Nokia Corporation Financial Report for Q2 and Half Year 2018

Nokia Corporation
Half Year Financial Report
July 26, 2018 at 08:00 (CET +1)

Nokia Corporation Financial Report for Q2 and Half Year 2018

First half 2018 as expected; improvement expected in Nokia's Networks business in second half 2018

- Full year 2018 Nokia-level guidance reiterated

This is a summary of the Nokia Corporation financial report for Q2 and half year 2018 published today. The complete financial report for Q2 and half year 2018 with tables is available at www.nokia.com/financials. Investors should not rely on summaries of our financial reports only, but should review the complete financial reports with tables.

FINANCIAL HIGHLIGHTS

- Net sales in Q2 2018 were EUR 5.3bn, compared to EUR 5.6bn in Q2 2017. On a constant currency basis, net sales would have been down 1%.
- Non-IFRS diluted EPS in Q2 2018 was EUR 0.03, compared to EUR 0.08 in Q2 2017. Reported diluted EPS in Q2 2018 was negative EUR 0.05, compared to negative EUR 0.07 in Q2 2017.
- In the second quarter, net cash and current financial investments decreased by approximately EUR 2.0 billion, primarily due to two expected items: the payment of the dividend of approximately EUR 940 million; and the payment of employee incentives related to Nokia's business performance in 2017, which was the primary driver of the decrease in liabilities within net working capital of approximately EUR 600 million.

Nokia's Networks business net sales were EUR 4.7bn, with operating profit of EUR 69mn

- Our backlog was strong at the end of Q2, and we continue to expect commercial 5G network deployments to begin near the end of 2018.
- Continued progress was made in Q2 with our strategy to diversify and grow by targeting attractive adjacent markets. Strong momentum continued with large enterprise vertical and webscale customers, with double-digit year-on-year growth in net sales.

- Momentum in our end-to-end strategy continued, with approximately 40% of our sales pipeline now comprised of solutions, products and services from multiple business groups.

Nokia Technologies net sales were EUR 361mn, with operating profit of EUR 292mn

- Strong track record maintained, with 23% year-on-year growth in recurring licensing net sales and 27% year-on-year operating profit increase in Q2, primarily related to license agreements entered into in 2017.
- Nokia Technologies continued to make good progress on new licensing agreements; no major agreements were announced in Q2.

Outlook

- Nokia reiterates full year 2018 Nokia-level guidance and remains on target to deliver EUR 1.2 billion of recurring annual cost savings in full year 2018.
- In its Networks business, Nokia expects improving market conditions in the second half of 2018, with particular acceleration in the fourth quarter in North America. Results in 2018 and over the longer term are expected to be influenced by: a) our ability to scale our supply chain operations to meet increasing demand; b) recovery actions to address increased price pressure; and c) the timing of completions and acceptances of certain projects, particularly related to 5G.

Nokia continues to see opportunities to build on its track record in Nokia Licensing within Nokia Technologies and drive a compound annual growth rate of approximately 10% for recurring net sales over the 3-year period ending 2020.

Please refer to the full details and other targets in the Outlook section of this press release.

Second quarter and January-June 2018 non-IFRS results. Refer to note 1, "Basis of Preparation" and note 15, "Performance measures", in the "Financial statement information" section for further details

EUR million (except for EPS in EUR)	Q2'18	Q2'17	YoY change	*Constant currency YoY change*	Q1-Q2'18	Q1-Q2'17	YoY change	*Constant currency YoY change*
Net sales (non-IFRS)	5 318	5 629	(6)%	*(1)%*	10 246	11 017	(7)%	*0%*
Nokia's Networks business	4 693	4 971	(6)%	*0%*	9 018	9 873	(9)%	*(1)%*
Nokia Technologies	361	369	(2)%	*(2)%*	726	616	18%	*19%*
Group Common and Other	278	307	(9)%	*(4)%*	530	562	(6)%	*(1)%*
Gross profit (non-IFRS)	2 038	2 350	(13)%		3 979	4 546	(12)%	
Gross margin % (non-IFRS)	*38.3%*	*41.7%*	*(340)bps*		*38.8%*	*41.3%*	*(250)bps*	

