Nokia in 2009

NOKIA

Review by the Board of Directors and Nokia Annual Accounts 2009

Key data *

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

Nokia, EURm	2009	2008	Change, %
Net sales	40 984	50 710	–19
Operating profit	1 197	4 966	–76
Profit before tax	962	4 970	–81
Profit attributable to equity holders' of the parent	891	3 988	–78
Research and development expenses	5 909	5 968	–1

%	2009	2008
Return on capital employed	6.7	27.2
Net debt to equity (gearing)	–25	–14

EUR	2009	2008	Change, %
Earnings per share, basic	0.24	1.07	–78
Dividend per share	0.40 **	0.40	—
Average number of shares (1 000 shares)	3 705 116	3 743 622	

** Board's proposal

Reportable segments, EURm	2009	2008	Change, %
Devices & Services			
Net sales	27 853	35 099	–21
Operating profit	3 314	5 816	–43
NAVTEQ			
Net sales	670	361	
Operating profit	–344	–153	125
Nokia Siemens Networks			
Net sales	12 574	15 309	–18
Operating profit	–1 639	–301	

Personnel, December 31	2009	2008	Change, %
Devices & Services	54 773	61 130	–10
NAVTEQ	4 571	4 049	13
Nokia Siemens Networks	63 927	60 295	6
Corporate Common Functions	282	355	–21
Nokia Group	123 553	125 829	–2

10 major markets, net sales; EURm	2009	2008
China	5 990	5 916
India	2 809	3 719
UK	1 916	2 382
Germany	1 733	2 294
USA	1 731	1 907
Russia	1 528	2 083
Indonesia	1 458	2 046
Spain	1 408	1 497
Brazil	1 333	1 902
Italy	1 252	1 774

10 major countries, personnel, December 31	2009	2008
Finland	21 559	23 320
India	18 376	15 562
China	15 419	14 505
Germany	11 582	12 309
Brazil	10 288	8 557
United States	7 294	8 060
Hungary	6 342	7 541
UK	4 010	4 313
Mexico	2 619	3 559
Poland	1 937	1 646

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

Main currencies, exchange rates at the end of 2009

1 EUR	USD	1.4648
	GBP	0.9006
	CNY	10.0018
	INR	68.3223
	RUB	44.1402
	JPY	130.30

Review by the Board of Directors 2009

In 2009, Nokia's net sales decreased 19% to EUR 40 984 million (EUR 50 710 million in 2008). Net sales of Devices & Services for 2009 decreased 21% to EUR 27 853 million (EUR 35 099 million). Net sales of NAVTEQ* were EUR 670 million in 2009 (EUR 361 million for the six months ended December 31, 2008). Net sales of Nokia Siemens Networks decreased 18% to EUR 12 574 million (EUR 15 309 million).

In 2009, Europe accounted for 36% (37%) of Nokia's net sales, Asia-Pacific 22% (22%), Greater China 16% (13%), Middle East & Africa 14% (14%), Latin America 7% (10%), and North America 5% (4%). The 10 markets in which Nokia generated the greatest net sales in 2009 were, in descending order of magnitude, China, India, the UK, Germany, the United States, Russia, Indonesia, Spain, Brazil and Italy, together representing approximately 52% of total net sales in 2009. In comparison, the 10 markets in which Nokia generated the greatest net sales in 2008 were China, India, the UK, Germany, Russia, Indonesia, the United States, Brazil, Italy and Spain, together representing approximately 50% of total net sales in 2008.

Nokia's gross margin in 2009 was 32.4%, compared to 34.3% in 2008. Nokia's 2009 operating profit decreased 76% to EUR 1 197million, compared with EUR 4 966 million in 2008. Nokia's 2009 operating margin was 2.9% (9.8%). Nokia's operating profit in 2009 included purchase price accounting items and other special items of net negative EUR 2 306 million (net negative EUR 2 067 million). Devices & Services operating profit decreased 43% to EUR 3 314 million, compared with EUR 5 816 million in 2008, with a reported operating margin of 11.9% (16.6%). Devices & Services operating profit in 2009 included special items of negative EUR 174 million (net negative EUR 557 million). NAVTEQ's operating loss in 2009 was EUR 344 million with a reported operating margin of −51.3% compared to an operating loss of EUR 153 million, for the six months ended on December 31, 2008 representing an operating margin of −42.4%. NAVTEQ's operating loss in 2009 included purchase price accounting items and other special items of negative EUR 465 million (net negative EUR 235 million). Nokia Siemens Networks had an operating loss of EUR 1 639 million, compared with a EUR 301 million operating loss in 2008, representing an operating margin of −13.0% (−2.0%). Nokia Siemens Networks operating loss in 2009 included purchase price accounting items and other special items, including EUR 908 million impairment of goodwill, of net negative EUR 1 667 million (net negative EUR 1 058 million).

In 2009, Nokia's net sales and profitability were negatively impacted by the deteriorated global economic conditions, including weaker consumer and corporate spending, constrained credit availability and currency market volatility. The demand environment, in particular for mobile devices, improved during the latter part of the year as the global economy started showing initial signs of recovery.

Reported research and development expenses were EUR 5 909 million in 2009, down 1% from EUR 5 968 million in 2008. Research and development costs represented 14.4% of Nokia net sales in 2009, up from 11.8% in 2008. Research and development expenses included purchase price accounting items and other special items of EUR 564 million in 2009 (EUR 550 million in 2008). At December 31, 2009, Nokia employed 37 020 people in research and development, representing approximately 30% of the group's total workforce, and had a strong research and development presence in 16 countries.

In 2009, Nokia's selling and marketing expenses were EUR 3 933 million, compared with EUR 4 380 million in 2008. Selling and marketing expenses for Nokia represented 9.6% of its net sales in 2009 (8.6%). Selling and marketing expenses included purchase price accounting items and other special items of EUR 413 million in 2009 (EUR 341 million).

Administrative and general expenses were EUR 1 145 million in 2009 compared to EUR 1 284 million in 2008. Administrative and general expenses were equal to 2.8% of net sales in 2009 (2.5%). Administrative and general expenses included special items of EUR 103 million in 2009 (EUR 163 million).

Group Common Functions expenses totaled EUR 134 million in 2009, compared to EUR 396 million in 2008. Expenses in 2008 included a EUR 217 million loss due to transfer of Finnish pension liabilities.

Net financial expense was EUR 265 million in 2009 (EUR 2 million).

Profit before tax and minority interests was EUR 962 million (EUR 4 970 million in 2008). Profit was EUR 260 million (EUR 3 889 million), based on a profit of EUR 891 million (profit of EUR 3 988 million) attributable to equity holders of the parent and a negative EUR 631 million (negative EUR 99 million) attributable to minority interests. Earnings per share decreased to EUR 0.24 (basic) and EUR 0.24 (diluted), compared to EUR 1.07 (basic) and EUR 1.05 (diluted) in 2008.

Operating cash flow for the year ended December 31, 2009 was EUR 3 247 million (EUR 3 197 million for the year ended December 31, 2008) and total combined cash and other liquid assets were EUR 8 873 million (EUR 6 820 million). As of December 31, 2009, our net debt-to-equity ratio (gearing) was −25% (−14% as of December 31, 2008). In 2009, capital expenditure amounted to EUR 531 million (EUR 889 million).

The key financial data, including the calculation of key ratios, for the years 2009, 2008 and 2007 are available in the Annual Accounts.

* 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. Accordingly, the results of NAVTEQ for the full year 2009 are not directly comparable to the results for the full year 2008.

Main events in 2009

Nokia Group

» Nokia formed Solutions, a new unit responsible for driving Nokia's offering of solutions, with the aim of integrating the mobile device, services and content into a unique and compelling offering for the consumer. The unit formally started operating on October 1, 2009.

» Nokia announced changes to its Group Executive Board, with Robert Andersson leaving Nokia's Group Executive Board as of September 30, 2009 in connection with his transfer to new duties in Nokia's Corporate Development unit; Alberto Torres joining Nokia's Group Executive Board as of October 1, 2009 in connection with his appointment as head of the Solutions unit, and; Simon Beresford-Wylie leaving the Group Executive Board on September 30, 2009 after stepping down as Chief Executive Officer of Nokia Siemens Networks.

» Nokia announced that Rajeev Suri was appointed as Chief Executive Officer of Nokia Siemens Networks as of October 1, 2009.

» Nokia continued to take action to adjust its business operations and cost base in accordance with market demand as well as seek savings in operational expenses, looking at all areas and activities across Devices & Services and global support functions. Actions included the closure of certain Nokia facilities, the streamlining of Nokia's research and development organization, temporary lay-offs in production, and measures to increase efficiency in certain global support functions.

» Nokia was named as the world's most sustainable technology company according to the 2009–2010 edition of the Dow Jones Sustainability Indexes.

Devices & Services

» Nokia strengthened its portfolio of Mobile Phones with new models such as the: Nokia 2323 classic, an affordable mobile device offering an FM radio with recording and an Internet browser; Nokia 2330 classic, an affordable mobile device equipped with an integrated camera; Nokia 3720 classic, a rugged handset designed to resist water, dust and shock; Nokia 5130 XpressMusic, an affordable handset optimized for music; Nokia 6303 classic, featuring a 3.2 megapixel camera, an Internet browser and long battery life; Nokia 6700 classic, equipped with a 5 megapixel camera, assisted GPS navigation, and high speed data access and Nokia X3, an affordable music device with stereo speakers, built-in FM radio and a 3.2 megapixel camera.

- To create additional value for users of our Mobile Phones, Nokia also developed its offering of services designed to be accessed with them: In India and Indonesia, Nokia launched Nokia Life Tools, through which consumers can access timely and relevant agricultural information, as well as education and entertainment services, without requiring the use of GPRS or Internet connectivity; Nokia also continued to expand Ovi Mail, a free email service designed especially for users in emerging markets with Internet-enabled devices.
- Nokia introduced Nokia Money, a new mobile financial service. The service is to be rolled out gradually to selected markets and will be operated in cooperation with Obopay, a leading developer of mobile payment solutions in which Nokia invested.
- Nokia strengthened its portfolio of Smartphones with new models such as the: Nokia N97, featuring a tilting 3.5" touch display with a full QWERTY keyboard, a 5 megapixel camera, integrated AGPS sensors and an electronic compass, and 32 GB of onboard memory; Nokia N97 mini, a smaller companion to the Nokia N97, featuring a tilting 3.2" touch display and a fully customizable homescreen; Nokia 5230, an affordable touch smartphone that, in select markets, is available with Comes With Music; Nokia E72, a device designed especially for business use and messaging, featuring the latest consumer and corporate email solutions and simple Instant Messaging setup; Nokia E75, featuring a slide out QWERTY keyboard, 3.2 megapixel camera and assisted GPS and Nokia X6, a powerful, touch entertainment device with 32 GB of onboard memory that, in select markets, is available in combination with Comes With Music.
- Building on the functionalities of Nokia's Smartphones and enhancing their value for consumers, Nokia continued to develop Ovi, the Internet services brand under which it has integrated many of its individual services to simplify the user experience and differentiate it from competitors. For example, Nokia launched Ovi Store, a one-stop shop for applications and content for millions of Nokia device users, and made available the Ovi SDK (software development kit), the Ovi Maps Player API (application programming interface) and the Ovi Navigation API, enabling the creation of sophisticated applications for the web as well as the Symbian and Maemo platforms.
- Nokia continued to develop Ovi Maps, a service that gives consumers access to mapping and, for those with GPSenabled Nokia mobile devices, navigation. Ovi Maps utilizes NAVTEQ's digital maps database and is evolving from a static map to a dynamic platform upon which users can add their own content and access location-based services as well as content placed on the map by third parties, such as Lonely Planet, Michelin and WCities. During January 2010, Nokia introduced a new version of Ovi Maps for its selected smartphones that includes navigation at no extra cost for consumers available for download on Nokia's web site. This new version of Ovi Maps includes high-end car and pedestrian navigation features, such as turn-by-turn voice guidance for 74 countries, in 46 languages, and traffic information for more than 10 countries, as well as detailed maps for more than 180 countries.
- Nokia launched in Russia Ovi Music, representing the first step to bring Nokia Music Store–our chain of digital music stores–into the Ovi stable of services. During 2010, we plan to migrate our existing Nokia Music Stores in different countries to Ovi Music, bringing a number of benefits such as a single account and a sleek and simple Ovi look and feel and other user experience improvements. The Ovi Music catalog has more than 9 million tracks available for download.
- Nokia commenced shipments of the Nokia N900, a handset that delivers computer-grade performance in a compact QWERTY and touch form factor. The Nokia N900 runs on Maemo, a desktop PC-like software architecture based on the open source Linux software, and which Nokia is continuing to develop.
- Nokia commenced shipments of the Nokia Booklet 3G, a new Windows 7-based mini-laptop, built for all-day mobility and connectivity. Encased in an ultra-portable aluminum chassis, the Nokia Booklet 3G runs for up to 12 hours on a single charge and has a broad range of connectivity options.
- Nokia continued to partner with third party companies, operators, developers and content providers in areas that it believes could positively differentiate its Smartphones, as well as other Nokia mobile devices, from those offered by competitors. For example, partnering with operators, Nokia continued to grow Nokia Messaging, its push email and instant messaging service. Nokia also continued to work together with the music industry to expand Nokia Music Store, its digital music store, and Comes With Music, its 'all-you-can-eat' music offering. Additionally, Nokia formed a global alliance with Microsoft to design and market a suite of productivity applications for Nokia's Smartphones, and commenced a partnership with Intel Corporation to develop a new class of Intel® Architecture-based mobile computing device and chipset architectures that will combine the performance of powerful computers with high-bandwidth mobile broadband communications and ubiquitous Internet connectivity. Nokia also launched Ovi lifecasting, an application developed together with Facebook that enables people to publish their location and status updates directly to their Facebook account from the home screen of a mobile device.

NAVTEQ

- NAVTEQ announced the availability of Motorway Junction Objects, which enables navigation systems to display full 3D animation of complex junctions, in Australia, Europe and North America with coverage of over 8 000 locations.
- NAVTEQ announced that NAVTEQ Discover Cities™ reached a global pedestrian navigation milestone of 100 cities.
- NAVTEQ announced the availability of NAVTEQ LocationPoint™, a location-based advertising service for mobile applications, in several European countries, as well as agreements with AAA, Loopt and Nextar in North America to utilize the offering.
- NAVTEQ launched real time traffic in 11 European countries and expanded NAVTEQ Traffic Patterns™ to 9 European countries.
- NAVTEQ launched maps in Chile, Venezuela, Iceland and Croatia, along with a significant increase in major city coverage in its India map to now encompass 84 cities.
- NAVTEQ announced that it signed an agreement with Samsung Electronics providing access to all countries in the NAVTEQ database as well as NAVTEQ's Visual Content, Speed Limits, Extended Lanes and NAVTEQ Discover Cities™.
- NAVTEQ announced a global technology agreement with Microsoft to allow the rapid deployment of innovative collection capabilities, as well as accelerating the collection, creation and storage of 3D map data and visuals.
- NAVTEQ announced the integration of Nokia GPS data for availability in NAVTEQ traffic products in North America and Europe.

