	**2 761**	2 593	6%	
Operating profit/(loss)	**552**	419		
Nokia's Networks business	**841**	647	30%	
Nokia Technologies	**347**	389	(11)%	
Group Common and Other	**(68)**	(31)		
Non-IFRS exclusions	**(568)**	(585)	(3)%	
Operating margin %	**8.0%**	6.3%	170bps	
Gross profit (non-IFRS)	***2 915***	*2 762*	*6%*	
Operating profit/(loss) (non-IFRS)	***1 120***	*1 004*	*12%*	
Operating margin % (non-IFRS)	***16.3%***	*15.1%*	*120bps*	
Financial income and expenses	**(89)**	(41)	117%	
Income taxes	**(278)**	(772)		
Profit/(loss) for the period	**203**	(378)	(154)%	
EPS, diluted	**0.03**	(0.07)		
Financial income and expenses (non-IFRS)	***(110)***	*(73)*	*51%*	
Income taxes (non-IFRS)	***(288)***	*(232)*	*24%*	
Profit/(loss) for the period (non-IFRS)	***741***	*716*	*3%*	
EPS, diluted (non-IFRS)	***0.13***	*0.13*	*0%*	

Nokia non-IFRS and reported net sales both grew approximately 3% year-on-year. On a constant currency basis, Nokia non-IFRS net sales grew approximately 2% year-on-year and Nokia reported net sales grew approximately 3% year-on-year.

Nokia non-IFRS diluted EPS amounted to EUR 0.13, compared to EUR 0.13 in the year-ago period. Non-IFRS diluted EPS increased by EUR 0.02 year-on-year on a recurring basis. The increase in non-IFRS diluted EPS, on a recurring basis, was primarily driven by higher gross profit across all three reportable segments of our Networks business and improved recurring gross profit performance in Nokia Technologies, as well as lower operating expenses in Nokia Technologies, partially offset by a net negative fluctuation in other income and expense related to foreign exchange hedging, higher income tax expenses and higher financial expenses.

Nokia reported diluted EPS amounted to EUR 0.03, compared to negative EUR 0.07 in the year-ago period, primarily driven by lower income tax expenses, related to the re-measurement of deferred tax assets, which resulted in deferred tax expenses and allowances of EUR 143 million, compared to EUR 738 million in the fourth quarter 2017. In addition, Nokia reported diluted EPS was driven by higher gross profit across all three reportable segments of our Networks business and improved recurring gross profit performance in Nokia Technologies, partially offset by a net negative fluctuation in other income and expense related to foreign exchange hedging and higher financial expenses.

Nokia financial results, Jan-Dec 2018 compared to Jan-Dec 2017

EUR million (except for EPS in EUR)	Q1-Q4'18	Q1-Q4'17	YoY change	Constant currency YoY change
Net sales	**22 563**	23 147	(3)%	*1%*
Nokia's Networks business	**20 121**	20 523	(2)%	*2%*
Nokia Technologies	**1 501**	1 654	(9)%	*(9)%*
Group Common and Other	**1 021**	1 115	(8)%	*(4)%*
Non-IFRS exclusions	**(17)**	(75)	(77)%	
Gross profit	**8 446**	9 139	(8)%	
Operating profit/(loss)	**(59)**	16		
Nokia's Networks business	**1 199**	1 711	(30)%	
Nokia Technologies	**1 203**	1 124	7%	
Group Common and Other	**(221)**	(248)		
Non-IFRS exclusions	**(2 239)**	(2 571)	(13)%	
Operating margin %	**(0.3)%**	0.1%	(40)bps	
Gross profit (non-IFRS)	***9 035***	*9 674*	*(7)%*	
Operating profit/(loss) (non-IFRS)	***2 180***	*2 587*	*(16)%*	
Operating margin % (non-IFRS)	***9.7%***	*11.1%*	*(140)bps*	
Financial income and expenses	**(313)**	(537)	(42)%	
Income taxes	**(189)**	(927)		
Profit/(loss) for the period	**(549)**	(1 437)	(62)%	
EPS, diluted	**(0.10)**	(0.26)		
Financial income and expenses (non-IFRS)	***(358)***	*(280)*	*28%*	
Income taxes (non-IFRS)	***(563)***	*(443)*	*27%*	
Profit/(loss) for the period (non-IFRS)	***1 272***	*1 875*	*(32)%*	
EPS, diluted (non-IFRS)	***0.23***	*0.33*	*(30)%*	

Nokia reported net sales decreased 3% year-on-year. On a constant currency basis, Nokia reported net sales grew 1% year-on-year.

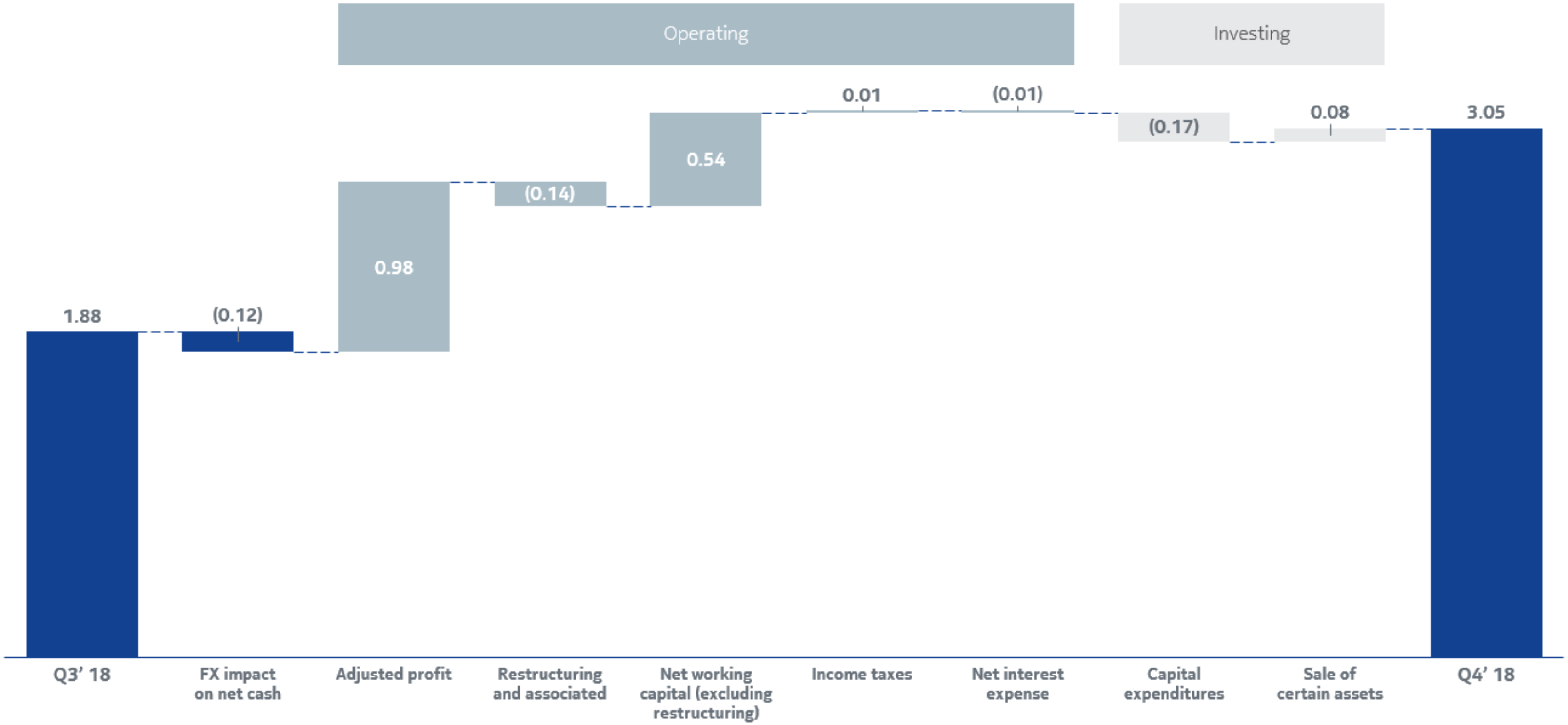
Nokia reported operating loss amounted to EUR 59 million, compared to an operating profit of EUR 16 million in the year-ago period. This was primarily driven by lower gross profit across all three reportable segments in our Networks business, lower one-time licensing net sales in Nokia Technologies and a negative impact from foreign exchange hedging. This was partially offset by lower restructuring and associated charges and lower impairment of assets.

