

# Nokia Conference Call

## Second Quarter 2007 Financial Results

August 2, 2007 15.00 Helsinki time 8.00 New York time



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## Disclaimer

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding: A) the timing of product, service and solution deliveries; B) our ability to develop, implement and commercialize new products, services, solutions and technologies; C) expectations regarding market growth, developments and structural changes; D) expectations regarding our mobile device volume growth, market share, prices and margins; E) expectations and targets for our results of operations; F) the outcome of pending and threatened litigation; and G) statements preceded by "believe," "expect," "anticipate," "foresee," "target," "estimate," "designed," "plans," "will" or similar expressions are forward-looking statements. 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 that could cause these differences include, but are not limited to: 1) competitiveness of our product portfolio; 2) our ability to identify key market trends and to respond timely and successfully to the needs of our customers; 3) the extent of the growth of the mobile communications industry, as well as the growth and profitability of the new market segments within that industry which we target; 4) the availability of new products and services by network operators and other market participants; 5) our ability to successfully manage costs; 6) the intensity of competition in the mobile communications industry and our ability to maintain or improve our market position and respond successfully to changes in the competitive landscape; 7) the impact of changes in technology and our ability to develop or otherwise acquire complex technologies as required by the market, with full rights needed to use; 8) timely and successful commercialization of complex technologies as new advanced products, services and solutions; 9) our ability to protect the complex technologies, which we or others develop or that we license, from claims that we have infringed third parties' intellectual property rights, as well as our unrestricted use on commercially acceptable terms of certain technologies in our products, services and solution offerings; 10) our ability to protect numerous Nokia patented, standardized, or proprietary technologies from third party infringement or actions to invalidate the intellectual property rights of these technologies; 11) our ability to manage efficiently our manufacturing and logistics, as well as to ensure the quality, safety, security and timely delivery of our products, services and solutions; 12) inventory management risks resulting from shifts in market demand; 13) our ability to source quality components and sub-assemblies without interruption and at acceptable prices; 14) Nokia's and Siemens' ability to successfully integrate the operations, personnel and supporting activities of their respective businesses as a result of the merger of Nokia's networks business and Siemens' carrier-related operations for fixed and mobile networks forming Nokia Siemens Networks; 15) whether, as a result of investigations into alleged violations of law by some current or former employees of Siemens, government authorities or others take actions against Siemens and/or its employees that may involve and affect the carrier-related assets and employees transferred by Siemens to Nokia Siemens Networks, or there may be undetected additional violations that may have occurred prior to the transfer, or ongoing violations that may occur after the transfer, of such assets and employees that could result in additional actions by government authorities; 16) the expense, time, attention and resources of Nokia Siemens Networks and our management to detect, investigate and resolve any situations related to alleged violations of law involving the assets and employees of Siemens carrier-related operations transferred to Nokia Siemens Networks; 17) any impairment of Nokia Siemens Networks customer relationships resulting from the ongoing government investigations involving the Siemens carrier-related operations transferred to Nokia Siemens Networks; 18) developments under large, multi-year contracts or in relation to major customers; 19) general economic conditions globally and, in particular, economic or political turmoil in emerging market countries where we do business; 20) our success in collaboration arrangements relating to development of technologies or new products, services and solutions; 21) the success, financial condition and performance of our collaboration partners, suppliers and customers; 22) any disruption to information technology systems and networks that our operations rely on; 23) exchange rate fluctuations, including, in particular, fluctuations between the euro, which is our reporting currency, and the US dollar, the Chinese yuan, the UK pound sterling and the Japanese yen, as well as certain other currencies; 24) the management of our customer financing exposure; 25) allegations of possible health risks from electromagnetic fields generated by base stations and mobile devices and lawsuits related to them, regardless of merit; 26) unfavorable outcome of litigations; 27) our ability to recruit, retain and develop appropriately skilled employees; and 28) the impact of changes in government policies, laws or regulations; as well as the risk factors specified on pages 12-24 of the company's annual report on Form 20-F for the year ended December 31, 2006 under "Item 3.D Risk Factors." Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Nokia does not undertake any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

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## Nokia 2Q07 Highlights

- Nokia 2Q07 device market share was 38% (\*)
- Diluted EPS of EUR 0.32 excluding special items; up 39% year on year
- Hit products in high and mid-end complement leading portfolio in entry
- Nokia 6300, N95 and E65 help drive operating margins in the device businesses to the highest level in three years



Nokia N95 with weather widget

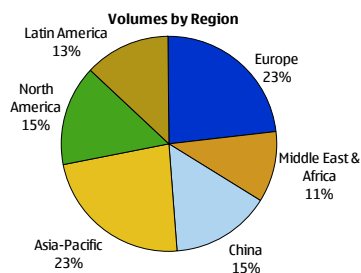
(\*) Based on Nokia's preliminary market estimates

## Estimated Global Device Market in 2Q07

2Q07 volume 262 M units. YoY growth +14%. QoQ growth +3%.