Nokia Siemens Networks

- Nokia Siemens Networks won 29 new 3G contracts during 2009, confirming its industry-leading position in wireless broadband. The company secured key deals across the globe including contracts with: Softbank in Japan; Telenor in Denmark and Sweden; Megafon in Russia; Hutchison Telecom in Hong Kong; China Unicom and China Mobile; Nuevatel in Bolivia; and Viettel and Vinaphone in Vietnam.
- Nokia Siemens Networks took significant steps forward in LTE, making the world's first LTE call and handover on commercial software and started LTE interoperability tests with 4 leading device vendors. Nokia Siemens Networks had by year end 2009 shipped capable LTE hardware to close to all its 3G customers, demonstrating readiness to support operators all over the world in the first commercial deployments of LTE.

- » Nokia Siemens Networks was selected to provide LTE networks for Zain Bahrain and Telenor Denmark, taking commercial LTE references to six, including a deal with Verizon, the United States operator, which selected Nokia Siemens Networks as a supplier of its IP Multi-Media Subsystem (IMS) network, which will enable rich multimedia applications across its networks.
- » Nokia Siemens Networks signed 37 new Managed Services contracts in 2009, breaking into new geographic markets across the world with landmark agreements that included contracts with Orange in the United Kingdom and Spain, Oi in Brazil, Zain in Nigeria and East Africa and Unitech in India.
- » Nokia Siemens Networks extended its global services delivery capability with the inauguration of a Global Networks Solutions Centre in Noida, India.
- » Nokia Siemens Networks announced a number of technological advances including the launch of the Flexi Multiradio base station which allows GSM/EDGE, WCDMA/HSPA/HSPA+ and LTE standards to run concurrently in a single unit, and the Evolved Packet Core for LTE that will enable operators to efficiently offer a full range of data, voice, and high-quality and real-time multimedia services over different wireless standards using the same open platform in the core network.
- » Nokia Siemens Networks also launched new solutions including FlexiPacket Microwave, a next generation full packet microwave solution which combines Carrier Ethernet Transport with Microwave Radio, and charge@once unified and business solutions that allow operators to combine charging and billing.
- » Nokia Siemens Networks announced a reorganization of its business structure to align it better to customer needs. At the same time, Nokia Siemens Networks announced a plan to improve its financial performance, which include targeted reductions of annualized operating expenses and production overheads of EUR 500 million by the end of 2011, compared to the end of 2009, on a non-IFRS basis. As part of that effort, the company is conducting a global personnel review which may lead to headcount reductions in the range of about 7% to 9% of its approximately 64 000 employees.

Acquisitions and divestments in 2009

- » In December 2009, Nokia and New Alliance, an investment company which is part of the Shanghai Alliance Investment Ltd, announced plans to form a 50-50 joint venture company to offer a range of mobile services in China and support the local developer ecosystem.
- » In December 2009, Nokia sold its minority holding in Venyon, a leading trusted service manager on the mobile near field communication (NFC) market, to Giesecke & Devrient.
- » In October, 2009, Nokia completed the sale of Symbian Professional Services to Accenture.
- » In October 2009, Nokia Siemens Networks and Juniper Networks formed a joint venture offering a Carrier Ethernet solution for mobile backhaul, business and residential broadband networks. The joint venture company is 60% owned by Juniper Networks and 40% by Nokia Siemens Networks.
- » In September 2009, Nokia acquired Dopplr, a mobile service provider for international travelers.
- » In September 2009, NAVTEQ acquired Acuity Mobile, whose leading mobile location-based advertising delivery platform enables NAVTEQ to continue to differentiate its interactive advertising capabilities.
- » In September 2009, Nokia acquired certain assets of Plum Ventures, a company that develops and operates a cloud-based social media sharing and messaging service for private groups.
- » In August 2009, Nokia acquired cellity, a mobile software company that has developed a solution for aggregating address book data.
- » In April 2009, Nokia sold its security appliance business to Check Point Software Technologies.
- » In February 2009, Nokia acquired bit-side, a professional services and software company.
- » In January 2009, NAVTEQ acquired T-Traffic Systems, a leading provider of traffic services in Germany.

Personnel

The average number of employees for 2009 was 123 171, (121 723 for 2008 and 100 534 for 2007). At December 31, 2009, Nokia employed a total of 123 553 people (125 829 at December 31, 2008, and 112 262 at December 31, 2007). The total amount of wages and salaries paid in 2009 was EUR 5 658 million (EUR 5 615 million in 2008 and EUR 4 664 million in 2007).

Management and Board of Directors

Board of Directors, Group Executive Board and President

Pursuant to the Articles of Association, Nokia Corporation has a Board of Directors composed of a minimum of 7 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. A general meeting may also dismiss a member of the Board of Directors. The Board has the responsibility for appointing and discharging the Chief Executive Officer, the Chief Financial Officer and the other members of the Group Executive Board. The Chief Executive Officer, who is separated from Chairman, also acts as President and his rights and responsibilities include those allotted to the President under Finnish law.

The current members of the Board of Directors were elected at the Annual General Meeting on April 23, 2009. On December 31, 2009, the Board consisted of the following members: Jorma Ollila (Chair), Marjorie Scardino (Vice Chair), Georg Ehrnrooth, Lalita D. Gupte, Bengt Holmström, Henning Kagermann, Per Karlsson, Olli-Pekka Kallasvuo, Isabel Marey-Semper, 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 as well as the other members of the Group Executive Board are available in the Annual Accounts.

For more information regarding Corporate Governance, please see the Corporate Governance Statement in the Additional information section of this document or at Nokia's website, www.nokia.com.

Changes in the Group Executive Board

Alberto Torres, Executive Vice President, Head of Solution Unit, was appointed as a member of the Group Executive Board as from October 1, 2009. Robert Andersson and Simon Beresford-Wylie left the Group Executive Board as from September 30, 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, 2009, 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 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 2009, Nokia issued 7 500 new shares upon exercise of stock options issued to personnel in 2004. Effective March 25, 2009, a total of 56 million shares held by the company were cancelled.The issuance of new shares and cancellation of shares did not impact the amount of share capital of the company. Neither the issuance of shares 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.

In 2009, Nokia did not repurchase any shares.

In 2009, Nokia transferred a total of 10 351 876 Nokia shares held by it under Nokia equity plans as settlement under the plans to the Plan participants, personnel of Nokia Group. The amount of shares transferred represented approximately 0.2% of the total number of shares 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, 2009, Nokia and its subsidiary companies owned 36 693 564 Nokia shares. The shares represented approximately 1.0% of the total number of the shares of the company and the total voting rights. The total number of shares at December 31, 2009, was 3 744 956 052. On December 31, 2009, Nokia's share capital was EUR 245 896 461.96.

Information on the authorizations held by the Board in 2009 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 2010

» Nokia expects industry mobile device volumes to be up approximately 10% in 2010, compared to 2009, based on the industry mobile device market definition applied by Nokia beginning in 2010.

» Nokia targets its mobile device volume market share to be flat in 2010, compared to 2009, based on the industry mobile device market definition applied by Nokia beginning in 2010.

» Nokia targets to increase its mobile device value market share slightly in 2010, compared to 2009, based on the industry mobile device market definition applied by Nokia beginning in 2010.

» Nokia and Nokia Siemens Networks expect a flat market in euro terms for the mobile and fixed infrastructure and related services market in 2010, compared to 2009.

» Nokia and Nokia Siemens Networks target Nokia Siemens Networks to grow faster than the market in 2010, compared to 2009.

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 need to have a competitive portfolio of high quality products and services and their combination that are preferred, purchased and used by our current and potential customers and consumers. If we fail to achieve or maintain a competitive portfolio, our business, sales and results of operations may be materially adversely affected.

» Our sales and profitability have been, and continue to be, driven to significant extent by our success in the traditional mobile device market. Increasingly, however, our sales and profitability depend on our success in the market for converged mobile devices. Our failure to effectively, timely and profitably adapt our business and operations to the developing requirements of the converged mobile device market could have a material adverse effect on our business, results of operations, particularly our profitability, and our financial condition.

» Competition in the various markets where we do business–traditional mobile devices, converged mobile devices, digital map data and related location-based content, and mobile and fixed network infrastructure and related services–is intense. Our failure to maintain or improve our market position or respond successfully to changes in the competitive environment in those markets may have a material adverse effect on our business, sales and results of operations.

» Any actual or even alleged defects or other quality, safety and security issues in our products and services and their combinations, including but not limited to the hardware, software and content used in our products, or any loss, improper disclosure or leakage of any personal or consumer data collected by us, made available to us or stored in or through our products and services, could materially adversely affect our sales, results of operations, reputation and the value of the Nokia brand.

» We are a global company and have sales in most countries of the world and, consequently, our sales and profitability are dependent on the development of the mobile and fixed communications industry in numerous diverse markets, as well as on general economic conditions globally and regionally.

» 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 and services and their combinations, and to our operations.

» Our net 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 and the Chinese yuan, as well as certain other currencies.

» We depend on a limited number of suppliers for the timely delivery of sufficient quantities of fully functional components, sub-assemblies, software, applications and content and for their compliance with our supplier requirements, such as our own and our customers' and consumers' 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 and services and their combinations successfully and on time.

» We are developing new technologies, products and services, including applications and content, in collaboration with other companies. We believe that success in the converged mobile device market in particular requires such collaboration and partnering. If any of those companies were to fail to perform as planned or if we fail to achieve the collaboration or partnering arrangements needed to succeed, we may not be able to bring our products and services 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, service creation and delivery as well as logistics without interruption or make timely and appropriate adjustments, or fail to ensure that our products and services, meet our and our customers' and consumers' requirements and are delivered on time and in sufficient volumes.
- Our products and services and their combination 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 and services 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 and services and their combination include numerous 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 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 those countries represent a significant portion of our total sales, economic or political turmoil in those 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.
- 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.
- If we are unable to retain, motivate, develop and recruit appropriately skilled employees, our ability to implement our strategies may be hampered and, consequently, could have a material adverse effect on our business and results of operations.
- 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.

In addition to the risks described above and applicable to whole Nokia Group, the following are risks primarily related to Nokia Siemens Networks that could affect Nokia.

- In response to its declined market share and deteriorated financial performance, Nokia Siemens Networks announced in 2009 a plan to improve its financial performance by reducing operating expenses and other costs and increasing profitability. If Nokia Siemens Networks is unable to execute its plan effectively and timely or if the plan fails to achieve the desired results, that may have a material adverse effect on our business, results of operations and financial condition.
- The networks infrastructure and related services 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 have a material adverse effect on our business, results of operations and financial condition.
- Providing customer financing or extending payment terms to customers can be a competitive requirement in the network infrastructure and related services business and may have a material adverse effect on our business, results of operations and financial condition.
- 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.

Dividend

Nokia's Board of Directors will propose a dividend of EUR 0.40 per share for 2009.

Consolidated income statements, IFRS

Financial year ended December 31	Notes	2009 EURm	2008 EURm	2007 EURm
Net sales		**40 984**	50 710	51 058
Cost of sales		**−27 720**	−33 337	−33 781
Gross profit		**13 264**	17 373	17 277
Research and development expenses		**−5 909**	−5 968	−5 636
Selling and marketing expenses		**−3 933**	−4 380	−4 379
Administrative and general expenses		**−1 145**	−1 284	−1 165
Impairment of goodwill	7	**−908**	—	—
Other income	6	**338**	420	2 312
Other expenses	6, 7	**−510**	−1 195	−424
Operating profit	2–9, 23	**1 197**	4 966	7 985
Share of results of associated companies	14, 30	**30**	6	44
Financial income and expenses	10	**−265**	−2	239
Profit before tax		**962**	4 970	8 268
Tax	11	**−702**	−1 081	−1 522
Profit		**260**	3 889	6 746
Profit attributable to equity holders of the parent		**891**	3 988	7 205
Loss attributable to minority interests		**−631**	−99	−459
		260	3 889	6 746

Earnings per share (for profit attributable to the equity holders of the parent)	27	2009 EUR	2008 EUR	2007 EUR
Basic		**0.24**	1.07	1.85
Diluted		**0.24**	1.05	1.83

Average number of shares (1 000’s shares)	27	2009	2008	2007
Basic		**3 705 116**	3 743 622	3 885 408
Diluted		**3 721 072**	3 780 363	3 932 008

See Notes to consolidated financial statements.

Nokia Corporation and Subsidiaries

Consolidated statements of comprehensive income, IFRS

Financial year ended December 31	Notes	2009 EURm	2008 EURm	2007 EURm
Profit		**260**	3 889	6 746
Other comprehensive income				
Translation differences	21	**–563**	595	–151
Net investment hedge gains (+)/losses (–)	21	**114**	–123	51
Cash flow hedges	20	**25**	–40	–7
Available-for-sale investments	20	**48**	–15	49
Other increase (+)/decrease (–), net		**–7**	28	–46
Income tax related to components of other comprehensive income	20, 21	**–44**	58	–12
Other comprehensive income (+)/expense (–), net of tax		**–427**	503	–116
Total comprehensive income (+)/expense (–)		**–167**	4 392	6 630
Total comprehensive income (+)/expense (–) attributable to				
equity holders of the parent		**429**	4 577	7 073
minority interests		**–596**	–185	–443
		–167	4 392	6 630

See Notes to consolidated financial statements.

Nokia Corporation and Subsidiaries

Consolidated statements of financial position, IFRS

December 31	Notes	2009 EURm	2008 EURm
ASSETS			
Non-current assets			
Capitalized development costs	12	143	244
Goodwill	12	5 171	6 257
Other intangible assets	12	2 762	3 913
Property, plant and equipment	13	1 867	2 090
Investments in associated companies	14	69	96
Available-for-sale investments	15	554	512
Deferred tax assets	24	1 507	1 963
Long-term loans receivable	15, 33	46	27
Other non-current assets	15	6	10
		12 125	15 112
Current assets			
Inventories	17, 19	1 865	2 533
Accounts receivable, net of allowances for doubtful accounts (2009: EUR 391 million, 2008: EUR 415 million)	15, 19, 33	7 981	9 444
Prepaid expenses and accrued income	18	4 551	4 538
Current portion of long-term loans receivable	15, 33	14	101
Other financial assets	15, 16, 33	329	1 034
Investments at fair value through profit and loss, liquid assets	15, 33	580	—
Available-for-sale investments, liquid assets	15, 33	2 367	1 272
Available-for-sale investments, cash equivalents	15, 33	4 784	3 842
Bank and cash	33	1 142	1 706
		23 613	24 470
Total assets		35 738	39 582
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent			
Share capital	22	246	246
Share issue premium		279	442
Treasury shares, at cost		–681	–1 881
Translation differences	21	–127	341
Fair value and other reserves	20	69	62
Reserve for invested non-restricted equity		3 170	3 306
Retained earnings		10 132	11 692
		13 088	14 208
Minority interests		1 661	2 302
Total equity		14 749	16 510
Non-current liabilities			
Long-term interest-bearing liabilities	15, 33	4 432	861
Deferred tax liabilities	24	1 303	1 787
Other long-term liabilities		66	69
		5 801	2 717
Current liabilities			
Current portion of long-term loans	15, 33	44	13
Short-term borrowings	15, 33	727	3 578
Other financial liabilities	15, 16, 33	245	924
Accounts payable	15, 33	4 950	5 225
Accrued expenses	25	6 504	7 023
Provisions	26	2 718	3 592
		15 188	20 355
Total shareholders' equity and liabilities		35 738	39 582

See Notes to consolidated financial statements.