Nokia reported diluted EPS amounted to negative EUR 0.10, compared to negative EUR 0.26 in the year-ago period. This was primarily driven by lower income tax expenses, related to the re-measurement of deferred tax assets, which resulted in deferred tax expenses and allowances of EUR 155 million, compared to EUR 815 million in full year 2017. In addition, Nokia reported diluted EPS was driven by the absence of expenses related to the early redemption of debt, partially offset by lower gross profit across all three reportable segments in our Networks business, lower restructuring and associated charges, lower one-time licensing net sales in Nokia Technologies and a negative impact from foreign exchange hedging.

NOKIA

Change in net cash and current financial investments

(EUR billion)



2016-2018 Cost savings program

In the fourth quarter 2018, we completed the restructuring activities related to our 2016-2018 cost savings program and achieved the overall EUR 1.2 billion of recurring annual cost savings that we targeted.

The following table summarizes the financial information related to our 2016-2018 cost savings program, as of the end of the fourth quarter 2018. Balances related to previous Nokia and Alcatel-Lucent restructuring and cost savings programs have been included as part of this overall cost savings program. Note that this table does not include future expectations related to our 2019-2020 cost savings program announced on October 25, 2018.

In EUR million, approximately	Q4'18
Opening balance of restructuring and associated liabilities	710
+ Charges in the quarter	60
- Cash outflows in the quarter	140
= Ending balance of restructuring and associated liabilities	630
of which restructuring provisions	*490*
of which other associated liabilities	*140*
Total expected restructuring and associated charges	1 600
- Cumulative recorded	1 600
= Charges remaining to be recorded	0
Total expected restructuring and associated cash outflows	2 100
- Cumulative recorded	1450
= Cash outflows remaining to be recorded	650

2016-2018 Cost savings program

The following table summarizes results related to our 2016-2018 cost savings program, as well as network equipment swaps. Note that this table does not include future expectations related to our 2019-2020 cost savings program announced on October 25, 2018.

In EUR million, approximately rounded to the nearest EUR 50 million	Actual 2016	Actual 2017	Actual 2018	Actual Cumulative through the end of 2018	Expected amounts for FY 2019 and beyond	Expected amounts for Total
Recurring annual cost savings	550	250	400	1 200	0	1 200
- operating expenses	*350*	*150*	*250*	*750*	*0*	*750*
- cost of sales	*200*	*100*	*150*	*450*	*0*	*450*
Restructuring and associated charges	750	550	300	1 600	0	1 600
Restructuring and associated cash outflows	400	550	500	1 450	650	2 100
Charges related to network equipment swaps	150	450	550	1 150	150	1 300
Cash outflows related to network equipment swaps	150	450	550	1 150	150	1 300

2019-2020 Cost savings program

The following table summarizes our future expectations related to our new 2019-2020 cost savings program, as well as the remaining cash outflows related to our 2016-2018 program and network equipment swaps.

In EUR million, approximately rounded to the nearest EUR 50 million	Remaining from the 2016-2018 program	Expected from the 2019-2020 program	Expected amounts for FY 2019	FY 2020 and beyond	Total
Recurring annual cost savings	0	700	200	500	700
- operating expenses	*0*	*500*	*150*	*350*	*500*
- cost of sales	*0*	*200*	*50*	*150*	*200*
Restructuring and associated charges	0	900	550	350	900
Restructuring and associated cash outflows	650	900	700	850	1 550
Charges related to network equipment swaps	150	0	150	0	150
Cash outflows related to network equipment swaps	150	0	150	0	150

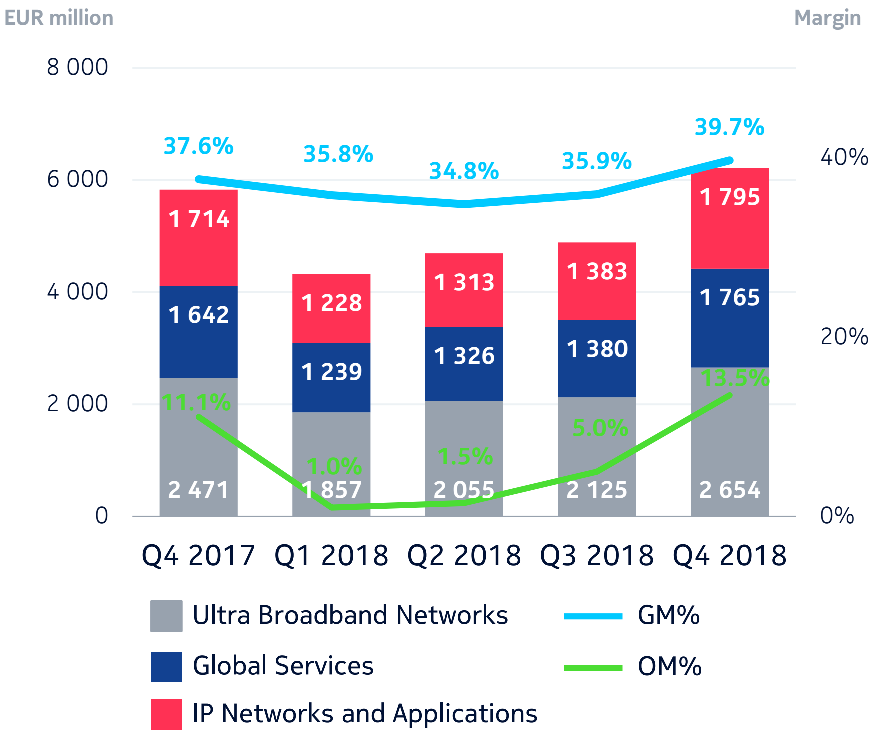
The above table includes future expectations related to our cost savings program announced on October 25, 2018, as well as the remaining cash outflows related to our 2016-2018 program and network equipment swaps. We expect our 2019-2020 cost savings program to result in a net EUR 700 million reduction of non-IFRS operating expenses and production overheads in full year 2020 compared to full year 2018, of which EUR 500 million is expected to come from operating expenses and EUR 200 million is expected to come from cost of sales. The related restructuring charges and cash outflows are both expected to total EUR 900 million. The remaining balance of expected cash outflows related to our 2016-2018 cost savings program, amounting to EUR 650 million at the end of 2018, has been included as part of our new 2019-2020 cost savings program table above. Thus, total remaining cash outflows are expected to be EUR 1 550 million.

Under the cost reduction program announced on October 25, 2018, Nokia intends to target substantial savings while continuing to make further investments to drive future growth and higher returns. The savings are expected to come from a wide range of areas, including investments in digitalization to drive more automation and productivity, further process and tool simplification, significant reductions in central support functions to reach best-in-class cost levels, prioritization of R&D programs to best create long-term value, a sharp reduction of R&D in legacy products, driving efficiency from further application of our best-in-class common software foundation and innovative software development techniques, the consolidation of selected cross-company activities and further reductions in real estate and other overhead costs.

