

## Regional outlook and Financial framework

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### H2-2002 financial guidance

- H2 2002 sales expected to grow up to 10% year-on-year
- Comfortable with previous Pro forma EPS guidance of 0.83 Euros for 2002 (diluted)

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### Outline

- Regional outlook & Nokia targets
- Replacement market drivers
- Managing profitability
- Financial framework
- Summary

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### Regional outlook & Nokia targets

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### Nokia's global presence

- Europe continues as Nokia's most important area
- Share of emerging markets grow – but only gradually
- U.S. and China continue to be Nokia's most important markets
- Japan & Korea long term opportunities

Nokia Q1 2002 revenues by region

| Region   | Percentage |
|----------|------------|
| Europe   | 48%        |
| Americas | 27%        |
| APAC     | 25%        |

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### Regional Developments - Americas

- Significant take-up in messaging services (over 700 million SMS per month in the US)
- TDMA/GSM migration enables attractive new terminal launches
- 1X deployment in full speed in H2-2002
- Nokia Networks' accessible market growing significantly

Nokia targets:

- Maintain Nokia's current clear #1 market position
- Increase market share in CDMA phones
- Leverage the infrastructure opportunity in Americas

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## Regional Developments - Europe

- Mobile Phone replacement market picks up in H2-2002
  - New Product concepts and new services
  - Color, MMS & Java drive emergence of new services
- 2G Mobile Infrastructure market continue sluggish
- 3G deployment proceeds
- Optimisation of 3G end-to-end ecosystem begins in Q4-2002



### Nokia targets:

- Roll out totally new, exciting phone portfolio
- Cooperate with operators on mobile services creation
- Ensure 35% market share in WCDMA infrastructure

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## Regional Developments - APAC

- Mobile Phones market continues to grow
  - Healthy development continues in China – 50 million new subscribers in 2002
  - Market weakness in Japan & Korea
- Mobile Network market continues challenging
  - Slower sub growth in developed markets
  - Chinese market expected to improve in H2



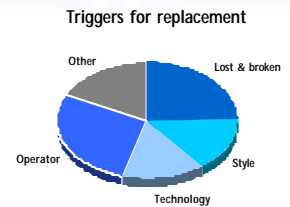
### Nokia targets:

- Become #1 in Mobile Phones in China
- Increased presence in phones in Japan & Korea
- Increase mobile networks market share in China

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## Replacement market drivers

- Current replacement cycle roughly 2.5 years\*
- Replacement differs between regions and age groups



\*consumers who are buying a replacement product in 2002 have held their previous phone for an average of 2.5 years.

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## Managing Profitability

## Profitability drivers –short & long term

- Short term – relative to existing competitors
  - Product portfolio
  - Demand – supply network
  - Brand

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### Competitive product portfolio enables favourable ASPs

- In depth consumer understanding
- Segmented product range
- Continuous product renewal
- Attractive features & design
- Right time to market
- Distribution & visibility at POS





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### Continuous efficiency improvements in Demand-supply network

- End-to-end integration of Demand-Supply Network enables negative NWC and significant cost savings
- Continued improvements in manufacturing efficiencies
- Continued reduction of component costs through strategic partnerships
- Products based on same architecture design

Nokia creates clear value added vs competitors by managing the logistics complexity in-house



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### Profitability drivers –short & long term

- Short term – relative to existing competitors
  - Product portfolio
  - Logistics & manufacturing
  - Brand
- Long term – relative to competing business systems
  - Value does not migrate to other value chain players
  - No emergence of critical control points
  - Barriers to entry continue high
  - Non-fragmented technologies (OMA)

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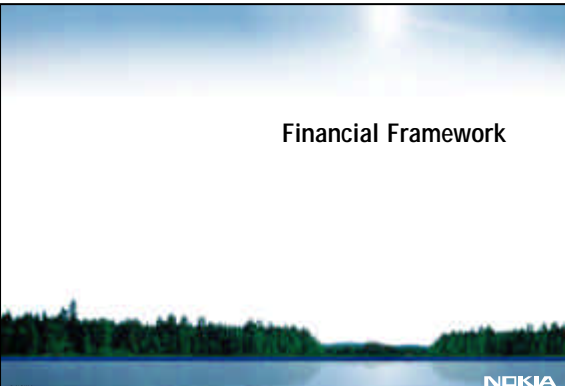
### Nokia's edge: Economies of Scale

- Broadest product portfolio – optimised product for every consumer
- Attractive partner for sales channel – consumer pull
- Biggest customer base – high loyalty
- Optimised sourcing and component costs
- Scale benefits in manufacturing
- Low R&D cost per phone
- Low brand building cost per phone

High Gross Margin enabled by strong segmented offering

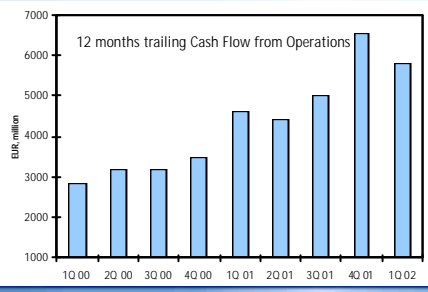
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### Financial Framework



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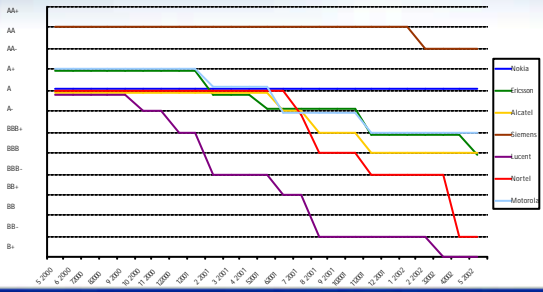
### Strong cash flow despite challenging environment



| Year  | Cash Flow (EUR million) |
|-------|-------------------------|
| 10 00 | 2800                    |
| 20 00 | 3200                    |
| 30 00 | 3200                    |
| 40 00 | 3500                    |
| 10 01 | 4500                    |
| 20 01 | 4300                    |
| 30 01 | 5000                    |
| 40 01 | 6500                    |
| 10 02 | 5800                    |

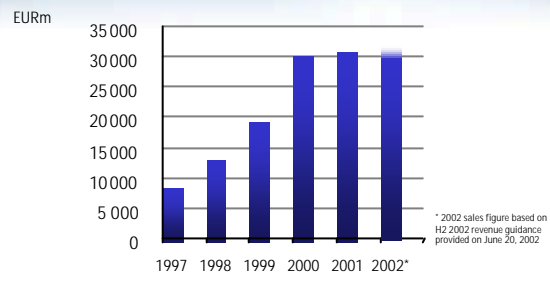
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### Nokia has maintained a strong credit rating



Source: S&P NOKIA

### Nokia's revenues 1997 - 2002



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### Summary

### Summary

- Growth
- Profitability
- Cash flow

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