Operating profit (non-IFRS)	334	574	(42)%	573	915	(37)%
Nokia's Networks business	69	406	(83)%	112	730	(85)%
Nokia Technologies	292	230	27%	565	346	63%
Group Common and Other	(27)	(62)	(56)%	(105)	(161)	(35)%
Operating margin % (non-IFRS)	*6.3%*	*10.2%*	*(390)bps*	*5.6%*	*8.3%*	*(270)bps*
Financial income and expenses (non-IFRS)	(84)	(63)	33%	(200)	(144)	39%
Income taxes (non-IFRS)	(106)	(74)	43%	(143)	(122)	17%
Profit for the period (non-IFRS)	139	441	(68)%	223	644	(65)%
Profit attributable to the equity holders of the parent (non-IFRS)	144	449	(68)%	230	646	(64)%
Non-controlling interests (non-IFRS)	(4)	(9)		(7)	(2)	

EPS, EUR diluted (non-IFRS)	0.03	0.08	(63)%		0.04	0.11	(64)%	

Second quarter and January-June 2018 reported results.[1] Refer to note 1, "Basis of Preparation" and note 15, "Performance measures", in the "Financial statement information" section for further details

EUR million (except for EPS in EUR)	Q2'18	Q2'17	YoY change	*Constant currency YoY change*	Q1-Q2'18	Q1-Q2'17	YoY change	*Constant currency YoY change*
Net sales	5 313	5 619	(5)%	*(1)%*	10 237	10 996	(7)%	*0%*
Nokia's Networks business	4 693	4 971	(6)%	*0%*	9 018	9 873	(9)%	*(1)%*
Nokia Technologies	361	369	(2)%	*(2)%*	726	616	18%	*19%*
Group Common and Other	278	307	(9)%	*(4)%*	530	562	(6)%	*(1)%*
Non-IFRS exclusions	(5)	(11)	(55)%		(9)	(21)	(57)%	
Gross profit	1 860	2 236	(17)%		3 666	4 361	(16)%	
Gross margin %	*35.0%*	*39.8%*	*(480)bps*		*35.8%*	*39.7%*	*(390)bps*	

Operating loss	(221)	(45)	391%	(557)	(173)	222%
Nokia's Networks business	69	406	(83)%	112	730	(85)%
Nokia Technologies	292	230	27%	565	346	63%
Group Common and Other	(27)	(62)	(56)%	(105)	(161)	(35)%
Non-IFRS exclusions	(555)	(620)	(10)%	(1 129)	(1 088)	4%
Operating margin %	*(4.2)%*	*(0.8)%*	*(340)bps*	*(5.4)%*	*(1.6)%*	*(380)bps*
Financial income and expenses	(56)	(287)	(80)%	(164)	(433)	(62)%
Income taxes	10	(103)		104	(256)	
Loss for the period	(271)	(433)	(37)%	(625)	(868)	(28)%
Loss attributable to the equity holders of the parent	(267)	(423)	(37)%	(618)	(896)	(31)%
Non-controlling interests	(4)	(9)		(7)	28	
EPS, EUR diluted	(0.05)	(0.07)	(29)%	(0.11)	(0.16)	(31)%

Net cash and current financial investments	2 144	3 964	(46)%	2 144	3 964	(46)%

[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 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.

CEO STATEMENT

Nokia's Q2 2018 results were consistent with our view that the first half of the year would be weak followed by an increasingly robust second half. Pleasingly, I am able to confirm that we expect to deliver 2018 results within the ranges of our annual guidance.

Our topline started to recover in the second quarter, with sales in constant currency approximately flat at both Group and Networks levels; year-on-year constant currency sales growth in three of five of our Networks business groups and in three out of our six regions.

Our entry into the enterprise market continued to proceed well in Q2. Year-on-year sales in constant currency increased approximately 30%, with strength in both vertical markets and webscale companies. Nokia Technologies had a very good second quarter, with recurring licensing revenues up very strongly and operating profit up at excellent levels compared to Q2 last year.

