

NOKIA CORP
Form 6-K
April 26, 2018

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 April 26, 2018

(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: **Form 40-F:**

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):

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Yes: **No:**

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: **No:**

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: **No:**

Enclosures:

Nokia stock exchange release dated April 26, 2018: Nokia Corporation Interim Report for Q1 2018

INTERIM REPORT

April 26, 2018

Nokia Corporation

Interim Report

April 26, 2018 at 08:00 (CET +1)

Nokia Corporation Interim Report for Q1 2018

Solid full year results expected in Networks despite challenging Q1; continued strength in Nokia Technologies

- Nokia sees further acceleration of 5G with strong momentum building by year-end
- Nokia raises its primary addressable market outlook for its Networks business in full year 2018, and expects to outperform that market in full year 2018
- Full year 2018 Nokia-level guidance reiterated

This is a summary of the Nokia Corporation financial report for Q1 2018 published today. The complete financial report for Q1 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.

FINANCIAL HIGHLIGHTS

- Net sales in Q1 2018 were EUR 4.9bn, compared to EUR 5.4bn in Q1 2017. On a constant currency basis, net sales would have been flat year-on-year.
- Non-IFRS diluted EPS in Q1 2018 was EUR 0.02, compared to EUR 0.03 in Q1 2017. Reported diluted EPS in Q1 2018 was negative EUR 0.06, compared to negative EUR 0.08 in Q1 2017.

Nokia's Networks business net sales were EUR 4.3bn, with operating profit of EUR 43mn

- Q1 net sales and profitability were impacted primarily by lower net sales in North America. However, order intake and backlog were excellent in Q1. Therefore, Nokia expects the net sales trajectory in North America, as well as profitability, to improve significantly in the second half of 2018.
- Based on firm orders, Nokia sees customer demand for 5G accelerating further, particularly in North America, where we expect commercial 5G network deployments to begin near the end of 2018.
- Encouraging progress was made in Q1 with our strategy to diversify and grow by targeting attractive adjacent markets. Strong momentum continued with large enterprise vertical and webscale customers, with double-digit year-on-year growth in net sales and order intake.
- Momentum in our end-to-end strategy continued, with one third of our sales pipeline now comprised of solutions, products and services from multiple business groups.

Nokia Technologies net sales were EUR 365mn, with operating profit of EUR 274mn

- Strong track record continued, with 48% year-on-year net sales growth and 136% year-on-year operating profit increase in Q1, primarily related to license agreements entered into in 2017.
- Nokia Technologies continued to make good progress on new patent licensing agreements, as well as brand and technology licensing agreements; no major agreements were announced in Q1.

Outlook

- Nokia reiterates all of its full year 2018 Nokia-level guidance, despite expected weakness in its Networks business in the first half of 2018.
- In its Networks business, Nokia sees market conditions improving and 5G accelerating further, with strong momentum building by year end. Nokia now sees a stronger primary addressable market for its Networks business in full year 2018 and expects its Networks business to outperform its primary addressable market in full year 2018.
- Nokia remains on target to deliver EUR 1.2 billion of recurring annual cost savings in full year 2018. Our active efforts to drive 5G adoption are expected to result in EUR 100 to 200 million of temporary expenses in 2018 to support 5G customer trials.
- Nokia continues to see opportunities to build on its track record in Nokia Licensing within Nokia Technologies and drive a compound annual growth rate of approximately 10% for recurring net sales over the 3-year period ending 2020.
- Please refer to the full details and other targets in the Outlook section of this press release.

First quarter 2018 non-IFRS results. Refer to note 1, Basis of Preparation and note 15, Performance measures, in the Financial statement information section for further details(1)

EUR million (except for EPS in EUR)	Q1 18	Q1 17	YoY change	Constant currency YoY change
Net sales (non-IFRS)	4 929	5 388	(9)%	0%
Nokia's Networks business	4 324	4 902	(12)%	(3)%
Nokia Technologies	365	247	48%	49%
Group Common and Other	252	254	(1)%	4%
Gross profit (non-IFRS)	1 941	2 196	(12)%	
Gross margin % (non-IFRS)	39.4%	40.8%	(140)bps	
Operating profit (non-IFRS)	239	341	(30)%	
Nokia's Networks business	43	324	(87)%	
Nokia Technologies	274	116	136%	

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Group Common and Other	(78)	(99)	(21)%
<i>Operating margin % (non-IFRS)</i>	<i>4.8%</i>	<i>6.3%</i>	<i>(150)bps</i>
Financial income and expenses (non-IFRS)	(116)	(81)	43%
Income taxes (non-IFRS)	(36)	(48)	(25)%
Profit for the period (non-IFRS)	83	203	(59)%
Profit attributable to the equity holders of the parent (non-IFRS)	86	196	(56)%
Non-controlling interests (non-IFRS)	(3)	6	
EPS, EUR diluted (non-IFRS)	0.02	0.03	(33)%

First quarter 2018 reported results. Refer to note 1, Basis of Preparation and note 15, Performance measures, in the Financial statement information section for further details(1)

EUR million (except for EPS in EUR)	Q1 18	Q1 17	YoY change	Constant currency YoY change
Net sales	4 924	5 378	(8)%	0%
Nokia's Networks business	4 324	4 902	(12)%	(3)%
Nokia Technologies	365	247	48%	49%
Group Common and Other	252	254	(1)%	4%
Non-IFRS exclusions	(5)	(11)	(55)%	
Gross profit	1 805	2 125	(15)%	
<i>Gross margin %</i>	<i>36.7%</i>	<i>39.5%</i>	<i>(280)bps</i>	
Operating loss	(336)	(127)	165%	
Nokia's Networks business	43	324	(87)%	
Nokia Technologies	274	116	136%	
Group Common and Other	(78)	(99)	(21)%	
Non-IFRS exclusions	(575)	(468)	23%	
<i>Operating margin %</i>	<i>(6.8)%</i>	<i>(2.4)%</i>	<i>(440)bps</i>	
Financial income and expenses	(108)	(146)	(26)%	
Income taxes	94	(154)		
Loss for the period	(354)	(435)	(19)%	
Loss attributable to the equity holders of the parent	(351)	(473)	(26)%	
Non-controlling interests	(3)	37		
EPS, EUR diluted	(0.06)	(0.08)	(25)%	
Net cash and current financial investments	4 176	4 409	(5)%	

(1) Results are as reported 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 the non-IFRS exclusions section included in discussion of the quarterly performance and 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.

CEO STATEMENT

We see strong momentum building for the full year despite a slow start in Networks. I have considerable confidence that Nokia is well-positioned to out-perform a strengthening Networks market and meet our full-year 2018 guidance.

Our confidence is based on strong order intake and backlog in Q1; our end-to-end strategy is resonating with customers, resulting in strong cross-sell activity and a year-on-year doubling of the multi-business group pipeline; we have clear visibility to 5G deals for large-scale commercial rollouts in United States in the second half of the year; and are successfully executing our diversification strategy, with consistent double-digit profitable growth with enterprise and webscale customers.

On the licensing side, first quarter recurring revenue was up by 65% year-on-year, and we expect continued strong growth in the months ahead. We see further opportunities in smart phone licensing in China, in the automotive sector and in brand licensing.

Our end-to-end portfolio positions us very well for 5G and our efforts to accelerate global 5G adoption are clearly delivering results. We will fuel that adoption in 2018 with investments in trial costs, as needed. These investments will position us to capture opportunities in a 5G market that we believe will substantially accelerate later this year in the United States, followed by other large-scale 5G commercial rollouts starting in 2019 in multiple geographies. Given these developments, we expect to see continued softness in the first half of 2018, followed by a much stronger second half.

We also see a clear path to market share gains this year given our success in 4G expansion, 5G deals, IP routing in both the service provider segment and adjacent markets, and optical, driven by 5G and webscale customers.

While our Networks gross margin in Q1 decreased on a year-on-year basis, the primary underlying reasons for that regional and product mix are largely temporary in nature and expected to improve in the second half of 2018. It is also important to understand that we did not see significant degradation of margins at the overall product level. We remain on track to deliver on our EUR 1.2 billion cost savings commitment.

Rajeev Suri

President and CEO

OUTLOOK

	Metric	Guidance	Commentary
Nokia	Non-IFRS operating margin	9-11% for full year 2018 and 12-16% for full year 2020	Nokia expects non-IFRS operating margin and non-IFRS diluted earnings per share to expand between full year 2018 and full year 2020 primarily due to: a) Improved results in Nokia's Networks business, which are detailed below; b) Improved results in Nokia Technologies, which are detailed below; and c) Lower Nokia support function costs within Nokia's Networks business and Group Common and Other.
	Non-IFRS diluted earnings per share	EUR 0.23 - 0.27 in full year 2018 and EUR 0.37 - 0.42 in full year 2020	
	Dividend	Approximately 40% to 70% of non-IFRS EPS on a long-term basis	Nokia's Board of Directors is committed to proposing a growing dividend, including for 2018.
	Recurring free cash flow	Slightly positive in full year 2018 and clearly positive in full year 2020	Recurring free cash flow is expected to improve over the longer-term, due to lower cash outflows related to restructuring and network equipment swaps(1) and improved operational results over time.
	Recurring annual cost savings for Nokia, excluding Nokia Technologies	Approximately EUR 1.2 billion of recurring annual cost savings in full year 2018, of which approximately EUR 800 million are expected from operating expenses(1)	The reference period is full year 2015, in which the combined operating expenses of Nokia and Alcatel-Lucent, excluding Nokia Technologies, were approximately EUR 7.3 billion. As a result of active efforts to drive 5G adoption, and in the interest of our long-term strategy given the acceleration of 5G, in 2018 we expect to incur approximately EUR 100 to 200 million of temporary incremental expenses related to 5G customer trials that will partially reduce the positive impact from the recurring annual cost savings. <u>(This is an update to earlier commentary for approximately EUR 100 million of temporary incremental expenses.)</u>
	Network equipment swaps	Approximately EUR 1.4 billion of charges and cash outflows in total(1)	The charges related to network equipment swaps are being recorded as non-IFRS exclusions, and therefore do not affect Nokia's non-IFRS operating profit.
	Non-IFRS financial income and expenses	Expense of approximately EUR 300 million in full year	Nokia's outlook for non-IFRS financial income and expenses in full year 2018 and over the longer-term is expected to be influenced by factors including:

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	2018 and over the longer-term	<ul style="list-style-type: none"> • Net interest expenses related to interest-bearing liabilities and defined benefit pension and other post-employment benefit plans; • Foreign exchange fluctuations and hedging costs; and • Expenses related to the sale of receivables.
Non-IFRS tax rate	Approximately 30% for full year 2018 and 25% over the longer-term	<p>Nokia's outlook for non-IFRS tax rate for full year 2018 and over the longer-term is expected to be influenced by factors including the absolute level of profits, regional profit mix and any further changes to our operating model.</p> <p>Nokia expects cash outflows related to taxes to be approximately EUR 450 million in full year 2018 and over the longer-term until Nokia's US or Finnish deferred tax assets are fully utilized.</p>
Capital expenditures	Approximately EUR 700 million in full year 2018 and approximately EUR	Primarily attributable to Nokia's Networks business, and consistent with the depreciation of property, plant and equipment over the longer-term.

		600 million over the longer-term	
Nokia's Networks business	Net sales	<p>Outperform its primary addressable market in 2018 and over the longer-term</p> <p><u>(This is an update to earlier guidance for net sales to decline in-line with its primary addressable market in 2018.)</u></p>	<p>For Nokia's Networks business, Nokia expects net sales to outperform its primary addressable market and operating margin to expand between full year 2018 and full year 2020.</p> <p>Nokia's outlook for net sales and operating margin for Nokia's Networks business is expected to be influenced by factors including:</p> <ul style="list-style-type: none"> An approximately 1 to 3 percent decline in the primary addressable market for Nokia's Networks business in full year 2018, compared to 2017, on a constant currency basis. 5G momentum is expected to drive growth in the primary addressable market in 2019 and 2020, on a constant currency basis.
	Operating margin	6-9% for full year 2018 and 9-12% for full year 2020	<p><u>(This is an update to earlier commentary for a 2 to 4 percent decline in full year 2018.);</u></p> <ul style="list-style-type: none"> Customer demand for 5G accelerating further, with commercial 5G network deployments expected to begin near the end of 2018. <p><u>(This is an update to earlier commentary for deployments to begin in 2019.);</u></p> <ul style="list-style-type: none"> Improved market conditions in the second half of 2018, particularly in North America, following expected weakness in the first half of 2018 (<u>new commentary</u>); Our ability to scale our supply chain operations to meet increasing demand (<u>new commentary</u>); A negative impact to reported net sales due to foreign exchange headwinds, particularly in first half 2018; Focus on targeted growth opportunities in attractive adjacent markets; Building a strong standalone software business; Improved R&D productivity resulting from new ways of working and the reduction of legacy

platforms over time;

- Lower support function costs, including IT and site costs;
- Uncertainty related to potential mergers or acquisitions by our customers;
- Product and regional mix; and
- Competitive and other industry dynamics.

Nokia Licensing within Nokia Technologies

Recurring net sales

Grow at a compound annual growth rate (CAGR) of approximately 10% over the 3-year period ending 2020

Due to risks and uncertainties in determining the timing and value of significant patent, brand and technology licensing agreements, Nokia believes it is not appropriate to provide annual outlook ranges for Nokia Licensing within Nokia Technologies. Although annual results are difficult to forecast, Nokia expects net sales growth and operating margin expansion over the 3-year period ending 2020.

Operating margin

Expand to approximately 85% for full year 2020

In full year 2017, licensing net sales were approximately EUR 1.6 billion, of which approximately EUR 300 million were non-recurring in nature and related to catch-up net sales for prior years.

Nokia's outlook for net sales and operating margin for Nokia Licensing within Nokia Technologies is expected to be influenced by factors including:

- The timing and value of new patent licensing agreements with smartphone vendors, automotive companies and consumer electronics companies;
- Renegotiation of expiring patent licensing agreements;
- Increases or decreases in net sales related to existing patent licensees;
- Results in brand and technology licensing;
- Costs to protect and enforce our intellectual property rights; and
- The regulatory landscape.

(1)For further details related to the cost savings and network equipment swaps guidance, please refer to the Cost savings program .

Nokia introduces a co-investment arrangement to executive compensation

In order to further increase alignment of management's interests with shareholders and to maximize long-term shareholder value creation, the Board of Directors has decided to offer a co-investment arrangement, as part of the grants under the existing 2018 Performance Share Plan, to the President and CEO and a limited number of senior leaders in key positions whose contributions have a direct impact to the Company's strategy and long-term value.

Under the co-investment arrangement, the participants will be offered a matching award of two 2018 Performance Shares for each Nokia share that they purchase voluntarily with their own funds from the open market, with the payout of the Performance Shares subject to actual performance. For each participant, the arrangement is offered in addition to their normal annual long-term incentive award, and the maximum investment value corresponds to their normal annual long-term incentive award set by the company.

This arrangement will not change existing shareholder authorizations to the Board of Directors nor the earlier disclosed dilution impact of the 2018 Nokia Equity Program. The related purchases of shares by the participants are expected to be executed mainly during Q2 and Q3 of 2018 and the shares purchased under the arrangement must be held until January 1, 2021 in order for the matching performance share award to vest.

Further information of the 2018 Performance Share Plan is available in the company's stock exchange release concerning the 2018 Nokia Equity Program published on February 1, 2018.

NOKIA IN Q1 2018 NON-IFRS

FINANCIAL DISCUSSION

The financial discussion included in this financial report of Nokia's results comprises the results of Nokia's businesses - Nokia's Networks business and Nokia Technologies, as well as Group Common and Other. For more information on our reportable segments, please refer to note 3, Segment information, in the Financial statement information section in this report.

Year-on-year changes in non-IFRS net sales and non-IFRS operating profit

Nokia non-IFRS net sales decreased 9% year-on-year. On a constant currency basis, Nokia non-IFRS net sales would have been approximately flat year-on-year.