Reportable Segments in Q4 2018

Nokia's Networks business

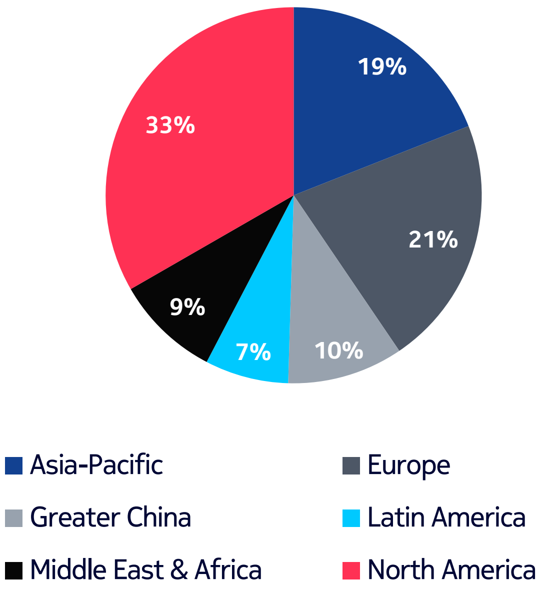
Net sales and margins

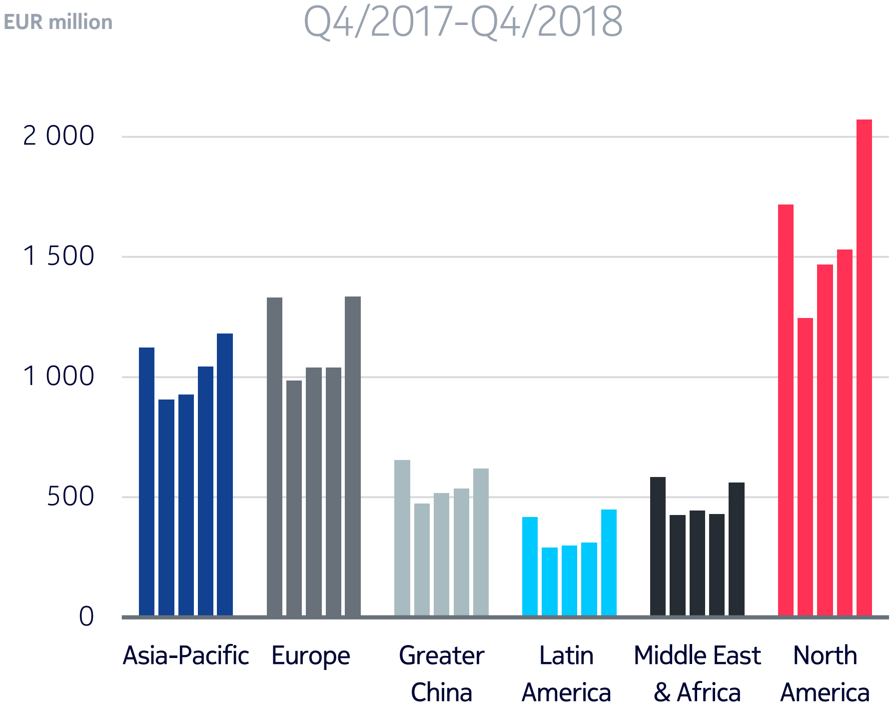


EUR million	**Q4'18**	Q4'17	YoY change	*Constant currency YoY change*
Net sales	**6 215**	5 827	7%	*6%*
Ultra Broadband Networks	**2 654**	2 471	7%	*6%*
Global Services	**1 765**	1 642	7%	*8%*
IP Networks and Applications	**1 795**	1 714	5%	*4%*
Gross profit	**2 465**	2 193	12%	
Gross margin %	***39.7%***	*37.6%*	*210bps*	
R&D	**(907)**	(953)	(5)%	
SG&A	**(682)**	(622)	10%	
Other income and expenses	**(35)**	28		
Operating profit	**841**	647	30%	
Ultra Broadband Networks	**301**	267	13%	
Global Services	**180**	121	49%	
IP Networks and Applications	**361**	259	39%	
Operating margin %	***13.5%***	*11.1%*	*240bps*	