Consolidated statements of cash flows, IFRS

Financial year ended December 31	Notes	2009 EURm	2008 EURm	2007 EURm
Cash flow from operating activities				
Profit attributable to equity holders of the parent		891	3 988	7 205
Adjustments, total	31	3 390	3 024	1 159
Change in net working capital	31	140	−2 546	605
Cash generated from operations		4 421	4 466	8 969
Interest received		125	416	362
Interest paid		−256	−155	−59
Other financial income and expenses, net received		−128	250	67
Income taxes paid, net received		−915	−1 780	−1 457
Net cash from operating activities		3 247	3 197	7 882
Cash flow from investing activities				
Acquisition of Group companies, net of acquired cash		−29	−5 962	253
Purchase of current available-for-sale investments, liquid assets		−2 800	−669	−4 798
Purchase of investments at fair value through profit and loss, liquid assets		−695	—	—
Purchase of non-current available-for-sale investments		−95	−121	−126
Purchase of shares in associated companies		−30	−24	−25
Additions to capitalized development costs		−27	−131	−157
Long-term loans made to customers		—	—	−261
Proceeds from repayment and sale of long-term loans receivable		—	129	163
Proceeds from (+) /payment of (−) other long-term receivables		2	−1	5
Proceeds from (+) /payment of (−) short-term loans receivable		2	−15	−119
Capital expenditures		−531	−889	−715
Proceeds from disposal of shares in associated companies		40	3	6
Proceeds from disposal of businesses		61	41	—
Proceeds from maturities and sale of current available-for-sale investments, liquid assets		1 730	4 664	4 930
Proceeds from maturities and sale of investments at fair value through profit and loss, liquid assets		108	—	—
Proceeds from sale of non-current available-for-sale investments		14	10	50
Proceeds from sale of fixed assets		100	54	72
Dividends received		2	6	12
Net cash used in investing activities		−2 148	−2 905	−710
Cash flow from financing activities				
Proceeds from stock option exercises		—	53	987
Purchase of treasury shares		—	−3 121	−3 819
Proceeds from long-term borrowings		3 901	714	115
Repayment of long-term borrowings		−209	−34	−16
Proceeds from (+) /repayment of (-) short-term borrowings		−2 842	2 891	661
Dividends paid		−1 546	−2 048	−1 760
Net cash used in financing activities		−696	−1 545	−3 832
Foreign exchange adjustment		−25	−49	−15
Net increase (+) /decrease (−) in cash and cash equivalents		378	−1 302	3 325
Cash and cash equivalents at beginning of period		5 548	6 850	3 525
Cash and cash equivalents at end of period		5 926	5 548	6 850
Cash and cash equivalents comprise of:				
Bank and cash		1 142	1 706	2 125
Current available-for-sale investments, cash equivalents	15, 33	4 784	3 842	4 725
		5 926	5 548	6 850

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, 2006	3 965 730	246	2 707	–2 060	–34	–14	—	11 123	11 968	92	12 060
Translation differences					–167				–167	16	–151
Net investment hedge gains, net of tax					38				38		38
Cash flow hedges, net of tax						–11			–11	6	–5
Available-for-sale investments, net of tax						48			48		48
Other decrease, net								–40	–40	–6	–46
Profit								7 205	7 205	–459	6 746
Total comprehensive income		—	—	—	–129	37	—	7 165	7 073	–443	6 630
Stock options exercised	57 269		46				932		978		978
Stock options exercised related to acquisitions			–3						–3		–3
Share-based compensation			228						228		228
Excess tax benefit on share-based compensation			128						128		128
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		—	–2 063	–1 086	—	—	3 299	–4 418	–4 268	2 916	–1 352
Balance at December 31, 2007	3 845 950	246	644	–3 146	–163	23	3 299	13 870	14 773	2 565	17 338
Translation differences					595				595		595
Net investment hedge gains, net of tax					–91				–91		–91
Cash flow hedges, net of tax						42			42	–67	–25
Available-for-sale investments, net of tax						–3			–3	–2	–5
Other increase, net								46	46	–17	29
Profit								3 988	3 988	–99	3 889
Total comprehensive income		—	—	—	504	39	—	4 034	4 577	–185	4 392
Stock options exercised	3 547						51		51		51
Stock options exercised related to acquisitions			1						1		1
Share-based compensation			74						74		74
Excess tax benefit on share-based compensation			–117						–117	–6	–124
Settlement of performance and restricted 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 change in minority interests										–37	–37
Vested portion of share-based payment awards related to acquisitions			19						19		19
Acquisition of Symbian								12	12		12
Total of other equity movements		—	–202	1 265	—	—	7	–6 212	–5 142	–78	–5 220
Balance at December 31, 2008	3 697 872	246	442	–1 881	341	62	3 306	11 692	14 208	2 302	16 510

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, 2008	3 697 872	246	442	−1 881	341	62	3 306	11 692	14 208	2 302	16 510
Translation differences					−552				−552	−9	−561
Net investment hedge gains, net of tax					84				84		84
Cash flow hedges, net of tax						−35			−35	49	14
Available-for-sale investments, net of tax						42			42	2	44
Other decrease, net								−1	−1	−7	−8
Profit								891	891	-631	260
Total comprehensive income		—	—	—	−468	7	—	890	429	−596	−167
Stock options exercised	7						—				—
Stock options exercised related to acquisitions			−1						−1		−1
Share-based compensation			16						16		16
Excess tax benefit on share-based compensation			−12						−12	−1	−13
Settlement of performance and restricted shares	10 352		−166	230			−136		−72		−72
Acquisition of treasury shares									—		—
Reissuance of treasury shares	31			1					1		1
Cancellation of treasury shares				969				−969	—		—
Dividend								−1 481	−1 481	−44	−1 525
Total of other equity movements		—	−163	1 200	—	—	−136	−2 450	−1 549	−45	−1 594
Balance at December 31, 2009	3 708 262	246	279	−681	−127	69	3 170	10 132	13 088	1 661	14 749

Dividends declared per share were EUR 0.40 for 2009 (EUR 0.40 for 2008 and EUR 0.53 for 2007), 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 ("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 11, 2010, Nokia's Board of Directors authorized the financial statements for 2009 for issuance and filing.

The Group completed the acquisition of all of the outstanding equity of 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. See Note 8.

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, 2009.

- 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.
- Amendments to IFRS 7 require entities to provide additional disclosures about the fair value measurements. The amendments clarify the existing requirements for the disclosure of liquidity risk.
- 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.
- 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.
- Amendments to IFRIC 9 and IAS 39 clarify the accounting treatment of embedded derivatives when reclassifying financial instruments.
- 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 15, Agreements for the Construction of Real Estate helps entities determine whether a particular construction agreement is within the scope of IAS 11, Construction Contracts or IAS 18, Revenue. At issue is whether such an agreement constitutes a construction contract under IAS 11. If so, an entity should use the percentage-of-completion method to recognize revenue. If not, the entity should account for the agreement under IAS 18, which requires that revenue be recognized upon delivery of a good or service.
- 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.
- In addition, a number of other amendments that form part of the IASB's annual improvement project were adopted by the Group.

The adoption of each of the above mentioned standards did not have a material impact to the consolidated financial statements.

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 income statement 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 statement of financial position.

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 amount of goodwill annually or more frequently if events or changes in circumstances indicate that such carrying amount may not be recoverable. The Group assesses the carrying amount of identifiable intangible assets and long-lived assets if events or changes in circumstances indicate that such carrying amount 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 assets and liabilities are valued at the rates of exchange prevailing at the year-end. Foreign exchange gains and losses arising from statement of financial position items, as well as fair value changes in the related hedging instruments, are reported in financial income and expenses. For non-monetary items, such as shares, the unrealized foreign exchange gains and losses are recognized in the other comprehensive income.

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 accounting 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. 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 when they are reliably measurable which is normally when 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.

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 income statement 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 income statement 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 statement of financial position 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. Any net pension asset is limited to unrecognized actuarial losses, past service cost, the present value of available refunds from the plan and expected reductions in future contributions to the plan.

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 (First-in First-out) 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, financial assets at fair value through profit or loss and bank and cash.

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 income statement. 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 income statement 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 income statement.

Investments at fair value through profit and loss, liquid assets

The investments at fair value through profit and loss, liquid assets include highly liquid financial assets designated at fair value through profit or loss at inception. For investments designated as at fair value through profit or loss, the following criteria must be met: (1) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or (2) the assets are part of a group of financial assets, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realized gain and loss are recognized in the income statement.

Loans receivable

Loans receivable include loans to customers and suppliers and are initially measured at fair value and subsequently 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 statement of financial position 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 due from 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, and are included within other operating expenses.

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 statement of financial position 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. Generally the cash flows of a hedge are classified as cash flows from operating activities in the consolidated statement of cash flows as the underlying hedged items relate to company's operating activities. When a derivative contract is accounted for as a hedge of an identifiable position relating to financing or investing activities, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

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 income statement.

Fair values of cash settled equity derivatives are calculated based on quoted market rates at each balance sheet date. Changes in fair value are recognized in the income statement.

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 income statement.

For the derivatives not designated under hedge accounting but hedging identifiable exposures such as anticipated foreign currency denominated sales and purchases, the gains and losses are recognized within other operating income or expenses. The gains and losses on all other hedges not designated under hedge accounting are recognized under financial income and expenses.

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 income statement.

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 income statement as adjustments to sales and cost of sales, in the period when the hedged cash flow affects the income statement. 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 income statement.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement. 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 income statement as financial income and expenses.

Cash flow hedges: Hedging of cash flow variability on variable rate liabilities

The Group applies cash flow hedge accounting for hedging cash flow variability on variable rate liabilities. The effective portion of the gain or loss relating to interest rate swaps hedging variable rate borrowings is deferred in shareholders' equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement as financial income and expenses.

Fair value hedges

The Group applies fair value hedge accounting with the objective to reduce the exposure to fluctuations in the fair value of interest-bearing liabilities due to changes in interest rates and foreign exchange rates. Changes in the fair value of derivatives designated and qualifying as fair value hedges, together with any changes in the fair value of the hedged liabilities attributable to the hedged risk, are recorded in the income statement within financial income and expenses.

If a hedge no longer meets the criteria for hedge accounting, hedge accounting ceases and any fair value adjustments made to the carrying amount of the hedged item during the periods the hedge was effective are amortized to profit or loss based on the effective interest method.

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 income statement as financial income and expenses.

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

Income taxes

The tax expense comprises current tax and deferred tax. Current taxes are based on the results of the Group companies and are calculated according to local tax rules. Taxes are recognized in the income statement, except to the extent that it relates to items recognized in the other comprehensive income or directly in equity, in which case the tax is recognized in other comprehensive income or equity, respectively.

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. When circumstances indicate it is no longer probable that deferred tax assets will be utilized they are assessed for realizability and adjusted as necessary. 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. Deferred tax assets and deferred tax liabilities are offset for presentation purposes when there is a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

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 past alleged 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 global 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 income statement 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 issue 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 and critical accounting judgements

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 enters into transactions involving multiple components consisting of any combination of hardware, services and software. The consideration received 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 component have been met. Determination of the fair value for each component requires the use of estimates and judgment taking into consideration factors such as the price when the component is sold separately by the Group or the price when a similar component is sold separately by the Group or a third party, which may have a significant impact on the timing and amount of revenue recognition.

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 number of customer financing arrangements 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 past alleged 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 Group applies 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 allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various valuation assumptions requiring management judgment. Actual results may differ from the forecasted amounts and the difference could be material. See also Note 8.

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 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 recoverable amount 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. See also Note 7.

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 income tax expense, tax provisions, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognized. When circumstances indicate it is no longer probable that deferred tax assets will be utilized they are assessed for realizability and adjusted as necessary. If the final outcome of these matters differs from the amounts initially recorded, differences may impact the income tax expense 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. See also Note 5.

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. See also Note 23.

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:

IFRS 3 (revised) Business Combinations replaces IFRS 3 (as issued in 2004). The main changes brought by IFRS 3 (revised) include clarification of the definition of a business, 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.

IFRS 9 will change the classification, measurement and impairment of financial instruments based on our objectives for the related contractual cash flows.

Amendments to IFRS 2 and IFRIC 11 clarify that an entity that receives goods or services in a share-based payment arrangement should account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

Amendment to IAS 32 requires that if rights issues offered are issued pro rata to entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

Amendments to IFRIC 14 and IAS 19 address the circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

IFRIC 19 clarifies the requirements when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. The entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability and the issued instruments should be measured at their fair value.

In addition, there 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, 2010.

The Group will adopt IFRS 3 (revised), IAS 27 (revised) and the amendments to IFRS 2 and IFRIC 11, IFRIC 14 and IAS 19 and IAS 32 as well as the additional amendments that form part of the IASB's annual improvement project on January 1, 2010. IFRIC 19 will be adopted on January 1, 2011. The Group does not expect that the adoption of these new standards, interpretations and amendments will have a material impact on the financial condition and results of operations.

The Group is required to adopt IFRS 9 by January 1, 2013 with earlier adoption permitted. The Group is currently evaluating the potential impact of this standard on the Group's accounts.

2. Segment information

Nokia is organized on a worldwide basis into three operating and reportable segments: Devices & Services, NAVTEQ, and Nokia Siemens 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.

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. 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 comparability purposes according to the new reportable segments effective in 2008.

Devices & Services is responsible for developing and managing the Group's portfolio of mobile devices, services and their combinations as well as designing and developing services, applications and content. Devices & Services also manages our supply chains, sales channels, brand and marketing activities, and explores corporate strategic and future growth opportunities for Nokia.

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

Nokia Siemens Networks provides mobile and fixed network solutions and related 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.

2009, EURm	Devices & Services	NAVTEQ	Nokia Siemens Networks	Total reportable segments	Corporate Common Functions and Corporate unallocated [4, 6]	Eliminations	Group
Profit and loss information							
Net sales to external customers	27 841	579	12 564	40 984	—		40 984
Net sales to other segments	12	91	10	113	—	–113	—
Depreciation and amortization	432	488	860	1 780	4		1 784
Impairment	56	—	919	975	34		1 009
Operating profit/loss [1]	3 314	–344	–1 639	1 331	–134		1 197
Share of results of associated companies	—	—	32	32	–2		30
Balance sheet information							
Capital expenditures [2]	232	21	278	531	—		531
Segment assets [3]	9 203	6 145	11 015	26 363	12 479	–3 104	35 738
of which:							
Investments in associated companies	—	5	26	31	38		69
Segment liabilities [5]	8 268	2 330	7 927	18 525	5 568	–3 104	20 989
2008, EURm							
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	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							
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 and customer finance charges	—	—	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

1 Nokia Siemens Networks operating loss in 2009 includes a goodwill impairment loss of EUR 908 million. 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.