Our view about the acceleration of 5G has not changed and we continue to believe that Nokia is well-positioned for the coming technology cycle given the strength of our end-to-end portfolio. Our deal win rate is very good, with significant recent successes in the key early 5G markets of the United States and China.

The installed base of our superb high-capacity AirScale product, which enables customers to quickly upgrade to 5G without a hardware swap, is growing fast. And, the strength of our end-to-end portfolio remains a differentiator. When you look at our sales pipeline, 40% of it is now comprised of end-to-end deals. That is the highest level we have seen to-date.

Business and regional mix continued to have some impact on gross margin, as did near-term actions of a small number of large customers funding their 5G entry within their existing budget plans.

We expect market conditions to improve further in the second half, particularly in Q4, Nokia's seasonally strongest quarter, and as 5G accelerates significantly.

Rajeev Suri
President and CEO

OUTLOOK

	Metric	Guidance	Commentary
Nokia	Non-IFRS operating margin	9-11% for full year 2018 and 12-16% for full year 2020	Nokia 's guidance for significant improvement between full year 2018 and full year 2020 is primarily due to expectations for: 1. Improved results in Nokia's Networks business, which are detailed below; 2. Improved results in Nokia
	Non-IFRS diluted earnings per share	EUR 0.23 - 0.27 in full year 2018 and EUR 0.37 - 0.42 in full year 2020	

		Technologies, which are detailed below; and 3. Lower Nokia support function costs within Nokia's Networks business and Group Common and Other.
Dividend	Approximately 40% to 70% of non-IFRS EPS on a long-term basis	Nokia's Board of Directors is committed to proposing a growing dividend, including for 2018.

Recurring free cash flow	Slightly positive in full year 2018 and clearly positive in full year 2020	Recurring free cash flow is expected to improve over the longer-term, due to lower cash outflows related to restructuring and network equipment swaps[1] and improved operational results over time.
Recurring annual cost savings for Nokia, excluding Nokia Technologies	Approximately EUR 1.2 billion of recurring annual cost savings in full year 2018, of which approximately EUR 800 million are expected from operating expenses[1]	The reference period is full year 2015, in which the combined operating expenses of Nokia and Alcatel-Lucent, excluding Nokia Technologies, were approximately EUR 7.3 billion. As a result of active efforts to drive 5G adoption, and in the interest of our long-term strategy given the acceleration of 5G, in 2018 we expect to incur approximately EUR 100 to 200 million of temporary incremental expenses related to 5G

		customer trials that will partially reduce the positive impact from the recurring annual cost savings.
Network equipment swaps	Approximately EUR 1.4 billion of charges and cash outflows in total[1]	The charges related to network equipment swaps are being recorded as non-IFRS exclusions, and therefore do not affect Nokia's non-IFRS operating profit.
Non-IFRS financial income and expenses	Expense of approximately EUR 350 million in full year 2018 and approximately EUR 300 million over the longer-term (<u>This is an update to earlier guidance</u> of approximately	Nokia's outlook for non-IFRS financial income and expenses in full year 2018 and over the longer-term is expected to be influenced by factors including: - Net interest expenses related to interest-bearing

	EUR 300 million for full year 2018)	liabilities and defined benefit pension and other post-employment benefit plans; Foreign exchange fluctuations and hedging costs; and Expenses related to the sale of receivables.
Non-IFRS tax rate	Approximately 30% for full year 2018 and	Nokia's outlook for non-IFRS tax rate for full year 2018 and over the

	25% over the longer-term	longer-term is expected to be influenced by factors including the absolute level of profits, regional profit mix and any further changes to our operating model. Nokia expects cash outflows related to taxes to be approximately EUR 400 million in full year 2018 and approximately EUR 450 million over the longer-term until Nokia's US or Finnish deferred tax assets are fully utilized. (This is an update to earlier commentary for cash outflows related to taxes to be approximately EUR 450 million in full year 2018.)
Capital expenditures	Approximately EUR 700 million in full year 2018 and approximately	Primarily attributable to Nokia's Networks business, and consistent with the depreciation of property, plant and

