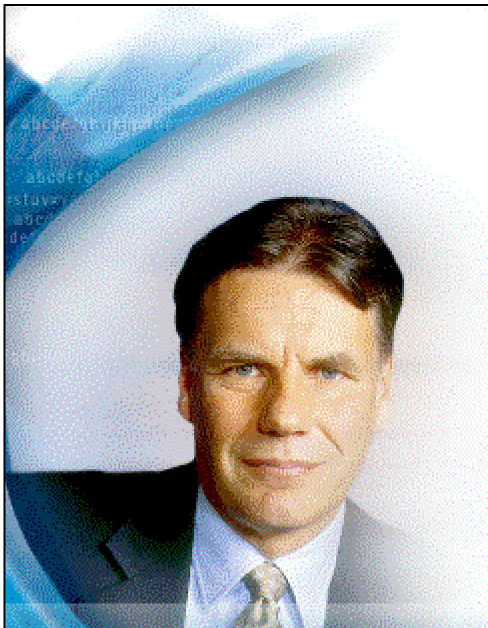
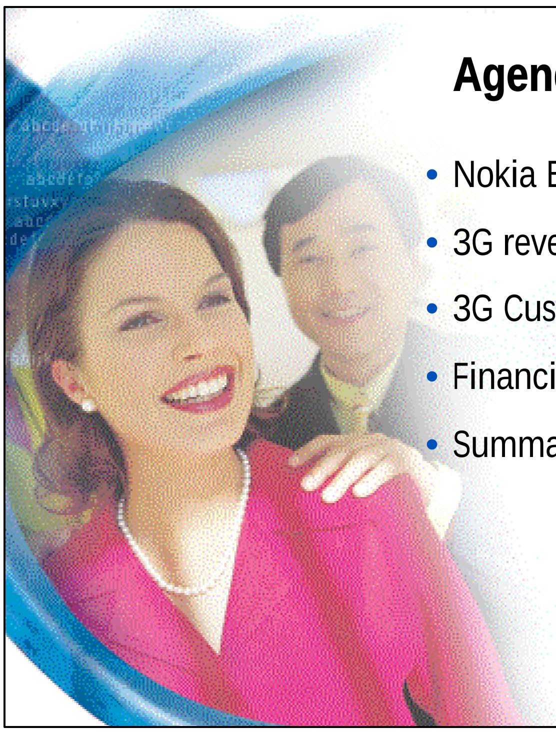


Balance Sheet Strategy

Olli-Pekka Kallasvuo
Executive Vice President, CFO
Nokia

NOKIA



Agenda

- Nokia Balance sheet strategy
- 3G revenue recognition
- 3G Customer Financing
- Financial Guidance for 2002
- Summary

NOKIA

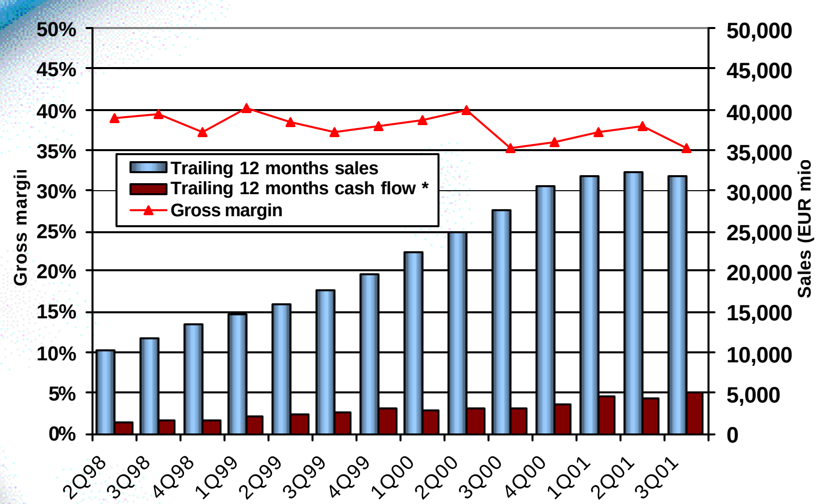
Main financial targets

Message from Nokia Capital Markets Days Dec 1999

- Revenue growth is of paramount importance
  - we focus on high growth sectors in our chosen industries and strive for faster than market growth
  - growth is “built-in” into the Nokia culture
- Gross margins
  - we focus on high value added sectors in our chosen industries and strive for industry leading margins
  - gross margin allows us to invest for the future
- Working capital management
  - we focus on operational efficiency and strive for industry leading performance
  - strong positive cash-flow creates shareholder value