2 Including goodwill and capitalized development costs, capital expenditures in 2009 amount to EUR 590 million (EUR 5 502 million in 2008). The goodwill and capitalized development costs consist of EUR 7 million in 2009 (EUR 752 million in 2008) for Devices & Services, EUR 22 million in 2009 (EUR 3 673 million in 2008) for NAVTEQ, EUR 30 million in 2009 (EUR 188 million in 2008) for Nokia Siemens Networks, and EUR 0 million in 2009 (EUR 0 million in 2008) 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	2009 EURm	2008 EURm	2007 EURm
Finland	**390**	362	322
China	**5 990**	5 916	5 898
India	**2 809**	3 719	3 684
UK	**1 916**	2 382	2 574
Germany	**1 733**	2 294	2 641
USA	**1 731**	1 907	2 124
Russia	**1 528**	2 083	2 012
Indonesia	**1 458**	2 046	1 754
Other	**23 429**	30 001	30 049
Total	**40 984**	50 710	51 058

Segment non-current assets by geographic area [1]	2009 EURm	2008 EURm
Finland	**1 698**	1 154
China	**358**	434
India	**180**	154
UK	**228**	668
Germany	**243**	306
USA	**5 859**	7 037
Other	**1 377**	2 751
Total	**9 943**	12 504

1 Comprises intangible and tangible assets and property, plant and equipment.

3. Percentage of completion

Contract sales recognized under percentage of completion accounting were EUR 6 868 million in 2009 (EUR 9 220 million in 2008 and EUR 8 329 million in 2007). Services revenue for managed services and network maintenance contracts were EUR 2 607 million in 2009 (EUR 2 530 million in 2008 and EUR 1 842 million in 2007).

Included in accrued expenses were advances received related to construction contracts of EUR 126 million at December 31, 2009 (EUR 261 million in 2008). Included in accounts receivable were contract revenues recorded prior to billings of EUR 1 396 million at December 31, 2009 (EUR 1 423 million in 2008) and billings in excess of costs incurred of EUR 451 million at December 31, 2009 (EUR 677 million in 2008).

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 15 351 million in 2009 (EUR 11 707 million in 2008).

Retentions related to construction contracts, included in accounts receivable, were EUR 265 million at December 31, 2009 (EUR 211 million at December 31, 2008).

4. Personnel expenses

EURm	2009	2008	2007
Wages and salaries	**5 658**	5 615	4 664
Share-based compensation expense, total	**13**	67	236
Pension expenses, net	**427**	478	420
Other social expenses	**649**	754	618
Personnel expenses as per profit and loss account	**6 747**	6 914	5 938

Share-based compensation expense includes pension and other social costs of EUR –3 million in 2009 (EUR –7 million in 2008 and EUR 8 million in 2007) based upon the related employee benefit charge recognized during the year.

Pension expenses, comprised of multi-employer, insured and defined contribution plans were EUR 377 million in 2009 (EUR 394 million in 2008 and EUR 289 million in 2007). Expenses related to defined benefit plans comprise the remainder.

Average personnel	2009	2008	2007
Devices & Services	**56 462**	57 443	49 887
NAVTEQ	**4 282**	3 969	—
Nokia Siemens Networks	**62 129**	59 965	50 336
Group Common Functions	**298**	346	311
Nokia Group	**123 171**	121 723	100 534

5. Pensions

The Group operates a number of post-employment plans in various countries. These plans include both defined contribution and defined benefit schemes.

The Group's most significant defined benefit 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 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 prior years, the Group had a significant pension plan in Finland. Prior to March 1, 2008, the reserved benefits portion of the Finnish state Employees' Pension Act (TyEL) system, that was pre-funded through a trustee-administered Nokia Pension Foundation, was 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 plan as a defined contribution plan. The transfer resulted in EUR 152 million loss consisting of a EUR 217 million loss impacting Common Group Functions and a EUR 65 million gain impacting Nokia Siemens Networks operating profit. These are included in the other operating income and expense, see Note 6. Subsequent to the transfer of the Finnish statutory pension liability and plan assets, the Group retains only certain immaterial voluntary defined benefit pension liabilities 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 statement of financial position at December 31:

EURm	2009	2008
Present value of defined benefit obligations at beginning of year	–1 205	–2 266
Foreign exchange	5	56
Current service cost	–55	–79
Interest cost	–69	–78
Plan participants' contributions	–12	–10
Past service cost	—	–2
Actuarial gain (+)/loss (–)	–139	105
Acquisitions	2	–2
Curtailment	—	10
Settlements	2	1 025
Benefits paid	60	36
Present value of defined benefit obligations at end of year	–1 411	–1 205
Plan assets at fair value at beginning of year	1 197	2 174
Foreign exchange	–7	–58
Expected return on plan assets	70	71
Actuarial gain (+)/loss (–) on plan assets	56	–39
Employer contribution	49	141
Plan participants' contributions	12	10
Benefits paid	–44	–24
Curtailments	—	–5
Settlements	–2	–1 078
Acquisitions	–1	5
Plan assets at fair value at end of year	1 330	1 197
Surplus (+)/deficit (–)	–81	–8
Unrecognized net actuarial gains (–)/losses (+)	–21	–113
Unrecognized past service cost	1	1
Amount not recognized as an asset in the balance sheet because of limit in IAS 19 paragraph 58(b)	–5	—
Prepaid (+)/accrued (–) pension cost in statement of financial position	–106	–120

Present value of obligations include EUR 822 million (EUR 707 million in 2008) of wholly funded obligations, EUR 516 million of partly funded obligations (EUR 416 million in 2008) and EUR 73 million (EUR 82 million in 2008) of unfunded obligations.

The amounts recognized in the income statement are as follows:

EURm	2009	2008	2007
Current service cost	55	79	125
Interest cost	69	78	104
Expected return on plan assets	–70	–71	–95
Net actuarial (gains) losses recognized in year	–9	—	10
Impact of paragraph 58(b) limitation	5	—	—
Past service cost gains (–)/losses (+)	—	2	—
Curtailment	—	–12	–1
Settlement	—	152	–12
Total, included in personnel expenses	50	228	131

Movements in prepaid/accrued pension costs recognized in the statement of financial position are as follows:

EURm	2009	2008
Prepaid (+)/accrued (–) pension costs at beginning of year	–120	–36
Net income (expense) recognized in the profit and loss account	–50	–228
Contributions paid	49	141
Benefits paid	16	12
Acquisitions	1	3
Foreign exchange	–2	–12
Prepaid (+)/accrued (–) pension costs at end of year *	–106	–120

* included within prepaid expenses and accrued income / accrued expenses

The prepaid pension cost above is made up of a prepayment of EUR 68 million (EUR 55 million in 2008) and an accrual of EUR 174 million (EUR 175 million in 2008).

EURm	2009	2008	2007	2006	2005
Present value of defined benefit obligation	–1 411	–1 205	–2 266	–1 577	–1 385
Plan assets at fair value	1 330	1 197	2 174	1 409	1 276
Surplus (+)/deficit (–)	–81	–8	–92	–168	–109

Experience adjustments arising on plan obligations amount to a loss of EUR 12 million in 2009 (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 gain of EUR 54 million in 2009 (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:

%	2009	2008
Discount rate for determining present values	5.3	5.8
Expected long-term rate of return on plan assets	5.4	5.7
Annual rate of increase in future compensation levels	2.8	2.7
Pension increases	2.0	1.9

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, 2009, and 2008, by asset category are as follows:

%	2009	2008
Asset category:		
Equity securities	21	12
Debt securities	65	72
Insurance contracts	8	8
Real estate	1	1
Short-term investments	5	7
Total	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 the 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 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 2008). See Note 30.

The actual return on plan assets was EUR 126 million in 2009 (EUR 31 million in 2008).

In 2010, the Group expects to make contributions of EUR 69 million to its defined benefit pension plans.

6. Other operating income and expenses

Other operating income for 2009 includes a gain on sale of security appliance business of EUR 68 million impacting Devices & Services operating profit and a gain on sale of real estate in Oulu, Finland, of EUR 22 million impacting Nokia Siemens Networks operating loss. In 2009, other operating expenses includes EUR 178 million of charges related to restructuring activities in Devices & Services due to measures taken to adjust the business operations and cost base according to market conditions. In conjunction with the decision to refocus its activities around specified core assets, Devices & Services recorded impairment charges totalling EUR 56 million for intangible assets arising from the acquisitions of Enpocket and Intellisync and the asset acquisition of Twango.

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 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 Common functions' operating profit and EUR 53 million in Nokia Siemens Networks' operating profit. In addition, a gain on business transfer EUR 53 million impacted 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.

In all three years presented, "Other operating income and expenses" include the costs of hedging highly probable forecasted sales and purchases (forward points of cash flow hedges). As from 2009, on the same line are included also the fair value changes of derivatives hedging identifiable and probable forecasted cash flows.

7. Impairment

EURm	2009	2008	2007
Capitalized development costs	—	—	27
Goodwill	908	—	—
Other intangible assets	56	—	—
Property, plant and equipment	1	77	—
Inventories	—	13	—
Investments in associated companies	19	8	7
Available-for-sale investments	25	43	29
Other non-current assets	—	8	—
Total, net	1 009	149	63

Capitalized development costs

In 2009 and 2008, the Group did not recognize any impairment charge on 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 income statement.

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 in which the goodwill arose. The Group has allocated goodwill to three cash-generating units, which correspond to the Group's operating and reportable segments: Devices & Services CGU, Nokia Siemens Networks CGU and NAVTEQ CGU.

The recoverable amounts for the Devices & Services CGU and the NAVTEQ CGU are based on value in use calculations. The 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.

The recoverable amount for the Nokia Siemens Networks CGU is based on fair value less costs to sell. A discounted cash flow calculation was used to estimate the fair value less costs to sell of the Nokia Siemens Networks CGU. The cash flow projections employed in the discounted cash flow calculation have been determined by management based on the best information available to reflect the amount that an entity could obtain from the disposal of the Nokia Siemens Networks CGU in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

During 2009, the conditions in the world economy have shown signs of improvement as countries have begun to emerge from the global economic downturn. However, significant uncertainty exists regarding the speed, timing and resiliency of the global economic recovery and this uncertainty is reflected in the impairment testing for each of the Group's CGUs.

Goodwill amounting to EUR 1 227 million was allocated to the Devices & Services CGU. The impairment testing has been carried out based on management's expectation of stable market share and normalized profit margins in the medium to long term. The goodwill impairment testing conducted for the Devices & Services CGU for the year ended December 31, 2009 did not result in any impairment charges.

In the third quarter of 2009, the Group recorded an impairment loss of EUR 908 million to reduce the carrying amount of the Nokia Siemens Networks CGU to its recoverable amount. The impairment loss was allocated in its entirety to the carrying amount of goodwill arising from the formation of Nokia Siemens Networks and from subsequent acquisitions completed by Nokia Siemens Networks. This impairment loss is presented as impairment of goodwill in the consolidated income statement. As a result of the impairment loss, the amount of goodwill allocated to the Nokia Siemens Networks CGU has been reduced to zero.

The recoverability of the Nokia Siemens Networks CGU has declined as a result of a decline in forecasted profits and cash flows. The Group evaluated the historical and projected financial performance of the Nokia Siemens Networks CGU taking into consideration the challenging competitive factors and market conditions in the infrastructure and related services business. As a result of this evaluation, the Group lowered its net sales and gross margin projections for the Nokia Siemens Networks CGU. This reduction in the projected scale of the business had a negative impact on the projected profits and cash flows of the Nokia Siemens Networks CGU.

Goodwill amounting to EUR 3 944 million has been allocated to the NAVTEQ CGU. The impairment testing has been carried out based on management's assessment of the financial performance and future strategies of the NAVTEQ CGU in light of current and expected market and economic conditions. The goodwill impairment testing conducted for the NAVTEQ CGU for the year ended December 31, 2009 did not result in any impairment charges. The recoverable amount of the NAVTEQ CGU is between 5–10% higher than its carrying amount. The Group has concluded that a reasonably possible change of 1% in the valuation assumptions for long-term growth rate or discount rate would give rise to an impairment loss.

The key assumptions applied in the impairment testing analysis for each CGU are presented in the table below:

	Cash-generating unit		
	Devices & Services	Nokia Siemens Networks	NAVTEQ
	%	%	%
Terminal growth rate	2.00	1.00	5.00
Post-tax discount rate	8.86	9.95	10.00
Pre-tax discount rate	11.46	13.24	12.60

The Group has applied consistent valuation methodologies for each of the Group's CGUs for the years ended December 31, 2009, 2008 and 2007. The discount rates applied in the impairment testing for each CGU have been determined independently of capital structure reflecting current assessments of the time value of money and relevant market risk premiums. Risk premiums included in the determination of the discount rate reflect risks and uncertainties for which the future cash flow estimates have not been adjusted. Overall, the discount rates applied in the 2009 impairment testing have decreased in line with declining interest rates and narrowing credit spreads.

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

Other intangible assets

In conjunction with the Group's decision to refocus its activities around specified core assets, the Group recorded impairment charges in 2009 totalling EUR 56 million for intangible assets arising from the acquisitions of Enpocket and Intellisync and the asset acquisition of Twango. The impairment charge was recognised in other operating expense and is included in the Devices & Services segment. In connection with the decline in the Group's profit and cash flow projections of the Nokia Siemens Networks CGU, the Group conducted an assessment of the carrying amount of the identifiable intangible assets arising from the formation of Nokia Siemens Networks concluding that such carrying amount was recoverable.

Property, plant and equipment and inventories

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

In 2008, Nokia Siemens Networks recognised 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.

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 19 million in 2009 (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.

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 25 million in 2009 (EUR 43 million in 2008, EUR 29 million in 2007).

8. Acquisitions

Acquisitions completed in 2009

During 2009, the Group completed five acquisitions that did not have a material impact on the consolidated financial statements. The purchase consideration paid and the total goodwill arising from these acquisitions amounted to EUR 29 million and EUR 32 million, respectively. The goodwill arising from these acquisitions is attributable to assembled workforce and post acquisition synergies.

- Plum Ventures, Inc., based in Boston, USA, develops and operates a cloud-based social media sharing and messaging service for private groups. The Group acquired certain assets of Plum on September 11, 2009.
- Dopplr Oy, based in Helsinki, Finland, provides a Social Atlas that enables members to share travel plans and preferences privately with their networks. The Group acquired a 100% ownership interest in Dopplr on September 28, 2009.
- Huano Technology Co., Ltd, based in Changsha, China, is an infrastructure service provider with Nokia Siemens Networks as its primary customer. Nokia Siemens Networks increased its ownership interest in Huano from 49% to 100% on July 22, 2009.
- T-Systems Traffic GmbH is a leading German provider of dynamic mobility services delivering near real-time data about traffic flow and road conditions. NAVTEQ acquired a 100% ownership interest in T-Systems Traffic on January 2, 2009.
- Acuity Mobile, based in Greenbelt, USA, is a leading provider of mobile marketing content delivery solutions. NAVTEQ acquired a 100% ownership interest in Acuity Mobile on September 11, 2009.

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.