		EUR 600 million over the longer-term	equipment over the longer-term.
Nokia's Networks business	Net sales	Outperform its primary addressable market in 2018 and over the longer-term	For Nokia's Networks business, Nokia expects net sales to outperform its primary addressable market and operating margin to expand between full year 2018 and full year 2020. Nokia's outlook for net sales and operating margin for Nokia's Networks business in 2018 and 2020 is expected to be influenced by factors including: An approximately 1 to 3 percent decline in the primary
	Operating margin	6-9% for full year 2018 and 9-12% for full year 2020	

addressable market for Nokia's Networks business in full year 2018, compared to 2017, on a constant currency basis;

Customer demand for 5G, with commercial 5G network deployments expected to begin near the end of 2018;

Improving market conditions in the second half of 2018, with particular acceleration in the fourth quarter in North America, following weakness in the first half of 2018 (<u>This is an update to earlier commentary</u>for improved market conditions in the second half of 2018, particularly in North America.);

Growth in the primary addressable market for Nokia's Networks business in 2019 and 2020, on a constant currency basis;

Our ability to scale our supply chain operations to meet increasing demand;

Recovery actions to address increased price pressure, including the ability to offset price erosion through cost reductions (new commentary);

The timing of completions and acceptances of certain projects, particularly related to 5G (new commentary);

Focus on targeted growth opportunities in attractive adjacent markets;

Building a strong standalone software business;

Improved R&D productivity resulting from new ways of working and the reduction of legacy platforms over time;

Lower support function costs, including IT and site costs;

			Uncertainty related to potential mergers or acquisitions by our customers; Product and regional mix; and Competitive and other industry dynamics.
Nokia Licensing within Nokia Technologies	Recurring net sales	Grow at a compound annual growth rate (CAGR) of approximately 10% over the 3-year period ending 2020	Due to risks and uncertainties in determining the timing and value of significant patent, brand and technology licensing agreements, Nokia believes it is not

		appropriate to provide annual outlook ranges for Nokia Licensing within Nokia Technologies.
Operating margin	Expand to approximately 85% for full year 2020	Although annual results are difficult to forecast, Nokia expects net sales growth and operating margin expansion over the 3-year period ending 2020. In full year 2017, licensing net sales were approximately EUR 1.6 billion, of which approximately EUR 300 million were non-recurring in nature and related to catch-up net sales for prior years. Nokia's outlook for net sales and operating margin for Nokia Licensing within Nokia Technologies is expected to be influenced by factors including: The timing and value of new

patent licensing agreements with smartphone vendors, automotive companies and consumer electronics companies;

Renegotiation of expiring patent licensing agreements;

Increases or decreases in net sales

related to existing patent licensees;

Results in brand and technology licensing;

Costs to protect and enforce our intellectual property rights; and

The regulatory landscape.

---

[1] For further details related to the cost savings and network equipment swaps guidance, please refer to the "Cost savings program" on page 8.

NOKIA IN Q2 2018 - NON-IFRS

FINANCIAL DISCUSSION

The financial discussion included in this financial report of Nokia's results comprises the results of Nokia's businesses - Nokia's Networks business and Nokia Technologies, as well as Group Common and Other. For more information on our reportable segments, please refer to note 3, "Segment information", in the "Financial statement information" section in this report.

Year-on-year changes in non-IFRS net sales and non-IFRS operating profit

Nokia non-IFRS net sales decreased 6% year-on-year. On a constant currency basis, Nokia non-IFRS net sales would have decreased 1% year-on-year.

