NOKIA CORP
Form 6-K
January 31, 2019

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a -16 or 15d -16 of

the Securities Exchange Act of 1934

Report on Form 6-K dated January 31, 2019

(Commission File No. 1-13202)

Nokia Corporation

Karaportti 3

FI-02610 Espoo

Finland

(Name and address of registrant s principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F: x Form 40-F: o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes: o **No**: x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes: o **No**: x

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes: o **No**: x

Enclosures:

Nokia stock exchange release dated January 31, 2019: Nokia Corporation Financial Report for

Q4 and Full Year 2018

Report for Q4 and Full Year 2018

INTERIM REPORT

January 31, 2019

Nokia Corporation

Financial Statement Release
January 31, 2019 at 08:00 (CET +1)

Nokia Corporation Financial Report for Q4 and Full Year 2018

Nokia delivers strong growth and improved profitability in Q4; strategic momentum in Software and Enterprise

- Board of Directors plans to propose a dividend of EUR 0.20 per share for 2018, up 5% compared to EUR 0.19 for 2017

This is a summary of the Nokia Corporation financial report for Q4 and full year 2018 published today. The complete financial report for Q4 and full 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.

RAJEEV SURI, PRESIDENT AND CEO, ON Q4 2018 RESULTS

Nokia ended the year with a strong fourth quarter. We saw the second consecutive quarter of year-on-year sales growth across all five of our Networks business groups, as well as improved profitability in both Networks and Nokia Technologies. The execution of our strategy also proceeded well, with the work we have put into building a solid foundation for Nokia Software showing clear results and our enterprise business rapidly becoming a pillar of growth.

Looking forward, I expect Nokia s performance to strengthen for the full year 2019 versus 2018 and our view of a fast and meaningful shift to 5G remains unchanged. Given that 5G rollouts will be staggered over the course of the year, we expect 2019 to have a soft first half followed by a much more robust second half.

Over the longer-term, we expect a virtuous cycle of investment, where operators update their networks across multiple domains from optical to macro radio, fixed wireless access to cloud core, small cells to IP routing, network agnostic software and more. Following this, we expect a second wave where industrial customers will invest in private wireless technology including LTE and 5G-ready networks. With our end-to-end portfolio, Nokia is well-positioned to tap this extended cycle.

Q4 and January-December 2018 reported and non-IFRS results. Refer to note 1, Basis of Preparation , note 2, Non-IFRS to reported reconciliation and note 15, Performance measures , in the Financial statement information section for details.

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EUR million (except for EPS in EUR)	Q4 18	Q4 17	YoY change	Constant currency YoY change	Q1-Q4 18	Q1-Q4 17	YoY change	Constant currency YoY change
Net sales	**6 869**	6 651	3%	*3%*	**22 563**	23 147	(3)%	*1%*
Operating profit/(loss)	**552**	419	32%		**(59)**	16		
Operating margin %	**8.0%**	6.3%	170bps		**(0.3)%**	0.1%	(40)bps	
EPS, diluted	**0.03**	(0.07)			**(0.10)**	(0.26)		
Operating profit/(loss) (non-IFRS)	***1 120***	*1 004*	*12%*		***2 180***	*2 587*	*(16)%*	
Operating margin % (non-IFRS)	***16.3%***	*15.1%*	*120bps*		***9.7%***	*11.1%*	*(140)bps*	
EPS, diluted (non-IFRS)	***0.13***	*0.13*	*0%*		***0.23***	*0.33*	*(30)%*	
Net cash and current financial investments	**3 051**	4 514	(32)%		**3 051**	4 514	(32)%	

- Net sales in Q4 2018 were EUR 6.9bn, compared to EUR 6.7bn in Q4 2017. Net sales grew by 3% year-on-year, on both a reported and constant currency basis. Our robust topline performance reflects the strong competitiveness across our portfolio and that our strategy execution is tracking well. We maintained good momentum, with strong 5G customer engagement in all key markets, particularly strong performance in Nokia Software and solid performance in our enterprise business.

- Non-IFRS diluted EPS in Q4 2018 was EUR 0.13, compared to EUR 0.13 in Q4 2017. Particularly strong execution in Q4 enabled us to achieve our full year 2018 operational guidance, with year-on-year operating profit growth in Networks, as well as in Nokia Technologies on a recurring basis. Non-IFRS diluted EPS increased by EUR 0.02 year-on-year on a recurring basis, driven by our gross profit performance and continued operating expense reduction, partially offset by foreign exchange hedging and higher income tax expenses.

- Reported diluted EPS in Q4 2018 was EUR 0.03, compared to negative EUR 0.07 in Q4 2017, primarily driven by lower income tax expenses and our gross profit performance, partially offset by lower one-time licensing net sales, foreign exchange hedging and higher financial expenses.