EURm	Carrying amount	Fair value	Useful lives
Goodwill	114	3 673	
Intangible assets subject to amortization:			
Map database	5	1 389	5 years
Customer relationships	22	388	4 years
Developed technology	8	110	4 years
License to use trade name and trademark	7	57	6 years
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 contributed 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 the Symbian Foundation is 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 was 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 recognised 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 exchange transactions 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 recognised a loss on retirement of EUR 165 million consisting of EUR 55 million book value of Symbian identifiable intangible assets and EUR 110 million book value of capitalised 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 operating 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 the total goodwill arising from these acquisitions amounted to EUR 514 million and EUR 339 million, respectively. The goodwill arising from these acquisitions is attributable to assembled workforce and post acquisition synergies.

» Trolltech ASA, based in Oslo, Norway, is a recognised 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 Montreal, 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, USA, 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 recognised 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 acquisition 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.

9. Depreciation and amortization

EURm	2009	2008	2007
Depreciation and amortization by function			
Cost of sales	**266**	297	303
Research and development [1]	**909**	778	523
Selling and marketing [2]	**424**	368	232
Administrative and general	**185**	174	148
Total	**1 784**	1 617	1 206

1 In 2009, depreciation and amortization allocated to research and development included amortization of acquired intangible assets of EUR 534 million (EUR 351 million in 2008 and EUR 136 million in 2007, respectively).

2 In 2009, depreciation and amortization allocated to selling and marketing included amortization of acquired intangible assets of EUR 401 million (EUR 343 million in 2008 and EUR 214 million in 2007, respectively).

10. Financial income and expenses

EURm	2009	2008	2007
Dividend income on available-for-sale financial investments	**3**	1	—
Interest income on available-for-sale financial investments	**101**	357	355
Interest income on loans receivables carried at amortised cost	**—**	—	1
Interest expense on financial liabilities carried at amortised cost	**–243**	–185	–43
Net realised gains (or losses) on disposal of fixed income available-for-sale financial investments	**2**	–4	–17
Net fair value gains (or losses) on investments at fair value through profit and loss	**19**	—	—
Interest income on investments at fair value through profit and loss	**11**	—	—
Net fair value gains (or losses) on hedged items under fair value hedge accounting	**–4**	—	—
Net fair value gains (or losses) on hedging instruments under fair value hedge accounting	**—**	—	—
Other financial income	**18**	17	43
Other financial expenses	**–29**	–31	–24
Net foreign exchange gains (or losses)			
From foreign exchange derivatives designated at fair value through profit and loss account	**–358**	432	37
From balance sheet items revaluation	**230**	–595	–118
Net gains (net losses) on other derivatives designated at fair value through profit and loss account	**–15**	6	5
Total	**–265**	–2	239

During 2008, interest expense has increased significantly due to increase in interest-bearing liabilities mainly related to NAVTEQ acquisition. Foreign exchange gains (or losses) have increased due to higher cost of hedging and increased volatility on the foreign exchange market. During 2009, interest income has decreased significantly due to lower interest rates and interest expense has increased given higher long-term funding with higher cost.

11. Income taxes

EURm	2009	2008	2007
Income tax			
Current tax	–736	–1 514	–2 209
Deferred tax	34	433	687
Total	–702	–1 081	–1 522
Finland	76	–604	–1 323
Other countries	–778	–477	–199
Total	–702	–1 081	–1 522

The differences between income tax expense computed at statutory rate (in Finland 26%) and income taxes recognized in the consolidated income statement is reconciled as follows at December 31, 2009:

EURm	2009	2008	2007
Income tax expense at statutory rate	250	1 292	2 150
Permanent differences	–96	–65	61
Non-taxable gain on the formation of Nokia Siemens Networks [1]	—	—	–489
Non tax deductible impairment of Nokia Siemens Networks' goodwill [2]	236	—	—
Taxes for prior years	–17	–128	20
Taxes on foreign subsidiaries' profits in excess of (lower than) income taxes at statutory rates	–145	–181	–138
Change in losses and temporary differences with no tax effect [3]	577	—	15
Net increase (+)/decrease (–) in tax contingencies [4]	–186	2	50
Change in income tax rates	4	–22	–114
Deferred tax liability on undistributed earnings [5]	111	220	–37
Other	–32	–37	4
Income tax expense	702	1 081	1 522

1 See note 8

2 See Note 7

3 In 2009 this item primarily relates to Nokia Siemens Networks' losses and temporary differences for which no deferred tax was recognized.

4 See Note 26

5 In 2008 and 2007 the change in deferred tax liability on undistributed earnings mainly related to changes to tax rates applicable to profit distributions.

Certain of the Group companies' income tax returns for periods ranging from 2003 through 2009 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	2009	2008
Capitalized development costs		
Acquisition cost January 1	1 811	1 817
Additions during the period	27	131
Retirements during the period	—	–124
Disposals during the period	–8	–13
Accumulated acquisition cost December 31	1 830	1 811
Accumulated amortization January 1	–1 567	–1 439
Retirements during the period	—	14
Disposals during the period	8	11
Amortization for the period	–128	–153
Accumulated amortization December 31	–1 687	–1 567
Net book value January 1	244	378
Net book value December 31	143	244
Goodwill		
Acquisition cost January 1	6 257	1 384
Translation differences	–207	431
Acquisitions	32	4 482
Disposals during the period	–3	–35
Impairments during the period	–908	—
Other changes	—	–5
Accumulated acquisition cost December 31	5 171	6 257
Net book value January 1	6 257	1 384
Net book value December 31	5 171	6 257
Other intangible assets		
Acquisition cost January 1	5 498	3 218
Translation differences	–142	265
Additions during the period	50	95
Acquisitions	3	2 189
Retirements during the period	–26	–55
Impairments during the period	–94	—
Disposals during the period	–2	–214
Accumulated acquisition cost December 31	5 287	5 498
Accumulated amortization January 1	–1 585	–860
Translation differences	56	–32
Retirements during the period	17	—
Impairments during the period	38	—
Disposals during the period	2	48
Amortization for the period	–1 053	–741
Accumulated amortization December 31	–2 525	–1 585
Net book value January 1	3 913	2 358
Net book value December 31	2 762	3 913

13. Property, plant and equipment

EURm	2009	2008
Land and water areas		
Acquisition cost January 1	60	73
Translation differences	—	–4
Additions during the period	1	3
Impairments during the period	—	–4
Disposals during the period	–2	–8
Accumulated acquisition cost December 31	59	60
Net book value January 1	60	73
Net book value December 31	59	60
Buildings and constructions		
Acquisition cost January 1	1 274	1 008
Translation differences	–17	–9
Additions during the period	132	382
Acquisitions	—	28
Impairments during the period	—	–90
Disposals during the period	–77	–45
Accumulated acquisition cost December 31	1 312	1 274
Accumulated depreciation January 1	–350	–239
Translation differences	3	1
Impairments during the period	—	30
Disposals during the period	42	17
Depreciation for the period	–80	–159
Accumulated depreciation December 31	–385	–350
Net book value January 1	924	769
Net book value December 31	927	924
Machinery and equipment		
Acquisition cost January 1	4 183	4 012
Translation differences	–67	10
Additions during the period	386	613
Acquisitions	1	68
Impairments during the period	–1	–21
Disposals during the period	–518	–499
Accumulated acquisition cost December 31	3 984	4 183
Accumulated depreciation January 1	–3 197	–3 107
Translation differences	50	–8
Impairments during the period	—	8
Disposals during the period	489	466
Depreciation for the period	–510	–556
Accumulated depreciation December 31	–3 168	–3 197
Net book value January 1	986	905
Net book value December 31	816	986
Other tangible assets		
Acquisition cost January 1	30	20
Translation differences	–2	2
Additions during the period	19	8
Accumulated acquisition cost December 31	47	30
Accumulated depreciation January 1	–15	–9
Translation differences	1	—
Depreciation for the period	–13	–6
Accumulated depreciation December 31	–27	–15
Net book value January 1	15	11
Net book value December 31	20	15

EURm	2009	2008
Advance payments and fixed assets under construction		
Net carrying amount January 1	105	154
Translation differences	–2	—
Additions	29	67
Acquisitions	—	26
Disposals	–1	–13
Transfers to:		
Other intangible assets	–3	–12
Buildings and constructions	–34	–76
Machinery and equipment	–36	–41
Other tangible assets	–13	—
Net carrying amount December 31	45	105
Total property, plant and equipment	1 867	2 090

14. Investments in associated companies

EURm	2009	2008
Net carrying amount January 1	96	325
Translation differences	–4	–19
Additions	30	24
Deductions [1]	–50	–239
Impairment	–19	–8
Share of results	30	6
Dividends	—	–6
Other movements	–14	13
Net carrying amount December 31	69	96

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. Fair value of financial instruments

	Carrying amounts						
	Current available-for-sale financial assets	Non-current available-for-sale financial assets	Financial instruments at fair value through profit or loss	Loans and receivables measured at amortised cost	Financial liabilities measured at amortised cost	Total carrying amounts	Fair value
At December 31, 2009, EURm							
Available-for-sale investments in publicly quoted equity shares		8				8	8
Other available-for-sale investments carried at fair value		257				257	257
Other available-for-sale investments carried at cost less impairment		258				258	258
Long-term loans receivable				46		46	40
Other non-current assets				6		6	6
Accounts receivable				7 981		7 981	7 981
Current portion of long-term loans receivable				14		14	14
Derivative assets			316			316	316
Other current financial assets				13		13	13
Fixed income and money-market investments carried at fair value	7 151	31				7 182	7 182
Investments designated at fair value through profit and loss			580			580	580
Total financial assets	**7 151**	**554**	**896**	**8 060**	**—**	**16 661**	**16 655**
Long-term interest-bearing liabilities					4 432	4 432	4 691
Other long-term non-interest bearing financial liabilities					2	2	2
Current portion of long-term loans payable					44	44	44
Short-term borrowings					727	727	727
Derivative liabilities			245			245	245
Accounts payable					4 950	4 950	4 950
Total financial liabilities	**—**	**—**	**245**	**—**	**10 155**	**10 400**	**10 659**
At December 31, 2008, EURm							
Available-for-sale investments in publicly quoted equity shares		8				8	8
Other available-for-sale investments carried at fair value		225				225	225
Other available-for-sale investments carried at cost less impairment		241				241	241
Long-term loans receivable				27		27	24
Other non-current assets				10		10	10
Accounts receivable				9 444		9 444	9 444
Current portion of long-term loans receivable				101		101	101
Derivative assets			1 014			1 014	1 014
Other current financial assets				20		20	20
Fixed income and money-market investments carried at fair value	5 114	38				5 152	5 152
Total financial assets	**5 114**	**512**	**1 014**	**9 602**	**—**	**16 242**	**16 239**
Long-term interest-bearing liabilities					861	861	855
Other long term non-interest bearing financial liabilities					3	3	3
Current portion of long-term loans payable					13	13	13
Short-term borrowings					3 578	3 578	3 578
Derivative liabilities			924			924	924
Accounts payable					5 225	5 225	5 225
Total financial liabilities	**—**	**—**	**924**	**—**	**9 680**	**10 604**	**10 598**

The current fixed income and money-market investments included available-for-sale liquid assets of EUR 2 367 million (EUR 1 272 million in 2008) and cash equivalents of EUR 4 784 million (EUR 3 842 million in 2008). See Note 33, section Financial Credit Risk, for details on fixed income and money-market investments.

For information about the valuation of items measured at fair value see Note 1.

In the tables above fair value is set to carrying amount for other available-for-sale investments carried at cost less impairment for which no reliable fair value has been possible to estimate.

The fair value of loan receivables and payables is estimated based on the current market values of similar instruments. Fair value is estimated to be equal to the carrying amount for short-term financial assets and financial liabilities due to limited credit risk and short time to maturity.

The amount of change in the fair value of investments designated at fair value through profit and loss attributable to changes in the credit risk of the assets was deemed inconsequential during 2009. Fair value changes that are attributable to changes in market conditions are calculated based on relevant benchmark interest rates.

Note 16 includes the split of hedge accounted and non-hedge accounted derivatives.

The following table presents the valuation methods used to determine fair values of financial instruments carried at fair value:

At December 31, 2009, EURm	Instruments with quoted prices in active markets (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Fixed income and money-market investments carried at fair value	6 933	249	—	7 182
Investments at fair value through profit and loss	580	—	—	580
Available-for-sale investments in publicly quoted equity shares	8	—	—	8
Other available-for-sale investments carried at fair value	—	15	242	257
Derivative assets	—	316	—	316
Total assets	7 521	580	242	8 343
Derivative liabilities	—	245	—	245
Total liabilities	—	245	—	245

Level 1 category includes financial assets and liabilities that are measured in whole or in significant part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. This category includes listed bonds and other securities, listed shares and exchange traded derivatives.

Level 2 category includes financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. These include assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes and assets that are valued using the Group's own valuation models whereby the material assumptions are market observable. The majority of Group's over-the-counter derivatives and several other instruments not traded in active markets fall within this category.

Level 3 category includes financial assets and liabilities measured using valuation techniques based on non market observable inputs. This means that fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. However, the fair value measurement objective remains the same, that is, to estimate an exit price from the perspective of the Group. The main asset classes in this category are unlisted equity investments as well as unlisted funds.

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 financial assets and liabilities which are measured at fair value:

EURm	Other available- for-sale investments carried at fair value
Balance at December 31, 2008	**214**
Total gains/losses in income statement	–30
Total gains/losses recorded in other comprehensive income	15
Purchases	45
Sales	–2
Transfer from level 1 and 2	—
At December 31, 2009	**242**

The gains and losses from Level 3 financial instruments are included in the line other operating expenses of the profit and loss for the period. A net loss of EUR 14 million related to Level 3 financial instruments held at December 31, 2009, was included in the profit and loss during 2009.

16. Derivative financial instruments

2009, EURm	Assets Fair value [1]	Assets Notional [2]	Liabilities Fair value [1]	Liabilities Notional [2]
Hedges of net investment in foreign subsidiaries:				
Forward foreign exchange contracts	12	1 128	–42	2 317
Cash flow hedges:				
Forward foreign exchange contracts	25	8 062	–25	7 027
Interest rate swaps	—	—	–2	330
Fair value hedges				
Interest rate swaps	117	1 750	–10	68
Cash flow and fair value hedges: [4]				
Cross currency interest rate swaps	—	—	–77	416
Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss:				
Forward foreign exchange contracts	147	5 785	–68	6 504
Currency options bought	8	442	—	—
Currency options sold	—	—	–1	102
Interest rate swaps	7	68	–20	499
Cash settled equity options bought [3]	—	6	—	—
	316	17 241	–245	17 263

2008, EURm	Assets Fair value [1]	Assets Notional [2]	Liabilities Fair value [1]	Liabilities Notional [2]
Hedges of net investment in foreign 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
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

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.

4 These cross-currency interest rate swaps have been designated partly as fair value hedges and partly as cash flow hedges.

17. Inventories

EURm	2009	2008
Raw materials, supplies and other	**409**	519
Work in progress	**681**	744
Finished goods	**775**	1 270
Total	**1 865**	2 533

18. Prepaid expenses and accrued income

Prepaid expenses and accrued income totalled EUR 4 551 million (EUR 4 538 million in 2008).

In 2009, prepaid expenses and accrued income included advance payments to Qualcomm of EUR 1 264 million (1 358 million in 2008). 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 the 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 amortized over the contract period and on-going royalties payable to Qualcomm. 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 were not material.