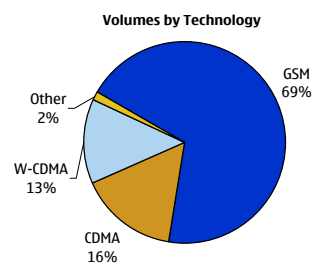
Volumes by Region

Million units	2007	1Q07	QoQ	2Q06	YoY
Europe	61	63	-3%	58	5%
Middle East & Africa	28	27	2%	23	20%
China	39	42	-8%	29	35%
Asia-Pacific	60	59	2%	50	21%
North America	40	38	6%	38	6%
Latin America	34	24	44%	32	7%
<b>Total</b>	<b>262</b>	<b>253</b>	<b>3%</b>	<b>230</b>	<b>14%</b>



Volumes by Technology

Million units	2007	1Q07	QoQ	2Q06	YoY
GSM	181	177	2%	167	9%
CDMA	42	39	6%	38	10%
W-CDMA	35	33	7%	20	81%
Other	4	3	NA	5	NA
<b>Total</b>	<b>262</b>	<b>253</b>	<b>3%</b>	<b>230</b>	<b>14%</b>



## Product Highlights for 2Q 2007

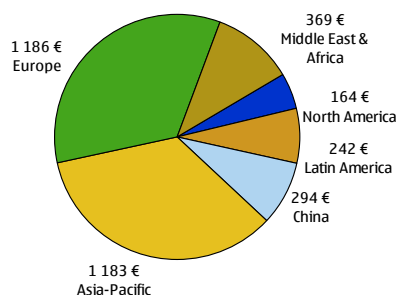


## Significant Products for 3Q 2007



## Nokia Siemens Networks in 2Q07

Geographic Distribution of Net Sales 2Q07  
Total: EUR 3 438 million  
(EUR millions)



### Significant Recent Announcements

Bharti Airtel – USD 900m

Idea Cellular – USD 500m

China GSM Rail Deal

- Revenues and margins were weak
- Nokia Siemens Networks will accelerate and increase its annual cost synergy targets
- Company to increase focus on services, solutions software and operational rebalancing towards emerging markets
- Sales to focus more on solutions and cross-selling of full product range
- Customer support remains strong

## Nokia Profit & Loss Account (\*)

EUR (million)	Mobile Phones	Multi-media	Enterprise Solutions	Nokia Siemens Networks	Nokia 2Q07	Nokia 2Q06	Change	Nokia 1Q07	Change
<b>Net sales</b>	<b>5 931</b>	<b>2 680</b>	<b>549</b>	<b>3 438</b>	<b>12 587</b>	<b>9 813</b>	28%	<b>9 856</b>	28%
<i>YoY growth</i>	1%	42%	94%		28%			4%	
<b>Gross profit</b>	<b>2 001</b>	<b>1 097</b>	<b>263</b>	<b>534</b>	<b>3 916</b>	<b>3 240</b>	21%	<b>3 262</b>	20%
<i>Gross margin, %</i>	33.7%	40.9%	47.9%	15.5%	31.1%	33.0%		33.1%	
<b>R&amp;D</b>	<b>-319</b>	<b>-256</b>	<b>-72</b>	<b>-986</b>	<b>-1 716</b>	<b>-981</b>	75%	<b>-925</b>	86%
<i>% of net sales</i>	5.4%	9.6%	13.1%	28.7%	13.6%	10.0%		9.4%	
<b>S&amp;M</b>	<b>-413</b>	<b>-262</b>	<b>-75</b>	<b>-499</b>	<b>-1 263</b>	<b>-851</b>	48%	<b>-789</b>	60%
<i>% of net sales</i>	7.0%	9.8%	13.7%	14.5%	10.0%	8.7%		8.0%	
<b>AG&amp;O</b>	<b>-17</b>	<b>-18</b>	<b>-17</b>	<b>-315</b>	<b>1 422</b>	<b>94</b>	1413%	<b>-276</b>	
<i>% of net sales</i>	0.3%	0.7%	3.1%	9.2%	-11.3%	-1.0%		2.8%	
<b>Operating profit</b>	<b>1 252</b>	<b>561</b>	<b>99</b>	<b>-1 266</b>	<b>2 359</b>	<b>1 502</b>	57%	<b>1 272</b>	85%
<i>Operating margin, %</i>	21.1%	20.9%	18.0%	-36.8%	18.7%	15.3%		12.9%	
<b>Financial income and expenses</b>					<b>60</b>	<b>55</b>	9%	<b>48</b>	25%
<b>Profit before tax and minority interests</b>					<b>2 446</b>	<b>1 565</b>	56%	<b>1 325</b>	85%
<b>Net profit</b>					<b>2 828</b>	<b>1 140</b>	148%	<b>979</b>	189%
<b>EPS, Basic and Diluted (EUR)</b>					<b>0.72</b>	<b>0.28</b>	157%	<b>0.25</b>	188%
<b>Device ASP (EUR)</b>					<b>90</b>	<b>102</b>	-12%	<b>89</b>	1%