- In Q4 2018, net cash and current financial investments increased sequentially by approximately EUR 1.2bn and we ended 2018 with a strong financial position. In Q4 2018, net cash from operating activities benefitted from strong seasonality and positive changes in net working capital. Consequently, recurring free cash flow for full year 2018 was slightly negative.

ANNUAL DISTRIBUTION TO SHAREHOLDERS

The dividend to shareholders is Nokia s principal method of distributing earnings to shareholders. Over the long term, Nokia targets to deliver an earnings-based growing dividend by distributing approximately 40% to 70% of non-IFRS diluted EPS, taking into account Nokia s cash position and expected cash flow generation. Beginning with the distribution for 2018, Nokia plans to pay dividends in quarterly installments. In addition, Nokia intends to implement a dividend fee for American Depository Receipt (ADR) holders.

For 2018, Nokia s Board of Directors plans to propose that the Annual General Meeting in 2019 authorizes the Board to resolve on the maximum annual distribution of EUR 0.20 per share, compared to EUR 0.19 for 2017, to be paid quarterly during the authorization period, unless the Board decides otherwise for a justified reason. The Board would make separate resolutions on each distribution and such resolutions would be separately disclosed following the Annual General Meeting 2019 and in connection with our financial reports for Q2, Q3 and Q4. The annual distribution would be paid as quarterly dividends from retained earnings and/or assets from the fund for invested unrestricted equity.

At the end of 2018, the distributable funds on the statement of financial position of the parent company amounted to EUR 17 393 million, including EUR 15 197 million of invested unrestricted equity. The Board proposal to the Annual General Meeting will be published in connection with other proposals later in the spring.

NEW FINANCIAL REPORTING STRUCTURE BEGINNING Q1 2019

Nokia announced organizational changes to accelerate its strategy execution on October 25, November 22 and December 31, 2018. Nokia will revise its financial reporting structure to better reflect its strategy, organizational structure and the way it evaluates operational performance and allocates resources. As of the first quarter 2019, Nokia will have three reportable segments: (i) Networks, (ii) Nokia Software and (iii) Nokia Technologies. In addition, Nokia will disclose segment-level data for Group Common and Other.

For each reportable segment, Nokia will provide detailed financial disclosure, including net sales and operating profit. Additionally, Nokia will provide adjusted financial disclosure for its Networks and Nokia Software reportable segments, with amounts related to Nokia Technologies and Nokia Bell Labs allocated 85% to Networks and 15% to Nokia Software. This is also in accordance with industry practice and improves comparability with peer companies.

In addition, Nokia will provide net sales disclosure for the following businesses: (i) Mobile Access, (ii) Fixed Access, (iii) IP Routing and (iv) Optical Networks, which together comprise the new Networks reportable segment. Nokia will also provide separate net sales disclosure for its different customer types: (i) Communication Service Providers, (ii) Enterprises and (iii) Licensees. Net sales by region will be provided at the Nokia level.

To provide a basis for comparison, Nokia will present a recasting of financial results on an unaudited basis for all four quarters of 2018 prior to publishing its Q1 2019 financial report. Note that certain reclassifications will be made in order to reflect the new organizational structure of the company, the most significant of which are: (i) activities related to our cloud core offering will be reclassified from the former Mobile Networks business group and former Global Services reportable segment to the new Nokia Software reportable segment and (ii) activities related to the former Mobile Networks business group and former Global Services reportable segment that are not reclassified to the new Nokia Software reportable segment will be reported together under the new Mobile Access business.

OUTLOOK

We are now providing guidance at the Nokia level, in alignment with how we manage our business. This is also intended to improve comparability with peer companies.

Metric	Full Year 2019 (new)		Full Year 2020
Non-IFRS diluted earnings per share	EUR 0.25 - 0.29		EUR 0.37 - 0.42
Non-IFRS operating margin	9 - 12	%	12 - 16%
Recurring free cash flow(1)	Slightly positive		Clearly positive
Annual distribution to shareholders	Over the long term, Nokia targets to deliver an earnings-based growing dividend by distributing approximately 40% to 70% of non-IFRS diluted EPS, taking into account Nokia s cash position and expected cash flow generation. The annual distribution would be paid as quarterly dividends.		

(1)Free cash flow = net cash from 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.