In addition, 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

EURm Allowances on assets to which they apply:	Balance at beginning of year	Charged to cost and expenses	Deductions [1]	Acquisitions	Balance at end of year
2009					
Allowance for doubtful accounts	415	155	–179	—	391
Excess and obsolete inventory	348	192	–179	—	361
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

1 Deductions include utilization and releases of the allowances.

20. Fair value and other reserves

EURm	Hedging reserve, Gross	Hedging reserve, Tax	Hedging reserve, Net	Available-for-sale investments Gross	Available-for-sale investments Tax	Available-for-sale investments Net	Total Gross	Total Tax	Total Net
Balance at December 31, 2006	**69**	**–19**	**50**	**–66**	**2**	**–64**	**3**	**–17**	**–14**
Cash flow hedges:									
Net fair value gains (+)/losses (–)	103	–27	76	—	—	—	103	–27	76
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to net sales	–794	214	–580	—	—	—	–794	214	–580
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to cost of sales	684	–185	499	—	—	—	684	–185	499
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
Movements attributable to minority interests	–8	2	–6	—	—	—	–8	2	–6
Balance at December 31, 2007	**54**	**–15**	**39**	**–17**	**1**	**–16**	**37**	**–14**	**23**
Cash flow hedges:									
Net fair value gain (+)/losses (–)	281	–67	214	—	—	—	281	–67	214
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to net sales	–631	177	–454	—	—	—	–631	177	–454
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to cost of sales	186	–62	124	—	—	—	186	–62	124
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 (–)	—	—	—	–29	9	–20	–29	9	–20
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
Movements attributable to minority interests	87	–21	66	3	–1	2	90	–22	68
Balance at December 31, 2008	**101**	**–20**	**81**	**–29**	**10**	**–19**	**72**	**–10**	**62**
Cash flow hedges:									
Net fair value gains (+)/losses (–)	–19	6	–13	—	—	—	–19	6	–13
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to net sales	873	–222	651	—	—	—	873	–222	651
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to cost of sales	–829	205	–624	—	—	—	–829	205	–624
Available-for-sale Investments:									
Net fair value gains (+)/losses (–)	—	—	—	36	–4	32	36	–4	32
Transfer to profit and loss account on impairment	—	—	—	14	—	14	14	—	14
Transfer of net fair value gains (–)/losses (+) to profit and loss account on disposal	—	—	—	–2	—	–2	–2	—	–2
Movements attributable to minority interests	–65	16	–49	–2	—	–2	–67	16	–51
Balance at December 31, 2009	**61**	**–15**	**46**	**17**	**6**	**23**	**78**	**–9**	**69**

The presentation of the "Fair value and other reserves" footnote has been changed to correspond with the presentation of the Statement of Comprehensive Income.

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 allocated thereto, to ensure that the amounts transferred to the fair value reserves during the year ended December 31, 2009, 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, 2009 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. Translation differences

EURm	Translation differences Gross	Tax	Net	Net investment hedging Gross	Tax	Net	Total Gross	Tax	Net
Balance at December 31, 2006	–37	—	–37	41	–38	3	4	–38	–34
Translation differences:									
Currency translation differences	–151	—	–151	—	—	—	–151	—	–151
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Net investment hedging:									
Net investment hedging gains (+)/losses (–)	—	—	—	51	–13	38	51	–13	38
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Movements attributable to minority interests	–16	—	–16	—	—	—	–16	—	–16
Balance at December 31, 2007	–204	—	–204	92	–51	41	–112	–51	–163
Translation differences:									
Currency translation differences	595	—	595	—	—	—	595	—	595
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Net investment hedging:									
Net investment hedging gains (+)/losses (–)	—	—	—	–123	32	–91	–123	32	–91
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Movements attributable to minority interests	—	—	—	—	—	—	—	—	—
Balance at December 31, 2008	391	—	391	–31	–19	–50	360	–19	341
Translation differences:									
Currency translation differences	–556	2	–554	—	—	—	–556	2	–554
Transfer to profit and loss (financial income and expense)	–7	—	–7	—	—	—	–7	—	–7
Net investment hedging:									
Net investment hedging gains (+)/losses (–)	—	—	—	114	–31	83	114	–31	83
Transfer to profit and loss (financial income and expense)	—	—	—	1	—	1	1	—	1
Movements attributable to minority interests	8	1	9	—	—	—	8	1	9
Balance at December 31, 2009	–164	3	–161	84	–50	34	–80	–47	–127

22. The shares of the Parent Company

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, 2009, the share capital of Nokia Corporation was EUR 245 896 461.96 and the total number of shares issued was 3 744 956 052.

On December 31, 2009, the total number of shares included 36 693 564 shares owned by Group companies representing approximately 1.0% of the share capital and the total voting rights.

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

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 2009, 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 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. Nokia repurchased 71 090 000 shares under this authorization in 2008. In 2009, Nokia did not repurchase any shares on the basis of this authorization. This authorization was effective until June 30, 2009 as per the resolution of the Annual General Meeting on May 8, 2008, but it was terminated by the resolution of the Annual General Meeting on April 23, 2009.

At the Annual General Meeting held on April 23, 2009, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 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. The shares may be repurchased under the buy-back authorization in order to develop the capital structure of the company. 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. Nokia has not purchased any shares based on this authorization. The authorization is effective until June 30, 2010 and the authorization terminated the authorization for repurchasing of the Company's shares resolved at the Annual General Meeting on May 8, 2008.

Authorizations proposed to the Annual General Meeting 2010

The Board of Directors will propose to the Annual General Meeting to be held on May 6, 2010 that the Annual General Meeting authorize the Board to resolve to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted shareholders' equity. The proposed maximum number of shares represents less than 10% of all the shares of the Company. The shares may be repurchased in order to develop the capital structure of the Company, finance or carry out acquisitions or other arrangements, settle the Company's equity-based incentive plans, be transferred for other purposes, or be cancelled. The authorization would be effective until June 30, 2011 and terminate the current authorization granted by the Annual General Meeting on April 23, 2009.

The Board of Directors will also propose to the Annual General Meeting to be held on May 6, 2010 that the Annual General Meeting authorize the Board to resolve to issue a maximum of 740 million shares through issuance of shares or special rights entitling to shares (including stock options) in one or more issues. The Board proposes that the authorization may be used to develop the Company's capital structure, diversify the shareholder base, finance or carry out acquisitions or other arrangements, settle the Company's equity-based incentive plans, or for other purposes resolved by the Board. The proposed authorization includes the right for the Board to resolve on all the terms and conditions of the issuance of shares and special rights entitling to shares, including issuance in deviation from the shareholders' pre-emptive rights. The authorization would be effective until June 30, 2013 and terminate the current authorization granted by the Annual General Meeting on May 3, 2007.

23. 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 16 million in 2009 (EUR 74 million in 2008 and EUR 228 million in 2007).

Stock options

Nokia's global stock option plans in effect for 2009, 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 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 the 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 under the global stock option plans, an aggregate maximum number of 22 755 509 new Nokia shares may be subscribed for, representing 0.6% of the total number of votes at December 31, 2009. During 2009, the exercise of 7 500 options resulted in the issuance of 7 500 new shares. The exercises of stock options resulted in an increase of Nokia's share capital prior to 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 subscription 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, 2009, 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, 2009.

Plan (year of launch)	Stock options outstanding 2009	Number of participants (approx.)	Option (sub) category	Vesting status (as percentage of total number of stock options outstanding)	Exercise period First vest date	Last vest date	Expiry date	Exercise price/share EUR
2003 [1]	0	0	2004 2Q	Expired	July 1, 2005	July 1, 2008	December 31, 2009	11.79
			2004 3Q	Expired	October 3, 2005	October 1, 2008	December 31, 2009	9.44
			2004 4Q	Expired	January 2, 2006	January 2, 2009	December 31, 2009	12.35
2005 [1]	12 120 029	7 000	2005 2Q	100.00	July 1, 2006	July 1, 2009	December 31, 2010	12.79
			2005 3Q	100.00	October 1, 2006	October 1, 2009	December 31, 2010	13.09
			2005 4Q	93.75	January 1, 2007	January 1, 2010	December 31, 2010	14.48
			2006 1Q	87.50	April 1, 2007	April 1, 2010	December 31, 2011	14.99
			2006 2Q	81.25	July 1, 2007	July 1, 2010	December 31, 2011	18.02
			2006 3Q	75.00	October 1, 2007	October 1, 2010	December 31, 2011	15.37
			2006 4Q	68.75	January 1, 2008	January 1, 2011	December 31, 2011	15.38
			2007 1Q	62.50	April 1, 2008	April 1, 2011	December 31, 2011	17.00
2007 [1]	10 635 480	9 000	2007 2Q	56.25	July 1, 2008	July 1, 2011	December 31, 2012	18.39
			2007 3Q	50.00	October 1, 2008	October 1, 2011	December 31, 2012	21.86
			2007 4Q	43.75	January 1, 2009	January 1, 2012	December 31, 2012	27.53
			2008 1Q	37.50	April 1, 2009	April 1, 2012	December 31, 2013	24.15
			2008 2Q	31.25	July 1, 2009	July 1, 2012	December 31, 2013	19.16
			2008 3Q	25.00	October 1, 2009	October 1, 2012	December 31, 2013	17.80
			2008 4Q	—	January 1, 2010	January 1, 2013	December 31, 2013	12.43
			2009 1Q	—	April 1, 2010	April 1, 2013	December 31, 2014	9.82
			2009 2Q	—	July 1, 2010	July 1, 2013	December 31, 2014	11.18
			2009 3Q	—	October 1, 2010	October 1, 2013	December 31, 2014	9.28
			2009 4Q	—	January 1, 2011	January 1, 2014	December 31, 2014	8.76

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, 2009 [1]

	Number of shares	Weighted average exercise price, EUR [2]	Weighted average share price, EUR [2]
Shares under option at January 1, 2007	**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**	
Granted	4 791 232	11.15	
Exercised	104 172	6.18	9.52
Forfeited	893 943	17.01	
Expired	4 567 020	13.55	
Shares under option at December 31, 2009	**23 039 962**	**15.39**	
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	
Options exercisable at December 31, 2009 (shares)	**13 124 925**	**16.09**	

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 during 2007 by option holders not employed by the Group.

The weighted average grant date fair value of stock options granted was EUR 2.34 in 2009, EUR 3.92 in 2008, and EUR 3.24 in 2007.

The options outstanding by range of exercise price at December 31, 2009 are as follows:

	Options outstanding		
Exercise prices, EUR	Number of shares	Weighted average remaining contractual life in years	Weighted average exercise price, EUR
0.81–9.93	215 987	4.27	6.07
10.26–14.99	10 498 214	3.06	12.10
15.37–19.86	12 202 542	2.61	18.28
21.86–37.37	123 219	2.03	26.63
	23 039 962		

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:

	2009	2008	2007
Weighted average expected dividend yield	3.63%	3.20%	2.30%
Weighted average expected volatility	43.46%	39.92%	25.24%
Risk-free interest rate	1.97–2.94%	3.15–4.58%	3.79–4.19%
Weighted average risk-free interest rate	2.23%	3.65%	4.09%
Expected life (years)	3.60	3.55	3.59
Weighted average share price, EUR	10.82	16.97	18.49

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 2005, 2006, 2007, 2008 and 2009 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 to be 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 2005 plan had a four-year performance period with a two-year interim measurement period. The 2006, 2007, 2008 and 2009 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
2005	0	11 000	2005–2006	2005–2008	2007	2009
2006	0	12 000	N/A	2006–2008	N/A	2009
2007	0	5 000	N/A	2007–2009	N/A	2010
2008	2 178 538	6 000	N/A	2008–2010	N/A	2011
2009	2 892 063	6 000	N/A	2009–2011	N/A	2012

1 Shares under performance share plan 2007 vested on December 31, 2009 and are therefore not included in the outstanding numbers.

2 Does not include 23 359 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.

		Threshold performance		Maximum performance	
Plan		EPS [1,2] EUR	Average annual net sales growth [1]	EPS [1,2] EUR	Average annual net sales growth [1]
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%
2009	Performance period	1.01	–5%	1.53	10%

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

2 The EPS for 2005, 2006 and 2007 plans: basic reported. The EPS for 2008 plan: diluted excluding special items. The EPS for 2009 plan: diluted non-IFRS.

Performance shares outstanding as at December 31, 2009 [1]

	Number of performance shares at threshold	Weighted average grant date fair value, EUR [2]
Performance shares at January 1, 2007 [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**	
Granted	2 960 110	9.57
Forfeited	691 325	
Vested [5, 7]	5 210 044	
Performance shares at December 31, 2009	**5 093 960**	

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 equaling 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 January 1, 2007 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 equaling 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 were outstanding until the final settlement in 2009. The final payout, in 2009, was 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.

7 Includes performance shares under Performance Share Plan 2007 that vested on December 31, 2009.

There will be no settlement under the Performance Share Plan 2007 as neither of the threshold performance criteria of EPS and Average Annual Net Sales Growth of this plan was met.

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 talent. 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 to be 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, 2009 [1]

	Number of restricted shares	Weighted average grant date fair value, EUR [2]
Restricted shares at January 1, 2007	**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**	
Granted	4 288 600	7.59
Forfeited	446 695	
Vested	2 510 300	
Restricted shares at December 31, 2009	**9 381 002**	

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, if any, 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 sponsors immaterial equity plans for Nokia-acquired businesses or employees in the United States or Canada that 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 0.3 million stock options outstanding on December 31, 2009. The weighted average exercise price is USD 16.13.

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, of which approximately 1 million shares have already been delivered by December 31, 2009. The Group does not intend to make further awards under the NAVTEQ Plan.

24. Deferred taxes

EURm	2009	2008
Deferred tax assets:		
Intercompany profit in inventory	77	144
Tax losses carried forward	263	293
Warranty provision	73	117
Other provisions	315	371
Depreciation differences and untaxed reserves	796	1 059
Share-based compensation	15	68
Other temporary differences	320	282
Reclassification due to netting of deferred taxes	–352	–371
Total deferred tax assets	1 507	1 963
Deferred tax liabilities:		
Depreciation differences and untaxed reserves	–469	–654
Fair value gains/losses	–67	–62
Undistributed earnings	–345	–242
Other temporary differences [1]	–774	–1 200
Reclassification due to netting of deferred taxes	352	371
Total deferred tax liabilities	–1 303	–1 787
Net deferred tax asset	204	176
Tax charged to equity	–13	–128

1 In 2009 other temporary differences include a deferred tax liability of EUR 744 million (EUR 1 140 million in 2008) arising from purchase price allocation related to Nokia Siemens Networks and NAVTEQ.

At December 31, 2009 the Group had loss carry forwards, primarily attributable to foreign subsidiaries of EUR 1 150 million (EUR 1 013 million in 2008), most of which will expire within 20 years.

At December 31, 2009 the Group had loss carry forwards and temporary differences of EUR 2 532 million (EUR 102 million in 2008) for which no deferred tax asset was recognized due to uncertainty of utilization of these items. Most of these items do not have an expiry date.