EUR million, non-IFRS	Net sales	% change	Gross profit	(R&D)	(SG&A)	Other income and (expenses)	Operating profit	Change in operating margin %
Networks business	(578)	(12)%	(386)	47	23	34	(281)	(560)bps
Nokia Technologies	118	48%	121	18	19	0	158	2 810bps
Group Common and Other	(2)	(1)%	10	5	6	1	21	800bps
Eliminations	3		0	0	0	0	0	
Nokia	(459)	(9)%	(255)	69	49	35	(102)	(150)bps

On a year-on-year basis, foreign exchange fluctuations had a significantly negative impact on non-IFRS gross profit, a significantly positive impact on non-IFRS operating expenses and a slightly negative net impact on non-IFRS operating profit in the first quarter 2018.

Year-on-year changes in non-IFRS profit attributable to the equity holders of the parent

EUR million, non-IFRS	Operating profit	Financial income and expenses	Taxes	Profit	Non-controlling interests	Profit attributable to the equity holders of the parent
Nokia	(102)	(35)	12	(120)	(9)	(110)

Non-IFRS financial income and expenses

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The net negative fluctuation in non-IFRS financial income and expenses was primarily due to interest expenses associated with the financial liability related to Nokia Shanghai Bell, higher losses from foreign exchange fluctuations and the inclusion of new items such as costs related to the sale of receivables and financing elements from customer and other contracts as a result of the adoption of new IFRS standards in the first quarter 2018. This was partially offset by lower interest expenses.

NOKIA IN Q1 2018 - REPORTED

FINANCIAL DISCUSSION

Year-on year changes in net sales and operating profit

Nokia net sales decreased 8% year-on-year. On a constant currency basis, Nokia net sales would have been approximately flat year-on-year.

EUR million	Net Sales	% change	Gross profit	(R&D)	(SG&A)	Other income and (expenses)	Operating profit	Change in operating margin %
Networks business	(578)	(12)%	(386)	47	23	34	(281)	(560)bps
Nokia Technologies	118	48%	121	18	19	0	158	2 810bps
Group Common and Other	(2)	(1)%	10	5	6	1	21	800bps
Eliminations	3		0	0	0	0	0	
Non-IFRS exclusions	6	(55)%	(64)	28	22	(94)	(107)	
Nokia	(454)	(8)%	(320)	98	72	(58)	(209)	(440)bps

Year-on-year changes in profit attributable to the equity holders of the parent

EUR million	Operating profit	Financial income and expenses	Taxes	Profit	Non-controlling interests	Profit attributable to the equity holders of the parent
Nokia	(209)	38	248	81	(40)	122

Financial income and expenses

The net positive fluctuation in financial income and expenses was primarily due to the absence of expenses related to Nokia's tender offer to repurchase certain bonds, which negatively affected the first quarter 2017, and lower interest expenses. This was partially offset by higher losses from foreign exchange fluctuations, expenses associated with the financial liability related to Nokia Shanghai Bell and the inclusion of new items such as costs related to the sale of receivables and financing elements from customer and other contracts as a result of the adoption of new IFRS standards in the first quarter 2018.

Taxes

The change in taxes was primarily due to the absence of a EUR 245 million tax expense, which negatively affected the first quarter 2017.

Non-IFRS exclusions in Q1 2018

Non-IFRS exclusions consist of costs related to the acquisition of Alcatel-Lucent and related integration, goodwill impairment charges, intangible asset amortization and purchase price related

items, restructuring and associated charges and certain other items that may not be indicative of Nokia's underlying business performance. For additional details, please refer to note 2, "Non-IFRS to reported reconciliation", in the "Financial statement information" section in this report.

Cost savings program

The following table summarizes the financial information related to our cost savings program, as of the end of the first 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 as of the second quarter 2016.

In EUR million, approximately	Q1 18
Opening balance of restructuring and associated liabilities	810
+ Charges in the quarter	140
- Cash outflows in the quarter	120
= Ending balance of restructuring and associated liabilities	830
<i>of which restructuring provisions</i>	740
<i>of which other associated liabilities</i>	90
Total expected restructuring and associated charges	1 900
- Cumulative recorded	1 460
= Charges remaining to be recorded	440
Total expected restructuring and associated cash outflows	2 250
- Cumulative recorded	1 080
= Cash outflows remaining to be recorded	1 170

The following table summarizes our full year 2016 and 2017 results and future expectations related to our cost savings program and network equipment swaps.

In EUR million, approximately rounded to the nearest EUR 50 million	Actual 2016	Actual 2017	Actual Cumulative through the end of 2017	FY 2018		Expected amounts for FY 2019 and beyond		Total	
				as of the end of Q4 17	Q1 18	as of the end of Q4 17	Q1 18	as of the end of Q4 17	Q1 18
Recurring annual cost savings	550	250	800	400	400	0	0	1 200	1 200
- operating expenses	350	150	500	300	300	0	0	800	800
- cost of sales	200	100	300	100	100	0	0	400	400
Restructuring and associated charges	750	550	1 300	600	600	0	0	1 900	1 900
Restructuring and associated cash outflows	400	550	950	650	650	650	650	2 250	2 250
Charges related to network equipment swaps	150	450	600	650	650	150	150	1 400	1 400
Cash outflows related to network equipment swaps	150	450	600	650	650	150	150	1 400	1 400

On a cumulative basis, Nokia continues to be on track to achieve the targeted EUR 1.2 billion of recurring annual cost savings in full year 2018.

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, including, without limitation, those regarding: A) 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; B) expectations, plans or benefits related to our strategies and growth management; C) expectations, plans or benefits related to future performance of our businesses; 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) 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; 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; 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; and L) statements preceded by or including believe, expect, anticipate, foresee, sees, target, estimate, designed, aim, plans, intends, focus, should, is to, will or similar expressions. 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, 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; 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 cyclical and variability of the information technology and telecommunications industries; 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, establish new sources of revenue and protect our intellectual property from infringement; 7) 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; 8) our ability to achieve the anticipated benefits, synergies, cost savings and efficiencies of acquisitions, including the acquisition of Alcatel Lucent, and our ability to implement changes to our organizational and operational structure efficiently; 9) our ability to manage and improve our financial and operating performance, cost savings, competitiveness and synergies generally and after 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) 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; 13) 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; 14) our reliance on third-party solutions for data storage and service distribution, which expose us to risks relating to security, regulation and cybersecurity breaches; 15) inefficiencies, breaches, malfunctions or disruptions of information technology systems; 16) Nokia Technologies ability to generate net sales and profitability through licensing of the Nokia brand, technology licensing and the development and sales of products and services for instance in digital health, as well as other business ventures, which may not materialize as planned; 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; and 30) 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 April 25, 2018.

- Nokia's Annual General Meeting 2018 is planned to be held on May 30, 2018.
- Nokia plans to publish its second quarter and half year 2018 results on July 26, 2018.
- Nokia plans to publish its third quarter and January-September 2018 results on October 25, 2018.

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About Nokia

We create the technology to connect the world. Powered by the research and innovation of Nokia Bell Labs, we serve communications service providers, governments, large enterprises and consumers, with the industry's most complete, end-to-end portfolio of products, services and licensing.

We adhere to the highest ethical business standards as we create technology with social purpose, quality and integrity. Nokia is enabling the infrastructure for 5G and the Internet of Things to transform the human experience www.nokia.com

Interim Report for Q1 2018

Solid full year results expected in Networks despite challenging Q1; continued strength in Nokia Technologies

- Nokia sees further acceleration of 5G with strong momentum building by year-end
- Nokia raises its primary addressable market outlook for its Networks business in full year 2018, and expects to outperform that market in full year 2018
- Full year 2018 Nokia-level guidance reiterated

Financial highlights

- Net sales in Q1 2018 were EUR 4.9bn, compared to EUR 5.4bn in Q1 2017. On a constant currency basis, net sales would have been flat year-on-year.
- Non-IFRS diluted EPS in Q1 2018 was EUR 0.02, compared to EUR 0.03 in Q1 2017. Reported diluted EPS in Q1 2018 was negative EUR 0.06, compared to negative EUR 0.08 in Q1 2017.

Nokia's Networks business net sales were EUR 4.3bn, with operating profit of EUR 43mn

- Q1 net sales and profitability were impacted primarily by lower net sales in North America. However, order intake and backlog were excellent in Q1. Therefore, Nokia expects the net sales trajectory in North America, as well as profitability, to improve significantly in the second half of 2018.

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- Based on firm orders, Nokia sees customer demand for 5G accelerating further, particularly in North America, where we expect commercial 5G network deployments to begin near the end of 2018.
- Encouraging progress was made in Q1 with our strategy to diversify and grow by targeting attractive adjacent markets. Strong momentum continued with large enterprise vertical and webscale customers, with double-digit year-on-year growth in net sales and order intake.
- Momentum in our end-to-end strategy continued, with one third of our sales pipeline now comprised of solutions, products and services from multiple business groups.

Nokia Technologies net sales were EUR 365mn, with operating profit of EUR 274mn

- Strong track record continued, with 48% year-on-year net sales growth and 136% year-on-year operating profit increase in Q1, primarily related to license agreements entered into in 2017.
- Nokia Technologies continued to make good progress on new patent licensing agreements, as well as brand and technology licensing agreements; no major agreements were announced in Q1.

Outlook

- Nokia reiterates all of its full year 2018 Nokia-level guidance, despite expected weakness in its Networks business in the first half of 2018.
- In its Networks business, Nokia sees market conditions improving and 5G accelerating further, with strong momentum building by year end. Nokia now sees a stronger primary addressable market for its Networks business in full year 2018 and expects its Networks business to outperform its primary addressable market in full year 2018.
- Nokia remains on target to deliver EUR 1.2 billion of recurring annual cost savings in full year 2018. Our active efforts to drive 5G adoption are expected to result in EUR 100 to 200 million of temporary expenses in 2018 to support 5G customer trials.
- Nokia continues to see opportunities to build on its track record in Nokia Licensing within Nokia Technologies and drive a compound annual growth rate of approximately 10% for recurring net sales over the 3-year period ending

2020.

April 26, 2018

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- Please refer to the full details and other targets in the Outlook section of this press release.

First quarter 2018 non-IFRS results. Refer to note 1, Basis of Preparation and note 15, Performance measures, in the Financial statement information section for further details(1)

EUR million (except for EPS in EUR)	Q1 18	Q1 17	YoY change	Constant currency YoY change
Net sales (non-IFRS)	4 929	5 388	(9)%	0%
Nokia's Networks business	4 324	4 902	(12)%	(3)%
Nokia Technologies	365	247	48%	49%
Group Common and Other	252	254	(1)%	4%
Gross profit (non-IFRS)	1 941	2 196	(12)%	
Gross margin % (non-IFRS)	39.4%	40.8%	(140)bps	
Operating profit (non-IFRS)	239	341	(30)%	
Nokia's Networks business	43	324	(87)%	
Nokia Technologies	274	116	136%	
Group Common and Other	(78)	(99)	(21)%	
Operating margin % (non-IFRS)	4.8%	6.3%	(150)bps	
Financial income and expenses (non-IFRS)	(116)	(81)	43%	
Income taxes (non-IFRS)	(36)	(48)	(25)%	
Profit for the period (non-IFRS)	83	203	(59)%	
Profit attributable to the equity holders of the parent (non-IFRS)	86	196	(56)%	
Non-controlling interests (non-IFRS)	(3)	6		
EPS, EUR diluted (non-IFRS)	0.02	0.03	(33)%	

First quarter 2018 reported results. Refer to note 1, Basis of Preparation and note 15, Performance measures, in the Financial statement information section for further details(1)

EUR million (except for EPS in EUR)	Q1 18	Q1 17	YoY change	Constant currency YoY change
Net sales	4 924	5 378	(8)%	0%
Nokia's Networks business	4 324	4 902	(12)%	(3)%
Nokia Technologies	365	247	48%	49%
Group Common and Other	252	254	(1)%	4%
Non-IFRS exclusions	(5)	(11)	(55)%	
Gross profit	1 805	2 125	(15)%	
Gross margin %	36.7%	39.5%	(280)bps	
Operating loss	(336)	(127)	165%	
Nokia's Networks business	43	324	(87)%	
Nokia Technologies	274	116	136%	
Group Common and Other	(78)	(99)	(21)%	
Non-IFRS exclusions	(575)	(468)	23%	
Operating margin %	(6.8)%	(2.4)%	(440)bps	
Financial income and expenses	(108)	(146)	(26)%	
Income taxes	94	(154)		
Loss for the period	(354)	(435)	(19)%	
Loss attributable to the equity holders of the parent	(351)	(473)	(26)%	
Non-controlling interests	(3)	37		
EPS, EUR diluted	(0.06)	(0.08)	(25)%	
Net cash and current financial investments	4 176	4 409	(5)%	

(1) Results are as reported 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

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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 the non-IFRS exclusions section included in discussion of the quarterly performance and 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.

CEO statement

We see strong momentum building for the full year despite a slow start in Networks. I have considerable confidence that Nokia is well-positioned to out-perform a strengthening Networks market and meet our full-year 2018 guidance.

Our confidence is based on strong order intake and backlog in Q1; our end-to-end strategy is resonating with customers, resulting in strong cross-sell activity and a year-on-year doubling of the multi-business group pipeline; we have clear visibility to 5G deals for large-scale commercial rollouts in United States in the second half of the year; and are successfully executing our diversification strategy, with consistent double-digit profitable growth with enterprise and webscale customers.

On the licensing side, first quarter recurring revenue was up by 65% year-on-year, and we expect continued strong growth in the months ahead. We see further opportunities in smart phone licensing in China, in the automotive sector and in brand licensing.

Our end-to-end portfolio positions us very well for 5G and our efforts to accelerate global 5G adoption are clearly delivering results. We will fuel that adoption in 2018 with investments in trial costs, as needed. These investments will position us to capture opportunities in a 5G market that we believe will substantially accelerate later this year in the United States, followed by other large-scale 5G commercial rollouts starting in 2019 in multiple geographies. Given these developments, we expect to see continued softness in the first half of 2018, followed by a much stronger second half.

We also see a clear path to market share gains this year given our success in 4G expansion, 5G deals, IP routing in both the service provider segment and adjacent markets, and optical, driven by 5G and webscale customers.

While our Networks gross margin in Q1 decreased on a year-on-year basis, the primary underlying reasons for that regional and product mix are largely temporary in nature and expected to improve in the second half of 2018. It is also important to understand that we did not see significant degradation of margins at the overall product level. We remain on track to deliver on our EUR 1.2 billion cost savings commitment.