Key drivers of Nokia s outlook

Net sales and operating margin for Networks and Nokia Software are expected to be influenced by factors including:

- Our expectation that we will outperform our primary addressable market in full year 2019 and over the longer-term, driven by our strategy, which includes competing in 5G more effectively due to our strong end-to-end portfolio, focusing on targeted growth opportunities in attractive adjacent markets and building a strong network agnostic software business. On a constant currency basis, we expect our primary addressable market to be flattish in full year 2019 (this is an update to earlier commentary for growth) and to grow in full year 2020;

- The timing of completions and acceptances of certain projects, particularly related to 5G. Based on the evolving readiness of the 5G ecosystem and the staggered nature of 5G rollouts in lead countries, we expect full year 2019 to follow a similar pattern as full year 2018:

a soft first half followed by a robust second half, with a particularly weak Q1 (new commentary);

- Our expectation that we will improve our R&D productivity and reduce support function costs through the successful execution of our cost savings program;
- Potential mergers or acquisitions by our customers;
- Our product and regional mix; and
- Macroeconomic, industry and competitive dynamics.

Net sales and operating margin for Nokia Technologies is expected to be influenced by factors including:

- The timing and value of new and existing patent licensing agreements with smartphone vendors, automotive companies and consumer electronics companies;
- Results in brand and technology licensing;
- Costs to protect and enforce our intellectual property rights; and
- The regulatory landscape.

Additionally, our outlook is based on the following assumptions:

- Nokia s recurring free cash flow is expected to improve over the longer-term due to lower cash outflows related to restructuring and network equipment swaps and improved operational results over time;
- Non-IFRS financial income and expenses to be an expense of approximately EUR 300 million in full year 2019 and over the longer-term;
- Non-IFRS income taxes at a rate of approximately 28% in full year 2019 and approximately 25% over the longer-term, subject to the absolute level of profits, regional profit mix and changes to our operating model;
- Cash outflows related to income taxes of approximately EUR 450 million in full year 2019 and over the longer term until our US or Finnish deferred tax assets are fully utilized; and
- Capital expenditures of approximately EUR 700 million in full year 2019 and approximately EUR 600 million over the longer-term.

NOKIA FINANCIAL RESULTS

EUR million (except for EPS in EUR)	Q4 18	Q4 17	YoY change	Constant currency YoY change	Q1-Q4 18	Q1-Q4 17	YoY change	Constant currency YoY change
Net sales	**6 869**	6 651	3%	*3%*	**22 563**	23 147	(3)%	*1%*
Nokia s Networks business	**6 215**	5 827	7%	*6%*	**20 121**	20 523	(2)%	*2%*
Nokia Technologies	**423**	554	(24)%	*(24)%*	**1 501**	1 654	(9)%	*(9)%*
Group Common and Other	**255**	302	(16)%	*(12)%*	**1 021**	1 115	(8)%	*(4)%*
Non-IFRS exclusions	**(3)**	(17)	(82)%		**(17)**	(75)	(77)%	
Gross profit	**2 761**	2 593	6%		**8 446**	9 139	(8)%	
Operating profit/(loss)	**552**	419			**(59)**	16		
Nokia s Networks business	**841**	647	30%		**1 199**	1 711	(30)%	
Nokia Technologies	**347**	389	(11)%		**1 203**	1 124	7%	
Group Common and Other	**(68)**	(31)			**(221)**	(248)		
Non-IFRS exclusions	**(568)**	(585)	(3)%		**(2 239)**	(2 571)	(13)%	
Operating margin %	**8.0%**	6.3%	170bps		**(0.3)%**	0.1%	(40)bps	
Gross profit (non-IFRS)	***2 915***	*2 762*	*6%*		***9 035***	*9 674*	*(7)%*	
Operating profit/(loss) (non-IFRS)	***1 120***	*1 004*	*12%*		***2 180***	*2 587*	*(16)%*	
Operating margin % (non-IFRS)	***16.3%***	*15.1%*	*120bps*		***9.7%***	*11.1%*	*(140)bps*	
Financial income and expenses	**(89)**	(41)	117%		**(313)**	(537)	(42)%	
Income taxes	**(278)**	(772)			**(189)**	(927)		
Profit/(loss) for the period	**203**	(378)	(154)%		**(549)**	(1 437)	(62)%	
EPS, diluted	**0.03**	(0.07)			**(0.10)**	(0.26)		
Financial income and expenses (non-IFRS)	***(110)***	*(73)*	*51%*		***(358)***	*(280)*	*28%*	
Income taxes (non-IFRS)	***(288)***	*(232)*	*24%*		***(563)***	*(443)*	*27%*	
Profit/(loss) for the period (non-IFRS)	***741***	*716*	*3%*		***1 272***	*1 875*	*(32)%*	
EPS, diluted (non-IFRS)	***0.13***	*0.13*	*0%*		***0.23***	*0.33*	*(30)%*	

Results are as reported and relate to continuing operations 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 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.

Nokia, Q4 2018 compared to Q4 2017

Nokia non-IFRS and reported net sales both grew approximately 3% year-on-year. On a constant currency basis, Nokia non-IFRS net sales grew approximately 2% year-on-year and Nokia reported net sales grew approximately 3% year-on-year.