Nokia's Networks business

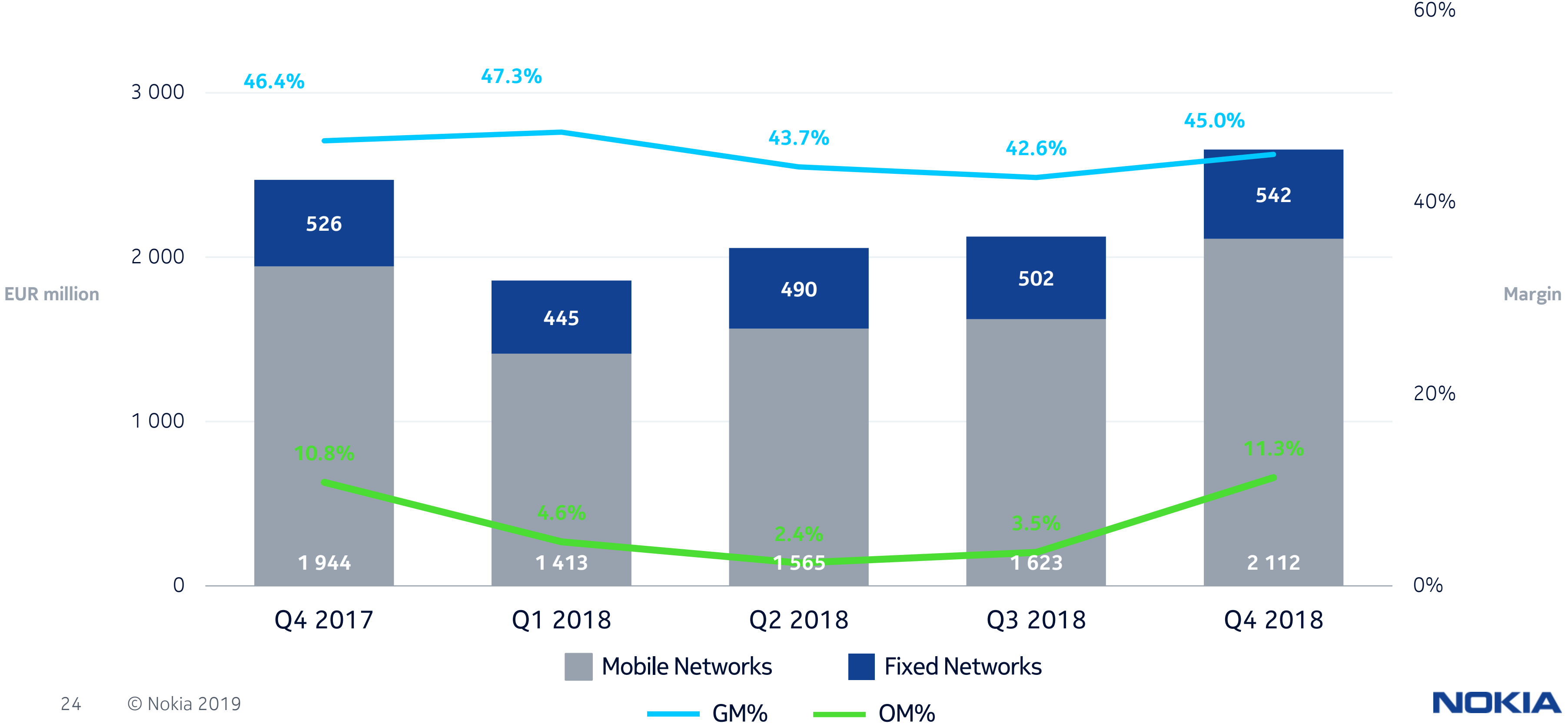
Net sales by geographic area





NOKIA

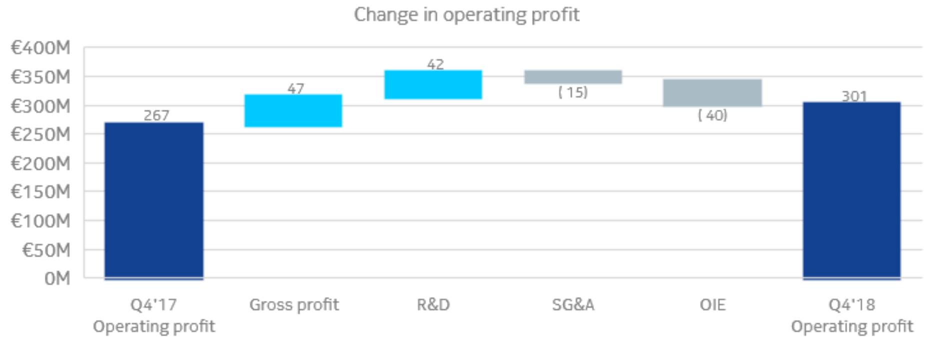
Ultra Broadband Networks
Net sales and margins



NOKIA

Ultra Broadband Networks

EUR million	Q4'18	Q4'17	YoY change	*Constant currency YoY change*
Net sales	**2 654**	2 471	7%	*6%*
Mobile Networks	**2 112**	1 944	9%	*7%*
Fixed Networks	**542**	526	3%	*2%*
Gross profit	**1 194**	1 147	4%	
Gross margin %	***45.0%***	*46.4%*	*(140)bps*	
R&D	**(574)**	(616)	(7)%	
SG&A	**(294)**	(279)	5%	
Other income and expenses	**(25)**	15		
Operating profit	**301**	267	13%	
Operating margin %	***11.3%***	*10.8%*	*50bps*	



Ultra Broadband Networks net sales increased 7% year-on-year, primarily due to Mobile Networks, which benefitted from growth in radio networks and small cells. On a constant currency basis, Ultra Broadband Networks net sales increased 6%.

The increase in Ultra Broadband Networks gross profit was primarily due to higher net sales in Mobile Networks, partially offset by lower gross margin in Mobile Networks. Our gross margin performance in Mobile Networks was driven by price erosion exceeding cost erosion in North America, Asia-Pacific and Middle East & Africa, partially offset by favorable regional mix, with a larger proportion of net sales in North America, as well as improved profitability in Greater China, where robust competition adversely affected the fourth quarter 2017.

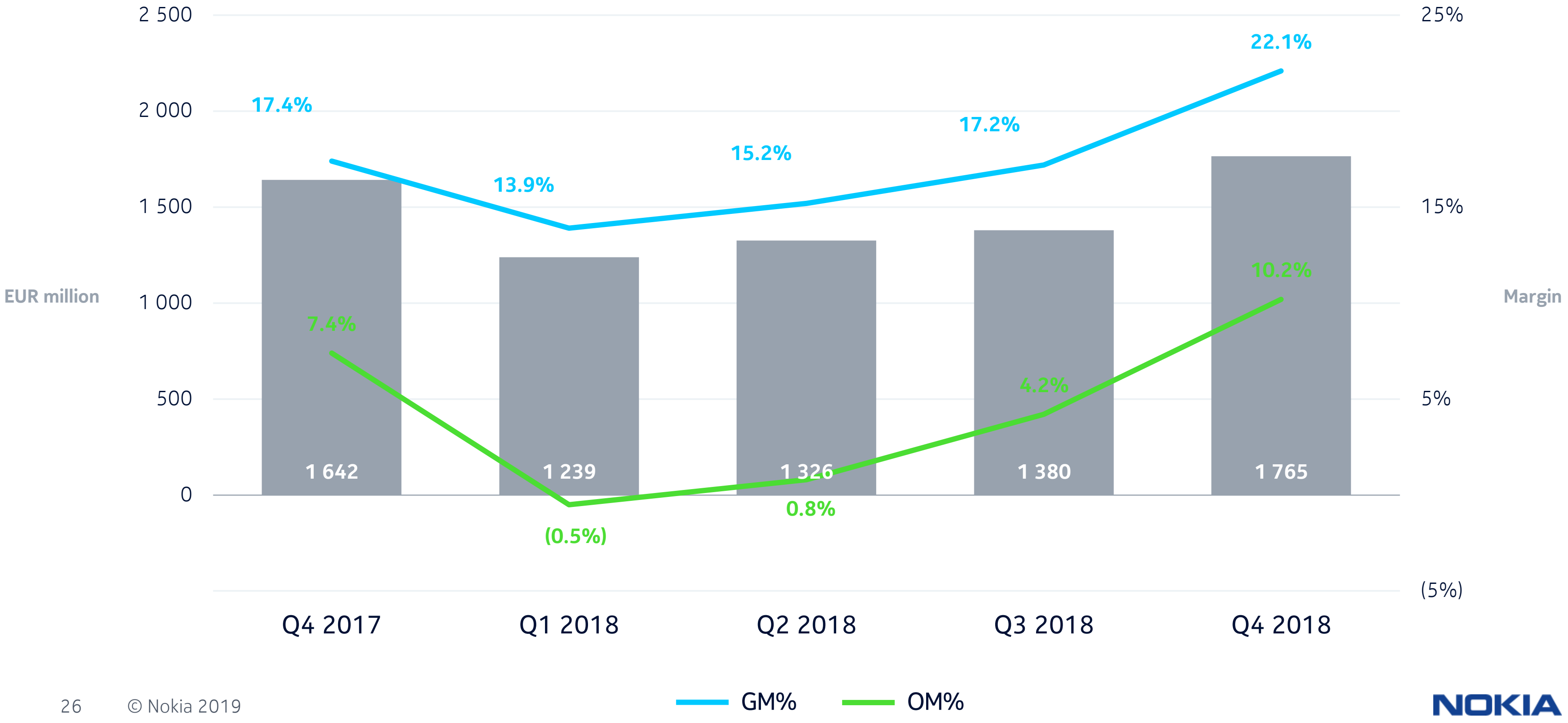
The decrease in Ultra Broadband Networks R&D expenses was primarily due to Mobile Networks, driven by progress related to Nokia's cost savings program and lower incentive accruals.

The increase in Ultra Broadband Networks SG&A expenses was primarily due to Mobile Networks, driven by higher costs related to 5G customer trials.

The net negative fluctuation in other income and expenses was primarily due to foreign exchange hedging.

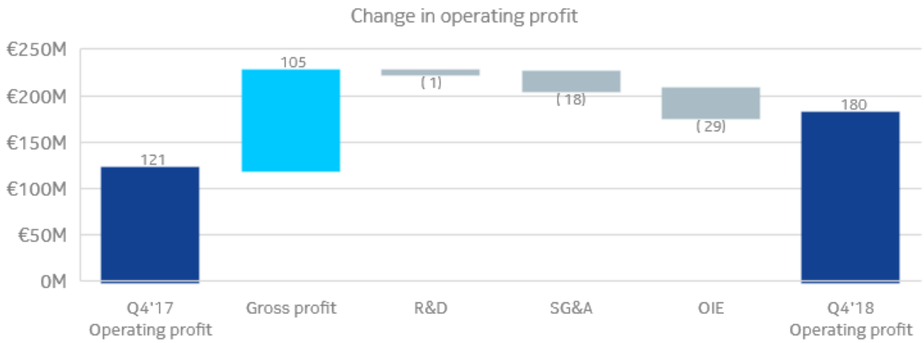
Global Services

Net sales and margins



Global Services

EUR million	Q4'18	Q4'17	YoY change	Constant currency YoY change
Net sales	**1 765**	1 642	7%	*8%*
Gross profit	**390**	285	37%	
Gross margin %	***22.1%***	*17.4%*	*470bps*	
R&D	**(22)**	(21)	5%	
SG&A	**(171)**	(153)	12%	
Other income and expenses	**(18)**	11		
Operating profit	**180**	121	49%	
Operating margin %	***10.2%***	*7.4%*	*280bps*	



Global Services net sales increased 7% year-on-year, primarily due to network implementation and, to a lesser extent, systems integration and managed services. On a constant currency basis, Global Services net sales increased 8%.

