NOKIA

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Based on financial statements according to International Financial Reporting Standards, IFRS

Nokia, EURm	2008	2007	Change, %
Net sales	50 710	51 058	–1
Operating profit	4 966	7 985	–38
Profit before tax	4 970	8 268	–40
Profit attributable to equity holders of the parent	3 988	7 205	–45
Research and development expenses	5 968	5 636	6

%	2008	2007
Return on capital employed	27.2	54.8
Net debt to equity (gearing)	–14	–62

EUR	2008	2007	Change, %
Earnings per share, basic	1.07	1.85	–42
Dividend per share	0.40 **	0.53	–25
Average number of shares (1 000 shares)	3 743 622	3 885 408	

** Board's proposal

Reportable segments, EURm	2008	2007	Change, %
Devices & Services			
Net sales	35 099	37 705	–7
Operating profit	5 816	7 584	–23
NAVTEQ			
Net sales	361	—	
Operating profit	–153	—	
Nokia Siemens Networks			
Net sales	15 309	13 393	14
Operating profit	–301	–1 308	

Personnel, December 31	2008	2007	Change, %
Devices & Services	61 130	53 523	14
NAVTEQ	4 049	—	
Nokia Siemens Networks	60 295	58 423	3
Corporate Common Functions	355	316	12
Nokia Group	125 829	112 262	12

10 major markets, net sales, EURm	2008	2007
China	5 916	5 898
India	3 719	3 684
UK	2 382	2 574
Germany	2 294	2 641
Russia	2 083	2 012
Indonesia	2 046	1 754
USA	1 907	2 124
Brazil	1 902	1 257
Italy	1 774	1 792
Spain	1 497	1 830

10 major countries, personnel, December 31	2008	2007
Finland	23 320	23 015
India	15 562	11 491
China	14 505	12 856
Germany	12 309	13 926
Brazil	8 557	8 527
USA	8 060	5 269
Hungary	7 541	6 601
UK	4 313	2 618
Mexico	3 559	3 056
Italy	2 007	2 129

Main currencies, exchange rates at the end of 2008

1 EUR		
	USD	1.3917
	GBP	0.9525
	CNY	9.4956
	INR	67.066
	RUB	41.283
	JPY	126.14

* As of January 1, 2008, our three mobile device business groups, Mobile Phones, Multimedia and Enterprise Solutions, and the supporting horizontal groups were replaced by an integrated business segment, Devices & Services. Prior period results for Nokia and its reportable segments have been regrouped for comparability purposes according to the new reportable segments.

On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ is a separate reportable segment of Nokia starting from the third quarter 2008. Accordingly, the results of NAVTEQ are not available for the prior periods.

As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of Nokia's former Networks business group and Siemens' carrier-related operations for fixed and mobile networks. Accordingly, the results of the Nokia Group and Nokia Siemens Networks for the ear ended December 31, 2007 are not directly comparable the results for the year ended December 31, 2006. Nokia's 2006 results included Nokia's former Networks business group only.

Review by the Board of Directors 2008 *

In 2008, Nokia's net sales decreased 1% to EUR 50 710 million (EUR 51 058 million in 2007). Net sales of Devices & Services for 2008 decreased 7% to EUR 35 099 million (EUR 37 705 million). Net sales of NAVTEQ for the six months ended December 31, 2008 were EUR 361 million. Net sales of Nokia Siemens Networks increased 14% to EUR 15 309 million (EUR 13 393 million).

In 2008, Europe accounted for 37% (39% in 2007) of Nokia's net sales, Asia-Pacific 22% (22%), Greater China 13% (12%), North America 4% (5%), Latin America 10% (8%), and Middle East & Africa 14% (14%). The 10 markets in which Nokia generated the greatest net sales in 2008 were, in descending order of magnitude, China, India, the UK, Germany, Russia, Indonesia, the US, Brazil, Italy and Spain, together representing approximately 50% of total net sales in 2008. In comparison, the 10 markets in which Nokia generated the greatest net sales in 2007 were China, India, Germany, the UK, the US, Russia, Spain, Italy, Indonesia and Brazil, together representing approximately 50% of total net sales in 2007.

Nokia's gross margin in 2008 was 34.3%, compared to 33.8% in 2007. Nokia's 2008 operating profit decreased 38% to EUR 4 966 million, compared with EUR 7 985 million in 2007. Nokia's 2008 operating margin was 9.8% (15.6%). Nokia's operating profit in 2008 included purchase price accounting items and other special items of net negative EUR 2 067 million (net positive EUR 288 million). Devices & Services operating profit decreased 23% to EUR 5 816 million, compared with EUR 7 584 million in 2007, with an operating margin of 16.6% (20.1%). Devices & Services operating profit in 2008 included special items of net negative EUR 557 million (net negative EUR 4 million). NAVTEQ's operating loss for the six months ended on December 31, 2008 was EUR 153 million, representing an operating margin of –42.4%. NAVTEQ's operating loss included purchase price accounting items and other special items of net negative EUR 235 million. Nokia Siemens Networks had an operating loss of EUR 301 million, compared with a EUR 1 308 million operating loss in 2007, representing an operating margin of –2.0% (–9.8%). Nokia Siemens Networks operating loss in 2008 included purchase price accounting items and other special items of net negative EUR 1 058 million (net negative EUR 1 639 million).

The global economic slowdown, combined with unprecedented currency volatility, resulted in a sharp pull back in global consumer spending in the second half of 2008, particularly in the fourth quarter. The more limited availability of credit also reduced the purchasing ability of some trade customers. In 2008, Nokia's net sales and profitability, in particular in Devices & Services, were negatively impacted by these factors.

Research and development expenses were EUR 5 968 million in 2008, up 6% from EUR 5 636 million in 2007. Research and development costs represented 11.8% of Nokia's net sales in 2008, up from 11.0% in 2007. Research and development expenses included purchase price accounting items and other special items of EUR 550 million in 2008 (EUR 575 million in 2007). At December 31, 2008, Nokia employed 39 350 people in research and development, representing approximately 31% of Nokia's total workforce, and had a strong research and development presence in 16 countries.

In 2008, Nokia's selling and marketing expenses were EUR 4 380 million, compared with EUR 4 379 million in 2007. Selling and marketing expenses for Nokia represented 8.6% of its net sales in 2008 (8.6% in 2007). Selling and marketing expenses included purchase price accounting items and other special items of EUR 341 million in 2008 (EUR 363 million).

Administrative and general expenses were EUR 1 284 million in 2008, compared to EUR 1 165 million in 2007. Administrative and general expenses were equal to 2.5% of net sales in 2008 (2.3% in 2007). Administrative and general expenses included special items of EUR 163 million in 2008 (EUR 146 million).

Corporate Common Functions expenses totaled EUR 396 million in 2008, compared with an operating profit of EUR 1 709 million in 2007. Expenses in 2008 included a EUR 217 million loss due to transfer of Finnish pension liabilities.

Net financial expense was EUR 2 million in 2008 (income of EUR 239 million in 2007).

Profit before tax and minority interests was EUR 4 970 million (EUR 8 268 million in 2007). Net profit totaled EUR 3 988 million (EUR 7 205 million in 2007). Earnings per share decreased to EUR 1.07 (basic) and EUR 1.05 (diluted), compared to EUR 1.85 (basic) and EUR 1.83 (diluted) in 2007.

Operating cash flow for the year ended December 31, 2008 was EUR 3 197 million (EUR 7 882 million for the year ended December 31, 2007) and total combined cash and other liquid assets were EUR 6 820 million (EUR 11 753 million). As at December 31, 2008, our net debt-to-equity ratio (gearing) was –14% (–62% as at December 31, 2007). In 2008, capital expenditure amounted to EUR 889 million (EUR 715 million).

The key financial data, including the calculation of key ratios, for the years 2008, 2007 and 2006 may be found in the Annual Accounts.

* As of January 1, 2008, our three mobile device business groups, Mobile Phones, Multimedia and Enterprise Solutions, and the supporting horizontal groups were replaced by an integrated business segment, Devices & Services. Prior period results for Nokia and its reportable segments have been regrouped for comparability purposes according to the new reportable segments.

On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ is a separate reportable segment of Nokia starting from the third quarter 2008. Accordingly, the results of NAVTEQ are not available for the prior periods.

As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of the former Nokia Networks and Siemens' carrier-related operations for fixed and mobile networks. Accordingly, the results of Nokia Group and Nokia Siemens Networks for the full year 2008 are not directly comparable to the results for the full years 2007 and 2006. Nokia's first quarter 2007 and the full year 2006 results included Nokia's former Networks business group only.

Main events in 2008

Nokia Group

» Nokia began operating under its new organizational structure, with its three former mobile device business groups–Mobile Phones, Multimedia and Enterprise Solutions–and the supporting horizontal groups forming one integrated business group, Devices & Services. The new organizational structure is designed to align Nokia with the opportunities Nokia sees for future growth in devices and services and increase efficient ways of working across the company. Devices & Services has three business units: Devices; Services (operated in 2008 under the Services & Software name); and Markets. The three units receive operational support from our Corporate Development Office, which is also responsible for exploring corporate strategic and future growth opportunities.

» Nokia announced and completed the closure of its mobile devices production facility in Bochum, Germany, began production of mobile devices at its new facility in Cluj, Romania, and made investments to upgrade its mobile device production facilities in Chennai, India and Manaus, Brazil.

» Nokia and Qualcomm announced that they entered into a new 15 year license agreement covering various standards, including GSM, EDGE, CDMA, WCDMA, HSDPA, OFDM, WiMAX, LTE and other technologies. The agreement resulted in settlement of all litigation between the two companies.

Devices

» Further strengthening its Nokia Nseries range of mobile devices, Nokia announced and began shipments of the Nokia N78, Nokia N79, Nokia N85 and Nokia N96, and unveiled the flagship Nokia N97 mobile computer.

» Building out the Nokia Eseries range of mobile devices, Nokia announced and began shipments of the Nokia E63, Nokia E66 and Nokia E71.

» Nokia announced that Microsoft Exchange ActiveSync will be available in all Nokia S60 3rd Edition devices, as well as compatibility with IBM Lotus Notes Traveler on all Nokia S60 3rd Edition devices. These announcements enable access to over 80% of the world's corporate email accounts.

» Nokia announced and began shipments of eight mobile devices with functions and features specially designed for consumers in emerging markets, starting with the Nokia 1202 and up to the Nokia 7100 Supernova.

- Nokia announced and began shipments of the Nokia 5800 XpressMusic, a mobile device optimized for music and featuring a 3.2 inch touch screen display with tactile feedback, a 3.2 megapixel camera and A-GPS functionality.
- Nokia announced and began shipments of the Nokia 6210 Navigator, the first Nokia GPS-enabled device with an integrated compass for pedestrian guidance, and the Nokia 6220 classic.

Services & Software

- Nokia announced that it is focusing on developing services in five core areas: music, maps, media, messaging and games.
- Nokia expanded Nokia Music Store, its digital music store, to a cumulative total of 12 across three continents in 2008, from one at the end of 2007.
- Nokia launched Comes With Music first in the United Kingdom, with the support of all major music labels–Universal Music Group International, Warner Music Group, Sony BMG Music Entertainment and EMI Group–numerous independent labels as well as music publishing rights.
- The number of titles available on the N-Gage mobile games service grew to 27 by the end of the year.
- Nokia updated Ovi.com with functionality for syncing your calendar, contacts, notes and tasks between a Nokia mobile device and *www.ovi.com*.

NAVTEQ

- NAVTEQ announced an industry strategy for map-enhanced ADAS (advanced driver assistance systems) using the Map-Enhanced Positioning Engine (MPE).
- NAVTEQ started providing both NAVTEQ Traffic RDS delivery service and NAVTEQ interactive advertising services for multiple Garmin devices (the nuvi 755T and 775T and nuvi 2x5 family). Together with Garmin, NAVTEQ is the first to bring an advertising supported, real-time traffic service to market in North America.
- NAVTEQ expanded its portfolio of dynamic content–or real-time data–to include flight status and fuel prices, leveraging leading dynamic distribution capabilities from traffic and camera alerts.

Nokia Siemens Networks

- At the Mobile World Congress 2008, Nokia Siemens Networks launched its LTE solution for radio and core networks, including the new Flexi Multimode Base Station, and in October announced that it had begun shipping LTE-compatible Flexi base stations.
- Nokia Siemens Networks demonstrated its technological leadership throughout the year with a number of industry-leading events: the launch of the industry's first DWDM single optical platform serving Metro to Core; the world's first demonstration of LTE-Advanced technology; a record-breaking 100 Gbps. transmission on a single wavelength for more than 1 040 kilometers over deployed field fiber (with Verizon); and the worlds fastest IHSPA data call using a mobile device.
- Nokia Siemens Networks secured major 3G radio access deals all over the world, from the UK to Mexico and Brazil to Indonesia.
- Nokia Siemens Networks' Services expanded its global remote delivery capability, delivering more than 200 projects across the world with successes including major event support ensuring network quality and performance, software upgrades and maintenance, and network monitoring and planning services.
- Nokia Siemens Networks continued to win major managed services deals including a breakthrough network operations agreement with Embarq Corporation in the United States.
- Demonstrating its ongoing commitment to developing innovative solutions for emerging markets, Nokia Siemens Networks launched its eCommerce rural trading platform with Fujian Mobile in China, and added internet capability to its Village Connection solution.
- In November 2008, Nokia Siemens Networks announced that it completed the preliminary planning process to identify the proposed remaining headcount reductions necessary to reach its previously announced synergy-related headcount adjustment goal of 9 000 and began the process of sharing those plans with employees and their representatives.
- Nokia Siemens Networks achieved substantially all of the EUR 2.0 billion of targeted annual cost synergies by the end of 2008.

Acquisitions and divestments 2008

- On December 22, 2008, Nokia announced that it had signed an agreement to sell its security appliance business to Check Point Software Technologies. The disposal related to the renewal of Nokia's business mobility strategy and discontinuance of developing and marketing its own behind-the-firewall business mobility solutions.
- On December 2, 2008, Nokia announced the completion of its acquisition of Symbian Limited, the company that develops and licenses Symbian OS, the market-leading operating system for mobile devices. The acquisition is an important step by Nokia and industry partners to develop Symbian OS into an open and unified mobile software platform, which will be licensed royalty-free and eventually move towards 'open source'. Nokia and its partners plan to establish Symbian Foundation, an independent entity, to manage and unify the platform.
- On November 20, 2008, NAVTEQ announced an agreement to acquire T-Traffic Systems GmbH, a leading provider of traffic services in Germany. The acquisition was completed in January 2009.
- On November 4, 2008, Nokia announced the completion of its acquisition of OZ Communications Inc., the leading consumer mobile messaging solution provider which delivers access to popular instant messaging and email services on consumer mobile devices.
- On July 15, 2008, Nokia announced the completion of its acquisition of Plazes AG, a context-aware social activity service provider, to help Nokia to accelerate its vision of bringing people and places closer together, in line with Nokia's broader services strategy.
- On July 10, 2008, Nokia completed the acquisition of NAVTEQ, a leading provider of comprehensive digital map information. As part of Nokia, NAVTEQ continues to develop its world-class expertise in the navigation industry, service its strong customer base, and invest in the further development of its industry-leading map data and technology platform.
- On June 17, 2008, Nokia announced the completion of its acquisition of Trolltech ASA, a recognized software provider with world-class software development platforms and frameworks. Trolltech now operates as Qt Software, taking its new name from its Qt technology that forms the basis for tens of thousands of commercial and open source applications.
- On May 15, 2008, Nokia announced the completion of its disposal of Identity Systems to Informatica Corporation.

- On February 11, 2008, Nokia Siemens Networks announced that it had completed the acquisition of Apertio Ltd., a leading provider of open real-time subscriber data platforms and applications.
- On January 7, 2008, Nokia Siemens Networks announced the completion of the acquisition of Carrier Ethernet specialist Atrica.

Personnel

The average number of employees for 2008 was 121 723, (100 534 for 2007 and 65 324 for 2006). At December 31, 2008, Nokia employed a total of 125 829 people (112 262 at December 31, 2007, and 68 483 people at December 31, 2006). The total amount of wages and salaries paid in 2008 was EUR 5 615 million (EUR 4 664 million in 2007 and EUR 3 457 million in 2006).

Management and Board of Directors

Board of Directors, Group Executive Board and President

Pursuant to the articles of association, Nokia has a Board of Directors composed of a minimum of seven and a maximum of twelve members. The members of the Board are elected for a term of one year at each Annual General Meeting, i.e. as from the close of that Annual General Meeting until the close of the following Annual General Meeting, which convenes each year by June 30. A general meeting may also dismiss a member of the Board of Directors. The Board has the responsibility for appointing and discharging the President as well as the CEO and the other members of the Group Executive Board. The CEO also acts as the President.

The current members of the Board of Directors were elected at the Annual General Meeting on May 8, 2008. On December 31, 2008, the Board consisted of the following members: Jorma Ollila (Chairman), Marjorie Scardino (Vice Chairman), Georg Ehrnrooth, Lalita D. Gupte, Bengt Holmström, Henning Kagermann, Per Karlsson, Olli-Pekka Kallasvuo, Risto Siilasmaa and Keijo Suila.

Information on shares and stock options held by the members of the Board of Directors and the President and CEO (and the other members of the Group Executive Board) may be found in the Annual Accounts.

Changes in the Group Executive Board

Veli Sundbäck, Executive Vice President, Corporate Relations and Responsibility, resigned from the Group Executive Board as of December 31, 2008, but Mr. Sundbäck will continue in Nokia as an executive advisor until his retirement on May 31, 2009. Esko Aho, Executive Vice President, Corporate Relations and Responsibility, was appointed as a member of the Group Executive Board as of January 1, 2009.

Service contracts

Olli Pekka Kallasvuo's service contract covers his current position as President and CEO and Chairman of the Group Executive Board. As at December 31, 2008, Mr. Kallasvuo's annual total gross base salary, which is subject to an annual review by the Board of Directors and confirmation by the independent members of the Board, was EUR 1 176 000. His incentive targets under the Nokia short-term cash incentive plan are 150% of the annual gross base salary. In case of termination by Nokia for reasons other than cause, including a change of control, Mr. Kallasvuo is entitled to a severance payment of up to 18 months of compensation (both the annual total gross base salary and target incentive). In case of termination by Mr. Kallasvuo, the notice period is six months and he is entitled to a payment for such notice period (both annual total gross base salary and target incentive for six months). Mr. Kallasvuo is subject to a 12-month non-competition obligation after termination of the contract. Unless the contract is terminated for cause, Mr. Kallasvuo may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual total gross base salary and target incentive for the respective period during which no severance payment is paid.

Provisions on the amendment of Articles of Association

Amendment of the Articles of Association requires a decision of the general meeting, supported by two-thirds of the votes cast and two-thirds of the shares represented at the meeting. Amendment of the provisions of Article 13 of the Articles of Association requires a resolution supported by three-quarters of the votes cast and three-quarters of the shares represented at the meeting.

Shares and share capital

Nokia has one class of shares. Each Nokia share entitles the holder to one vote at general meetings of Nokia.

In 2008, Nokia issued 3 546 508 new shares upon exercise of stock options issued to personnel in 2003 and 2005. Effective March 27, 2008, a total of 185 409 913 shares held by the company were cancelled. The issuance of new shares and cancellation of shares did not have an effect on the amount of share capital of the company. Neither the issuance nor the cancellation of shares had any significant effect on the relative holdings of the other shareholders of the company nor on their voting power.

Nokia repurchased through its share repurchase plan a total of 157.4 million shares on NASDAQ OMX Helsinki at an aggregate price of approximately EUR 3 123 million during the period from January 25, 2008, to August 7, 2008. The price paid is based on the market price at the time of repurchase. The shares were repurchased to be used for the purposes specified in the authorizations given by the Annual General Meetings of 2007 and 2008 to the Board. The aggregate amount of shares repurchased in 2008 represented approximately 4.1% of the total number of shares of the company and the total voting rights at the end of 2008. These new holdings did not have any significant effect on the relative holdings of the other shareholders of the company nor on their voting power.

In 2008, Nokia transferred a total of 4.2 million Nokia shares held by it under the Performance Share Plans and 1.4 million shares held by it under its Restricted Share Plans as settlement under the plans to the Plan participants, personnel of Nokia Group. The amount of shares transferred represented approximately 0.1% of the total number of shares of the company and the total voting rights. The transfers did not have a significant effect on the relative holdings of the other shareholders of the company nor on their voting power.

On December 31, 2008, Nokia and its subsidiary companies owned 103 076 379 Nokia shares. The shares represented approximately 2.7 % of the total number of the shares of the company and the total voting rights. The total number of shares at December 31, 2007, was 3 800 948 552. On December 31, 2008, Nokia's share capital was EUR 245 896 461.96.

Information on the authorizations held by the Board of Directors in 2008 to issue shares and special rights entitling to shares, transfer shares and repurchase own shares as well as information on the shareholders, stock options, shareholders' equity per share, dividend yield, price per earnings ratio, share prices, market capitalization, share turnover and average number of shares may be found in the Annual Accounts.

Industry and Nokia outlook for full year 2009

- While noting the extremely limited visibility, Nokia expects 2009 industry mobile device volumes to decline approximately 10% from 2008 levels.
- Nokia targets an increase in its market share in mobile devices in 2009.
- Nokia and Nokia Siemens Networks expect the mobile infrastructure and fixed infrastructure and related services market to decline 5% or more in Euro terms in 2009, from 2008 levels.
- Nokia and Nokia Siemens Networks target for Nokia Siemens Networks market share to remain constant in 2009, compared to 2008.

Subsequent events

In February 2009, Nokia issued EUR 1 750 million of Eurobonds with maturities of five and ten years under our EUR 3 000 million Euro Medium Term Note, or EMTN program, to repay part of its existing short-term borrowings. Nokia voluntarily cancelled its USD 2 000 million committed credit facility maturing in 2009 due to this repayment. In February 2009 Nokia also signed and fully drew down EUR 500 million loan from the European Investment Bank to finance part of its smartphone research and development expenses.

Risk factors

Set forth below is a description of risk factors that could affect Nokia. There may be, however, additional risks unknown to Nokia and other risks currently believed to be immaterial that could turn out to be material. These risks, either individually or together, could adversely affect our business, sales, results of operations, financial condition and share price from time to time.

- We are a global company and have sales in most countries of the world and, consequently, our sales and profitability are dependent on general economic conditions globally and locally. The impact of the current global economic turmoil and any further deterioration of global economic conditions, as well as the related financial crisis, on us, our customers and end-users of our products, services and solutions, and suppliers and collaborative partners may have a material adverse effect on our business, results of operations and financial condition.
- Our sales and profitability depend materially on the development of the mobile and fixed communications industry as well as the growth and profitability of the new market segments that we target and our ability to successfully develop or acquire and market products, services and solutions in those segments. If the mobile and fixed communications industry develop in an adverse manner, or if the new market segments we target and invest in grow less or are less profitable than expected, or if new faster growing market segments emerge in which we have not invested, our business, results of operations and financial condition may be materially adversely affected.
- Competition in our industry is intense. Our failure to maintain or improve our market position or respond successfully to changes in the competitive landscape may have a material adverse effect on our business and results of operations.
- We need to have a competitive portfolio of products, services and solutions that are preferred by our current and potential customers to those of our competitors. If we fail to achieve or maintain a competitive portfolio, our business, market share and results of operations may be materially adversely affected.
- Our business and results of operations, particularly our profitability, may be materially adversely affected if we are not able to successfully manage costs related to our products, services, solutions and operations.
- Our sales, costs and results of operations as well as the US dollar value of our dividends and market price of our ADSs are affected by exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Japanese yen, the Chinese yuan and the UK pound sterling, as well as certain other currencies.
- We depend on a limited number of suppliers for the timely delivery of sufficient amounts of fully functional components, sub-assemblies, software and content and for their compliance with our supplier requirements, such as our own and our customers' product quality, safety, security and other standards. Their failure to deliver or meet those requirements could materially adversely affect our ability to deliver our products, services and solutions successfully and on time.
- We must timely and successfully develop or otherwise acquire the appropriate technologies to use in our business. If we fail to develop or otherwise acquire these technologies as required by the market, or to successfully commercialize such technologies as new advanced products, services and solutions that meet customer demand, or fail to do so on a timely basis, this may have a material adverse effect on our business and results of operations.
- Any actual or even alleged defects or other quality issues in our products, services and solutions could materially adversely affect our sales, results of operations, reputation and the value of the Nokia brand.
- Our sales derived from, and assets located in, emerging market countries may be materially adversely affected by economic, regulatory and political developments in those countries or by other countries imposing regulations against imports to such countries. As sales from these countries represent a significant portion of our total sales, economic or political turmoil in these countries could materially adversely affect our sales and results of operations. Our investments in emerging market countries may also be subject to other risks and uncertainties.
- Changes in various types of regulation and trade policies in countries around the world could have a material adverse effect on our business and results of operations.
- We are developing a number of new products, services and solutions together with other companies. If any of these companies were to fail to perform as planned, we may not be able to bring our products, services and solutions to market successfully or in a timely way and this could have a material adverse effect on our sales and results of operations.
- Our sales and results of operations could be materially adversely affected if we fail to efficiently manage our manufacturing and logistics without interruption or make timely and appropriate adjustments, or fail to ensure that our products, services and solutions meet our and our customers' quality, safety, security and other requirements and are delivered on time and in sufficient volumes.
- Our products, services and solutions include increasingly complex technologies, some of which have been developed by us or licensed to us by certain third parties. As a consequence, evaluating the rights related to the technologies we use or intend to use is more and more challenging, and we expect increasingly to face claims that we have infringed third parties' intellectual property rights. The use of these technologies may also result in increased licensing costs for us, restrictions on our ability to use certain technologies in our products, services and solution offerings, and/or costly and time-consuming litigation, which could have a material adverse effect on our business, results of operations and financial condition.
- Our products, services and solutions include numerous new Nokia, NAVTEQ and Nokia Siemens Networks patented, standardized or proprietary technologies on which we depend. Third parties may use without a license or unlawfully infringe our intellectual property or commence actions seeking to establish the invalidity of the intellectual property rights of these technologies. This may have a material adverse effect on our business and results of operations.
- Our operations rely on the efficient and uninterrupted operation of complex and centralized information technology systems and networks. If a system or network inefficiency, malfunction or disruption occurs, this could have a material adverse effect on our business and results of operations.

- The networks infrastructure business relies on a limited number of customers and large multi-year contracts. Unfavorable developments under such a contract or in relation to a major customer may adversely and materially affect our sales, results of operations and financial condition.
- Providing customer financing or extending payment terms to customers can be a competitive requirement and could have a material adverse effect on our results of operations and financial condition.
- If we are unable to retain, motivate, develop and recruit appropriately skilled employees, our ability to implement our strategies may be hampered and, consequently, that may have a material adverse effect on our business and results of operations.
- Some of the Siemens carrier-related operations transferred to Nokia Siemens Networks have been and continue to be the subject of various criminal and other governmental investigations related to whether certain transactions and payments arranged by some former employees of Siemens were unlawful. As a result of those investigations, government authorities and others have taken and may take further actions against Siemens and/or its employees that may involve and affect the assets and employees transferred by Siemens to Nokia Siemens Networks, or there may be undetected additional violations that may have occurred prior to the transfer or violations that may have occurred after the transfer of such assets and employees that could have a material adverse effect on Nokia Siemens Networks and our reputation, business, results of operations and financial condition.
- An unfavorable outcome of litigation could have a material adverse effect on our business, results of operations and financial condition.
- Allegations of possible health risks from the electromagnetic fields generated by base stations and mobile devices, and the lawsuits and publicity relating to this matter, regardless of merit, could have a material adverse effect on our sales, results of operations, share price, reputation and brand value by leading consumers to reduce their use of mobile devices, by increasing difficulty in obtaining sites for base stations, or by leading regulatory bodies to set arbitrary use restrictions and exposure limits, or by causing us to allocate additional monetary and personnel resources to these issues.

Dividend

Nokia’s Board of Directors will propose a dividend of EUR 0.40 per share for 2008.

Nokia Corporation and Subsidiaries

Consolidated profit and loss accounts, IFRS

Financial year ended December 31	Notes	2008 EURm	2007 EURm	2006 EURm
Net sales		**50 710**	51 058	41 121
Cost of sales		**–33 337**	–33 781	–27 742
Gross profit		**17 373**	17 277	13 379
Research and development expenses		**–5 968**	–5 636	–3 897
Selling and marketing expenses		**–4 380**	–4 379	–3 314
Administrative and general expenses		**–1 284**	–1 165	–666
Other income	6	**420**	2 312	522
Other expenses	6, 7	**–1 195**	–424	–536
Operating profit	2–9, 22	**4 966**	7 985	5 488
Share of results of associated companies	14, 31	**6**	44	28
Financial income and expenses	10	**–2**	239	207
Profit before tax		**4 970**	8 268	5 723
Tax	11	**–1 081**	–1 522	–1 357
Profit before minority interests		**3 889**	6 746	4 366
Minority interests		**99**	459	–60
Profit attributable to equity holders of the parent		**3 988**	**7 205**	**4 306**

Earnings per share (for profit attributable to the equity holders of the parent)	28	2008 EUR	2007 EUR	2006 EUR
Basic		**1.07**	1.85	1.06
Diluted		**1.05**	1.83	1.05

Average number of shares (1 000 shares)	28	2008	2007	2006
Basic		**3 743 622**	3 885 408	4 062 833
Diluted		**3 780 363**	3 932 008	4 086 529

See Notes to consolidated financial statements.

Consolidated balance sheets, IFRS

December 31	Notes	2008 EURm	2007 EURm
ASSETS			
Non-current assets			
Capitalized development costs	12	244	378
Goodwill	12	6 257	1 384
Other intangible assets	12	3 913	2 358
Property, plant and equipment	13	2 090	1 912
Investments in associated companies	14	96	325
Available-for-sale investments	15	512	341
Deferred tax assets	24	1 963	1 553
Long-term loans receivable	16, 35	27	10
Other non-current assets		10	44
		15 112	8 305
Current assets			
Inventories	17, 19	2 533	2 876
Accounts receivable, net of allowances for doubtful accounts (2008: EUR 415 million, 2007: EUR 332 million)	19, 35	9 444	11 200
Prepaid expenses and accrued income	18	4 538	3 070
Current portion of long-term loans receivable	35	101	156
Other financial assets	35	1 034	239
Available-for-sale investments, liquid assets	15, 35	1 272	4 903
Available-for-sale investments, cash equivalents	15, 32, 35	3 842	4 725
Bank and cash	32, 35	1 706	2 125
		24 470	29 294
Total assets		39 582	37 599
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent			
Share capital	21	246	246
Share issue premium		442	644
Treasury shares, at cost		−1 881	−3 146
Translation differences		341	−163
Fair value and other reserves	20	62	23
Reserve for invested non-restricted equity		3 306	3 299
Retained earnings		11 692	13 870
		14 208	14 773
Minority interests		2 302	2 565
Total equity		16 510	17 338
Non-current liabilities			
Long-term interest-bearing liabilities	23, 35	861	203
Deferred tax liabilities	24	1 787	963
Other long-term liabilities		69	119
		2 717	1 285
Current liabilities			
Current portion of long-term loans	35	13	173
Short-term borrowings	35	3 578	714
Other financial liabilities	26, 35	924	184
Accounts payable	35	5 225	7 074
Accrued expenses	25	7 023	7 114
Provisions	27	3 592	3 717
		20 355	18 976
Total shareholders' equity and liabilities		39 582	37 599

See Notes to consolidated financial statements.

Consolidated cash flow statements, IFRS

Financial year ended December 31	Notes	2008 EURm	2007 EURm	2006 EURm
Cash flow from operating activities				
Profit attributable to equity holders of the parent		3 988	7 205	4 306
Adjustments, total	32	3 469	1 269	1 857
Change in net working capital	32	–2 546	605	–793
Cash generated from operations		4 911	9 079	5 370
Interest received		416	362	235
Interest paid		–155	–59	–18
Other financial income and expenses, net received		–195	–43	54
Income taxes paid, net received		–1 780	–1 457	–1 163
Net cash from operating activities		3 197	7 882	4 478
Cash flow from investing activities				
Acquisition of Group companies, net of acquired cash		–5 962	253	–517
Purchase of current available-for-sale investments, liquid assets		–669	–4 798	–3 219
Purchase of non-current available-for-sale investments		–121	–126	–88
Purchase of shares in associated companies		–24	–25	–15
Additions to capitalized development costs		–131	–157	–127
Long-term loans made to customers		—	–261	–11
Proceeds from repayment and sale of long-term loans receivable		129	163	56
Recovery of impaired long-term loans made to customers		—	—	276
Proceeds from (+) / payment of (–) other long-term receivables		–1	5	–3
Proceeds from (+) / payment of (–) short-term loans receivable		–15	–119	199
Capital expenditures		–889	–715	–650
Proceeds from disposal of shares in associated companies		3	6	1
Proceeds from disposal of businesses		41	—	—
Proceeds from maturities and sale of current available-for-sale investments, liquid assets		4 664	4 930	5 058
Proceeds from sale of non-current available-for-sale investments		10	50	17
Proceeds from sale of fixed assets		54	72	29
Dividends received		6	12	—
Net cash from (+)/used in (–) investing activities		–2 905	–710	1 006
Cash flow from financing activities				
Proceeds from stock option exercises		53	987	46
Purchase of treasury shares		–3 121	–3 819	–3 371
Proceeds from long-term borrowings		714	115	56
Repayment of long-term borrowings		–34	–16	–7
Proceeds from (+) / repayment of (–) short-term borrowings		2 891	661	–137
Dividends paid		–2 048	–1 760	–1 553
Net cash used in financing activities		–1 545	–3 832	–4 966
Foreign exchange adjustment		–49	–15	–51
Net increase (+) / decrease (–) in cash and cash equivalents		–1 302	3 325	467
Cash and cash equivalents at beginning of period		6 850	3 525	3 058
Cash and cash equivalents at end of period		5 548	6 850	3 525
Cash and cash equivalents comprise of:				
Bank and cash		1 706	2 125	1 479
Current available-for-sale investments, cash equivalents	15, 35	3 842	4 725	2 046
		5 548	6 850	3 525

The figures in the consolidated cash flow statement cannot be directly traced from the balance sheet without additional information as a result of acquisitions and disposals of subsidiaries and net foreign exchange differences arising on consolidation.

See Notes to consolidated financial statements.

Consolidated statements of changes in shareholders' equity, IFRS

EURm	Number of shares (1 000's)	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Before minority interests	Minority interests	Total
Balance at December 31, 2005	**4 172 376**	**266**	**2 458**	**–3 616**	**69**	**–176**	**—**	**13 308**	**12 309**	**205**	**12 514**
Tax benefit on stock options exercised			23						23		23
Excess tax benefit on share-based compensation			14						14		14
Translation differences					–141				–141	–13	–154
Net investment hedge gains, net of tax					38				38		38
Cash flow hedges, net of tax						171			171		171
Available-for-sale investments, net of tax						–9			–9		–9
Other decrease, net								–52	–52	–1	–53
Profit								4 306	4 306	60	4 366
Total recognized income and expense		**—**	**37**	**—**	**–103**	**162**	**—**	**4 254**	**4 350**	**46**	**4 396**
Stock options exercised	3 046		43						43		43
Stock options exercised related to acquisitions			–1						–1		–1
Share-based compensation [1]			219						219		219
Settlement of performance shares	2 236		–69	38					–31		–31
Acquisition of treasury shares	–212 340			–3 413					–3 413		–3 413
Reissuance of treasury shares	412			4					4		4
Cancellation of treasury shares		–20	20	4 927				–4 927	—		—
Dividend								–1 512	–1 512	–40	–1 552
Acquisition of minority interests									—	–119	–119
Total of other equity movements		**–20**	**212**	**1 556**	**—**	**—**	**—**	**–6 439**	**–4 691**	**–159**	**–4 850**
Balance at December 31, 2006	**3 965 730**	**246**	**2 707**	**–2 060**	**–34**	**–14**	**—**	**11 123**	**11 968**	**92**	**12 060**
Excess tax benefit on share-based compensation			128						128		128
Translation differences					–167				–167	16	–151
Net investment hedge gains, net of tax					38				38		38
Cash flow hedges, net of tax						–11			–11		–11
Available-for-sale investments, net of tax						48			48		48
Other decrease, net								–40	–40		–40
Profit								7 205	7 205	–459	6 746
Total recognized income and expense		**—**	**128**	**—**	**–129**	**37**	**—**	**7 165**	**7 201**	**–443**	**6 758**
Stock options exercised	57 269		46				932		978		978
Stock options exercised related to acquisitions			–3						–3		–3
Share-based compensation			228						228		228
Settlement of performance shares	3 138		–104	58			9		–37		–37
Acquisition of treasury shares	–180 590			–3 884					–3 884		–3 884
Reissuance of treasury shares	403			7					7		7
Cancellation of treasury shares				2 733				–2 733	—		—
Share premium reduction and transfer			–2 358				2 358		—		—
Dividend								–1 685	–1 685	–75	–1 760
Minority interest on formation of Nokia Siemens Networks									—	2 991	2 991
Total of other equity movements		**—**	**–2 191**	**–1 086**	**—**	**—**	**3 299**	**–4 418**	**–4 396**	**2 916**	**–1 480**
Balance at December 31, 2007	**3 845 950**	**246**	**644**	**–3 146**	**–163**	**23**	**3 299**	**13 870**	**14 773**	**2 565**	**17 338**

1 In 2006 share-based compensation is shown net of deferred compensation recorded related to social security costs on share-based payments.

Consolidated statements of changes in shareholders’ equity, IFRS (continued)

EURm	Number of shares (1 000’s)	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Before minority interests	Minority interests	Total
Balance at December 31, 2007	3 845 950	246	644	−3 146	−163	23	3 299	13 870	14 773	2 565	17 338
Tax benefit on stock options exercised			4						4		4
Excess tax benefit on share-based compsensation			−121						−121		−121
Translation differences					595				595	—	595
Net investment hedge losses, net of tax					−91				−91		−91
Cash flow hedges, net of tax						42			42		42
Available-for-sale investments, net of tax						−3			−3		−3
Other increase, net								46	46		46
Profit								3 988	3 988	−99	3 889
Total recognized income and expense		—	−117	—	504	39	—	4 034	4 460	−99	4 361
Stock options exercised	3 547						51		51		51
Stock options exercised related to acquisitions			1						1		1
Share-based compensation			74						74		74
Settlement of performance shares	5 622		−179	154			−44		−69		−69
Acquisition of treasury shares	−157 390			−3 123					−3 123		−3 123
Reissuance of treasury shares	143			2					2		2
Cancellation of treasury shares				4 232				−4 232	—		—
Dividend								−1 992	−1 992	−35	−2 027
Acquisitions and other changes in minority interests									—	−129	−129
Vested portion of share-based payment awards related to acquisitions			19						19		19
Acquisition of Symbian								12	12		12
Total of other equity movements		—	−85	1 265	—	—	7	−6 212	−5 025	−164	−5 189
Balance at December 31, 2008	3 697 872	246	442	−1 881	341	62	3 306	11 692	14 208	2 302	16 510

Dividends declared per share were EUR 0.40 for 2008 (EUR 0.53 for 2007 and EUR 0.43 for 2006), subject to shareholders’ approval.

Notes to the consolidated financial statements

1. Accounting principles

Basis of presentation

The consolidated financial statements of Nokia Corporation ("Nokia" or "the Group"), a Finnish public limited liability company with domicile in Helsinki, in the Republic of Finland, are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union (collectively "IFRS"). The consolidated financial statements are presented in millions of euros ("EURm"), except as noted, and are prepared under the historical cost convention, except as disclosed in the accounting policies below. The notes to the consolidated financial statements also conform to Finnish Accounting legislation. On March 5, 2009, Nokia's Board of Directors authorized the financial statements for issuance and filing.

As described in Note 8 the Group completed the acquisition of all of the outstanding equity of NAVTEQ Corporation ("NAVTEQ") on July 10, 2008 and a transaction to form Nokia Siemens Networks on April 1, 2007. The NAVTEQ and the Nokia Siemens Networks business combinations have had a material impact on the consolidated financial statements and associated notes.

Adoption of pronouncements under IFRS

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations to existing standards issued by the IASB that are relevant to its operations and effective for accounting periods commencing on or after January 1, 2008.

» IFRS 8, Operating Segments requires the segment information to be presented on the same basis as that used for internal reporting purposes. Under IFRS 8, segments are components of the entity that are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to evaluate its performance.

» IFRIC 11, IFRS 2–Group and Treasury Share Transactions clarifies how IFRS 2 should be applied to share-based payment arrangements involving treasury shares, and arrangements involving grant of the entity's own equity instruments or equity instruments of another entity within the same group.

» IFRIC 14 and IAS 19, The Limit on a Defined benefit Asset, Minimum Funding Requirements and their Interaction addresses when refunds or reductions in future contributions should be regarded as available when measuring a pension asset and how a minimum funding requirement might affect the availability of reductions in future contributions.

» IAS 39 and IFRS 7 (Amendments), Reclassification of Financial Instruments allow an entity to reclassify non-derivative financial assets out of the fair value through profit or loss and available-for-sale categories in particular circumstances and require additional disclosures for the reclassifications.