Rajeev Suri
President and CEO

Outlook

	Metric	Guidance	Commentary
Nokia	Non-IFRS operating margin	9-11% for full year 2018 and 12-16% for full year 2020	Nokia expects non-IFRS operating margin and non-IFRS diluted earnings per share to expand between full year 2018 and full year 2020 primarily due to: a) Improved results in Nokia's Networks business, which are detailed below; b) Improved results in Nokia Technologies, which are detailed below; and c) Lower Nokia support function costs within Nokia's Networks business and Group Common and Other.
	Non-IFRS diluted earnings per share	EUR 0.23 - 0.27 in full year 2018 and EUR 0.37 - 0.42 in full year 2020	
	Dividend	Approximately 40% to 70% of non-IFRS EPS on a long-term basis	Nokia's Board of Directors is committed to proposing a growing dividend, including for 2018.
	Recurring free cash flow	Slightly positive in full year 2018 and clearly positive in full year 2020	Recurring free cash flow is expected to improve over the longer-term, due to lower cash outflows related to restructuring and network equipment swaps(1) and improved operational results over time.
	Recurring annual cost savings for Nokia, excluding Nokia Technologies	Approximately EUR 1.2 billion of recurring annual cost savings in full year 2018, of which approximately EUR 800 million are expected from operating expenses(1)	The reference period is full year 2015, in which the combined operating expenses of Nokia and Alcatel-Lucent, excluding Nokia Technologies, were approximately EUR 7.3 billion. As a result of active efforts to drive 5G adoption, and in the interest of our long-term strategy given the acceleration of 5G, in 2018 we expect to incur approximately EUR 100 to 200 million of temporary incremental expenses related to 5G customer trials that will partially reduce the positive impact from the recurring annual cost savings. <u>(This is an update to earlier commentary for approximately EUR 100 million of temporary incremental expenses.)</u>
	Network equipment swaps	Approximately EUR 1.4 billion of charges and cash outflows in total(1)	The charges related to network equipment swaps are being recorded as non-IFRS exclusions, and therefore do not affect Nokia's non-IFRS operating profit.
	Non-IFRS financial income and expenses	Expense of approximately EUR 300 million in full year 2018 and over the longer-term	Nokia's outlook for non-IFRS financial income and expenses in full year 2018 and over the longer-term is expected to be influenced by factors including: • Net interest expenses related to interest-bearing liabilities and defined benefit pension and other

		<p>post-employment benefit plans;</p> <ul style="list-style-type: none"> • Foreign exchange fluctuations and hedging costs; and • Expenses related to the sale of receivables.
Non-IFRS tax rate	Approximately 30% for full year 2018 and 25% over the longer-term	<p>Nokia's outlook for non-IFRS tax rate for full year 2018 and over the longer-term is expected to be influenced by factors including the absolute level of profits, regional profit mix and any further changes to our operating model.</p> <p>Nokia expects cash outflows related to taxes to be approximately EUR 450 million in full year 2018 and over the longer-term until Nokia's US or Finnish deferred tax assets are fully utilized.</p>
Capital expenditures	Approximately EUR 700 million in full year 2018 and approximately EUR 600 million over the longer-term	Primarily attributable to Nokia's Networks business, and consistent with the depreciation of property, plant and equipment over the longer-term.

<p>Nokia's NetworksNet sales business</p>	<p>Outperform its primary addressable market in 2018 and over the longer-term</p>	<p>For Nokia's Networks business, Nokia expects net sales to outperform its primary addressable market and operating margin to expand between full year 2018 and full year 2020.</p>
	<p><u>(This is an update to earlier guidance</u> for net sales to decline in-line with its primary addressable market in 2018.)</p>	<p>Nokia's outlook for net sales and operating margin for Nokia's Networks business is expected to be influenced by factors including:</p>
<p>Operating margin</p>	<p>6-9% for full year 2018 and 9-12% for full year 2020</p>	<ul style="list-style-type: none"> • An approximately 1 to 3 percent decline in the primary addressable market for Nokia's Networks business in full year 2018, compared to 2017, on a constant currency basis. 5G momentum is expected to drive growth in the primary addressable market in 2019 and 2020, on a constant currency basis. <p><u>(This is an update to earlier commentary</u> for a 2 to 4 percent decline in full year 2018.);</p> <ul style="list-style-type: none"> • Customer demand for 5G accelerating further, with commercial 5G network deployments expected to begin near the end of 2018. <p><u>(This is an update to earlier commentary</u> for deployments to begin in 2019.);</p> <ul style="list-style-type: none"> • Improved market conditions in the second half of 2018, particularly in North America, following expected weakness in the first half of 2018 (<u>new commentary</u>); • Our ability to scale our supply chain operations to meet increasing demand (<u>new commentary</u>); • A negative impact to reported net sales due to foreign exchange headwinds, particularly in first half 2018; • Focus on targeted growth opportunities in attractive adjacent markets; • Building a strong standalone software business; • Improved R&D productivity resulting from new ways of working and the reduction of legacy platforms over time;

- Lower support function costs, including IT and site costs;
- Uncertainty related to potential mergers or acquisitions by our customers;
- Product and regional mix; and
- Competitive and other industry dynamics.

Nokia Licensing within Nokia Technologies	Recurring net sales	Grow at a compound annual growth rate (CAGR) of approximately 10% over the 3-year period ending 2020	Due to risks and uncertainties in determining the timing and value of significant patent, brand and technology licensing agreements, Nokia believes it is not appropriate to provide annual outlook ranges for Nokia Licensing within Nokia Technologies. Although annual results are difficult to forecast, Nokia expects net sales growth and operating margin expansion over the 3-year period ending 2020.
	Operating margin	Expand to approximately 85% for full year 2020	<p>In full year 2017, licensing net sales were approximately EUR 1.6 billion, of which approximately EUR 300 million were non-recurring in nature and related to catch-up net sales for prior years.</p> <p>Nokia's outlook for net sales and operating margin for Nokia Licensing within Nokia Technologies is expected to be influenced by factors including:</p> <ul style="list-style-type: none"> • The timing and value of new patent licensing agreements with smartphone vendors, automotive companies and consumer electronics companies; • Renegotiation of expiring patent licensing agreements; • Increases or decreases in net sales related to existing patent licensees; • Results in brand and technology licensing; • Costs to protect and enforce our intellectual property rights; and • The regulatory landscape.

(1) For further details related to the cost savings and network equipment swaps guidance, please refer to the Cost savings program on page 9.

Nokia introduces a co-investment arrangement to executive compensation

In order to further increase alignment of management's and shareholders' interests and to maximize long-term shareholder value creation, the Board of Directors has decided to offer a co-investment arrangement, as part of the grants under the existing 2018 Performance Share Plan, to the President and CEO and a limited number of senior leaders in key positions whose contributions have a direct impact to the Company's strategy and long-term value.

Under the co-investment arrangement, the participants will be offered a matching award of two 2018 Performance Shares for each Nokia share that they purchase voluntarily with their own funds from the open market, with the payout of the Performance Shares subject to actual performance. For each participant, the arrangement is offered in addition to their normal annual long-term incentive award, and the maximum investment value corresponds to their normal annual long-term incentive award set by the company.

This arrangement will not change existing shareholder authorizations to the Board of Directors nor the earlier disclosed dilution impact of the 2018 Nokia Equity Program. The related purchases of shares by the participants are expected to be executed mainly during Q2 and Q3 of 2018 and the shares purchased under the arrangement must be held until January 1, 2021 in order for the matching performance share award to vest.

Further information of the 2018 Performance Share Plan is available in the company's stock exchange release concerning the 2018 Nokia Equity Program published on February 1, 2018.

Nokia in Q1 2018 Non-IFRS

Financial discussion

The financial discussion included in this financial report of Nokia's results comprises the results of Nokia's businesses - Nokia's Networks business and Nokia Technologies, as well as Group Common and Other. For more information on our reportable segments, please refer to note 3, Segment information, in the Financial statement information section in this report.

Year-on-year changes in non-IFRS net sales and non-IFRS operating profit

Nokia non-IFRS net sales decreased 9% year-on-year. On a constant currency basis, Nokia non-IFRS net sales would have been approximately flat year-on-year.

EUR million, non-IFRS	Net sales	% change	Gross profit	(R&D)	(SG&A)	Other income and (expenses)	Operating profit	Change in operating margin %
Networks business	(578)	(12)%	(386)	47	23	34	(281)	(560)bps
Nokia Technologies	118	48%	121	18	19	0	158	2 810bps
Group Common and Other	(2)	(1)%	10	5	6	1	21	800bps
Eliminations	3		0	0	0	0	0	
Nokia	(459)	(9)%	(255)	69	49	35	(102)	(150)bps

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On a year-on-year basis, foreign exchange fluctuations had a significantly negative impact on non-IFRS gross profit, a significantly positive impact on non-IFRS operating expenses and a slightly negative net impact on non-IFRS operating profit in the first quarter 2018.

Year-on-year changes in non-IFRS profit attributable to the equity holders of the parent

EUR million, non-IFRS	Operating profit	Financial income and expenses	Taxes	Profit	Non-controlling interests	Profit attributable to the equity holders of the parent
Nokia	(102)	(35)	12	(120)	(9)	(110)

Non-IFRS financial income and expenses

The net negative fluctuation in non-IFRS financial income and expenses was primarily due to interest expenses associated with the financial liability related to Nokia Shanghai Bell, higher losses from foreign exchange fluctuations and the inclusion of new items such as costs related to the sale of receivables and financing elements from customer and other contracts as a result of the adoption of new IFRS standards in the first quarter 2018. This was partially offset by lower interest expenses.

Nokia in Q1 2018 Reported

Financial discussion

Year-on-year changes in net sales and operating profit

Nokia net sales decreased 8% year-on-year. On a constant currency basis, Nokia net sales would have been approximately flat year-on-year.

EUR million	Net Sales	% change	Gross profit	(R&D)	(SG&A)	Other income and (expenses)	Operating profit	Change in operating margin %
Networks business	(578)	(12)%	(386)	47	23	34	(281)	(560)bps
Nokia Technologies	118	48%	121	18	19	0	158	2 810bps
Group Common and Other	(2)	(1)%	10	5	6	1	21	800bps
Eliminations	3		0	0	0	0	0	
Non-IFRS exclusions	6	(55)%	(64)	28	22	(94)	(107)	
Nokia	(454)	(8)%	(320)	98	72	(58)	(209)	(440)bps

Year-on-year changes in profit attributable to the equity holders of the parent

EUR million	Operating profit	Financial income and expenses	Taxes	Profit	Non-controlling interests	Profit attributable to the equity holders of the parent
Nokia	(209)	38	248	81	(40)	122

Financial income and expenses

The net positive fluctuation in financial income and expenses was primarily due to the absence of expenses related to Nokia's tender offer to repurchase certain bonds, which negatively affected the first quarter 2017, and lower interest expenses. This was partially offset by higher losses from foreign exchange fluctuations, expenses associated with the financial liability related to Nokia Shanghai Bell and the inclusion of new items such as costs related to the sale of receivables and financing elements from customer and other contracts as a result of the adoption of new IFRS standards in the first quarter 2018.

Taxes

The change in taxes was primarily due to the absence of a EUR 245 million tax expense, which negatively affected the first quarter 2017.

Non-IFRS exclusions in Q1 2018

Non-IFRS exclusions consist of costs related to the acquisition of Alcatel-Lucent and related integration, goodwill impairment charges, intangible asset amortization and purchase price related items, restructuring and associated charges and certain other items that may not be indicative of Nokia's underlying business performance. For additional details, please refer to note 2, Non-IFRS to reported reconciliation, in the Financial statement information section in this report.

Cost savings program

The following table summarizes the financial information related to our cost savings program, as of the end of the first 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 as of the second quarter 2016.

In EUR million, approximately	Q1 18
Opening balance of restructuring and associated liabilities	810
+ Charges in the quarter	140
- Cash outflows in the quarter	120
= Ending balance of restructuring and associated liabilities	830
<i>of which restructuring provisions</i>	740
<i>of which other associated liabilities</i>	90
Total expected restructuring and associated charges	1 900
- Cumulative recorded	1 460
= Charges remaining to be recorded	440
Total expected restructuring and associated cash outflows	2 250
- Cumulative recorded	1 080
= Cash outflows remaining to be recorded	1 170

The following table summarizes our full year 2016 and 2017 results and future expectations related to our cost savings program and network equipment swaps.

In EUR million, approximately rounded to the nearest EUR 50 million	Actual			FY 2018		Expected amounts for FY 2019 and beyond		Total	
	Actual 2016	Actual 2017	Cumulative through the end of 2017	as of the end of Q4 17	as of the end of Q1 18	as of the end of Q4 17	as of the end of Q1 18	as of the end of Q4 17	as of the end of Q1 18
Recurring annual cost savings	550	250	800	400	400	0	0	1 200	1 200
- operating expenses	350	150	500	300	300	0	0	800	800
- cost of sales	200	100	300	100	100	0	0	400	400
Restructuring and associated charges	750	550	1 300	600	600	0	0	1 900	1 900
Restructuring and associated cash outflows	400	550	950	650	650	650	650	2 250	2 250
Charges related to network equipment swaps	150	450	600	650	650	150	150	1 400	1 400
Cash outflows related to network equipment swaps	150	450	600	650	650	150	150	1 400	1 400

On a cumulative basis, Nokia continues to be on track to achieve the targeted EUR 1.2 billion of recurring annual cost savings in full year 2018.

Nokia's Networks business in Q1 2018

Operational highlights

The introduction of Nokia's 5G Future X architecture, created the foundation for Nokia's 5G technology and services portfolio. This was enhanced with the launch of the ReefShark chipset family, strengthening Nokia's end-to-end mobile networks portfolio with the capability to increase cell site throughput by a factor of three. Nokia also launched its next-generation Photonic Service Engine (PSE) 3 chipset. By maximizing the capacity and performance of every link in optical networks, the chipset is critical to meet surging traffic demands of video, cloud, and 5G on communication service provider and webscale networks.

We made further progress in our mobile portfolio and product migrations with key customers, as seen by Nokia's FL 17A software release for LTE. This software release, with extreme reliability, was deployed faster than any release before it and put into place at more than 195,000 sites by the end of March. We also remained on track with shipping our leading FP4-based IP routing products. We have nearly 70 customer FP4 trials ongoing, including multiple engagements with fast-growing webscale companies.

Nokia's expansion into select new segments, or verticals, beyond communication service providers saw continued momentum on multiple fronts, including the addition of around 30 new customers in the quarter.

We progressed with our expansion efforts in the cable access market, and are now offering a disruptive cable solution that gives operators the flexibility to choose from a full range of options across both fiber and cable to meet their network needs. As part of that progress, Nokia signed a deal with an important cable customer shortly after the end of the first quarter.

We acquired Unium, a Seattle-based software company that specializes in solving complex wireless networking problems for use in mission-critical and residential Wi-Fi applications. Unium's software and intelligent mesh wireless technology complement and enhance Nokia's whole-home Wi-Fi solution to maximize performance and simplify network management.

Among the deals signed was a commercial agreement with NTT DOCOMO, Japan's biggest mobile operator, to supply 5G baseband products for deployment in a 5G mobile network by 2020. We also announced plans with T-Mobile for the rollout of a nationwide 5G multi-band network in the United States using Nokia's commercial 5G solution. Nokia will begin building the network in the second quarter of 2018.

French power utility EDF selected Nokia to test the performance of LPWA (low power, wide area) wireless networking technologies that support safe and secure Internet of Things connectivity for potentially millions of sensors and devices. Nokia also announced plans with Facebook to work together to accelerate the adoption of 60 GHz fixed wireless access technologies to deliver gigabit services and connect more people, faster. The 60 GHz band allows high-speed broadband connectivity in urban and suburban areas, complementing fiber networks.

Nokia's signed the largest-ever GSM-R contract with PKP Polskie Linie Kolejowe in Poland, a win that underscored our end-to-end portfolio strength. The deal will provide the country with one of the biggest state-of-the-art railway communication networks in Europe and includes

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GSM-R and mission-critical IP/MPLS and optical transport, as well as managed services, to enhance railway security and reliability.

Nokia appointed Sanjay Goel as President of Global Services and as a member of the Nokia Group Leadership Team, effective from April 1, 2018. Goel was most recently head of Global Services Sales.

Financial highlights

EUR million	Q1 18	Q1 17	YoY change	Constant currency YoY change
Net sales	4 324	4 902	(12)%	(3)%
Ultra Broadband Networks	1 857	2 236	(17)%	(8)%
Global Services	1 239	1 361	(9)%	0%
IP Networks and Applications	1 228	1 304	(6)%	4%
Gross profit	1 549	1 935	(20)%	
<i>Gross margin %</i>	<i>35.8%</i>	<i>39.5%</i>	<i>(370)bps</i>	
R&D	(897)	(944)	(5)%	
SG&A	(644)	(667)	(3)%	
Other income and expenses	34	0		
Operating profit	43	324	(87)%	
<i>Operating margin %</i>	<i>1.0%</i>	<i>6.6%</i>	<i>(560)bps</i>	

Net sales by region

EUR million	Q1 18	Q1 17	YoY change	Constant currency	
				YoY change	YoY change
Asia-Pacific	906	1 046	(13)%	(3)%	(3)%
Europe	985	976	1%	3%	3%
Greater China	474	556	(15)%	(9)%	(9)%
Latin America	290	227	28%	48%	48%
Middle East & Africa	426	403	6%	18%	18%
North America	1 245	1 694	(27)%	(15)%	(15)%
Total	4 324	4 902	(12)%	(3)%	(3)%

Financial discussion

Year-on-year changes in net sales and operating profit

A discussion of our results within Ultra Broadband Networks, Global Services and IP Networks and Applications is included in the sections Ultra Broadband Networks , Global Services and IP Networks and Applications below.