EUR million, non-IFRS	Net sales	% change	Gross profit	(R&D)	(SG&A)	Other income and (expenses)	Operating profit	Change in operating margin %
Networks business	(278)	(6)%	(313)	5	31	(60)	(337)	(670)bps
Nokia Technologies	(8)	(2)%	2	24	25	11	62	1 860bps
Group Common and Other	(29)	(9)%	(1)	(3)	4	35	35	1 050bps
Eliminations	3		0	0	0	0	0	

Nokia	(311)	(6)%	(312)	25	60	(14)	(240)	(390)bps

On a year-on-year basis, foreign exchange fluctuations had a negative impact on non-IFRS gross profit, a positive impact on non-IFRS operating expenses and an approximately neutral net impact on non-IFRS operating profit in the second quarter 2018.

Year-on-year changes in non-IFRS profit attributable to the equity holders of the parent

EUR million, non-IFRS	Operating profit	Financial income and expenses	Income taxes	Profit	Non-controlling interests	Profit attributable to the equity holders of the parent
Nokia	(240)	(21)	(32)	(302)	(5)	(305)

Non-IFRS financial income and expenses

The net negative fluctuation in non-IFRS financial income and expenses was primarily due to the absence of venture fund distributions. Interest expenses associated with the inclusion of new items such as costs related to the sale of receivables and financing elements from customer and other contracts as a result of the adoption of new IFRS standards in the first quarter 2018 were offset by lower interest expenses from financing activities.

Non-IFRS income taxes

Increase in non-IFRS tax rate to 43% in the second quarter 2018 was primarily due to regional profit mix. In the second quarter 2017 regional profit mix resulted in an unusually low non-IFRS tax rate of 14% and in addition, in the second quarter 2018 the combination of lower absolute level of profit and certain prior year tax charges increased the non-IFRS tax rate.

NOKIA IN Q2 2018 - REPORTED

FINANCIAL DISCUSSION

Year-on year changes in net sales and operating profit

Nokia net sales decreased 5% year-on-year. On a constant currency basis, Nokia net sales would have decreased 1% year-on-year.

EUR million	Net Sales	% change	Gross profit	(R&D)	(SG&A)	Other income and (expenses)	Operating profit	Change in operating margin %
Networks business	(278)	(6)%	(313)	5	31	(60)	(337)	(670)bps
Nokia Technologies	(8)	(2)%	2	24	25	11	62	1 860bps
Group Common and Other	(29)	(9)%	(1)	(3)	4	35	35	1 050bps

Eliminations	3		0	0	0	0	0	
Non-IFRS exclusions	6	(55)%	(64)	23	34	72	65	
Nokia	(306)	(5)%	(376)	49	93	59	(176)	(340)bps

Year-on year changes in profit attributable to the equity holders of the parent

EUR million	Operating profit	Financial income and expenses	Income taxes	Profit	Non-controlling interests	Profit attributable to the equity holders of the parent
Nokia	(176)	231	113	162	(5)	156

Financial income and expenses

The net positive fluctuation in financial income and expenses was primarily due to the absence of non-IFRS exclusions related to Nokia's tender offer to purchase the 6.50% notes due January 15, 2028, the 6.45% notes due March 15, 2029 and the 5.375% notes due May 15, 2019 and the absence of non-recurring interest expense resulting from the uncertain tax position related to disposal of former Alcatel-Lucent railway signaling business to Thales as well as the release of cumulative exchange differences related to abandonment of foreign operations and the change in financial liability to acquire NSB non-controlling interest.

Income taxes

The change in taxes from an expense in the second quarter 2017 to a slight benefit in the second quarter 2018 was primarily due to absence of non-recurring tax expenses related to the disposal of the former Alcatel Lucent railway signaling business to Thales and deferred tax valuation allowance both of which had negative impact on the second quarter 2017 tax expense.

Non-IFRS exclusions in Q2 2018

Non-IFRS exclusions consist of costs related to the acquisition of Alcatel-Lucent and related integration, goodwill impairment charges, intangible asset amortization and purchase price related items, restructuring and associated charges and certain other items that may not be indicative of Nokia's underlying business performance. For additional details, please refer to note 2, "Non-IFRS to reported reconciliation", in the "Financial statement information" section in this report.