Reported net sales in Q4 2018, excluding approximately EUR 60 million (EUR 210 million in Q4 2017) of one-time licensing net sales, grew by 6% year-on-year, with growth across all five of our Networks business groups, as well as in Nokia Technologies, driven by particularly strong execution.

In our Networks business, our order backlog was strong at the end of Q4 2018, and we continue to see strong customer engagement related to 5G across multiple parts of our portfolio, including radio, cloud core, transport, IP routing and network agnostic software. We continued to build momentum in our end-to-end strategy, including good performance converting our sales pipeline into net sales. At the end of Q4 2018, approximately 41% of our sales pipeline was comprised of cross-business group deals. We also made progress with our strategy to diversify and grow, with particularly strong performance in Nokia Software and continued solid performance in our enterprise business.

In our Networks business, higher operating expenses were due to customer trials related to 5G, as well as higher pre-sales expenses to drive future growth and higher returns, partially offset by the benefits from our cost savings program and lower incentive accruals.

In Nokia Technologies, the decrease in net sales on a year-on-year basis was primarily due to lower one-time licensing net sales. On a recurring basis, we maintained our strong track record, with 11% year-on-year growth. Also, we continued to make good progress in patent licensing, extending our patent licensing agreement with Samsung and signing a new patent license agreement with OPPO, further validating our global licensing program.

Nokia non-IFRS diluted EPS amounted to EUR 0.13, compared to EUR 0.13 in the year-ago period. Non-IFRS diluted EPS increased by EUR 0.02 year-on-year on a recurring basis. The increase in non-IFRS diluted EPS, on a recurring basis, was primarily driven by higher gross profit across all three reportable segments of our Networks business and improved recurring gross profit performance in Nokia Technologies, as well as lower operating expenses in Nokia Technologies, partially offset by a net negative fluctuation in other income and expense related to foreign exchange hedging, higher income tax expenses and higher financial expenses.

Nokia reported diluted EPS amounted to EUR 0.03, compared to negative EUR 0.07 in the year-ago period, primarily driven by lower income tax expenses, related to the re-measurement of deferred tax assets, which resulted in deferred tax expenses and allowances of EUR 143 million, compared to EUR 738 million in the fourth quarter 2017. In addition, Nokia reported diluted EPS was driven by higher gross profit across all three reportable segments of our Networks business and improved recurring gross profit performance in Nokia Technologies, partially offset by a net negative fluctuation in other income and expense related to foreign exchange hedging and higher financial expenses.

Nokia, January-December 2018 compared to January-December 2017

Nokia reported net sales decreased 3% year-on-year. On a constant currency basis, Nokia reported net sales grew 1% year-on-year.

In our Networks business, our order backlog was strong at the end of Q4 2018, and we continue to see strong customer engagement related to 5G across multiple parts of our portfolio, including radio, cloud core, transport, IP routing and network agnostic software. We continued to build momentum in our end-to-end strategy, including good performance converting our sales pipeline into net sales. At the end of Q4 2018, approximately 41% of our sales pipeline was comprised of cross-business group deals. We also made progress with our strategy to diversify and grow, with continued strong performance in both our enterprise business and in Nokia Software.

In Nokia Technologies, the decrease in net sales on a year-on-year basis was primarily due to lower one-time licensing net sales. On a recurring basis, we maintained our strong track record, with 11% year-on-year growth. Also, we continued to make good progress in patent licensing, extending our patent licensing agreement with Samsung and signing a new patent license agreement with OPPO, further validating our global licensing program.

Nokia reported operating loss amounted to EUR 59 million, compared to an operating profit of EUR 16 million in the year-ago period. This was primarily driven by lower gross profit across all three reportable segments in our Networks business, lower one-time licensing net sales in Nokia Technologies and a negative impact from foreign exchange hedging. This was partially offset by lower restructuring and associated charges and lower impairment of assets.

Nokia reported diluted EPS amounted to negative EUR 0.10, compared to negative EUR 0.26 in the year-ago period. This was primarily driven by lower income tax expenses, related to the re-measurement of deferred tax assets, which resulted in deferred tax expenses and allowances of EUR 155 million, compared to EUR 815 million in full year 2017. In addition, Nokia reported diluted EPS was driven by the absence of expenses related to the early redemption of debt, partially offset by lower gross profit across all three reportable segments in our Networks business, lower restructuring and associated charges, lower one-time licensing net sales in Nokia Technologies and a negative impact from foreign exchange hedging.

CASH AND CASH FLOW IN Q4 2018

EUR million, at end of period	**Q4 18**	**Q3 18**	**QoQ change**	**Q4 17**	**YTD change**
Total cash and current financial investments(1)	**6 873**	5 612	22%	8 280	(17)%
Net cash and current financial investments(1)	**3 051**	1 876	63%	4 514	(32)%

(1) For details, please refer to note 9, Net cash and current financial investments , and note 15, Performance measures , in the Financial statement information section in this report.