EUR million	Net Sales	% change	Gross profit	(R&D)	(SG&A)	Other income and (expenses)	Operating profit	Change in operating margin %
Ultra Broadband Networks	(379)	(17)%	(252)	27	36	29	(160)	(640)bps

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Global Services	(122)	(9)%	(71)	0	0	10	(61)	(450)bps
IP Networks and Applications	(76)	(6)%	(63)	20	(12)	(4)	(59)	(470)bps
Networks business	(578)	(12)%	(386)	47	23	34	(281)	(560)bps

On a year-on-year basis, the decrease in gross profit was due to both lower net sales and lower gross margin. The decrease in gross margin was primarily due to unfavorable regional and product mix.

On a year-on-year basis, foreign exchange fluctuations had a significantly negative impact on gross profit, a significantly positive impact on operating expenses and a slightly negative net impact on operating profit in the first quarter 2018.

Ultra Broadband Networks in Q1 2018

Financial highlights

EUR million	Q1 18	Q1 17	YoY change	Constant currency YoY change
Net sales	1 857	2 236	(17)%	(8)%
Mobile Networks	1 413	1 735	(19)%	(10)%
Fixed Networks	445	501	(11)%	(3)%
Gross profit	879	1 131	(22)%	
<i>Gross margin %</i>	47.3%	50.6%	(330)bps	
R&D	(556)	(583)	(5)%	
SG&A	(264)	(300)	(12)%	
Other income and expenses	26	(3)		
Operating profit	85	245	(65)%	
<i>Operating margin %</i>	4.6%	11.0%	(640)bps	

Net sales by region

EUR million	Q1 18	Q1 17	YoYchange	Constant currency YoYchange		
				Ultra Broadband Networks	Mobile Networks	Fixed Networks
Asia-Pacific	400	457	(12)%	(1)%		
Europe	375	359	4%	5%		
Greater China	188	241	(22)%	(17)%		
Latin America	93	64	45%	67%		
Middle East & Africa	138	125	10%	19%		
North America	665	989	(33)%	(22)%		
Total	1 857	2 236	(17)%	(8)%		

change less than 3%

Financial discussion

Net sales

Ultra Broadband Networks net sales decreased 17% year-on-year. On a constant currency basis, Ultra Broadband Networks net sales would have decreased 8% year-on-year.

The performance in Mobile Networks was in comparison to a strong first quarter 2017, particularly in North America. The decrease in Mobile Networks net sales was primarily due to radio networks.

The decrease in Fixed Networks net sales was primarily due to broadband access, services and digital home.

Operating profit

The decrease in Ultra Broadband Networks gross profit was primarily due to Mobile Networks. The decrease in Mobile Networks gross profit was due to both lower net sales and a lower gross margin. The decrease in Mobile Networks gross margin was primarily due to unfavorable regional and product mix.

The decrease in Ultra Broadband Networks R&D expenses was primarily due to Mobile Networks. The decrease in Mobile Networks R&D expenses was primarily due to lower personnel expenses, reflecting progress related to Nokia's cost savings program.

The decrease in Ultra Broadband Networks SG&A expenses was primarily due to Mobile Networks. The decrease in Mobile Networks SG&A expenses was primarily due to lower personnel expenses, reflecting progress related to Nokia's cost savings program.

The net positive fluctuation in other income and expenses was primarily due to foreign exchange hedging.

On a year-on-year basis, foreign exchange fluctuations had a significantly negative impact on gross profit, a significantly positive impact on operating expenses and a slightly negative net impact on operating profit in the first quarter 2018.

Global Services in Q1 2018

Financial highlights

EUR million	Q1 18	Q1 17	YoY change	Constant currency YoY change
Net sales	1 239	1 361	(9)%	0%
Gross profit	172	243	(29)%	
<i>Gross margin %</i>	13.9%	17.9%	(400)bps	
R&D	(23)	(23)	0%	
SG&A	(164)	(164)	0%	
Other income and expenses	8	(2)		
Operating (loss)/profit	(6)	55		
<i>Operating margin %</i>	(0.5)%	4.0%	(450)bps	

Net sales by region

EUR million	Q1 18	Q1 17	YoY change	Constant currency	
				YoY change	
Asia-Pacific	268	326	(18)%	(9)%	
Europe	276	271	2%	4%	
Greater China	196	207	(5)%	2%	
Latin America	100	87	15%	31%	
Middle East & Africa	181	175	3%	21%	
North America	217	295	(26)%	(15)%	
Total	1 239	1 361	(9)%	0%	

Financial discussion

Net sales

Global Services net sales decreased 9% year-on-year. On a constant currency basis, Global Services net sales would have been approximately flat year-on-year.

The decrease in Global Services net sales was primarily due to network implementation, care and systems integration.

Operating profit

The decrease in Global Services gross profit was due to both a lower gross margin and lower net sales. The decrease in Global Services gross margin was primarily due to unfavorable regional mix.

The net positive fluctuation in other income and expenses was primarily due to foreign exchange hedging.

On a year-on-year basis, foreign exchange fluctuations had a significantly negative impact on gross profit, a positive impact on operating expenses and a negative net impact on operating profit in the first quarter 2018.

IP Networks and Applications in Q1 2018

Financial highlights

EUR million	Q1 18	Q1 17	YoY change	Constant currency YoY change
Net sales	1 228	1 304	(6)%	4%
IP/Optical Networks	912	945	(3)%	7%
IP Routing	550	621	(11)%	(2)%
Optical Networks	363	324	12%	24%
Nokia Software	316	359	(12)%	(3)%
Gross profit	497	560	(11)%	
<i>Gross margin %</i>	40.5%	42.9%	(240)bps	
R&D	(318)	(338)	(6)%	
SG&A	(215)	(203)	6%	
Other income and expenses	0	4		
Operating (loss)/profit	(36)	23		
<i>Operating margin %</i>	(2.9)%	1.8%	(470)bps	

Net sales by region

EUR million	Q1 18	Q1 17	YoY change	IP Networks and Applications	Constant currency YoY change IP/Optical Networks	Nokia Software
Asia-Pacific	238	263	(10)%	1%		
Europe	334	346	(3)%	(1)%		
Greater China	90	107	(16)%	(10)%		
Latin America	97	76	28%	51%		
Middle East & Africa	106	102	4%	13%		
North America	362	410	(12)%	2%		
Total	1 228	1 304	(6)%	4%		

change less than
3%

Financial discussion**Net sales**

IP Networks and Applications net sales decreased 6% year-on-year. On a constant currency basis, IP Networks and Applications net sales would have increased 4% year-on-year.

The decrease in Nokia Software net sales was primarily due to services and digital experience. Net sales in the first quarter 2018 benefitted from the acquisition of Comptel.

The decrease in IP/Optical Networks net sales was due to IP routing, partially offset by growth in optical networks. The growth in optical networks was primarily due to progress with targeted large enterprise vertical and webscale customers and certain customers in Asia-Pacific.

Operating profit

The decrease in IP Networks and Applications gross profit was due to both Nokia Software and IP/Optical Networks. The decrease in gross profit in Nokia Software was due to both a lower gross margin and lower net sales. The lower gross margin in Nokia Software was primarily due to unfavorable product mix and higher costs, including trial costs in China. The decrease in gross profit in IP/Optical Networks was primarily due to lower net sales.

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The decrease in IP Networks and Applications R&D expenses was primarily due to IP/Optical Networks. The decrease in IP/Optical Networks R&D expenses was primarily due to net positive foreign exchange fluctuations. On a constant currency basis, IP/Optical Networks R&D would have increased, primarily due to higher investments in our next generation FP4-based IP routing platform and PSE-3-based optical platform.

The increase in IP Networks and Applications SG&A expenses was due to both Nokia Software and IP/Optical Networks.

On a year-on-year basis, foreign exchange fluctuations had a significantly negative impact on gross profit, a significantly positive impact on operating expenses and a slightly positive net impact on operating profit in the first quarter 2018.

Nokia Technologies in Q1 2018

Operational highlights

Our momentum in patent licensing continued, with discussions progressing in markets including China and in new segments including automotive.

Nokia's brand licensee, HMD Global, launched four new Nokia-branded smartphones and the Nokia 8110 4G featurephone at Mobile World Congress, with great feedback across all audiences.

In February, Nokia announced that it is reviewing its strategic options for its Digital Health business and this process continues.

Financial highlights

EUR million	Q1 18	Q1 17	YoY change	Constant currency YoY change
Net sales	365	247	48%	49%
Gross profit	355	234	52%	
<i>Gross margin %</i>	<i>97.3%</i>	<i>94.7%</i>	<i>260bps</i>	
R&D	(43)	(61)	(30)%	
SG&A	(39)	(58)	(33)%	
Other income and expenses	0	0		

Operating profit	274	116	136%
<i>Operating margin %</i>	<i>75.1%</i>	<i>47.0%</i>	<i>2 810bps</i>

Financial discussion

Net sales

Nokia Technologies net sales increased 48% year-on-year. On a constant currency basis, Nokia Technologies net sales would have increased 49% year-on-year.

Of the EUR 365 million of net sales in the first quarter 2018, EUR 349 million related to patent, brand and technology licensing and EUR 16 million related to digital health.

The increase in Nokia Technologies net sales was primarily due to recurring net sales related to license agreements entered into in 2017. This was partially offset by lower licensing income from certain existing licensees. Nokia Technologies non-recurring catch-up net sales in the first quarter 2018 amounted to approximately zero. In the first quarter 2017, non-recurring net sales were approximately EUR 20 million.

Operating profit

The increase in Nokia Technologies gross profit was primarily due to higher net sales.

The decrease in Nokia Technologies R&D expenses was primarily due to reduced investments in digital media and lower patent portfolio costs.

The decrease in Nokia Technologies SG&A expenses was primarily due to lower licensing-related litigation costs.

On a year-on-year basis, foreign exchange fluctuations had a slightly negative impact on gross profit, a slightly positive impact on operating expenses and a slightly positive net impact on operating profit in the first quarter 2018.

Group Common and Other in Q1 2018

Financial highlights

EUR million	Q1 18	Q1 17	YoY change	Constant currency YoY change
Net sales	252	254	(1)%	4%
Gross profit	37	27	37%	
<i>Gross margin %</i>	14.7%	10.6%	410bps	
R&D	(71)	(76)	(7)%	
SG&A	(50)	(56)	(11)%	
Other income and expenses	7	6		
Operating loss	(78)	(99)	(21)%	
<i>Operating margin %</i>	(31.0)%	(39.0)%	800bps	

Financial discussion

Net sales

Group Common and Other net sales decreased 1% year-on-year. On a constant currency basis, Group Common and Other net sales would have increased 4% year-on-year.

Operating profit

The increase in Group Common and Other gross profit was primarily due to Alcatel Submarine Networks.

On a year-on-year basis, foreign exchange fluctuations had a slightly negative impact on gross profit, a slightly positive impact on operating expenses and a slightly positive net impact on operating profit in the first quarter 2018.

Cash and cash flow in Q1 2018

Nokia change in net cash and current financial investments (EUR billion)

EUR million, at end of period	Q1 18	Q1 17	YoY change	Q4 17	QoQ change
Total cash and current financial investments(1)	7 897	8 820	(10)%	8 280	(5)%
Net cash and current financial investments(1)	4 176	4 409	(5)%	4 514	(7)%

(1) Total cash and current financial investments consists of cash and cash equivalents and current financial investments. Net cash and current financial investments equals total cash and current financial investments less long-term and short-term interest-bearing liabilities. For details, please refer to note 9, Net cash and current financial investments, in the Financial statement information section in this report.

During the first quarter 2018, Nokia's total cash and current financial investments decreased by EUR 383 million and Nokia's net cash and current financial investments decreased by EUR 338 million.

Foreign exchange rates had an approximately EUR 30 million positive impact on net cash and current financial investments.

In the first quarter 2018, net cash and current financial investments used in operating activities was EUR 110 million:

- Nokia's adjusted profit before changes in net working capital was EUR 170 million in the first quarter 2018.
- In the first quarter 2018, Nokia experienced a decrease in net cash and current financial investments related to net working capital of approximately EUR 30 million.
- Nokia experienced a decrease in net cash and current financial investments related to restructuring and associated cash items in the first quarter 2018 of approximately EUR 130 million. Excluding this, Nokia experienced an increase in net cash and current financial investments related to net working capital of approximately EUR 100 million primarily due to a decrease in receivables, partially offset by an increase in inventories and a decrease in liabilities.
- The increase in net cash and current financial investments related to the decrease in receivables was approximately EUR 410 million, primarily due to a receipt of a payment related to a license agreement entered into in Q4 2017 and a seasonal decrease.
- The decrease in net cash and current financial investments related to the increase in inventories was approximately EUR 170 million, primarily due to a seasonal increase.
- The decrease in net cash and current financial investments related to the decrease in liabilities was approximately EUR 140 million, primarily due to a seasonal decrease, partially offset by an increase in deferred revenues and longer payment terms.
- In addition, Nokia experienced a decrease in net cash and current financial investments related to income taxes of approximately EUR 190 million, of which approximately EUR 100 million was non-recurring and related to the resolution of a tax dispute in India. Also, Nokia experienced a decrease in net cash and current financial investments related to net

interest of approximately EUR 70 million, of which approximately EUR 30 million was non-recurring and related to the disposal of the former Alcatel Lucent railway signaling business in 2006 to Thales.

In the first quarter 2018, net cash and current financial investments used in investing activities primarily related to capital expenditures of approximately EUR 260 million, of which approximately EUR 100 million were non-recurring.

In the first quarter 2018, net cash and current financial investments used in financing activities primarily related to paid dividends of approximately EUR 20 million.

Shares

The total number of Nokia shares on March 31, 2018, equaled 5 631 506 659. On March 31, 2018, Nokia and its subsidiary companies owned 43 959 438 Nokia shares, representing approximately 0.8% of the total number of Nokia shares and voting rights.