(\*) As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of the former Nokia Networks and Siemens' carrier-related operations for fixed and mobile networks. Accordingly, the results of Nokia Group and Nokia Siemens Networks for periods from April 1, 2007 are not directly comparable to any prior period results. Prior periods include the former Nokia Networks business group only.

## Nokia Siemens Networks Profit & Loss Account

EUR (Million)	Nokia Siemens Networks
Net sales	3 438
Gross profit	534
Gross margin, %	15.5%
Research and development expenses	-986
% of net sales	28.7%
Selling and marketing expenses	-499
% of net sales	14.5%
Administrative and general expenses	-285
% of net sales	8.3%
Other operating income and expenses	-30
Operating profit	-1 266
Operating margin, %	-36.8%

- Results due largely to issues related to competitive environment and start of operations
- Gross margin was 23.6% excluding restructuring costs and other special items
- Operating margin was -10.5% excluding restructuring costs and other special items
- Non-cash accounting costs totaled EUR 1.2 billion in 2Q 2007

## Accounting Treatment for Nokia Siemens Networks Charges and Costs in 2Q 2007

EUR (Million)	Nokia Siemens Networks	Nokia Common Group Functions
Net sales	3 438	
Gross profit	534	21
Gross margin, %	15.5%	
Research and development expenses	-986	-83
% of net sales	28.7%	
Selling and marketing expenses	-499	-14
% of net sales	14.5%	
Administrative and general expenses	-285	-69
% of net sales	8.3%	
Other operating income and expenses	-30	1 858
Operating profit	-1 266	1 713
Operating margin, %	-36.8%	

Inventory value adjustment of EUR 182 million to reflect an increase in inventory values "marked to market"

Restructuring charges & other one-time costs: Total of EUR 905 million

- EUR 276 million (COGS)
- EUR 344 million (R&D)
- EUR 117 million (S&M)
- EUR 109 million (G&A)
- EUR 59 million (Other)

Non-taxable, non-cash accounting gain of EUR 1 883 million on the formation of Nokia Siemens Networks

Amortization of EUR 115 million for newly created intangible assets

## Nokia Siemens Networks Financial Targets

- No longer target a double digit operating margin (excluding special items) by the end of the first year of operations
- Expect operating margin (excluding special items) to improve in 2H 2007
- Expect restructuring charges and other special items to be significantly smaller during 3Q 2007 and 4Q 2007 than in 2Q 2007
- Accelerated cost synergy target and now aim to achieve the approximately EUR 1.5 billion of annual cost synergies by the end of 2008 rather than by 2010
- Targeting a further EUR 500 million in annual cost synergies