The adoption of each of the above mentioned standards did not have a material impact to the Group's balance sheet, profit and loss or cash flows.

Principles of consolidation

The consolidated financial statements include the accounts of Nokia's parent company ("Parent Company"), and each of those companies over which the Group exercises control. Control over an entity is presumed to exist when the Group owns, directly or indirectly through subsidiaries, over 50% of the voting rights of the entity, the Group has the power to govern the operating and financial policies of the entity through agreement or the Group has the power to appoint or remove the majority of the members of the board of the entity.

The Group's share of profits and losses of associated companies is included in the consolidated profit and loss account in accordance with the equity method of accounting. An associated company is an entity over which the Group exercises significant influence. Significant influence is generally presumed to exist when the Group owns, directly or indirectly through subsidiaries, over 20% of the voting rights of the company.

All inter-company transactions are eliminated as part of the consolidation process. Minority interests are presented separately as a component of net profit and they are shown as a component of shareholders' equity in the consolidated balance sheet.

Profits realized in connection with the sale of fixed assets between the Group and associated companies are eliminated in proportion to share ownership. Such profits are deducted from the Group's equity and fixed assets and released in the Group accounts over the same period as depreciation is charged.

The companies acquired during the financial periods presented have been consolidated from the date on which control of the net assets and operations was transferred to the Group. Similarly the result of a Group company divested during an accounting period is included in the Group accounts only to the date of disposal.

Business combinations

The purchase method of accounting is used to account for acquisitions of separate entities or businesses by the Group. The cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, equity instruments issued and costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities acquired or assumed by the Group are measured separately at their fair value as of the acquisition date. The excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable net assets acquired is recorded as goodwill.

Assessment of the recoverability of long-lived and intangible assets and goodwill

For the purposes of impairment testing, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition in which the goodwill arose.

The Group assesses the carrying value of goodwill annually or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. The Group assesses the carrying value of identifiable intangible assets and long-lived assets if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include underperformance relative to historical or projected future results, significant changes in the manner of the use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends.

The Group conducts its impairment testing by determining the recoverable amount for the asset or cash-generating unit. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable amount is then compared to its carrying amount and an impairment loss is recognized if the recoverable amount is less than the carrying amount. Impairment losses are recognized immediately in the profit and loss account.

Foreign currency translation

Functional and presentation currency

The financial statements of all Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Euro, which is the functional and presentation currency of the Parent Company.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual transactions. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used. At the end of the accounting period, the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the year-end. Foreign exchange gains and losses arising from balance sheet items, as well as fair value changes in the related hedging instruments, are reported in Financial Income and Expenses.

Foreign Group companies

In the consolidated accounts all income and expenses of foreign subsidiaries are translated into Euro at the average foreign exchange rates for the account-

ing period. All assets and liabilities of foreign Group companies are translated into Euro at the year-end foreign exchange rates with the exception of goodwill arising on the acquisition of foreign companies prior to the adoption of IAS 21 (revised 2004) on January 1, 2005, which is translated to Euro at historical rates. Differences resulting from the translation of income and expenses at the average rate and assets and liabilities at the closing rate are treated as an adjustment affecting consolidated shareholders' equity. On the disposal of all or part of a foreign Group company by sale, liquidation, repayment of share capital or abandonment, the cumulative amount or proportionate share of the translation difference is recognized as income or as expense in the same period in which the gain or loss on disposal is recognized.

Revenue recognition

Sales from the majority of the Group are recognized when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. An immaterial part of the revenue from products sold through distribution channels is recognized when the reseller or distributor sells the products to the end users. The Group records reductions to revenue for special pricing agreements, price protection and other volume based discounts. Service revenue is generally recognized on a straight line basis over the service period unless there is evidence that some other method better represents the stage of completion. License fees from usage are recognized in the period in which the customer reports them to the Group.

The Group enters into transactions involving multiple components consisting of any combination of hardware, services and software. The commercial effect of each separately identifiable component of the transaction is evaluated in order to reflect the substance of the transaction. The consideration received from these transactions is allocated to each separately identifiable component based on the relative fair value of each component. The Group determines the fair value of each component by taking into consideration factors such as the price when the component or a similar component is sold separately by the Group or a third party. The consideration allocated to each component is recognized as revenue when the revenue recognition criteria for that component have been met. If the Group is unable to reliably determine the fair value attributable to the separately identifiable undelivered components, the Group defers revenue until the revenue recognition criteria for the undelivered components have been met.

In addition, sales and cost of sales from contracts involving solutions achieved through modification of complex telecommunications equipment are recognized using the percentage of completion method when the outcome of the contract can be estimated reliably. A contract's outcome can be estimated reliably when total contract revenue and the costs to complete the contract can be estimated reliably, it is probable that the economic benefits associated with the contract will flow to the Group and the stage of contract completion can be measured reliably. When the Group is not able to meet those conditions, the policy is to recognize revenues only equal to costs incurred to date, to the extent that such costs are expected to be recovered.

Progress towards completion is measured by reference to cost incurred to date as a percentage of estimated total project costs, the cost-to-cost method.

The percentage of completion method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular project. Recognized revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. Losses on projects in progress are recognized in the period they become probable and estimable.

Shipping and handling costs

The costs of shipping and distributing products are included in cost of sales.

Research and development

Research and development costs are expensed as they are incurred, except for certain development costs, which are capitalized when it is probable that a development project will generate future economic benefits, and certain criteria, including commercial and technological feasibility, have been met. Capitalized development costs, comprising direct labor and related overhead, are amortized on a systematic basis over their expected useful lives between two and five years.

Capitalized development costs are subject to regular assessments of recoverability based on anticipated future revenues, including the impact of changes in technology. Unamortized capitalized development costs determined to be in excess of their recoverable amounts are expensed immediately.

Other intangible assets

Acquired patents, trademarks, licenses, software licenses for internal use, customer relationships and developed technology are capitalized and amortized using the straight-line method over their useful lives, generally 3 to 6 years, but not exceeding 20 years. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down to its recoverable amount.

Pensions

The Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations.

In a defined contribution plan, the Group has no legal or constructive obligation to make any additional contributions if the party receiving the contributions is unable to pay the pension obligations in question. The Group's contributions to defined contribution plans, multi-employer and insured plans are recognized in the profit and loss account in the period to which the contributions relate.

All arrangements that do not fulfill these conditions are considered defined benefit plans. If a defined benefit plan is funded through an insurance contract where the Group does not retain any legal or constructive obligations, such a plan is treated as a defined contribution plan.

For defined benefit plans, pension costs are assessed using the projected unit credit method: The pension cost is recognized in the profit and loss account so as to spread the service cost over the service lives of employees. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates on high quality corporate bonds with appropriate maturities. Actuarial gains and losses outside the corridor are recognized over the average remaining service lives of employees. The corridor is defined as ten percent of the greater of the value of plan assets or defined benefit obligation at the beginning of the respective year.

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

The liability (or asset) recognized in the balance sheet is pension obligation at the closing date less the fair value of plan assets, the share of unrecognized actuarial gains and losses, and past service costs.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the expected useful lives of the assets as follows:

Buildings and constructions	20–33 years
Production machinery, measuring and test equipment .	1–3 years
Other machinery and equipment	3–10 years

Land and water areas are not depreciated.

Maintenance, repairs and renewals are generally charged to expense during the financial period in which they are incurred. However, major renovations

are capitalized and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset. Leasehold improvements are depreciated over the shorter of the lease term or useful life.

Gains and losses on the disposal of fixed assets are included in operating profit/loss.

Leases

The Group has entered into various operating leases, the payments under which are treated as rentals and recognized in the profit and loss account on a straight-line basis over the lease terms unless another systematic approach is more representative of the pattern of the user's benefit.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using standard cost, which approximates actual cost on a FIFO basis. Net realizable value is the amount that can be realized from the sale of the inventory in the normal course of business after allowing for the costs of realization.

In addition to the cost of materials and direct labor, an appropriate proportion of production overhead is included in the inventory values.

An allowance is recorded for excess inventory and obsolescence based on the lower of cost or net realizable value.

Financial assets

The Group has classified its financial assets as one of the following categories: available-for-sale investments, loans and receivables, bank and cash and financial assets at fair value through profit or loss.

Available-for-sale investments

The Group classifies the following investments as available for sale based on the purpose for acquiring the investments as well as ongoing intentions: (1) highly liquid, interest-bearing investments with maturities at acquisition of less than 3 months, which are classified in the balance sheet as current available-for-sale investments, cash equivalents, (2) similar types of investments as in category (1), but with maturities at acquisition of longer than 3 months, classified in the balance sheet as current available-for-sale investments, liquid assets, (3) investments in technology related publicly quoted equity shares, or unlisted private equity shares and unlisted funds, classified in the balance sheet as non-current available-for-sale investments.

Current fixed income and money-market investments are fair valued by using quoted market rates, discounted cash flow analyses and other appropriate valuation models at the balance sheet date. Investments in publicly quoted equity shares are measured at fair value using exchange quoted bid prices. Other available-for-sale investments carried at fair value include holdings in unlisted shares. Fair value is estimated by using various factors, including, but not limited to: (1) the current market value of similar instruments, (2) prices established from a recent arm's length financing transaction of the target companies, (3) analysis of market prospects and operating performance of the target companies taking into consideration the public market of comparable companies in similar industry sectors. The remaining available-for-sale investments are carried at cost less impairment, which are technology related investments in private equity shares and unlisted funds for which the fair value cannot be measured reliably due to non-existence of public markets or reliable valuation methods against which to value these assets. The investment and disposal decisions on these investments are business driven.

All purchases and sales of investments are recorded on the trade date, which is the date that the Group commits to purchase or sell the asset.

The fair value changes of available-for-sale investments are recognized in fair value and other reserves as part of shareholders' equity, with the exception of interest calculated using effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit and loss. Dividends on available-for-sale equity instruments are recognized in profit and loss when the Group's right to receive payment is established. When the investment is disposed of, the related accumulated fair value changes are released from shareholders' equity and recognized in the profit and loss account. The weighted average method is used when determining the cost-basis of publicly listed equities being disposed of. FIFO (First-in First-out) method is used to determine the cost basis of fixed income securities being disposed of. An impairment is recorded when the carrying amount of an available-for-sale investment is greater than the estimated fair value and there is objective evidence that the asset is impaired including but not limited to counterparty default and other factors causing a reduction in value that can be considered permanent. The cumulative net loss relating to that investment is removed from equity and recognized in the profit and loss account for the period. If, in a subsequent period, the fair value of the investment in a non-equity instrument increases and the increase can be objectively related to an event occurring after the loss was recognized, the loss is reversed, with the amount of the reversal included in the profit and loss account.

Loans receivable

Loans receivable include loans to customers and suppliers and are measured at amortized cost using the effective interest method less impairment. Loans are subject to regular and thorough review as to their collectability and as to available collateral; in the event that any loan is deemed not fully recoverable, a provision is made to reflect the shortfall between the carrying amount and the present value of the expected cash flows. Interest income on loans receivable is recognized by applying the effective interest rate. The long term portion of loans receivable is included on the balance sheet under long-term loans receivable and the current portion under current portion of long-term loans receivable.

Bank and cash

Bank and cash consist of cash at bank and in hand.

Accounts receivable

Accounts receivable are carried at the original amount invoiced to customers, which is considered to be fair value, less allowances for doubtful accounts based on a periodic review of all outstanding amounts including an analysis of historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms. Bad debts are written off when identified as uncollectible.

Financial liabilities

Loans payable

Loans payable are recognized initially at fair value, net of transaction costs incurred. Any difference between the fair value and the proceeds received is recognized in profit and loss at initial recognition. In the subsequent periods, they are stated at amortized cost using the effective interest method. The long term portion of loans payable is included on the balance sheet under long-term interest-bearing liabilities and the current portion under current portion of long-term loans.

Accounts payable

Accounts payable are carried at the original invoiced amount, which is considered to be fair value due to the short-term nature.

Derivative financial instruments

All derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss varies according to whether the derivatives are designated and qualify under hedge accounting or not.

Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss

Fair values of forward rate agreements, interest rate options, futures contracts and exchange traded options are calculated based on quoted market rates at each balance sheet date. Discounted cash flow analyses are used to value interest rate and currency swaps. Changes in the fair value of these contracts are recognized in the profit and loss account.

Fair values of cash settled equity derivatives are calculated by revaluing the contract at each balance

sheet date end quoted market rates. Changes in fair value are recognized in the profit and loss account.

Forward foreign exchange contracts are valued at the market forward exchange rates. Changes in fair value are measured by comparing these rates with the original contract forward rate. Currency options are valued at each balance sheet date by using the Garman & Kohlhagen option valuation model. Changes in the fair value on these instruments are recognized in the profit and loss account.

Embedded derivatives are identified and monitored by the Group and fair valued as at each balance sheet date. In assessing the fair value of embedded derivatives, the Group employs a variety of methods including option pricing models and discounted cash flow analysis using assumptions that are based on market conditions existing at each balance sheet date. The fair value changes are recognized in the profit and loss account.

Hedge accounting

Cash flow hedges: Hedging of anticipated foreign currency denominated sales and purchases

The Group applies hedge accounting for "Qualifying hedges". Qualifying hedges are those properly documented cash flow hedges of the foreign exchange rate risk of future anticipated foreign currency denominated sales and purchases that meet the requirements set out in IAS 39. The cash flow being hedged must be "highly probable" and must present an exposure to variations in cash flows that could ultimately affect profit or loss. The hedge must be highly effective both prospectively and retrospectively.

The Group claims hedge accounting in respect of certain forward foreign exchange contracts and options, or option strategies, which have zero net premium or a net premium paid, and where the critical terms of the bought and sold options within a collar or zero premium structure are the same and where the nominal amount of the sold option component is no greater than that of the bought option.

For qualifying foreign exchange forwards the change in fair value that reflects the change in spot exchange rates is deferred in shareholders' equity to the extent that the hedge is effective. For qualifying foreign exchange options, or option strategies, the change in intrinsic value is deferred in shareholders' equity to the extent that the hedge is effective. In all cases the ineffective portion is recognized immediately in the profit and loss account as financial income and expenses. Hedging costs, expressed either as the change in fair value that reflects the change in forward exchange rates less the change in spot exchange rates for forward foreign exchange contracts, or changes in the time value for options, or options strategies, are recognized within other operating income or expenses.

Accumulated fair value changes from qualifying hedges are released from shareholders' equity into the profit and loss account as adjustments to sales and cost of sales, in the period when the hedged cash flow affects the profit and loss account. If the hedged cash flow is no longer expected to take place, all deferred gains or losses are released immediately into the profit and loss account as adjustments to sales and cost of sales. If the hedged cash flow ceases to be highly probable, but is still expected to take place, accumulated gains and losses remain in equity until the hedged cash flow affects the profit and loss account.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the profit and loss account. The fair value changes of derivative instruments that directly relate to normal business operations are recognized within other operating income and expenses. The fair value changes from all other derivative instruments are recognized in financial income and expenses.

Cash flow hedges: Hedging of foreign currency risk of highly probable business acquisitions and other transactions

The Group hedges the cash flow variability due to foreign currency risk inherent in highly probable business acquisitions and other future transactions that result in the recognition of non-financial assets. When those non-financial assets are recognized in the balance sheet the gains and losses previously deferred in equity are transferred from equity and included in the initial acquisition cost of the asset. The deferred amounts are ultimately recognized in the profit and loss as a result of goodwill assessments in case of business acquisitions and through depreciation in case of other assets. In order to apply for hedge accounting, the forecasted transactions must be highly probable and the hedges must be highly effective prospectively and retrospectively.

The Group claims hedge accounting in respect of forward foreign exchange contracts, foreign currency denominated loans, and options, or option strategies, which have zero net premium or a net premium paid, and where the terms of the bought and sold options within a collar or zero premium structure are the same.

For qualifying foreign exchange forwards, the change in fair value that reflects the change in spot exchange rates is deferred in shareholders' equity. The change in fair value that reflects the change in forward exchange rates less the change in spot exchange rates is recognized in the profit and loss account within financial income and expenses. For qualifying foreign exchange options the change in intrinsic value is deferred in shareholders' equity. Changes in the time value are at all times recognized directly in the profit and loss account as financial income and expenses. In all cases the ineffective portion is recognized immediately in the profit and loss account as financial income and expenses.

Hedges of net investments in foreign operations

The Group also applies hedge accounting for its foreign currency hedging on net investments.

Qualifying hedges are those properly documented hedges of the foreign exchange rate risk of foreign currency denominated net investments that meet the requirements set out in IAS 39. The hedge must be effective both prospectively and retrospectively.

The Group claims hedge accounting in respect of forward foreign exchange contracts, foreign currency denominated loans, and options, or option strategies, which have zero net premium or a net premium paid, and where the terms of the bought and sold options within a collar or zero premium structure are the same.

For qualifying foreign exchange forwards, the change in fair value that reflects the change in spot exchange rates is deferred in shareholders' equity. The change in fair value that reflects the change in forward exchange rates less the change in spot exchange rates is recognized in the profit and loss account within financial income and expenses. For qualifying foreign exchange options the change in intrinsic value is deferred in shareholders' equity. Changes in the time value are at all times recognized directly in the profit and loss account as financial income and expenses. If a foreign currency denominated loan is used as a hedge, all foreign exchange gains and losses arising from the transaction are recognized in shareholders' equity. In all cases the ineffective portion is recognized immediately in the profit and loss account as financial income and expenses.

Accumulated fair value changes from qualifying hedges are released from shareholders' equity into the profit and loss account only if the legal entity in the given country is sold, liquidated, repays its share capital or is abandoned.

Income taxes

Current taxes are based on the results of the Group companies and are calculated according to local tax rules.

Deferred tax assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses or deductible temporary differences can be utilized. Deferred tax liabilities are recognized for temporary differences that arise between the fair value and tax base of identifiable net assets acquired in business combinations.

The enacted or substantially enacted tax rates as of each balance sheet date that are expected to apply in the period when the asset is realized or the liability is settled are used in the measurement of deferred tax assets and liabilities.

Deferred taxes are recognized directly in equity, when temporary differences arise on items that are not recognized in the profit and loss.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources

will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as an asset only when the reimbursement is virtually certain. At each balance sheet date, the Group assesses the adequacy of its preexisting provisions and adjusts the amounts as necessary based on actual experience and changes in future estimates.

Warranty provisions

The Group provides for the estimated liability to repair or replace products under warranty at the time revenue is recognized. The provision is an estimate calculated based on historical experience of the level of repairs and replacements.

Intellectual property rights (IPR) provisions

The Group provides for the estimated future settlements related to asserted and unasserted IPR infringements based on the probable outcome of potential infringement.

Tax provisions

The Group recognizes a provision for tax contingencies based upon the estimated future settlement amount at each balance sheet date.

Restructuring provisions

The Group provides for the estimated cost to restructure when a detailed formal plan of restructuring has been completed and the restructuring plan has been announced.

Other provisions

The Group recognizes the estimated liability for non-cancellable purchase commitments for inventory in excess of forecasted requirements at each balance sheet date.

The Group provides for onerous contracts based on the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract.

Share-based compensation

The Group offers three types of equity settled share-based compensation schemes for employees: stock options, performance shares and restricted shares. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments as of the date of grant, excluding the impact of any non-market vesting conditions. Non-market vesting conditions attached to the performance shares are included in assumptions about the number of shares that the employee will ultimately receive. On a regular basis, the Group reviews the assumptions made and, where necessary, revises its estimates of the number of performance shares that are expected to be settled. Share-based compensation is recognized as an expense in the profit and loss account over the service period. A separate vesting period is defined for each quarterly lot of the stock options plans. When stock options are exercised, the proceeds received net of any transaction costs are credited to share premium and the reserve for invested non-restricted equity.

Treasury shares

The Group recognizes acquired treasury shares as a deduction from equity at their acquisition cost. When cancelled, the acquisition cost of treasury shares is recognized in retained earnings.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

Earnings per share

The Group calculates both basic and diluted earnings per share. Basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of stock options, restricted shares and performance shares outstanding during the period.

Use of estimates

The preparation of financial statements in conformity with IFRS requires the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported carrying values of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Set forth below are areas requiring significant judgment and estimation that may have an impact on reported results and the financial position.

Revenue recognition

Sales from the majority of the Group are recognized when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Sales may materially change if management's assessment of such criteria was determined to be inaccurate.

The Group makes price protection adjustments based on estimates of future price reductions and certain agreed customer inventories at the date of the price adjustment. Possible changes in these estimates could result in revisions to the sales in future periods.

Revenue from contracts involving solutions achieved through modification of complex telecommunications equipment is recognized on the percentage of completion basis when the outcome of the contract can be estimated reliably. Recognized revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. Current sales and profit estimates for projects may materially change due to the early stage of a long-term project, new technology, changes in the project scope, changes in costs, changes in timing, changes in customers' plans, realization of penalties, and other corresponding factors.

Customer financing

The Group has provided a limited amount of customer financing and agreed extended payment terms with selected customers. Should the actual financial position of the customers or general economic conditions differ from assumptions, the ultimate collectability of such financings and trade credits may be required to be re-assessed, which could result in a write-off of these balances and thus negatively impact profits in future periods. The Group endeavors to mitigate this risk through the transfer of its rights to the cash collected from these arrangements to third party financial institutions on a non-recourse basis in exchange for an upfront cash payment.

Allowances for doubtful accounts

The Group maintains allowances for doubtful accounts for estimated losses resulting from the subsequent inability of customers to make required payments. If the financial conditions of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods.

Inventory-related allowances

The Group periodically reviews inventory for excess amounts, obsolescence and declines in market value below cost and records an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for products. Possible changes in these estimates could result in revisions to the valuation of inventory in future periods.

Warranty provisions

The Group provides for the estimated cost of product warranties at the time revenue is recognized. The Group's warranty provision is established based upon best estimates of the amounts necessary to settle future and existing claims on products sold as of each balance sheet date. As new products incorporating complex technologies are continuously introduced,

and as local laws, regulations and practices may change, changes in these estimates could result in additional allowances or changes to recorded allowances being required in future periods.

Provision for intellectual property rights, or IPR, infringements

The Group provides for the estimated future settlements related to asserted and unasserted IPR infringements based on the probable outcome of potential infringement. IPR infringement claims can last for varying periods of time, resulting in irregular movements in the IPR infringement provision. The ultimate outcome or actual cost of settling an individual infringement may materially vary from estimates.

Legal contingencies

Legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against the Group. Provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

Capitalized development costs

The Group capitalizes certain development costs when it is probable that a development project will generate future economic benefits and certain criteria, including commercial and technological feasibility, have been met. Should a product fail to substantiate its estimated feasibility or life cycle, material development costs may be required to be written-off in future periods.

Business combinations

The purchase method of accounting is used to account for acquisitions of separate entities or businesses by the Group. The cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, equity instruments issued and costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities acquired or assumed by the Group are measured separately at their fair value as of the acquisition date. The excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable net assets acquired is recorded as goodwill.

The allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions requiring management judgment. Actual results may differ from the forecasted amounts and the difference could be material.

Assessment of the recoverability of long-lived assets, intangible assets and goodwill

The recoverable amounts for long-lived assets, intangible assets and goodwill have been determined based on value in use calculations. Value in use is calculated based on the expected future cash flows attributable to the asset or cash-generating unit discounted to present value. The key assumptions applied in the determination of the value in use include the discount rate, length of the explicit forecast period and estimated growth rates, profit margins and level of operational and capital investment. Amounts estimated could differ materially from what will actually occur in the future.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, unlisted equities, currency options and embedded derivatives) are determined using various valuation techniques. The Group uses judgment to select an appropriate valuation methodology as well as underlying assumptions based on existing market practice and conditions. Changes in these assumptions may cause the Group to recognize impairments or losses in future periods.

Income taxes

Management judgment is required in determining provisions for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognized. If the final outcome of these matters differs from the amounts initially recorded, differences may impact the income tax and deferred tax provisions in the period in which such determination is made.

Pensions

The determination of pension benefit obligation and expense for defined benefit pension plans is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, the discount rate, expected long-term rate of return on plan assets and annual rate of increase in future compensation levels. A portion of plan assets is invested in equity securities which are subject to equity market volatility. Changes in assumptions and actuarial conditions may materially affect the pension obligation and future expense.

Share-based compensation

The Group operates various types of equity settled share-based compensation schemes for employees. Fair value of stock options is based on certain assumptions, including, among others, expected volatility and expected life of the options. Non-market vesting conditions attached to performance shares are included in assumptions about the number of shares that the employee will ultimately receive relating to projections of net sales and earnings per share. Significant differences in equity market performance, employee option activity and the Group's projected and actual net sales and earnings per share performance, may materially affect future expense.

New accounting pronouncements under IFRS

The Group will adopt the following new and revised standards, amendments and interpretations to existing standards issued by the IASB that are expected to be relevant to its operations:

Amendment to IFRS 2, Share-based payment, Group and Treasury Share Transactions, clarifies the definition of different vesting conditions, treatment of all non-vesting conditions and provides further guidance on the accounting treatment of cancellations by parties other than the entity.

IAS 1 (Revised), Presentation of financial statements, prompts entities to aggregate information in the financial statements on the basis of shared characteristics. All non-owner changes in equity (i.e. comprehensive income) should be presented either in one statement of comprehensive income or in a separate income statement and statement of comprehensive income.

Amendment to IAS 20, Accounting for government grants and disclosure of government assistance, requires that the benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39 and the proceeds received, with the benefit accounted for in accordance with IAS 20.

Amendment to IAS 23, Borrowing costs, changes the treatment of borrowing costs that are directly attributable to an acquisition, construction or production of a qualifying asset. These costs will consequently form part of the cost of that asset. Other borrowing costs are recognized as an expense.

Under the amended IAS 32 Financial Instruments: Presentation, the Group must classify puttable financial instruments or instruments or components thereof that impose an obligation to deliver to another party, a pro-rata share of net assets of the entity only on liquidation, as equity. Previously, these instruments would have been classified as financial liabilities.

IFRIC 13, Customer Loyalty Programs addresses the accounting surrounding customer loyalty programs and whether some consideration should be allocated to free goods or services provided by a company. Consideration should be allocated to award credits based on their fair value, as they are a separately identifiable component.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group.

IFRIC 18 Transfers of Assets from Customers clarifies the requirements for agreements in which an entity receives an item of property, plant and equipment or cash it is required to use to construct or acquire an item of property, plant and equipment that must be used to provide access to a supply of goods or services.

IFRS 3 (revised) Business Combinations replaces IFRS 3 (as issued in 2004). The main changes brought by IFRS 3 (revised) include immediate recognition of all acquisition-related costs in profit or loss, recognition of subsequent changes in the fair value of contingent consideration in accordance with other IFRSs and measurement of goodwill arising from step acquisitions at the acquisition date.

IAS 27 (revised), "Consolidated and Separate Financial Statements" clarifies presentation of changes in parent-subsidiary ownership. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for exclusively within equity. If a parent loses control of a subsidiary it shall derecognize the consolidated assets and liabilities, and any investment retained in the former subsidiary shall be recognized at fair value at the date when control is lost. Any differences resulting from this shall be recognized in profit or loss. When losses attributed to the minority (non-controlling) interests exceed the minority's interest in the subsidiary's equity, these losses shall be allocated to the non-controlling interests even if this results in a deficit balance.

In addition, there are a number of other amendments that form part of the IASB's annual improvement project, which will be adopted by the Group on January 1, 2009.

The Group will adopt the amendments to IFRS 2, IAS 1, IAS 20, IAS 23, IAS 32, IFRIC 13, IFRIC 16 and IFRIC 18 as well as the additional amendments that form part of the IASB's annual improvement project on January 1, 2009. The Group does not expect that the adoption of these revised standards, interpretations and amendments will have a material impact on the financial condition and results of operations.

The Group is required to adopt both IFRS 3 (revised) and IAS 27 (revised) on January 1, 2010 with early adoption permitted. The Group is currently evaluating the impact of these standards on the Group's accounts.

2. Segment information

As of January 1, 2008, the Group's three mobile device business groups and the supporting horizontal groups have been replaced by an integrated business segment, Devices & Services. Devices & Services and Nokia Siemens Networks are each reportable segments for financial reporting purposes. Commencing with the third quarter 2008, NAVTEQ is also a reportable segment. Prior period results for Nokia and its reportable segments have been regrouped for comparabality purposes according to the new reportable segments effective in 2008.

Nokia is organized on a worldwide basis into three reportable segments: Devices & Services, NAVTEQ, and Networks. Nokia's reportable segments represent the strategic business units that offer different products and services for which monthly financial information is provided to the chief operating decision-maker.

Devices & Services segment is responsible for developing and managing the Group's portfolio of mobile devices and consumer Internet services, as well as the management of our supply chains, sales channels, brand and marketing activities.

NAVTEQ is a leading provider of comprehensive digital map information for automotive systems, mobile navigation devices, Internet-based mapping applications, and government and business solutions.

Nokia Siemens Networks provides mobile and fixed network solutions and services to operators and service providers.

Corporate Common Functions consists of company wide functions.

The accounting policies of the segments are the same as those described in Note 1. Nokia accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices. Nokia evaluates the performance of its segments and allocates resources to them based on operating profit.

No single customer represents 10% or more of Group revenues.

2008, EURm	Devices & Services	NAVTEQ	Nokia Siemens Networks [1]	Total reportable segments	Corporate Common Functions and Corporate unallocated [4, 6]	Eliminations	Group
Profit and loss information							
Net sales to external customers	35 084	318	15 308	50 710	—		50 710
Net sales to other segments	15	43	1	59	—	– 59	—
Depreciation and amortization	484	238	889	1 611	6		1 617
Impairment	58	—	47	105	33		138
Operating profit/loss [1]	5 816	– 153	– 301	5 362	– 396		4 966
Share of results of associated companies	—	—	– 13	– 13	19		6
Balance sheet information							
Capital expenditures [2]	578	18	292	888	1		889
Segment assets [3]	10 300	7 177	15 652	33 129	9 641	– 3 188	39 582
of which:							
Investments in associated companies	—	4	62	66	30		96
Segment liabilities [5]	8 425	2 726	10 503	21 654	4 606	– 3 188	23 072

2007, EURm	Devices & Services	NAVTEQ	Nokia Siemens Networks [1]	Total reportable segments	Corporate Common Functions and Corporate unallocated [4, 6]	Eliminations	Group
Profit and loss information							
Net sales to external customers	37 682	—	13 376	51 058	—		51 058
Net sales to other segments	23	—	17	40	41	– 81	—
Depreciation and amortization	489	—	714	1 203	3		1 206
Impairment	—	—	27	27	36		63
Operating profit/loss [1]	7 584	—	– 1 308	6 276	1 709		7 985
Share of results of associated companies	—	—	4	4	40		44
Balance sheet information							
Capital expenditures [2]	533	—	182	715	—		715
Segment assets [3]	9 316	—	15 564	24 880	13 738	– 1 019	37 599
of which:							
Investments in associated companies	—	—	58	58	267		325
Segment liabilities [5]	9 512	—	9 869	19 381	1 899	– 1 019	20 261

2006, EURm	Devices & Services	NAVTEQ	Nokia Siemens Networks [1]	Total reportable segments	Corporate Common Functions and Corporate unallocated [4, 6]	Eliminations	Group
Profit and loss information							
Net sales to external customers	33 668	—	7 453	41 121	—		41 121
Net sales to other segments	16	—	—	16	—	– 16	—
Depreciation and amortization	509	—	203	712	—		712
Impairment and customer finance charges	—	—	—	—	51		51
Operating profit/loss	4 865	—	808	5 673	– 185		5 488
Share of results of associated companies	—	—	—	—	28		28

1 Corporate Common Functions operating profit in 2007 includes a non-taxable gain of EUR 1 879 million related to the formation of Nokia Siemens Networks. Networks operating profit in 2006 includes a gain of EUR 276 million relating to a partial recovery of a previously impaired financing arrangement with Telsim.

2 Including goodwill and capitalized development costs, capital expenditures in 2008 amount to EUR 5 502 million (EUR 1 753 million in 2007). The goodwill and capitalized development costs consist of EUR 752 million in 2008 (EUR 150 million in 2007) for Devices & Services, EUR 3 673 million in 2008 (EUR 0 million in 2007) for NAVTEQ, EUR 188 million in 2008 (EUR 888 million in 2007) for Nokia Siemens Networks, and EUR 0 million in 2008 (EUR 0 million in 2007) for Corporate Common Functions.

3 Comprises intangible assets, property, plant and equipment, investments, inventories and accounts receivable as well as prepaid expenses and accrued income except those related to interest and taxes for Devices & Services and Corporate Common Functions. In addition, NAVTEQ's and Nokia Siemens Networks' assets include cash and other liquid assets, available-for-sale investments, long-term loans receivable and other financial assets as well as interest and tax related prepaid expenses and accrued income. These are directly attributable to NAVTEQ and Nokia Siemens Networks as they are separate legal entities.

4 Unallocated assets include cash and other liquid assets, available-for-sale investments, long-term loans receivable and other financial assets as well as interest and tax related prepaid expenses and accrued income for Devices & Services and Corporate Common Functions.

5 Comprises accounts payable, accrued expenses and provisions except those related to interest and taxes for Devices & Services and Corporate Common Functions. In addition, NAVTEQ's and Nokia Siemens Networks' liabilities include non-current liabilities and short-term borrowings as well as interest and tax related prepaid income and accrued expenses and provisions. These are directly attributable to NAVTEQ and Nokia Siemens Networks as they are separate legal entities.

6 Unallocated liabilities include non-current liabilities and short-term borrowings as well as interest and tax related prepaid income, accrued expenses and provisions related to Devices & Services and Corporate Common Functions.

Net sales to external customers by geographic area by location of customer	2008 EURm	2007 EURm	2006 EURm
Finland	**362**	322	387
China	**5 916**	5 898	4 913
India	**3 719**	3 684	2 713
UK	**2 382**	2 574	2 425
Germany	**2 294**	2 641	2 060
Russia	**2 083**	2 012	1 518
Indonesia	**2 046**	1 754	1 069
USA	**1 907**	2 124	2 815
Other	**30 001**	30 049	23 221
Total	**50 710**	51 058	41 121

Segment non-current assets by geographic area [1]	2008 EURm	2007 EURm
Finland	**1 154**	1 114
China	**434**	364
India	**154**	134
UK	**668**	160
Germany	**306**	465
USA	**7 037**	523
Other	**2 751**	3 272
Total	**12 504**	6 032

1 Comprises intangible assets and property, plant and equipment.

3. Percentage of completion

Contract sales recognized under percentage of completion accounting were EUR 11 750 million in 2008 (EUR 10 171 million in 2007 and EUR 6 308 million in 2006).

Advances received related to construction contracts, included under accrued expenses, were EUR 261 million at December 31, 2008 (EUR 303 million in 2007). Contract revenues recorded prior to billings, included in accounts receivable, were EUR 1 423 million at December 31, 2008 (EUR 1 587 million in 2007). Billing in excess of costs incurred, included in contract revenues recorded prior to billings, were EUR 677 million at December 31, 2008 (EUR 482 million in 2007).

The aggregate amount of costs incurred and recognized profits (net of recognized losses) under open construction contracts in progress since inception (for contracts acquired inception refers to April 1, 2007) was EUR 11 707 million at December 31, 2008 (EUR 10 173 million at December 31, 2007).

Retentions related to construction contracts, included in accounts receivable, were EUR 211 million at December 31, 2008 (EUR 166 million at December 31, 2007).

4. Personnel expenses

EURm	2008	2007	2006
Wages and salaries	**5 615**	4 664	3 457
Share-based compensation expense, total	**67**	236	192
Pension expenses, net	**478**	420	310
Other social expenses	**754**	618	439
Personnel expenses as per profit and loss account	**6 914**	5 938	4 398

Share-based compensation expense includes pension and other social costs of EUR –7 million in 2008 (EUR 8 million in 2007 and EUR –4 million in 2006) based upon the related employee benefit charge recognized during the year. In 2006, a benefit was recognized due to a change in the treatment of pension and other social costs.

Pension expenses, comprised of multi-employer, insured and defined contribution plans were EUR 394 million in 2008 (EUR 289 million in 2007 and EUR 198 million in 2006). Expenses related to defined benefit plans comprise the remainder.

Average personnel	2008	2007	2006
Devices & Services	**57 443**	49 887	44 716
NAVTEQ	**3 969**	—	—
Nokia Siemens Networks	**59 965**	50 336	20 277
Corporate Common Functions	**346**	311	331
Nokia Group	**121 723**	100 534	65 324

5. Pensions

The Finnish plan comprises of the Finnish state Employees' Pension Act (TyEL) system with benefits directly linked to employee earnings. These benefits are financed in two distinct portions. The majority of the benefits are financed by contributions to a central pool with the majority of the contributions being used to pay current benefits. The rest is comprised of reserved benefits, which prior to March 1, 2008 were pre-funded through a trustee-administered Nokia Pension Foundation and accounted for as a defined benefit plan.

As of March 1, 2008 the Finnish statutory pension liability and plan related assets of Nokia and Nokia Siemens Networks were transferred to two pension insurance companies. The transfer did not affect the number of employees covered by the plan nor did it affect the current employees' entitlement to pension benefits.

At the transfer date, the Group has not retained any direct or indirect obligation to pay employee benefits relating to employee service in current, prior or future periods. Thus, the Group has treated the transfer of the Finnish statutory pension liability and plan assets as a settlement of the Group's TyEL defined benefit plan. From the date of transfer onwards, the Group has accounted for the TYEL plans as a defined contribution plan. The transfer resulted in a EUR 152 million loss consisting of a EUR 217 million loss impacting Corporate Common Functions and a EUR 65 million gain impacting Nokia Siemens Networks operating profit. These are included in other operating income and expense, see Note 6.

Foreign plans include both defined contribution and defined benefit plans. After the settlement of TyEL liabilities, the Group's most significant pension plans are in Germany and in the UK. The majority of active employees in Germany participate in a pension scheme which is designed according to the Beitragsorientierte Siemens Altersversorgung (BSAV). The funding vehicle for the BSAV is the NSN Pension Trust. In Germany, individual benefits are generally dependent on eligible compensation levels, ranking within the Group and years of service. The majority of active employees in Nokia UK participate in a pension scheme which is designed according to the Scheme Trust Deeds and Rules and is compliant with the Guidelines of the UK Pension Regulator. The funding vehicle for the pension scheme is the Nokia Group (UK) Pension Scheme Ltd which is run on a Trust basis. In the UK, individual benefits are generally dependent on eligible compensation levels and years of service for the defined benefit section of the scheme and on individual investment choices for the defined contribution section of the scheme.

In connection with the formation of Nokia Siemens Networks in 2007, the Group assumed multiple pension plans reflected as acquisitions in the following tables.

The pension acts applying to wage and salary earners in private sectors in Finland, including the former TEL Act, were combined on January 1, 2007 into one earnings-related pensions act, the Employee Pensions Act (TyEL). The change had no impact to the Group's net pension asset in Finland.

The following table sets forth the changes in the benefit obligation and fair value of plan assets during the year and the funded status of the significant defined benefit pension plans showing the amounts that are recognized in the Group's consolidated balance sheet at December 31:

EURm	2008 Domestic plans	2008 Foreign plans	2007 Domestic plans	2007 Foreign plans
Present value of defined benefit obligations at beginning of year	−1 011	−1 255	−1 031	−546
Foreign exchange	—	56	—	27
Current service cost	−10	−69	−59	−66
Interest cost	−9	−69	−50	−54
Plan participants' contributions	—	−10	—	−8
Past service cost	—	−2	—	—
Actuarial gain (+)/loss (−)	3	102	115	126
Acquisitions	—	−2	—	−780
Curtailment	—	10	3	1
Settlements	1 018	7	—	15
Benefits paid	2	34	11	30
Present value of defined benefit obligations at end of year	−7	−1 198	−1 011	−1 255
Plan assets at fair value at beginning of year	1 063	1 111	985	424
Foreign exchange	—	−58	—	−27
Expected return on plan assets	9	62	49	46
Actuarial gain (+)/loss (−) on plan assets	−1	−38	−33	−2
Employer contribution	7	134	73	90
Plan participants' contributions	—	10	—	8
Benefits paid	−2	−22	−11	−30
Curtailments	—	−5	—	—
Settlements	−1 076	−2	—	−3
Acquisitions	—	5	—	605
Plan assets at fair value at end of year	—	1 197	1 063	1 111
Surplus (+)/deficit (−)	−7	−1	52	−144
Unrecognized net actuarial gains (−)/losses (+)	−2	−111	97	−41
Unrecognized past service cost	—	1	—	—
Prepaid (+)/accrued (−) pension cost in balance sheet	−9	−111	149	−185

Present value of obligations include EUR 707 million (EUR 1 799 million in 2007) of wholly funded obligations, EUR 416 million of partly funded obligations (EUR 333 million in 2007) and EUR 82 million (EUR 134 million in 2007) of unfunded obligations.