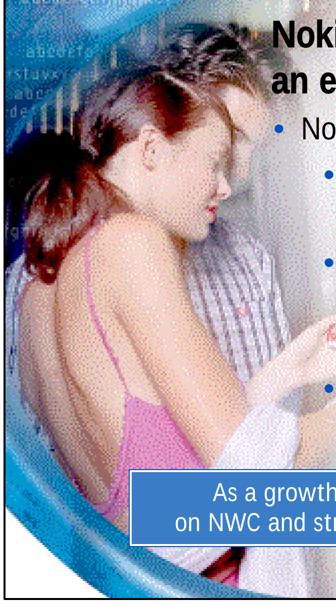
In 2001 these topics are still seen as extremely important – ***AND Balance sheet Strength has become a major topic***

Nokia sales and Gross margin & Cash Flow*



* Net cash flow from operating activities

Nokia's Balance Sheet strategy



Nokia manages its balance sheet structure in an efficient & professional way

- Nokia has traditionally paid relatively high dividend
  - In the future dividend and share buybacks should be looked at as a total
  - With Nokia's current business structure we prefer to have a strong balance sheet vs. 'theoretically' lower WACC
  - Strong balance sheet & financial flexibility ensures that Nokia can exploit all future business opportunities

As a growth company, Nokia's ***cost of capital*** is more dependent on NWC and strong balance sheet than traditional finance theory shows

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Rating & Liquidity & Market Cap

- Nokia has maintained a very good Rating despite the difficult market conditions
  - Standard & Poors A1 / A
  - Moody's P1 / A1
- Nokia's Liquidity
  - Net Cash position of EUR 3.3 billion 9/2001
  - Total committed liquidity EUR 5.9 billion 9/2001
- Nokia Peer Group analysis supports the view of strong balance sheet and net cash position

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NWC & Capex analysis

Net Working Capital Management

- Long Term focus on efficient NWC management
- e-Business way-of-operation
- Nokia Mobile Phones runs negative NWC

Capital Expenditure

- Nokia's business is NOT capital intensive but rather R&D and Brand intensive
- Future CAPEX is expected to remain at around 1 billion Euros annually in 2001 - 2004

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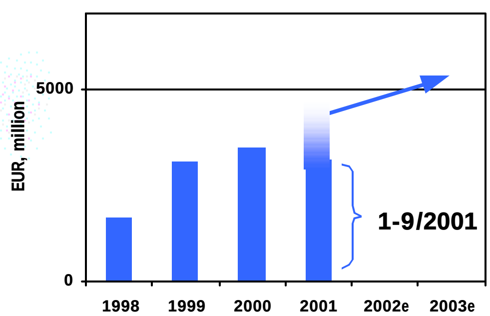
Cash Flow analysis

- **Positive:** Nokia's operational* Cash Flow continues to show excellent performance:
  - Healthy profitability
  - Efficient NWC management
- **Positive:** Low Capex requirements
- **Negative:** 3G customer financing - for the next years

Nokia Operating Cash Flow*



Positive Free cash flow outlook

* Net cash flow from operating activities

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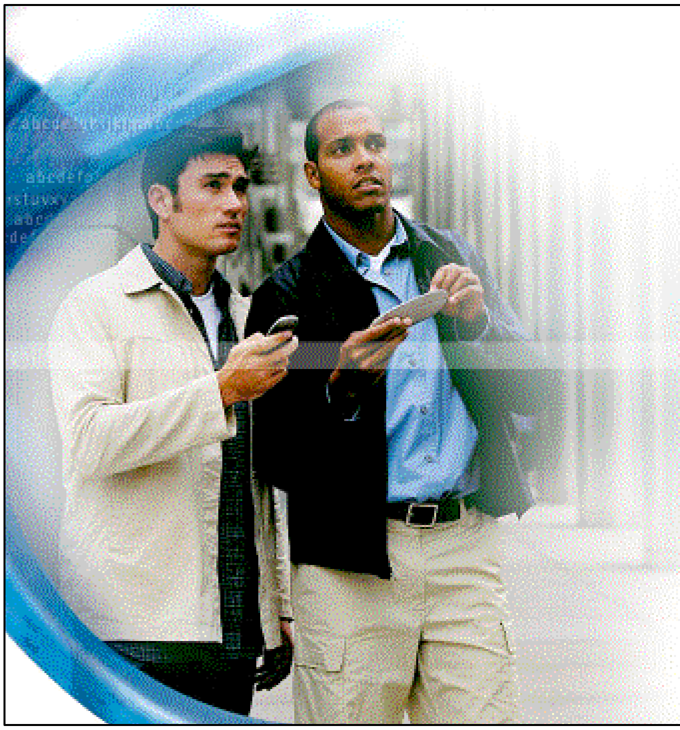

3G revenue recognition

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3G Revenue Recognition

- As WCDMA is totally new technology, concervative accounting rules will to be applied for recognizing Revenue
- 3G deliveries will appear as increased Inventory in H1/2002
  - Negative balance sheet impact before revenue recognition starts
- 3G related direct costs are recognized in line with the Revenues
- Nokia expects the 3G revenue recognition to begin from mid 2002