## Special Items: 2006 and 2007

2006	Q1	Q2	Q3	Q4	Total
Restructuring charges and related asset write-downs primarily for the CDMA business (Mobile Phones)	-14		-128		-142
Restructuring charge (Enterprise Solutions)	-8				-8
Telsim settlement (Networks)		276			276
NSN incremental expenses				-39	-39
<b>An impact on operating profit:</b>	<b>-22</b>	<b>276</b>	<b>-128</b>	<b>-39</b>	<b>87</b>
Other special items:					
Tax refunds (included in taxes)				84	84
<b>Total impact on EPS (EUR):</b>		<b>0.05</b>	<b>-0.02</b>	<b>0.02</b>	<b>0.04</b>
2007	Q1	Q2	Q3	Q4	Total
Restructuring charge (Mobile Phones)	-10				
Restructuring charge (Multimedia)	-3				
Restructuring charge (Enterprise Solutions)	-17				
Restructuring charge (Group Common Functions)	-2				
Charge related to restructuring of a group company (Mobile Phones)	-25				
NSN incremental expenses	-12				
Restructuring charge and one-offs (Nokia Networks Siemens)		-905			
NSN related post-acquisition carve-out expenses (Group Common Functions)		-23			
Gain on formation of NSN (Group Common Functions)		1883			
Gain on sale of real estates (Group Common Functions)		15			
<b>Total impact on operating profit</b>	<b>-69</b>	<b>970</b>			
<b>Total impact on EPS (EUR):</b>	<b>-0.01</b>	<b>0.40</b>			<b>0.39</b>

- EUR 1 883 million non-taxable gain on formation of Nokia Siemens Networks (impacting Group Common functions operating result)
- EUR 905 million restructuring charges and other one-time items in Nokia Siemens Networks (EUR 276m (COGS), EUR 344m (R&D), EUR 117m (S&M), EUR 109m (G&A), EUR 59m (Other))
- EUR 15 million gain on sale of real estate (impacting Group Common functions operating result)
- EUR 23 million Nokia Siemens Networks related other costs (impacting Group Common functions operating result)
- Excluding special items, diluted EPS was EUR 0.32.
- EUR 297 million of other acquisition related costs for intangible asset amortization and inventory value adjustments are not included in the above special items

## Nokia Balance Sheet & Cash Flow Metrics

EUR (million)	2Q 2007	2Q 2006	YoY	1Q 2007	QoQ
Inventories	2 661	1 796	48%	1 577	69%
Accounts Receivable	8 609	5 266	63%	5 781	49%
Accounts Payable	5 777	3 509	65%	3 818	51%
Operating Cash Flow	1 537	896	72%	1 641	-6%
Capital Expenditure	221	163	36%	123	80%
Depreciation	386	163	137%	173	123%
Cash and Other liquid assets	8 307	7 873	6%	9 085	-9%
Gearing (Net-Debt ratio)	-51%	-67%		-72%	
Distributions	2 718	2 139		760	
Dividends	1 722	1 536			
Buybacks	996	603	65%	760	31%

## Nokia 1Q and 2Q 2007 Balance Sheet Comparison

EUR (million)	1Q 2007	2Q 2007
Inventories	1 577	2 661
Accounts Receivable	5 781	8 609
Accounts Payable	3 818	5 777

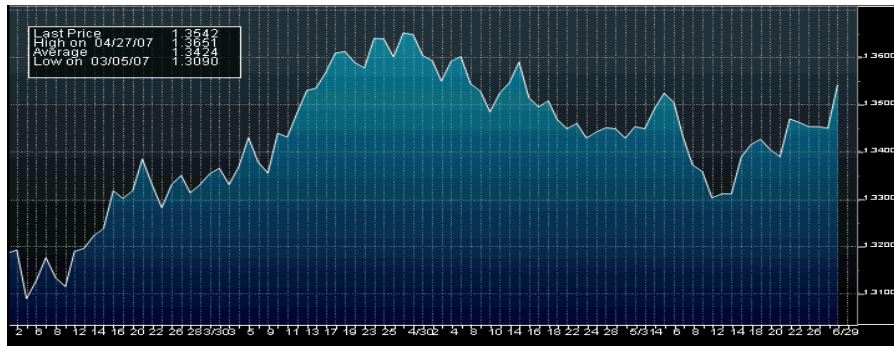
Inventories increased EUR 1.1 billion driven by an increase associated with Nokia Siemens Networks. Inventories across Nokia's three device business units was down slightly sequentially.

Accounts receivable increased EUR 2.8 billion driven largely by an increase associated with Nokia Siemens Networks. Accounts receivable across Nokia's three device business units was up slightly sequentially.

Accounts payable increased EUR 2 billion driven by an increase associated with Nokia Siemens Networks. Accounts payable across Nokia's three device business units was down sequentially.