The amounts recognized in the profit and loss account are as follows:

EURm	2008	2007	2006
Current service cost	79	125	101
Interest cost	78	104	66
Expected return on plan assets	−71	−95	−62
Net actuarial losses recognized in year	—	10	8
Past service cost gain (−)/loss (+)	2	—	3
Curtailment	−12	−1	−4
Settlement	152	−12	—
Total, included in personnel expenses	228	131	112

Movements in prepaid/accrued pension costs recognized in the balance sheet are as follows:

EURm	2008	2007
Prepaid (+)/accrued (−) pension costs at beginning of year	−36	108
Net income (+)/expense (−) recognized in the profit and loss account	−228	−131
Contributions paid	141	163
Benefits paid	12	—
Acquisitions	3	−175
Foreign exchange	−12	−1
Prepaid (+)/accrued (−) pension costs at end of year [1]	−120	−36

1 Included within prepaid expenses and accrued income/accrued expenses.

The prepaid/accrued pension cost above is made up of a prepayment of EUR 55 million (EUR 218 million in 2007) and an accrual of EUR 175 million (EUR 254 million in 2007).

EURm	2008	2007	2006	2005	2004
Present value of defined benefit obligation	−1 205	−2 266	−1 577	−1 385	−1 125
Plan assets at fair value	1 197	2 174	1 409	1 276	1 071
Surplus (+)/Deficit (−)	−8	−92	−168	−109	−54

Experience adjustments arising on plan obligations amount to a gain of EUR 50 million in 2008 (a loss of EUR 31 million in 2007 and EUR 25 million in 2006). Experience adjustments arising on plan assets amount to a loss of EUR 22 million in 2008 (EUR 3 million in 2007 and EUR 11 million in 2006).

The principal actuarial weighted average assumptions used were as follows:

%	2008 Domestic	2008 Foreign	2007 Domestic	2007 Foreign
Discount rate for determining present values	5.90	5.80	5.50	5.40
Expected long-term rate of return on plan assets	—	5.70	5.30	5.10
Annual rate of increase in future compensation levels	4.00	2.70	3.00	3.30
Pension increases	2.10	1.90	2.70	2.30

The expected long-term rate of return on plan assets is based on the expected return multiplied with the respective percentage weight of the market-related value of plan assets. The expected return is defined on a uniform basis, reflecting long-term historical returns, current market conditions and strategic asset allocation.

The Groups's pension plan weighted average asset allocation as a percentage of Plan Assets at December 31, 2008, and 2007, by asset category are as follows:

%	2008 Domestic	2008 Foreign	2007 Domestic	2007 Foreign
Asset category:				
Equity securities	—	12	12	11
Debt securities	—	72	78	85
Insurance contracts	—	8	—	3
Real estate	—	1	1	1
Short-term investments	—	7	9	—
Total	—	100	100	100

The objective of the investment activities is to maximize the excess of plan assets over projected benefit obligations, within an accepted risk level, taking into account the interest rate and inflation sensitivity of the assets as well as the obligations.

The Pension Committee of the Group, consisting of Head of Treasury, Head of HR and other HR representatives, approves both the target asset allocation as well as the deviation limit. Derivative instruments can be used to change the portfolio asset allocation and risk characteristics.

The domestic pension plans' assets did not include Nokia securities in 2007.

The foreign pension plan assets include a self investment through a loan provided to Nokia by the Group's German pension fund of EUR 69 million (EUR 69 million in 2007). See Note 31.

The actual return on plan assets was EUR 31 million in 2008 (EUR 61 million in 2007).

In 2009, the Group expects to make contributions of EUR 64 million and EUR 0 million to its foreign and domestic defined benefit pension plans, respectively.

6. Other operating income and expenses

In 2008, other operating expenses include EUR 152 million net loss on transfer of Finnish pension liabilities, of which a gain of EUR 65 million is included in Nokia Siemens Networks' operating profit and a loss of EUR 217 million in Corporate Common expenses. Devices & Services recorded EUR 259 million of restructuring charges and EUR 81 million of impairment and other charges related to closure of the Bochum site in Germany. Other operating expenses also include a charge of EUR 52 million related to other restructuring activities in Devices & Services and EUR 49 million in charges related to restructuring and other costs in Nokia Siemens Networks.

Other operating income for 2007 includes a non-taxable gain of EUR 1 879 million relating to the formation of Nokia Siemens Networks. Other operating income also includes gain on sale of real estates in Finland of EUR 128 million, of which EUR 75 million is included in Corporate Common functions' operating profit and EUR 53 million in Nokia Siemens Networks' operating profit. In addition, a gain on business transfer EUR 53 million impacting Corporate Common functions' operating profit. In 2007, other operating expenses includes EUR 58 million in charges related to restructuring costs in Nokia Siemens Networks. Devices & Services recorded a charge of EUR 17 million for personnel expenses and other costs as a result of more focused R&D. Devices & Services also recorded restructuring costs of EUR 35 million primarily related to restructuring of a subsidiary company.

Other operating income for 2006 includes a gain of EUR 276 million representing Nokia's share of the proceeds relating to a partial recovery of a previously impaired financing arrangement with Telsim. Other operating expenses for 2006 includes EUR 142 million charges primarily related to the restructuring for the CDMA business and associated asset write-downs. Working together with co-development partners, Nokia intended to selectively participate in key CDMA markets, with special focus on North America, China and India. Accordingly, Nokia ramped down its CDMA research, development and production which ceased by April 2007. In 2006, Devices & Services recorded a charge of EUR 8 million for personnel expenses and other costs as a result of more focused R&D.

In all three years presented "Other operating income and expenses" include the costs of hedging forecasted sales and purchases (forward points of cash flow hedges).

7. Impairment

EURm	2008	2007	2006
Property, plant and equipment	77	—	—
Inventories	13	—	—
Available-for-sale investments	43	29	18
Investments in associated companies	8	7	—
Capitalized development costs	—	27	—
Other intangible assets	—	—	33
Other non-current assets	8	—	—
Total, net	149	63	51

Property, plant and equipment and inventories

In conjunction with the Group's decision to discontinue the production of mobile devices in Germany, an impairment loss was recognized amounting to EUR 55 million. The impairment loss related to the closure and sale of production facilities at Bochum, Germany during 2008 and was included in Devices & Services segment.

In 2008, Nokia Siemens Networks recognized an impairment loss amounting to EUR 35 million relating to the sale of its manufacturing site in Durach, Germany. The impairment loss was determined as the excess of the book value of transferring assets over the fair value less costs to sell for the transferring assets. The impairment loss was allocated to property, plant and equipment and inventories.

Available-for-sale investments

The Group's investment in certain equity securities held as non-current available-for-sale suffered a permanent decline in fair value resulting in an impairment charge of EUR 43 million (EUR 29 million in 2007, EUR 18 million in 2006).

Investments in associated companies

After application of the equity method, including recognition of the associate's losses, the Group determined that recognition of an impairment loss of EUR 8 million in 2008 (EUR 7 million in 2007) was necessary to adjust the Group's net investment in the associate to its recoverable amount.

Capitalized development costs

During 2007, Nokia Siemens Networks recorded an impairment charge on capitalized development costs of EUR 27 million. The impairment loss was determined as the full carrying amount of the capitalized development programs costs related to products that will not be included in future product portfolios. This impairment amount is included within research and development expenses in the consolidated profit and loss statement.

Other intangible assets

In connection with the restructuring of its CDMA business, the Group recorded an impairment charge of EUR 33 million during 2006 related to an acquired CDMA license. The impaired CDMA license was included in Devices & Services segment.

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the synergies of the business combination from which the goodwill arose.

The recoverable amounts of each CGU are determined based on a value in use calculation. The pre-tax cash flow projections employed in the value in use calculation are based on financial plans approved by management. These projections are consistent with external sources of information, wherever available. Cash flows beyond the explicit forecast period are extrapolated using an estimated terminal growth rate that does not exceed the long-term average growth rates for the industry and economies in which the CGU operates.

Rapid deterioration in the macroeconomic environment during 2008 has negatively affected cash flow expectations for all of the Group's CGUs. The global slowdown in consumer spending, unprecedented currency volatility and reductions

in the availability of credit have dampened growth and profitability expectations during the short to medium term.

Goodwill of EUR 1 106 million has been allocated to the Devices & Services CGU for the purpose of impairment testing. The impairment testing has been carried out based on Management's expectation of moderate market share growth and stable profit margins in the medium to long term.

Goodwill amounting to EUR 905 million has been allocated to the NSN CGU. The impairment testing has been carried out based on Management's expectation of a constant market share, and a declining total market value in the shorter term, stabilizing on the longer term. Tight focus on profitability and cash collection is expected to improve operating cash flow.

Goodwill amounting to EUR 4 119 million has been allocated to the NAVTEQ CGU. The impairment testing has been carried out based on Management's expectation of longer term strong growth in mobile device navigation services with increased volumes driving profitability. The recoverable amount of the NAVTEQ CGU is less than 1% higher than its carrying amount. A reasonably possible change of 1% in the valuation assumptions for long-term growth rate and pre-tax discount rate would give rise to an impairment loss.

The aggregate carrying amount of goodwill allocated across multiple CGUs amounts to EUR 127 million and the amount allocated to each individual CGU is not individually significant.

The key assumptions applied in the value-in-use calculation for each CGU are presented in the table below:

	Cash-generating unit		
%	Devices & Services	NSN	NAVTEQ
Terminal growth rate	2.28	1.00	5.00
Pre-tax discount rate	12.35	14.86	10.92

The goodwill impairment testing analyses conducted for each of the Group's CGUs for the years ended December 31, 2008, 2007 and 2006 have not resulted in any impairment charges.

8. Acquisitions

Acquisitions completed in 2008

NAVTEQ

On July 10, 2008, the Group completed its acquisition of all of the outstanding common stock of NAVTEQ. Based in Chicago, NAVTEQ is a leading provider of comprehensive digital map information for automotive systems, mobile navigation devices, Internet-based mapping applications, and government and business solutions. The Group will use NAVTEQ's industry leading maps data, to add context–time, place, people–to web services optimized for mobility.

The total cost of the acquisition was EUR 5 342 million and consisted of cash paid of EUR 2 772 million, debt issued of EUR 2 539 million, costs directly attributable to the acquisition of EUR 12 million and consideration attributable to the vested portion of replacement share-based payment awards of EUR 19 million.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	Carrying amount EURm	Fair value EURm	Useful lives Years
Goodwill	114	3 673	
Intangible assets subject to amortization:			
Map database	5	1 389	5
Customer relationships	22	388	4
Developed technology	8	110	4
License to use trade name and trademark	7	57	6
Capitalized development costs	22	—	
Other intangible assets	4	7	
	68	1 951	
Property, plant & equipment	84	83	
Deferred tax assets	262	148	
Available-for-sale investments	36	36	
Other non-current assets	6	6	
Non-current assets	456	2 224	
Inventories	3	3	
Accounts receivable	94	94	
Prepaid expenses and accrued income	36	36	
Available-for-sale investments, liquid assets	140	140	
Available-for-sale investments, cash equivalents	97	97	
Bank and cash	57	57	
Current assets	427	427	
Total assets acquired	**997**	**6 324**	
Deferred tax liabilities	46	786	
Other long-term liabilities	54	39	
Non-current liabilities	100	825	
Accounts payable	29	29	
Accrued expenses	96	120	
Provisions	5	8	
Current liabilities	130	157	
Total liabilities assumed	**230**	**982**	
Net assets acquired	**767**	**5 342**	

The goodwill of EUR 3 673 million has been allocated to the NAVTEQ segment. The goodwill is attributable to assembled workforce and the synergies expected to arise subsequent to the acquisition including acceleration of the Group's Internet services strategy. None of the goodwill acquired is expected to be deductible for income tax purposes.

Symbian

On December 2, 2008, the Group completed its acquisition of 52.1% of the outstanding common stock of Symbian Ltd. As a result of this acquisition, the Group's total ownership interest has increased from 47.9% to 100% of the outstanding common stock of Symbian. A UK-based software licensing company, Symbian developed and licensed Symbian OS, the market-leading open operating system for mobile phones. The acquisition of Symbian is a fundamental step in the establishment of the Symbian Foundation.

The Group will contribute the Symbian OS and S60 software to the Symbian Foundation for the purpose of creating a unified mobile software platform with a common UI framework. The goal of Symbian Foundation will be to extend the appeal of the platform among all partners, including developers, mobile operators, content and service providers and device manufacturers. The unified platform will promote innovation and accelerate the availability of new services and experiences for consumers and business users around the world. A full platform will be available for all Foundation members under a royalty-free license, from the Foundation's first day of operations.

The acquisition of Symbian was achieved in stages through successive share purchases at various times from the formation of the company. Thus, the amount of goodwill arising from the acquisition has been determined via a step-by-step comparison of the cost of the individual investments in Symbian with the acquired interest in the fair values of Symbian's identifiable net assets at each stage. Revaluation of the Group's previously held interests in Symbian's identifiable net assets is recognized as a revaluation surplus in equity. Application of the equity method has been reversed such that the carrying amount of the Group's previously held interests in Symbian have been adjusted to cost. The Group's share of changes in Symbian's equity balances after each stage is included in equity.

The total cost of the acquisition was EUR 641 million consisting of cash paid of EUR 435 million, costs directly attributable to the acquisition of EUR 6 million and investments in Symbian from previous share purchases of EUR 200 million.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

EURm	Carrying amount	Fair value
Goodwill	—	470
Intangible assets subject to amortization:		
Developed technology	5	41
Customer relationships	—	11
License to use trade name and trademark	—	3
	5	55
Property, plant & equipment	33	31
Deferred tax assets	7	19
Non-current assets	45	105
Accounts receivable	20	20
Prepaid expenses and accrued income	43	43
Bank and cash	147	147
Current assets	210	210
Total assets acquired	**255**	**785**
Deferred tax liabilities	—	17
Financial liabilities	—	20
Accounts payable	5	5
Accrued expenses	48	53
Total liabilities assumed	**53**	**95**
Net assets acquired	**202**	**690**
Revaluation of previously held interests in Symbian		22
Nokia share of changes in Symbian's equity after each stage of the acquisition		27
Cost of the business combination		**641**

The goodwill of EUR 470 million has been allocated to the Devices & Services segment. The goodwill is attributable to assembled workforce and the significant benefits that the Group expects to realise from the Symbian Foundation. None of the goodwill acquired is expected to be deductible for income tax purposes.

The contribution of the Symbian OS and S60 software to the Symbian Foundation has been accounted for as a retirement. Thus, the Group has recognized a loss on retirement of EUR 165 million consisting of EUR 55 million of Symbian identifiable intangible assets and EUR 110 million value of capitalized S60 development costs.

For NAVTEQ and Symbian, the Group has included net losses of EUR 155 million and EUR 52 million, respectively, in the consolidated profit and loss. The following table depicts pro forma net sales and net profit of the combined entity as though the acquisition of NAVTEQ and Symbian had occurred on January 1, 2008:

Pro forma (unaudited), EURm	2008
Net sales	51 063
Net profit	4 080

During 2008, the Group completed five additional acquisitions. The total purchase consideration paid and goodwill arising from the acquisitions amounted to EUR 514 million and EUR 339 million, respectively:

- Trolltech ASA, based in Oslo, Norway, is a recognized software provider with world-class software development platforms and frameworks. The Group acquired a 100% ownership interest in Trolltech ASA on June 6, 2008.
- Oz Communications Inc., headquartered in Monteal, Canada, is a leading consumer mobile messaging solution provider delivering access to popular instant messaging and email services on consumer mobile devices. The Group acquired a 100% ownership interest in Oz Communications Inc. on November 4, 2008.
- Atrica, based in Santa Clara, California, is one of the leading providers of Carrier Ethernet solutions for Metropolitan Area Networks. Nokia Siemens Networks acquired a 100% ownership interest in Atrica on January 7, 2008.
- Apertio Ltd, based in Bristol, England is the leading independent provider of subscriber-centric networks for mobile, fixed and converged telecommunications operators. Nokia Siemens Networks acquired a 100% ownership interest in Apertio Ltd on February 11, 2008.
- On January 1, 2008, Nokia Siemens Networks assumed control of Vivento Technical Services from Deutsche Telekom.

Acquisitions completed in 2007

The Group and Siemens AG ("Siemens") completed a transaction to form Nokia Siemens Networks on April 1, 2007. Nokia and Siemens contributed to Nokia Siemens Networks certain tangible and intangible assets and certain business interests that comprised Nokia's networks business and Siemens' carrier-related operations. This transaction combined the worldwide mobile and fixed-line telecommunications network equipment businesses of Nokia and Siemens. Nokia and Siemens each own approximately 50% of Nokia Siemens Networks. Nokia has the ability to appoint key officers and the majority of the members of the Board of Directors. Accordingly, for accounting purposes, Nokia is deemed to have control and thus consolidates the results of Nokia Siemens Networks in its financial statements.

The transfer of Nokia's networks business was treated as a partial sale to the minority shareholders of Nokia Siemens Networks. Accordingly, the Group recognized a non-taxable gain on the partial sale amounting to EUR 1 879 million. The gain was determined as the Group's ownership interest relinquished for the difference between the fair value contributed, representing the consideration received, and book value of the net assets contributed by the Group to Nokia Siemens Networks. Upon closing of the transaction, Nokia and Siemens contributed net assets with book values amounting to EUR 1 742 million and EUR 2 385 million, respectively. The Group's contributed networks business was valued at EUR 5 500 million. In addition, the Group incurred costs directly attributable to the acquisition of EUR 51 million.

The table below presents the reported results of Nokia Networks prior to the formation of Nokia Siemens Networks and the reported results of Nokia Siemens Networks since inception.

	2007			2006		
EURm	January–March	April–December	Total	January–March	April–December	Total
Net sales						
Nokia Networks	1 697	*	1 697	1 699	5 754	7 453
Nokia Siemens Networks	*	11 696	11 696	N/A	N/A	N/A
Total	1 697	11 696	13 393	1 699	5 754	7 453
Operating profit						
Nokia Networks	78	*	78	149	659	808
Nokia Siemens Networks	*	–1 386	–1 386	N/A	N/A	N/A
Total	78	–1 386	–1 308	149	659	808

* No results presented as Nokia Siemens Networks began operations on April 1, 2007.

It is not practicable to determine the results of the Siemens' carrier-related operations for the three month period of January 1, 2007 through March 31, 2007 as Siemens did not report those operations separately. As a result pro forma revenues and operating profit as if the acquisition had occurred as of January 1, 2007 have not been presented.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	Carrying amount EURm	Fair value EURm	Useful lives Years
Intangible assets subject to amortization:			
Customer relationships	—	1 290	6
Developed technology	—	710	4
License to use trade name and trademark	—	350	5
Capitalized development costs	143	154	3
Other intangible assets	47	47	3–5
	190	2 551	
Property, plant & equipment	371	344	
Deferred tax assets	111	181	
Other non-current assets	153	153	
Non-current assets	825	3 229	
Inventories	1 010	1 138	
Accounts receivable	3 135	3 087	
Prepaid expenses and accrued income	870	846	
Other financial assets	55	55	
Bank and cash	382	382	
Current assets	5 452	5 508	
Total assets acquired	**6 277**	**8 737**	
Deferred tax liabilities	171	997	
Long-term interest-bearing liabilities	34	34	
Non-current liabilities	205	1 031	
Short-term borrowings	231	213	
Accounts payable	1 539	1 491	
Accrued expenses	1 344	1 502	
Provisions	463	397	
Current liabilities	3 577	3 603	
Total liabilities assumed	**3 782**	**4 634**	
Minority interest	**110**	**108**	
Net assets acquired	**2 385**	**3 995**	
Cost of acquisition		5 500	
Goodwill		**1 505**	
Less non-controlling interest in goodwill		753	
Plus costs directly attributable to the acquisition		51	
Goodwill arising on formation of Nokia Siemens Networks		**803**	

The goodwill of EUR 803 million has been allocated to the Nokia Siemens Networks segment. The goodwill is attributable to assembled workforce and the synergies expected to arise subsequent to the acquisition. None of the goodwill acquired is expected to be deductible for income tax purposes.

The amount of the loss specifically attributable to the business acquired from Siemens since the acquisition date included in the Group's profit for the period has not been disclosed as it is not practicable to do so. This is due to the ongoing integration of the acquired Siemens' carrier-related operations and Nokia's networks business, and management's focus on the operations and results of the combined entity, Nokia Siemens Networks.

During 2007, the Group completed the acquisitions of the following three companies. The purchase consideration paid and goodwill arising from these acquisitions was not material to the Group.

» Enpocket Inc., based in Boston, USA, a global leader in mobile advertising providing technology and services that allow brands to plan, create, execute, measure and optimise mobile advertising campaigns around the world. The Group acquired 100% ownership interest in Enpocket Inc. on October 5, 2007.

» Avvenu Inc., based in Palo Alto, USA, provides internet services that allow anyone to use their mobile devices to securely access, use and share personal computer files. The Group acquired 100% ownership interest in Avvenu Inc. on December 5, 2007.

» Twango, provides a comprehensive media sharing solution for organising and sharing photos, videos and other personal media. The Group acquired substantially all assets of Twango on July 25, 2007.

Acquisitions completed in 2006

On February 10, 2006, the Group completed its acquisition of all of the outstanding common stock of Intellisync Corporation. Intellisync is a leader in synchronization technology for platform-independent wireless messaging and other business applications for mobile devices. The acquisition of Intellisync was to enhance Nokia's ability to respond to its customers and effectively put Nokia at the core of any mobility solution for businesses of all sizes.

The total cost of the acquisition was EUR 325 million consisting of EUR 319 million of cash and EUR 6 million of costs directly attributable to the acquisition.

The following table summarises the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The carrying amount of Intellisync net assets immediately before the acquisition amounted to EUR 50 million.

February 10, 2006, EURm	
Intangible assets subject to amortization:	
Technology related intangible assets	38
Other intangible assets	22
	60
Deferred tax assets	45
Other non-current assets	16
Non-current assets	121
Goodwill	290
Current assets	42
Total assets acquired	**453**
Deferred tax liabilities	23
Other non-current liabilities	1
Non-current liabilities	24
Current liabilities	104
Total liabilities assumed	**128**
Net assets acquired	**325**

The goodwill of EUR 290 million has been allocated to the Device & Services segment. The goodwill is attributable to assembled workforce and the significant synergies expected to arise subsequent to the acquisition. None of the goodwill acquired is expected to be deductible for tax purposes.

In 2006, the Group acquired ownership interests or increased its existing ownership interests in the following three entities for total consideration of EUR 366 million, of which EUR 347 million was in cash, EUR 5 million in directly attributable costs and EUR 14 million in deferred cash consideration:

» Nokia Telecommunications Ltd, based in BDA, Beijing, a leading mobile communications manufacturer in China. The Group acquired an additional 22% ownership interest in Nokia Telecommunications Ltd on June 30, 2006.

» Loudeye Corporation, based in Bristol, England a global leader of digital music platforms and digital media distribution services. The Group acquired a 100% ownership interest in Loudeye Corporation on October 16, 2006.

» gate5 AG, based in Berlin, Germany, a leading supplier of mapping, routing and navigation software and services. The Group acquired a 100% ownership interest in gate5 AG on October 15, 2006.

Goodwill and aggregate net assets acquired in these three transactions amounted to EUR 198 million and EUR 168 million, respectively. Goodwill has been allocated to the Devices & Services segment. The goodwill arising from these acquisitions is attributable to assembled workforce and post acquisition synergies. None of the goodwill recognized in these transactions is expected to be tax deductible.

9. Depreciation and amortization

EURm	2008	2007	2006
Depreciation and amortization by function			
Cost of sales	**297**	303	279
Research and development [1]	**778**	523	312
Selling and marketing [2]	**368**	232	9
Administrative and general	**174**	148	111
Other operating expenses	—	—	1
Total	**1 617**	1 206	712

1 In 2008, depreciation and amortization allocated to research and development included amortization of acquired intangible assets of EUR 351 million (EUR 136 million in 2007).

2 In 2008, depreciation and amortization allocated to selling and marketing included amortization of acquired intangible assets of EUR 343 million (EUR 214 million in 2007).

10. Financial income and expenses

EURm	2008	2007	2006
Dividend income on available-for-sale financial investments	**1**	—	—
Interest income on available-for-sale financial investments	**353**	338	225
Interest income on loans receivables carried at amortized cost	—	1	—
Interest expense on financial liabilities carried at amortized cost	**−185**	−43	−22
Other financial income	**17**	43	55
Other financial expenses	**−31**	−24	−18
Net foreign exchange gains (or losses)			
From foreign exchange derivatives designated at fair value through profit and loss account	**432**	37	75
From balance sheet items revaluation	**−595**	−118	−106
Net gains (net losses) on other derivatives designated at fair value through profit and loss account	**6**	5	−2
Total	**−2**	239	207

During 2008, Nokia's interest expense increased significantly due to an increase in interest-bearing liabilities mainly related to financing of the NAVTEQ acquisition. Foreign exchange gains (or losses) increased due to a higher cost of hedging and increased volatility on the foreign exchange market.

11. Income taxes

EURm	2008	2007	2006
Income tax expense			
Current tax	**−1 514**	−2 209	−1 303
Deferred tax	**433**	687	−54
Total	**−1 081**	−1 522	−1 357
Finland	**−604**	−1 323	−941
Other countries	**−477**	−199	−416
Total	**−1 081**	−1 522	−1 357

The differences between income tax expense computed at the statutory rate in Finland of 26% and income taxes recognized in the consolidated income statement is reconciled as follows at December 31, 2008:

EURm	2008	2007	2006
Income tax expense at statutory rate	**1 292**	2 150	1 488
Items without tax benefit/expense	**−65**	61	12
Non-taxable gain on formation of Nokia Siemens Networks [1]	—	−489	—
Taxes for prior years	**−128**	20	−24
Taxes on foreign subsidiaries' profits in excess of (lower than) income taxes at statutory rates	**−181**	−138	−73
Operating losses with no current tax benefit	—	15	—
Net increase in tax provisions	**2**	50	−12
Change in income tax rate [2]	**−22**	−114	—
Deferred tax liability on undistributed earnings [3]	**220**	−37	−3
Other	**−37**	4	−31
Income tax expense	**1 081**	1 522	1 357

1 See Note 8.

2 In 2007, the change in income tax rate decreased Group tax expense primarily due to the impact of a decrease in the German statutory tax rate on deferred tax asset balances.

3 The change in deferred tax liability on undistributed earnings mainly relates to changes to tax rates applicable to profit distributions.

Certain of the Group companies' income tax returns for periods ranging from 2002 through 2008 are under examination by tax authorities. The Group does not believe that any significant additional taxes in excess of those already provided for will arise as a result of the examinations.

12. Intangible assets

EURm	2008	2007
Capitalized development costs		
Acquisition cost January 1	1 817	1 533
Additions during the period	131	157
Acquisitions	—	154
Impairment losses	—	−27
Retirements	−124	—
Disposals during the period	−13	—
Accumulated acquisition cost December 31	1 811	1 817
Accumulated amortization January 1	−1 439	−1 282
Retirements during the period	14	—
Disposals during the period	11	—
Amortization for the period	−153	−157
Accumulated amortization December 31	−1 567	−1 439
Net book value January 1	378	251
Net book value December 31	244	378
Goodwill		
Acquisition cost January 1	1 384	532
Translation differences	431	−30
Acquisitions	4 482	882
Disposals during the period	−35	—
Other changes	−5	—
Accumulated acquisition cost December 31	6 257	1 384
Net book value January 1	1 384	532
Net book value December 31	6 257	1 384
Other intangible assets		
Acquisition cost January 1	3 218	772
Translation differences	265	−20
Additions during the period	95	102
Acquisitions	2 189	2 437
Retirements during the period	−55	—
Disposals during the period	−214	−73
Accumulated acquisition cost December 31	5 498	3 218
Accumulated amortization January 1	−860	−474
Translation differences	−32	11
Disposals during the period	48	73
Amortization for the period	−741	−470
Accumulated amortization December 31	−1 585	−860
Net book value January 1	2 358	298
Net book value December 31	3 913	2 358

13. Property, plant and equipment

EURm	2008	2007
Land and water areas		
Acquisition cost January 1	73	78
Translation differences	−4	−2
Additions during the period	3	4
Acquisitions	—	5
Impairments during the period	−4	—
Disposals during the period	−8	−12
Accumulated acquisition cost December 31	60	73
Net book value January 1	73	78
Net book value December 31	60	73
Buildings and constructions		
Acquisition cost January 1	1 008	925
Translation differences	−9	−15
Additions during the period	382	97
Acquisitions	28	58
Impairments during the period	−90	—
Disposals during the period	−45	−57
Accumulated acquisition cost December 31	1 274	1 008
Accumulated depreciation January 1	−239	−230
Translation differences	1	3
Impairments during the period	30	—
Disposals during the period	17	25
Depreciation for the period	−159	−37
Accumulated depreciation December 31	−350	−239
Net book value January 1	769	695
Net book value December 31	924	769
Machinery and equipment		
Acquisition cost January 1	4 012	3 707
Translation differences	10	-42
Additions during the period	613	448
Acquisitions	68	264
Impairments during the period	−21	—
Disposals during the period	−499	−365
Accumulated acquisition cost December 31	4 183	4 012
Accumulated depreciation January 1	−3 107	-2 966
Translation differences	−8	34
Impairments during the period	8	—
Disposals during the period	466	364
Depreciation for the period	−556	−539
Accumulated depreciation December 31	−3 197	−3 107
Net book value January 1	905	741
Net book value December 31	986	905
Other tangible assets		
Acquisition cost January 1	20	22
Translation differences	2	−1
Additions during the period	8	2
Disposals during the period	—	−3
Accumulated acquisition cost December 31	30	20
Accumulated depreciation January 1	−9	−7
Translation differences	—	—
Disposals during the period	—	1
Depreciation for the period	−6	−3
Accumulated depreciation December 31	−15	−9
Net book value January 1	11	15
Net book value December 31	15	11

EURm	2008	2007
Advance payments and fixed assets under construction		
Net carrying amount January 1	154	73
Translation differences	—	—
Additions	67	123
Acquisitions	26	17
Disposals	−13	−2
Transfers to:		
Other intangible assets	−12	−7
Buildings and constructions	−76	−29
Machinery and equipment	−41	−21
Net carrying amount December 31	105	154
Total property, plant and equipment	2 090	1 912

14. Investments in associated companies

EURm	2008	2007
Net carrying amount January 1	325	224
Translation differences	−19	—
Additions	24	19
Acquisitions	—	67
Deductions [1]	−239	−6
Impairment	−8	−7
Share of results	6	44
Dividends	−6	−12
Other movements	13	−4
Net carrying amount December 31	96	325

1 On December 2, 2008, the Group completed its acquisition of 52.1% of the outstanding common stock of Symbian Ltd, a UK-based software licensing company. As a result of this acquisition, the Group's total ownership interest has increased from 47.9% to 100% of the outstanding common stock of Symbian. See Note 8.

Shareholdings in associated companies are comprised of investments in unlisted companies in all periods presented.

15. Available-for-sale investments

Available-for-sale investments included the following:

	2008		2007	
EURm	Current	Non-current	Current	Non-current
Fixed income and money-market investments carried at fair value	5 114	38	9 628	—
Available-for-sale investments in publicly quoted equity shares	—	8	—	10
Other available-for-sale investments carried at fair value	—	225	—	184
Other available-for-sale investments carried at cost less impairment	—	241	—	147
	5 114	512	9 628	341

The current fixed income and money-market investments, carried at fair value, included available for sale liquid assets of EUR 1 272 million (EUR 4 903 million in 2007) and cash equivalents of EUR 3 842 million (EUR 4 725 million in 2007). See Note 35 for details of fixed income and money-market investments.

16. Long-term loans receivable

	2008		2007	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans receivables carried at amortized cost	27	24	10	10

The long-term loans receivable mainly consist of loans made to suppliers and to customers principally to support their financing of network infrastructure and services or working capital. Fair value is estimated based on the current market values of similar instruments. See Note 35 for long-term and short-term portion and related maturities.

17. Inventories

EURm	2008	2007
Raw materials, supplies and other	519	591
Work in progress	744	1 060
Finished goods	1 270	1 225
Total	2 533	2 876

18. Prepaid expenses and accrued income

Prepaid expenses and accrued income totalled EUR 4 538 million in 2008 (EUR 3 070 million in 2007). In 2008, Nokia and Qualcomm entered into a new 15-year-agreement, under the terms of which Nokia has been granted a license to all Qualcomm's patents for use in Nokia mobile devices and Nokia Siemens Networks infrastructure equipment. The financial structure of the agreement included an up-front payment of EUR 1.7 billion, which is to be amortized over the contract period and on-going royalties payable to Qualcomm. The remaining balance of EUR 1.3 billion of the up-front payment is included in Prepaid expenses. As part of the licence agreement Nokia also assigned ownership of a number of patents to Qualcomm. These patents were valued using the income approach based on projected cash flows, on a discounted basis, over the assigned patents' estimated useful life. Based on the valuation and underlying assumptions Nokia determined that the fair value of these patents was not material.

Prepaid expenses and accrued income primarily consists of VAT and other tax receivables. Prepaid expenses and accrued income also include prepaid pension costs, accrued interest income and other accrued income, but no amounts which are individually significant.

19. Valuation and qualifying accounts

Allowances on assets to which they apply:	Balance at beginning of year EURm	Charged to cost and expenses EURm	Deductions [1] EURm	Acquisitions EURm	Balance at end of year EURm
2008					
Allowance for doubtful accounts	332	224	−141		415
Excess and obsolete inventory	417	151	−221	1	348
2007					
Allowance for doubtful accounts	212	38	−72	154	332
Excess and obsolete inventory	218	145	−202	256	417
2006					
Allowance for doubtful accounts	281	70	−139		212
Excess and obsolete inventory	176	353	−311		218

1 Deductions include utilization and releases of the allowances.

20. Fair value and other reserves

	Hedging reserve, EURm			Available-for-sale investments, EURm			Total, EURm		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
Balance at December 31, 2005	**−163**	**42**	**−121**	**−56**	**1**	**−55**	**−219**	**43**	**−176**
Cash flow hedges:									
Net fair value gains (+)/losses (–)	61	−16	45	—	—	—	61	−16	45
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to net sales	−243	68	−175	—	—	—	−243	68	−175
Transfer gains (–)/losses (+) to profit and loss account as adjustment to cost of sales	414	−113	301	—	—	—	414	−113	301
Available-for-sale Investments:									
Net fair value gains (+)/losses (–)	—	—	—	−42	1	−41	−42	1	−41
Transfer to profit and loss account on impairment	—	—	—	18	—	18	18	—	18
Transfer of net fair value gains (–)/losses (+) to profit and loss account on disposal	—	—	—	14	—	14	14	—	14
Balance at December 31, 2006	**69**	**−19**	**50**	**−66**	**2**	**−64**	**3**	**−17**	**−14**
Cash flow hedges:									
Net fair value gains (+)/losses (–)	29	−7	22	—	—	—	29	−7	22
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to net sales	−687	186	−501	—	—	—	−687	186	−501
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to cost of sales	643	−175	468	—	—	—	643	−175	468
Available-for-sale Investments:									
Net fair value gains (+)/losses (–)	—	—	—	32	−1	31	32	−1	31
Transfer to profit and loss account on impairment	—	—	—	29	—	29	29	—	29
Transfer of net fair value gains (–)/losses (+) to profit and loss account on disposal	—	—	—	−12	—	−12	−12	—	−12
Balance at December 31, 2007	**54**	**−15**	**39**	**−17**	**1**	**−16**	**37**	**−14**	**23**
Cash flow hedges:									
Net fair value gains (+)/losses (–)	312	−73	239	—	—	—	312	−73	239
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to net sales	−507	144	−363	—	—	—	-507	144	−363
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to cost of sales	118	−44	74	—	—	—	118	−44	74
Transfer of gains (–)/losses (+) as a basis adjustment to assets and liabilities	124	−32	92	—	—	—	124	−32	92
Available-for-sale investments:									
Net fair value gains (+)/losses (–)	—	—	—	−26	8	−18	−26	8	−18
Transfer to profit and loss account on impairment	—	—	—	1	—	1	1	—	1
Transfer of net fair value gains (–)/losses (+) to profit and loss account on disposal	—	—	—	13	1	14	13	1	14
Balance at December 31, 2008	**101**	**−20**	**81**	**−29**	**10**	**−19**	**72**	**−10**	**62**

In order to ensure that amounts deferred in the cash flow hedging reserve represent only the effective portion of gains and losses on properly designated hedges of future transactions that remain highly probable at the balance sheet date, Nokia has adopted a process under which all derivative gains and losses are initially recognized in the profit and loss account. The appropriate reserve balance is calculated at the end of each period and posted to the fair value and other reserves.

The Group continuously reviews the underlying cash flows and the hedges to ensure that the amounts transferred to the fair value reserves during the year ended December 31, 2008 and 2007 do not include gains/losses on forward exchange contracts that have been designated to hedge forecasted sales or purchases that are no longer expected to occur.

All of the net fair value gains or losses recorded in the fair value and other reserve at December 31, 2008 on open forward foreign exchange contracts which hedge anticipated future foreign currency sales or purchases are transferred from the Hedging Reserve to the profit and loss account when the forecasted foreign currency cash flows occur, at various dates up to approximately 1 year from the balance sheet date.

21. The shares of the Parent Company

See note 14 to the financial statements of the Parent Company.

22. Share-based payment

The Group has several equity-based incentive programs for employees. The programs include performance share plans, stock option plans and restricted share plans. Both executives and employees participate in these programs.

The equity-based incentive grants are generally conditional upon continued employment as well as fulfillment of such performance, service and other conditions, as determined in the relevant plan rules.

The share-based compensation expense for all equity-based incentive awards amounted to EUR 74 million in 2008 (EUR 228 million in 2007 and EUR 196 million in 2006).

Stock options

Nokia's global stock option plans in effect for 2008, including their terms and conditions, were approved by the Annual General Meeting in the year when each plan was launched, i.e. in 2003, 2005 and 2007.

Each stock option entitles the holder to subscribe for one new Nokia share. The stock options are non-transferable. All of the stock options have a vesting schedule with 25% of the options vesting one year after grant and 6.25% each quarter thereafter. The stock options granted under the plans generally have a term of five years.

The exercise price of the stock options is determined at the time of grant on a quarterly basis. The exercise prices are determined in accordance with a pre-agreed schedule quarterly after the release of Nokia's periodic financial results and are based on the trade volume weighted average price of a Nokia share on NASDAQ OMX Helsinki during the trading days of the first whole week of the second month of the respective calendar quarter (i.e., February, May, August or November). Exercise prices are determined on a one-week weighted average to mitigate any short term fluctuations in Nokia's share price. The determination of exercise price is defined in the terms and conditions of the stock option plan, which are approved by the shareholders at the respective Annual General Meeting. The Board of Directors does not have right to amend the above-described determination of the exercise price.

The stock option exercises are settled with newly issued Nokia shares which entitle the holder to a dividend for the financial year in which the subscription occurs. Other shareholder rights commence on the date on which the shares subscribed for are registered with the Finnish Trade Register.

Pursuant to the stock options issued, an aggregate maximum number of 23 113 218 new Nokia shares may be subscribed for, representing 0.6% of the total number of votes at December 31, 2008. During 2008 exercise of 3 546 508 options resulted in issuance of 3 546 508 new shares. The exercises of stock options have resulted in an increase of the share capital of the parent company until May 3, 2007. After that date the exercises of stock options have no longer resulted in an increase of the share capital as thereafter all share subsctiption prices are recorded in the fund for invested non-restricted equity as per a resolution by the Annual General Meeting.

There were no stock options outstanding as of December 31, 2008, which upon exercise would result in an increase of the share capital of the parent company.

The table below sets forth certain information relating to the stock options outstanding at December 31, 2008.

Plan (year of launch)	Stock options outstanding	Number of participants (approx.)	Option (sub)category	Vesting status (as percentage of total number of stock options outstanding)	Exercise period: First vest date	Exercise period: Last vest date	Exercise period: Expiry date	Exercise price/share EUR
2003 [1]	3 217 206	3 000	2003 2Q	Expired	July 1, 2004	July 2, 2007	December 31, 2008	14.95
			2003 3Q	Expired	October 1, 2004	October 1, 2007	December 31, 2008	12.71
			2003 4Q	Expired	January 3, 2005	January 2, 2008	December 31, 2008	15.05
			2004 2Q	100.00	July 1, 2005	July 1, 2008	December 31, 2009	11.79
			2004 3Q	100.00	October 3, 2005	October 1, 2008	December 31, 2009	9.44
			2004 4Q	93.75	January 2, 2006	January 2, 2009	December 31, 2009	12.35
2005 [1]	13 277 078	8 000	2005 2Q	81.25	July 1, 2006	July 1, 2009	December 31, 2010	12.79
			2005 3Q	75.00	October 1, 2006	October 1, 2009	December 31, 2010	13.09
			2005 4Q	68.75	January 1, 2007	January 1, 2010	December 31, 2010	14.48
			2006 1Q	62.50	April 1, 2007	April 1, 2010	December 31, 2011	14.99
			2006 2Q	56.25	July 1, 2007	July 1, 2010	December 31, 2011	18.02
			2006 3Q	50.00	October 1, 2007	October 1, 2010	December 31, 2011	15.37
			2006 4Q	43.75	January 1, 2008	January 1, 2011	December 31, 2011	15.38
			2007 1Q	37.50	April 1, 2008	April 1, 2011	December 31, 2011	17.00
2007 [1]	6 618 934	6 000	2007 2Q	31.25	July 1, 2008	July 1, 2011	December 31, 2012	18.39
			2007 3Q	25.00	October 1, 2008	October 1, 2011	December 31, 2012	21.86
			2007 4Q	—	January 1, 2009	January 1, 2012	December 31, 2012	27.53
			2008 1Q	—	April 1, 2009	April 1, 2012	December 31, 2013	24.15
			2008 2Q	—	July 1, 2009	July 1, 2012	December 31, 2013	19.16
			2008 3Q	—	October 1, 2009	October 1, 2012	December 31, 2013	17.80
			2008 4Q	—	January 1, 2010	January 1, 2013	December 31, 2013	12.43

1 The Group's current global stock option plans have a vesting schedule with a 25% vesting one year after grant, and quarterly vesting thereafter, each of the quarterly lots representing 6.25% of the total grant. The grants vest fully in four years.