Financial statement information

Consolidated income statement (condensed, unaudited)

EUR million	Reported Q1 18	Reported Q1 17	Non-IFRS Q1 18	Non-IFRS Q1 17
Net sales (notes 2, 3, 4)	4 924	5 378	4 929	5 388
Cost of sales	(3 119)	(3 252)	(2 988)	(3 192)
Gross profit (notes 2, 3)	1 805	2 125	1 941	2 196
Research and development expenses	(1 167)	(1 265)	(1 011)	(1 080)
Selling, general and administrative expenses	(847)	(919)	(732)	(781)
Other income and expenses	(127)	(69)	41	6
Operating (loss)/profit (notes 2, 3)	(336)	(127)	239	341
Share of results of associated companies and joint ventures	(4)	(9)	(4)	(9)
Financial income and expenses (note 10)	(108)	(146)	(116)	(81)
(Loss)/profit before tax (note 2)	(448)	(282)	119	251
Income tax benefit/(expense)	94	(154)	(36)	(48)
(Loss)/profit from continuing operations (note 2)	(354)	(435)	83	203
(Loss)/profit attributable to equity holders of the parent	(351)	(473)	86	196
Non-controlling interests	(3)	37	(3)	6
Profit/(loss) from discontinued operations	163	(15)	0	0
Profit/(loss) attributable to equity holders of the parent	163	(15)	0	0
Non-controlling interests	0	0	0	0
(Loss)/profit for the period	(191)	(450)	83	203
(Loss)/profit attributable to equity holders of the parent	(188)	(488)	86	196
Non-controlling interests	(3)	37	(3)	6
Earnings per share, EUR (for profit/(loss) attributable to equity holders of the parent)				
Basic earnings per share				
Continuing operations	(0.06)	(0.08)	0.02	0.03
Discontinued operations	0.03	0.00	0.00	0.00
(Loss)/profit for the period	(0.03)	(0.09)	0.02	0.03
Diluted earnings per share				
Continuing operations	(0.06)	(0.08)	0.02	0.03
Discontinued operations	0.03	0.00	0.00	0.00
(Loss)/profit for the period	(0.03)	(0.09)	0.02	0.03
Average number of shares (000 shares)				
Basic				
Continuing operations	5 583 621	5 709 171	5 583 621	5 709 171
Discontinued operations	5 583 621	5 709 171	5 583 621	5 709 171
(Loss)/profit for the period	5 583 621	5 709 171	5 583 621	5 709 171
Diluted				
Continuing operations	5 583 621	5 709 171	5 601 031	5 727 766
Discontinued operations	5 601 031	5 709 171	5 601 031	5 727 766
(Loss)/profit for the period	5 583 621	5 709 171	5 601 031	5 727 766
From continuing operations:				
Depreciation and amortization (notes 2, 3)	(372)	(404)	(130)	(141)

The above condensed consolidated income statement should be read in conjunction with accompanying notes.

Consolidated statement of comprehensive income (condensed, unaudited)

EUR million	Reported Q1 18	Reported Q1 17
Loss for the period	(191)	(450)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurements on defined benefit pensions	241	227
Income tax related to items that will not be reclassified to profit or loss	(72)	(106)
Items that may be reclassified subsequently to profit or loss:		
Translation differences	(285)	(146)
Net investment hedges	93	16
Cash flow hedges	(31)	(10)
Financial assets at fair value through other comprehensive income	(20)	0
Available-for-sale investments	0	6
Other increase, net	0	5
Income tax related to items that may be reclassified subsequently to profit or loss	(8)	(4)
Other comprehensive loss, net of tax	(82)	(12)
Total comprehensive loss	(273)	(462)
Attributable to:		
Equity holders of the parent	(270)	(494)
Non-controlling interests	(3)	32
	(273)	(462)
Attributable to equity holders of the parent:		
Continuing operations	(433)	(479)
Discontinued operations	163	(15)
	(270)	(494)
Attributable to non-controlling interests:		
Continuing operations	(3)	32
Discontinued operations	0	0
	(3)	32

The above condensed consolidated statement of comprehensive income should be read in conjunction with accompanying notes.

Consolidated statement of financial position (condensed, unaudited)

EUR million	March 31, 2018	March 31, 2017	December 31, 2017
ASSETS			
Goodwill	5 164	6 040	5 248
Other intangible assets	3 752	4 946	3 971
Property, plant and equipment	1 789	1 934	1 853
Investments in associated companies and joint ventures	121	117	128
Non-current financial investments(1) (notes 10, 14)	658	1 031	816
Deferred tax assets (notes 8, 14)	4 636	5 599	4 582
Other non-current financial assets (notes 10, 14)	336	265	215
Defined benefit pension assets (note 7)	4 020	3 965	3 979
Other non-current assets	364	340	368
Non-current assets	20 840	24 236	21 160
Inventories	2 777	2 900	2 646
Trade receivables (notes 10, 14)	4 508	6 744	6 880
Contract assets (note 14)	1 406	0	0
Prepaid expenses and accrued income	1 093	1 332	1 259
Social security, VAT and other indirect taxes	562	551	552
Divestment related receivables	78	91	79
Other (note 14)	454	691	628
Current income tax assets	489	283	475
Other financial assets (notes 10, 14)	229	222	302
Current financial investments(1) (notes 10, 14)	1 342	1 833	911
Cash and cash equivalents (notes 10, 14)	6 555	6 987	7 369
Current assets	18 400	20 302	19 841
Assets held for sale	22	43	23
Total assets	39 262	44 581	41 024

	March 31, 2018	March 31, 2017	December 31, 2017
SHAREHOLDERS EQUITY AND LIABILITIES			
Share capital	246	246	246
Share issue premium	395	399	447
Treasury shares	(418)	(950)	(1 480)
Translation differences	(1 141)	353	(932)
Fair value and other reserves (note 14)	970	606	1 094
Reserve for invested non-restricted equity	15 589	15 616	15 616
Retained earnings (note 14)	153	3 099	1 147
Capital and reserves attributable to equity holders of the parent	15 795	19 369	16 138
Non-controlling interests	79	916	80
Total equity	15 874	20 286	16 218
Long-term interest-bearing liabilities (notes 10, 12)	3 172	4 106	3 457
Deferred tax liabilities (notes 8, 14)	409	421	413
Defined benefit pension and post-retirement liabilities (note 7)	4 268	4 942	4 440
Contract liabilities (note 14)	1 250	0	0
Deferred revenue and other long-term liabilities	1 682	1 365	2 986
Advance payments and deferred revenue (note 14)	886	1 140	2 204
Other (note 10)	796	225	782
Provisions (note 11)	721	748	766
Non-current liabilities	11 501	11 581	12 063
Short-term interest-bearing liabilities (notes 10, 12)	548	306	309
Other financial liabilities (note 10)	241	184	268
Current income tax liabilities(2)	233	623	383

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Trade payables (note 10)	3 584	3 616	3 996
Contract liabilities (note 14)	2 725	0	0
Accrued expenses, deferred revenue and other liabilities	3 518	6 723	6 666
Advance payments and deferred revenue (note 14)	452	3 167	3 513
Salaries, wages and social charges	1 735	1 692	1 551
Other	1 331	1 864	1 603
Provisions(2) (note 11)	1 038	1 262	1 122
Current liabilities	11 887	12 714	12 744
Total shareholders' equity and liabilities	39 262	44 581	41 024
Interest-bearing liabilities, EUR million	3 721	4 412	3 766
Shareholders' equity per share, EUR	2.83	3.41	2.89
Number of shares (1 000 shares, excluding treasury shares)	5 587 547	5 682 753	5 579 517

(1)Related to the adoption of IFRS 9, Financial Instruments on January 1, 2018, financial instruments previously presented within Available for sale investments are now presented within Non-current financial investments, and financial instruments previously presented within Available for sale investments, liquid assets and Investments at fair value through profit and loss, liquid assets are now presented within Current financial investments. Despite the changes in the presentation of comparatives, IFRS 9 has not been adopted retrospectively.

(2)Comparatives for March 31, 2017, have been revised to reflect the change in presentation of interest and penalties related to income taxes from current income tax liabilities to provisions.

The above condensed consolidated balance sheet should be read in conjunction with accompanying notes.

Consolidated statement of cash flows (condensed, unaudited)

EUR million	Q1 18	Q1 17
Cash flow from operating activities		
Loss for the period	(191)	(450)
Adjustments		
Depreciation and amortization	372	404
Restructuring charges	131	50
Income tax (benefit)/expense	(165)	156
Other	23	114
Change in net working capital		
Decrease in receivables	408	237
Increase in inventories	(168)	(386)
Decrease in interest-free liabilities	(267)	(378)
Cash from/(used in) operations	143	(253)
Interest received	24	18
Interest paid	(89)	(148)
Income taxes, net paid	(188)	(90)
Net cash used in operating activities	(110)	(473)
Cash flow from investing activities		
Capital expenditures	(260)	(150)
Proceeds from sale of property, plant and equipment and intangible assets	12	3
Acquisition of businesses, net of cash acquired	(12)	(79)
Purchase of current financial investments	(836)	(771)
Proceeds from maturities and sale of current financial investments	420	775
Purchase of non-current financial investments	(19)	(19)
Proceeds from sale of non-current financial investments	29	39
Other	2	(10)
Net cash used in investing activities	(664)	(212)
Cash flow from financing activities		
Purchase of treasury shares	0	(237)
Proceeds from long-term borrowings	30	1 241
Repayment of long-term borrowings	(12)	(759)
Payment of short-term borrowings	(1)	(67)
Dividends paid and other contributions to shareholders	(15)	0
Net cash from financing activities	2	178
Foreign exchange adjustment	(42)	(3)
Net decrease in cash and cash equivalents	(814)	(510)
Cash and cash equivalents at beginning of period	7 369	7 497
Cash and cash equivalents at end of period	6 555	6 987

Consolidated statement of cash flows combines cash flows from both the continuing and the discontinued operations. The figures in the consolidated statement of cash flows cannot be directly traced from the statement of financial position without additional information as a result of acquisitions and disposals of subsidiaries and net foreign exchange differences arising on consolidation.

The above condensed consolidated statement of cash flows should be read in conjunction with accompanying notes.

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Consolidated statement of changes in shareholders' equity (condensed, unaudited)

EUR million	Share capital	Share issue premium	Treasury shares	Translation difference	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Equity holders of the parent	Non-controlling interest	Total equity
January 1, 2017	246	439	(881)	483	488	15 731	3 588	20 094	881	20 975
Remeasurements on defined benefit pension plans, net of tax	0	0	0	0	121	0	0	121	0	121
Translation differences	0	0	0	(144)	0	0	0	(144)	(5)	(149)
Net investment hedges, net of tax	0	0	0	13	0	0	0	13	0	13
Cash flow hedges, net of tax	0	0	0	0	(9)	0	0	(9)	0	(9)
Available-for-sale investments, net of tax	0	0	0	0	7	0	0	7	0	7
Other increase/decrease, net	0	0	0	0	0	0	5	5	0	5
Loss for the period	0	0	0	0	0	0	(488)	(488)	37	(450)
Total comprehensive loss	0	0	0	(131)	119	0	(482)	(494)	32	(462)
Share-based payment	0	17	0	0	0	0	0	17	0	17
Excess tax benefit on share-based payment	0	2	0	0	0	0	0	2	0	2
Settlement of performance and restricted shares	0	(60)	153	0	0	(115)	0	(22)	0	(22)
Acquisition of treasury shares	0	0	(222)	0	0	0	0	(222)	0	(222)
Acquisitions through business combinations	0	0	0	0	0	0	0	0	3	3
Acquisition of non-controlling interests	0	0	0	0	0	0	(6)	(6)	(1)	(7)
Other movements	0	1	0	0	0	0	0	1	0	1
Total of other equity movements	0	(40)	(69)	0	0	(115)	(6)	(230)	3	(227)
March 31, 2017	246	399	(950)	353	606	15 616	3 099	19 369	916	20 286
December 31, 2017	246	447	(1 480)	(932)	1 094	15 616	1 147	16 138	80	16 218
Adoption of IFRS 9 and IFRS 15 (note 14)	0	0	0	0	(252)	0	198	(54)	0	(54)
January 1, 2018	246	447	(1 480)	(932)	843	15 616	1 345	16 084	80	16 164
Remeasurements on defined benefit pension plans, net	0	0	0	0	170	0	0	170	0	170

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of tax										
Translation differences	0	0	0	(284)	0	0	0	(284)	0	(284)
Net investment hedges, net of tax	0	0	0	75	0	0	0	75	0	75
Cash flow hedges, net of tax	0	0	0	0	(25)	0	0	(25)	0	(25)
Financial assets at fair value through other comprehensive income, net of tax (note 10)	0	0	0	0	(17)	0	0	(17)	0	(17)
Loss for the period	0	0	0	0	0	0	(188)	(188)	(3)	(191)
Total comprehensive loss	0	0	0	(209)	127	0	(188)	(270)	(3)	(273)
Share-based payment	0	4	0	0	0	0	0	4	0	4
Excess tax benefit on share-based payment	0	1	0	0	0	0	0	1	0	1
Settlement of performance and restricted shares	0	(57)	62	0	0	(26)	0	(21)	0	(21)
Cancellation of treasury shares	0	0	1 000	0	0	0	(1 000)	0	0	0
Other change in non-controlling interest	0	0	0	0	0	0	(2)	(2)	2	0
Total of other equity movements	0	(52)	1 062	0	0	(26)	(1 003)	(19)	2	(17)
March 31, 2018	246	395	(418)	(1 141)	970	15 589	153	15 795	79	15 874

The above condensed consolidated statement of changes in shareholders' equity should be read in conjunction with accompanying notes.

Notes to Financial statements

1. BASIS OF PREPARATION

This unaudited, consolidated, condensed financial statement information of Nokia has been prepared in accordance with IAS 34, Interim Financial Reporting. This condensed financial statement information should be read in conjunction with the financial statements for 2017, which have been prepared in accordance with IFRS as published by the IASB and adopted by the EU. The same accounting policies, methods of computation and applications of judgment are followed in this financial statement information as was followed in the financial statements for 2017 with the exception of changes resulting from adoption of IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers as described in note 14, New accounting standards .

This financial report was authorized for issue by management on April 25, 2018.

Nokia presents financial information on reported, non-IFRS and constant currency basis. Non-IFRS measures presented in this document 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. In order to allow full visibility on determining non-IFRS results, information on non-IFRS exclusions is presented separately for each of the components of profit or loss.

Constant currency reporting provides additional information on change in net sales on a constant currency basis in order to better reflect the underlying net sales development. Therefore, change in net sales at constant currency excludes the impact of changes in exchange rates in comparison to euro.

Non-IFRS or constant currency financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS, and either of these financial measures as used by Nokia may not be comparable to similarly titled measures used by other companies or persons.

On July 3, 2017, Nokia and China Huaxin Post & Telecommunication Economy Development Center (China Huaxin) commenced operations of the new joint venture Nokia Shanghai Bell (NSB). As part of the NSB definitive agreements, China Huaxin obtained the right to fully transfer its ownership interest in NSB to Nokia in exchange for a future cash settlement. To reflect its conditional obligation to China Huaxin, Nokia recorded the present value of the expected future cash settlement as a financial liability of EUR 737 million within other long-term liabilities and derecognised its non-controlling interest balance of EUR 772 million related to NSB with the difference recorded within retained earnings. The recognition of the present value discount on the financial liability will increase interest expense and any changes in the estimated future cash settlement will be recorded within financial income and expense.

Percentages and figures presented herein may include rounding differences and therefore may not add up precisely to the totals presented and may vary from previously published financial information.

New and amended standards and interpretations adopted

On January 1, 2018, Nokia adopted IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers. The nature of new standards, impact of adoption on Nokia's consolidated financial statements and changes to Nokia's accounting policies resulting from the adoption are described in detail in note 14, New accounting standards. Other amendments and interpretations that became effective on January 1, 2018, did not have a material impact on Nokia's consolidated financial statements.

Standards issued but not yet effective

IFRS 16 Leases, issued in January 2016, sets out the requirements for the recognition, measurement, presentation and disclosure of leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities for substantially all leases in the consolidated statement of financial position. Nokia will adopt IFRS 16 on the effective date of January 1, 2019 using the cumulative catch-up transition method, whereby the cumulative effect of initially applying IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings on January 1, 2019 and comparative information will not be restated. Nokia is currently assessing the full impact of IFRS 16 but the initial expectation is that the main impact from adoption relates to the recognition and disclosure of Nokia's real estate related operating leases. In the consolidated financial statements for the quarter ended March 31, 2018, Nokia disclosed non-cancellable operating lease commitments of EUR 875 million.

Other revisions, amendments and interpretations to existing standards issued by the IASB that are not yet effective are not expected to have a material impact on Nokia's consolidated financial statements when adopted.