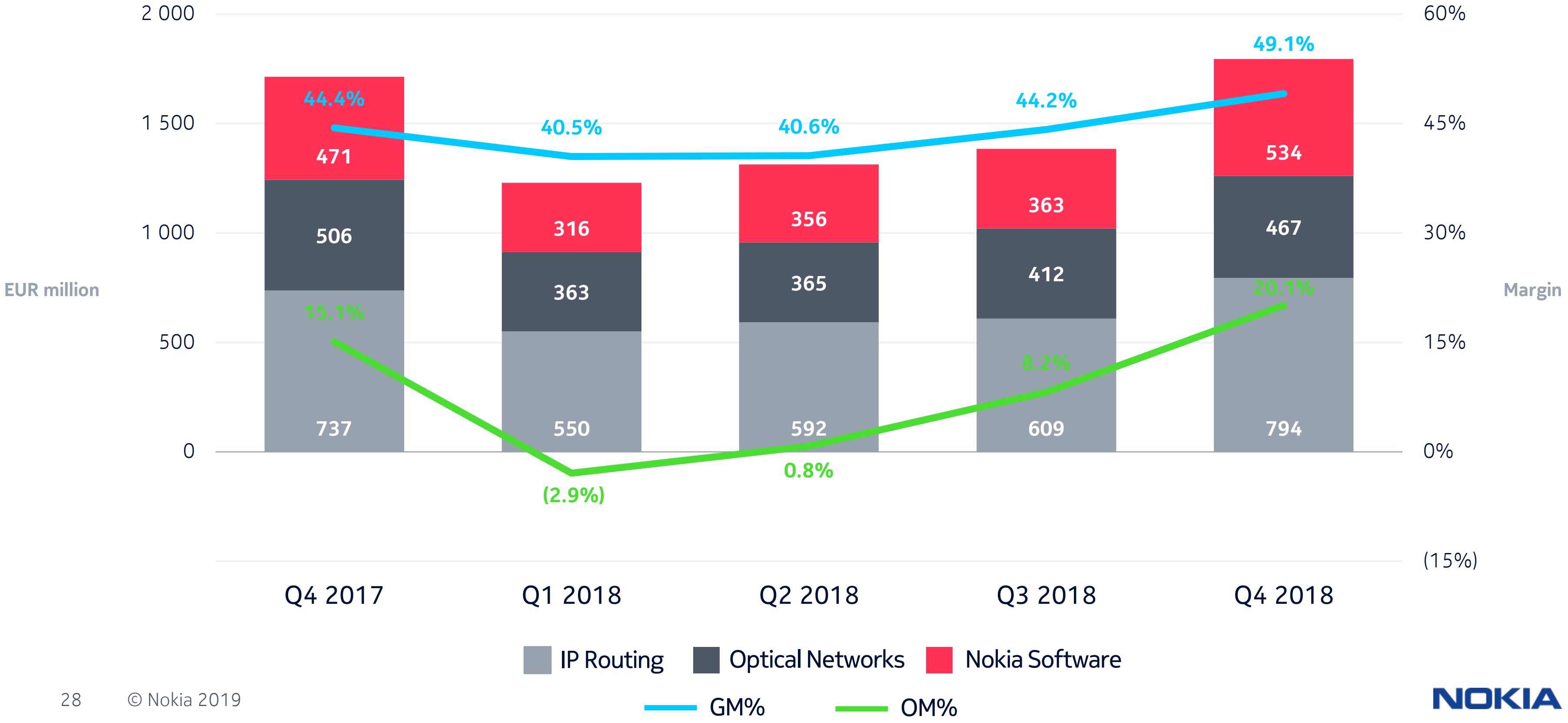
The increase in Global Services gross profit was primarily due to higher gross margin and, to a lesser extent, lower incentive accruals, partially offset by product mix, with a higher proportion of network implementation net sales. The higher gross margin was primarily due to network implementation.

The increase in Global Services SG&A expenses was driven by higher costs related to 5G customer trials.

The net negative fluctuation in other income and expenses was primarily due to foreign exchange hedging and higher allowances for doubtful accounts.

IP Networks and Applications

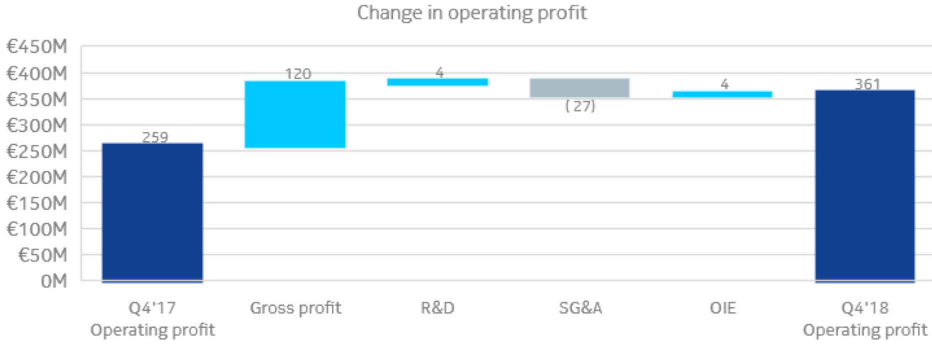
Net sales and margins



NOKIA

IP Networks and Applications

EUR million	Q4'18	Q4'17	YoY change	*Constant currency YoY change*
Net sales	**1 795**	1 714	5%	*4%*
IP/Optical Networks	**1 262**	1 243	2%	*1%*
IP Routing	**794**	737	8%	*7%*
Optical Networks	**467**	506	(8)%	*(7)%*
Nokia Software	**534**	471	13%	*12%*
Gross profit	**881**	761	16%	
Gross margin %	***49.1%***	*44.4%*	*470bps*	
R&D	**(312)**	(316)	(1)%	
SG&A	**(216)**	(189)	14%	
Other income and expenses	**7**	3		
Operating profit	**361**	259	39%	
Operating margin %	***20.1%***	*15.1%*	*500bps*	



IP Networks and Applications net sales increased 5% year-on-year due to both Nokia Software and IP/Optical Networks, primarily driven by our technology leadership. On a constant currency basis, IP Networks and Applications net sales increased 4%.

The increase in IP/Optical Networks net sales was due to IP routing, reflecting strong uptake of our market leading FP4 portfolio, partially offset by optical networks. Despite clear supply chain improvements in the fourth quarter 2018, on a sequential basis, IP routing net sales continued to be adversely affected by some remaining shortages of certain components. The net sales performance in optical networks was solid in the context of a tough year-on-year comparison to a particularly strong fourth quarter 2017, which benefitted from certain large projects in Europe and Middle East & Africa.