During the fourth quarter 2018, Nokia s total cash and current financial investments increased by EUR 1 261 million and Nokia s net cash and current financial investments (net cash) increased by EUR 1 175 million.

Foreign exchange rates had an approximately EUR 120 million negative impact on net cash, primarily related to negative impacts from certain hedging activities, partially offset by related positive impacts in liabilities within net working capital.

In the fourth quarter 2018, net cash from operating activities was EUR 1 386 million:

- Nokia s adjusted profit before changes in net working capital was EUR 980 million in the fourth quarter 2018.

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- In the fourth quarter 2018, Nokia generated an increase in net cash related to net working capital of approximately EUR 400 million. Excluding approximately EUR 140 million of restructuring and associated cash outflows, Nokia generated an approximately EUR 540 million increase in net cash related to net working capital, primarily due to an increase in liabilities, and, to a lesser extent, a decrease in receivables and a decrease in inventories.

- The decrease in receivables was approximately EUR 50 million, primarily due to an increase in the sale of receivables, partially offset by the seasonal increase in receivables.

- The decrease in inventories was approximately EUR 30 million, primarily due to a seasonal decrease in inventories, partially offset by our decision to ensure sufficient flexibility to deliver higher levels of equipment sales, particularly related to 5G.

- The increase in liabilities was approximately EUR 460 million, primarily due to the seasonal increase in accounts payable, as well as our efforts to drive better accounts payable terms.

- In addition, cash taxes amounted to an inflow of approximately EUR 10 million, benefitting from a tax refund of approximately EUR 110 million.

In the fourth quarter 2018, net cash used in investing activities primarily related to capital expenditures of approximately EUR 170 million. This was partially offset by approximately EUR 80 million of cash inflows related to the sale of certain assets.

2016-2018 Cost savings program

In the fourth quarter 2018, we completed the restructuring activities related to our 2016-2018 cost savings program and achieved the overall EUR 1.2 billion of recurring annual cost savings that we targeted.

The following table summarizes the financial information related to our 2016-2018 cost savings program, as of the end of the fourth 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. Note that this table does not include future expectations related to our 2019-2020 cost savings program announced on October 25, 2018.

In EUR million, approximately	**Q4 18**
Opening balance of restructuring and associated liabilities	710
+ Charges in the quarter	60
- Cash outflows in the quarter	140
= Ending balance of restructuring and associated liabilities	630
of which restructuring provisions	*490*
of which other associated liabilities	*140*

Total expected restructuring and associated charges	1 600
- Cumulative recorded	1 600
= Charges remaining to be recorded	0
Total expected restructuring and associated cash outflows	2 100
- Cumulative recorded	1450
= Cash outflows remaining to be recorded	650

The following table summarizes results related to our 2016-2018 cost savings program, as well as network equipment swaps. Note that this table does not include future expectations related to our 2019-2020 cost savings program announced on October 25, 2018.

In EUR million, approximately rounded to the nearest EUR 50 million	Actual 2016	Actual 2017	Actual 2018	Actual Cumulative through the end of 2018	Expected amounts for FY 2019 and beyond	Total
Recurring annual cost savings	550	250	400	1 200	0	1 200
- operating expenses	*350*	*150*	*250*	*750*	*0*	*750*
- cost of sales	*200*	*100*	*150*	*450*	*0*	*450*
Restructuring and associated charges	750	550	300	1 600	0	1 600
Restructuring and associated cash outflows	400	550	500	1 450	650	2 100
Charges related to network equipment swaps	150	450	550	1 150	150	1 300
Cash outflows related to network equipment swaps	150	450	550	1 150	150	1 300

2019-2020 Cost savings program

The following table summarizes our future expectations related to our new 2019-2020 cost savings program, as well as the remaining cash outflows related to our 2016-2018 program and network equipment swaps.

In EUR million, approximately rounded to the nearest EUR 50 million	Remaining from the 2016-2018 program	Expected from the 2019-2020 program	Expected amounts for FY 2019	FY 2020 and beyond	Total
Recurring annual cost savings	0	700	200	500	700
- operating expenses	*0*	*500*	*150*	*350*	*500*
- cost of sales	*0*	*200*	*50*	*150*	*200*
Restructuring and associated charges	0	900	550	350	900
Restructuring and associated cash outflows	650	900	700	850	1 550
Charges related to network equipment swaps	150	0	150	0	150
Cash outflows related to network equipment swaps	150	0	150	0	150

The above table includes future expectations related to our cost savings program announced on October 25, 2018, as well as the remaining cash outflows related to our 2016-2018 program and network equipment swaps. We expect our 2019-2020 cost savings program to result in a net EUR 700 million reduction of non-IFRS operating expenses and production overheads in full year 2020 compared to full year 2018, of which EUR 500 million is expected to come from operating expenses and EUR 200 million is expected to come from cost of sales. The related restructuring charges and cash outflows are both expected to total EUR 900 million. The remaining balance of expected cash outflows related to our 2016-2018 cost savings program, amounting to EUR 650 million at the end of 2018, has been included as part of our new 2019-2020 cost savings program table above. Thus, total remaining cash outflows are expected to be EUR 1 550 million.