Currency exposures, approximately (unaudited)

	Q1 18		Q1 17		Q4 17	
	Net sales	Total costs	Net sales	Total costs	Net sales	Total costs
EUR	~25%	~30%	~20%	~30%	~25%	~30%
USD	~45%	~40%	~50%	~40%	~45%	~45%
CNY	~10%	~10%	~10%	~10%	~10%	~10%
Other	~20%	~20%	~20%	~20%	~20%	~15%
Total	100%	100%	100%	100%	100%	100%

End of Q1 18 balance sheet rate 1 EUR = 1.23 USD, end of Q1 17 balance sheet rate 1 EUR = 1.07 USD and end of Q4 17 balance sheet rate 1 EUR = 1.20 USD

Exchange rates

Nokia is a company with global operations and net sales derived from various countries and invoiced in various currencies. Therefore, our business and results from operations are exposed to changes in exchange rates between the euro, our reporting currency, and other currencies, such as the US dollar and the Chinese yuan. To mitigate the impact of changes in exchange rates on our results, we hedge operative forecasted net foreign exchange exposures, typically within a 12-month horizon, and apply hedge accounting in the majority of cases.

2. NON-IFRS TO REPORTED RECONCILIATION (unaudited)

In addition to information on our reported IFRS results, Nokia provides certain information on a non-IFRS, or underlying business performance, basis. Non-IFRS measures presented in this document 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. Nokia believes that the non-IFRS results provide meaningful supplemental information to both management and investors regarding Nokia's underlying business performance by excluding the above-described items. These non-IFRS financial measures should not be viewed in isolation or as substitutes to the equivalent IFRS measure(s), but should be used in conjunction with the most directly comparable IFRS measure(s) in the reported results.

Q1 18 EUR million	Net sales	Cost of sales	Research and development expenses	Selling, general and administrative expenses	Other income and expenses	Operating profit/(loss)	Financial income and expenses	Income tax (expense)/benefit	Profit/(loss) from continuing operations	Attributable to the equity holders of the parent	Attributable to non-controlling interest
Non-IFRS	4 929	(2 988)	(1 011)	(732)	41	239	(116)	(36)	83	86	
Release of acquisition-related fair value adjustments to deferred revenue and inventory	(5)					(5)		2	(3)	(3)	
Amortization and depreciation of acquired intangible assets and property, plant and equipment		(1)	(148)	(93)		(242)		59	(183)	(183)	
Transaction and related costs, including integration costs		(1)		(22)		(23)		5	(18)	(18)	
Restructuring and associated charges					(153)	(154)		32	(122)	(122)	
Product portfolio strategy costs		(128)	(8)			(136)		28	(108)	(108)	
Impairment of intangible assets					(15)	(15)		4	(11)	(11)	
Change in financial liability to acquire NSB non-controlling interest						0	8		8	8	
Deferred tax valuation allowance						0		(12)	(12)	(12)	
Operating model integration						0		13	13	13	
Total non-IFRS exclusions	(5)	(131)	(156)	(116)	(168)	(575)	8	130	(437)	(437)	
Reported	4 924	(3 119)	(1 167)	(847)	(127)	(336)	(108)	94	(354)	(351)	

Q1 17 EUR million	Net sales	Cost of sales	Research and development	Selling, general and	Other income and	Operating profit/(loss)	Financial income	Income tax (expense)/	Profit/(loss) from	Attributable to the equity	Attributable to non-controlling interest
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			expenses	administrative expenses	expenses		and expenses	benefit	continuing operations	holders of the parent	interest
Non-IFRS	5 388	(3 192)	(1 080)	(781)	6	341	(81)	(48)	203	196	
Release of acquisition-related fair value adjustments to deferred revenue and inventory	(11)					(11)		4	(7)	(7)	
Amortization and depreciation of acquired intangible assets and property, plant and equipment		(2)	(161)	(101)		(264)		77	(187)	(187)	
Transaction and related costs, including integration costs		(5)		(37)		(42)		9	(33)	(33)	
Restructuring and associated charges				(1)	(74)	(75)		20	(55)	(55)	
Product portfolio strategy costs		(54)	(23)			(76)		17	(59)	(90)	
Early redemption cost of debt						0	(64)	13	(51)	(51)	
Operating model integration						0		(245)	(245)	(245)	
Total non-IFRS exclusions	(11)	(61)	(184)	(138)	(74)	(468)	(64)	(106)	(638)	(669)	
Reported	5 378	(3 252)	(1 265)	(919)	(69)	(127)	(146)	(154)	(435)	(473)	

3. SEGMENT INFORMATION (unaudited)

Nokia has two businesses: Nokia's Networks business and Nokia Technologies, and four reportable segments for financial reporting purposes: (1) Ultra Broadband Networks, (2) Global Services and (3) IP Networks and Applications within Nokia's Networks business; and (4) Nokia Technologies. Segment-level information for Group Common and Other is also presented.

Nokia has aggregated Mobile Networks and Fixed Networks operating segments to one reportable segment, Ultra Broadband Networks; and IP/Optical Networks and Nokia Software(1) operating segments to one reportable segment, IP Networks and Applications. The aggregated operating segments have similar economic characteristics, such as long-term margins; have similar products, production processes, distribution methods and customers; and operate in a similar regulatory environment.

The President and CEO is the chief operating decision maker and monitors the operating results of operating and reportable segments for the purpose of making decisions about resource allocation and performance assessment. Key financial performance measures of the segments include primarily net sales and operating profit. The evaluation of segment performance and allocation of resources is based on non-IFRS operating profit.

Accounting policies of the segments are the same as those described in note 2, Significant accounting policies of our Annual Report for 2017. Inter-segment revenues and transfers are accounted for as if the revenues were to third parties, that is, at current market prices. Non-IFRS exclusions are not allocated to the segments.

Ultra Broadband Networks

Ultra Broadband Networks comprises Mobile Networks and Fixed Networks operating segments.

The Mobile Networks operating segment offers an industry-leading portfolio of end-to-end mobile networking solutions comprising hardware and software for communications service providers, enterprises and related markets/verticals, such as public safety and Internet of Things (IoT).

The Fixed Networks operating segment provides copper and fiber access products, solutions and services. The portfolio allows for a customized combination of technologies that brings fiber to the most economical point for the customer.

Global Services

Global Services operating segment provides a wide range of professional services with multi-vendor capabilities, covering network planning and optimization, systems integration as well as company-wide managed services. It also provides network implementation and care services for mobile networks, using the strength of its global service delivery for quality, speed and efficiency.

IP Networks and Applications

IP Networks and Applications comprises IP/Optical Networks and Nokia Software operating segments.

The IP/Optical Networks operating segment provides the key IP routing and optical transport systems, software and services to build high capacity network infrastructure for the internet and global connectivity.

The Nokia Software operating segment offers software solutions spanning customer experience management, network operations and management, communications and collaboration, policy and charging, as well as Cloud, IoT, security, and analytics platforms that enable digital services providers and enterprises to accelerate innovation, monetize services, and optimize their customer experience.

Nokia Technologies

The Nokia Technologies operating segment, building on decades of innovation and R&D leadership in technologies used in virtually all mobile devices used today, is expanding Nokia patent licensing business, reintroducing the Nokia brand to smartphones through brand licensing, and establishing a technology licensing business. The majority of net sales and related costs and expenses attributable to licensing and patenting the separate patent portfolios of Nokia Technologies, Nokia's Networks business, and Nokia Bell Labs are recorded in Nokia Technologies. Each reportable segment continues to separately record its own research and development expenses.

Group Common and Other

Group Common and Other includes Alcatel-Lucent Submarine Networks and Radio Frequency Systems, both of which are being managed as separate entities. In addition, Group Common and Other includes Nokia Bell Labs' operating expenses, as well as certain corporate-level and centrally managed operating expenses.

(1) Applications & Analytics operating segment was renamed as Nokia Software on February 1, 2018.

Q1 18

EUR million	Ultra Broadband Networks(1)	Global Services	IP Networks and Applications(2)	Nokia s Networks business Total	Nokia Technologies	Group Common and Other	Eliminations	Non-IFRS total
Net sales	1 857	1 239	1 228	4 324	365	252	(12)	4 929
Cost of sales	(978)	(1 067)	(731)	(2 776)	(10)	(215)	12	(2 988)
Gross profit	879	172	497	1 549	355	37	0	1 941
<i>% of net sales</i>	47.3%	13.9%	40.5%	35.8%	97.3%	14.7%		39.4%
Research and development expenses	(556)	(23)	(318)	(897)	(43)	(71)	0	(1 011)
Selling, general and administrative expenses	(264)	(164)	(215)	(644)	(39)	(50)	0	(732)
Other income and expenses	26	8	0	34	0	7	0	41
Operating profit/(loss)	85	(6)	(36)	43	274	(78)	0	239
<i>% of net sales</i>	4.6%	(0.5)%	(2.9)%	1.0%	75.1%	(31.0)%		4.8%
Depreciation and amortization	(59)	(16)	(38)	(113)	(5)	(12)	0	(130)
Share of results of associated companies and joint ventures	(4)	0	0	(4)	1	0	0	(4)
EBITDA	139	10	2	151	279	(65)	0	365

- (1) Mobile Networks net sales of EUR 1 413 million and Fixed Networks net sales of EUR 445 million.
- (2) IP Routing net sales of EUR 550 million, Optical Networks net sales of EUR 363 million and Nokia Software net sales of EUR 316 million.
- (3) Non-IFRS results exclude costs related to the Alcatel-Lucent transaction and related integration, goodwill impairment charges, intangible asset amortization and purchase price related items, restructuring and associated charges, and certain other items that may not be indicative of Nokia s underlying business performance.

Q1 17

EUR million	Ultra Broadband Networks(1)	Global Services	IP Networks and Applications(2)	Nokia s Networks business Total	Nokia Technologies	Group Common and Other	Eliminations	Non-IFRS total
Net sales	2 236	1 361	1 304	4 902	247	254	(15)	5 388
Cost of sales	(1 105)	(1 118)	(744)	(2 967)	(13)	(227)	15	(3 192)
Gross profit	1 131	243	560	1 935	234	27	0	2 196
<i>% of net sales</i>	50.6%	17.9%	42.9%	39.5%	94.7%	10.6%		40.8%
Research and development expenses	(583)	(23)	(338)	(944)	(61)	(76)	0	(1 080)
Selling, general and administrative expenses	(300)	(164)	(203)	(667)	(58)	(56)	0	(781)
Other income and expenses	(3)	(2)	4	0	0	6	0	6
EBITDA	245	55	23	324	116	(99)	0	341

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**Operating
profit/(loss)**

<i>% of net sales</i>	11.0%	4.0%	1.8%	6.6%	47.0%	(39.0)%		6.3%
<i>Depreciation and amortization</i>	(64)	(19)	(43)	(126)	(4)	(11)	0	(141)
<i>Share of results of associated companies and joint ventures</i>	1	0	0	1	(10)	0	0	(9)
<i>EBITDA</i>	311	75	66	451	109	(88)	0	472

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- (1) Mobile Networks net sales of EUR 1 735 million and Fixed Networks net sales of EUR 501 million.
(2) IP Routing net sales of EUR 621 million, Optical Networks net sales of EUR 324 million and Nokia Software net sales of EUR 359 million.
(3) Non-IFRS results exclude costs related to the Alcatel-Lucent transaction and related integration, goodwill impairment charges, intangible asset amortization and purchase price related items, restructuring and associated charges, and certain other items that may not be indicative of Nokia's underlying business performance.

4. NET SALES BY GEOGRAPHIC AREA (unaudited)

EUR million	Q1 18	Q1 17	YoY change
Asia-Pacific	910	1 056	(14)%
Europe	1 506	1 377	9%
Greater China	480	564	(15)%
Latin America	297	234	27%
Middle East & Africa	431	406	6%
North America	1 301	1 740	(25)%
Total	4 924	5 378	(8)%

5. ACQUISITIONS (unaudited)

On March 15, 2018 Nokia acquired 100% ownership interest in Unium Inc., a US-based software company that specializes in solving complex wireless networking problems for use in mission-critical and residential Wi-Fi applications. The acquisition did not have a material impact to the consolidated statement of financial position, comprehensive income or cash flows. The goodwill arising from the acquisition was allocated to Fixed Networks operating segment.

6. DISCONTINUED OPERATIONS (unaudited)

Discontinued operations include the continuing financial effects of the HERE business and the Devices & Services business, the disposals of which were completed on December 4, 2015 and April 25, 2014, respectively.

Results of discontinued operations

EUR million	Q1 18	Q1 17
Net sales	0	0
Cost of sales	0	0
Gross profit	0	0
Operating expenses	8	(9)
Operating profit/(loss)	8	(9)
Financial income and expense	83	(4)
Profit/(loss) before tax	91	(13)
Income tax benefit/(expense)	71	(2)
Profit/(loss) for the period, ordinary activities	163	(15)
Gain on the sale of businesses, net of tax	0	0
Profit/(loss) from discontinued operations	163	(15)

Cash flows from discontinued operations

EUR million	Reported Q1 18	Reported Q1 17
Net cash used in operating activities	(106)	(2)
Net cash from investing activities	3	0
Net cash flow for the period	(103)	(2)

The results and cash flows of discontinued operations in the first quarter of 2018 mostly relate to a resolution reached in the tax dispute concerning the applicability of withholding tax in respect of payments by Nokia India Private Limited to Nokia Corporation for the supply of operating software in Devices & Services business. Nokia paid EUR 102 million tax in addition to EUR 100 million that was already paid during 2013-2015.

7. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (unaudited)

Nokia operates a number of post-employment plans in various countries including both defined contribution and defined benefit plans. Defined benefit plans include pension plans and post-retirement welfare benefit plans, providing post-retirement healthcare benefits and life insurance coverage. Defined benefit plans expose Nokia to actuarial risks such as investment risk, interest rate risk, and life expectancy risk. The characteristics and associated risks of the defined benefit plans vary depending on legal, fiscal, and economic requirements in each country.

96% of Nokia's defined benefit obligation and 98% of plan assets fair values were remeasured as of March 31, 2018. Nokia's pension and post-retirement obligations in the United States have been remeasured by updated valuations from an external actuary and Nokia's main pension plans outside of the U.S. (in Germany, United Kingdom, Switzerland and Belgium) have been remeasured based upon changes in the discount rates during the reporting period. The impact of not remeasuring other pension and post-employment obligations is considered not material.

Change in pension and post-retirement net asset/(liability) recognized

EUR million	March 31, 2018			March 31, 2017			December 31, 2017		
	Pension benefits(1)	Post-retirement benefits	Total	Pension benefits(1)	Post-retirement benefits	Total	Pension benefits(1)	Post-retirement benefits	Total
Net liability recognized at January 1						(1)			(1)
Current service cost	1 525	(1 986)	(461)	1 284	(2 482)	198	1 284	(2 482)	198
Net interest income/(expense)	(41)	0	(41)	(42)	0	(42)	(180)	0	(180)
Net interest income/(expense)	12	(16)	(4)	11	(22)	(11)	44	(81)	(37)
Curtailement	(17)	0	(17)	(22)	(1)	(23)	(5)	(1)	(6)
Pension and healthcare plan amendments	0	0	0	0	0	0	9	0	9
Total expense recognized in the income statement	(46)	(16)	(62)	(53)	(23)	(76)	(132)	(82)	(214)
Actuarial gains/(losses) for the period	174	100	274	235	13	248	823	133	956
Change in asset ceiling, excluding amounts included in net interest (expense)	(33)	0	(33)	(21)	0	(21)	(233)	0	(233)
Total recognized in other comprehensive income	141	100	241	214	13	227	590	133	723
Exchange differences	(60)	51	(9)	(19)	36	17	(240)	297	57
Contributions and benefits paid	53	(9)	44	66	(13)	53	246	4	250
Other movements(2)	2	(3)	(1)	0	0	0	(223)	144	(79)
Net (liability)/asset recognized at the end of the period	1 615	(1 863)	(248)	1 492	(2 469)	(977)	1 525	(1 986)	(461)
of which:									
- Defined benefit pension assets	4 020	0	4 020	3 965	0	3 965	3 979	0	3 979
- Defined benefit pension and post-retirement liabilities	(2 405)	(1 863)	(4 268)	(2 473)	(2 469)	(4 942)	(2 454)	(1 986)	(4 440)

(1)Includes pensions, retirement indemnities and end-of-service gratuities.