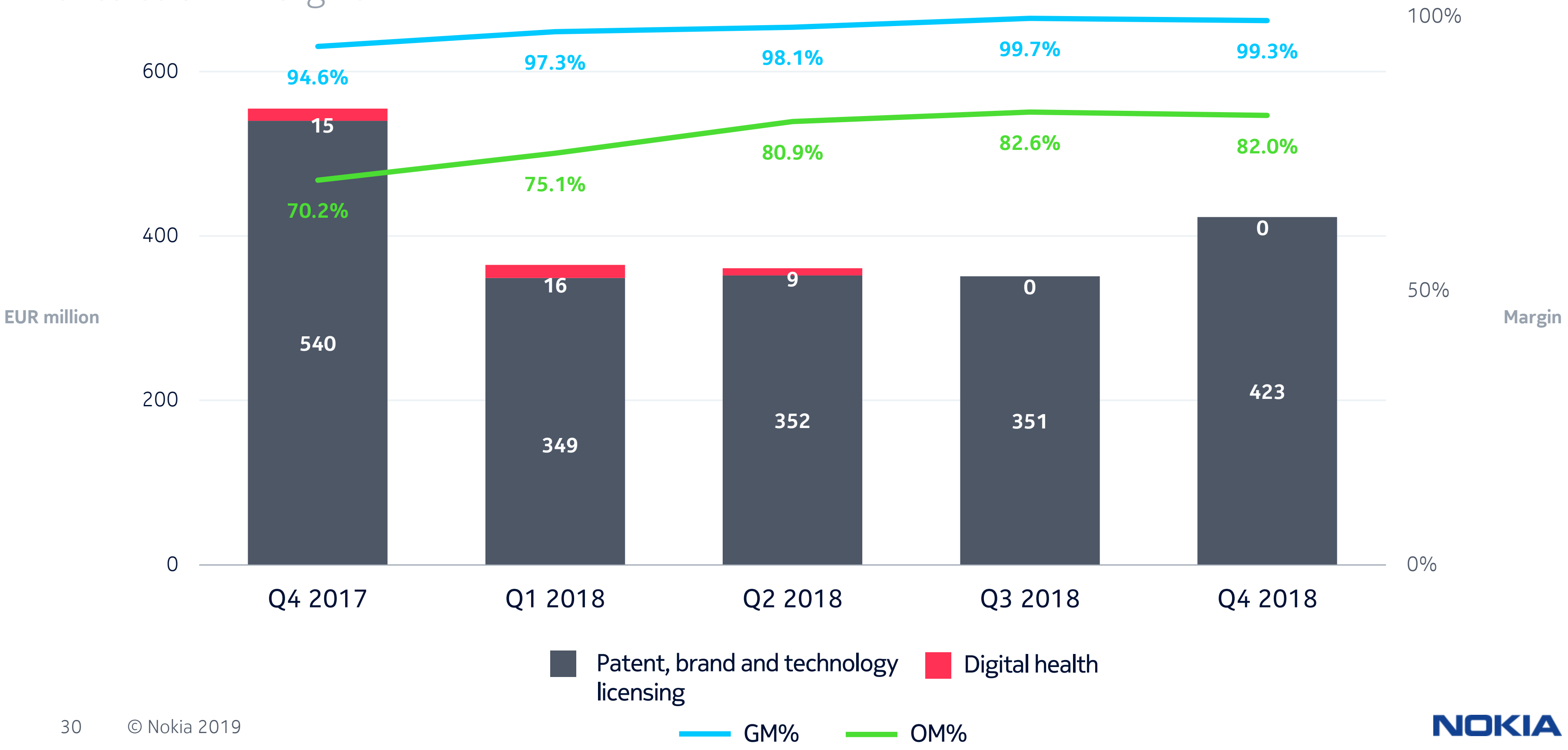
Nokia Software net sales in the fourth quarter 2018 achieved a record level, resulting from our investments to build a dedicated software sales force and increasingly strong demand for our market leading software portfolio built on a 5G-ready and cloud-native Common Software Foundation. The increase in Nokia Software net sales was supported by significant percentage growth in CloudBand NFV management and orchestration, NetGuard security and self-organizing network software solutions, as well as network management and digital networks. Boosted by 5G commercialization and strong demand for cloud-native solutions, growth was particularly strong in North America, Asia-Pacific and Latin America.

The increase in IP Networks and Applications gross profit was due to both Nokia Software and IP/Optical Networks. The overall increase in gross profit was primarily due to higher gross margin and, to a lesser extent, higher net sales. Our gross margin performance in IP Networks and Applications was primarily driven by Nokia Software, improved profitability in IP routing and product mix, with a lower proportion of optical networks net sales.

The increase in IP Networks and Applications SG&A expenses was primarily due to IP/Optical Networks, due to higher pre-sales expenses to drive future growth and higher returns.

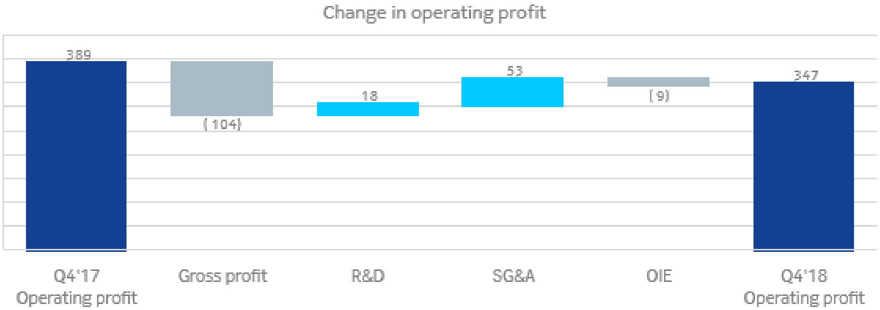
Nokia Technologies

Net sales and margins



Nokia Technologies

EUR million	Q4'18	Q4'17	YoY change	*Constant currency YoY change*
Net sales	**423**	554	(24)%	*(24)%*
Gross profit	**420**	524	(20)%	
Gross margin %	***99.3%***	*94.6%*	*470bps*	
R&D	**(38)**	(56)	(32)%	
SG&A	**(32)**	(85)	(62)%	
Other income and expenses	**(3)**	6		
Operating profit	**347**	389	(11)%	
Operating margin %	***82.0%***	*70.2%*	*1 180bps*	



Nokia Technologies net sales decreased 24% year-on-year, on both a reported and constant currency basis.

The EUR 423 million of net sales in the fourth quarter 2018 related entirely to patent and brand licensing. Of the EUR 554 million of net sales in the fourth quarter 2017, EUR 540 million related to patent and brand licensing and EUR 15 million related to digital health and digital media.

The decrease in Nokia Technologies net sales was primarily due to lower one-time net sales, partially offset by higher recurring licensing net sales. One-time net sales amounted to approximately EUR 60 million in the fourth quarter 2018 and approximately EUR 210 million in the fourth quarter 2017.