Total stock options outstanding as at December 31, 2008 [1]

	Number of shares	Weighted average exercise price [2] EUR	Weighted average share price [2] EUR
Shares under option at January 1, 2006	**145 731 886**	**22.97**	
Granted	11 421 939	16.79	
Exercised	3 302 437	13.71	16.70
Forfeited	2 888 474	15.11	
Expired	57 677 685	33.44	
Shares under option at December 31, 2006	**93 285 229**	**16.28**	
Granted	3 211 965	18.48	
Exercised	57 776 205	16.99	21.75
Forfeited	1 992 666	15.13	
Expired	1 161 096	17.83	
Shares under option at December 31, 2007	**35 567 227**	**15.28**	
Granted	3 767 163	17.44	
Exercised	3 657 985	14.21	22.15
Forfeited	783 557	16.31	
Expired	11 078 983	14.96	
Shares under option at December 31, 2008	**23 813 865**	**15.89**	
Options exercisable at December 31, 2005 (shares)	112 095 407	25.33	
Options exercisable at December 31, 2006 (shares)	69 721 916	16.65	
Options exercisable at December 31, 2007 (shares)	21 535 000	14.66	
Options exercisable at December 31, 2008 (shares)	**12 895 057**	**14.77**	

1 Includes also stock options granted under other than global equity plans. For further information see "Other equity plans for employees" below.

2 The weighted average exercise price and the weighted average share price do not incorporate the effect of transferable stock option exercises by option holders not employed by the Group.

The weighted average grant date fair value of stock options granted was EUR 3.92 in 2008, EUR 3.24 in 2007, and EUR 3.31 in 2006.

The options outstanding by range of exercise price at December 31, 2008 are as follows:

	Options outstanding		
Exercise prices , EUR	Number of shares	Weighted average remaining contractual life in years	Weighted average exercise price, EUR
2.15–12.43	4 555 378	1.78	11.50
12.79–15.38	5 556 538	2.06	13.00
17.00–18.39	10 605 500	3.28	18.11
19.16–31.03	3 096 449	4.43	19.93
	23 813 865		

Nokia calculates the fair value of stock options using the Black Scholes model. The fair value of the stock options is estimated at the grant date using the following assumptions:

	2008	2007	2006
Weighted average expected dividend yield	**3.20%**	2.30%	2.08%
Weighted average expected volatility	**39.92%**	25.24%	24.09%
Risk-free interest rate	**3.15%–4.58%**	3.79%–4.19%	2.86%–3.75%
Weighted average risk-free interest rate	**3.65%**	4.09%	3.62%
Expected life (years)	**3.55**	3.59	3.60
Weighted average share price, EUR	**16.97**	18.49	17.84

Expected term of stock options is estimated by observing general option holder behavior and actual historical terms of Nokia stock option plans.

Expected volatility has been set by reference to the implied volatility of options available on Nokia shares in the open market and in light of historical patterns of volatility.

Performance shares

The Group has granted performance shares under the global 2004, 2005, 2006, 2007 and 2008 plans, each of which, including its terms and conditions, has been approved by the Board of Directors. A valid authorization from the Annual General Meeting is required, when the plans are settled by using the Nokia newly issued shares or treasury shares. The Group may also settle the plans by using cash instead of shares.

The performance shares represent a commitment by the Group to deliver Nokia shares to employees at a future point in time, subject to Nokia's fulfillment of pre-defined performance criteria. No performance shares will vest unless the Group's performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria: the Group's average annual net sales growth for the performance period of the plan and earnings per share (EPS) at the end of the performance period.

The 2004 and 2005 plans have a four-year performance period with a two-year interim measurement period. The 2006, 2007 and 2008 plans have a three-year performance period with no interim payout. The shares vest after the respective interim measurement period and/or the performance period. The shares will be delivered to the participants as soon as practicable after they vest. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with the performance shares.

The following table summarizes our global performance share plans.

Plan	Performance shares outstanding at threshold [1, 2]	Number of participants (approx.)	Interim measurement period	Performance period	1st (interim) settlement	2nd (final) settlement
2004	—	10 000	2004–2005	2004–2007	2006	2008
2005	3 604 623	11 000	2005–2006	2005–2008	2007	2009
2006	—	12 000	N/A	2006–2008	N/A	2009
2007	1 997 416	5 000	N/A	2007–2009	N/A	2010
2008	2 431 132	6 000	N/A	2008–2010	N/A	2011

1 Shares under performance share plan 2006 vested on December 31, 2008 and are therefore not included in the outstanding numbers.

2 Does not include 2 048 outstanding performance shares with deferred delivery due to leave of absence.

The following table sets forth the performance criteria of each global performance share plan.

Plan		Threshold performance		Maximum performance	
		EPS [1] EUR	Average annual net sales growth [1]	EPS [1] EUR	Average annual net sales growth [1]
2004	Interim measurement	0.80	4%	0.94	16%
	Performance period	0.84	8%	1.18	20%
2005	Interim measurement	0.75	3%	0.96	12%
	Performance period	0.82	8%	1.33	17%
2006	Performance period	0.96	11%	1.41	26%
2007	Performance period	1.26	9.5%	1.86	20%
2008	Performance period	1.72	4%	2.76	16%

1 Both the EPS and average annual net sales growth criteria have an equal weight of 50%.

Performance shares outstanding as at December 31, 2008 [1]

	Number of performance shares at threshold	Weighted average grant date fair value EUR [2]
Performance shares at January 1, 2006	**8 042 817**	
Granted	5 140 736	14.83
Forfeited	569 164	
Performance shares at December 31, 2006 [3]	**12 614 389**	
Granted	2 163 901	19.96
Forfeited	1 001 332	
Vested [4]	222 400	
Performance shares at December 31, 2007 [5]	**13 554 558**	
Granted	2 463 033	13.35
Forfeited	690 909	
Vested [3, 4, 6]	7 291 463	
Performance shares at December 31, 2008	**8 035 219**	

1 Includes also performance shares granted under other than global equity plans. For further information see "Other equity plans for employees" below.

2 The fair value of performance shares is estimated based on the grant date market price of the Company's share less the present value of dividends expected to be paid during the vesting period.

3 Based on the performance of the Group during the Interim Measurement Period 2004–2005, under the 2004 Performance Share Plan, both performance criteria were met. Hence, 3 595 339 Nokia shares equalling the threshold number were delivered in 2006.

The performance shares related to the interim settlement of the 2004 Performance Share Plan are included in the number of performance shares outstanding at December 31, 2006 as these performance shares were outstanding until the final settlement in 2008. The final payout, in 2008, was adjusted by the shares delivered based on the Interim Measurement Period.

4 Includes also performance shares vested under other than global equity plans.

5 Based on the performance of the Group during the Interim Measurement Period 2005–2006, under the 2005 Performance Share Plan, both performance criteria were met. Hence, 3 980 572 Nokia shares equalling the threshold number were delivered in 2007. The performance shares related to the interim settlement of the 2005 Performance Share Plan are included in the number of performance shares outstanding at December 31, 2007 as these performance shares will remain outstanding until the final settlement in 2009. The final payout, in 2009, if any, will be adjusted by the shares delivered based on the Interim Measurement Period.

6 Includes performance shares under Performance Share Plan 2006 that vested on December 31, 2008.

Based on the performance of the Group during the Performance Period 2005–2008, under the 2005 Performance Share Plan and during the Performance Period 2006–2008 under the Performance Share Plan 2006, both threshold performance criteria were exceeded. The shares under Performance Share Plan 2005 will vest as of the date of the Annual General Meeting on April 23, 2009 and the shares under Performance Share Plan 2006 have vested December 31, 2008. Hence 16 million Nokia shares are expected to be delivered in 2009.

Restricted shares

The Group has granted restricted shares under global plans to recruit, retain, reward and motivate selected high potential employees, who are critical to the future success of Nokia. It is Nokia's philosophy that restricted shares will be used only for key management positions and other critical resources. The outstanding global restricted share plans, including their terms and conditions, have been approved by the Board of Directors. A valid authorization from the Annual General Meeting is required, when the plans are settled by using Nokia newly issued shares or treasury shares. The Group may also settle the plans by using cash instead of shares.

All of our restricted share plans have a restriction period of three years after grant, after which period the granted shares will vest. Once the shares vest, they will be delivered to the participants. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights, associated with the restricted shares.

Restricted shares outstanding as at December 31, 2008 [1]

	Number of restricted shares	Weighted average grant date fair value EUR [2]
Restricted shares at January 1, 2006	**5 185 676**	
Granted	1 669 050	14.71
Forfeited	455 100	
Vested	334 750	
Restricted shares at December 31, 2006	**6 064 876**	
Granted	1 749 433	24.37
Forfeited	297 900	
Vested	1 521 080	
Restricted shares at December 31, 2007	**5 995 329**	
Granted [3]	4 799 543	13.89
Forfeited	358 747	
Vested	2 386 728	
Restricted shares at December 31, 2008	**8 049 397**	

1 Includes also restricted shares granted under other than global equity plans. For further information see “Other equity plans for employees” below.

2 The fair value of restricted shares is estimated based on the grant date market price of the Company’s share less the present value of dividends expected to be paid during the vesting period.

3 Includes grants assumed under “NAVTEQ Plan” (as defined below).

Other equity plans for employees

In addition to the global equity plans described above, the Group has minor equity plans for Nokia acquired businesses or employees in the United States or Canada which do not result in an increase in the share capital of Nokia. These plans are settled by using Nokia shares or ADSs acquired from the market. When treasury shares are issued on exercise of stock options any gain or loss is recognized in share issue premium.

On basis of these plans the Group had 0.7 million stock options outstanding on December 31, 2008. The average exercise price is USD 22.89.

In connection with our July 10, 2008 acquisition of NAVTEQ, the Group assumed Navteq’s 2001 Stock Incentive Plan (“NAVTEQ Plan”). All unvested NAVTEQ restricted stock units under the NAVTEQ Plan were converted to an equivalent number of restricted stock units entitling their holders to Nokia shares. The maximum number of Nokia shares to be delivered to NAVTEQ employees during the years 2008–2012 is approximately 3 million. The Group does not intend to make further awards under the NAVTEQ Plan.

23. Long-term interest-bearing liabilities

	2008		2007	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Long-term interest-bearing liabilities carried at amortized cost	861	855	203	203

Fair value is estimated based on the current market values of similar instruments.

24. Deferred taxes

EURm	2008	2007
Deferred tax assets:		
Intercompany profit in inventory	**144**	87
Tax losses carried forward	**293**	314
Warranty provision	**117**	132
Other provisions	**371**	292
Depreciation differences and untaxed reserves	**691**	367
Share-based compensation	**68**	227
Other temporary differences	**279**	134
Total deferred tax assets	**1 963**	1 553
Deferred tax liabilities:		
Depreciation differences and untaxed reserves	**−286**	−165
Fair value gains/losses	**−62**	−40
Undistributed earnings	**−242**	−31
Other temporary differences [1]	**−1 197**	−727
Total deferred tax liabilities	**−1 787**	−963
Net deferred tax asset	**176**	590
The tax charged to shareholders’ equity is as follows:		
Fair value and other reserves, fair value gains/losses and excess tax benefit on share-based compensation	**−106**	133

1 In 2008, other temporary differences included a deferred tax liability of EUR 1 140 million arising from purchase price allocation related to Nokia Siemens Networks and NAVTEQ. In 2007, other temporary differences included a deferred tax liability of EUR 563 million arising from purchase price allocation related to Nokia Siemens Networks.

At December 31, 2008 the Group had loss carry forwards, primarily attributable to foreign subsidiaries of EUR 1 013 million (EUR 1 403 million in 2007), most of which will expire within 20 years.

At December 31, 2008 the Group had loss carry forwards of EUR 102 million (EUR 242 million in 2007) for which no deferred tax asset was recognized due to uncertainty of utilization of these loss carry forwards. These loss carry forwards will expire in years ranging from 2009 through 2013.

At December 31, 2008 the Group had undistributed earnings of EUR 274 million (EUR 315 million in 2007), for which no deferred tax liability was recognized as these earnings are considered permanently invested.

25. Accrued expenses

EURm	2008	2007
Social security, VAT and other taxes	1 700	2 024
Wages and salaries	665	865
Advance payments	532	503
Other	4 126	3 722
Total	7 023	7 114

Other operating expense accruals include dererred service revenue, accrued discounts, royalties and marketing expenses as well as various amounts which are individually insignificant.

26. Derivative financial instruments

	2008 Assets		2008 Liabilities	
EURm	Fair value [1]	Notional [2]	Fair value [1]	Notional [2]
Hedges of net investment in foreign subsidiaries:				
Forward foreign exchange contracts	80	1 045	−14	472
Currency options bought	30	724	—	—
Currency options sold	—	—	−44	768
Cash flow hedges:				
Forward foreign exchange contracts	562	14 577	−445	11 792
Currency options bought	—	—	—	—
Currency options sold	—	—	—	—
Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss:				
Forward foreign exchange contracts	322	7 817	−416	7 370
Currency options bought	6	201	—	—
Currency options sold	—	—	−5	186
Interest rate futures	6	21	—	—
Interest rate swaps	7	618	—	—
Cash settled equity options bought [3]	1	25	—	—
Cash settled equity options sold [3]	—	—	—	−13
	1 014	25 028	−924	20 575

	2007 Assets		2007 Liabilities	
EURm	Fair value [1]	Notional [2]	Fair value [1]	Notional [2]
Hedges of net investment in foreign subsidiaries:				
Forward foreign exchange contracts	22	1 264	−6	393
Currency options bought	—	51	—	—
Currency options sold	—	—	—	—
Cash flow hedges:				
Forward foreign exchange contracts	89	15 718	−64	12 062
Currency options bought	20	7 618	—	—
Currency options sold	—	—	−25	6 872
Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss:				
Forward foreign exchange contracts	22	2 831	−49	4 456
Currency options bought	4	1 530	—	—
Currency options sold	—	—	—	—
Interest rate futures	6	39	—	—
Interest rate swaps	—	43	—	—
Cash settled equity options bought [3]	41	63	—	—
Cash settled equity options sold [3]	—	—	−23	40
	204	29 157	−167	23 823

1 The fair value of derivative financial instruments is included on the asset side under heading Other financial assets and on the liability side under Other financial liabilities.

2 Includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

3 Cash settled equity options are used to hedge risk relating to employee incentive programs and investment activities.

27. Provisions

EURm	Warranty	Restructuring	IPR infringements	Tax	Other	Total
At January 1, 2007	1 198	65	284	402	437	2 386
Exchange differences	−10	—	—	—	—	−10
Acquisitions	263	—	—	—	134	397
Additional provisions	1 127	744	345	59	548	2 823
Change in fair value	—	—	—	—	16	16
Changes in estimates	−126	−53	−47	−9	−216	−451
Charged to profit and loss account	1 001	691	298	50	348	2 388
Utilized during year	−963	−139	−37	—	−305	−1 444
At December 31, 2007	1 489	617	545	452	614	3 717
At January 1, 2008	1 489	617	545	452	614	3 717
Exchange differences	−16	—	—	—	—	−16
Acquisitions	1	—	3	6	2	12
Additional provisions	1 211	533	266	47	1 136	3 193
Change in fair value	—	—	—	—	−7	−7
Changes in estimates	−240	−211	−92	−45	−185	−773
Charged to profit and loss account	971	322	174	2	944	2 413
Utilized during year	−1 070	−583	−379	—	−502	−2 534
At December 31, 2008	**1 375**	**356**	**343**	**460**	**1 058**	**3 592**

EURm	2008	2007
Analysis of total provisions at December 31:		
Non-current	**978**	1 323
Current	**2 614**	2 394

Outflows for the warranty provision are generally expected to occur within the next 18 months. Timing of outflows related to tax provisions is inherently uncertain.

The restructuring provision is mainly related to restructuring activities in Devices & Services and Nokia Siemens Networks segments. The majority of outflows related to the restructuring is expected to occur during 2009.

In conjunction with the Group's decision to discontinue the production of mobile devices in Germany, a restructuring provision of EUR 259 million was recognized. Devices & Services also recognized EUR 52 million charges related to other restructuring activities.

Restructuring and other associated expenses incurred in Nokia Siemens Networks in 2008 totaled EUR 646 million (EUR 1 110 million in 2007) including mainly personnel related expenses as well as expenses arising from the elimination of overlapping functions, and the realignment of product portfolio and related replacement of discontinued products in customer sites. These expenses included EUR 402 million (EUR 318 million in 2007) impacting gross profit, EUR 46 million (EUR 439 million in 2007) research and development expenses, EUR 14 million of reversal of provision (EUR 149 million expenses in 2007) in selling and marketing expenses, EUR 163 million (EUR 146 million in 2007) administrative expenses and EUR 49 million (EUR 58 million in 2007) other operating expenses. EUR 790 million was paid during 2008 (EUR 254 million during 2007).

The IPR provision is based on estimated future settlements for asserted and unasserted past IPR infringements. Final resolution of IPR claims generally occurs over several periods. In 2008, EUR 379 million usage of the provisions mainly relates to the settlements with Qualcomm, Eastman Kodak, Intertrust Technologies and ContentGuard.

Other provisions include provisions for non-cancelable purchase commitments, provision for pension and other social costs on share-based awards and provision for losses on projects in progress.

28. Earnings per share

	2008	2007	2006
Numerator/EURm			
Basic/Diluted:			
Profit attributable to equity holders of the parent	**3 988**	7 205	4 306
Denominator/1 000 shares			
Basic:			
Weighted average shares	**3 743 622**	3 885 408	4 062 833
Effect of dilutive securities:			
Performance shares	**25 997**	26 304	17 264
Restricted shares	**6 543**	3 693	3 601
Stock options	**4 201**	16 603	2 831
	36 741	46 600	23 696
Diluted:			
Adjusted weighted average shares and assumed conversions	**3 780 363**	3 932 008	4 086 529

Under IAS 33, basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of stock options, restricted shares and performance shares outstanding during the period.

Performance shares, restricted shares and stock options equivalent to 11 million shares were excluded from the calculation of diluted earnings per share in 2008 as they were determined to be anti-dilutive. In 2007 and 2006, no shares were considered anti-dilutive.

29. Commitments and contingencies

EURm	2008	2007
Collateral for our own commitments		
Property under mortgages	18	18
Assets pledged	11	29
Contingent liabilities on behalf of Group companies		
Other guarantees	2 896	2 563
Contingent liabilities on behalf of other companies		
Financial guarantees on behalf of third parties	2	130
Other guarantees	1	1
Financing commitments		
Customer finance commitments [1]	197	270
Venture fund commitments [2]	467	251

1 See also note 35 b).

2 See also note 35 a).

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

Property under mortgages given as collateral for our own commitments include mortgages given to the Finnish National Board of Customs as a general indemnity of EUR 18 million in 2008 (EUR 18 million in 2007).

Assets pledged for the Group's own commitments include available-for-sale investments of EUR 10 million in 2008 (EUR 10 million in 2007).

Other guarantees include guarantees of EUR 2 682 million in 2008 (EUR 2 429 million in 2007) provided to certain Nokia Siemens Networks' customers in the form of bank guarantees, standby letters of credit and other similar instruments. These instruments entitle the customer to claim payment as compensation for non-performance by Nokia of its obligations under network infrastructure supply agreements. Depending on the nature of the instrument, compensation is payable either immediately upon request, or subject to independent verification of non-performance by Nokia.

Guarantees for loans and other financial commitments on behalf of other companies were EUR 2 million in 2008 (EUR 130 million in 2007). The amount of 2007 represents guarantees relating to payment by certain Nokia Siemens Networks' customers and other third parties under specified loan facilities between such a customer and other third parties and their creditors. Nokia's obligations under such guarantees are released upon the earlier of expiration of the guarantee or early payment by the customer.

Financing commitments of EUR 197 million in 2008 (EUR 270 million in 2007) are available under loan facilities negotiated mainly with Nokia Siemens Networks' customers. Availability of the amounts is dependent upon the borrower's continuing compliance with stated financial and operational covenants and compliance with other administrative terms of the facility. The loan facilities are primarily available to fund capital expenditure relating to purchases of network infrastructure equipment and services.

Venture fund commitments of EUR 467 million in 2008 (EUR 251 million in 2007) are financing commitments to a number of funds making technology related investments. As a limited partner in these funds Nokia is committed to capital contributions and also entitled to cash distributions according to respective partnership agreements.

The Group is party to routine litigation incidental to the normal conduct of business, including, but not limited to, several claims, suits and actions both initiated by third parties and initiated by Nokia relating to infringements of patents, violations of licensing arrangements and other intellectual property related matters, as well as actions with respect to products, contracts and securities. In the opinion of the management the outcome of and liabilities in excess of what has been provided for relating to these or other proceedings, in aggregate, are not likely to be material to the financial condition or result of operations.

Nokia's payment obligations under the subscriber unit cross-license agreements signed in 1992 and 2001 with Qualcomm Incorporated (Qualcomm) expired on April 9, 2007. The parties entered into negotiations for a new license agreement with the intention of reaching a mutually acceptable agreement on a timely basis. Prior to the commencement of negotiations and as negotiations proceeded, Nokia and Qualcomm were engaged in numerous legal disputes in the United States, Europe and China. On July 24, 2008, Nokia and Qualcomm entered into a new license agreement covering various current and future standards and other technologies, and resulting in a settlement of all litigation between the companies. Under the terms of the 15 year agreement covering various standards and other technologies, Nokia has been granted a license under all Qualcomm's patents for use in Nokia's mobile devices and Nokia Siemens Networks infrastructure equipment, and Nokia has agreed not to use any of its patents directly against Qualcomm. The financial terms included a one-time lump-sum cash payment of EUR 1.7 billion made by Nokia to Qualcomm in the fourth quarter of 2008 and on-going royalty payments to Qualcomm. The lump-sum payment made to Qualcomm will be expensed over the term of the agreement. Nokia also agreed to assign ownership of a number of patents to Qualcomm.

As of December 31, 2008, the Group had purchase commitments of EUR 2 351 million (EUR 2 610 million in 2007) relating to inventory purchase obligations, service agreements and outsourcing arrangements, primarily for purchases in 2009.

30. Leasing contracts

The Group leases office, manufacturing and warehouse space under various non-cancellable operating leases. Certain contracts contain renewal options for various periods of time.

The future costs for non-cancellable leasing contracts are as follows:

Leasing payments, EURm	Operating leases
2009	315
2010	243
2011	179
2012	127
2013	98
Thereafter	194
Total	1 156

Rental expense amounted to EUR 418 million in 2008 (EUR 328 million in 2007 and EUR 285 million in 2006).

31. Related party transactions

Nokia Pension Foundation is a separate legal entity that managed and held in trust the assets for the Group's Finnish employee benefit plans before the assets were transferred to two third-party insurance companies. Foundation's assets do not include Nokia shares. The Group recorded net rental expense of EUR 0 million in 2008 (EUR 0 million in 2007 and EUR 2 million in 2006) pertaining to a sale-leaseback transaction with the Nokia Pension Foundation involving certain buildings and a lease of the underlying land.

At December 31, 2008, the Group had borrowings amounting to EUR 69 million (EUR 69 million in 2007) from Nokia Unterstützungskasse GmbH, the Group's German pension fund, which is a separate legal entity. The loan bears interest at 6% annum and its duration is pending until further notice by the loan counterparts who have the right to terminate the loan with a 90 day notice period.

There were no loans granted to the members of the Group Executive Board and Board of Directors at December 31, 2008, 2007 or 2006.

Transactions with associated companies

EURm	2008	2007	2006
Share of results of associated companies	6	44	28
Dividend income	6	12	1
Share of shareholders' equity of associated companies	21	158	61
Sales to associated companies	59	82	—
Purchases from associated companies	162	125	—
Receivables from associated companies	29	61	—
Liabilities to associated companies	8	69	14

Management compensation

The following table sets forth the salary and cash incentive information awarded and paid or payable by the company to the Chief Executive Officer and President of Nokia Corporation for fiscal years 2006–2008 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

	2008			2007			2006		
EUR	Base salary	Cash incentive payments	Share-based compensation expense	Base salary	Cash incentive payments	Share-based compensation expense	Base salary	Cash incentive payments	Share-based compensation expense
Olli-Pekka Kallasvuo President and CEO [1]	1 144 800	721 733	1 286 370	1 037 619	2 348 877	4 805 722	898 413	664 227	2 108 197

1 President and CEO as of June 1, 2006; and President and COO until June 1, 2006.

Total remuneration of the Group Executive Board awarded for the fiscal years 2006–2008 was EUR 8 859 567 in 2008 (EUR 13 634 791 in 2007 and EUR 8 574 443 in 2006), which consisted of base salaries and cash incentive payments. Total share-based compensation expense relating to equity-based awards, expensed by the company was EUR 4 850 204 in 2008 (EUR 19 837 583 in 2007 and EUR 15 349 337 in 2006).

Board of Directors

The following table depicts the annual remuneration structure paid to the members of our Board of Directors, as resolved by the Annual General Meetings in the respective years.

	2008		2007		2006	
Board of Directors	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received
Chairman Jorma Ollila [2]	**440 000**	**9 499**	375 000	8 110	375 000	8 035
Vice Chairman Dame Marjorie Scardino [3]	**150 000**	**3 238**	150 000	3 245	110 000	2 356
Georg Ehrnrooth [4]	**155 000**	**3 346**	155 000	3 351	120 000	2 570
Lalita D. Gupte [5]	**140 000**	**3 022**	140 000	3 027	—	—
Dr. Bengt Holmström	**130 000**	**2 806**	130 000	2 810	110 000	2 356
Dr. Henning Kagermann	**130 000**	**2 806**	130 000	2 810	—	—
Olli-Pekka Kallasvuo [6]	**130 000**	**2 806**	130 000	2 810	—	—
Per Karlsson [7]	**155 000**	**3 346**	155 000	3 351	135 000	2 892
Risto Siilasmaa [8]	**140 000**	**3 022**	—	—	—	—
Keijo Suila [9]	**140 000**	**3 022**	140 000	3 027	120 000	2 570
Vesa Vainio [10]	—	—	140 000	3 027	120 000	2 570

1 Approximately 60% of the gross annual fee is paid in cash and the remaining 40% in Nokia shares purchased from the market and included in the table under "Shares Received."

2 This table includes fees paid for Mr. Ollila, Chairman, for his services as Chairman of the Board, only.

3 The 2008 and 2007 fees of Ms. Scardino amounted to EUR 150 000 for services as Vice Chairman. The 2006 fee amounted to EUR 110 000 for services as a member of the Board.

4 The 2008 and 2007 fees of Mr. Ehrnrooth amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee. The 2006 fee of Mr. Ehrnrooth consisted of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

5 The 2008 and 2007 fees of Ms. Gupte amounted to a total of EUR 140 000, consisting of fee of 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

6 This table includes fees paid to Mr. Kallasvuo, President and CEO, for his services as a member of the Board, only.

7 The 2008 and 2007 fees of Mr. Karlsson amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Personnel Committee. The 2006 fee of Mr. Karlsson amounted to a total of EUR 135 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee.

8 The 2008 fee of Mr. Siilasmaa amounted to a total of EUR 140 000, consisting of fee of 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

9 The 2008 and 2007 fees of Mr. Suila amounted to a total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee. The 2006 fee of Mr. Suila amounted to a total of EUR 120 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

10 Mr. Vainio was a member of the Board of Directors and the Audit Committee until the end of the Annual General Meeting on May 8, 2008. Mr. Vainio received his fees for services as a member of the Board and as a member of the Audit Committee, as resolved by the shareholders at the Annual General Meeting on May 3, 2007, already in 2007 and thus no fees were paid to him for the services rendered during 2008. The 2007 fee of Mr.Vainio amounted to a total of EUR 140 000 consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee. The 2006 fee of Mr. Vainio amounted to a total of EUR 120 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

Pension arrangements of certain Group Executive Board Members

Olli-Pekka Kallasvuo can, as part of his service contract, retire at the age of 60 with full retirement benefit should he be employed by Nokia at the time. The full retirement benefit is calculated as if Mr. Kallasvuo had continued his service with Nokia through the retirement age of 65. Hallstein Moerk, following his arrangement with a previous employer, has also in his current position at Nokia a retirement benefit of 65% of his pensionable salary beginning at the age of 62. Early retirement is possible at the age of 55 with reduced benefits. Simon Beresford-Wylie participates in the Nokia International Employee Benefit Plan (NIEBP). The NIEBP is a defined contribution retirement arrangement provided to some Nokia employees on international assignments. The contributions to NIEBP are funded two-thirds by Nokia and one-third by the employee. Because Mr. Beresford-Wylie also participates in the Finnish TEL system, the company contribution to NIEBP is 1.3% of annual earnings.

32. Notes to cash flow statement

EURm	2008	2007	2006
Adjustments for:			
Depreciation and amortization (Note 9)	**1 617**	1 206	712
(Profit)/loss on sale of property, plant and equipment and available-for-sale investments	**–11**	–1 864	–4
Income taxes (Note 11)	**1 081**	1 522	1 357
Share of results of associated companies (Note 14)	**–6**	–44	–28
Minority interest	**–99**	–459	60
Financial income and expenses (Note 10)	**2**	–239	–207
Impairment charges (Note 7)	**149**	63	51
Retirements (Note 8, 12)	**186**	—	—
Share-based compensation (Note 22)	**74**	228	192
Restructuring charges	**448**	856	—
Customer financing impairment charges and reversals	**—**	—	–276
Finnish pension settlement (Note 5)	**152**	—	—
Other income and expenses	**–124**	—	—
Adjustments, total	**3 469**	1 269	1 857
Change in net working capital			
Increase in short-term receivables	**–534**	–2 146	–1 770
Decrease (+)/increase (–) in inventories	**321**	–245	84
Decrease (–)/increase (+) in interest-free short-term liabilities	**–2 333**	2 996	893
Change in net working capital	**–2 546**	605	–793

The Group did not engage in any material non-cash investing activities in 2008 and 2006. In 2007 the formation of Nokia Siemens Networks was completed through the contribution of certain tangible and intangible assets and certain business interests that comprised Nokia's networks business and Siemens' carrier-related operations. See Note 8.

33. Subsequent events

Eurobond issuance under Euro Medium Term Note program and European Investment Bank loan

In February 2009, the Group issued EUR 1 750 million of Eurobonds with maturities of five and ten years under its EUR 3 000 million Euro Medium Term Note, or EMTN program, to repay part of the Group's existing short-term borrowings. The Group voluntarily cancelled its USD 2 000 million committed credit facility maturing in 2009 due to this repayment. In February, the Group also signed and fully drew down a EUR 500 million loan from the European Investment Bank to finance part of its smartphone research and development expenses.

34. Principal Nokia Group companies at December 31, 2008

%		Parent holding	Group majority
US	Nokia Inc.	—	100.0
DE	Nokia GmbH	100.0	100.0
GB	Nokia UK Limited	—	100.0
KR	Nokia TMC Limited	100.0	100.0
CN	Nokia Telecommunications Ltd	—	83.9
NL	Nokia Finance International B.V.	100.0	100.0
HU	Nokia Komárom Kft	100.0	100.0
IN	Nokia India Pvt Ltd	100.0	100.0
IT	Nokia Italia S.p.A	100.0	100.0
ES	Nokia Spain S.A.U	100.0	100.0
RO	Nokia Romania SRL	100.0	100.0
BR	Nokia do Brasil Tecnologia Ltda	100.0	100.0
US	NAVTEQ Corporation	—	100.0
NL	Nokia Siemens Networks B.V.	—	50.0 [1]
FI	Nokia Siemens Networks Oy	—	50.0
DE	Nokia Siemens Networks GmbH & Co KG	—	50.0
IN	Nokia Siemens Networks Pvt. Ltd.	—	50.0

1 Nokia Siemens Networks B.V., the ultimate parent of the Nokia Siemens Network group, is owned approximately 50% by each of Nokia and Siemens and consolidated by Nokia. Nokia effectively controls Nokia Siemens Networks as it has the ability to appoint key officers and the majority of the members of its Board of Directors, and accordingly, Nokia consolidated Nokia Siemens Networks.

35. Risk management

General risk management principles

Nokia's overall risk management concept is based on visibility of the key risks preventing Nokia from reaching its business objectives. This covers all risk areas; strategic, operational, financial and hazard risks. Risk management at Nokia refers to systematic and pro-active way to analyze, review and manage opportunities, threats and risks related to Nokia's objectives rather than being solely focused on eliminating risks.

The principles documented in Nokia's Risk Policy and accepted by the Audit Committee of the Board of Directors require risk management and its elements to be integrated into business processes. One of the main principles is that the business or function owner is also the risk owner, however, it is everyone's responsibility at Nokia to identify risks preventing us from reaching our objectives.

Key risks are reported to the Group level management to create assurance on business risks and to enable prioritization of risk management implementation at Nokia. In addition to general principles there are specific risk management policies covering, for example, treasury and customer business related credit risks.

Financial risks

The objective for Treasury activities in Nokia is twofold: to guarantee cost-efficient funding for the Group at all times, and to identify, evaluate and hedge financial risks. There is a strong focus in Nokia on creating shareholder value. Treasury activities support this aim by: i) minimizing the adverse effects caused by fluctuations in the financial markets on the profitability of the underlying businesses; and ii) managing the capital structure of the Group by prudently balancing the levels of liquid assets and financial borrowings.

Treasury activities are governed by policies approved by the CEO. Treasury Policy provides principles for overall financial risk management and determines

the allocation of responsibilities for financial risk management in Nokia. Operating Procedures cover specific areas such as foreign exchange risk, interest rate risk, use of derivative financial instruments, as well as liquidity and credit risk. Nokia is risk averse in its Treasury activities.

a) Market risk

Foreign exchange risk

Nokia operates globally and is thus exposed to foreign exchange risk arising from various currencies. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales contribute to foreign exchange exposure. These transaction exposures are managed against various local currencies because of Nokia's substantial production and sales outside the Eurozone.

According to the foreign exchange policy guidelines of the Group, which remain the same as in the previous year, material transaction foreign exchange exposures are hedged. Exposures are mainly hedged with derivative financial instruments such as forward foreign exchange contracts and foreign exchange options. The majority of financial instruments hedging foreign exchange risk have duration of less than a year. The Group does not hedge forecasted foreign currency cash flows beyond two years.

Since Nokia has subsidiaries outside the Euro zone, the euro-denominated value of the shareholders' equity of Nokia is also exposed to fluctuations in exchange rates. Equity changes resulting from movements in foreign exchange rates are shown as a translation difference in the Group consolidation.

Nokia uses, from time to time, foreign exchange contracts and foreign currency denominated loans to hedge its equity exposure arising from foreign net investments.

At the end of year 2008 and 2007, following currencies represent significant portion of the currency mix in the outstanding financial instruments:

2008, EURm	USD	JPY	CNY	INR
FX derivatives used as cashflow hedges (net amount) [1]	−3 359	2 674	—	−122
FX derivatives used as net investment hedges (net amount) [2]	−232	—	−699	−179
FX exposure from balance sheet items (net amount) [3]	729	−494	−579	236
FX derivatives not designated in a hedge relationship and carried at fair value through the profit and loss statement (net amount) [3]	−615	480	527	−443

2007, EURm	USD	JPY	GBP	INR [4]
FX derivatives used as cashflow hedges (net amount) [1]	803	1 274	−656	−83
FX derivatives used as net investment hedges (net amount) [2]	—	—	—	−216
FX exposure from balance sheet items (net amount) [3]	2 204	−739	89	320
FX derivatives not designated in a hedge relationship and carried at fair value through the profit and loss statement (net amount) [3]	−2 361	847	−127	−399

1 The FX derivatives are used to hedge the foreign exchange risk from forecasted highly probably cashflows related to sales, purchases and business acquisition activities. In some of the currencies, especially in US Dollar, Nokia has substantial foreign exchange risks in both estimated cash inflows and outflows, which have been netted in the table. See Note 20 for more details on hedge accounting. The underlying exposures for which these hedges are entered into are not presented in the table, as they are not financial instruments as defined under IFRS 7.

2 The FX derivatives are used to hedge the Group's net investment exposure. The underlying exposures for which these hedges are entered into are not presented in the table, as they are not financial instruments as defined under IFRS 7.

3 The balance sheet items which are denominated in the foreign currencies are hedged by a portion of FX derivatives not designated in a hedge relationship and carried at fair value through the profit and loss statement, resulting in offsetting FX gains or losses in the financial income and expenses.

4 The INR amounts for 2007 have been revised as compared to previously published financial statements due to a change in the way Nokia defines foreign exchange exposures.

Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items (i.e. price risk) or through changes in interest income or expenses (i.e. re-investment risk). Interest rate risk mainly arises through interest bearing liabilities and assets. Estimated future changes in cash flows and balance sheet structure also expose the Group to interest rate risk.

The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the consolidated net interest income and expense.

The interest rate exposure of the Group is monitored and managed centrally. Nokia uses the Value-at-Risk (VaR) methodology to assess and measure the interest rate risk of the net investments (cash and investments less outstanding debt) and related derivatives.

As at the reporting date, the interest rate profile of the Group's interest-bearing assets and liabilities is presented in the table below:

EURm	2008	2007
Fixed rate assets	**2 946**	7 750
Floating rate assets	**4 007**	4 205
Fixed rate liabilities	**3 604**	712
Floating rate liabilities	**785**	375

Equity price risk

Nokia is exposed to equity price risk as the result of market price fluctuations in the listed equity instruments held mainly for strategic business reasons.

Nokia has certain strategic minority investments in publicly listed equity shares. The fair value of the equity investments which are subject to equity price risk at December 31, 2008 was EUR 8 million (EUR 10 million in 2007). In addition, Nokia invests in private equity through venture funds, which, from time to time, may have holdings in equity instruments which are listed in stock exchanges. These investments are classified as available-for-sale carried at fair value. See Note 15 for more details on available for sale investments.

Due to the insignificant amount of exposure to equity price risk, there are currently no outstanding derivative financial instruments designated as hedges for these equity investments.

Nokia is exposed to equity price risk on social security costs relating to its equity compensation plans. Nokia mitigates this risk by entering into cash settled equity option contracts.

Value-at-Risk

Nokia uses the Value-at-Risk (VaR) methodology to assess the Group exposures to foreign exchange (FX), interest rate, and equity risks. The VaR gives estimates of potential fair value losses in market risk sensitive instruments as a result of adverse changes in specified market factors, at a specified confidence level over a defined holding period.

In Nokia the FX VaR is calculated with the Monte Carlo method which simulates random values for exchange rates in which the Group has exposures and takes the non-linear price function of certain FX derivative instruments into account. The variance-covariance methodology is used to assess and measure the interest rate risk and equity price risk.

The VaR is determined by using volatilities and correlations of rates and prices estimated from a one-year sample of historical market data, at 95% confidence level, using a one-month holding period. To put more weight on recent market conditions, an exponentially weighted moving average is performed on the data with an appropriate decay factor.

This model implies that within a one-month period, the potential loss will not exceed the VaR estimate in 95% of possible outcomes. In the remaining 5% of possible outcomes, the potential loss will be at minimum equal to the VaR figure, and on average substantially higher.

The VaR methodology relies on a number of assumptions, such as, a) risks are measured under average market conditions, assuming that market risk factors follow normal distributions; b) future movements in market risk factors follow estimated historical movements; c) the assessed exposures do not change during the holding period. Thus it is possible that, for any given month, the potential losses at 95% confidence level are different and could be substantially higher than the estimated VaR.

FX risk

The VaR figures for the Group's financial instruments which are sensitive to foreign exchange risks are presented in Table 1 below. As defined under IFRS 7, the financial instruments included in the VaR calculation are:

» FX exposures from outstanding balance sheet items and other FX derivatives carried at fair value through profit and loss which are not in a hedge relationship and are mostly used for hedging balance sheet FX exposure.

» FX derivatives designated as forecasted cashflow hedges and net investment hedges. Most of the VaR is caused by these derivatives as forecasted cashflow and net investment exposures are not financial instruments as defined under IFRS 7 and thus not included in the VaR calculation.