At December 31, 2009 the Group had undistributed earnings of EUR 322 million (EUR 274 million in 2008), for which no deferred tax liability was recognized as these earnings are considered to be permanently invested.

25. Accrued expenses

EURm	2009	2008
Social security, VAT and other taxes	1 808	1 700
Wages and salaries	474	665
Advance payments	546	532
Other	3 676	4 126
Total	6 504	7 023

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

26. Provisions

EURm	Warranty	Restructuring	IPR infringements	Project losses	Tax	Other	Total
At January 1, 2008	1 489	617	545	116	452	498	3 717
Exchange differences	–16	—	—	—	—	—	–16
Acquisitions	1	—	3	—	6	2	12
Additional provisions	1 211	533	266	389	47	747	3 193
Change in fair value	—	—	—	—	—	–7	–7
Changes in estimates	–240	–211	–92	–42	–45	–143	–773
Charged to profit and loss account	971	322	174	347	2	597	2 413
Utilized during year	–1 070	–583	–379	–218	—	–284	–2 534
At December 31, 2008	**1 375**	**356**	**343**	**245**	**460**	**813**	**3 592**
At January 1, 2009	1 375	356	343	245	460	813	3 592
Exchange differences	–13	—	—	—	—	—	–13
Additional provisions	793	268	73	269	139	344	1 886
Change in fair value	—	—	—	—	—	–1	–1
Changes in estimates	–178	–62	–9	–63	–325	–174	–811
Charged to profit and loss account	615	206	64	206	–186	169	1 074
Utilized during year	–1 006	–378	–17	–254	—	–280	–1 935
At December 31, 2009	**971**	**184**	**390**	**197**	**274**	**702**	**2 718**

EURm	2009	2008
Analysis of total provisions at December 31:		
Non-current	**841**	978
Current	**1 877**	2 614

Outflows for the warranty provision are generally expected to occur within the next 18 months. In 2009, warranty provision decreased compared to 2008 primarily due to lower sales volumes in Devices & Services. Timing of outflows related to tax provisions is inherently uncertain. In 2009, tax provisions decreased due to the positive development and outcome of various prior year items.

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 2010.

In 2009, Devices & Services recognized restructuring provisions of EUR 208 million mainly related to measures taken to adjust our business operations and cost base according to market conditions. In 2008, resulting from 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 related to other restructuring activities.

Restructuring and other associated expenses incurred in Nokia Siemens Networks in 2009 totaled EUR 310 million (EUR 646 million in 2008) 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 151 million (EUR 402 million in 2008) impacting gross profit, EUR 30 million (EUR 46 million in 2008) research and development expenses, EUR 12 million (reversal of provision EUR 14 million in 2008) in selling and marketing expenses, EUR 103 million (EUR 163 million in 2008) administrative expenses and EUR 14 million (EUR 49 million in 2008) other operating expenses. EUR 514 million was paid during 2009 (EUR 790 million during 2008).

Provisions for losses on projects in progress are related to Nokia Siemens Networks' onerous contracts.

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, product portfolio provisions for the alignment of the product portfolio and related replacement of discontinued products in customer sites and provision for pension and other social security costs on share-based awards.

27. Earnings per share

	2009	2008	2007
Numerator/EURm			
Basic/Diluted:			
Profit attributable to equity holders of the parent	**891**	3 988	7 205
Denominator/1 000 shares			
Basic:			
Weighted average shares	**3 705 116**	3 743 622	3 885 408
Effect of dilutive securities:			
Performance shares	**9 614**	25 997	26 304
Restricted shares	**6 341**	6 543	3 693
Stock options	**1**	4 201	16 603
	15 956	36 741	46 600
Diluted:			
Adjusted weighted average shares and assumed conversions	**3 721 072**	3 780 363	3 932 008

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.

In 2009, stock options equivalent to 12 million shares (11 million in 2008) were excluded from the calculation of diluted earnings per share because they were determined to be anti-dilutive.

28. Commitments and contingencies

EURm	2009	2008
Collateral for our own commitments		
Property under mortgages	18	18
Assets pledged	13	11
Contingent liabilities on behalf of Group companies		
Other guarantees	1 350	2 896
Contingent liabilities on behalf of other companies		
Financial guarantees on behalf of third parties [1]	—	2
Other guarantees	3	1
Financing commitments		
Customer finance commitments [1]	99	197
Venture fund commitments [2]	293	467

1 See also note 33 b).

2 See also note 33 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 2009 (EUR 18 million in 2008).

Assets pledged for the Group's own commitments include available-for-sale investments of EUR 10 million in 2009 (EUR 10 million of available-for-sale investments in 2008).

Other guarantees include guarantees of EUR 1 013 million in 2009 (EUR 2 682 million in 2008) provided to certain Nokia Siemens Networks' customers in the form of bank guarantees or corporate guarantees issued by Nokia Siemens Networks' Group entity. 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 guarantee, compensation is payable on demand or subject to verification of non-performance. Volume of Other guarantees has decreased due to release of certain commercial guarantees and due to exclusion of those guarantees where possibility for claim is considered as remote.

Contingent liabilities on behalf of other companies were EUR 3 million in 2009 (EUR 3 million in 2008).

Financing commitments of EUR 99 million in 2009 (EUR 197 million in 2008) 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 293 million in 2009 (EUR 467 million in 2008) 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 of 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 outcome of and liabilities in excess of what has been provided for related to these or other proceedings, in the 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, 2009, the Group had purchase commitments of EUR 2 765 million (EUR 2 351 million in 2008) relating to inventory purchase obligations, service agreements and outsourcing arrangements, primarily for purchases in 2010.

29. 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
2010	348
2011	254
2012	180
2013	131
2014	99
Thereafter	210
Total	1 222

Rental expense amounted to EUR 436 million in 2009 (EUR 418 million in 2008 and EUR 328 million in 2007).

30. Related party transactions

At December 31, 2009, the Group had borrowings amounting to EUR 69 million (EUR 69 million in 2008 and 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 made to the members of the Group Executive Board and Board of Directors at December 31, 2009, 2008 or 2007.

EURm	2009	2008	2007
Transactions with associated companies			
Share of results of associated companies	30	6	44
Dividend income	—	6	12
Share of shareholders' equity of associated companies	35	21	158
Sales to associated companies	8	59	82
Purchases from associated companies	211	162	125
Receivables from associated companies	2	29	61
Liabilities to associated companies	31	8	69

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 2007–2009 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

	2009			2008			2007		
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	1 176 000	1 288 144	2 840 777	1 144 800	721 733	1 286 370	1 037 619	2 348 877	4 805 722

Total remuneration of the Group Executive Board awarded for the fiscal years 2007–2009 was EUR 10 723 777 in 2009 (EUR 8 859 567 in 2008 and EUR 13 634 791 in 2007), 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 9 668 484 in 2009 (EUR 4 850 204 in 2008 and EUR 19 837 583 in 2007).

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.

	2009		2008		2007	
Board of Directors	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received
Jorma Ollila, Chairman [2]	440 000	16 575	440 000	9 499	375 000	8 110
Dame Marjorie Scardino, Vice Chairman [3]	150 000	5 649	150 000	3 238	150 000	3 245
Georg Ehrnrooth [4]	155 000	5 838	155 000	3 346	155 000	3 351
Lalita D. Gupte [5]	140 000	5 273	140 000	3 022	140 000	3 027
Bengt Holmström	130 000	4 896	130 000	2 806	130 000	2 810
Henning Kagermann	130 000	4 896	130 000	2 806	130 000	2 810
Olli-Pekka Kallasvuo [6]	130 000	4 896	130 000	2 806	130 000	2 810
Per Karlsson [7]	155 000	5 838	155 000	3 346	155 000	3 351
Isabel Marey-Semper [8]	140 000	5 273	—	—	—	—
Risto Siilasmaa [9]	140 000	5 273	140 000	3 022	—	—
Keijo Suila [10]	130 000	4 896	140 000	3 022	140 000	3 027
Vesa Vainio [11]	—	—	—	—	140 000	3 027

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." Further, it is Nokia policy that the directors retain all company stock received as director compensation until the end of their board membership, subject to the need to finance any costs including taxes relating to the acquisition of the shares.

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

3 The 2009, 2008 and 2007 fees of Ms. Scardino amounted to EUR 150 000 for services as Vice Chairman.

4 The 2009, 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.

5 The 2009, 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 2009, 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.

8 The 2009 fee paid to Ms. Marey-Semper 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.

9 The 2009 and 2008 fee of Mr. Siilasmaa amounted to a total of EUR 140 000, consisting of 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 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.

11 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.

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, and continuing in his current position at Nokia, has a retirement benefit of 65% of his pensionable salary beginning at the age of 62 and early retirement is possible at the age of 55 with reduced benefits. Mr. Moerk will retire at the end of September 2010 at the age of 57.

31. Notes to cash flow statements

EURm	2 009	2 008	2 007
Adjustments for:			
Depreciation and amortization (Note 9)	**1 784**	1 617	1 206
Profit (–)/loss (+) on sale of property, plant and equipment and available-for-sale investments	**–111**	–11	–1 864
Income taxes (Note 11)	**702**	1 081	1 522
Share of results of associated companies (Note 14)	**–30**	–6	–44
Minority interest	**–631**	–99	–459
Financial income and expenses (Note 10)	**265**	2	–239
Transfer from hedging reserve to sales and cost of sales (Note 20)	**44**	–445	–110
Impairment charges (Note 7)	**1 009**	149	63
Asset retirements (Note 8, 12)	**35**	186	—
Share-based compensation (Note 23)	**16**	74	228
Restructuring charges	**307**	448	856
Finnish pension settlement (Note 5)	**—**	152	—
Other income and expenses	**—**	–124	—
Adjustments, total	**3 390**	3 024	1 159
Change in net working capital			
Decrease (+)/increase (–) in short-term receivables	**1 145**	–534	–2 146
Decrease (+)/increase (–) in inventories	**640**	321	–245
Decrease (–)/increase (+) in interest-free short-term borrowings	**–1 698**	–2 333	2 996
Loans made to customers	**53**	—	—
Change in net working capital	**140**	–2 546	605

The Transfer from hedging reserve to sales and cost of sales for 2008 and 2007 have been reclassified for comparability purposes from Other financial income and expenses to Adjustments to profit attributable to equity holders of the parent within Net cash from operating activities on the Consolidated Statements of Cash Flows.

The Group did not engage in any material non-cash investing activities in 2009 and 2008. 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.

32. Principal Nokia Group companies at December 31, 2009

%		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	4.5	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	99.9	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 Brazil Technologia Ltda	99.9	100.0
RU	OOO Nokia	100.0	100.0
US	NAVTEQ Corp	—	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.

33. Risk management

General risk management principles

Nokia has a common and systematic approach to risk management across business operations and processes. Material risks and opportunities are identified, analyzed, managed and monitored as part of business performance management. Relevant key risks are identified against business targets either in business operations or as an integral part of long and short term planning. Nokia's overall risk management concept is based on visibility of the key risks preventing Nokia from reaching its business objectives rather than solely focusing 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, function or category owner is also the risk owner, but it is everyone's responsibility at Nokia to identify risks, which prevent Nokia to reach the objectives. Risk management covers strategic, operational, financial and hazard risks.

Key risks are reported to the Group level management to create assurance on business risks as well as to enable prioritization of risk management activities at Nokia. In addition to general principles there are specific risk management policies covering, for example treasury and customer 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) mitigating 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 Euro zone.

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 unless hedging would be uneconomical due to market liquidity and/or hedging cost. 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 2009 and 2008, following currencies represent significant portion of the currency mix in the outstanding financial instruments:

2009, EURm	USD	JPY	CNY	INR
FX derivatives used as cashflow hedges (net amount) [1]	−1 767	663	—	−78
FX derivatives used as net investment hedges (net amount) [2]	−969	−6	−983	−208
FX exposure from balance sheet items net amount) [3]	−464	−421	−1 358	80
FX derivatives not designated in a hedge relationship and carried at fair value through profit and loss (net amount) [3]	−328	578	1 633	−164
Cross currency/interest rate hedges	375	—	—	—

2008, EURm	USD	JPY	GBP	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 profit and loss (net amount) [3]	−615	480	527	−443

1 The FX derivatives are used to hedge the foreign exchange risk from forecasted highly probable cash flows 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 profit and loss resulting in offsetting FX gains or losses in the financial income and expenses.

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-financing or 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 expenses.

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:

	2009		2008	
EURm	Fixed rate	Floating rate	Fixed rate	Floating rate
Assets	**5 712**	**3 241**	2 946	4 007
Liabilities	**−3 771**	**−1 403**	−3 604	-785
Assets and liabilities before derivatives	**1 941**	**1 838**	−658	3 222
Interest rate derivatives	**1 628**	**−1 693**	—	—
Assets and liabilities after derivatives	**3 569**	**145**	−658	3 222

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, 2009 was EUR 8 million (EUR 8 million in 2008). 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 cash flow hedges and net investment hedges. Most of the VaR is caused by these derivatives as forecasted cash flow 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 positions Value-at-Risk

	VaR from financial instruments	
EURm	2009	2008
At December 31	**190**	442
Average for the year	**291**	337
Range for the year	**160–520**	191–730

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.

The sizeable difference between the 2009 and 2008 numbers is mainly due the fact that Nokia issued bonds with long maturities during the first half of 2009, which resulted in a significant increase in the Group's exposure to long-term interest rates.

Table 2 Treasury investment and debt portfolios Value-at-Risk

EURm	2009	2008
At December 31	**41**	6
Average for the year	**33**	10
Range for the year	**4–52**	4–25

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	2009	2008
Financial guarantees given on behalf of customers and other third parties	**—**	2
Loan commitments given but not used	**99**	197
	99	199

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 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, and committed credits.

Group Credit Policy provides that credit decisions are based on credit evaluation including credit rating for larger exposures. Nokia & Nokia Siemens Networks Rating Policy defines the rating principles. Ratings are approved by Nokia & Nokia Siemens Networks Rating Committee. Credit risks are approved and monitored according to the credit policy of each business entity. 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 2.2%, 2.2% and 1.9% (2008: 4.0%, 3.8% and 3.5%) of Group accounts receivable and loans due from customers and other third parties as at December 31, 2009, while the top three credit exposures by country amounted to 7.2%, 6.5% and 5.6% (2008: 8.5%, 7.2% and 7.2%), respectively.

As at December 31, 2009, the carrying amount before deducting any impairment allowance of accounts receivable relating to customers for which an impairment was provided amounted to EUR 2 528 million (2008: EUR 3 042 million). The amount of provision taken against that portion of these receivables considered to be impaired was EUR 391 million (2008: EUR 415 million) (see also note 19 Valuation and qualifying accounts).

An amount of EUR 679 million (2008: EUR 729 million) relates to past due receivables from customers for which no impairment loss was recognized. The aging of these receivables is as follows:

EURm	2009	2008
Past due 1–30 days	393	453
Past due 31–180 days	170	240
More than 180 days	116	36
	679	729

The carrying amount of accounts receivable that would otherwise be past due or impaired but whose terms have been renegotiated was EUR 36 million (EUR 0 million in 2008).

As at December 31, 2009, 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 (2008: EUR 4 million). The amount of provision taken for these loans was EUR 4 million (2008: EUR 4 million).