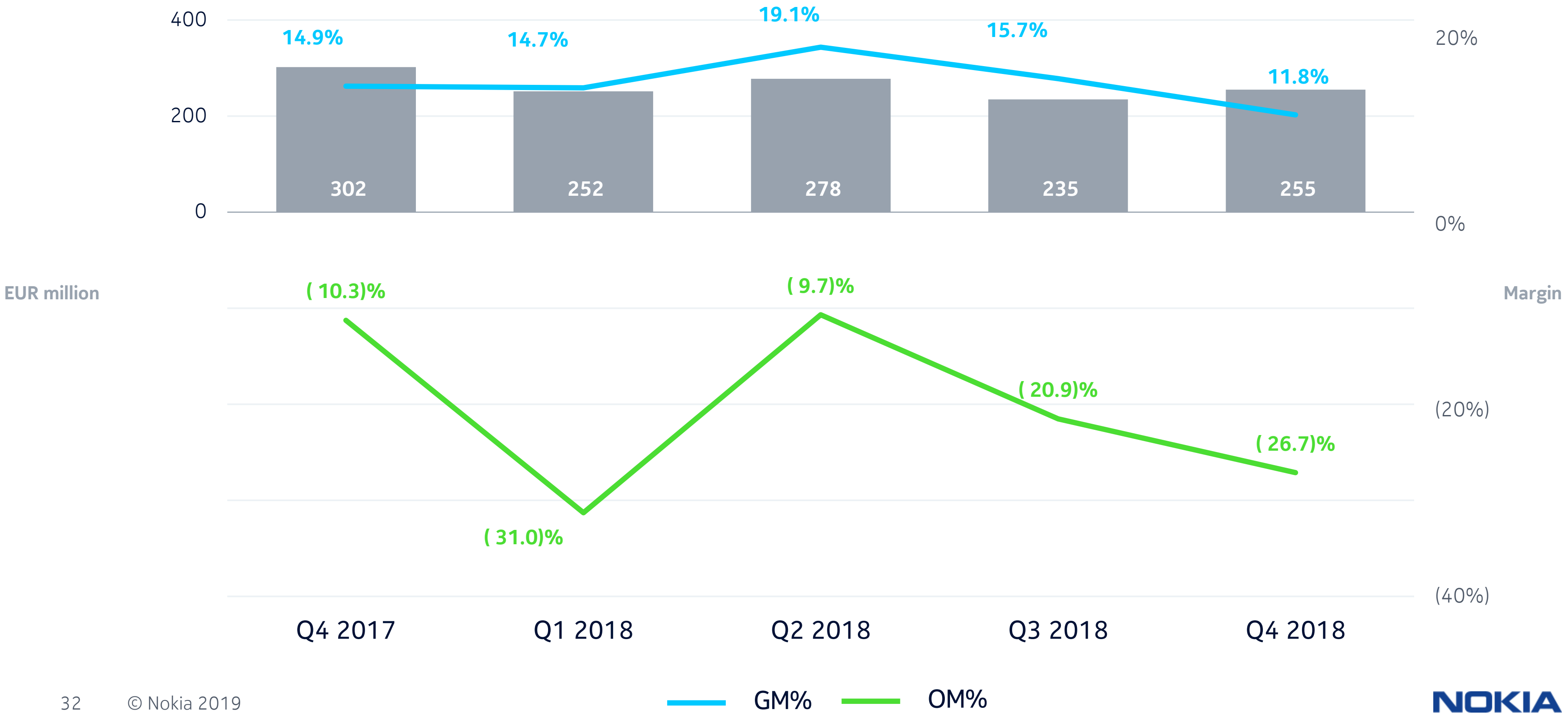
The decrease in Nokia Technologies gross profit was due to lower net sales, partially offset by higher gross margin, reflecting the absence of costs related to digital health, following the sale of our digital health business on May 31, 2018.

The decrease in Nokia Technologies R&D expenses was primarily due to reduced investments in digital media and the absence of costs related to digital health, following the sale of our digital health business.

The decrease in Nokia Technologies SG&A expenses was primarily due to lower patent licensing related litigation costs, absence of costs related to digital health, following the sale of our digital health business, and lower business support costs, partially offset by approximately EUR 10 million of one-time cost.

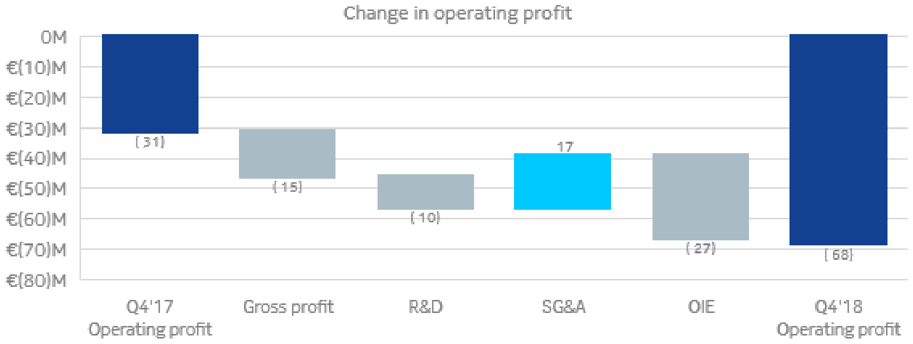
Group Common and Other

Net sales and margins



Group Common and Other

EUR million	Q4'18	Q4'17	YoY change	Constant currency YoY change
Net sales	**255**	302	(16)%	*(12)%*
Gross profit	**30**	45	(33)%	
Gross margin %	***11.8%***	*14.9%*	*(310)bps*	
R&D	**(70)**	(60)	17%	
SG&A	**(44)**	(61)	(28)%	
Other income and expenses	**17**	44		
Operating loss	**(68)**	(31)		
Operating margin %	***(26.7)%***	*(10.3)%*	*(1 640)bps*	



Group Common and Other net sales decreased 16% year-on-year. On a constant currency basis, Group Common and Other net sales decreased 12%.

The decrease in Group Common and Other net sales was primarily due to Alcatel Submarine Networks, partially offset by Radio Frequency Systems. The decrease in Alcatel Submarine Networks was primarily due to the completion of specific projects, which benefitted the fourth quarter 2017.

The decrease in Group Common and Other gross profit was primarily due to lower net sales and gross margin in Alcatel Submarine Networks.

The increase in Group Common and Other R&D expenses was primarily due to higher costs related to Nokia Bell Labs and real estate.

The decrease in Group Common and Other SG&A expenses was primarily due to lower support function costs, driven by progress related to Nokia's cost savings program.

The net negative fluctuation in other income and expenses was primarily due to the absence of an expiration of a former Alcatel-Lucent stock option liability, which benefitted the fourth quarter 2017, and lower gains in Nokia's venture fund investments.