Under the cost reduction program announced on October 25, 2018, Nokia intends to target substantial savings while continuing to make further investments to drive future growth and higher returns. The savings are expected to come from a wide range of areas, including investments in digitalization to drive more automation and productivity, further process and tool simplification, significant reductions in central support functions to reach best-in-class cost levels, prioritization of R&D programs to best create long-term value, a sharp reduction of R&D in legacy products, driving efficiency from further application of our best-in-class common software foundation and innovative software development techniques, the consolidation of selected cross-company activities and further reductions in real estate and other overhead costs.

OPERATIONAL HIGHLIGHTS

Nokia marked its Q4 2018 with the announcements of key organizational changes to further the company s leadership position as 5G commercialization gets underway; and with a strong finish in delivering on its strategic commitments.

The organizational changes consisted at a high level of the following:

Tommi Uitto was appointed President of Mobile Networks after previously leading Mobile Networks Product Sales. At the end of Q4, Sandra D. Motley was named President of Fixed Networks, having previously served as Fixed Networks COO.

Second, the realignment of Nokia s customer-facing organization into two regional groups in order to sharpen customer focus with the acceleration of the 5G era. One regional group covers the Americas, while the other is responsible for Europe, Middle East & Africa and Asia-Pacific.

As part of that announcement, Ricky Corker was appointed President of Customer Operations, Americas, and Federico Guillén, previously President of Nokia s Fixed Networks Business Group, was appointed as President of Customer Operations, EMEA & APAC. In addition to his new role, Corker continues in his previous role as Executive Vice President and President, North America.

Third, the creation of Nokia Enterprise, which consolidates all of Nokia s fast-growing enterprise-specific activities into one focused organization as of January 1, 2019. Kathrin Buvac was named President of Nokia Enterprise and she continues to serve as Nokia s Chief Strategy Officer.

Fourth, the tailoring of Mobile Networks operational focus on mobile radio products and consolidating all of Nokia s Cloud Core activities and accountability into Nokia Software. All core networking activities previously in the Mobile Networks and Global Services Business Groups were moved to Nokia Software as of January 1, 2019.

In the first pillar of our strategy, leading in high-performance, end-to-end networks with communication service providers:

Nokia and Qualcomm announced the successful achievement of 5G New Radio (NR) data calls in both the millimeter wave (mmWave) and sub-6 GHz spectrum bands, an important step for enabling 5G deployments across operator networks around the world.

Nokia and the China Mobile Research Institute announced the industry s first hybrid indoor radio solution with location services to meet 5G connectivity demands inside busy large buildings and to help lower operator deployment costs.

Nokia deployed its 5G site for South African operator, rain, with the full rollout of Nokia s AirScale radio access network solution scheduled to start in the first quarter of 2019.

Nokia announced that Telenor Group will deploy Nokia s AirGile cloud-native core solution to transform the operator s mobile network operations in Denmark, Sweden and Norway as it prepares for the eventual rollout of 5G in those markets. Telenor will use Nokia s AirFrame data center and Cloud Packet core solutions, Nuage Networks SDN technologies and the company s CloudBand Management and Orchestration Software (MANO).

Lebanon s Alfa said it will roll out Nokia s 4.5G Pro technology using Nokia s 5G-ready AirScale radio platform. The development moves Alfa toward providing IoT services and deploying Lebanon s first 5G network planned for 2019.

Nokia and Brazil s Oi signed a long-term agreement to increase network speed and capacity and to enhance mobile and fixed broadband service performance in Brazil, while preparing for the future introduction of 5G.

In addition, Nokia s Nuage Networks had multiple announcements with service providers including the launch of a new BT SD-WAN service that helps leading water treatment and chemicals distributor IXOM of Australia and New Zealand deliver a digital transformation; and another with Claro Argentina, which launched a Nokia SD-WAN solution to connect enterprises to cloud resources and applications.

Nokia helped Hutchison 3 Indonesia increase network efficiency on the operator s LTE network and boost customer experience, using Nokia AVA cognitive services platform.

Nokia was rated the number one vendor for IMS VoLTE and the leader in Small Cells, according to GlobalData; while industry consultant, Ovum, rated Nokia as having the best competitive position among LTE and 5G RAN vendors.