(2)Includes Section 420 transfers, medicare subsidies, acquisition through business combinations and other transfers.

Weighted average discount rates

	March 31, 2018	March 31, 2017	December 31, 2017
U.S. Pension	3.7	3.6	3.3
U.S. Post-retirement healthcare and other	3.5	3.3	3.1
U.S. Post-retirement group life	3.5	3.8	3.4
Euro - Pension(1)	1.4	1.6	1.3
U.K. - Pension	2.5	2.5	2.5

(1)Includes pensions, retirement indemnities and end-of service gratuities.

Funded status

	March 31, 2018	March 31, 2017	December 31, 2017
Defined benefit obligation	(23 927)	(28 203)	(25 498)
Fair value of plan assets	24 202	27 550	25 536
Funded status	275	(653)	38
Impact of the asset ceiling	(523)	(324)	(499)
Net liability recognized at end of period	(248)	(977)	(461)

8. DEFERRED TAXES (unaudited)

At March 31, 2018, Nokia had recognized deferred tax assets of EUR 4.6 billion. The deferred tax assets are recognized to the extent it is probable that taxable profit will be available against which the tax losses, tax credits and deductible temporary difference can be utilized in the relevant jurisdictions. The majority of Nokia's recognized deferred tax assets relate to unused tax losses, tax credits and deductible temporary differences in Finland (EUR 2.4 billion) and the United States (EUR 1.0 billion). Based on the recent years' profitability in Finland and the United States and the latest forecasts of future financial performance, Nokia has been able to establish a pattern of sufficient tax profitability in Finland and the United States to conclude that it is probable that Nokia will be able to utilize the tax losses, tax credits and deductible temporary differences in the foreseeable future.

At March 31, 2018, Nokia had unrecognized deferred tax assets of approximately EUR 5 billion related to unused tax losses, tax credits and deductible temporary differences. The majority of the unrecognized deferred tax assets relate to France (approximately EUR 4 billion). These deferred tax assets have not been recognized due to uncertainty regarding their utilization. A significant portion of the French unrecognized deferred tax assets are indefinite in nature and available against future French tax liabilities, subject to a limitation of 50% of annual taxable profits.

At March 31, 2018, Nokia had deferred tax liabilities of EUR 0.4 billion. The majority of the deferred tax liabilities relate to the fair value adjustments on the purchase accounting of Alcatel-Lucent acquisition.

9. NET CASH AND CURRENT FINANCIAL INVESTMENTS (unaudited)

EUR million	March 31, 2018	March 31, 2017	December 31, 2017
Current financial investments	1 342	1 833	911
Cash and cash equivalents	6 555	6 987	7 369
Total cash and current financial investments	7 897	8 820	8 280
Long-term interest-bearing liabilities	3 172	4 106	3 457
Short-term interest-bearing liabilities	548	306	309
Interest-bearing liabilities	3 721	4 412	3 766
Net cash and current financial investments	4 176	4 409	4 514

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (unaudited)

Financial assets and liabilities recorded at fair value are categorized based on the amount of unobservable inputs used to measure their fair value. Three hierarchical levels are based on an increasing amount of judgment associated with the inputs used to derive fair valuation for these assets and liabilities; Level 1 being market values for exchange traded products, Level 2 being primarily based on quotes from third-party pricing services and Level 3 requiring most management judgment. For more information about the valuation methods and principles, refer to note 2,

Significant accounting policies and note 24, Fair value of financial instruments, of our Annual Report for 2017. For information on changes in classification related to the adoption of IFRS 9, refer to note 14, New accounting standard. Items carried at fair value in the following table are measured at fair value on a recurring basis.

EURm At March 31, 2018	Carrying amounts Amortized cost	Fair value through profit or loss			Fair value through other comprehensive income			Total	Fair value Total
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
Non-current financial investments	0	2	0	656	0	0	0	658	658
Other non-current financial assets	157	0	103	9	0	67	0	336	321
Other current financial assets including derivatives	22	0	83	0	0	124	0	229	229
Trade receivables	0	0	0	0	0	4 508	0	4 508	4 508
Current financial investments	210	0	248	0	0	884	0	1 342	1 342
Cash and cash equivalents	5 104	0	1 451	0	0	0	0	6 555	6 555
Total financial assets	5 493	2	1 885	665	0	5 583	0	13 628	13 613
Long-term interest-bearing liabilities	3 172	0	0	0	0	0	0	3 172	3 236
Other long-term financial liabilities	30	0	0	689	0	0	0	719	719
Short-term interest-bearing liabilities	548	0	0	0	0	0	0	548	548
Other financial liabilities including derivatives	0	0	241	0	0	0	0	241	241
Trade payables	3 584	0	0	0	0	0	0	3 584	3 584
Total financial liabilities	7 334	0	241	689	0	0	0	8 264	8 328

EURm At December 31, 2017	Carrying amounts Amortized cost	Fair value through profit or loss			Fair value through other comprehensive income			Total	Fair value Total
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
Non-current available-for-sale investments	119	0	0	0	16	137	544	816	816
Other non-current financial assets	108	0	99	8	0	0	0	215	195
Other current financial assets including derivatives	106	0	196	0	0	0	0	302	302
Trade receivables	6 880	0	0	0	0	0	0	6 880	6 880
	0	0	0	0	0	911	0	911	911

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Available-for-sale investments, liquid assets									
Cash and cash equivalents									
	5 407	0	1 962	0	0	0	0	7 369	7 369
Total financial assets	12 620	0	2 257	8	16	1 048	544	16 493	16 473
Long-term interest-bearing liabilities									
	3 457	0	0	0	0	0	0	3 457	3 574
Other long-term financial liabilities									
	44	0	0	672	0	0	0	716	716
Short-term interest-bearing liabilities									
	309	0	0	0	0	0	0	309	309
Other financial liabilities including derivatives									
	0	0	268	0	0	0	0	268	268
Trade payables									
	3 996	0	0	0	0	0	0	3 996	3 996
Total financial liabilities	7 806	0	268	672	0	0	0	8 746	8 863

Level 3 Financial assets include a large number of investments in unlisted equities and unlisted venture funds, including investments managed by Nokia Growth Partners specializing in growth-stage investing and by BlueRun Ventures focusing on early stage opportunities.

Level 3 Financial liabilities include a conditional obligation to China Huaxin related to Nokia Shanghai Bell.

EURm	Level 3 Financial Assets	Level 3 Financial Liabilities
Balance at December 31, 2017	552	(672)
Adoption of IFRS 9(1)	122	0
Balance at January 1, 2018	674	(672)
Net gains in income statement	19	0
Net losses in income statement	0	(13)
Purchases	18	0
Sales	(38)	0
Other movements	(8)	(4)
Balance at March 31, 2018	665	(689)

(1) Non-current available-for-sale investments for which the fair value was estimated to equal cost less impairment under IAS 39, as their fair value was not possible to estimate reliably, are classified as level 3 financial instruments at fair value through profit or loss under IFRS 9.

The gains and losses from venture fund and similar investments categorized in level 3 are included in other operating income and expenses. A net loss of EUR 4 million (net gain of EUR 63 million in 2017) related to level 3 financial instruments held at March 31, 2018, was included in the profit and loss during 2018

11. PROVISIONS (unaudited)

EUR million	Restructuring	Divestment related	Warranty	Project losses	Litigation	Environmental liabilities	Material liability	Other	Total
At January 1, 2018	722	76	210	76	130	107	66	502	1 888
Translation differences	(2)	(2)	(2)	(1)	(7)	(2)	0	1	(15)
Reclassification	0	0	0	0	9	0	(1)	(9)	(1)
Charged to income statement	131	0	19	3	7	1	24	(109)	75
<i>Additional provisions</i>	<i>126</i>	<i>0</i>	<i>35</i>	<i>4</i>	<i>11</i>	<i>1</i>	<i>28</i>	<i>22</i>	<i>228</i>
<i>Changes in estimates(1)</i>	<i>5</i>	<i>0</i>	<i>(17)</i>	<i>(2)</i>	<i>(4)</i>	<i>0</i>	<i>(4)</i>	<i>(131)</i>	<i>(153)</i>
Utilized during period(2)	(108)	0	(31)	(3)	(8)	(2)	(12)	(22)	(187)
At March 31, 2018	743	74	196	75	129	103	76	362	1 759

(1) The changes in estimates in other provisions include a release of EUR 110 million due to resolution of a tax dispute related to discontinued operations.

(2) The utilization of restructuring provision includes items transferred to accrued expenses, of which EUR 52 million remained in accrued expenses as of March 31, 2018.

12. INTEREST-BEARING LIABILITIES (unaudited)

Issuer/Borrower	Instrument	Currency	Nominal (million)	Final maturity	Carrying amount (EUR million)		
					March 31, 2018	March 31, 2017	December 31, 2017
Nokia Corporation	6.75% Senior Notes	EUR	231	February 2019	239	248	241
Nokia Corporation	5.375% Senior Notes(1)	USD	581	May 2019	471	944	487
Nokia Corporation	1.00% Senior Notes	EUR	500	March 2021	498	498	498
Nokia Corporation	3.375% Senior Notes(1)	USD	500	June 2022	390	0	406
Nokia Corporation	2.00% Senior Notes	EUR	750	March 2024	744	743	744
Nokia Corporation	4.375% Senior Notes(1)	USD	500	June 2027	384	0	404
Nokia of America Corporation	6.50% Senior Notes(1)	USD	74	January 2028	60	202	62
Nokia of America Corporation	6.45% Senior Notes(1)	USD	206	March 2029	169	908	174
Nokia Corporation	6.625% Senior Notes	USD	500	May 2039	409	474	424
Nokia Corporation	Revolving credit facility	EUR	1579	June 2020	0	0	0
Nokia Corporation and various subsidiaries	Other liabilities				356	395	326
Total					3 720	4 412	3 766

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(1) In June 2017, Nokia issued USD 500 million 3.375% Senior Notes due 2022 and USD 500 million 4.375% Senior Notes due 2027 under U.S. Securities Act of 1933, as amended. The proceeds of the new notes were used to redeem (nominal amounts) USD 419 million of the 2019 USD Notes, USD 140 million of the 2028 USD Notes and USD 753 million of the 2029 USD Notes and for general corporate purposes.

All Nokia borrowings are senior unsecured and have no financial covenants.

13. COMMITMENTS AND CONTINGENCIES (unaudited)

EUR million	March 31, 2018	March 31, 2017	December 31, 2017
Collateral for own commitments			
Assets pledged	0	5	5
Contingent liabilities on behalf of Group companies(1)			
Guarantees issued by financial institutions	1 627	1 970	1 678
Other guarantees	495	791	487
Contingent liabilities on behalf of other companies			
Other guarantees	27	47	27
Leasing obligations	875	1 122	961
Financing commitments			
Customer finance commitments	482	575	495
Financing commitments to associated companies	20	0	20
Venture fund commitments	369	497	396

The amounts above represent the maximum principal amount of commitments and contingencies.

(1) In contingent liabilities on behalf of Group companies Nokia reports guarantees that have been given to third parties in the normal course of business. These are mainly guarantees given by financial institutions to Nokia's customers for the performance of Nokia's obligations under supply agreements, including tender bonds, performance bonds, and warranty bonds issued by financial institutions on behalf of Nokia. Additionally Nokia has issued corporate guarantees with primary obligation given directly to customers with these guarantees amounting to EUR 1 040 million (EUR 1 533 million at March 31, 2017 and EUR 1 114 million at December 31, 2017). In Other guarantees Nokia reports guarantees related to non-commercial contracts that support Nokia's business activities. As a result of internal policies and active management of outstanding guarantee exposure, Nokia has not been subject to any material guarantee claims during recent years.

14. NEW ACCOUNTING STANDARDS (unaudited)

Nokia has adopted IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers on their effective date of January 1, 2018. This note describes the impact of adoption on Nokia's consolidated financial statements and also discloses the changes to Nokia's accounting policies that resulted from the adoption. In accordance with the transitional provision in IFRS 9 and IFRS 15, Nokia has not restated prior year comparatives.

The following table shows the adjustments recognized for each individual line item in the statement of financial position. Line items that were not affected by the changes have not been included, and as a result, the subtotals and totals cannot be calculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)

EUR million	December 31, 2017	IFRS 9	IFRS 15	January 1, 2018
ASSETS				
Non-current financial investments	0	679		679
Available-for-sale investments	816	(816)		0
Deferred tax assets	4 582	9		4 591
Other non-current financial assets	215	132		347
Non-current assets	21 160	4	0	21 164
Trade receivables	6 880	(46)	(2 130)	4 704
Contract assets	0		1 537	1 537
Prepaid expenses and accrued income	1 259			1 259
Other financial assets	302	4		306
Current financial investments	0	1 008		1 008
Available-for-sale investments, liquid assets	911	(911)		0
Cash and cash equivalents	7 369	(101)		7 268
Current assets	19 841	(46)	(593)	19 202
Total assets	41 024	(43)	(593)	40 389
SHAREHOLDERS' EQUITY AND LIABILITIES				
Fair value and other reserves	1 094	(252)		842
Retained earnings	1 147	214	(16)	1 345
Total equity	16 218	(38)	(16)	16 164
Deferred tax liabilities	413	(5)	(5)	403
Contract liabilities	0		1 087	1 087
Deferred revenue and other long-term liabilities	2 986		(1 087)	1 899
Non-current liabilities	12 063	(5)	(5)	12 053
Contract liabilities	0		2 660	2 660
Accrued expenses, deferred revenue and other liabilities	6 666		(3 232)	3 434
Current liabilities	12 744	0	(572)	12 172
Total shareholders' equity and liabilities	41 024	(43)	(593)	40 389

IFRS 9 Financial Instruments

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IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification and measurement of financial assets and liabilities, introduces a new impairment model and a new hedge accounting model. On adoption, Nokia has not restated comparative periods but presents the cumulative effect of adopting IFRS 9 as a transition adjustment to the opening balance of other comprehensive income and retained earnings as of January 1, 2018.

The effect of changes to Nokia's financial statement due to the adoption of IFRS 9 are described below.

Classification and measurement of financial assets

Nokia has classified its financial assets in the following three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit and loss. The selection of the appropriate category is made based both on Nokia's business model for managing the financial asset and on the contractual cash flows characteristics of the financial asset. The new asset classes replace the following IAS 39 asset classification categories: available-for-sale investments, derivative and other current financial assets, loans receivable, trade receivables, financial assets at fair value through profit or loss.

Nokia's business model for managing financial assets is defined on portfolio level. The business model must be observable on practical level by the way business is managed. The cash flows of financial assets measured at amortized cost are solely payments of principal and interest. These assets are held within a business model which has an objective to hold assets to collect contractual cash flows. Financial assets measured at fair value through other comprehensive income have cash flows that are solely payments of principal and interest and these assets are held within a business model which has an objective that is achieved both by holding financial assets to collect contractual cash flows and selling financial assets. Financial assets measured at fair value through profit and loss are assets that do not fall in either of the two above-mentioned categories. In addition to the classification as described above, the accounting for financial assets is impacted if the financial asset is part of a hedging relationship.

Non-current Investments: Investments in unlisted private equity shares, technology-related publicly quoted shares and unlisted venture funds are classified as fair value through profit and loss. Under IAS 39 these items were classified as available-for-sale. Fair valuation is recorded in other income and expenses based on the business model assessment performed in conjunction with IFRS 9 transition.

Other non-current financial assets: Restricted bank deposits are classified as amortized cost. Under IAS 39 these items were classified as available-for-sale.

Loan receivables: Nokia's business model for managing loans to customers and suppliers is both to collect contractual cash flows and to sell assets and hence customer finance assets are initially recognized and subsequently re-measured at fair value through other comprehensive income. Under IAS 39 these items were measured at amortized cost less impairment using the effective interest method.