Table 1 Foreign exchange position Value-at-Risk

	VaR from financial instruments	
	2008	2007
At December 31	442	246
Average for the year	337	96
Range for the year	191–730	57–246

Interest rate risk

The VaR for the Group interest rate exposure in the investment and debt portfolios is presented in Table 2 below. Sensitivities to credit spreads are not reflected in the below numbers.

Table 2 Fixed income investment and debt portfolios Value-at-Risk

	2008	2007
At December 31	6	8
Average for the year	10	12
Range for the year	4–25	5–27

Equity price risk

The VaR for the Group equity investment in publicly traded companies is insignificant.

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from bank and cash, fixed income and money-market investments, derivative financial instruments, loans receivable as well as credit exposures to customers, including outstanding receivables, financial guarantees and committed transactions. Credit risk is managed separately for business related- and financial-credit exposures.

Except as detailed in the following table, the maximum exposure to credit risk is limited to the book value of the financial assets as included in Group's balance sheet:

EURm	2008	2007
Financial guarantees given on behalf of customers and other third parties	2	130
Loan commitments given but not used	197	270
	199	400

Business related credit risk

The Company aims to ensure highest possible quality in accounts receivable and loans due from customers and other third parties. The Group Credit Policy, approved by the Group Executive Board, lays out the framework for the management of the business related credit risks in all Nokia group companies.

Credit exposure is measured as the total of accounts receivable and loans outstanding due from customers and other third parties, plus committed credits.

The Group Credit Policy provides that credit decisions are based on credit evaluation of third parties including credit rating for our customers. The Group Rating Policy defines the rating principles. Ratings are approved by the Group Rating Committee. Credit risks are approved and monitored according to the credit policy of each business segment. These policies are based on the Group Credit Policy. Concentrations of customer or country risks are monitored at the Nokia Group level. When appropriate, assumed credit risks are mitigated with the use of approved instruments, such as collateral or insurance and sale of selected receivables.

The Group has provided impairment allowances as needed including on accounts receivable and loans due from customers and other third parties not past due, based on the analysis of debtors' credit quality and credit history. The Group establishes an allowance for impairment that represents an estimate of incurred losses. All receivables and loans due from customers and other third parties are considered on an individual basis for impairment testing.

Top three customers account for approximately 4.0%, 3.8% and 3.5% (2007: 4.9%, 2.9% and 2.5%) of Group accounts receivable and loans due from customers and other third parties as at December 31, 2008 while the top three credit exposures by country amounted to 8.5%, 7.2% and 7.2% (2007: 8.7%, 6.9% and 6.5%) respectively.

As at December 31, 2008, the carrying amount before deducting any impairment allowance of accounts receivable relating to customers for which an impairment was provided amounted to EUR 3 042 million (2007: EUR 3 011 million). The amount of provision taken against that portion of these receivables considered to be impaired was EUR 415 million (2007: EUR 332 million) (see also note 19 Valuation and qualifying accounts).

An amount of EUR 729 million (2007: EUR 478 million) relates to past due receivables from customers for which no impairment loss was recognized. The aging of these receivables is as follows:

EURm	2008	2007
Past due 1–30 days	453	411
Past due 31–180 days	240	66
More than 180 days	36	1
	729	478

As at December 31, 2008, the carrying amount before deducting any impairment allowance of loans due from customers and other third parties for which impairment was provided amounted to EUR 4 million (2007: EUR 161 million). The amount of provision taken for these loans was EUR 4 million (2007: EUR 19 million).

There were no past due loans due from customers and other third parties.

Financial credit risk

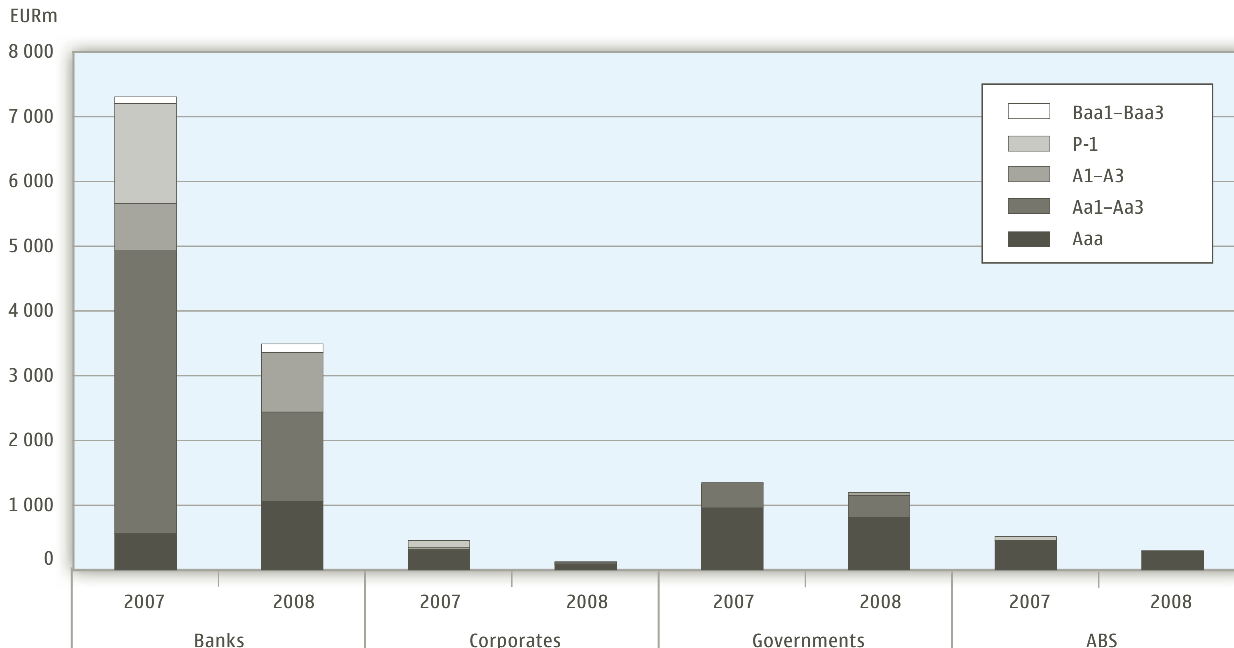
Financial instruments contain an element of risk of loss resulting from counterparties being unable to meet their obligations. This risk is measured and monitored centrally. Nokia manages financial credit risk actively by limiting its counterparties to a sufficient number of major banks and financial institutions and monitoring the credit worthiness and exposure sizes continuously as well as through entering into netting arrangements (which gives Nokia the right to offset in the event that the counterparty would not be able to fulfill the obligations) with all major counterparties and collateral agreements (which require counterparties to post collateral against derivative receivables) with certain counterparties.

Nokia's investment decisions are based on strict creditworthiness and maturity criteria as defined in the Treasury Policy and Operating Procedure. Due to global banking crisis and the freezing of the credit markets in 2008, Nokia applied an even more defensive approach than usual within Treasury Policy towards investments and counterparty quality and maturities, focusing on capital preservation and liquidity. As result of this investment policy approach and active management of outstanding investments exposures, Nokia has not been subject to any material credit losses in its financial investments.

The table below presents the breakdown of the outstanding available-for-sale fixed income and money-market investments by sector and credit rating grades ranked as per Moody's rating categories.

Fixed income and money-market investments [1, 2]

EURm



1 Fixed income and money-market investments include term deposits, investments in liquidity funds and investments in fixed income instruments classified as Available-for-sale. Available-for-sale investments are carried at fair value in 2008 and 2007. Liquidity funds invested solely in government securities are included under Governments. Other liquidity funds are included under Banks.

2 Included within fixed income and money-market investments is EUR 114 million of restricted investment at December 31, 2008 (EUR 169 million at December 31, 2007). They are restricted financial assets under various contractual or legal obligations.

78% of Nokia's bank and cash is held with banks of credit rating A2 or above (76% for 2007).

c) Liquidity risk

Liquidity risk is defined as financial distress or extraordinary high financing costs arising due to a shortage of liquid funds in a situation where business conditions unexpectedly deteriorate and require financing. Transactional liquidity risk is defined as the risk of executing a financial transaction below fair market value, or not being able to execute the transaction at all, within a specific period of time.

The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available fast enough without endangering its value, in order to avoid uncertainty related to financial distress at all times.

Nokia guarantees a sufficient liquidity at all times by efficient cash management and by investing in liquid interest bearing securities. The transactional liquidity risk is minimized by only entering transactions where proper two-way quotes can be obtained from the market. Due to the dynamic nature of the underlying business, Nokia also aims at maintaining flexibility in funding by keeping committed and uncommitted credit lines available. At the end of December 31, 2008 the committed facilities totaled EUR 3 369 million. The committed revolving credit facilities are used primarily for US and Euro Commercial Paper Programs back-up purposes. The credit facility of EUR 500 million has been utilized for general funding purposes. The average commitment fee on the facilities is 0.082% per annum.

The most significant existing Committed Facilities include:

- Revolving Credit Facility of USD 2 000 million, maturing in 2009
- Credit Facility of EUR 500 million, maturing in 2011
- Revolving Credit Facility of USD 1 923 million, maturing in 2012

The most significant existing funding programs include:

- Euro Medium Term Note (EMTN) program, totaling EUR 3 000 million
- Shelf registration statement for an indeterminate amount of debt securities on file with the US Securities and Exchange Commission
- Local commercial paper program in Finland, totaling EUR 750 million
- Euro Commercial Paper (ECP) program, totaling USD 4 000 million
- US Commercial Paper (USCP) program, totaling USD 4 000 million

Of the above funding programs, only the US Commercial Paper program has been utilized to a significant degree in 2008. On December 31, 2008 a total of USD 3 419 million was outstanding under this program. The remaining four funding programs have not been used to a significant degree in 2008.

Nokia's international creditworthiness facilitates the efficient use of international capital and loan markets. The ratings of Nokia from credit rating agencies have not changed during the year. The ratings as of December 31, 2008 were:

Short-term	Standard & Poor's	A-1
	Moody's	P-1
Long-term	Standard & Poor's	A
	Moody's	A1

The following table below is an undiscounted cashflow analysis for both financial liabilities and financial assets that are presented on the balance sheet, and off-balance sheet instruments such as loan commitments according to their remaining contractual maturity. Line-by-line reconciliation with the balance sheet is not possible.

At December 31, 2008, EURm	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due beyond 5 years
Non-current financial assets					
Long-term loans receivable	—	—	19	6	8
Other non-current assets	1	1	3	—	1
Loan commitments obtained undrawn	—	—	50	362	—
Current financial assets					
Current portion of long-term loans receivable	5	101	—	—	—
Short-term loans receivable	8	2	—	—	—
Available-for-sale investment	3 932	483	583	120	254
Cash	1 706	—	—	—	—
Cash flows related to derivative financial assets net settled:					
Derivative contracts-receipts	5	3	1	—	—
Cash flows related to derivative financial assets gross settled:					
Derivative contracts-receipts	19 180	5 184	—	—	—
Derivative contracts-payments	−18 322	−5 090	—	—	—
Accounts receivable [1, 2]	6 702	1 144	70	—	—
Non-current financial liabilities					
Long-term liabilities	−1	−46	−741	−64	−159
Loan commitments given undrawn	−16	−151	—	−30	—
Current financial liabilities					
Currrent portion of long-term loans	—	−14	—	—	—
Short-term liabilities	−3 207	−388	—	—	—
Cash flows related to derivative financial liabilities net settled:					
Derivative contracts-payments	—	—	—	—	—
Cash flows related to derivative financial liabilities gross settled:					
Derivative contracts-receipts	15 729	4 859	—	—	—
Derivative contracts-payments	−16 599	−4 931	—	—	—
Accounts payable [1]	−5 152	−67	−5	—	—

At December 31, 2007, EURm	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due beyond 5 years
Non-current financial assets					
Long-term loans receivable	—	—	7	3	1
Other non-current assets	—	—	6	—	—
Loan commitments obtained undrawn	—	1 385	500	1 385	—
Current financial assets					
Current portion of long-term loans receivable	5	165	—	—	—
Short-term loans receivable	16	8	—	—	—
Available-for-sale investment	6 543	1 012	2 003	343	355
Cash	2 125	—	—	—	—
Cash flows related to derivative financial assets net settled:					
Derivative contracts–receipts	24	15	8	1	1
Cash flows related to derivative financial assets gross settled:					
Derivative contracts–receipts	19 459	394	65	—	—
Derivative contracts–payments	–19 331	–384	–69	—	—
Accounts receivable [1, 2]	7 398	1 720	381	—	—
Non-current financial liabilities					
Long-term liabilities	–10	–3	–53	–130	–70
Loan commitments given	–178	–39	–21	–18	–14
Current financial liabilities					
Currrent portion of long-term loans	–115	–61	—	—	—
Short-term liabilities	–617	–105	—	—	—
Cash flows related to derivative financial liabilities net settled:					
Derivative contracts–payments	–13	–10	—	—	—
Cash flows related to derivative financial liabilities gross settled:					
Derivative contracts–receipts	16 207	635	70	—	—
Derivative contracts–payments	–16 317	–633	–65	—	—
Accounts payable [1]	–6 986	–88	—	—	—

1 The fair values of trade receivables and payables are assumed to approximate their carrying values due to their short term nature.

2 Accounts receivable maturity analysis does not include accrued receivables and receivables accounted based on the percentage of completion method of EUR 1 528 million (2007: EUR 1 700 million).

Hazard risk

Nokia strives to ensure that all financial, reputation and other losses to the Group and our customers are minimized through preventive risk management measures or purchase of insurance. Insurance is purchased for risks, which cannot be internally managed. The objective is to ensure that Group's hazard risks, whether related to physical assets (e.g. buildings) or intellectual assets (e.g. Nokia) or potential liabilities (e.g. product liability) are optimally insured taking into account both cost and retention levels.

Nokia purchases both annual insurance policies for specific risks as well as multi-line and/or multi-year insurance policies, where available.

Parent company financial statements according to Finnish Accounting Standards

Profit and loss accounts, parent company, FAS

Financial year ended December 31	Notes	2008 EURm	2007 EURm
Net sales		**26 940**	30 907
Cost of sales		**−18 712**	−20 995
Gross margin		**8 228**	9 912
Selling and marketing expenses		**−1 393**	−1 328
Research and development expenses		**−3 147**	−2 894
Administrative expenses		**−769**	−566
Other operating expenses		**−340**	−195
Other operating income		**120**	139
Operating profit	2, 3	**2 699**	5 068
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		**31**	2 585
Dividend income from other companies		**3**	3
Interest income from Group companies		**4**	3
Other interest and financial income			
Interest income from Group companies		**398**	250
Interest income from other companies		**12**	7
Other financial income from other companies		**—**	1
Exchange gains and losses		**−478**	−22
Interest expenses and other financial expenses			
Interest expenses to Group companies		**−338**	−168
Interest expenses to other companies		**−63**	−19
Other financial expenses		**−6**	−2
Financial income and expenses, total		**−437**	2 638
Profit before extraordinary items and taxes		**2 262**	7 706
Extraordinary items			
Group contributions		**40**	—
Extraordinary items, total		**40**	—
Profit before taxes		**2 302**	7 706
Income taxes			
for the year		**−539**	−1 314
from previous years		**−14**	−34
Net profit		**1 749**	6 358

See Notes to the financial statements of the parent company.

Balance sheets, parent company, FAS

December 31	Notes	2008 EURm	2007 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	4		
Capitalized development costs		**21**	106
Intangible rights		**52**	48
Other long-term expenses		**155**	4
		228	158
Tangible assets	5	**—**	—
Investments			
Investments in subsidiaries	6	**12 084**	6 564
Investments in associated companies	6	**10**	9
Long-term loan receivables from Group companies		**8**	9
Other non-current assets	6	**41**	4
		12 143	6 586
Current assets			
Inventories and work in progress			
Raw materials and supplies		**84**	72
Work in progress		**100**	294
Finished goods		**70**	72
		254	438
Receivables			
Trade debtors from Group companies		**899**	958
Trade debtors from other companies		**913**	1 405
Short-term loan receivables from Group companies		**12 039**	8 219
Short-term loan receivables from other companies		**1**	40
Prepaid expenses and accrued income from Group companies		**65**	1 942
Prepaid expenses and accrued income from other companies		**2 181**	1 372
		16 098	13 936
Bank and cash		**197**	212
Total		**28 920**	21 330

See Notes to the financial statements of the parent company.

December 31	Notes	2008 EURm	2007 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7		
Share capital		246	246
Share issue premium		—	—
Treasury shares	7	−1 885	−3 147
Reserve for invested non-restricted equity	7, 8	3 291	3 299
Retained earnings	7, 8	4 489	4 354
Net profit for the year	7, 8	1 749	6 358
		7 890	11 110
Liabilities			
Short-term liabilities			
Current finance liabilities from Group companies		13 345	5 332
Current finance liabilities from other companies		2 598	24
Advance payments from other companies		182	7
Trade creditors to Group companies		2 377	1 222
Trade creditors to other companies		695	881
Accrued expenses and prepaid income to Group companies		217	122
Accrued expenses and prepaid income to other companies		1 616	2 632
		21 030	10 220
Total		28 920	21 330

See Notes to the financial statements of the parent company.

Cash flow statements, parent company, FAS

Financial year ended December 31	Notes	2008 EURm	2007 EURm
Cash flow from operating activities			
Net profit		1 749	6 358
Adjustments, total	12	1 357	−925
Net profit before change in net working capital		3 106	5 433
Change in net working capital	12	543	150
Cash generated from operations		3 649	5 583
Interest received		418	256
Interest paid		−399	−182
Other financial income and expenses		−469	−40
Income taxes paid		−1 020	−822
Cash flow before extraordinary items		2 179	4 795
Extraordinary income and expenses		—	33
Net cash from operating activities		2 179	4 828
Cash flow from investing activities			
Investments in shares		−4 026	−50
Additions to capitalized development costs		−53	−90
Capital expenditures		−211	−28
Proceeds from sale of shares		106	37
Long-term loans made to customers		—	−11
Proceeds from repayment and sale of long term loans receivable		—	11
Proceeds from other long-term receivables		—	28
Proceeds from short-term receivables		−3 750	−3 372
Dividends received		34	672
Net cash used in investing activities		−7 900	−2 803
Cash flow from financing activities			
Proceeds from stock option excercises		51	987
Proceeds from borrowings		10 777	2 508
Repayment of borrowings		−5	—
Purchase of treasury shares		−3 123	−3 826
Dividends paid		−1 992	−1 686
Net cash used in financing activities		5 708	−2 017
Net decrease in cash and cash equivalents		−13	8
Cash and cash equivalents at beginning of period		212	204
Cash and cash equivalents at end of period		199	212

See Notes to the financial statements of the parent company.

Notes to the financial statements of the parent company

1. Accounting principles

The Parent company Financial Statements are prepared according to Finnish Accounting Standards (FAS).

See Note 1 to Notes to the consolidated financial statements.

2. Personnel expenses

EURm	2008	2007
Wages and salaries	1 115	1 059
Pension expenses	160	165
Other social expenses	63	41
Personnel expenses as per profit and loss account	**1 338**	1 265

Management compensation

The following table sets forth the salary and cash incentive information awarded and paid or payable by the company to the Chief Executive Officer and President of Nokia Corporation for fiscal years 2006–2008 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

	2008			2007			2006		
EUR	Base salary	Cash incentive payments	Share-based compensation expense	Base salary	Cash incentive payments	Share-based compensation expense	Base salary	Cash incentive payments	Share-based compensation expense
Olli-Pekka Kallasvuo President and CEO [1]	**1 144 800**	**721 733**	**1 286 370**	1 037 619	2 348 877	4 805 722	898 413	664 227	2 108 197

1 President and CEO as of June 1, 2006; and President and COO until June 1, 2006.

Total remuneration of the Group Executive Board awarded for the fiscal years 2006–2008 was EUR 8 859 567 in 2008 (EUR 13 634 791 in 2007 and EUR 8 574 443 in 2006), which consisted of base salaries and cash incentive payments. Total share-based compensation expense relating to equity-based awards, expensed by the company was EUR 4 850 204 in 2008 (EUR 19 837 583 in 2007 and EUR 15 349 337 in 2006).

Board of Directors

The following table depicts the annual remuneration structure paid to the members of our Board of Directors, as resolved by the Annual General Meetings in the respective years.

	2008		2007		2006	
Board of Directors	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received
Chairman Jorma Ollila [2]	**440 000**	**9 499**	375 000	8 110	375 000	8 035
Vice Chairman Dame Marjorie Scardino [3]	**150 000**	**3 238**	150 000	3 245	110 000	2 356
Georg Ehrnrooth [4]	**155 000**	**3 346**	155 000	3 351	120 000	2 570
Lalita D. Gupte [5]	**140 000**	**3 022**	140 000	3 027	—	—
Dr. Bengt Holmström	**130 000**	**2 806**	130 000	2 810	110 000	2 356
Dr. Henning Kagermann	**130 000**	**2 806**	130 000	2 810	—	—
Olli-Pekka Kallasvuo [6]	**130 000**	**2 806**	130 000	2 810	—	—
Per Karlsson [7]	**155 000**	**3 346**	155 000	3 351	135 000	2 892
Risto Siilasmaa [8]	**140 000**	**3 022**	—	—	—	—
Keijo Suila [9]	**140 000**	**3 022**	140 000	3 027	120 000	2 570
Vesa Vainio [10]	—	—	140 000	3 027	120 000	2 570

1 Approximately 60% of the gross annual fee is paid in cash and the remaining 40% in Nokia shares purchased from the market and included in the table under "Shares Received."

2 This table includes fees paid for Mr. Ollila, Chairman, for his services as Chairman of the Board, only.

3 The 2008 and 2007 fees of Ms. Scardino amounted to EUR 150 000 for services as Vice Chairman. The 2006 fee amounted to EUR 110 000 for services as a member of the Board.

4 The 2008 and 2007 fees of Mr. Ehrnrooth amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee. The 2006 fee of Mr. Ehrnrooth consisted of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

5 The 2008 and 2007 fees of Ms. Gupte amounted to a total of EUR 140 000, consisting of fee of 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

6 This table includes fees paid to Mr. Kallasvuo, President and CEO, for his services as a member of the Board, only.

7 The 2008 and 2007 fees of Mr. Karlsson amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Personnel Committee. The 2006 fee of Mr. Karlsson amounted to a total of EUR 135 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee.

8 The 2008 fee of Mr. Siilasmaa amounted to a total of EUR 140 000, consisting of fee of 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

9 The 2008 and 2007 fees of Mr. Suila amounted to a total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee. The 2006 fee of Mr. Suila amounted to a total of EUR 120 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

10 Mr. Vainio was a member of the Board of Directors and the Audit Committee until the end of the Annual General Meeting on May 8, 2008. Mr. Vainio received his fees for services as a member of the Board and as a member of the Audit Committee, as resolved by the shareholders at the Annual General Meeting on May 3, 2007, already in 2007 and thus no fees were paid to him for the services rendered during 2008. The 2007 fee of Mr.Vainio amounted to a total of EUR 140 000 consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee. The 2006 fee of Mr. Vainio amounted to a total of EUR 120 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

Pension arrangements of certain Group Executive Board Members

Olli-Pekka Kallasvuo can, as part of his service contract, retire at the age of 60 with full retirement benefit should he be employed by Nokia at the time. The full retirement benefit is calculated as if Mr. Kallasvuo had continued his service with Nokia through the retirement age of 65. Hallstein Moerk, following his arrangement with a previous employer, has also in his current position at Nokia a retirement benefit of 65% of his pensionable salary beginning at the age of 62. Early retirement is possible at the age of 55 with reduced benefits. Simon Beresford-Wylie participates in the Nokia International Employee Benefit Plan (NIEBP). The NIEBP is a defined contribution retirement arrangement provided to some Nokia employees on international assignments. The contributions to NIEBP are funded two-thirds by Nokia and one-third by the employee. Because Mr. Beresford-Wylie also participates in the Finnish TEL system, the company contribution to NIEBP is 1.3% of annual earnings.

Personnel average	2008	2007
Production	3 481	3 965
Marketing	1 226	1 187
R&D	8 717	9 732
Administration	2 552	2 580
	15 976	17 464
Personnel, December 31	16 262	15 070

3. Depreciation and amortization

EURm	2008	2007
Depreciation and amortization by asset class category		
Intangible assets		
Capitalized development costs	28	55
Intangible rights	28	28
Tangible assets	28	2
Total	84	85
Depreciation and amortization by function		
R&D	54	67
Production	1	1
Selling, marketing and administration	29	17
Total	84	85

4. Intangible assets

EURm	2008	2007
Capitalized development costs		
Acquisition cost January 1	358	1 605
Additions during the period	53	90
Disposals during the period	−124	−1 337
Accumulated acquisition cost December 31	287	358
Accumulated amortization January 1	−252	−1 355
Disposals during the period	14	1 158
Amortization during the period	−28	−55
Accumulated amortization December 31	−266	−252
Net book value January 1	106	250
Net book value December 31	21	106
Intangible rights		
Acquisition cost January 1	259	310
Additions during the period	32	25
Disposals during the period	−5	−76
Accumulated acquisition cost December 31	286	259
Accumulated amortization January 1	−211	−249
Disposals during the period	5	67
Amortization during the period	−28	−29
Accumulated amortization December 31	−234	−211
Net book value January 1	48	61
Net book value December 31	52	48
Other intangible assets		
Acquisition cost January 1	6	8
Additions during the period	179	4
Disposals during the period	—	−6
Accumulated acquisition cost December 31	185	6
Accumulated amortization January 1	−2	−3
Disposals during the period	—	3
Amortization during the period	−28	−2
Accumulated amortization December 31	−30	−2
Net book value January 1	4	5
Net book value December 31	155	4

5. Tangible assets

At the end of 2008 and 2007 the parent company had no tangible assets. These assets were leased from Nokia Asset Management Oy, a company wholly owned by Nokia Corporation.

6. Investments

EURm	2008	2007
Investments in subsidiaries		
Acquisition cost January 1	6 564	3 682
Additions	5 624	5 454
Disposals	–104	–2 572
Net carrying amount December 31	12 084	6 564
Investments in associated companies		
Acquisition cost January 1	9	6
Additions	1	3
Disposals	—	—
Net carrying amount December 31	10	9
Investments in other shares		
Acquisition cost January 1	4	5
Additions	37	—
Disposals	—	–1
Net carrying amount December 31	41	4

7. Shareholders' equity

Parent company, EURm	Share capital	Share issue premium	Treasury shares	Reserve for invested non-restricted equity	Retained earnings	Total
Balance at January 1, 2006	266	2 246	–3 614	—	8 529	7 427
Share issue		46				46
Cancellation of treasury shares	–20	20	4 927		–4 927	—
Acquisitions of treasury shares			–3 404			–3 404
Settlement of performance shares			37			37
Dividend					–1 512	–1 512
Net profit					6 683	6 683
Balance at December 31, 2006	246	2 312	–2 054	—	8 773	9 277
Share issue		46				46
Cancellation of treasury shares			2 733		–2 733	—
Acquisitions of treasury shares			–3 884			–3 884
Settlement of performance shares			58			58
Reserve for invested non-restricted equity		–2 358		3 299		941
Dividend					–1 686	–1 686
Net profit					6 358	6 358
Balance at December 31, 2007	246	—	–3 147	3 299	10 712	11 110
Stock options exersiced				51		51
Cancellation of treasury shares			4 231		–4 231	—
Acquisitions of treasury shares			–3 123			–3 123
Settlement of performance shares			154	–59		95
Dividend					–1 992	–1 992
Net profit					1 749	1 749
Balance at December 31, 2008	**246**	**—**	**–1 885**	**3 291**	**6 238**	**7 890**

8. Distributable earnings

EURm	2008	2007
Reserve for invested non-restricted equity	3 291	3 299
Retained earnings from previous years	4 489	4 354
Net profit for the year	1 749	6 358
Retained earnings, total	9 529	14 011
Treasury shares	−1 885	−3 147
Distributable earnings, December 31	7 644	10 864

9. Commitments and contingencies

EURm	2008	2007
Contingent liabilities on behalf of Group companies		
Guarantees for loans	8	104
Leasing guarantees	171	213
Other guarantees	128	89
Contingent liabilities on behalf of other companies		
Guarantees for loans	2	3

10. Leasing contracts

At December 31, 2008 the leasing contracts of the Parent Company amounted to EUR 106 million (EUR 25 million in 2007). EUR 29 million will expire in 2009 (EUR 12 million in 2008).

11. Loans granted to the management of the company

There were no loans granted to the members of the Group Executive Board and Board of Directors at December 31, 2008.

12. Notes to cash flow statements

EURm	2008	2007
Adjustments for:		
Depreciation	84	85
Income taxes	553	1 348
Financial income and expenses	437	−2 638
Impairment of intangible assets	109	177
Impairment of non-current available-for-sale investments	—	1
Other operating income and expenses	174	102
Adjustments, total	1 357	−925

	2008	2007
Change in net working capital		
Short-term trade receivables, increase (–), decrease (+)	1 402	2 856
Inventories, increase (–), decrease (+)	184	102
Interest-free short-term liabilities, increase (+), decrease (–)	−1 043	−2 808
Change in net working capital	543	150

13. Principal Nokia Group companies on December 31, 2008

See note 34 to Notes to the consolidated financial statements.

14. Nokia shares and shareholders

See Nokia shares and shareholders p. 54–57.

15. Accrued income

EURm	2008	2007
Taxes	129	—
Other	2 117	3 314
Total	2 246	3 314

16. Accrued expenses

EURm	2008	2007
Personnel expenses	236	207
Taxes	—	338
Other	1 597	2 209
Total	1 833	2 754

17. Income tax

EURm	2008	2007
Income tax from operations	528	1 314
Other income tax	11	—
Total	539	1 314

Income taxes are shown separately in the Notes to the financial statements as they have been shown as a one-line item on the face of the profit and loss statement.

Nokia shares and shareholders

Shares and share capital

Nokia has one class of shares. Each Nokia share entitles the holder to one vote at General Meetings of Nokia.

On December 31, 2008, the share capital of Nokia Corporation was EUR 245 896 461.96 and the total number of shares issued was 3 800 948 552.

On December 31, 2008, the total number of shares included 103 076 379 shares owned by Group companies representing approximately 2.7% of the share capital and the total voting rights.

Under the the Articles of Association of Nokia, Nokia Corporation does not have minimum or maximum share capital or a par value of a share.

Share capital and shares December 31, 2008	2008	2007	2006	2005	2004
Share capital, EURm	**246**	246	246	266	280
Shares (1 000)	**3 800 949**	3 982 812	4 095 043	4 433 887	4 663 761
Shares owned by the Group (1 000)	**103 076**	136 862	129 312	261 511	176 820
Number of shares excluding shares owned by the Group (1 000)	**3 697 872**	3 845 950	3 965 730	4 172 376	4 486 941
Average number of shares excluding shares owned by the Group during the year (1 000), basic	**3 743 622**	3 885 408	4 062 833	4 365 547	4 593 196
Average number of shares excluding shares owned by the Group during the year (1 000), diluted	**3 780 363**	3 932 008	4 086 529	4 371 239	4 600 337
Number of registered shareholders [1]	**122 713**	103 226	119 143	126 352	142 095

1 Each account operator is included in the figure as only one registered shareholder.

Key ratios December 31, 2008 IFRS (calculation see page 60)	2008	2007	2006	2005	2004
Earnings per share from net profit, EUR					
Earnings per share, basic	**1.07**	1.85	1.06	0.83	0.69
Earnings per share, diluted	**1.05**	1.83	1.05	0.83	0.69
P/E ratio	**10.37**	14.34	14.60	18.61	16.84
(Nominal) dividend per share, EUR	**0.40 ***	0.53	0.43	0.37	0.33
Total dividends paid, EURm [1]	**1 520 ***	2 111	1 761	1 641	1 539
Payout ratio	**0.37 ***	0.29	0.41	0.45	0.48
Dividend yield, %	**3.6 ***	2.0	2.8	2.4	2.8
Shareholders' equity per share, EUR	**3.84**	3.84	3.02	2.95	3.21
Market capitalization, EURm [2]	**41 046**	101 995	61 390	64 463	52 138

* Board's proposal.

1 Calculated for all the shares of the company as of the applicable year-end.

2 Shares owned by the Group companies are not included.

Authorizations

Authorization to increase the share capital

At the Annual General Meeting held on May 3, 2007, Nokia shareholders authorized the Board of Directors to issue a maximum of 800 million new shares through one or more issues of shares or special rights entitling to shares, including stock options. The Board of Directors may issue either new shares or shares held by the Company. The authorization includes the right for the Board to resolve on all the terms and conditions of such issuances of shares and special rights, including to whom the shares and the special rights may be issued. The authorization is effective until June 30, 2010.

At the end of 2008, the Board of Directors had no other authorizations to issue shares, convertible bonds, warrants or stock options.

Other authorizations

At the Annual General Meeting held on May 3, 2007, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 380 million Nokia shares. In 2008, Nokia repurchased 86 300 000 Nokia shares on the basis of this authorization. The authorization expired on May 8, 2008.

At the Annual General Meeting held on May 8, 2008, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 370 million Nokia shares by using funds in the unrestricted shareholders' equity. The amount of shares corresponds to less than 10% of all shares of the company. In 2007, Nokia repurchased a total of 71 090 000 shares under this buy-back authorization, as a result of which the unused authorization amounted to 298 910 000 shares on December 31, 2008. The shares may be repurchased under the buy-back authorization in order to develop the capital structure of the company, which includes carrying out the company's stock repurchase plan. In addition, shares may be repurchased in order, to finance or carry out acquisitions or other arrangements, to settle the company's equity-based incentive plans, to be transferred for other purposes, or to be cancelled. This authorization is effective until June 30, 2009.

Authorizations proposed to the Annual General Meeting 2009

The Board of Directors will propose to the Annual General Meeting to be held on on April 23, 2009 that the Annual General Meeting would authorize the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted shareholders' equity. The proposed amount of shares corresponds to less than 10% of all shares of the company. It is proposed that the authorization be effective until June 30, 2010 and it is proposed to terminate the corresponding authorization resolved by the Annual General Meeting on May 8, 2008.

Share and bonus issues 2004–2008

Year	Type of Issue	Subscription price or amount of bonus issue EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
2004	Nokia Stock Option Plan 1999 (A)	16.89	5	2004	0.09	0.00
	Total		**5**		**0.09**	**0.00**
2005	Nokia Stock Option Plan 2003 2Q	14.95	61	2005	0.91	0.00
	Nokia Stock Option Plan 2003 3Q	12.71	6	2005	0.08	0.00
	Nokia Stock Option Plan 2004 2Q	11.79	55	2005	0.65	0.00
	Nokia Stock Option Plan 2004 3Q	9.44	3	2005	0.02	0.00
	Total		**125**		**1.66**	**0.01**
2006	Nokia Stock Option Plan 2003 2Q	14.95	2 287	2006	34.19	0.14
	Nokia Stock Option Plan 2003 3Q	12.71	32	2006	0.41	0.00
	Nokia Stock Option Plan 2003 4Q	15.05	3	2006	0.05	0.00
	Nokia Stock Option Plan 2004 2Q	11.79	523	2006	6.16	0.03
	Nokia Stock Option Plan 2004 3Q	9.44	9	2006	0.08	0.00
	Nokia Stock Option Plan 2004 4Q	12.35	17	2006	0.21	0.00
	Nokia Stock Option Plan 2005 2Q	12.79	174	2006	2.22	0.01
	Nokia Stock Option Plan 2005 3Q	13.09	2	2006	0.03	0.00
	Total		**3 047**		**43.34**	**0.18**
2007	Nokia Stock Option Plan 2002 A/B	17.89	43 513	2007	778.00	
	Nokia Stock Option Plan 2001C 1Q/02	26.06	17	2007	0.44	
	Nokia Stock Option Plan 2001C 3Q/02	12.99	243	2007	3.00	
	Nokia Stock Option Plan 2001C 4Q/02	16.86	49	2007	0.83	
	Nokia Stock Option Plan 2003 2Q	14.95	9 683	2007	145.00	0.15
	Nokia Stock Option Plan 2003 3Q	12.71	53	2007	0.67	
	Nokia Stock Option Plan 2003 4Q	15.05	48	2007	0.72	
	Nokia Stock Option Plan 2004 2Q	11.79	1 569	2007	18.00	0.03
	Nokia Stock Option Plan 2004 3Q	9.44	30	2007	0.29	
	Nokia Stock Option Plan 2004 4Q	12.35	25	2007	0.30	
	Nokia Stock Option Plan 2005 2Q	12.79	1 350	2007	17.00	0.02
	Nokia Stock Option Plan 2005 3Q	13.09	4	2007	0.06	
	Nokia Stock Option Plan 2005 4Q	14.48	13	2007	0.19	
	Nokia Stock Option Plan 2006 1Q	14.99	13	2007	0.19	
	Nokia Stock Option Plan 2006 2Q	18.02	631	2007	11.00	
	Nokia Stock Option Plan 2006 3Q	15.37	7	2007	0.12	
	Total		**57 248**		**975.81**	**0.20**
2008	Nokia Stock Option Plan 2003 2Q	14.95	2 444	2008	36.53	
	Nokia Stock Option Plan 2003 3Q	12.71	11	2008	0.15	
	Nokia Stock Option Plan 2003 4Q	15.05	82	2008	1.24	
	Nokia Stock Option Plan 2004 2Q	11.79	415	2008	4.90	
	Nokia Stock Option Plan 2004 3Q	9.44	5	2008	0.05	
	Nokia Stock Option Plan 2004 4Q	12.35	13	2008	0.16	
	Nokia Stock Option Plan 2005 2Q	12.79	361	2008	4.62	
	Nokia Stock Option Plan 2005 3Q	13.09	5	2008	0.07	
	Nokia Stock Option Plan 2005 4Q	14.48	0	2008	0.00	
	Nokia Stock Option Plan 2006 1Q	14.99	1	2008	0.01	
	Nokia Stock Option Plan 2006 2Q	18.02	192	2008	3.46	
	Nokia Stock Option Plan 2006 3Q	15.37	11	2008	0.17	
	Nokia Stock Option Plan 2006 4Q	15.38	6	2008	0.09	
	Nokia Stock Option Plan 2007 1Q	17.00	0	2008	0.00	
	Nokia Stock Option Plan 2007 2Q	18.39	0	2008	0.00	
	Nokia Stock Option Plan 2007 3Q	21.86	0	2008	0.00	
	Total		**3 546**		**51.45**	

Reductions of share capital

Type of reduction	Year	Number of shares (1 000)	Amount of reduction of the share capital EURm	Amount of reduction of the restricted capital EURm	Amount of reduction of the retained earnings EURm
Cancellation of shares	2004	132 536	7.95	—	—
Cancellation of shares	2005	230 000	13.80	—	—
Cancellation of shares	2006	341 890	20.51	—	—
Cancellation of shares	2007	169 500	—	—	—
Cancellation of shares	2008	185 410	—	—	—

Share turnover (all stock exchanges)

	2008	2007	2006	2005	2004
Share turnover (1 000)	**12 962 489**	12 695 999	12 480 730	12 977 232	14 091 430
Total number of shares (1 000)	**3 800 949**	3 982 812	4 095 043	4 433 887	4 663 761
% of total number of shares	**341**	319	305	293	302

Share prices, EUR (NASDAQ OMX Helsinki)

	2008	2007	2006	2005	2004
Low/high	**9.95/25.78**	14.63/28.60	14.61/18.65	10.75/15.75	8.97/18.79
Average [1]	**17.35**	20.82	15.97	13.20	12.84
Year-end	**11.10**	26.52	15.48	15.45	11.62

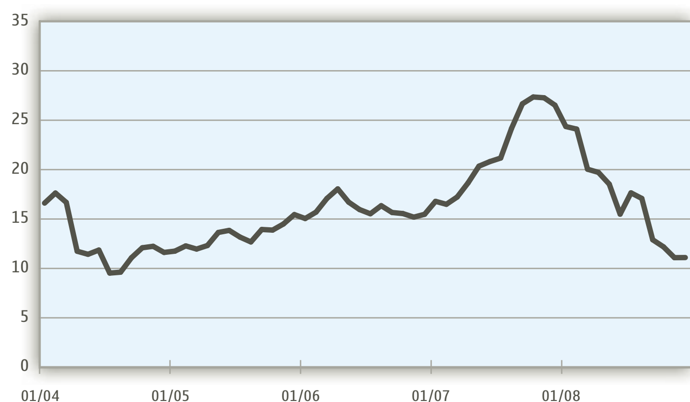
1 Calculated by weighting average price with daily volumes.

