**Nokia speeds up transformation to improve profitability**

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Capital Markets Day 2021

* Company sets out a three-phased journey to deliver sustainable, profitable growth and technology leadership.
* Reiterates its financial outlook for 2021 and provides outlook for 2023.
* Anticipates comparable operating margin to increase to 10–13% in 2023 and to grow faster than the market in full-year 2023.
* Launches new company purpose and ways of working.
* Capital Markets Day presentations will update on key market opportunities, focus areas and long-term trends.

Today Nokia is holding its Capital Markets Day 2021 and providing an overview of long-term market trends, how it is setting itself up for value creation, detailed plans for each of its business segments, its financial outlook and its updated dividend policy.

“Nokia is repositioning itself to deliver sustainable, profitable growth, adapting our business to lead in an increasingly digitalized world. We have a clear and detailed plan for how we will reset the business, accelerate competitiveness and scale up our lead in the markets we choose to play in. This plan will enable us to deliver double-digit comparable operating margins in 2023,” says Pekka Lundmark, President and CEO of Nokia.

“We have moved away from end-to-end as a cornerstone of our equity story and have instead put in place four fully accountable, empowered business groups, arranged according to how customers buy. Each of these business groups has solid strategies and targets to grow market share and margins through enhanced technology leadership,” he continues.

Nokia sees a number of major trends impacting the industry over the next few years, with 5G and resulting technologies at their core and creating opportunities for CSPs, enterprises and webscales.

These trends include next-generation access with fiber-to-the-home and optimized transport technologies delivering a seamless experience for consumers in homes and workplaces, enabling a “gigabit society” when combined with mobile 5G. In addition, connected digital enterprise will drive massive productivity, efficiency and safety gains across industries. A result of this will be significant growth in the Enterprise market.

“5G is still in its early phase. We estimate that the peak of the 5G market will last roughly twice as long as it did with 4G. So these trends of next generation access and digital connected enterprise still have a long way to run. I want Nokia be able to shape them, delivering best-of-breed products, services and connectivity that allow our customers to deliver constantly improving performance,” says Lundmark.

New company purpose

The world is changing rapidly and facing fundamental challenges. Pressure on the planet is increasing, productivity is stalling and access to opportunity remains stubbornly unequal.

Nokia believes technology is central to the solution.

Technology can help to respond to climate change through more efficient use and re-use of the world’s resources. It can be essential for restoring productivity growth by digitalizing physical industry, and it can help provide more inclusive access to work, healthcare, markets and education.

“With that in mind, our new purpose at Nokia is to create technology that helps the world act together. With our customers, we create the critical networks that bring together the world’s people, machines, and devices. And everything we do in our business will contribute to this aim” Lundmark continues.

To deliver on its refreshed purpose, Nokia will strengthen its position as a trusted partner for critical networks, which underpin more and more mission-critical functions for businesses and across societies. In addition, Nokia focuses on technology leadership in each of its businesses and captures the value shift to cloud and new business models as critical networks evolve. Nokia also creates value with long-term research and intellectual property which provide both the technology and the financial platform for the company to be successful over the long term.

In addition, Nokia is refreshing its ways of working and promoting a culture where its people are open to continuous development, fearless to experiment and empowered to act with clear accountability.

Reset, Accelerate, Scale – three phases to delivering above market growth

To deliver on its targets for sustainable growth Nokia has set out a three-phased approach.

First, an ongoing reset, with focus on securing technology leadership; implementing the new operating model to reduce complexity and increase accountability; securing full portfolio competitiveness in Mobile Networks; resetting its cost base; and renewing the ways of working.

From 2022 onwards the company will accelerate competitiveness and aims to grow margins through enhanced technology leadership, digitalization of own operations, automation and capturing emerging opportunities. It then plans to scale up to drive growth in new use cases and business models including in enterprise and private wireless in order to grow faster than the market.