Nokia is starting to see results of its diversification strategy within Fixed Networks with key wins in a number of areas: next generation copper (G.fast) with nbn; next generation 10 Gig fiber with Hotwire in the U.S. and INEA in Poland; initial market success for Nokia whole-home WiFi with AIS Fibre in Thailand and Oi in Brazil; and the first European deployment of unified cable access with Netia in Poland. Nokia also launched fixed networks slicing and multi-vendor ONU interconnectivity in the quarter.

Nokia introduced its new Wavesuite open software applications to modernize optical networks. And, in a first in Africa, Nokia said it was powering a 200G optical service on Telecom Egypt s Delta Backbone Network, doubling existing capacity.

In the second pillar of our strategy, expanding network sales to select vertical markets needing high-performing, secure networks:

Nokia unveiled its Future X for industries strategy and architecture, which leverages digital transformation technologies to catalyze productivity and economic growth for enterprises.

Nokia had a number of LTE developments in the quarter: the deployment with China Unicom of a private LTE network for a smart manufacturing BMW plant in China; plans to roll out a private LTE network for the Brazilian power distributor, Elektro, to strengthen the company s power grid reliability and operating efficiency; and plans to build a private LTE network for the Port of HaminaKotka, the biggest in Finland, in conjunction with the Finnish LTE provider, Ukkoverkot.

Nokia progressed with testing of 5G for industrial applications. Nokia, ABB and Kalmar (part of Cargotec) successfully conducted industrial trials that leverage the low latency capabilities of 5G to support time-critical applications and to enhance protection and efficiency in smart electricity grid.

The Hamburg Port Authority, Deutsche Telekom, and Nokia also tested new aspects of 5G standards at the Port of Hamburg in Germany with use cases that included data glasses for engineers, connected traffic lights, and sensors on ships.

Nokia also made multiple announcements around Smart Cities. Nokia said it will power BSNL s Smart Telecom Pole project, which will provide connectivity and be integrated with smart LED lighting systems, CCTV cameras, digital billboards and environmental sensors. Nokia and Dell EMC announced a smart city collaboration project to deliver goods using semi-autonomous barges in the Dutch city of Delft.

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Nokia and STC said they will collaborate on the launch of a pilot network in Saudi Arabia, the first trial of its kind in MEA that will showcase Nokia s latest LTE-based air-to-ground technology, which provides significant advantages over traditional satellite-based communications system for in-flight broadband systems.

Nokia and Bharat Sanchar Nigram Limited (BSNL), India s leading government service provider, signed a memorandum of understanding to explore opportunities in the public safety arena.

Nokia and Infosys announced a strategic alliance to drive digital transformation in a number of fast-growing vertical markets, including transportation, energy and manufacturing. The two companies are developing joint solutions to address the needs of specific customer sets.

In the third pillar of our strategy, developing a strong, software business at scale:

In the quarter, Nokia Software continued to demonstrate the strength of its network agnostic portfolio with strong orders and net sales momentum in accounts, including AT&T, Bharti Airtel, Colombia Telecomunicaciones, KDDI, Rakuten, Reliance, STC, Telkom Kenya, T-Mobile, Togocel, and Verizon.

Nokia launched an upgrade to its CloudBand Infrastructure Software solution in order to help communication service providers secure their 5G cloud deployments. The upgrade streamlines operational procedures by providing a single Network Function Virtualization Infrastructure/Virtualized Infrastructure Manager (NFVI/VIM) for all cloud deployment needs.

DNA announced it will start the deployment of a cloud service platform based on Nokia s CloudBand Infrastructure Software and Nuage Networks solutions to develop and strengthen its networks for the future needs of 5G technology.

In its latest annual report released in November, Analysys Mason ranked Nokia #1 in telecom product software revenues and #2 in combined telecom product and product-related services revenues.

In the fourth pillar of our strategy, now focused primarily on licensing:

Nokia signed a patent license agreement with OPPO, under which the Chinese smartphone maker will make payments to Nokia for a multi-year period.

Nokia s brand licensee, HMD Global, announced new products including the Nokia 8.1, the newest addition to its smartphone value flagship range; the Nokia 7.1, the first smartphone to come with PureDisplay screen technology; and the Nokia 3.1 Plus, the most affordable Nokia branded smartphone with a dual-camera.