Share prices, USD (New York Stock Exchange)

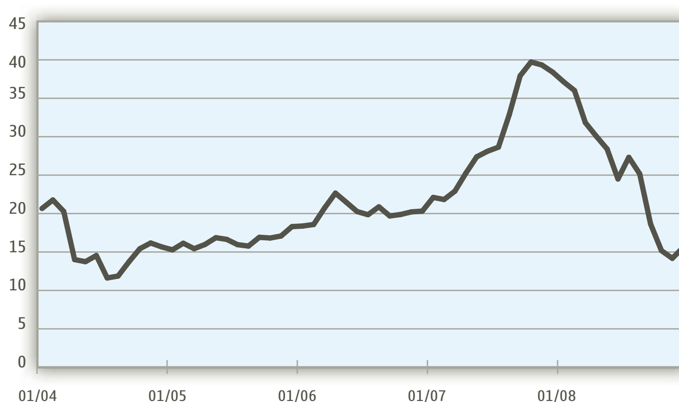
ADS	**2008**	2007	2006	2005	2004
Low/high	**12.35/38.25**	19.08/41.10	17.72/23.10	13.92/18.62	11.03/23.22
Average [1]	**24.88**	29.28	19.98	16.39	15.96
Year-end	**15.60**	38.39	20.32	18.30	15.67

1 Calculated by weighting average price with daily volumes.

Nokia share prices on NASDAQ OMX Helsinki (EUR)



Nokia ADS prices on the New York Stock Exchange (USD)



Shareholders, December 31, 2008

Shareholders registered in Finland represented 10.98% and shareholders registered in the name of a nominee represented 89.02% of the total number of shares of Nokia Corporation. The number of registered shareholders was 122 713 on December 31, 2008. Each account operator (26) is included in this figure as only one registered shareholder.

Nominee registered shareholders include holders of American Depositary Receipts (ADR). As at December 31, 2008, ADRs represented 26.41% of the total number of shares in Nokia.

Largest shareholders registered in Finland, December 31, 2008

(excluding nominee registered shares and shares owned by Nokia Corporation) [1]	Total number of shares (1 000)	% of all shares	% of all voting rights [2]
Svenska Litteratursällskapet i Finland rf	14 226	0.37	0.38
Ilmarinen Mutual Pension Insurance Company	13 298	0.35	0.36
Folketrygfondet	10 684	0.28	0.29
Sigrid Jusélius Foundation	10 000	0.26	0.27
Varma Mutual Pension Insurance Company	9 500	0.25	0.26
The State Pension Fund	6 200	0.16	0.17
BNP Arbitrage	4 926	0.13	0.13
The Social Insurance Institution of Finland	4 289	0.11	0.12
Kuntien Eläkevakuutus	3 413	0.09	0.09
The Finnish Cultural Foundation	3 364	0.09	0.09

1 Nokia Corporation owned 103 045 440 shares as at December 31, 2008.

2 30 939 shares owned by the Group companies as at December 31, 2008 do not carry voting rights.

Breakdown of share ownership, December 31, 2008 [1]

By number of shares owned	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1–100	42 115	34.32	2 513 857	0.07
101–1 000	58 674	47.82	23 354 049	0.61
1 001–10 000	18 528	15.10	57 062 564	1.50
10 001–100 000	3 102	2.53	79 866 469	2.10
100 001–500 000	224	0.18	45 950 766	1.21
500 001–1 000 000	30	0.02	20 574 575	0.54
1 000 001–5 000 000	27	0.02	56 183 828	1.48
Over 5 000 000	13	0.01	3 515 442 444	92.49
Total	122 713	100	3 800 948 552	100.00

By nationality, %	Shares
Non-Finnish shareholders	89.02
Finnish shareholders	10.98
Total	100.00

By shareholder category (Finnish shareholders), %	Shares
Corporations	3.17
Households	4.18
Financial and insurance institutions	0.75
Non-profit organizations	1.64
General government	1.25
Total	10.98

1 Please note that the breakdown covers only shareholders registered in Finland, and each account operator (26) is included in the number of shareholders as only one registered shareholder. Due to this, the breakdown is not illustrative to the entire shareholder base of Nokia.

Shares and stock options owned by the members of the Board of Directors and the Group Executive Board

Members of the Board of Directors and the Group Executive Board owned on December 31, 2008 an aggregate of 1 929 451 shares which represented approximately 0.05% of the aggregate number of shares and voting rights. They also owned stock options which, if exercised in full, including both exercisable and unexercisable stock options, would be exercisable for additional 4 651 337 shares representing approximately 0.13% of the total number of shares and voting rights on December 31, 2008.

Nokia Group 2004 – 2008, IFRS *

	2008	2007	2006	2005	2004
Profit and loss account, EURm					
Net sales	50 710	51 058	41 121	34 191	29 371
Cost and expenses	–45 744	–43 073	–35 633	–29 552	–25 045
Operating profit	4 966	7 985	5 488	4 639	4 326
Share of results of associated companies	6	44	28	10	–26
Financial income and expenses	–2	239	207	322	405
Profit before tax	4 970	8 268	5 723	4 971	4 705
Tax	–1 081	–1 522	–1 357	–1 281	–1 446
Profit before minority interests	3 889	6 746	4 366	3 690	3 259
Minority interests	99	459	–60	–74	–67
Profit attributable to equity holders of the parent	3 988	7 205	4 306	3 616	3 192
Balance sheet items, EURm					
Fixed assets and other non-current assets	15 112	8 305	4 031	3 501	3 315
Current assets	24 470	29 294	18 586	18 951	19 508
Inventories	2 533	2 876	1 554	1 668	1 305
Accounts receivable and prepaid expenses	15 117	14 665	8 495	7 373	6 406
Available-for-sale investments	—	—	—	—	255
Total cash and other liquid assets	6 820	11 753	8 537	9 910	11 542
Total equity	16 510	17 338	12 060	12 514	14 553
Capital and reserves attributable to the Company's equity holders	14 208	14 773	11 968	12 309	14 385
Minority interests	2 302	2 565	92	205	168
Long-term liabilities	2 717	1 285	396	268	294
Long-term interest-bearing liabilities	861	203	69	21	19
Deferred tax liabilities	1 787	963	205	151	179
Other long-term liabilities	69	119	122	96	96
Current liabilities	20 355	18 976	10 161	9 670	7 976
Current portion of long-term loans	13	173	—	—	—
Short-term borrowings	3 578	714	180	279	113
Other financial liabilities	924	184	67	98	102
Accounts payable	5 225	7 074	3 732	3 494	2 669
Accrued expenses	7 023	7 114	3 796	3 320	2 604
Provisions	3 592	3 717	2 386	2 479	2 488
Total assets	39 582	37 599	22 617	22 452	22 823

* As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of Nokia's former Networks business group and Siemens' carrier-related operations for fixed and mobile networks. Accordingly, the results of the Nokia Group and Nokia Siemens Networks for the full year 2008 are not directly comparable to the results for the full years 2004–2007. Nokia's first quarter 2007 and full years 2004–2006 results included Nokia's former Networks business group only.

On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ is a separate reportable segment of Nokia starting from the third quarter 2008. Accordingly, the results of NAVTEQ are not available for the prior periods.

Key ratios and economic indicators [1]	2008	2007	2006	2005	2004
Net sales, EURm	50 710	51 058	41 121	34 191	29 371
Change, %	–0.7	24.2	20.3	16.4	–0.5
Exports and foreign subsidiaries, EURm	50 348	50 736	40 734	33 860	29 020
Salaries and social expenses, EURm	6 847	5 702	4 206	3 773	3 430
Operating profit, EURm	4 966	7 985	5 488	4 639	4 326
% of net sales	9.8	15.6	13.3	13.6	14.7
Financial income and expenses, EURm	–2	239	207	322	405
% of net sales	—	0.5	0.5	0.9	1.4
Profit before tax, EURm	4 970	8 268	5 723	4 971	4 705
% of net sales	9.8	16.2	13.9	14.5	16.0
Profit from continuing operations, EURm	3 988	7 205	4 306	3 616	3 192
% of net sales	7.9	14.1	10.5	10.6	10.9
Taxes, EURm	1 081	1 522	1 357	1 281	1 446
Dividends, EURm	1 520 [2]	2 111	1 761	1 641	1 539
Capital expenditure, EURm	889	715	650	607	548
% of net sales	1.8	1.4	1.6	1.8	1.9
Gross investments [3], EURm	1 166	1 017	897	870	1 197
% of net sales	2.3	2.0	2.2	3.1	4.1
R&D expenditure, EURm	5 968	5 647	3 897	3 825	3 776
% of net sales	11.8	11.1	9.5	11.2	12.9
Average personnel	121 723	100 534	65 324	56 896	53 511
Non-interest bearing liabilities, EURm	16 833	18 208	10 103	9 487	7 959
Interest-bearing liabilities, EURm	4 452	1 090	249	300	132
Return on capital employed, %	27.2	54.8	46.1	36.5	31.5
Return on equity, %	27.5	53.9	35.5	27.1	21.5
Equity ratio, %	41.2	45.5	52.6	56.4	64.6
Net debt to equity, %	–14	–62	–69	–77	–78

1 As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of Nokia's former Networks business group and Siemens' carrier-related operations for fixed and mobile networks. Accordingly, the results of the Nokia Group and Nokia Siemens Networks for the full year 2008 are not directly comparable to the results for the full years 2004–2007. Nokia's first quarter 2007 and full years 2004–2006 results included Nokia's former Networks business group only.

On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ is a separate reportable segment of Nokia starting from the third quarter 2008. Accordingly, the results of NAVTEQ are not available for the prior periods.

2 Board's proposal.

3 Includes acquisitions, investments in shares and capitalized development costs.

Calculation of key ratios, see page 60.

Calculation of key ratios

Key ratios under IFRS

Operating profit
Profit after depreciation

Shareholders' equity
Share capital + reserves attributable to the Company's equity holders

Earnings per share (basic)

$$\frac{\text{Profit attributable to equity holders of the parent}}{\text{Average of adjusted number of shares during the year}}$$

P/E ratio

$$\frac{\text{Adjusted share price, December 31}}{\text{Earnings per share}}$$

Dividend per share

$$\frac{\text{Nominal dividend per share}}{\text{The adjustment coefficients of the share issues that have taken place during or after the year in question}}$$

Payout ratio

$$\frac{\text{Dividend per share}}{\text{Earnings per share}}$$

Dividend yield, %

$$\frac{\text{Nominal dividend per share}}{\text{Share price}}$$

Shareholders' equity per share

$$\frac{\text{Capital and reserves attributable to the Company's equity holders}}{\text{Adjusted number of shares at year end}}$$

Market capitalization
Number of shares x share price per share class

Adjusted average share price

$$\frac{\text{Amount traded, in EUR, during the period}}{\text{Adjusted number of shares traded during the period}}$$

Share turnover, %

$$\frac{\text{Number of shares traded during the period}}{\text{Average number of shares during the period}}$$

Return on capital employed, %

$$\frac{\text{Profit before taxes + interest and other net financial expenses}}{\text{Average capital and reserves attributable to the Company's equity holders + short-term borrowings + long-term interest-bearing liabilities (including the current portion thereof) + minority shareholders' interests}}$$

Return on shareholders' equity, %

$$\frac{\text{Profit attributable to the equity holders of the parent}}{\text{Average capital and reserves attributable to the Company's equity holders during the year}}$$

Equity ratio, %

$$\frac{\text{Capital and reserves attributable to the Company's equity holders + minority shareholders' interests}}{\text{Total assets – advance payments received}}$$

Net debt to equity (gearing), %

$$\frac{\text{Long-term interest-bearing liabilities (including the current portion thereof) + short-term borrowings – cash and other liquid assets}}{\text{Capital and reserves attributable to the equity holders of the parent + minority shareholders' interests}}$$

Year-end exchange rates 2008

	1 EUR =
USD	1.3917
GBP	0.9525
JPY	126.14
CNY	9.4956
INR	67.066

Proposal by the Board of Directors for distribution of profit

The distributable funds in the balance sheet of the Company as per December 31, 2008 amount to EUR 7 644 million.

The Board proposes that from the retained earnings a dividend of EUR 0.40 per share is to be paid out on the shares of the Company. As per December 31, 2008, the number of shares of the Company amounted to 3 800 948 552, based on which the maximum amount to be distributed as dividend is EUR 1 520 million.

The proposed dividend is in line with the Company's distribution policy and it significantly exceeds the minority dividend required by law.

Espoo, March 5, 2009

Jorma Ollila
Chairman

Marjorie Scardino

Georg Ehrnrooth

Lalita D. Gupte

Bengt Holmström

Henning Kagermann

Per Karlsson

Risto Siilasmaa

Keijo Suila

Olli-Pekka Kallasvuo
President and CEO

Auditors' report

To the Annual General Meeting of Nokia Corporation

We have audited the accounting records, the financial statements, the review by the Board of Directors and the administration of Nokia Corporation for the year ended 31 December 2008. The financial statements comprise the consolidated balance sheet, profit and loss accounts, cash flow statement, statement of changes in shareholders' equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, profit and loss accounts, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the review by the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the review by the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the review by the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the review by the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the review by the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the review by the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the review by the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinions on the company's financial statements, the review by the Board of Directors and administration

In our opinion, the financial statements and the review by the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the review by the Board of Directors in Finland. The information in the review by the Board of Directors is consistent with the information in the financial statements.

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the distribution of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, March 5, 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Account

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Critical accounting policies

Our accounting policies affecting our financial condition and results of operations are more fully described in Note 1 to our consolidated financial statements. Certain of our accounting policies require the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported carrying values of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following are the critical accounting policies and related judgments and estimates used in the preparation of our consolidated financial statements. We have discussed the application of these critical accounting estimates with our Board of Directors and Audit Committee.

Revenue recognition

Sales from the majority of the Group are recognized when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. The remainder of revenue is recorded under the percentage of completion method.

Devices & Services and certain NAVTEQ and Nokia Siemens Networks revenues are generally recognized when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This requires us to assess at the point of delivery whether these criteria have been met. When management determines that such criteria have been met, revenue is recognized. We record estimated reductions to revenue for special pricing agreements, price protection and other volume based discounts at the time of sale, mainly in the mobile device business. Sales adjustments for volume based discount programs are estimated based largely on historical activity under similar programs. Price protection adjustments are based on estimates of future price reductions and certain agreed customer inventories at the date of the price adjustment. An immaterial part of the revenue from products sold through distribution channels is recognized when the reseller or distributor sells the product to the end-user. Devices & Services and certain Nokia Siemens Networks service revenue is generally recognized on a straight line basis over the service period unless there is evidence that some other method better represents the stage of completion. Devices & Services and NAVTEQ license fees from usage are recognized in the period in which the customer reports them to the Group.

Devices & Services, NAVTEQ and Nokia Siemens Networks may enter into multiple component transactions consisting of any combination of hardware, services and software. The commercial effect of each separately identifiable element of the transaction is evaluated in order to reflect the substance of the transaction. The consideration from these transactions is allocated to each separately identifiable component based on the relative fair value of each component. The consideration allocated to each component is recognized as revenue when the revenue recognition criteria for that element have been met. If the Group is unable to reliably determine the fair value attributable to the separately identifiable components, the Group defers revenue until all components are delivered and services have been performed. The Group determines the fair value of each component by taking into consideration factors such as the price when the component is sold separately by the Group, the price when a similar component is sold separately by the Group or a third party and cost plus a reasonable margin.

Nokia Siemens Networks revenue and cost of sales from contracts involving solutions achieved through modification of complex telecommunications equipment is recognized on the percentage of completion basis when the outcome of the contract can be estimated reliably. This occurs when total contract revenue and the cost to complete the contract can be estimated reliably, it is probable that economic benefits associated with the contract will flow to the Group, and the stage of contract completion can be measured. When we are not able to meet those conditions, the policy is to recognize revenues only equal to costs incurred to date, to the extent that such costs are expected to be recovered. Completion is measured by reference to costs incurred to date as a percentage of estimated total project costs using the cost-to-cost method.

The percentage of completion method relies on estimates of total expected contract revenue and costs, as well as the dependable measurement of the progress made towards completing the particular project. Recognized revenues and profit are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. Losses on projects in progress are recognized in the period they become likely and estimable.

Nokia Siemens Networks' current sales and profit estimates for projects may change due to the early stage of a long-term project, new technology, changes in the project scope, changes in costs, changes in timing, changes in customers' plans, realization of penalties, and other corresponding factors.

Customer financing

We have provided a limited amount of customer financing and agreed extended payment terms with selected customers. In establishing credit arrangements, management must assess the creditworthiness of the customer and the timing of cash flows expected to be received under the arrangement. However, should the actual financial position of our customers or general economic conditions differ from our assumptions, we may be required to re-assess the ultimate collectability of such financings and trade credits, which could result in a write-off of these balances in future periods

and thus negatively impact our profits in future periods. Our assessment of the net recoverable value considers the collateral and security arrangements of the receivable as well as the likelihood and timing of estimated collections. The Group endeavors to mitigate this risk through the transfer of its rights to the cash collected from these arrangements to third-party financial institutions on a non-recourse basis in exchange for an upfront cash payment. See also Note 35(b) to our consolidated financial statements for a further discussion of long-term loans to customers and other parties.

Allowances for doubtful accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the subsequent inability of our customers to make required payments. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyzes accounts receivables and historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Inventory-related allowances

We periodically review our inventory for excess, obsolescence and declines in market value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory in future periods.

Warranty provisions

We provide for the estimated cost of product warranties at the time revenue is recognized. Our products are covered by product warranty plans of varying periods, depending on local practices and regulations. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligations are affected by actual product failure rates (field failure rates) and by material usage and service delivery costs incurred in correcting a product failure. Our warranty provision is established based upon our best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. As we continuously introduce new products which incorporate complex technology, and as local laws, regulations and practices may change, it will be increasingly difficult to anticipate our failure rates, the length of warranty periods and repair costs. While we believe that our warranty provisions are adequate and that the judgments applied are appropriate, the ultimate cost of product warranty could differ materially from our estimates. When the actual cost of quality of our products is lower than we originally anticipated, we release an appropriate proportion of the provision, and if the cost of quality is higher than anticipated, we increase the provision.

Provision for intellectual property rights, or IPR, infringements

We provide for the estimated future settlements related to asserted and unasserted past alleged IPR infringements based on the probable outcome of each potential infringement.

Our products and solutions include increasingly complex technologies involving numerous patented and other proprietary technologies. Although we proactively try to ensure that we are aware of any patents and other intellectual property rights related to our products and solutions under development and thereby avoid inadvertent infringement of proprietary technologies, the nature of our business is such that patent and other intellectual property right infringements may and do occur. Through contact with parties claiming infringement of their patented or otherwise exclusive technology, or through our own monitoring of developments in patent and other intellectual property right cases involving our competitors, we identify potential IPR infringements.

We estimate the outcome of all potential IPR infringements made known to us through assertion by third parties, or through our own monitoring of patent- and other IPR-related cases in the relevant legal systems. To the extent that we determine that an identified potential infringement will result in a probable outflow of resources, we record a liability based on our best estimate of the expenditure required to settle infringement proceedings.

Our experience with claims of IPR infringement is that there is typically a discussion period with the accusing party, which can last from several months to years. In cases where a settlement is not reached, the discovery and ensuing legal process typically lasts a minimum of one year. For this reason, IPR infringement claims can last for varying periods of time, resulting in irregular movements in the IPR infringement provision. In addition, the ultimate outcome or actual cost of settling an individual infringement may materially vary from our estimates.

Legal contingencies

As discussed in Note 29 to the consolidated financial statements, legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against the Group. We record provisions for pending litigation when we determine that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

Capitalized development costs

We capitalize certain development costs when it is probable that a development project will be a success and certain criteria, including commercial and technical feasibility, have been met. These costs are then amortized on a systematic basis over their expected useful lives, which due to the constant development of new technologies is between two to five years. During the development stage, management must estimate the commercial and technical feasibility of these

projects as well as their expected useful lives. Should a product fail to substantiate its estimated feasibility or life cycle, we may be required to write off excess development costs in future periods.

Whenever there is an indicator that development costs capitalized for a specific project may be impaired, the recoverable amount of the asset is estimated. An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset's net selling price and value in use. Value in use is the present value of discounted estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For projects still in development, these estimates include the future cash outflows that are expected to occur before the asset is ready for use. See Note 8 to our consolidated financial statements included in Item 18 of this annual report.

Impairment reviews are based upon our projections of anticipated discounted future cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. While we believe that our assumptions are appropriate, such amounts estimated could differ materially from what will actually occur in the future.

Business combinations

We apply the purchase method of accounting to account for acquisitions of businesses. The cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, equity instruments issued, and costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date. The excess of the cost of the acquisition over our interest in the fair value of the identifiable net assets acquired is recorded as goodwill.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

Valuation of long-lived and intangible assets and goodwill

We assess the carrying value of identifiable intangible assets, long-lived assets and goodwill annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors we consider important, which could trigger an impairment review, include the following:

- significant underperformance relative to historical or projected future results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and
- significantly negative industry or economic trends.

When we determine that the carrying value of intangible assets, long-lived assets or goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on discounted projected cash flows.

This review is based upon our projections of anticipated discounted future cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. While we believe that our assumptions are appropriate, such amounts estimated could differ materially from what will actually occur in the future. In assessing goodwill, these discounted cash flows are prepared at a cash generating unit level. Amounts estimated could differ materially from what will actually occur in the future.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, unlisted equities, currency options and embedded derivatives) are determined using valuation techniques. We use judgment to select an appropriate valuation methodology and underlying assumptions based principally on existing market conditions. If quoted market prices are not available for unlisted shares, fair value is estimated by using various factors, including, but not limited to: (1) the current market value of similar instruments, (2) prices established from a recent arm's length financing transaction of the target companies, (3) analysis of market prospects and operating performance of the target companies taking into consideration of public market comparable companies in similar industry sectors. Changes in these assumptions may cause the Group to recognize impairments or losses in the future periods.

Income taxes

The Group is subject to income taxes both in Finland and in numerous other jurisdictions. Significant

judgment is required in determining the provision for income taxes and deferred tax assets and liabilities recognized in the consolidated financial statements. We recognize deferred tax assets to the extent that it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. We have considered future taxable income and tax planning strategies in making this assessment. We recognize tax provisions based on estimates and assumptions when, despite our belief that tax return positions are supportable, it is more likely than not that certain positions will be challenged and may not be fully sustained upon review by tax authorities.

If the final outcome of these matters differs from the amounts initially recorded, differences may positively or negatively impact the income tax and deferred tax provisions in the period in which such determination is made.

Pensions

The determination of our pension benefit obligation and expense for defined benefit pension plans is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 5 to our consolidated financial statements and include, among others, the discount rate, expected long-term rate of return on plan assets and annual rate of increase in future compensation levels. A portion of our plan assets is invested in equity securities. The equity markets have experienced volatility, which has affected the value of our pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Actual results that differ from our assumptions are accumulated and amortized over future periods and therefore generally affect our recognized expense and recorded obligation in such future periods. Our assumptions are based on actual historical experience and external data regarding compensation and discount rate trends. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension obligation and our future expense.

Share-based compensation

We have various types of equity settled share-based compensation schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments as at the date of grant, excluding the impact of any non-market vesting conditions. Fair value of stock options is estimated by using the Black Scholes model on the date of grant based on certain assumptions. Those assumptions are described in Note 22 to our consolidated financial statements and include, among others, the dividend yield, expected volatility and expected life of stock options. The expected life of stock options is estimated by observing general option holder behavior and actual historical terms of Nokia stock option programs, whereas the assumption of the expected volatility has been set by reference to the implied volatility of stock options available on Nokia shares in the open market and in light of historical patterns of volatility. These variables make estimation of fair value of stock options difficult.

Non-market vesting conditions attached to the performance shares are included in assumptions about the number of shares that the employee will ultimately receive relating to projections of sales and earnings per share. On a regular basis, we review the assumptions made and revise the estimates of the number of performance shares that are expected to be settled, where necessary. At the date of grant, the number of performance shares granted that are expected to be settled is assumed to be two times the amount at threshold. Any subsequent revisions to the estimates of the number of performance shares expected to be settled may increase or decrease total compensation expense. Such increase or decrease adjusts the prior period compensation expense in the period of the review on a cumulative basis for unvested performance shares for which compensation expense has already been recognized in the profit and loss account, and in subsequent periods for unvested performance shares for which the expense has not yet been recognized in the profit and loss account. Significant differences in employee option activity, equity market performance, and our projected and actual net sales and earnings per share performance may materially affect future expense. In addition, the value, if any, an employee ultimately receives from share-based payment awards may not correspond to the expense amounts recorded by the Group.

Group Executive Board

The current members of Nokia's Group Executive Board are set forth below.

According to Nokia's articles of association, Nokia has a Group Executive Board that is responsible for the operative management of the Group. The Chairman and members of the Group Executive Board are appointed by the Board of Directors. Only the Chairman of the Group Executive Board, the Chief Executive Officer, can be a member of both the Board of Directors and the Group Executive Board. The Chief Executive Officer acts as President, and his rights and responsibilities include those allotted to the President under Finnish law.

Chairman Olli-Pekka Kallasvuo, b. 1953
President and CEO of Nokia Corporation.
Group Executive Board member since 1990, Chairman since 2006.
With Nokia 1980–1981, rejoined 1982.

LL.M. (University of Helsinki).

President and COO of Nokia Corporation 2005–2006, Executive Vice President and General Manager of Nokia Mobile Phones 2004–2005, Executive Vice President, CFO of Nokia 1999–2003, Executive Vice President of Nokia Americas and President of Nokia Inc. 1997–1998, Executive Vice President, CFO of Nokia 1992–1996, Senior Vice President, Finance of Nokia 1990–1991.

Chairman of the Board of Directors of Nokia Siemens Networks B.V. Member of the Board of Directors of Confederation of Finnish Industries EK.

Esko Aho, b. 1954
Executive Vice President,
Corporate Relations and Responsibility.
Group Executive Board member since January 1, 2009.
Joined Nokia November 1, 2008.

Master of Social Sciences (University of Helsinki).

President of the Finnish Innovation Fund, Sitra 2004–2008. Private consultant 2003–2004. Lecturer, Harvard University 2000–2001. Prime Minister of Finland 1991–1995. Chairman of the Centre Party 1990–2002. Member of the Finnish Parliament 1983–2003. Elector in the presidential elections of 1978, 1982 and 1988.

Member of the Board of Directors of Fortum Corporation. Member of the Board of Directors of Russian Venture Company. Member of the Club de Madrid. Member of the Science and Technology in Society Forum (STS). Member of the InterAction Council. Vice Chairman of the Board, Technology Industries of Finland.

Robert Andersson, b. 1960
Executive Vice President, Devices Finance, Strategy and Strategic Sourcing.
Group Executive Board member since 2005.
Joined Nokia 1985.

Master of Business Administration (George Washington University, Washington D.C.), Master of Science (Economics and Business Administration) (Swedish School of Economics and Business Administration, Helsinki).

Executive Vice President of Customer and Market Operations 2005–2007, Senior Vice President of Customer and Market Operations, Europe, Middle East and Africa 2004–2005, Senior Vice President of Nokia Mobile Phones in Asia-Pacific 2001–2004, Vice President of Sales for Nokia Mobile Phones in Europe and Africa 1998–2001. Various managerial and executive positions within Nokia Mobile Phones, Nokia Consumer Electronics and Nokia Data 1985–1998.

Simon Beresford-Wylie, b. 1958
Chief Executive Officer, Nokia Siemens Networks.
Group Executive Board member since 2005.
Joined Nokia 1998.

Bachelor of Arts (Economic Geography and History) (Australian National University).

Executive Vice President and General Manager of Networks 2005–2007. Senior Vice President of Nokia Networks, Asia-Pacific 2003–2004, Senior Vice President, Customer Operations of Nokia Networks 2002–2003, Vice President, Customer Operations of Nokia Networks 2000–2002, Managing Director of Nokia Networks in India and Area General Manager, South Asia 1999–2000, Regional Director of Business Development, Project and Trade Finance of Nokia Networks, Asia-Pacific 1998–1999, Chief Executive Officer of Modi Telstra, India 1995–1998, General Manager, Banking and Finance, Corporate and Government business unit of Telstra Corporation 1993–1995, holder of executive positions in the Corporate and Government business units of Telstra Corporation 1989–1993. Holder of executive, managerial and clerical positions in the Australian Commonwealth Public Service 1982–1989.

Member of the Board of Directors of The Vitec Group.

Timo Ihamuotila, b. 1966
Executive Vice President, Sales.
Group Executive Board member since 2007.
With Nokia 1993–1996, rejoined 1999.

Master of Science (Economics) (Helsinki School of Economics), Licentiate of Science (Finance) (Helsinki School of Economics and Business Administration).

Executive Vice President, Sales and Portfolio Management, Mobile Phones, 2007. Senior Vice President, CDMA Business Unit, Mobile Phones 2004–2007, Vice President, Finance, Corporate Treasurer of Nokia Corporation 2000–2004, Director of Corporate Finance 1999–2000, Vice President of Nordic Derivates Sales, Citibank plc 1996–1999, Manager of Dealing & Risk Management of Nokia 1993–1996, Analyst, Assets and Liability Management, Kansallis Bank 1990–1993.

Mary T. McDowell, b. 1964
Executive Vice President, Chief Development Officer.
Group Executive Board member since 2004.
Joined Nokia 2004.

Bachelor of Science (Computer Science) (College of Engineering at the University of Illinois).

Executive Vice President and General Manager of Enterprise Solutions 2004–2007. Senior Vice President, Strategy and Corporate Development of Hewlett-Packard Company 2003, Senior Vice President & General Manager, Industry-Standard Servers of Hewlett-Packard Company 2002–2003, Senior Vice President & General Manager, Industry-Standard Servers of Compaq Computer Corporation 1998–2002, Vice President, Marketing, Server Products Division of Compaq Computer Corporation 1996–1998. Holder of executive, managerial and other positions at Compaq Computer Corporation 1986–1996.

Hallstein Moerk, b. 1953
Executive Vice President, Human Resources.
Group Executive Board member since 2004.
Joined Nokia 1999.

Diplomøkonom (Econ.) (Norwegian School of Management).

Holder of various positions at Hewlett-Packard Corporation 1977–1999.

Member of the Board of Advisors of Center for HR Strategy, Rutgers University. Fellow of Academy of Human Resources, Class of 2007.

Dr. Tero Ojanperä, b. 1966
Executive Vice President, Services.
Group Executive Board member since 2005.
Joined Nokia 1990.

Master of Science (University of Oulu), Ph.D. (Delft University of Technology, The Netherlands).

Executive Vice President, Chief Technology Officer 2006–2007. Executive Vice President & Chief Strategy Officer 2005–2006, Senior Vice President, Head of Nokia Research Center 2003–2004. Vice President, Research, Standardization and Technology of IP Mobility Networks, Nokia Networks 1999–2002. Vice President, Radio Access Systems Research and General Manager of Nokia Networks in Korea 1999. Head of Radio Access Systems Research, Nokia Networks 1998–1999, Principal Engineer, Nokia Research Center 1997–1998.

Member of Young Global Leaders. Member of the Board of Directors of MusiCares.

Niklas Savander, b. 1962
Executive Vice President, Services.
Group Executive Board member since 2006.
Joined Nokia 1997.

Master of Science (Eng.) (Helsinki University of Technology), Master of Science (Economics and Business Administration) (Swedish School of Economics and Business Administration, Helsinki).

Executive Vice President, Technology Platforms 2006–2007. Senior Vice President and General Manager of Nokia Enterprise Solutions, Mobile Devices Business Unit 2003–2006, Senior Vice President, Nokia Mobile Software, Market Operations 2002–2003, Vice President, Nokia Mobile Software, Strategy, Marketing & Sales 2001–2002, Vice President and General Manager of Nokia Networks, Mobile Internet Applications 2000–2001, Vice President of Nokia Networks, Systems Marketing 1997–1998. Holder of executive and managerial positions at Hewlett-Packard Company 1987–1997.

Member of the Board of Directors of Nokia Siemens Networks B.V. Vice Chairman of the Board of Directors of Tamfelt Corp. Member of the Board of Directors and secretary of Waldemar von Frenckells Stiftelse.

Richard A. Simonson, b. 1958
Executive Vice President, Chief Financial Officer.
Group Executive Board member since 2004.
Joined Nokia 2001.

Bachelor of Science (Mining Eng.) (Colorado School of Mines), Master of Business Administration (Finance) (Wharton School of Business at University of Pennsylvania).

Vice President & Head of Customer Finance of Nokia Corporation 2001–2003, Managing Director of Telecom & Media Group of Barclays 2001, Head of Global Project Finance and other various positions at Bank of America Securities 1985–2001.

Member of the Board of Directors of Nokia Siemens Networks B.V. Member of the Board of Directors of Electronic Arts, Inc. Member of the Board of Trustees of International House–New York. Member of US Treasury Advisory Committee on the Auditing Profession.

Anssi Vanjoki, b. 1956
Executive Vice President, Markets.
Group Executive Board member since 1998.
Joined Nokia 1991.

Master of Science (Econ.) (Helsinki School of Economics and Business Administration).

Executive Vice President and General Manager of Multimedia 2004–2007. Executive Vice President of Nokia Mobile Phones 1998–2003, Senior Vice President, Europe & Africa of Nokia Mobile Phones 1994–1998, Vice President, Sales of Nokia Mobile Phones 1991–1994, 3M Corporation 1980–1991.

Chairman of the Boards of Directors of Amer Sports Corporation and Koskitukki Oy.

Dr. Kai Öistämö, b. 1964
Executive Vice President, Devices.
Group Executive Board member since 2005.
Joined Nokia 1991.

Doctor of Technology (Signal Processing), Master of Science (Engineering) (Tampere University of Technology).

Executive Vice President and General Manager of Mobile Phones 2005–2007. Senior Vice President, Business Line Management, Mobile Phones 2004–2005, Senior Vice President, Mobile Phones Business Unit, Nokia Mobile Phones 2002–2003, Vice President, TDMA/GSM 1900 Product Line, Nokia Mobile Phones 1999–2002, Vice President, TDMA Product Line 1997–1999, various technical and managerial positions in Nokia Consumer Electronics and Nokia Mobile Phones 1991–1997.

Member of Board of Directors of Nokian Tyres plc. Chairman of the Research and Technology Committee of the Confederation of Finnish Industries EK.

Veli Sundbäck, Executive Vice President, Corporate Relations and Responsibility resigned from the Group Executive Board as of December 31, 2008 and Mr. Sundbäck will continue in Nokia as an executive advisor until his retirement on May 31, 2009. Esko Aho, Executive Vice President, Corporate Relations and Responsibility, was appointed as a member of the Group Executive Board as of January 1, 2009.

Board of Directors

The current members of the Board of Directors and its committees are set forth below.

The current members of the Board of Directors were elected at the Annual General Meeting on May 8, 2008, based on the proposal of the Corporate Governance and Nomination Committee of the Board of Directors. On the same date, the Chairman and Vice Chairman of the Board of Directors, as well as the Chairmen and members of the committees of the Board, were elected among the Board members and among the independent directors of the Board, respectively.

The members of the Board of Directors are annually elected by a simple majority of the shareholders' votes represented at the Annual General Meeting for a one-year term ending at close of the next Annual General Meeting.

Chairman Jorma Ollila, b. 1950
Chairman of the Board of Directors of Nokia Corporation. Chairman of the Board of Directors of Royal Dutch Shell Plc.
Board member since 1995. Chairman since 1999.

Master of Political Science (University of Helsinki), Master of Science (Econ.) (London School of Economics), Master of Science (Eng.) (Helsinki University of Technology).

Chairman and CEO, Chairman of the Group Executive Board of Nokia Corporation 1999–2006, President and CEO, Chairman of the Group Executive Board of Nokia Corporation 1992–1999, President of Nokia Mobile Phones 1990–1992, Senior Vice President, Finance of Nokia 1986–1989. Holder of various managerial positions at Citibank within corporate banking 1978–1985.

Vice Chairman of the Board of Directors of Otava Books and Magazines Group Ltd and member of the Board of Directors of Fruugo Inc. Chairman of the Boards of Directors and the Supervisory Boards of The Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA. Chairman of The European Round Table of Industrialists. Vice Chairman of the Independent Reflection Group of the Council of the European Union considering the future of the European Union.

Vice Chairman Dame Marjorie Scardino, b. 1947
Chief Executive and member of the Board of Directors of Pearson plc.
Board member since 2001. Vice Chairman since 2007.
Chairman of the Corporate Governance and Nomination Committee and member of the Personnel Committee.

Bachelor of Arts (Baylor University), Juris Doctor (University of San Francisco).

Chief Executive of The Economist Group 1993–1997, President of the North American Operations of The Economist Group 1985–1993, lawyer 1976–1985 and publisher of The Georgia Gazette newspaper 1978–1985.

Georg Ehrnrooth, b. 1940
Board member since 2000.
Chairman of the Audit Committee and member of the Corporate Governance and Nomination Committee.

Master of Science (Eng.) (Helsinki University of Technology).

President and CEO of Metra Corporation 1991–2000, President and CEO of Lohja Corporation 1979–1991. Holder of various executive positions at Wärtsilä Corporation within production and management 1965–1979.

Chairman of the Board of Directors of Sampo plc, member of the Boards of Directors of Oy Karl Fazer Ab and Sandvik AB (publ). Vice Chairman of the Boards of Directors of The Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA.

Lalita D. Gupte, b. 1948
Non-executive Chairman of the ICICI Venture Funds Management Co Ltd.
Board member since 2007.
Member of the Audit Committee.

B.A. in Economics (University of Delhi) and Master of Management Studies (University of Bombay).

Joint Managing Director member of the Board of Directors of ICICI Bank Limited (formerly ICICI Ltd) 1999–2006, Deputy Managing Director of ICICI Ltd 1996–1999, Executive Director on the Board of Directors of ICICI Limited 1994–1996. Various leadership positions in Corporate and Retail Banking, Strategy and Resources, and International Banking in ICICI Limited and subsequently in ICICI Bank Ltd since 1971.

Member of the Boards of Directors of ICICI Venture Funds Management Co Ltd (non-executive Chairman), Bharat Forge Ltd, Kirloskar Brothers Ltd, FirstSource Solutions Ltd, Godrej Properties Ltd, HPCL-Mittal Energy Ltd and Swadhaar FinServe Pvt Ltd. Also member of Board of Governors of educational institutions.

Dr. Bengt Holmström, b. 1949
Paul A. Samuelson Professor of Economics at MIT, joint appointment at the MIT Sloan School of Management.
Board member since 1999.

Bachelor of Science (Helsinki University), Master of Science (Stanford University), Doctor of Philosophy (Stanford University).

Edwin J. Beinecke Professor of Management Studies at Yale University 1985–1994.

Member of the American Academy of Arts and Sciences and Foreign Member of The Royal Swedish Academy of Sciences. Member of the Boards of Directors of The Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA. Member of Aalto University Foundation Board.

Prof. Dr. Henning Kagermann, b. 1947
Co-CEO and Chairman of the Executive Board of SAP AG.
Board member since 2007.
Member of the Personnel Committee.

Ph.D. in Theoretical Physics (Technical University of Brunswick).

Co-chairman of the Executive Board of SAP 1998–2003. A number of leadership positions in SAP since 1982. Member of SAP Executive Board since 1991. Taught physics and computer science at the Technical University of Brunswick and the University of Mannheim 1980–1992, became professor in 1985.

Member of the Supervisory Boards of Deutsche Bank AG and Münchener Rückversicherungs-Gesellschaft AG (Munich Re). Member of the Honorary Senate of the Foundation Lindau Nobelprizewinners.

Chairman Olli-Pekka Kallasvuo, b. 1953
President and CEO of Nokia Corporation.
Board member since 2007.

LL.M. (University of Helsinki).

President and COO of Nokia Corporation 2005–2006, Executive Vice President and General Manager of Nokia Mobile Phones 2004–2005, Executive Vice President, CFO of Nokia 1999–2003, Executive Vice President of Nokia Americas and President of Nokia Inc. 1997–1998, Executive Vice President, CFO of Nokia 1992–1996, Senior Vice President, Finance of Nokia 1990–1991.

Chairman of the Board of Directors of Nokia Siemens Networks B.V. Member of the Board of Directors of Confederation of Finnish Industries EK.

Per Karlsson, b. 1955
Independent Corporate Advisor.
Board member since 2002.
Chairman of the Personnel Committee and member of the Corporate Governance and Nomination Committee.

Degree in Economics and Business Administration (Stockholm School of Economics).

Executive Director, with mergers and acquisitions advisory responsibilities, at Enskilda M&A, Enskilda Securities (London) 1986–1992. Corporate strategy consultant at the Boston Consulting Group (London) 1979–1986.

Member of the Board of Directors of IKANO Holdings S.A.

Risto Siilasmaa, b. 1966
Board member since May 8, 2008.
Member of the Audit Committee.

Studies at Helsinki University of Technology, Department of Industrial Engineering and Management.

President and CEO of F-Secure Corporation 1988–2006.

Chairman of the Boards of Directors of F-Secure Corporation, Elisa Corporation, and Fruugo Inc. Member of the Boards of Directors of Blyk Ltd, Ekahau Inc., Efecte Corp., Nexit Ventures Oy and Valimo Wireless Oy. Vice Chairman of the Boards of Directors of The Federation of Finnish Technology Industries and Finnish-American Chamber of Commerce, member of the Board of Directors of Confederation of Finnish Industries EK, member of the advisory boards of Communications Administration at Ministry of Transport and Communications in Finland, Helsinki University of Economics and Helsinki University of Technology.

Keijo Suila, b. 1945
Board member since 2006.
Member of the Audit Committee.

B.Sc. (Economics and Business Administration) (Helsinki University of Economics and Business Administration).