Market development 2020 to 2023

Nokia’s total estimated addressable market is expected to grow at a compounded annual growth rate (CAGR) of approximately 1% from 2020 to 2023, comprising of the following estimates:

* Mobile Networks estimated 2020 – 2023 addressable market CAGR, excluding China, of approximately 1%;
* Network Infrastructure estimated 2020 – 2023 global addressable market CAGR of approximately 2%;
* Cloud and Network Services estimated 2020 – 2023 global addressable market CAGR of 2%.

Financial outlook for 2021 and 2023

Today, Nokia reiterated its financial outlook for 2021 and provided its outlook for 2023.

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| --- | --- | --- |
| **Outlook** | **Full year 2021** | **Full year 2023** |
| **Net sales, adjusted for currency fluctuations1** | EUR 20.6 billion to EUR 21.8 billion | Grow faster than the market |
| **Comparable operating margin2** | 7 to 10% | 10 to 13% |
| **Free cash flow3** | Positive | Clearly positive |
| **Comparable ROIC2,4** | 10 to 15% | 15 to 20% |

*1 Assuming continuation of 2020 year-end EUR/USD rate of 1.23.*
*2 Comparable measures exclude intangible asset amortization and other fair value adjustments, goodwill impairments, restructuring related charges and certain other items affecting comparability.*
*3 Free cash flow = net cash from/(used in) 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.*
*4* *Comparable ROIC = (Comparable operating profit after tax) / (Average total equity + average interest-bearing liabilities – average total cash and current financial investments).*

Providing transparency to Nokia’s four new business groups

In addition, regarding the underlying assumptions of Nokia’s financial outlook, Nokia updated its outlook assumptions for its four new business groups and Group Common and Other in 2021, and provided new outlook assumptions for 2023.

Between 2021 and 2023, each business group is expected to contribute to shareholder value creation. Each business group is focused on driving improved focus on capital allocation and technology leadership in 2021, positioning Nokia to grow profitably in 2022 and beyond. Over time, each business group is expected to generate a return on capital employed (ROCE) greater than Nokia’s weighted average cost of capital (WACC) of 7%.

|  |  |  |
| --- | --- | --- |
|  | **Comparable operating margin** |  |
| **Outlook assumptions** | Full year 2021 | Full year 2023 |
| **Mobile Networks** | -1% to +2% | 5 to 8% |
| **Network Infrastructure** | 7 to 10% | 9 to 12% |
| **Cloud and Network Services** | 3 to 6% | 8 to 11% |
| **Nokia Technologies** | >75%\* | >75%\* |

*\*Although we are now providing our outlook assumption for Nokia Technologies in terms of comparable operating margin, we continue to maintain our expectation for Nokia Technologies to deliver a slight improvement in comparable operating profit in full year 2021, relative to full year 2020, and stable performance over the longer term.*

Group Common and Other primarily consists of support function costs. Where possible, we have now embedded support function costs directly into our business groups. Therefore, we expect the net negative impact of Group Common and Other to decrease, relative to previous levels, to approximately €200 million in 2021 and 2023.

Sustainability

Nokia strongly believes that connectivity and technology will play a key role in helping to solve many future challenges. Its sustainability strategy is focused on areas it believes will have the greatest impact on sustainable development and on its business. To improve people’s lives, it is focusing on climate, integrity and culture:

* On climate, Nokia recently announced that it is targeting to reduce emissions by 50% across both its own operations and products in use between 2019 and 2030. Its new recalibrated Science Based Targets fulfil its commitment to align with a 1.5°C global warming scenario.
* On integrity, Nokia has been recognized as one of the world’s most ethical companies by the Ethisphere institute and intends to continue to strengthen its position.
* On culture, Nokia wants to prioritize greater inclusion and diversity. As one example, it is targeting an increase of female hires in global external recruits.

Updated dividend policy

Today, Nokia also updated its dividend policy. It is target recurring, stable and over time growing ordinary dividend payments, taking into account the previous year’s earnings as well as the company’s financial position and business outlook.