Financial Statements

Consolidated income statement

EUR million	Reported Q4'18	Reported Q4'17	Reported Q1-Q4'18	Reported Q1-Q4'17	Non-IFRS Q4'18	Non-IFRS Q4'17	Non-IFRS Q1-Q4'18	Non-IFRS Q1-Q4'17
Net sales (notes 2, 3, 4)	6 869	6 651	22 563	23 147	6 872	6 668	22 580	23 223
Cost of sales	(4 108)	(4 058)	(14 117)	(14 009)	(3 957)	(3 906)	(13 545)	(13 549)
Gross profit (notes 2, 3)	2 761	2 593	8 446	9 139	2 915	2 762	9 035	9 674
Research and development expenses	(1 165)	(1 226)	(4 620)	(4 916)	(1 016)	(1 069)	(4 014)	(4 225)
Selling, general and administrative expenses	(933)	(930)	(3 463)	(3 615)	(758)	(768)	(2 896)	(3 024)
Other income and expenses	(111)	(18)	(422)	(591)	(21)	78	55	162
Operating profit/(loss) (notes 2, 3)	552	419	(59)	16	1 120	1 004	2 180	2 587
Share of results of associated companies and joint ventures	18	17	12	11	18	17	12	11
Financial income and expenses (note 10)	(89)	(41)	(313)	(537)	(110)	(73)	(358)	(280)
Profit/(loss) before tax (note 2)	481	394	(360)	(510)	1 028	947	1 835	2 318
Income tax (expense)/benefit	(278)	(772)	(189)	(927)	(288)	(232)	(563)	(443)
Profit/(loss) from continuing operations (note 2)	203	(378)	(549)	(1 437)	741	716	1 272	1 875
Profit/(loss) attributable to equity holders of the parent	191	(384)	(554)	(1 473)	728	709	1 267	1 869
Non-controlling interests	13	6	5	36	13	6	5	6
Profit/(loss) from discontinued operations (note 6)	2	(2)	214	(21)	0	0	0	0
Profit/(loss) attributable to equity holders of the parent	2	(2)	214	(21)	0	0	0	0
Non-controlling interests	0	0	0	0	0	0	0	0
Profit/(loss) for the period	206	(380)	(335)	(1 458)	741	716	1 272	1 875
Profit/(loss) attributable to equity holders of the parent	193	(386)	(340)	(1 494)	728	709	1 267	1 869
Non-controlling interests	13	6	5	36	13	6	5	6
Earnings per share, EUR (for profit/(loss) attributable to equity holders of the parent)								
Basic earnings per share								
Continuing operations	0.03	(0.07)	(0.10)	(0.26)	0.13	0.13	0.23	0.33
Discontinued operations	0.00	0.00	0.04	0.00	0.00	0.00	0.00	0.00
Profit/ (Loss) for the period	0.03	(0.07)	(0.06)	(0.26)	0.13	0.13	0.23	0.33
Diluted earnings per share								
Continuing operations	0.03	(0.07)	(0.10)	(0.26)	0.13	0.13	0.23	0.33
Discontinued operations	0.00	0.00	0.04	0.00	0.00	0.00	0.00	0.00
Profit/ (Loss) for the period	0.03	(0.07)	(0.06)	(0.26)	0.13	0.13	0.23	0.33
Average number of shares ('000 shares)								
Basic								
Continuing operations	5 592 577	5 592 614	5 588 020	5 651 814	5 592 577	5 592 614	5 588 020	5 651 814
Discontinued operations	5 592 577	5 592 614	5 588 020	5 651 814	5 592 577	5 592 614	5 588 020	5 651 814
Profit/ (Loss) for the period	5 592 577	5 592 614	5 588 020	5 651 814	5 592 577	5 592 614	5 588 020	5 651 814
Diluted								
Continuing operations	5 615 353	5 592 614	5 588 020	5 651 814	5 615 353	5 611 572	5 612 477	5 671 427
Discontinued operations	5 615 353	5 592 614	5 612 477	5 651 814	5 615 353	5 611 572	5 612 477	5 671 427
Profit/ (Loss) for the period	5 615 353	5 592 614	5 588 020	5 651 814	5 615 353	5 611 572	5 612 477	5 671 427
From continuing operations:								
Depreciation and amortization (notes 2, 3)	(367)	(380)	(1 455)	(1 591)	(133)	(129)	(515)	(558)

Consolidated statement of financial position

EUR million	December 31, 2018	December 31, 2017
ASSETS		
Goodwill	5 452	5 248
Other intangible assets	3 353	3 971
Property, plant and equipment	1 790	1 853
Investments in associated companies and joint ventures	145	128
Non-current financial investments[1] (notes 10, 14)	690	816
Deferred tax assets (notes 8, 14)	4 911	4 582
Other non-current financial assets (notes 10, 14)	373	215
Defined benefit pension assets (note 7)	4 224	3 979
Other non-current assets	329	368
Non-current assets	21 267	21 160
Inventories	3 180	2 646
Trade receivables (notes 10, 14)	4 856	6 880
Contract assets (note 14)	1 875	0
Prepaid expenses and accrued income	1 002	1 259
Social security, VAT and other indirect taxes	492	552
Divestment related receivables	67	79
Other (note 14)	443	628
Current income tax assets	227	475
Other financial assets (notes 10, 14)	243	302
Current financial investments[1] (notes 10, 14)	612	911
Cash and cash equivalents (notes 10, 14)	6 261	7 369
Current assets	18 256	19 841
Assets held for sale	5	23
Total assets	39 528	41 024

	December 31, 2018	December 31, 2017
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	246	246
Share issue premium	436	447
Treasury shares	(408)	(1 480)
Translation differences	(592)	(932)
Fair value and other reserves (note 14)	1 063	1 094
Reserve for invested non-restricted equity	15 606	15 616
(Accumulated deficit)/retained earnings (note 14)	(1 062)	1 147
Capital and reserves attributable to equity holders of the parent	15 289	16 138
Non-controlling interests	82	80
Total equity	15 371	16 218
Long-term interest-bearing liabilities (notes 10, 12)	2 828	3 457
Deferred tax liabilities (notes 8, 14)	350	413
Defined benefit pension and post-retirement liabilities (note 7)	4 327	4 440
Contract liabilities (note 14)	1 113	0
Deferred revenue and other long-term liabilities	852	2 986
Advance payments and deferred revenue (note 14)	764	2 204
Other (note 10)	88	782
Provisions (note 11)	572	766
Non-current liabilities	10 042	12 063
Short-term interest-bearing liabilities (notes 10, 12)	994	309
Other financial liabilities (note 10)	891	268
Current income tax liabilities	268	383
Trade payables (note 10)	4 783	3 996
Contract liabilities (note 14)	2 383	0
Accrued expenses, deferred revenue and other liabilities	3 941	6 666
Advance payments and deferred revenue (note 14)	524	3 513
Salaries, wages and social charges	1 426	1 551
Other (note 14)	1 991	1 603
Provisions (note 11)	855	1 122
Current liabilities	14 115	12 744
Total shareholders' equity and liabilities	39 528	41 024

Interest-bearing liabilities, EUR million	3 822	3 766
Shareholders' equity per share, EUR	2.73	2.89
Number of shares (1 000 shares, excluding treasury shares)	5 593 162	5 579 517

NOKIA

Consolidated statement of cash flows

EUR million	Q4'18	Q4'17	Q1-Q4'18	Q1-Q4'17
Cash flow from operating activities				
Profit/(loss) for the period	206	(380)	(335)	(1 458)
Adjustments				
Depreciation and amortization	367	380	1 455	1 591
Restructuring charges	40	76	238	522
Financial income and expenses	88	(9)	232	402
Income tax expense	274	777	64	937
Other	5	39	104	224
Change in net working capital				
Decrease/(increase) in receivables	53	71	246	(421)
Decrease/(increase) in inventories	32	372	(544)	(296)
Increase/(decrease) in non-interest-bearing liabilities	317	681	(645)	1 221
Cash from operations	1 382	2 007	815	2 722
Interest received	15	12	68	53
Interest paid	(25)	(3)	(159)	(409)
Income taxes, net paid	14	(26)	(364)	(555)
Net cash from operating activities	1 386	1 990	360	1 811
Cash flow from investing activities				
Capital expenditures	(171)	(153)	(672)	(601)
Proceeds from sale of fixed assets	51	31	88	67
Acquisition of businesses, net of cash acquired	0	(2)	(31)	(394)
Proceeds from disposal of businesses, net of disposed cash[1]	(18)	0	(18)	(16)
Purchase of current financial investments	(384)	(575)	(2 104)	(2 729)
Proceeds from maturities and sale of current financial investments	581	817	2 397	3 589
Purchase of non-current financial investments	(47)	(40)	(145)	(104)
Proceeds from sale of non-current financial investments	90	46	170	207
Other	1	11	0	(9)
Net cash from / (used in) investing activities	103	135	(315)	10
Cash flow from financing activities				
Proceeds from stock option exercises	1	0	1	1
Purchase of treasury shares	0	(128)	0	(785)
Purchase of equity instruments of subsidiaries	1	0	1	(38)
Proceeds from long-term borrowings	64	5	139	2 129
Repayment of long-term borrowings	(4)	0	(31)	(2 044)
Proceeds from/(repayment of) short-term borrowings	21	(38)	2	(42)
Dividends paid	0	0	(1 081)	(970)
Net cash from/ (used) in financing activities	83	(161)	(969)	(1 749)
Foreign exchange adjustment	(110)	11	(184)	(200)
Net increase/ (decrease) in cash and cash equivalents	1 462	1 975	(1 108)	(128)
Cash and cash equivalents at beginning of period	4 799	5 394	7 369	7 497
Cash and cash equivalents at end of period	6 261	7 369	6 261	7 369

NOKIA


NOKIA