Cost savings program

The following table summarizes the financial information related to our cost savings program, as of the end of the second 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 as of the second quarter 2016.

In EUR million, approximately	Q2'18
Opening balance of restructuring and associated liabilities	830
+ Charges in the quarter	30
- Cash outflows in the quarter	110
= Ending balance of restructuring and associated liabilities	750
of which restructuring provisions	*680*
of which other associated liabilities	*70*
Total expected restructuring and associated charges	1 900
- Cumulative recorded	1 490

= Charges remaining to be recorded	410
Total expected restructuring and associated cash outflows	2 250
- Cumulative recorded	1 190
= Cash outflows remaining to be recorded	1 060

The following table summarizes our full year 2016 and 2017 results and future expectations related to our cost savings program and network equipment swaps.

	Actual	Actual	Actual	Expected amounts for					
In EUR million, approximately rounded to the nearest EUR 50 million	2016	2017	Cumulative through the end of 2017	FY 2018 as of the end of		FY 2019 and beyond as of the end of		Total as of the end of	
				Q1'18	Q2'18	Q1'18	Q2'18	Q1'18	Q2'18
Recurring annual cost savings	550	250	800	400	400	0	0	1 200	1 200
- operating expenses	*350*	*150*	*500*	*300*	*300*	*0*	*0*	*800*	*800*

- cost of sales	*200*	*100*	*300*	*100*	*100*	*0*	*0*	*400*	*400*
Restructuring and associated charges	750	550	1 300	600	600	0	0	1 900	1 900
Restructuring and associated cash outflows	400	550	950	650	650	650	650	2 250	2 250
Charges related to network equipment swaps	150	450	600	650	650	150	150	1 400	1 400
Cash outflows related to network equipment swaps	150	450	600	650	650	150	150	1 400	1 400

On a cumulative basis, Nokia continues to be on track to achieve the targeted EUR 1.2 billion of recurring annual cost savings in full year 2018.