President and CEO of Finnair Plc 1999–2005. Chairman of oneworld airline alliance 2003–2004 and member of various international aviation and air transportation associations 1999–2005. Holder of various executive positions, including Vice Chairman and Executive Vice President, at Huhtamäki Oyj, Leaf Group and Leaf Europe 1985–1998.

Chairman of the Boards of Directors of Solidium Oy and The Finnish Fair Corporation. Vice Chairman of the Board of Directors of Kesko Corporation.

Vesa Vainio, member of the Board since 1993, served as a member of the Board of Directors until the Annual General Meeting on May 8, 2008, but did not stand for re-election.

Proposal of the Corporate Governance and Nomination Committee for Composition of the Board of Directors

On January 22, 2009, the Corporate Governance and Nomination Committee announced its proposal to the Annual General Meeting convening on April 23, 2009 regarding the composition of the Board of Directors for a one-year term as from the Annual General Meeting in 2009 until the close of the Annual General Meeting in 2010. The Committee will propose to the Annual General Meeting that the number of Board members be 11 and that all current Board members be re-elected: Georg Ehrnrooth, Lalita D. Gupte, Bengt Holmström, Henning Kagermann, Olli-Pekka Kallasvuo, Per Karlsson, Jorma Ollila, Marjorie Scardino, Risto Siilasmaa and Keijo Suila. Moreover, the Committee will propose that Isabel Marey-Semper be elected as a new member of the Board for the same term as from the Annual General Meeting in 2009 until the close of the Annual General Meeting in 2010. Isabel Marey-Semper is Chief Financial Officer, EVP responsible for Strategy at PSA Peugeot Citroën.

Subject to the requirements of Finnish law, the independent directors of the new Board will elect a Chairman and a Vice Chairman from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. The independent directors of the new Board will also confirm the election of the members and Chairmen for the Board's Committees from among the Board's independent directors upon the recommendation of the Corporate Governance and Nomination Committee and based on each committee's member qualification standards. These elections will take place at the Board's assembly meeting following the Annual General Meeting.

On January 22, 2009, the Corporate Governance and Nomination Committee announced that it will propose at the assembly meeting of the new Board of Directors after the Annual General Meeting on April 23, 2009 that Jorma Ollila be elected as Chairman of the Board and Dame Marjorie Scardino as Vice Chairman of the Board.

Corporate governance

Pursuant to the provisions of the Finnish Companies Act and Nokia's Articles of Association, the control and management of Nokia is divided among the shareholders at a general meeting, the Board of Directors (or the "Board"), the President and the Group Executive Board chaired by the Chief Executive Officer.

Under its Articles of Association, in addition to the Board of Directors, Nokia has a Group Executive Board, which is responsible for the operative management of the Group. The Chairman and members of the Group Executive Board are appointed by the Board of Directors. Only the Chairman of the Group Executive Board can be a member of both the Board of Directors and the Group Executive Board.

The Board of Directors

The operations of the company are managed under the direction of the Board of Directors, within the framework set by the Finnish Companies Act and Nokia's Articles of Association as well as any complementary rules of procedure as defined by the Board, such as the Corporate Governance Guidelines and related Board Committee charters.

The responsibilities of the Board of Directors

The Board represents and is accountable to the shareholders of the company. The Board's responsibilities are active, not passive, and include the responsibility regularly to evaluate the strategic direction of the company, management policies and the effectiveness with which management implements them. The Board's responsibilities further include overseeing the structure and composition of the company's top management and monitoring legal compliance and the management of risks related to the company's operations. In doing so the Board may set annual ranges and/or individual limits for capital expenditures, investments and divestitures and financial commitments not to be exceeded without Board approval.

The Board has the responsibility for appointing and discharging the Chief Executive Officer and the other members of the Group Executive Board. Subject to the requirements of Finnish law, the independent directors of the Board confirm the compensation and the employment conditions of the Chief Executive Officer upon the recommendation of the Personnel Committee. The compensation and employment conditions of the other members of the Group Executive Board are approved by the Personnel Committee upon the recommendation of the Chief Executive Officer.

The basic responsibility of the members of the Board is to act in good faith and with due care so as to exercise their business judgment on an informed basis in what they reasonably and honestly believe to be in the best interests of the company and its shareholders. In discharging that obligation, the directors must inform themselves of all relevant information reasonably available to them. The Board and each Board Committee also have the power to hire independent legal, financial or other advisors as they deem necessary.

The Board conducts annual performance self-evaluations, which also include evaluations of the Board Committees' work, the results of which are discussed by the Board. In 2008, the self-evaluation process consisted of a questionnaire and a one-to-one discussion between the Chairman and each director, followed by a discussion by the entire Board of the outcome of the evaluation, possible measures to be taken, as well as measures taken based on the Board's self-evaluation of the previous year.

Election, composition and meetings of the Board of Directors

Pursuant to the Articles of Association, Nokia Corporation has a Board of Directors composed of a minimum of seven and a maximum of 12 members. The members of the Board are elected for a term of one year at each Annual General Meeting, i.e., as from the close of that Annual General Meeting until the close of the following Annual General Meeting, which convenes each year by June 30. The Annual General Meeting held on May 8, 2008 elected ten members to the Board of Directors. The members of the Board of Directors elected by the Annual General Meeting in 2008 are Georg Ehrnrooth, Lalita D. Gupte, Dr. Bengt Holmström, Dr. Henning Kagermann, Olli-Pekka Kallasvuo, Per Karlsson, Jorma Ollila, Dame Marjorie Scardino, Risto Siilasmaa and Keijo Suila.

Subject to the requirements of Finnish law, the independent directors of the Board elect the Chairman and the Vice Chairman from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. On May 8, 2008, the independent directors of the Board elected that Jorma Ollila should continue to act as Chairman and that Marjorie Scardino should continue to act as Vice Chairman of the Board. The independent directors of the Board also confirm the election of the members and Chairmen for the Board's Committees from among the Board's independent directors upon the recommendation of the Corporate Governance and Nomination Committee and based on each committee's member qualification standards.

The current members of the Board are all non-executive, except the President and CEO who is also a member of the Board. In January 2009, the Board determined that the non-executive Board members are all independent as defined under Finnish rules, except the Chairman of the Board, Jorma Ollila. Also, the Board determined that seven of the Board's ten members are "independent directors", as defined in the New York Stock Exchange's Listed Company Manual. In addition to the Chairman of the Board and the President and CEO, Bengt Holmström was determined not to be independent under the NYSE standards due to a family relationship with an executive officer of a Nokia supplier of whose consolidated gross revenue from Nokia accounts for an amount that exceeds the limit provided in the NYSE standards, but that is less than 4%. The executive member of the Board, Olli-Pekka Kallasvuo, President and CEO, was determined not independent under both Finnish rules and the NYSE standards. The Chairman of the Board, Jorma Ollila, who was the Chairman and CEO until June 1, 2006, will be independent as from June 1, 2009, in accordance with both Finnish rules and the NYSE standards.

The Board has determined that the majority of the members of the Audit Committee, including its Chairman, Georg Ehrnrooth, are "audit committee financial experts" as defined in Item 16A of Form 20-F.

The Board held 11 meetings during 2008. The average ratio of attendance at the meetings was 98% and all directors attended more than 90% of the meetings of the Board. The non-executive directors meet without management at regularly scheduled sessions twice a year and at such other times as they deem appropriate, in practice in connection with each regularly scheduled meeting in 2008. Such sessions were chaired by the non-executive Chairman of the Board or, in his absence, the non-executive Vice Chairman of the Board. In addition, the independent directors meet separately at least once annually, and did so in 2008.

The Corporate Governance Guidelines concerning the directors' responsibilities, the composition and selection of the Board, Board Committees and certain other matters relating to corporate governance are available on Nokia's website, *www.nokia.com*.

Committees of the Board of Directors

The Audit Committee consists of a minimum of three members of the Board who meet all applicable independence, financial literacy and other requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 8, 2008, the Audit Committee consists of the following four members of the Board: Georg Ehrnrooth (Chairman), Lalita D. Gupte, Risto Siilasmaa and Keijo Suila.

The Audit Committee is established by the Board primarily for the purpose of overseeing the accounting and financial reporting processes of the company and audits of the financial statements of the company. The Committee is responsible for assisting the Board's oversight of (1) the quality and integrity of the company's financial statements and related disclosure, (2) the statutory audit of the company's financial statements, (3) the external auditor's qualifications and independence, (4) the performance of the external auditor subject to the requirements of Finnish law, (5) the performance of the company's internal controls and risk management and assurance function, (6) the performance of the internal audit function, and (7) the

company's compliance with legal and regulatory requirements. The Committee also maintains procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal controls, or auditing matters and for the confidential, anonymous submission by employees of the company of concerns regarding accounting or auditing matters. Nokia's disclosure controls and procedures, which are reviewed by the Audit Committee and approved by the Chief Executive Officer and the Chief Financial Officer, as well as Nokia's internal controls over financial reporting, are designed to provide reasonable assurance regarding the quality and integrity of the company's financial statements and related disclosures. The Disclosure Committee chaired by Chief Financial Officer is responsible for preparation of the quarterly and annual results announcements, and the process includes involvement by business managers, business controllers and other functions, like internal audit, as well as a final review and confirmation by the Audit Committee and the Board.

Under Finnish law, Nokia's external auditor is elected by its shareholders by a simple majority vote at the Annual General Meeting for one fiscal year at a time. The Audit Committee makes a proposal to the shareholders in respect of the appointment of the external auditor based upon its evaluation of the qualifications and independence of the auditor to be proposed for election or re-election. Also under Finnish law, the fees of the external auditor are approved by Nokia's shareholders by a simple majority vote at the Annual General Meeting. The Committee makes a proposal to the shareholders in respect of the fees of the external auditor, and approves the external auditor's annual audit fees under the guidance given by the shareholders at the Annual General Meeting. For information about the fees paid to Nokia's external auditor, PricewaterhouseCoopers, during 2008 see "Auditor fees and services" on page 87.

The Audit Committee meets at least four times a year based upon a schedule established at the first meeting following the appointment of the Committee. The Committee meets separately with the representatives of Nokia's management, head of the internal audit function, and the external auditor in connection with each regularly scheduled meeting. The head of the internal audit function has at all time direct access to the Audit Committee, without involvement of management.

The Audit Committee had seven meetings in 2008. The average ratio of attendance at the meetings was 96%. Three members of the Committee attended 100% of the Committee meetings and one member attended 85% of the meetings.

The Personnel Committee consists of a minimum of three members of the Board who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 8, 2008, the Personnel Committee consists of the following three members of the Board: Per Karlsson (Chairman), Henning Kagermann and Marjorie Scardino.

The primary purpose of the Personnel Committee is to oversee the personnel policies and practices of the company. It assists the Board in discharging its responsibilities relating to all compensation, including equity compensation, of the company's executives and the terms of employment of the same. The Committee has overall responsibility for evaluating, resolving and making recommendations to the Board regarding (1) compensation of the company's top executives and their employment conditions, (2) all equity-based plans, (3) incentive compensation plans, policies and programs of the company affecting executives and (4) other significant incentive plans. The Committee is responsible for overseeing compensation philosophy and principles and ensuring the above compensation programs are performance-based, properly motivate management, support overall corporate strategies and are aligned with shareholders' interests. The Committee is responsible for the review of senior management development and succession plans.

The Personnel Committee had three meetings in 2008. The attendance ratio at the meetings was 100%. For further information on the activities of the Personnel Committee, see "Executive compensation philosophy, programs and decision-making process" on page 75.

The Corporate Governance and Nomination Committee consists of three to five members of the Board who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 8, 2008, the Corporate Governance and Nomination Committee consists of the following three members of the Board: Marjorie Scardino (Chairman), Georg Ehrnrooth and Per Karlsson.

The Corporate Governance and Nomination Committee's purpose is (1) to prepare the proposals for the general meetings in respect of the composition of the Board and the director remuneration to be approved by the shareholders and (2) to monitor issues and practices related to corporate governance and to propose necessary actions in respect thereof.

The Committee fulfills its responsibilities by (i) actively identifying individuals qualified to become members of the Board, (ii) proposing to the shareholders the director nominees for election at the Annual General Meetings, (iii) monitoring significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies, (iv) assisting the Board and each Committee of the Board in its annual performance self-evaluations, including establishing criteria to be used in connection with such evaluations, (v) developing and recommending to the Board and administering Nokia's Corporate Governance Guidelines, and (vi) reviewing the company's disclosure in the Corporate Governance Statement.

The Corporate Governance and Nomination Committee had four meetings in 2008. The attendance ratio at the meetings was 100%.

The charters of each of the committees are available on Nokia's website, *www.nokia.com*.

Management and corporate governance practices

Nokia has a Code of Conduct which is equally applicable to all of Nokia's employees, directors and management and is accessible on Nokia's website, *www.nokia.com*. In addition, Nokia has a Code of Ethics for the Principal Executive Officers and the Senior Financial Officers. For more information about Nokia's Code of Ethics, please see *www.nokia.com*.

Nokia's corporate governance practices comply with the Finnish Corporate Governance Code approved by the boards of the Finnish Securities Market Association and NASDAQ OMX Helsinki effective as of January 1, 2009. The Finnish Corporate Governance Code is accessible, among others, at *www.cgfinland.fi*.

Internal audit function

Nokia has an internal audit function that acts as an independent appraisal function by examining and evaluating the adequacy and effectiveness of the company's system of internal control.

Internal audit resides within the CFO's organization and also reports to the Audit Committee of the Board of Directors. The head of internal audit function has at all times direct access to the Audit Committee, without involvement of the management.

Compensation of the members of the Board of Directors and the Group Executive Board

Board of Directors

The following table sets forth the annual remuneration of the members of the Board of Directors based on their positions on the Board and its committees, including the remuneration paid to the President and CEO for his duties as a member of the Board of Directors only, as resolved at the respective Annual General Meetings in 2008, 2007 and 2006.

Position, EUR	2008	2007	2006
Chairman	**440 000**	375 000	375 000
Vice Chairman	**150 000**	150 000	137 500
Member	**130 000**	130 000	110 000
Chairman of Audit Committee	**25 000**	25 000	25 000
Member of Audit Committee	**10 000**	10 000	10 000
Chairman of Personnel Committee	**25 000**	25 000	25 000
Remuneration total	**1 710 000**	1 775 000	1 472 500

Non-executive members of the Board of Directors do not receive stock options, performance shares, restricted shares or other variable compensation for their duties as Board members. In addition, no meeting fees are payable. However, it is Nokia policy that a significant portion of director remuneration is paid in the form of Nokia shares, and in alignment therewith, approximately 40% of the annual remuneration payable to the members of Board of Directors has been paid in Nokia shares purchased from the market. The President and CEO receives variable compensation for his executive duties, but not for his duties as a member of the Board of Directors. Total compensation of the President and CEO is described in "Summary compensation table 2008" on page 77.

When preparing the Board of Directors' remuneration proposal, it is the policy of the Corporate Governance and Nomination Committee of the Board to review and compare the remuneration levels and their criteria paid in other global companies with net sales and business complexity comparable to that of Nokia. The Committee's aim is to ensure that Nokia has an efficient Board of world-class professionals representing an appropriate and diverse mix of skills and experience. A competitive Board remuneration contributes to Nokia's achievement of this target.

The remuneration of the Board of Directors is resolved annually by Nokia's Annual General Meeting by a simple majority of the shareholders' votes represented at the meeting, upon proposal by the Corporate Governance and Nomination Committee. The remuneration is resolved for the period as from the respective Annual General Meeting until the close of the next Annual General Meeting.

Remuneration of the Board of Directors in 2008

For the year ended December 31, 2008, the aggregate remuneration paid to the members of the Board of Directors for their services as members of the Board and its committees, was EUR 1 710 000.

The following table sets forth the total annual remuneration paid to the members of the Board of Directors in 2008, as resolved by the shareholders at the Annual General Meeting on May 8, 2008. For information with respect to the Nokia shares and equity awards held by the members of the Board of Directors, please see "Share ownership" on page 80.

	Year	Fees earned or paid in cash [1] EUR	Stock awards [2] EUR	Option awards [2] EUR	Non-equity incentive plan compensation [2] EUR	Change in pension value and non-qualified deferred compensation earnings [2] EUR	All other compensation [2] EUR	Total EUR
Jorma Ollila, Chairman [3]	2008	440 000	—	—	—	—	—	440 000
Marjorie Scardino, Vice Chairman [4]	2008	150 000	—	—	—	—	—	150 000
Georg Ehrnrooth [5]	2008	155 000	—	—	—	—	—	155 000
Lalita D. Gupte [6]	2008	140 000	—	—	—	—	—	140 000
Bengt Holmström	2008	130 000	—	—	—	—	—	130 000
Olli-Pekka Kallasvuo [7]	2008	130 000	—	—	—	—	—	130 000
Henning Kagermann	2008	130 000	—	—	—	—	—	130 000
Per Karlsson [8]	2008	155 000	—	—	—	—	—	155 000
Risto Siilasmaa [9]	2008	140 000	—	—	—	—	—	140 000
Keijo Suila [10]	2008	140 000	—	—	—	—	—	140 000

1 Approximately 60% of each Board member's annual remuneration is paid in cash and the remaining 40% in Nokia shares purchased from the market.

2 Not applicable to any non-executive member of the Board of Directors.

3 The 2008 fee of Mr. Ollila was paid for his services as Chairman of the Board.

4 The 2008 fee of Ms. Scardino was paid for her services as Vice Chairman of the Board.

5 The 2008 fee paid to Mr. Ehrnrooth amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee.

6 The 2008 fee paid to Ms. Gupte amounted to a total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

7 This table includes remuneration paid to Mr. Kallasvuo, President and CEO, for his services as a member of the Board only. For the compensation paid for his services as the President and CEO, see "Summary compensation table 2008" on page 77.

8 The 2008 fee paid to Mr. Karlsson amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Personnel Committee.

9 The 2008 fee paid to Mr. Siilasmaa amounted to a total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

10 The 2008 fee paid to Mr. Suila amounted to a total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

Proposal of the Corporate Governance and Nomination Committee for remuneration to the Board of Directors

On January 22, 2009, the Corporate Governance and Nomination Committee of the Board announced that it will propose to the Annual General Meeting to be held on April 23, 2009 that the annual remuneration payable to the Board members elected at the same meeting for the term until the close of the Annual General Meeting in 2010 be unchanged from 2008 as follows: EUR 440 000 for the Chairman, EUR 150 000 for the Vice Chairman and EUR 130 000 for each member; for the Chairman of the Audit Committee and the Chairman of the Personnel Committee an additional annual fee of EUR 25 000; and for each member of the Audit Committee an additional annual fee of EUR 10 000. Further, the Committee will propose that approximately 40% of the remuneration be paid in Nokia shares purchased from the market.

Executive compensation

Executive compensation philosophy, programs and decision-making process

Our executive compensation philosophy and programs have been developed to enable Nokia to effectively compete in an extremely complex and rapidly evolving mobile communications industry. Nokia is a leading company in its industry and conducts business globally. Nokia's executive compensation programs have been designed to attract, retain and motivate talented executive officers that drive Nokia's success and industry leadership worldwide.

Nokia's compensation program for executive officers includes:

» competitive base pay rates; and

» short- and long-term incentives that are intended to result in a competitive total compensation package.

The objectives of Nokia's executive compensation programs are to:

» attract and retain outstanding executive talent;

» deliver a significant amount of performance-related variable compensation for the achievement of both short- and long-term stretch goals;

» appropriately balance rewards between both Nokia's and an individual's performance; and

» align the interests of the executive officers with those of the shareholders through long-term incentives in the form of equity-based awards.

The competitiveness of Nokia's executive compensation levels and practices is one of several key factors the Personnel Committee of the Board (the "Personnel Committee") considers in its determination of compensation for Nokia executives. The Personnel Committee compares, on an annual basis, Nokia's compensation practices, base salaries and total compensation, including short- and long-term incentives against those of other relevant companies with the same or similar revenue size, global reach and complexity that Nokia believes it competes against for executive talent. The relevant companies include high technology telecommunications companies, Internet services companies, and companies from other industries that are headquartered in Europe and the United States.

The Personnel Committee retains and uses an external consultant from Mercer Human Resources to obtain benchmark data and information on current market trends. The consultant works directly for the Chairman of the Personnel Committee and meets annually with the Personnel Committee, without management present, to provide an assessment of the competitiveness and appropriateness of Nokia's executive pay levels and programs. Management provides the consultant with information with regard to Nokia's programs and compensation levels for preparation in meeting with the Committee. The consultant of Mercer Human Resources that works for the Personnel Committee is independent of Nokia and does not have any other business relationships with Nokia.

The Personnel Committee reviews the executive officers' compensation on an annual basis and from time to time during the year, when special needs arise. Without management present, the Personnel Committee reviews and recommends to the Board the corporate goals and objectives relevant to the compensation of the President and CEO, evaluates the performance of the President and CEO in light of those goals and objectives, and proposes to the Board the compensation level of the President and CEO, which is confirmed by the independent members of the Board. Management's role is to provide any information requested by the Personnel Committee to assist in their deliberations.

In addition, upon recommendation of the President and CEO, the Personnel Committee approves all compensation for all the members of the Group Executive Board (excluding that of the President and CEO of Nokia and Simon Beresford-Wylie, Chief Executive Officer of Nokia Siemens Networks) and other direct reports to the President and CEO, including long-term equity incentives and goals and objectives relevant to compensation. The Personnel Committee also reviews the results of the evaluation of the performance of the Group Executive Board members (excluding the President and CEO and Mr. Beresford-Wylie) and other direct reports to the President and CEO and approves their incentive compensation based on such evaluation. Mr. Beresford-Wylie's compensation as CEO of Nokia Siemens Networks is evaluated and approved by the Board of Directors of Nokia Siemens Networks. The Personnel Committee is apprised annually on actions taken with respect to Mr. Beresford-Wylie's compensation.

The Personnel Committee considers the following factors, among others, in its review when determining the compensation of Nokia's executive officers:

» The compensation levels for similar positions (in terms of scope of position, revenues, number of employees, global responsibility and reporting relationships) in relevant comparison companies;

» The performance demonstrated by the executive officer during the last year;

» The size and impact of the role on Nokia's overall performance and strategic direction;

» The internal comparison to the compensation levels of the other executive officers of Nokia; and

» Past experience and tenure in role.

The above factors are assessed by the Personnel Committee in totality.

The compensation for Mr. Beresford-Wylie is determined by the Board of Directors of Nokia Siemens Networks based on the same factors as for the other members of the Group Executive Board of Nokia and determined in a similar process.

Components of executive compensation

Our compensation program for executive officers includes annual cash compensation in the form of a base salary, short-term cash incentives and long-term equity-based incentive awards in the form of performance shares, stock options and restricted shares.

Annual cash compensation

Base salaries are targeted at globally competitive market levels.

Short-term cash incentives are tied directly to performance and represent a significant portion of an executive officer's total annual cash compensation. The short-term cash incentive opportunity is expressed as a percentage of the executive officer's annual base salary. These award opportunities and measurement criteria are presented in the table below.

Measurement criteria for the short-term cash incentive plan include those financial objectives that are considered important measures of Nokia's success in driving increased shareholder value. Financial objectives are established which are based on a number of factors and are intended to be stretch targets that, when achieved, Nokia believes, will result in performance that will exceed that of Nokia's key competitors in the high technology, telecommunications and Internet services industries. The target setting, as well as the weighting of each measure, also requires the Personnel Committee's approval. The following table reflects the measurement criteria that are established for the President and CEO and members of the Group Executive Board and the relative weighting of each objective for the year 2008.

Incentive as a % of annual base salary in 2008

Position	Minimum performance, %	Target performance, %	Maximum performance, %	Measurement criteria
President and CEO	0	100	225	(a) Financial Objectives (includes targets for net sales, operating profit and operating cash flow)
	0	25	37.5	(c) Total Shareholder Return [1] (comparison made with key competitors in the high technology, telecommunications and Internet services industries over one, three and five year periods)
	0	25	37.5	(d) Strategic Objectives
Total	**0**	**150**	**300**	
Group Executive Board	0	75	168.75	(a) Financial Objectives (includes targets for net sales, operating profit and operating cash flow); and
				(b) Individual Strategic Objectives (as described below)
	0	25	37.5	(c) Total Shareholder Return [1, 2] (comparison made with key competitors in the high technology, telecommunications and Internet services industries over one, three and five year periods)
Total	**0**	**100**	**206.25**	

1 Total shareholder return reflects the change in Nokia's share price during a respective time period added with the value of dividends per share paid during the said period, divided by Nokia's share price at the beginning of the period. The calculation is the same also for each company in the said peer group.

2 Only some members of the Group Executive Board are eligible for the additional 25% total shareholder return element.

The incentive payout is based on performance relative to targets set for each measurement criteria listed in the table above and includes: (1) a comparison of Nokia's actual performance to pre-established targets for net sales, operating profit and operating cash flow and (2) a comparison of each executive officer's individual performance to his/her predefined individual strategic objectives and targets. Individual strategic objectives include market share, quality, technology innovation, new product revenue, customer retention rates, environmental achievements and other objectives of key strategic importance which require a discretionary assessment of performance by the Personnel Committee.

When determining the final incentive payout, the Personnel Committee determines an overall score for each executive based on the degree to which (a) Nokia's financial objectives have been achieved together with (b) qualitative scores assigned to the individual strategic objectives. The final incentive payout is determined by multiplying each executive's eligible salary by: (i) his/her incentive target percent; and (ii) the score resulting from the above-mentioned factors (a) and (b). The resulting score for each executive is then multiplied by an "affordability factor," which is determined based on overall sales, profitability and cash flow of Nokia. The Personnel Committee may apply discretion when evaluating actual results against targets and the resulting incentive payouts. In certain exceptional situations, the actual short-term cash incentive awarded to the executive officer could be zero. The maximum payout is only possible with maximum performance on all measures.

The portion of the short-term cash incentives that is tied to (a) Nokia's financial objectives and (b) individual strategic objectives and targets is paid twice each year based on the performance for each of Nokia's short-term plans that end on June 30 and December 31 of each year. Another portion of the short-term cash incentives is paid annually at the end of the year, based on the Personnel Committee's assessment of (c) Nokia's total shareholder return compared to key competitors in the high technology and telecommunications industries and relevant market indices over one-, three- and five-year periods. In the case of the President and CEO, the annual incentive award is also partly based on his performance compared against (d) strategic leadership objectives, including entry into new markets and services, and executive development.

Instead of Nokia's short-term cash incentive plan, Simon Beresford-Wylie participates in a short-term cash incentive plan sponsored by Nokia Siemens Networks, which is similar to Nokia's plan.

For more information on the actual cash compensation paid in 2008 to Nokia's executive officers, see "Summary compensation table 2008" on page 77.

Long-term equity-based incentives

Long-term equity-based incentive awards in the form of performance shares, stock options and restricted shares are used to align executive officers interests with shareholders' interests, reward performance and encourage retention. These awards are determined on the basis of the factors discussed in "Executive compensation philosophy, programs and decision-making process" on page 75, including a comparison of the executive officer's overall compensation with that of other executives in the relevant market and the impact on the competitiveness of the executive's compensation package in that market. Performance shares are Nokia's main vehicle for long-term equity-based incentives and reward the achievement of both Nokia's long-term financial results and an increase in share price. Performance shares vest as shares, if at least one of the pre-determined threshold performance levels, tied to Nokia's financial performance, is achieved by the end of the performance period and the value is dependent on Nokia's share price. Stock options are granted to fewer employees that are in more senior and executive positions. Stock options create value for the executive officer, once vested, if the Nokia share price is higher than the exercise price of the stock option established at grant, thereby aligning the interests of the executives with those of the shareholders. Restricted shares are used primarily for retention purposes and they vest fully after the close of a pre-determined restriction period. These equity-based incentive awards are generally forfeited if the executive leaves Nokia prior to vesting.

Instead of the long-term equity-based incentive plans of Nokia, Simon Beresford-Wylie participates in a long-term cash incentive plan sponsored by Nokia Siemens Networks. The long-term cash incentive plan of Nokia Siemens Networks is designed to align the interests of Nokia Siemens Networks executives with increased shareholder value of Nokia Siemens Networks and, ultimately, with increased shareholder value for that of its owners, including Nokia and its shareholders. The plan provides Nokia Siemens Networks executives an opportunity to earn cash incentives based on the achievement of pre-determined financial goals, including net sales and operating margin. These long-term cash incentive awards of Nokia Siemens Networks are generally forfeited if the executive leaves employment prior to the end of the plan period.

Information on the actual equity-based incentives granted to the members of Nokia's Group Executive Board is included in "Share ownership" on page 80.

Actual executive compensation for 2008

At December 31, 2008, Nokia had a Group Executive Board consisting of 12 members. The only changes in the membership of Nokia's Group Executive Board during 2008 were due to the retirement of Veli Sundbäck, Executive Vice President, Corporate Relations and Responsibility, from the Group Executive Board as of December 31, 2008 and the appointment of Esko Aho as a new member of Nokia's Group Executive Board, effective January 1, 2009.

The following tables summarize the aggregate cash compensation paid and the long-term equity-based incentives granted to the members of the Group Executive Board under Nokia's equity plans in 2008.

Gains realized upon exercise of stock options and share-based incentive grants vested for the members of the Group Executive Board during 2008 are included in "Stock option exercises and settlement of shares" on page 86.

Aggregate cash compensation to the Group Executive Board for 2008

Year	Number of members December 31, 2008	Base salaries EUR	Cash incentive payments [1, 2] EUR
2008	12	6 146 393	2 713 174

1 Includes base salary and cash incentives for the 2008 calendar year paid or payable by Nokia for the respective fiscal year. The cash incentives are paid as a percentage of annual base salary based on Nokia's short-term cash incentives.

2 Excluding any gains realized upon exercise of stock options, which are described in "Stock option exercises and settlement of shares" on page 86.

Long-term equity-based incentives granted in 2008 [1]

	Group Executive Board	Total	Total number of participants
Performance shares at threshold [2]	173 500	2 463 033	6 300
Stock options	347 000	3 767 163	3 500
Restricted shares	230 000	1 746 500	300

1 The equity-based incentive grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting. The settlement is conditional upon performance and service conditions, as determined in the relevant plan rules. For a description of Nokia's equity plans, see Note 22 "Share-based payment" to Nokia's consolidated financial statements on page 31.

2 At maximum performance, the settlement amounts to four times the number at threshold.

Summary compensation table 2008

Name and principal position [1]	Year **	Salary EUR	Bonus [2] EUR	Stock awards [3] EUR	Option awards [3] EUR	Non-equity incentive plan compensation EUR	Change in pension value and non-qualified deferred compensation earnings EUR	All other compensation EUR	Total EUR
Olli-Pekka Kallasvuo	2008	1 144 800	721 733	644 805	641 565	*	469 060 [4, 5]	175 164 [7]	3 797 126
President and CEO	2007	1 037 619	2 348 877	4 112 581	693 141	*	956 333	183 603	9 332 153
	2006	898 413	664 227	1 529 732	578 465	*	1 496 883	38 960	5 206 680
Richard Simonson	2008 [8]	630 263	293 477	204 952	204 045			106 632 [9]	1 439 369
EVP and Chief Financial Officer	2007 [8]	488 422	827 333	1 576 376	234 310	*		46 699	3 173 141
	2006 [8]	460 070	292 673	958 993	194 119	*		84 652	1 990 507
Simon Beresford-Wylie CEO, Nokia Siemens Networks	2008	600 000	462 871	221 407	74 500	*	108 658 [4]	728 778 [10]	2 196 215
Anssi Vanjoki	2008	615 143	260 314	208 880	204 343	*	[6]	33 552 [11]	1 322 232
EVP, Head of Markets	2007	556 381	900 499	1 602 605	239 829	*	18 521	49 244	3 367 078
	2006	505 343	353 674	938 582	222 213	*	215 143	29 394	2 264 349
Mary McDowell	2008 [8]	493 798	196 138	203 123	197 726	*		33 462 [12]	1 124 247
EVP, Chief Development Officer	2007 [8]	444 139	769 773	1 551 482	396 169	*		32 463	3 194 027
	2006 [8]	466 676	249 625	786 783	213 412	*		45 806	1 762 302

1 The positions set forth in this table are the current positions of the named executive. Mr. Kallasvuo was President and COO until June 1, 2006. Until December 31, 2007, Mr. Vanjoki served as Executive Vice President and General Manager of Multimedia; Ms. McDowell, Executive Vice President and General Manager of Enterprise Solutions. Mr. Beresford-Wylie served as Executive Vice President and General Manager Networks until April 1, 2007.

2 Bonus payments are part of Nokia's short-term cash incentives. The amount consists of the bonus awarded and paid or payable by Nokia for the respective fiscal year and in the case of Mr. Beresford-Wylie payable by Nokia Siemens Networks on the basis of Nokia Siemens Networks' short-term cash incentive program.

3 Amounts shown represent share-based compensation expense recognized in the respective fiscal year for all outstanding equity grants in accordance with IFRS 2, Share-based payment.

4 The change in pension value represents the proportionate change in the liability related to the individual executive. These executives are covered by the Finnish State employees' pension act ("TyEL") that provides for a retirement benefit based on years of service and earnings according to the prescribed statutory system. The TyEL system is a partly funded and a partly pooled "pay as you go" system. Effective March 1, 2008, Nokia transferred its TyEL pension liability and assets to an external Finnish insurance company and no longer carries the liability on its financial statements. The figures shown represent only the change in liability for the funded portion. The method used to derive the actuarial IFRS valuation is based upon salary information at the respective year-end. Actuarial assumptions including salary increases and inflation have been determined to arrive at the valuation at the respective year-end.

5 The change in pension value for Mr. Kallasvuo includes EUR 4 811 for the proportionate change in the liability related to the individual under the funded part of the Finnish TyEL pension (see footnote 4 above). In addition, it includes EUR 464 249 for the change in liability in the early retirement benefit at the age of 60 provided under his service contract. Nokia still carries the liability on its books for the early retirement benefit.

6 Mr. Vanjoki's proportionate change in the liability related to the individual under the funded part of the Finnish TyEL pension (see footnote 4) was negative.

7 All other compensation for Mr. Kallasvuo in 2008 includes: EUR 130 000 for his services as member of the Board or Directors, see "Remuneration of the Board of Directors in 2008" on page 74; EUR 20 645 for car allowance, EUR 10 000 for financial counseling, EUR 11 103 for taxable benefit for premiums paid under supplemental medical and disability insurance, EUR 3 416 for driver and for mobile phone.

8 Salaries, benefits and perquisites of Ms. McDowell and Mr. Simonson are paid and denominated in USD. Amounts were converted to euro using year-end 2008 USD/EUR exchange rate of 1.40. For year 2007 disclosure, amounts were converted to euro using year-end 2007 USD/EUR exchange rate of 1.47.

9 All other compensation for Mr. Simonson in 2008 includes: EUR 64 405 company contributions to the Restoration & Deferral plan, EUR 11 083 company contributions to the 401(k) plan, EUR 12 156 for car allowance, EUR 11 621 for financial counseling, EUR 7 365 imputed income under the Employee Stock Purchase Plan.

10 All other compensation for Mr. Beresford-Wylie in 2008 includes: EUR 600 000 for a special one-time bonus for the successful retention and integration of Nokia Siemens Networks, EUR 105 158 provided as a benefit under Nokia Siemens Networks relocation policy, EUR 13 380 for car allowance, EUR 10 000 for financial counseling, and the remainder for mobile phone.

11 All other compensation for Mr. Vanjoki in 2008 includes: EUR 22 200 for car allowance, EUR 10 000 for financial counseling, EUR 1 112 taxable benefit for premiums paid under supplemental medical and disability insurance and the remainder for mobile phone.

12 All other compensation for Ms. McDowell in 2008 includes: EUR 12 156 for car allowance, EUR 11 438 for financial counseling and EUR 9 868 company contributions to the 401(k) plan.

* None of the named executive officers participated in a formulated, non-discretionary, incentive plan. Annual incentive payments are included under the "Bonus" column.

** History has been provided for those data elements previously disclosed.

Equity grants in 2008 [1]

		Option awards				Stock awards			
Name and principal position	Year	Grant date	Number of shares underlying options	Grant price (EUR)	Grant date fair value [2] (EUR)	Performance shares at threshold (number)	Performance shares at maximum (number)	Restricted shares (number)	Grant date fair value [3] (EUR)
Olli-Pekka Kallasvuo President and CEO	2008	May 9	115 000	19.16	548 153	57 500	230 000	75 000	2 470 858
Richard Simonson EVP and Chief Financial Officer	2008	May 9	32 000	19.16	152 529	16 000	64 000	22 000	699 952
Simon Beresford-Wylie [4] CEO, Nokia Siemens Networks	2008	—	—	—	—	—	—	—	—
Anssi Vanjoki EVP, Head of Markets	2008	May 9	32 000	19.16	152 529	16 000	64 000	22 000	699 952
Mary McDowell EVP, Chief Development Officer	2008	May 9	28 000	19.16	133 463	14 000	56 000	20 000	620 690

1 Including all equity awards made during 2008. Awards were made under the Nokia Stock Option Plan 2007, the Nokia Performance Share Plan 2008 and the Nokia Restricted Share Plan 2008, respectively.

2 The fair values of stock options equal the estimated fair value on the grant date, calculated using the Black Scholes model. The stock option exercise price is EUR 19.16. NASDAQ OMX Helsinki closing market price at the grant date was EUR 18.69.

3 The fair value of performance shares and restricted shares equals the estimated fair value on grant date. The estimated fair value is based on the grant date market price of the Nokia share less the present value of dividends expected to be paid during the vesting period. The value of performance shares is presented on the basis of a number of shares, which is two times the number at threshold.

4 Mr. Beresford-Wylie does not participate in the equity plans of Nokia. Mr. Beresford-Wylie participates in a long-term cash incentive plan sponsored by Nokia Siemens Networks. His target incentive covering 2008–2010 is EUR 1.5 million.

For information with respect to the Nokia shares and equity awards held by the members of the Group Executive Board, please see "Share ownership" on page 80.

Pension arrangements for the members of the Group Executive Board

The members of the Group Executive Board participate in the local retirement programs applicable to employees in the country where they reside. Executives in Finland participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings according to a prescribed statutory system. Under the Finnish TyEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, although gains realized from equity are not. The Finnish TyEL pension scheme provides for early retirement benefits at age 62 with a reduction in the amount of retirement benefits. Standard retirement benefits are available from age 63 to 68, according to an increasing scale.

Executives in the United States participate in Nokia's Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings. 25% of the employer match vests for the participants for each year of their employment. Participants earning in excess of the Internal Revenue Service (IRS) eligible earning limits may participate in the Nokia Restoration and Deferral Plan which allows employees to defer up to 50% of their salary and 100% of their bonus into this non-qualified plan. Contributions to the Restoration and Deferral Plan in excess of IRS deferral limits will be matched 100% up to 8% of eligible earnings less contributions made to the 401(k) plan.

Olli-Pekka Kallasvuo can, as part of his service contract, retire at the age of 60 with full retirement benefits should he be employed by Nokia at the time. The full retirement benefit is calculated as if Mr. Kallasvuo had continued his service with Nokia through the retirement age of 65.

Simon Beresford-Wylie participates in the Nokia International Employee Benefit Plan (NIEBP). The NIEBP is a defined contribution retirement arrangement provided to some Nokia and Nokia Siemens Networks employees on international assignments. The contributions to NIEBP are funded two-thirds by Nokia and one-third by the employee. Because Mr. Beresford-Wylie also participates in the Finnish TyEL system, the company contribution to NIEBP is 1.3% of annual earnings.

Hallstein Moerk, following his arrangement with a previous employer, has also in his current position at Nokia a retirement benefit of 65% of his pensionable salary beginning at the age of 62. Early retirement is possible at the age of 55 with reduced benefits.

Service contracts

Olli-Pekka Kallasvuo's service contract covers his current position as President and CEO and Chairman of the Group Executive Board. As at December 31, 2008, Mr. Kallasvuo's annual total gross base salary, which is subject to an annual review by the Board of Directors and confirmation by the independent members of the Board, is EUR 1 176 000. His incentive targets under the Nokia short-term cash incentive plan are 150% of annual gross base salary. In case of termination by Nokia for reasons other than cause, including a change of control, Mr. Kallasvuo is entitled to a severance payment of up to 18 months of compensation (both

annual total gross base salary and target incentive). In case of termination by Mr. Kallasvuo, the notice period is six months and he is entitled to a payment for such notice period (both annual total gross base salary and target incentive for six months). Mr. Kallasvuo is subject to a 12-month non-competition obligation after termination of the contract. Unless the contract is terminated for cause, Mr. Kallasvuo may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual total gross base salary and target incentive for the respective period during which no severance payment is paid.

Equity-based compensation programs

General

During the year ended December 31, 2008, Nokia sponsored three global stock option plans, five global performance share plans and four global restricted share plans. Both executives and employees participate in these plans. In 2004, Nokia introduced performance shares as the main element to the company's broad-based equity compensation program to further emphasize the performance element in employees' long-term incentives. Thereafter, the number of stock options granted has been significantly reduced. The rationale for using both performance shares and stock options for employees in higher job grades is to build an optimal and balanced combination of long-term equity-based incentives. The equity-based compensation programs intend to align the potential value received by participants directly with the performance of Nokia. Since 2003, Nokia also has granted restricted shares to a small selected number of employees each year.