Derivatives: There is no change in the classification or measurement of derivative assets not designated in hedge accounting relationships apart from embedded derivatives: based on IFRS 9, the whole contract is evaluated based on the classification criteria and then classified as its entirety. Based on IAS 39 embedded derivatives were measured at fair value through profit and loss.

Current Investments: Term deposits used as collaterals for derivative transactions are classified as current investments at amortized cost (formerly classified as cash equivalents). Fixed income and money market securities are classified as fair value through other comprehensive income in case the instrument characteristics fulfil the criteria of payments of solely principal and interest and are not part of a structured investment (formerly classified as available-for-sale investments). Other investments are classified at fair value through profit or loss.

Trade receivables: Nokia's business model for managing trade receivables is holding receivables to collect contractual cash flows and selling receivables. Hence, trade receivables are initially recognized at notional amounts and subsequently re-measured at fair value through other

comprehensive income. IAS 39 measured these trade receivables at amortized cost.

Classification and measurement of financial liabilities

Nokia classifies derivative liabilities at fair value through profit and loss and all other financial liabilities at amortized cost. These category classes replace the IAS 39 classes derivative and other financial liabilities, compound financial instruments, loans payable, and account payable. The implementation of IFRS 9 has not had a material effect on the classification and measurement of financial liabilities.

Impairment

Nokia assesses expected credit losses (ECL) on financial assets on a forward-looking basis whereas the impairment provision under IAS 39 was based on actual credit losses. The impairment requirements concern the following financial assets: customer loans and current investments measured at fair value through other comprehensive income, financial assets measured at amortized cost as well as financial guarantee contracts and loan commitments.

A loss allowance is recognized based on 12-month expected credit losses unless the credit risk for the financial instrument has increased significantly since initial recognition. For trade receivables and contract assets Nokia applies a simplified impairment approach to recognizing a loss allowance based on lifetime expected credit losses.

Hedge accounting

As Nokia's foreign exchange risk management policy and hedge accounting model have already been aligned with the requirements of IFRS 9, all hedging relationships qualify for treatment as continuing hedging relationship. The requirement for hedge effectiveness of 80-125 % has been removed from IFRS 9 and the effectiveness of hedging is evaluated based on the economic relationship between the hedging instrument and hedged item. Nokia is separating the forward element and the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element of the forward contract. Nokia also separates the time value of options and the basis element of cross currency swaps. These hedging costs are mainly recognized in other comprehensive income and subsequently accounted for in the same way as the intrinsic value. Under IAS 39 these costs were recognized in profit and loss as they occurred.

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The monetary and line-by-line impact of the changes to classification and measurement of financial assets in the Statement of Financial Position is described in more detail below.

	IAS 39 classification	IFRS 9 classification	December 31, 2017 (IAS 39)	January 1, 2018 (IFRS 9)	Change in classification	Change in measurement
Non-current financial investments						
Investments in private equity(1)	Available-for-sale	FVPL	679	679		
Restricted bank deposits(2)	Available-for-sale	Amortized cost	137		(137)	
Other non-current financial assets						
Restricted bank deposits(2)	Available-for-sale	Amortized cost		137	137	
Non-current customer financing(4)	Amortized cost	FVOCI	75	70		(5)
Other non-current financial assets	FVPL	FVPL	107	107		
Other non-current financial assets	Amortized cost	Amortized cost	33	33		
Other current financial assets including derivatives						
Derivatives	FVPL	FVPL	196	196		
Current portion of customer financing(4)	Amortized cost	FVOCI	84	84		
Other current financial assets(2)	Amortized cost	Amortized cost	22	27	4	
Trade receivables						
Trade receivables(3)	Amortized cost	FVOCI	6 880	6 833		(46)
Current financial investments						
Available-for-sale investments, liquid assets(5)	FVOCI	FVPL		84	84	
Available-for-sale investments, liquid assets(2), (5)	FVOCI	FVOCI	911	823	(88)	
Financial investments at amortized cost(6)	Amortized cost	Amortized cost		101	101	
Cash and cash equivalents						
Financial investments at fair value through profit and loss	FVPL	FVPL	1 962	1 962		
Financial investments at amortized cost(6)	Amortized cost	Amortized cost	5 407	5 305	(101)	
Deferred tax assets and liabilities						
Deferred tax assets			4 582	4 591		9
Deferred tax liabilities			413	409	(2)	(3)
Shareholders equity						
Fair value and other reserves(1), (3), (4), (7), (8)			1 094	843	(210)	(41)
Retained earnings(1), (7), (8)			1 147	1 361	212	2

(1) Upon initial application of the standard, the accumulated net positive fair value changes for Nokia's investments in venture funds, a gain of EUR 226 million, formerly recorded to other comprehensive income, is presented as a transition adjustment to opening balance of retained earnings. There was no change in the valuation nor carrying amount of these assets.

(2) Certain restricted bank deposits classified mainly as non-current available-for-sale investments under IAS 39 are classified as amortized cost. There was no change in the carrying amount of these deposits.

(3) The initial fair value adjustment for trade receivables of a loss of EUR 46 million is presented in opening balance of other comprehensive income as a transition adjustment.

(4) The initial fair value adjustment for customer finance assets of a loss of EUR 4 million is presented in opening balance of other comprehensive income as a transition adjustment.

(5) Nokia has assessed the investments currently classified as current available-for-sale, liquid assets, and will classify certain investment funds to be measured at fair value through profit or loss at the adoption of the new standard. The rest of these investments satisfy the conditions for classification at fair value through other comprehensive income.

(6) Certain term deposits used as collaterals for derivative transactions formerly classified as cash equivalents are classified as current financial investments in conjunction with IFRS 9 business model assessment. This transition adjustment is presented as a cash outflow on the Purchase of current financial investments line

in the consolidated statement of cash flows.

(7) Nokia has assessed the impact of the new impairment model. As the credit quality of Nokia's fixed income and money market investments is high, there is no significant impact from the new model. There is an impact of EUR 9 million loss to loans extended to Nokia's customers as the new model results in an earlier recognition of credit losses that has been recorded in opening balance of other comprehensive income and retained earnings as a transition adjustment.

(8) For cash flow hedge accounting, Nokia has elected to defer cost of hedging in other comprehensive income until the hedged item impacts profit and loss. As a result a loss of EUR 10 million for accumulated forward points related to hedges under cash flow hedge accounting at the end of 2017 has been recorded in opening balance of other comprehensive income and retained earnings as a transition adjustment. For net investment hedge accounting, Nokia has elected to defer cost of hedging in other comprehensive income and amortize it over the duration of the hedge. The initial adjustment related to treatment of cost of net investment hedging is not significant.

The numbers quoted in the footnotes above are gross of tax. The tax impact of IFRS 9 transition adjustments has been recorded to deferred tax assets, deferred tax liabilities, fair value and other reserves or retained earnings as applicable.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18, Revenue, and IAS 11, Construction contracts and establishes a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized to reflect the transfer of promised goods and services to customers for amounts that reflect the consideration to which an entity expects to be entitled in exchange for those goods and services. Nokia adopted the standard by applying the modified retrospective method and has presented the cumulative effect of adopting IFRS 15 as an adjustment to the opening balance of retained earnings as of January 1, 2018.

Management has analyzed the impact of the adoption of IFRS 15 and concluded that the new standard will not have a material impact on Nokia's consolidated financial statements. The procedures performed by management focused on a review of existing contracts through December 31, 2017, focusing on the following areas:

Arrangements with customers

Management considered the definition of a contract in accordance with the new standard and concluded that only legally binding commitments should be considered in evaluating the accounting for arrangements with customers. As such, frame agreements will be accounted for based on purchase orders, initial discounts and other material rights. Previously, a broader contract definition was permitted for accounting purposes.

Identification of performance obligations and allocation of transaction price

In accordance with IFRS 15, the identification of performance obligations and allocation of transaction price is based on a fair value model. Nokia's application of previous accounting standards is consistent with IFRS 15.

Transfer of control of hardware

The point at which control transfers to the customer under IFRS 15 is consistent with Nokia's assessed point of transfer of the significant risks and rewards of ownership to the customer under the previous standard.

Software revenue

In accordance with IFRS 15, revenue related to software arrangements will be recognized at points in time. Under previous standards, certain software revenue arrangements were recorded as revenue over the terms of the arrangements where customers had access to a portfolio of software solutions. After the adoption of IFRS 15, this change may result in larger fluctuations in revenue between quarters than under the previous standard.

Patent license agreements in Nokia Technologies

Nokia's current revenue recognition principles for license agreements, which contain future commitments to perform, are in line with IFRS 15 and continue to be recorded over time. Further, Nokia has determined that, upon transition to IFRS 15, one specific license agreement is a completed contract as it has no such future commitments (refer to Application of transition guidance below).

Application of transition guidance

In April 2014, Nokia entered into an agreement to license certain technology patents and patent applications owned by Nokia on the effective date of that agreement, on a non-exclusive basis, to a licensee, for a period of 10 years (the License Agreement). Contemporaneously and under the terms of the License Agreement, Nokia issued to the licensee an option to extend the technology patent license for remaining life of the licensed patents. Nokia received all cash consideration due for the sale of the 10-year license and option upon closing of the License Agreement. Management has determined that, upon transition to IFRS 15, the License Agreement is a completed contract. As such, in accordance with the transition requirements of the standard, Nokia continues to apply its prior revenue accounting policies, based on IAS 18, Revenue, and related interpretations, to the License Agreement. Under those policies, Nokia is recognizing revenue over the term of the License Agreement.

As of March 31, 2018, the balance of deferred revenue related to the License Agreement of EUR 940 million, recognized in advance payments and deferred revenue in the consolidated statement of financial position, is expected to be recognized as revenue through 2024.

Opening balance sheet adjustment and application of IFRS 15 in 2018

In accordance with the requirements of IFRS 15, Nokia has presented its customer contracts in the statement of financial position as either a contract asset or a contract liability, depending on the relationship between Nokia's performance and the customer's payment for each individual contract. On a net basis, a contract asset position represents where Nokia has performed by transferring goods or services to a customer before the customer pays consideration or before payment is due. Conversely, a contract liability position represents where a customer has paid consideration or payment is due, but Nokia has not yet transferred goods or services to the customer. Invoiced receivables represent unconditional rights to payment, and are presented separately on the statement of financial position. The IFRS 15 related adjustments to the year-end 2017 statement of financial position and the resulting 2018 opening balance sheet are presented in the first section of this note. Contract assets presented in the statement of financial position are current in nature while contract liabilities can be either current or non-current.

Adoption of the standard resulted in a post-tax decrease of retained earnings of EUR 16 million in the opening balance sheet of 2018, with offsetting entries in trade receivables and deferred revenue, subsequently subject to presentation on a net basis in contract assets and liabilities.

In the first quarter of 2018, the difference in the amount of revenue recorded by the application of IFRS 15 as compared to IAS 11, IAS 18 and related Interpretations that were in effect before the adoption of IFRS 15, is immaterial.

15. PERFORMANCE MEASURES (unaudited)

In the reporting of financial information, Nokia has adopted various performance measures of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with financial measures used by other companies, including those in Nokia's industry. The following table provides summarized information on the performance measures included in this interim report.

Performance measure	Definition	Purpose
Key performance measures		
Non-IFRS measures	Non-IFRS measures 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. Refer to note 2, Non-IFRS to reported reconciliation.	We believe that our non-IFRS results provide meaningful supplemental information to both management and investors regarding Nokia's underlying business performance by excluding the non-IFRS items that may not be indicative of Nokia's business operating results. Non-IFRS operating profit is used in determining management remuneration.
Constant currency measures	When financial measures are reported on a constant currency basis, exchange rates used to translate the amounts in local currencies to euro, our reporting currency, are the average actual periodic exchange rates for the comparative financial period. Therefore, the constant currency measures exclude the impact of changes in exchange rates during the current period in comparison to euro.	We provide additional information on a constant currency basis in order to better reflect the underlying business performance.
Other performance measures		
Recurring/Non-recurring net sales	Recurring net sales are revenues that are likely to continue in the future. Recurring net sales exclude e.g. catch-up revenues relating to prior periods. Non-recurring net sales are revenues that are not likely to continue in the future.	We use recurring/non-recurring net sales to improve comparability between the financial periods.
Net cash and current financial investments	Net cash and current financial investments equals total cash and current financial investments less long-term and short-term interest-bearing liabilities. Refer to note 9, Net cash and current financial investments.	Net cash and current financial investments is used to indicate Nokia's liquidity position after cash required to settle the interest-bearing liabilities.
Total cash and current financial investments	Total cash and current financial investments consist of cash and cash equivalents and current financial investments.	Total cash and current financial investments is used to indicate funds available to Nokia to run its current and invest in future business activities as well as provide return for security holders.
EBITDA	Operating profit/(loss) before depreciations and amortizations and adjusted for share of results of associated companies and joint ventures.	We use EBITDA as a measure of Nokia's operating performance.
Adjusted profit/(loss) before changes in net working capital	Profit/(loss) for the period adjusted for the movements in non-cash items before changes in net working capital.	We use adjusted profit/(loss) before changes in net working capital to provide a structured presentation of cash flows.
Free cash flow	Net cash from operating activities - purchases of property, plant and equipment and	Free cash flow is the cash that Nokia generates after net investments to tangible,

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	intangible assets (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.	intangible and non-current financial investments and it represents the cash available for distribution among its security holders. It is a measure of cash generation, working capital efficiency and capital discipline of the business.
Capital expenditure	Purchases of property, plant and equipment and intangible assets (excluding assets acquired under business combinations).	We use capital expenditure to describe investments in profit generating activities in the future.
Recurring annual cost savings	Reduction in cost of sales and operating expenses resulting from the cost savings program and the impact of which is considered recurring in nature.	We use recurring annual cost savings measure to monitor the progress of our cost savings program established after the Alcatel-Lucent transaction against plan.
Restructuring and associated charges, liabilities and cash outflows	Charges, liabilities and cash outflows related to activities that either meet the strict definition of restructuring under IFRS or are closely associated with such activities.	We use restructuring and associated charges, liabilities and cash outflows to measure the progress of our integration and transformation activities.
Charges and cash outflows related to network equipment swaps	Charges and cash outflows related to product portfolio integration for key customers.	We use charges and cash outflows related to network equipment swaps to measure the progress of our integration and transformation activities.

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, including, without limitation, those regarding: A) 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; B) expectations, plans or benefits related to our strategies and growth management; C) expectations, plans or benefits related to future performance of our businesses; 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) 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; 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; 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; and L) statements preceded by or including believe, expect, anticipate, foresee, sees, target, estimate, designed, aim, plans, intends, focus, should, is to, will or similar expressions. 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, 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; 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 cyclicity and variability of the information technology and telecommunications industries; 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, establish new sources of revenue and protect our intellectual property from infringement; 7) 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; 8) our ability to achieve the anticipated benefits, synergies, cost savings and efficiencies of acquisitions, including the acquisition of Alcatel Lucent, and our ability to implement changes to our organizational and operational structure efficiently; 9) our ability to manage and improve our financial and operating performance, cost savings, competitiveness and synergies generally and after 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) 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; 13) 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; 14) our reliance on third-party solutions for data storage and service distribution, which expose us to risks relating to security, regulation and cybersecurity breaches; 15) inefficiencies, breaches, malfunctions or disruptions of information technology systems; 16) Nokia Technologies' ability to generate net sales and profitability through licensing of the Nokia brand, technology licensing and the development and sales of products and services for instance in digital health, as well as other business ventures, which may not materialize as planned; 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; and 30) 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.

This financial report was authorized for issue by management on April 25, 2018.

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- Nokia's Annual General Meeting 2018 is planned to be held on May 30, 2018.
- Nokia plans to publish its second quarter and half year 2018 results on July 26, 2018.
- Nokia plans to publish its third quarter and January-September 2018 results on October 25, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant, Nokia Corporation, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 26, 2018

Nokia Corporation

By: /s/ Jussi Koskinen
Name: Jussi Koskinen
Title: Vice President, Corporate Legal