RISKS AND FORWARD-LOOKING STATEMENTS

It should be noted that Nokia and its businesses 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: A) our ability to integrate acquired businesses into our operations and achieve the targeted business plans and benefits, including targeted benefits, synergies, cost savings and efficiencies; B) expectations, plans or benefits related to our strategies and growth management; C) expectations, plans or benefits related to future performance of our businesses; D) expectations, plans or benefits related to changes in organizational and operational structure; E) expectations regarding market developments, general economic conditions and structural changes; F) expectations and targets regarding financial performance, results, operating expenses, taxes, currency exchange rates, hedging, cost savings and competitiveness, as well as results of operations including targeted synergies and those related to market share, prices, net sales, income and margins; G) expectations, plans or benefits related to any future collaboration or to business collaboration agreements or patent license agreements or arbitration awards, including income to be received under any collaboration or partnership, agreement or award; H) timing of the deliveries of our products and services; I) expectations and targets regarding collaboration and partnering arrangements, joint ventures or the creation of joint ventures, and the related administrative, legal, regulatory and other conditions, as well as our expected customer reach; J) outcome of pending and threatened litigation, arbitration, disputes, regulatory proceedings or investigations by authorities; K) expectations regarding restructurings, investments, capital structure optimization efforts, uses of proceeds from transactions, acquisitions and divestments and our ability to achieve the financial and operational targets set in connection with any such restructurings, investments, capital structure optimization efforts, divestments and acquisitions; and L) statements preceded by or including "believe", "expect", "anticipate", "foresee", "sees", "target", "estimate", "designed", "aim", "plans", "intends", "focus", "continue", "project", "should", "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 these differences include, but are not limited to: 1) our strategy is subject to various risks and uncertainties and we may be unable to successfully implement our strategic plans, sustain or improve the operational and financial performance of our business groups, correctly identify or successfully pursue business opportunities or otherwise grow our business; 2) general economic and market conditions and other developments in the economies where we operate; 3) competition and our ability to effectively and profitably invest in new competitive high-quality products, services, upgrades and technologies and bring them to market in a timely manner; 4) our dependence on the development of the industries in which we operate, including the cyclicality and variability of the information technology and telecommunications industries; 5) our dependence on a limited number of customers and large multi-year agreements; 6) our ability to maintain our existing sources of intellectual property-related revenue, establish new sources of revenue and protect our intellectual property from infringement; 7) our global business and exposure to regulatory, political or other developments in various countries or regions, including emerging markets and the associated risks in relation to tax matters and exchange controls, among others; 8) our ability to achieve the anticipated benefits, synergies, cost savings and efficiencies of acquisitions, including the acquisition of Alcatel Lucent, and our ability to implement changes to our organizational and operational structure efficiently; 9) our ability to manage and improve our financial and operating performance, cost savings, competitiveness and synergies generally and after the acquisition of Alcatel Lucent; 10) exchange rate fluctuations, as well as hedging activities; 11) our ability to successfully realize the expectations, plans or benefits related to any future collaboration or business collaboration agreements and patent license agreements or arbitration awards, including income to be received under any collaboration, partnership, agreement or arbitration award; 12) Nokia Technologies' ability to protect its IPR and to maintain and establish new sources of patent, brand and technology licensing income and IPR-related revenues, particularly in the smartphone market, which may not materialize as planned, 13) our dependence on IPR technologies, including those that we have developed and those that are licensed to us, and the risk of associated IPR-related legal claims, licensing costs and restrictions on use; 14) our exposure to direct and indirect regulation, including economic or trade policies, and the reliability of our governance, internal controls and compliance processes to prevent regulatory penalties in our business or in our joint ventures; 15) our reliance on third-party solutions for data storage and service distribution, which expose us to risks relating to security, regulation and cybersecurity breaches; 16) inefficiencies, breaches, malfunctions or disruptions of information technology systems; 17) our exposure to various legal frameworks regulating corruption, fraud, trade policies, and other risk areas, and the possibility of proceedings or investigations that result in fines, penalties or sanctions; 18) adverse developments with respect to customer financing or extended payment terms we provide to customers; 19) the potential complex tax issues, tax disputes and tax obligations we may face in various jurisdictions, including the risk of obligations to pay additional taxes; 20) our actual or anticipated performance, among other factors, which could reduce our ability to utilize deferred tax assets; 21) our ability to retain, motivate, develop and recruit appropriately skilled employees; 22) disruptions to our manufacturing, service creation, delivery, logistics and supply chain processes, and the risks related to our geographically-concentrated production sites; 23) the impact of litigation, arbitration, agreement-related disputes or product liability allegations associated with our business; 24) our ability to re-establish investment grade rating or maintain our credit ratings; 25) our ability to achieve targeted benefits from, or successfully implement planned transactions, as well as the liabilities related thereto; 26) our involvement in joint ventures and jointly-managed companies; 27) the carrying amount of our goodwill may not be recoverable; 28) uncertainty related to the amount of dividends and equity return we are able to distribute to shareholders for each financial period; 29) pension costs, employee fund-related costs, and healthcare costs; and 30) risks related to undersea infrastructure, as well as the risk factors specified on pages 71 to 89 of our 2017 annual report on Form 20-F published on March 22, 2018 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. 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.

The financial report was authorized for issue by management on July 25, 2018.

Nokia plans to publish its third quarter and January-September 2018 results on October 25, 2018.

Media Enquiries:
Nokia
Communications
Tel. +358 (0) 10 448 4900
Email: press.services@nokia.com
Jon Peet, Vice President, Corporate Communications

Investor Enquiries:
Nokia Investor Relations
Tel. +358 4080 3 4080
Email: investor.relations@nokia.com

About Nokia

We create the technology to connect the world. Powered by the research and innovation of Nokia Bell Labs, we serve communications service providers, governments, large enterprises and consumers, with the industry's most complete, end-to-end portfolio of products, services and licensing.

We adhere to the highest ethical business standards as we create technology with social purpose, quality and integrity. Nokia is enabling the infrastructure for 5G and the Internet of Things to transform the human experience www.nokia.com