The equity-based incentive grants are generally conditioned upon continued employment with Nokia, as well as the fulfillment of performance and other conditions, as determined in the relevant plan rules.

The broad-based equity compensation program for 2008, which was approved by the Board of Directors, followed the structure of the program in 2007. The participant group for the 2008 equity-based incentive program continued to be broad, with a wide number of employees in many levels of the organization eligible to participate. As at December 31, 2008, the aggregate number of participants in all of Nokia's equity-based programs was approximately 18 000 compared with approximately 22 000 as at December 31, 2007 reflecting changes in its grant guidelines.

The employees of Nokia Siemens Networks have not participated in any new Nokia equity-based incentive plans since the formation of Nokia Siemens Networks on April 1, 2007.

For a more detailed description of all of Nokia's equity-based incentive plans, see Note 22 "Share-based payment" to Nokia's consolidated financial statements on page 31.

Performance shares

We have granted performance shares under the global 2004, 2005, 2006, 2007 and 2008 plans, each of which, including its terms and conditions, has been approved by the Board of Directors.

The performance shares represent a commitment by Nokia to deliver Nokia shares to employees at a future point in time, subject to Nokia's fulfillment of pre-defined performance criteria. No performance shares will vest unless Nokia's performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria: Nokia's average annual net sales growth for the performance period of the plan and earnings per share ("EPS") at the end of the performance period.

The 2004 and 2005 Performance Share Plans had a four-year performance period and a two-year interim measurement period. The 2006, 2007 and 2008 Performance Share Plans have a three-year performance period with no interim measurement period. The below table summarizes the relevant periods and settlements under the plans.

Performance share plan	Performance period	Interim measurement period	1st (interim) settlement	2nd (final) settlement
2004	2004–2007	2004–2005	2006	2008
2005	2005–2008	2005–2006	2007	2009
2006	2006–2008	N/A	N/A	2009
2007	2007–2009	N/A	N/A	2010
2008	2008–2010	N/A	N/A	2011

Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights, associated with the performance shares. The performance share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Performance share grants are approved by the CEO at the end of the respective calendar quarter on the basis of an authorization given by the Board of Directors. Approvals for performance share grants to the CEO are confirmed by the independent members of the Board subject to the requirements of Finnish law. Approvals for performance share grants to the other Group Executive Board members and other direct reports of the CEO are made by the Personnel Committee.

Stock options

Nokia's global stock option plans in effect for 2008, including their terms and conditions, were approved by the Annual General Meetings in the year when each plan was launched, i.e., in 2003, 2005 and 2007.

Each stock option entitles the holder to subscribe for one new Nokia share. The stock options are non-transferable. All of the stock options have a vesting schedule with a 25% vesting one year after grant, and quarterly vesting thereafter. The stock options granted under the plans generally have a term of five years.

The exercise price of the stock options are determined at the time of their grant on a quarterly basis. The exercise prices are determined in accordance with a pre-agreed schedule after the release of Nokia's periodic financial results and are based on the trade volume weighted average price of a Nokia share on NASDAQ OMX Helsinki during the trading days of the first whole week of the second month of the respective calendar quarter (i.e., February, May, August or November). Exercise prices are determined on a one-week weighted average to mitigate any short-term fluctuations in Nokia's share price. The determination of exercise price is defined in the terms and conditions of the stock option plan, which are approved by the shareholders at the respective Annual General Meeting. The Board of Directors does not have the right to amend the above-described determination of the exercise price.

Stock option grants are approved by the CEO at the time of stock option pricing on the basis of an authorization given by the Board of Directors. Approvals for stock option grants to the CEO are confirmed by the independent members of the Board subject to the requirements of Finnish law. Approvals for stock option grants to the other Group Executive Board members and for other direct reports of the CEO are made by the Personnel Committee.

Restricted shares

Since 2003, Nokia has granted restricted shares to recruit, retain, reward and motivate selected high potential employees, who are critical to the future success of Nokia. It is Nokia's philosophy that restricted shares will be used only for key management positions and other critical resources. The outstanding global restricted share plans, including their terms and conditions, have been approved by the Board of Directors.

All of Nokia's restricted share plans have a restriction period of three years after grant. Once the shares vest, they are transferred and delivered to the participants. The restricted share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting. Until the Nokia shares are delivered, the participants do not have any shareholder rights, such as voting or dividend rights, associated with the restricted shares. Restricted share grants are approved by the CEO at the end of the respective calendar quarter on the basis of an authorization given by the Board of Directors. Approvals of restricted share grants to the CEO are confirmed by the independent directors of the Board subject to the requirements of Finnish law. Approvals for restricted share grants to the other Group Executive Board members and other direct reports of the CEO are made by the Personnel Committee.

Other equity plans for employees

In addition to Nokia's global equity plans described above, Nokia has equity plans for Nokia-acquired businesses or employees in the United States and Canada under which participants can receive Nokia ADSs or ordinary shares. These equity plans do not result in an increase in the share capital of Nokia.

In connection with Nokia's July 10, 2008 acquisition of NAVTEQ, Nokia assumed NAVTEQ's 2001 Stock Incentive Plan ("NAVTEQ Plan"). All unvested NAVTEQ restricted stock units under the NAVTEQ Plan were converted to an equivalent number of restricted stock units entitling their holders to Nokia shares. The maximum number of Nokia shares to be delivered to NAVTEQ employees during the years 2008–2012 in connection with the NAVTEQ restricted stock units that were converted into Nokia restricted stock units upon closing of the acquisition is approximately 3 million. Nokia does not intend to make further awards under the NAVTEQ Plan.

We have also an Employee Share Purchase Plan in the United States, which permits all full-time Nokia employees located in the United States to acquire Nokia ADSs at a 15% discount. The purchase of the ADSs is funded through monthly payroll deductions from the salary of the participants, and the ADSs are purchased on a monthly basis. As at December 31, 2008, a total of 11 700 044 ADSs had been purchased under this plan since its inception, and there were a total of approximately 1 000 participants.

For more information on these plans, see Note 22 "Share-based payment" to Nokia's consolidated financial statements on page 31.

Equity-based compensation program 2009

The Board of Directors announced the proposed scope and design for the Equity Program 2009 on January 22, 2009. The main equity instrument continues to be performance shares. In addition, stock options will be used on a limited basis for senior managers, and restricted shares will be used for a small number of high potential and critical employees. These equity-based incentive awards are generally forfeited if the employee leaves Nokia prior to vesting.

Performance shares

The Performance Share Plan 2009 approved by the Board of Directors will cover a performance period of three years (2009–2011) with no interim measurement period. No performance shares will vest unless Nokia's performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria:

1. Average Annual Net Sales Growth: –5% (threshold) and 10% (maximum) during the performance period 2009–2011, and
2. EPS (diluted, non-IFRS): EUR 1.01 (threshold) and EUR 1.53 (maximum) at the end of the performance period in 2011.

Average Annual Net Sales Growth is calculated as an average of the net sales growth rates for the years 2009 through 2011. EPS is the diluted, non-IFRS earnings per share in 2011. Both the EPS and Average Annual Net Sales Growth criteria are equally weighted and performance under each of the two performance criteria is calculated independent of each other.

Achievement of the maximum performance for both criteria would result in the vesting of a maximum of 18 million Nokia shares. Performance exceeding the maximum criteria does not increase the number of performance shares that will vest. Achievement of the threshold performance for both criteria will result in the vesting of approximately 4.5 million shares. If only one of the threshold levels of performance is achieved, only approximately 2.25 million of the performance shares will vest. If none of the threshold levels is achieved, then none of the performance shares will vest. For performance between the threshold and maximum performance levels, the vesting follows a linear scale. If the required performance levels are achieved, the vesting will occur December 31, 2011. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with these performance shares.

Stock options

The stock options to be granted in 2009 are out of the Stock Option Plan 2007 approved by the Annual General Meeting in 2007. For more information on Stock Option Plan 2007 see "Equity-based compensation programs" on page 79.

Restricted shares

The restricted shares to be granted under the Restricted Share Plan 2009 will have a three-year restriction period. The restricted shares will vest and the payable Nokia shares be delivered mainly in 2012, subject to fulfillment of the service period criteria. Participants will not have any shareholder rights or voting rights during the restriction period, until the Nokia shares are transferred and delivered to plan participants at the end of the restriction period.

Maximum planned grants in 2009

The maximum number of planned grants under the 2009 Equity Program (i.e., performance shares, stock options and restricted shares) in 2009 are set forth in the table below.

Plan type	Maximum number of planned grants under the 2009 equity program in 2009
Stock options	7 million
Restricted shares	5 million
Performance shares at threshold [1]	4.5 million

1 The maximum number of Nokia shares to be delivered at maximum performance is four times the number at threshold, i.e., a total of 18 million Nokia shares.

As at December 31, 2008, the total dilutive effect of Nokia's stock options, performance shares and restricted shares outstanding, assuming full dilution, was approximately 2% in the aggregate. The potential maximum effect of the proposed equity program 2009 would be approximately another 0.6%.

Share ownership

General

The following section describes the ownership or potential ownership interest in the company of the members of Nokia's Board of Directors and the Group Executive Board, either through share ownership or through holding of equity-based incentives, which may lead to share ownership in the future.

In line with the Company policy, approximately 40% of the remuneration paid to the Board of Directors has been paid in Nokia shares purchased from the market. Non-executive members of the Board of Directors do not receive stock options, performance shares, restricted shares or other variable compensation.

For a description of Nokia's equity-based compensation programs for employees and executives, see "Equity-based compensation programs" on page 79.

Share ownership of the Board of Directors

At December 31, 2008, the members of Nokia's Board of Directors held the aggregate of 1 235 024 shares and ADSs in Nokia (not including stock options or other equity awards that are deemed as being beneficially owned under applicable SEC rules), which represented 0.03% of Nokia's outstanding share capital and total voting rights excluding shares held by Nokia Group at that date.

The following table sets forth the number of shares and ADSs held by members of the Board of Directors as at December 31, 2008.

	Shares [1]	ADSs
Jorma Ollila [2]	558 043	—
Marjorie Scardino	—	20 501
Georg Ehrnrooth [3]	321 693	—
Lalita D. Gupte	—	6 049
Bengt Holmström	22 222	—
Henning Kagermann	5 616	—
Olli-Pekka Kallasvuo [4]	223 024	—
Per Karlsson [3]	26 235	—
Risto Siilasmaa	43 022	—
Keijo Suila	8 619	—

1 The number of shares includes not only shares acquired as compensation for services rendered as a member of the Board of Directors, but also shares acquired by any other means.

2 For Mr. Ollila, this table includes his share ownership only. Mr. Ollila was entitled to retain all vested and unvested stock options, performance shares and restricted shares granted to him in respect of his services as the CEO of Nokia prior to June 1, 2006 as approved by the Board of Directors. Therefore, in addition to the above-presented share ownership, Mr. Ollila held, as at December 31, 2008, a total of 1 700 000 stock options, 200 000 performance shares (at threshold), and 100 000 restricted shares. The information relating to stock options held by Mr. Ollila as at December 31, 2008 is represented in the table below.

The number of stock options in the table below equals the number of underlying shares represented by the option entitlement. Stock options vest over four years: 25% after one year and 6.25% each quarter thereafter. The intrinsic value of the stock options in the table below is based on the difference between the exercise price of the options and the closing market price of Nokia shares on NASDAQ OMX Helsinki as at December 31, 2008 of EUR 11.10.

3 Mr. Ehrnrooth's and Mr. Karlsson's holdings include both shares held personally and shares held through a company.

4 For Mr. Kallasvuo, this table includes his share ownership only. Mr. Kallasvuo's holdings of long-term equity-based incentives are outlined in "Stock option ownership of the Group Executive Board" on page 82 and "Performance shares and restricted shares" on page 84.

				Number of stock options		Total intrinsic value of stock options, December 31, 2008 EUR	
	Stock option category	Expiration date	Exercise price per share EUR	Exercisable	Unexercisable	Exercisable	Unexercisable
Jorma Ollila	2003 2Q	December 31, 2008	14.95	500 000	—	—	—
	2004 2Q	December 31, 2009	11.79	400 000	—	—	—
	2005 2Q	December 31, 2010	12.79	325 000	75 000	—	—
	2006 2Q	December 31, 2011	18.02	225 000	175 000	—	—

Share ownership of the Group Executive Board

The following table sets forth the share ownership, as well as potential ownership interest through holding of equity-based incentives, of the members of the Group Executive Board as at December 31, 2008.

	Shares	Shares receivable through stock options [3]	Shares receivable through performance shares at threshold [4]	Shares receivable through performance shares at maximum [5]	Shares receivable through restricted shares
Number of equity instruments held by Group Executive Board	917 451	2 951 337	743 100	2 650 324	964 500
% of the share capital [1]	0.0248	0.0798	0.0201	0.0717	0.0261
% of the total outstanding equity incentives (per instrument) [2]	—	12.769	8.644	7.886	11.982

1 The percentage is calculated in relation to the outstanding share capital and total voting rights of the company, excluding shares held by Nokia Group.

2 The percentage is calculated in relation to the total outstanding equity incentives per instrument, i.e., stock options, performance shares and restricted shares, as applicable.

3 Includes unexercised 2003 2Q stock options which expired December 31, 2008.

4 Due to the interim payout, the participants have already received the threshold number of shares under the 2005 performance share plan. Therefore, the shares receivable at threshold under the 2005 performance share plan equals to zero.

5 Due to the interim payout (at threshold) in 2007 and based on the actual level of the performance criteria for the performance period, the number of Nokia shares deliverable under the performance share plan 2005 equals 2.12 times the number of performance shares at threshold. The number of Nokia shares deliverable under the performance share plan 2006 equals 1.98 times the number of performance shares at threshold, based on the actual level of performance criteria for the relevant performance period. At maximum performance under the performance share plans 2007 and 2008, the number of Nokia shares deliverable equals four times the number of performance shares at threshold.

The following table sets forth the number of shares and ADSs in Nokia (not including stock options or other equity awards that are deemed as being beneficially owned under the applicable SEC rules) held by members of the Group Executive Board as at December 31, 2008.

	Shares	ADSs
Olli-Pekka Kallasvuo	223 024	—
Robert Andersson	47 244	—
Simon Beresford-Wylie	45 685	—
Timo Ihamuotila	41 445	—
Mary McDowell	63 325	5 000
Hallstein Moerk	38 400	4 315
Tero Ojanperä	33 665	—
Niklas Savander	45 523	—
Richard Simonson	90 760	28 196
Veli Sundbäck	148 047	—
Anssi Vanjoki	74 262	—
Kai Öistämö	28 560	—

Stock option ownership of the Group Executive Board

The following table provides certain information relating to stock options held by members of the Group Executive Board as at December 31, 2008. These stock options were issued pursuant to Nokia Stock Option Plans 2003, 2005 and 2007. For a description of Nokia's stock option plans, see Note 22 "Share-based payment" to Nokia's consolidated financial statements on page 31.

				Number of stock options [1]		Total intrinsic value of stock options, December 31, 2008 EUR [2]	
	Stock option category	Expiration date	Exercise price per share EUR	Exercisable	Unexercisable	Exercisable [3]	Unexercisable
Olli-Pekka Kallasvuo	2003 2Q	December 31, 2008	14.95	120 000	—	—	—
	2004 2Q	December 31, 2009	11.79	60 000	—	—	—
	2005 2Q	December 31, 2010	12.79	48 750	11 250	—	—
	2005 4Q	December 31, 2010	14.48	68 750	31 250	—	—
	2006 2Q	December 31, 2011	18.02	168 750	131 250	—	—
	2007 2Q	December 31, 2012	18.39	50 000	110 000	—	—
	2008 2Q	December 31, 2013	19.16	—	115 000	—	—
Robert Andersson	2004 2Q	December 31, 2009	11.79	10 400	—	—	—
	2005 2Q	December 31, 2010	12.79	9 750	2 250	—	—
	2005 4Q	December 31, 2010	14.48	19 250	8 750	—	—
	2006 2Q	December 31, 2011	18.02	20 000	35 000	—	—
	2007 2Q	December 31, 2012	18.39	10 000	22 000	—	—
	2008 2Q	December 31, 2013	19.16	—	20 000	—	—
Simon Beresford-Wylie [4]	2003 2Q	December 31, 2008	14.95	13 000	—	—	—
	2004 2Q	December 31, 2009	11.79	10 000	—	—	—
	2005 2Q	December 31, 2010	12.79	42 750	11 250	—	—
	2006 2Q	December 31, 2011	18.02	56 250	43 750	—	—
Timo Ihamuotila	2004 2Q	December 31, 2009	11.79	1 500	—	—	—
	2005 2Q	December 31, 2010	12.79	3 600	2 700	—	—
	2006 2Q	December 31, 2011	18.02	3 600	6 300	—	—
	2007 2Q	December 31, 2012	18.39	10 000	22 000	—	—
	2008 2Q	December 31, 2013	19.16	—	20 000	—	—
Mary McDowell	2004 2Q	December 31, 2009	11.79	50 000	—	—	—
	2005 2Q	December 31, 2010	12.79	48 750	11 250	—	—
	2006 2Q	December 31, 2011	18.02	56 250	43 750	—	—
	2007 2Q	December 31, 2012	18.39	17 187	37 813	—	—
	2008 2Q	December 31, 2013	19.16	—	28 000	—	—
Hallstein Moerk	2004 2Q	December 31, 2009	11.79	5 625	—	—	—
	2005 2Q	December 31, 2010	12.79	10 000	7 500	—	—
	2006 2Q	December 31, 2011	18.02	33 750	26 250	—	—
	2007 2Q	December 31, 2012	18.39	10 000	22 000	—	—
	2008 2Q	December 31, 2013	19.16	—	20 000	—	—

Stock option ownership of the Group Executive Board, continued

	Stock option category	Expiration date	Exercise price per share EUR	Number of stock options [1] Exercisable	Unexercisable	Total intrinsic value of stock options, December 31, 2008 EUR [2] Exercisable [3]	Unexercisable
Tero Ojanperä	2003 2Q	December 31, 2008	14.95	8 000	—	—	—
	2004 2Q	December 31, 2009	11.79	10 000	—	—	—
	2005 2Q	December 31, 2010	12.79	32 500	7 500	—	—
	2006 2Q	December 31, 2011	18.02	33 750	26 250	—	—
	2007 2Q	December 31, 2012	18.39	10 000	22 000	—	—
	2008 2Q	December 31, 2013	19.16	—	20 000	—	—
Niklas Savander	2004 2Q	December 31, 2009	11.79	2 560	—	—	—
	2005 2Q	December 31, 2010	12.79	4 375	2 625	—	—
	2006 2Q	December 31, 2011	18.02	18 750	26 250	—	—
	2007 2Q	December 31, 2012	18.39	10 000	22 000	—	—
	2008 2Q	December 31, 2013	19.16	—	28 000	—	—
Richard Simonson	2004 2Q	December 31, 2009	11.79	50 000	—	—	—
	2005 2Q	December 31, 2010	12.79	48 750	11 250	—	—
	2006 2Q	December 31, 2011	18.02	56 250	43 750	—	—
	2007 2Q	December 31, 2012	18.39	17 187	37 813	—	—
	2008 2Q	December 31, 2013	19.16	—	32 000	—	—
Veli Sundbäck	2003 2Q	December 31, 2008	14.95	50 000	—	—	—
	2004 2Q	December 31, 2009	11.79	30 000	—	—	—
	2005 2Q	December 31, 2010	12.79	32 500	7 500	—	—
	2006 2Q	December 31, 2011	18.02	33 750	26 250	—	—
	2007 2Q	December 31, 2012	18.39	10 000	22 000	—	—
Anssi Vanjoki	2004 2Q	December 31, 2009	11.79	11 250	—	—	—
	2005 2Q	December 31, 2010	12.79	15 000	11 250	—	—
	2006 2Q	December 31, 2011	18.02	25 000	43 750	—	—
	2007 2Q	December 31, 2012	18.39	17 187	37 813	—	—
	2008 2Q	December 31, 2013	19.16	—	32 000	—	—
Kai Öistämö	2003 2Q	December 31, 2008	14.95	727	—	—	—
	2004 2Q	December 31, 2009	11.79	3 125	—	—	—
	2005 2Q	December 31, 2010	12.79	4 800	2 400	—	—
	2005 4Q	December 31, 2010	14.48	10 500	8 750	—	—
	2006 2Q	December 31, 2011	18.02	56 250	43 750	—	—
	2007 2Q	December 31, 2012	18.39	17 187	37 813	—	—
	2008 2Q	December 31, 2013	19.16	—	32 000	—	—
Stock options held by the members of the Group Executive Board on December 31, 2008, Total				**1 577 310**	**1 374 027**	**—**	**—**
All outstanding stock option plans (global plans), Total				**12 244 569**	**10 868 649**	**66 760**	**4 851**

1 Number of stock options equals the number of underlying shares represented by the option entitlement. Stock options vest over four years: 25% after one year and 6.25% each quarter thereafter.

2 The intrinsic value of the stock options is based on the difference between the exercise price of the options and the closing market price of Nokia shares on NASDAQ OMX Helsinki as at December 31, 2008 of EUR 11.10.

3 For gains realized upon exercise of stock options for the members of the Group Executive Board, see the table in "Stock option exercises and settlement of shares" on page 86.

4 From April 1, 2007, Mr. Beresford-Wylie has participated in a long-term cash incentive plan sponsored by Nokia Siemens Networks, instead of the long-term equity-based plans of Nokia.

Performance shares and restricted shares

The following table provides certain information relating to performance shares and restricted shares held by members of the Group Executive Board as at December 31, 2008. These entitlements were granted pursuant to Nokia's performance share plans 2005, 2006, 2007 and 2008 and restricted share plans 2005, 2006, 2007 and 2008. For a description of Nokia's performance share and restricted share plans, please see Note 22 "Share-based payment" to the consolidated financial statements on page 31.

	Performance shares				Restricted shares		
	Plan name [1]	Number of performance shares at threshold [2]	Number of performance shares at maximum [2]	Intrinsic value [3] December 31, 2008 EUR	Plan name [4]	Number of restricted shares	Intrinsic value [5] December 31, 2008 EUR
Olli-Pekka Kallasvuo	2005	15 000	31 800	352 980	2005	35 000	388 500
	2006	75 000	148 500	1 648 350	2006	100 000	1 110 000
	2007	80 000	320 000	—	2007	100 000	1 110 000
	2008	57 500	230 000	—	2008	75 000	832 500
Robert Andersson	2005	3 000	6 360	70 596	2005		
	2006	20 000	39 600	439 560	2006	20 000	222 000
	2007	16 000	64 000	—	2007	25 000	277 500
	2008	10 000	40 000	—	2008	7 000	77 700
Simon Beresford-Wylie	2005	15 000	31 800	352 980	2005		
	2006	25 000	49 500	549 450	2006	25 000	277 500
Timo Ihamuotila	2005	3 600	7 632	84 715	2005		
	2006	3 600	7 128	79 121	2006	4 500	49 950
	2007	16 000	64 000	—	2007	25 000	277 500
	2008	10 000	40 000	—	2008	14 000	155 400
Mary McDowell	2005	15 000	31 800	352 980	2005		
	2006	25 000	49 500	549 450	2006	25 000	277 500
	2007	27 500	110 000	—	2007	35 000	388 500
	2008	14 000	56 000	—	2008	20 000	222 000
Hallstein Moerk	2005	10 000	21 200	235 320	2005		
	2006	15 000	29 700	329 670	2006	15 000	166 500
	2007	16 000	64 000	—	2007	25 000	277 500
	2008	10 000	40 000	—	2008	14 000	155 400
Tero Ojanperä	2005	10 000	21 200	235 320	2005		
	2006	15 000	29 700	329 670	2006	15 000	166 500
	2007	16 000	64 000	—	2007	25 000	277 500
	2008	10 000	40 000	—	2008	14 000	155 400
Niklas Savander	2005	3 500	7 420	82 362	2005		
	2006	15 000	29 700	329 670	2006	15 000	166 500
	2007	16 000	64 000	—	2007	25 000	277 500
	2008	14 000	56 000	—	2008	20 000	222 000
Richard Simonson	2005	15 000	31 800	352 980	2005		
	2006	25 000	49 500	549 450	2006	25 000	277 500
	2007	27 500	110 000	—	2007	35 000	388 500
	2008	16 000	64 000	—	2008	22 000	244 200

	Performance shares				Restricted shares		
	Plan name [1]	Number of performance shares at threshold [2]	Number of performance shares at maximum [2]	Intrinsic value [3] December 31, 2008 EUR	Plan name [4]	Number of restricted shares	Intrinsic value [5] December 31, 2008 EUR
Veli Sundbäck	2005	10 000	21 200	235 320	2005		
	2006	15 000	29 700	329 670	2006	15 000	166 500
	2007	16 000	64 000	—	2007	25 000	277 500
Anssi Vanjoki	2005	15 000	31 800	352 980	2005		
	2006	25 000	49 500	549 450	2006	25 000	277 500
	2007	27 500	110 000	—	2007	35 000	388 500
	2008	16 000	64 000	—	2008	22 000	244 200
Kai Öistämö	2005	3 200	6 784	75 302	2005		
	2006	25 000	49 500	549 450	2006	25 000	277 500
	2007	27 500	110 000	—	2007	35 000	388 500
	2008	16 000	64 000	—	2008	22 000	244 200
Performance shares and restricted shares held by the Group Executive Board, Total [6]		**861 400**	**2 650 324**	**9 016 796**		**964 500**	**10 705 950**
All outstanding performance shares and restricted shares (global plans), Total		**8 596 496**	**33 607 752**	**176 418 521**		**8 049 397**	**89 348 307**

1 The performance period for the 2005 plan is 2005–2008, with one interim measurement period for fiscal years 2005–2006. The performance period for the 2006 plan is 2006–2008, 2007 plan 2007–2009 and 2008 plan 2008–2010, respectively.

2 The threshold number will vest as Nokia shares should the pre-determined threshold performance levels of Nokia be met. Under the 2005 performance share plan, the participants have already received the threshold number of Nokia shares in connection with the interim payout. The maximum number of Nokia shares will vest should the pre-determined maximum performance levels be met. The maximum number of performance shares equals four times the number at threshold. The number of Nokia shares deliverable under the performance share plan 2005 equals 2.12 times the number of performance shares at threshold due to the interim payout (at threshold) in 2007 and based on the actual level of the performance criteria for the performance period. Under the performance share plan 2006 the maximum number of Nokia shares deliverable equals 1.98 times the number of performance shares at threshold.

3 The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 31, 2008 of EUR 11.10. For performance share plans 2007 and 2008, the value of performance shares is presented on the basis of Nokia's estimation of the number of shares expected to vest. For performance share plans 2005 and 2006, the value of performance shares is presented on the basis of actual number of shares to vest.

4 Under the restricted share plans 2005, 2006, 2007 and 2008, awards have been granted quarterly. For the major part of the awards made under these plans, the restriction period ended for the 2005 plan on October 1, 2008; and will end for the 2006 plan on October 1, 2009; for the 2007 plan, on October 1, 2010; and for the 2008 plan, on October 1, 2011.

5 The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 31, 2008 of EUR 11.10.

6 From April 1, 2007, Mr. Beresford-Wylie has participated in a long-term cash incentive plan sponsored by Nokia Siemens Networks instead of the long-term equity-based plans of Nokia.

For gains realized upon exercise of stock options or delivery of Nokia shares on the basis of performance shares and restricted shares granted to the members of the Group Executive Board, see the table in “Stock option exercises and settlement of shares” on page 86.

Stock option exercises and settlement of shares

The following table provides certain information relating to stock option exercises and share deliveries upon settlement during the year 2008 for Nokia's Group Executive Board members.

		Stock option awards [1]		Performance shares awards [2]		Restricted shares awards [3]	
Name	Year	Number of shares acquired on exercise	Value realized on exercise (EUR)	Number of shares delivered on vesting	Value realized on vesting (EUR)	Number of shares delivered on vesting	Value realized on vesting (EUR)
Olli-Pekka Kallasvuo	2008	—	—	35 850	648 885	35 000	434 700
Robert Andersson	2008	—	—	6 214	112 473	28 000	347 760
Simon Beresford-Wylie	2008	—	—	5 975	108 148	35 000	434 700
Timo Ihamuotila	2008	—	—	4 780	86 518	25 000	310 500
Mary McDowell	2008	70 000	679 000	29 875	540 738	35 000	434 700
Hallstein Moerk	2008	—	—	17 925	324 443	25 000	310 500
Tero Ojanperä	2008	8 000	55 120	5 975	108 148	25 000	310 500
Niklas Savander	2008	—	—	6 118	110 736	25 000	310 500
Richard Simonson	2008	11 500	110 170	29 875	540 738	35 000	434 700
Veli Sundbäck	2008	—	—	17 925	324 443	25 000	310 500
Anssi Vanjoki	2008	—	—	35 850	648 885	35 000	434 700
Kai Öistämö	2008	—	—	5 975	108 148	25 000	310 500

1 Value realized on exercise is based on the difference between the Nokia share price and exercise price of options (non-transferable stock options).

2 Represents the final payout in gross shares for the 2004 performance share grant. Value is based on the market price of the Nokia share on NASDAQ OMX Helsinki as at June 2, 2008 of EUR 18.10.

3 Delivery of Nokia shares vested from the 2005 restricted share grant to all members of the Group Executive Board. Value is based on the market price of the Nokia share on NASDAQ OMX Helsinki on October 22, 2008 of EUR 12.42.

Stock ownership guidelines for executive management

One of the goals of Nokia's long-term equity-based incentive program is to focus executives on building value for shareholders. In addition to granting the stock options, performance shares and restricted shares, Nokia also encourages stock ownership by its top executives. Since January 2001, Nokia has had stock ownership commitment guidelines with minimum recommendations tied to annual base salaries. For the President and CEO, the recommended minimum investment in Nokia shares corresponds to three times his annual base salary, for Simon Beresford-Wylie, Chief Executive Officer of Nokia Siemens Networks one time his annual base salary and for the other members of the Group Executive Board two times the member's annual base salary, respectively. To meet this requirement, all members are expected to retain 50% of any after-tax gains from equity programs in shares until the minimum investment level is met.

Insider trading in securities

The Board of Directors has established a policy in respect of insiders' trading in Nokia securities. The members of the Board and the Group Executive Board as well as the auditor with principal responsibility are considered as primary insiders. The holdings of Nokia securities by the primary insiders, their closely associated persons and organizations and foundations under their control are public information which is available at Euroclear Finland Ltd and on Nokia's website. Both primary insiders and secondary insiders (as defined in the policy) are subject to a number of trading restrictions and rules, including, among other things, prohibitions on trading in Nokia securities during the three-week "closed-window" period immediately preceding the release of Nokia's quarterly results and the four-week "closed-window" period immediately preceding the release of Nokia's annual results. In addition, Nokia may set trading restrictions based on participation in projects.

The insider policy is updated from time to time and the insiders' compliance with the policy is monitored on a regular basis. Nokia's insider policy is in line with the NASDAQ OMX Helsinki Guidelines for Insiders and also sets requirements beyond those guidelines.

Auditor fees and services

PricewaterhouseCoopers Oy has served as Nokia's independent auditor for each of the fiscal years in the three-year period ended December 31, 2008. The independent auditor is elected annually by Nokia's shareholders at the Annual General Meeting for the fiscal year in question. The Audit Committee of the Board of Directors makes a proposal to the shareholders in respect of the appointment of the auditor based upon its evaluation of the qualifications and independence of the auditor to be proposed for election or re-election on an annual basis.

The following table sets forth the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers to Nokia in 2008 and 2007 in total with a separate presentation of those fees related to Nokia and Nokia Siemens Networks.

	2008			2007		
EURm	Nokia	Nokia Siemens Networks	Total	Nokia	Nokia Siemens Networks	Total
Audit fees [1]	6.4	13.1	19.5	5.3	12.7	18.0
Audit-related fees [2]	2.4	5.0	7.4	3.6	24.3	27.9
Tax fees [3]	3.8	3.0	6.8	5.0	2.3	7.3
All other fees [4]	0.7	—	0.7	0.2	—	0.2
Total	**13.3**	**21.1**	**34.4**	**14.1**	**39.3**	**53.4**

1 Audit fees consist of fees billed for the annual audit of the company's consolidated financial statements and the statutory financial statements of the company's subsidiaries. They also include fees billed for other audit services, which are those services that only the independent auditor reasonably can provide, and include the provision of comfort letters and consents in connection with statutory and regulatory filings and the review of documents filed with the SEC and other capital markets or local financial reporting regulatory bodies.

2 Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the company's financial statements or that are traditionally performed by the independent auditor, and include consultations concerning financial accounting and reporting standards; advice on tax accounting matters; advice and assistance in connection with local statutory accounting requirements; due diligence related to acquisitions; financial due diligence in connection with provision of funding to customers, reports in relation to covenants in loan agreements; employee benefit plan audits and reviews; and audit procedures in connection with investigations and the compliance program implemented at Nokia Siemens Networks related to the Siemens' carrier-related operations transferred to Nokia Siemens Networks. The amounts paid by Nokia to PricewaterhouseCoopers include EUR 2.5 million and EUR 23.9 million that Nokia has recovered or will be able to recover from a third party for 2008 and 2007, respectively.

3 Tax fees include fees billed for (i) corporate and indirect compliance including preparation and/or review of tax returns, preparation, review and/or filing of various certificates and forms and consultation regarding tax returns and assistance with revenue authority queries; (ii) transfer pricing advice and assistance with tax clearances; (iii) customs duties reviews and advise; (iv) consultations and tax audits (assistance with technical tax queries and tax audits and appeals and advise on mergers, acquisitions and restructurings); (v) personal compliance (preparation of individual tax returns and registrations for employees (non-executives), assistance with applying visa, residency, work permits and tax status for expatriates); and (vi) consultation and planning (advice on stock based remuneration, local employer tax laws, social security laws, employment laws and compensation programs, tax implications on short-term international transfers).

4 All other fees include fees billed for company establishment, forensic accounting, data security, investigations and reviews of licensing arrangements with customers and occasional training or reference materials and services.

Audit committee pre-approval policies and procedures

The Audit Committee of Nokia's Board of Directors is responsible, among other matters, for the oversight of the external auditor subject to the requirements of Finnish law. The Audit Committee has adopted a policy regarding pre-approval of audit and permissible non-audit services provided by Nokia's independent auditors (the "Policy").

Under the Policy, proposed services either (i) may be pre-approved by the Audit Committee without a specific case-by-case services approvals ("general pre-approval"); or (ii) require the specific pre-approval of the Audit Committee ("specific pre-approval"). The Audit Committee may delegate either type of pre-approval authority to one or more of its members. The appendices to the Policy set out the audit, audit-related, tax and other services that have received the general pre-approval of the Audit Committee. All other audit, audit-related (including services related to internal controls and significant M&A projects), tax and other services are subject to a specific pre-approval from the Audit Committee. All service requests concerning generally pre-approved services will be submitted to the Corporate Controller who will determine whether the services are within the services generally pre-approved. The Policy and its appendices are subject to annual review by the Audit Committee.

The Audit Committee establishes budgeted fee levels annually for each of the four categories of audit and non-audit services that are pre-approved under the Policy, namely, audit, audit-related, tax and other services. Requests or applications to provide services that require specific approval by the Audit Committee are submitted to the Audit Committee by both the independent auditor and the Corporate Controller. At each regular meeting of the Audit Committee, the independent auditor provides a report in order for the Audit Committee to review the services that the auditor is providing, as well as the status and cost of those services.

Investor information

Information on the Internet
www.nokia.com/investors

Available on the Internet: financial reports, Nokia management's presentations, conference call and other investor related materials, press releases as well as environmental and social information.

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Annual General Meeting
Date: Thursday, April 23, 2009 at 3.00 pm
Address: Helsinki Fair Centre, Amfi-hall, Messuaukio 1, Helsinki, Finland

Dividend
Dividend proposed by the Board of Directors for the fiscal year 2008 is EUR 0.40.
The dividend record date is proposed to be April 28, 2009 and the pay date on or about May 13, 2009.

Financial reporting
Nokia's quarterly reports in 2009 are planned for April 16, July 16, and October 15. The 2009 results are planned to be published in January 2010.

Information published in 2008
All Nokia's press releases published in 2008 are available on the Internet at investors.nokia.com.

Stock exchanges
The shares of Nokia Corporation are quoted on the following stock exchanges:

	Symbol	Trading currency
NASDAQ OMX Helsinki (quoted since 1915)	NOK1V	EUR
Frankfurter Wertpapierbörse (1988)	NOA3	EUR
New York Stock Exchange (1994)	NOK	USD

List of indices

NOK1V	NOK
OMXN40 OMX Nordic 40	**NYA** NYSE Composite
OMXH OMX Helsinki	**NYL.ID** NYSE World Leaders
OMXH25 OMX Helsinki 25	**NYYID** NYSE TMT
HX45 OMX Helsinki Information Technology	**CTN** CSFB Technology
BE500 Bloomberg European 500	**MLO** Merrill Lynch 10
BETECH Bloomberg Telecommunication Equipment	
SX5E DJ Euro STOXX 50	
SX5P DJ STOXX 50	
E3X FTSE Eurofirst 300	

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding: A) the timing of product, services and solution deliveries; B) our ability to develop, implement and commercialize new products, services, solutions and technologies; C) our ability to develop and grow our consumer Internet services business; D) expectations regarding market developments and structural changes; E) expectations regarding our mobile device volumes, market share, prices and margins; F) expectations and targets for our results of operations; G) the outcome of pending and threatened litigation; H) expectations regarding the successful completion of contemplated acquisitions on a timely basis and our ability to achieve the set targets upon the completion of such acquisitions; and I) statements preceded by "believe," "expect," "anticipate," "foresee," "target," "estimate," "designed," "plans," "will" or similar expressions are forward-looking statements. These statements are based on management's best assumptions and beliefs in light of the information currently available to it. Because they involve risks and uncertainties, actual results may differ materially from the results that we currently expect. Factors that could cause these differences include, but are not limited to: 1) the deteriorating global economic conditions and related financial crisis and their impact on us, our customers and end-users of our products, services and solutions, our suppliers and collaborative partners; 2) the development of the mobile and fixed communications industry, as well as the growth and profitability of the new market segments that we target and our ability to successfully develop or acquire and market products, services and solutions in those segments; 3) the intensity of competition in the mobile and fixed communications industry and our ability to maintain or improve our market position or respond successfully to changes in the competitive landscape; 4) competitiveness of our product, services and solutions portfolio; 5) our ability to successfully manage costs; 6) exchange rate fluctuations, including, in particular, fluctuations between the euro, which is our reporting currency, and the US dollar, the Japanese yen, the Chinese yuan and the UK pound sterling, as well as certain other currencies; 7) the success, financial condition and performance of our suppliers, collaboration partners and customers; 8) our ability to source sufficient amounts of fully functional components, sub-assemblies, software and content without interruption and at acceptable prices; 9) the impact of changes in technology and our ability to develop or otherwise acquire and timely and successfully commercialize complex technologies as required by the market; 10) the occurrence of any actual or even alleged defects or other quality, safety or security issues in our products, services and solutions; 11) the impact of changes in government policies, trade policies, laws or regulations or political turmoil in countries where we do business; 12) our success in collaboration arrangements with others relating to development of technologies or new products, services and solutions; 13) our ability to manage efficiently our manufacturing and logistics, as well as to ensure the quality, safety, security and timely delivery of our products, services and solutions; 14) inventory management risks resulting from shifts in market demand; 15) our ability to protect the complex technologies, which we or others develop or that we license, from claims that we have infringed third parties' intellectual property rights, as well as our unrestricted use on commercially acceptable terms of certain technologies in our products, services and solutions; 16) our ability to protect numerous Nokia, NAVTEQ and Nokia Siemens Networks patented, standardized or proprietary technologies from third-party infringement or actions to invalidate the intellectual property rights of these technologies; 17) any disruption to information technology systems and networks that our operations rely on; 18) developments under large, multi-year contracts or in relation to major customers; 19) the management of our customer financing exposure; 20) our ability to retain, motivate, develop and recruit appropriately skilled employees; 21) whether, as a result of investigations into alleged violations of law by some former employees of Siemens AG ("Siemens"), government authorities or others take further actions against Siemens and/or its employees that may involve and affect the carrier-related assets and employees transferred by Siemens to Nokia Siemens Networks, or there may be undetected additional violations that may have occurred prior to the transfer, or violations that may have occurred after the transfer, of such assets and employees that could result in additional actions by government authorities; 22) any impairment of Nokia Siemens Networks customer relationships resulting from the ongoing government investigations involving the Siemens carrier-related operations transferred to Nokia Siemens Networks; 23) unfavorable outcome of litigations; 24) allegations of possible health risks from electromagnetic fields generated by base stations and mobile devices and lawsuits related to them, regardless of merit; as well as the risk factors specified on pages 11–28 of Nokia's annual report on Form 20-F for the year ended December 31, 2008 under Item 3D. "Risk Factors." Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Nokia does not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

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