## Currency

- Nokia 2Q 2007 Reported Sales Growth: 28%
- Nokia 2Q 2007 Constant Currency Sales Growth: 32%
- 2Q07 EUR/USD average rate for P&L: 1.326
- 3Q07 EUR/USD Plan rate: 1.337



Source: Bloomberg

## Estimates for Market and Nokia

### 3Q07 Outlook

- Mobile device market volumes: slightly up sequentially
- Nokia device market share: increase sequentially

### 2007 Outlook

- Mobile device market volumes: 10% or more volume growth (estimated 978 million units in 2006) (\*)
- Mobile device market: value growth – but industry ASPs down
- Nokia device market share : target to increase market share
- Infrastructure market (mobile, fixed and related services): very slight growth (Euros)



Nokia 6267

(\*) In its 1Q 2007 results announcement, Nokia stated that it expected mobile device market volumes to grow up to 10% (estimated 978 million units in 2006)

## Nokia Longer Term Strategy



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## Appendix

## Nokia Mobile Devices in 2Q07

Mobile Device Volume by Region

Million units	2Q07	1Q07	QoQ	2Q06	YoY
Europe	27.1	23.9	13.4%	21.1	28.4%
Middle East & Africa	17.1	15.7	8.9%	12.5	36.8%
China	15.9	15.7	1.3%	11.7	35.9%
Asia-Pacific	25.6	23.7	8.0%	18.8	36.2%
North America	4.1	4.8	-14.6%	5.2	-21.2%
Latin America	11.0	7.3	50.7%	9.1	20.9%
<b>Total</b>	<b>100.8</b>	<b>91.1</b>	<b>10.6%</b>	<b>78.4</b>	<b>28.6%</b>

Mobile Device ASPs

EUR	2Q07	1Q07	QoQ	2Q06	YoY
Average sale price (ASP)	90	89	1%	102	-12%

### Nokia Market share (\*):

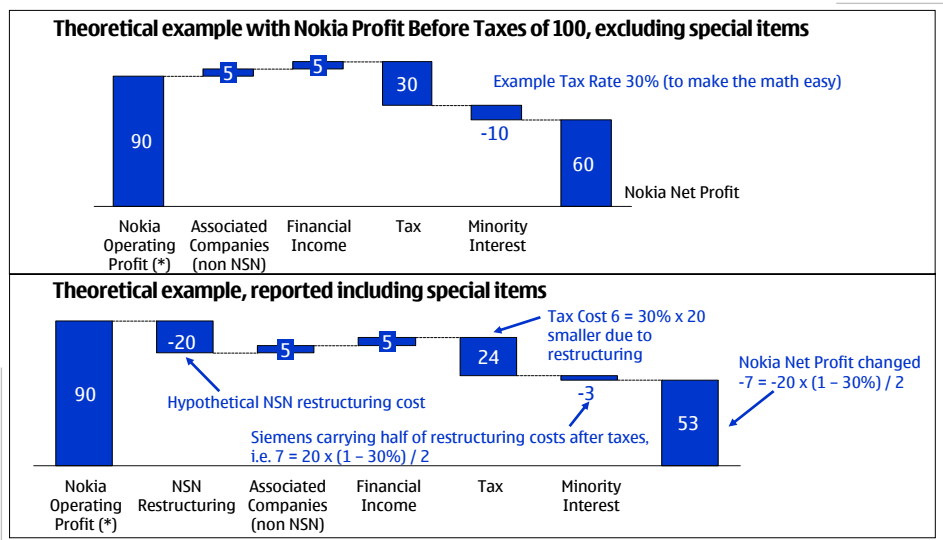
- Nokia estimated market share of 38% (from 34% in 2Q06 & 36% in 1Q07)
- Nokia converged device volumes of 13.9 million units (from 9.0 million units in 2Q06 and 11.8 million units 1Q07)
- Nokia #1 in fastest growing markets: #1 in India, #1 in Middle East and Africa, #1 in South East Asia Pacific and #1 in WCDMA

(\*): Based on Nokia's preliminary market estimates

## Potential Ongoing Factors Impacting Device Gross Margin & ASP

- Potential Positive Drivers of Device Gross Margin
  - Improving product portfolio in mid and higher end; strong performance in entry-level
  - Growth of value add markets (e.g. WCDMA, smart phones, multimedia, enterprise, etc.)
  - Continuing cost control
- Potential Negative Drivers of Device Gross Margin
  - Competitive factors in general
  - Need to have an ever more competitive product portfolio
- Potential Positive Drivers of ASP
  - Continuously improving product portfolio
  - Growth of value add markets (e.g. WCDMA, smart phones, multimedia, enterprise, etc.)
- Potential Negative Drivers of ASP
  - Competitive factors in general
  - Shift in market to higher growth emerging markets

## Nokia Siemens Networks Accounting Mechanics



Note (\*): Nokia Group Operating Profit excluding Special Items