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3G Customer Financing

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3G Customer Financing

- Only for certain transactions with long-term strategic significance and for operators with solid business cases
- Nokia has committed to roughly EUR 4 billion in Customer financing. The bulk of financing has been announced - no appetite for more aggressive approach
- Impact on balance sheet and cash flow will be spread over the next several years
- Nokia's customer finance outstanding expected to peak in 2003

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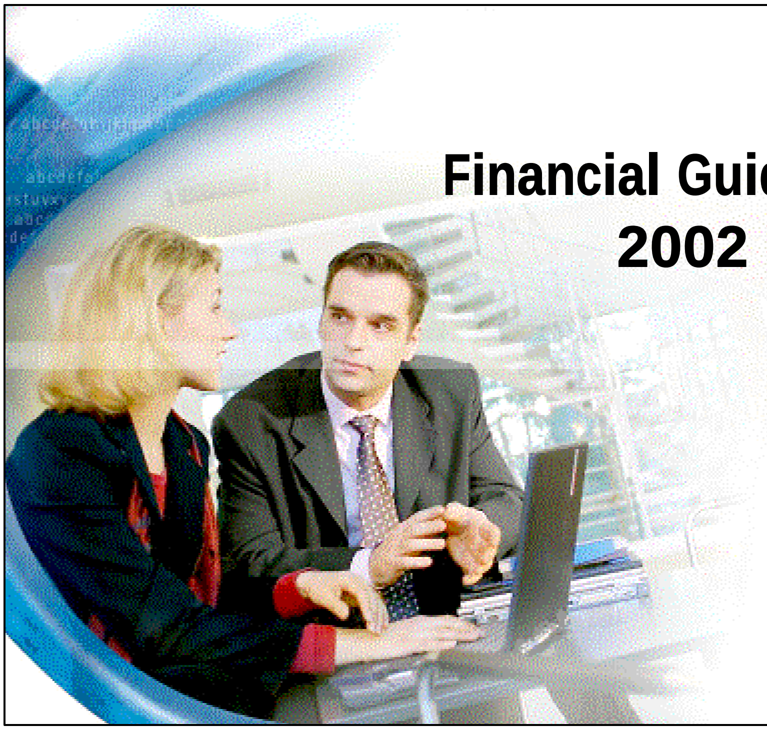
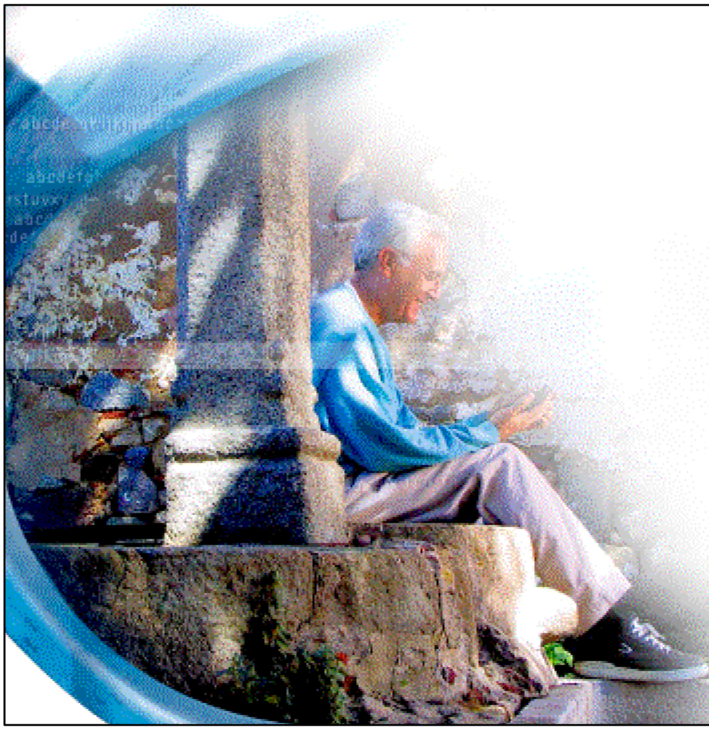


Financial Guidance 2002

FY2002 targets for Nokia

- Nokia expects a revenue growth of roughly 15 % in FY2002
  - Nokia Mobile Phones is expected to grow roughly 15% in 2002
  - Nokia Networks is expected to grow roughly 15% in 2002
- Nokia expects a revenue growth to accelerate through 2002:
  - Slightly negative Revenue growth in Q1-2002 (yoy)
  - Low double digit revenue growth in Q2-2002 (yoy)
  - 25-35% revenue growth reached in Q4-2002 at latest (yoy)
- Nokia expects improving profitability through 2002:
  - Nokia Networks' Pro Forma operating margins are expected to increase from around 10% levels to mid teens from H1/2002 to H2/2002
  - Nokia Mobile Phones Pro Forma Operating margin expected to stay at 'high teens' through FY2002
  - Nokia Ventures Pro Forma loss is expected to be around EUR 200 million



Summary

Summary

Growth

Profitability

Net Working Capital

Balance Sheet

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Connecting People

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