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. These forward-looking statements reflect Nokia s current expectations and views of future developments and include statements regarding: A) expectations, plans or benefits related to our strategies and growth management; B) expectations, plans or benefits related to future performance of our businesses and any expected future dividends; C) 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; 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) 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; 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, including our short term and longer term expectations around the rollout of 5G and our ability to capitalize on such rollout; and the overall readiness of the 5G ecosystem ; 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, including our 2019-2020 cost savings program; L) expectations, plans or benefits related to future capital expenditures, temporary incremental expenditures or other R&D expenditures to develop or rollout new products, including 5G; and M) statements preceded by or including believe , expect , expectations , commit , anticipate , foresee , see , target , estimate , designed , aim , plan , intend focus , continue , project , should , is to , will or similar expressions. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from such statements. These statements are based on management s best assumptions and beliefs in light of the information currently available to it. These forward-looking statements are only predictions based upon our current expectations and views of future events and developments and are subject to risks and uncertainties that are difficult to predict because they relate to events and depend on circumstances that will occur in the future. 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, including the timeline for the deployment of 5G and our ability to successfully capitalize on that deployment; 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 and our own R&D capabilities and investments; 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 through our intellectual property, including through licensing, establish new sources of revenue and protect our intellectual property from infringement; 7) our ability to manage and improve our financial and operating performance, cost savings, competitiveness and synergies generally and our ability to implement changes to our organizational and operational structure efficiently; 8) 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; 9) our ability to achieve the anticipated benefits, synergies, cost savings and efficiencies of acquisitions, including 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; 30) our ability to successfully complete and capitalize on our order backlogs and continue converting our sales pipeline into net sales; and 31) 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 January 30, 2019.

- Nokia plans to publish its Nokia in 2018 annual report, which includes the review by the Board of Directors and the audited annual accounts, in week 12 of 2019. The annual report will be available at www.nokia.com/financials.

- Nokia plans to publish its first quarter 2019 results on April 25, 2019.

- Nokia s Annual General Meeting 2019 is planned to be held on May 21, 2019.

- Nokia plans to publish its second quarter and half year 2019 results on July 25, 2019.

- Nokia plans to publish its third quarter and January-September 2019 results on October 24, 2019.

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About Nokia

We create the technology to connect the world. We develop and deliver the industry s only end-to-end portfolio of network equipment, software, services and licensing that is available globally. Our customers include communications service providers whose combined networks support 5.7 billion subscriptions, as well as enterprises in the private and public sector that use our network portfolio to increase productivity and enrich lives.

Through our research teams, including the world-renowned Nokia Bell Labs, we are leading the world to adopt end-to-end 5G networks that are faster, more secure and capable of revolutionizing lives, economies and societies. Nokia adheres to the highest ethical business standards as we create technology with social purpose, quality and integrity. www.nokia.com

Report for Q4 and Full Year 2018

Nokia delivers strong growth and improved profitability in Q4; strategic momentum in Software and Enterprise

- Board of Directors plans to propose a dividend of EUR 0.20 per share for 2018, up 5% compared to EUR 0.19 for 2017

Rajeev Suri, President and CEO, on Q4 2018 results

Nokia ended the year with a strong fourth quarter. We saw the second consecutive quarter of year-on-year sales growth across all five of our Networks business groups, as well as improved profitability in both Networks and Nokia Technologies. The execution of our strategy also proceeded well, with the work we have put into building a solid foundation for Nokia Software showing clear results and our enterprise business rapidly becoming a pillar of growth.

Looking forward, I expect Nokia s performance to strengthen for the full year 2019 versus 2018 and our view of a fast and meaningful shift to 5G remains unchanged. Given that 5G rollouts will be staggered over the course of the year, we expect 2019 to have a soft first half followed by a much more robust second half.

Over the longer-term, we expect a virtuous cycle of investment, where operators update their networks across multiple domains from optical to macro radio, fixed wireless access to cloud core, small cells to IP routing, network agnostic software and more. Following this, we expect a second wave where industrial customers will invest in private wireless technology including LTE and 5G-ready networks. With our end-to-end portfolio, Nokia is well-positioned to tap this extended cycle.

Q4 and January-December 2018 reported and non-IFRS results. Refer to note 1, Basis of Preparation , note 2, Non-IFRS to reported reconciliation and note 15, Performance measures , in the Financial statement information section for details.

EUR million (except for EPS in EUR)	Q4 18	Q4 17	YoY change	Constant currency YoY change	Q1-Q4 18	Q1-Q4 17	YoY change	Constant currency YoY change
Net sales	**6 869**	6 651	3%	*3%*	**22 563**	23 147	(3)%	*1%*
Operating profit/(loss)	**552**	419	32%		**(59)**	16		
Operating margin %	**8.0%**	6.3%	170bps		**(0.3)%**	0.1%	(40)bps	
EPS, diluted	**0.03**	(0.07)			**(0.10)**	(0.26)		

Operating profit/(loss) (non-IFRS)	***1 120***	*1 004*	*12%*	***2 180***	*2 587*	*(16)%*
Operating margin % (non-IFRS)	***16.3%***	*15.1%*	*120bps*	***9.7%***	*11.1%*	*(140)bps*
EPS, diluted (non-IFRS)	***0.13***	*0.13*	*0%*	***0.23***	*0.33*	