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

Financial credit risk

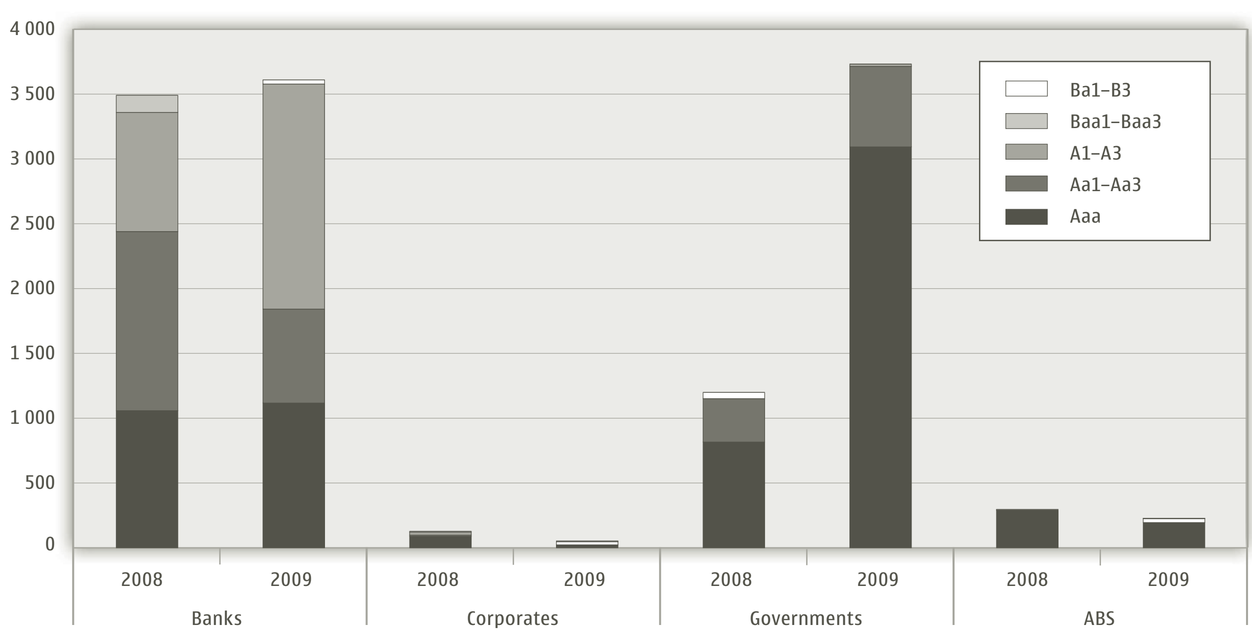
Financial instruments contain an element of risk of loss resulting from counterparties being unable to meet their obligations. This risk is measured and monitored centrally by Treasury. Nokia manages financial credit risk actively by limiting its counterparties to a sufficient number of major banks and 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 investment 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, 3]

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 investments and investments at fair value though profit and loss. 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 48 million of restricted investment at December 31, 2009 (EUR 114 million at December 31, 2008). They are restricted financial assets under various contractual or legal obligations.

3 Bank parent company ratings used here for bank groups. In some emerging markets countries actual bank subsidiary ratings may differ from parent company rating.

84% of Nokia's cash is held with banks of investment grade credit rating (89% for 2008).

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 and Nokia Siemens Networks aim at maintaining flexibility in funding by keeping committed and uncommitted credit lines available. Nokia and Nokia Siemens Networks manage their respective credit facilities independently and facilities do not include cross-default clauses between Nokia and Nokia Siemens Networks or any forms of guarantees from either party. At the end of December 31, 2009 the committed facilities totaled EUR 4 113 million.

The most significant existing Committed Facilities include:

Borrower(s):

Nokia Corporation:	USD 1 923 million Revolving Credit Facility, maturing 2012
Nokia Siemens Networks Finance B.V. and Nokia Siemens Networks Oy:	EUR 2 000 million Revolving Credit Facility, maturing 2012
Nokia Siemens Networks Finance B.V.:	EUR 750 million Credit Facility, maturing 2013

USD 1 923 million Revolving Credit Facility of Nokia Corporation is used primarily for US and Euro Commercial Paper Programs back up purposes. As at year end 2009, this facility was fully undrawn.

EUR 2 000 million Revolving Credit Facility of Nokia Siemens Networks Finance B.V. and Nokia Siemens Networks Oy is used for general corporate purposes. The Facility includes financial covenants related to gearing test, leverage test and interest coverage test of Nokia Siemens Networks. As of December 31, 2009 EUR 49 million of the facility was utilized and all financial covenants were satisfied. The EUR 750 million Credit Facility of Nokia Siemens Networks Finance B.V. was fully utilized for general funding purposes.

As of December 31, 2009 the weighted average commitment fee on the committed credit facilities was 0.70% per annum.

The most significant existing funding programs include:

Issuer(s):

Nokia Corporation:	Medium Term Note (EMTN) program, totaling EUR 5 000 million
Nokia Corporation:	Shelf registration statement on file with the US Securities and Exchange Commission
Nokia Corporation:	Local commercial paper program in Finland, totaling EUR 750 million
Nokia Corporation:	US Commercial Paper (USCP) program, totaling USD 4 000 million
Nokia Corporation and Nokia International Finance B.V.:	Euro Commercial Paper (ECP) program, totaling USD 4 000 million

Of the above funding programs, EMTN, Shelf registration and US Commercial Paper program have been utilized in 2009. On December 31, 2009 a total of EUR 1 750 million, USD 1 500 million and USD 693 million were outstanding under these programs, respectively. Local commercial paper program and ECP program have not been used to a material degree in 2009.

Nokia's international creditworthiness facilitates the efficient use of international capital and loan markets. The ratings as of December 31, 2009 were:

Short-term:	Standard & Poor's	A–1
	Moody's	P–1
Long-term:	Standard & Poor's	A
	Moody's	A2

The following table below is an undiscounted cash flow 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, 2009, 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	—	—	36	6	4
Other non-current assets	—	—	3	1	1
Current financial assets					
Current portion of long-term loans receivable	4	11	—	—	—
Short-term loans receivable	1	1	—	—	—
Investments at fair value through profit and loss	3	22	29	515	139
Available-for-sale investment	6 417	322	290	110	116
Cash	1 142	—	—	—	—
Cash flows related to derivative financial assets net settled:					
Derivative contracts–receipts	88	–47	80	110	27
Cash flows related to derivative financial assets gross settled:					
Derivative contracts–receipts	14 350	1 067	—	—	—
Derivative contracts–payments	–14 201	–1 037	—	—	—
Accounts receivable [1, 2]	5 903	1 002	73	—	—
Non-current financial liabilities					
Long-term liabilities	–124	–96	–594	–2 973	–2 596
Current financial liabilities					
Current portion of long-term loans	–3	–41	—	—	—
Short-term liabilities	–628	–100	—	—	—
Cash flows related to derivative financial liabilities net settled:					
Derivative contracts–payments	–6	6	–2	10	52
Cash flows related to derivative financial liabilities gross settled:					
Derivative contracts–receipts	14 528	1 422	—	—	—
Derivative contracts–payments	–14 646	–1 443	—	—	—
Accounts payable	-4 873	–74	–3	—	—
Contingent financial assets and liabilities					
Loan commitments given undrawn [2]	–59	–40	—	—	—
Loan commitments obtained undrawn [3]	—	—	2 841	—	—

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
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]	6 702	1 144	70	—	—
Non-current financial liabilities					
Long-term liabilities	–1	–46	–741	–64	–159
Current financial liabilities					
Current portion of long-term loans	—	–14	—	—	—
Short-term liabilities	–3 207	–388	—	—	—
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	–5 152	–67	–5	—	—
Contingent financial assets and liabilities					
Loan commitments given undrawn [2]	–197	—	—	—	
Financial guarantee given uncalled [2]	–2	—	—	—	—
Loan commitments obtained undrawn [3]	—	—	50	362	—

1 Accounts receivable maturity analysis does not include accrued receivables and receivables accounted based on the percentage of completion method of EUR 1 004 million (2008: EUR 1 528 million).

2 Loan commitments given undrawn and financial guarantees given uncalled have been included in the earliest period in which they could be drawn or called.

3 Loan commitments obtained undrawn have been included based on the period in which they expire.

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. Insurance is purchased for risks, which cannot be efficiently internally managed and where insurance markets offer acceptable terms and conditions. The objective is to ensure that 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

Income statements, parent company, FAS

Financial year ended December 31	Notes	2009 EURm	2008 EURm
Net sales		20 167	26 940
Cost of sales		−14 666	−18 712
Gross margin		5 501	8 228
Selling and marketing expenses		−1 403	−1 393
Research and development expenses		−3 097	−3 147
Administrative expenses		−396	−769
Other operating expenses		−70	−340
Other operating income		106	120
Operating profit	2, 3	641	2 699
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		290	31
Dividend income from other companies		2	3
Interest income from Group companies		—	4
Other interest and financial income			
Interest income from Group companies		84	398
Interest income from other companies		2	12
Other financial income from other companies		9	—
Exchange gains and losses		106	−478
Interest expenses and other financial expenses			
Interest expenses to Group companies		−80	−338
Interest expenses to other companies		−161	-63
Other financial expenses		−10	−6
Financial income and expenses, total		242	−437
Profit before extraordinary items and taxes		883	2 262
Extraordinary items			
Group contributions		10	40
Extraordinary items, total		10	40
Profit before taxes		893	2 302
Income taxes			
for the year	18	−127	−539
from previous years		1	−14
Net profit		767	1 749

See Notes to the financial statements of the parent company.

Balance sheets, parent company, FAS

December 31	Notes	2009 EURm	2008 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	4		
Capitalized development costs		13	21
Intangible rights		46	52
Other intangible assets		418	155
		477	228
Tangible assets	5	—	—
Investments			
Investments in subsidiaries	6	12 109	12 084
Investments in associated companies	6	30	10
Long-term loan receivables from Group companies		10	8
Other non-current assets	6	74	41
		12 223	12 143
Current assets			
Inventories and work in progress			
Raw materials and supplies		45	84
Work in progress		86	100
Finished goods		86	70
		217	254
Receivables			
Deferred tax assets		1	—
Trade debtors from Group companies		1 080	899
Trade debtors from other companies		713	913
Short-term loan receivables from Group companies		3 472	12 039
Short-term loan receivables from other companies		—	1
Prepaid expenses and accrued income from Group companies		15	65
Prepaid expenses and accrued income from other companies		1 858	2 179
		7 139	16 096
Short-term investments		35	2
Bank and cash		70	197
Total		20 161	28 920

See Notes to the financial statements of the parent company.

December 31	Notes	2009 EURm	2008 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7		
Share capital		246	246
Treasury shares	7	−685	−1 885
Reserve for invested non-restricted equity	7, 8	3 154	3 291
Retained earnings	7, 8	3 788	4 489
Net profit for the year	7, 8	767	1 749
		7 270	7 890
Liabilities			
Long-term liabilities			
Long-term finance liabilities to other companies	9	3 255	—
Short-term liabilities			
Current finance liabilities from Group companies		3 380	13 345
Current finance liabilities from other companies		473	2 598
Advance payments from other companies		217	182
Trade creditors to Group companies		3 280	2 377
Trade creditors to other companies		531	695
Accrued expenses and prepaid income to Group companies		73	217
Accrued expenses and prepaid income to other companies		1 682	1 616
		9 636	21 030
Total liabilities		12 891	21 030
Total		20 161	28 920

See Notes to the financial statements of the parent company.

Statements of cash flows, parent company, FAS

Financial year ended December 31	Notes	2009 EURm	2008 EURm
Cash flow from operating activities			
Net profit		767	1 749
Adjustments, total	13	99	1 357
Cash flow before change in net working capital		866	3 106
Change in net working capital	13	881	543
Cash generated from operations		1 747	3 649
Interest received		88	418
Interest paid		−140	−399
Other financial income and expenses		157	−469
Income taxes paid		46	−1 020
Cash flow before extraordinary items		1 898	2 179
Extraordinary income and expenses		40	—
Net cash from operating activities		1 938	2 179
Cash flow from investing activities			
Investments in shares		−93	−4 026
Additions to capitalized development costs		−1	−53
Capital expenditures		−461	−211
Proceeds from sale of shares		30	106
Proceeds from sale of other intangible assets		−3	—
Long-term loans made to customers		−1	—
Proceeds from other long-term receivables		128	—
Proceeds from short-term receivables		8 356	−3 750
Dividends received		292	34
Net cash from / used in investing activities		8 247	−7 900
Cash flow from financing activities			
Proceeds from stock option exercises		—	51
Proceeds from borrowings		3 287	10 777
Repayment of borrowings		−12 085	−5
Purchase of treasury shares		—	−3 123
Dividends paid		−1 481	−1 992
Net cash used in / from financing activities		−10 279	5 708
Net decrease in cash and cash equivalents		−94	−13
Cash and cash equivalents at beginning of period		199	212
Cash and cash equivalents at end of period		105	199

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 also Note 1 to Notes to the consolidated financial statements.

2. Personnel expenses

EURm	2009	2008
Wages and salaries	1 096	1 115
Pension expenses	146	160
Other social expenses	42	63
Personnel expenses as per profit and loss account	1 284	1 338

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 2007–2009 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

	2009			2008			2007		
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	1 176 000	1 288 144	2 840 777	1 144 800	721 733	1 286 370	1 037 619	2 348 877	4 805 722

Total remuneration of the Group Executive Board awarded for the fiscal years 2007–2009 was EUR 10 723 777 in 2009 (EUR 8 859 567 in 2008 and EUR 13 634 791 in 2007), 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 9 668 484 in 2009 (EUR 4 850 204 in 2008 and EUR 19 837 583 in 2007).

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

	2009		2008		2007	
Board of Directors	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received
Jorma Ollila, Chairman [2]	440 000	16 575	440 000	9 499	375 000	8 110
Dame Marjorie Scardino, Vice Chairman [3]	150 000	5 649	150 000	3 238	150 000	3 245
Georg Ehrnrooth [4]	155 000	5 838	155 000	3 346	155 000	3 351
Lalita D. Gupte [5]	140 000	5 273	140 000	3 022	140 000	3 027
Bengt Holmström	130 000	4 896	130 000	2 806	130 000	2 810
Henning Kagermann	130 000	4 896	130 000	2 806	130 000	2 810
Olli-Pekka Kallasvuo [6]	130 000	4 896	130 000	2 806	130 000	2 810
Per Karlsson [7]	155 000	5 838	155 000	3 346	155 000	3 351
Isabel Marey-Semper [8]	140 000	5 273	—	—	—	—
Risto Siilasmaa [9]	140 000	5 273	140 000	3 022	—	—
Keijo Suila [10]	130 000	4 896	140 000	3 022	140 000	3 027
Vesa Vainio [11]	—	—	—	—	140 000	3 027

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." Further, it is Nokia policy that the directors retain all company stock received as director compensation until the end of their board membership, subject to the need to finance any costs including taxes relating to the acquisition of the shares.

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

3 The 2009, 2008 and 2007 fees of Ms. Scardino amounted to EUR 150 000 for services as Vice Chairman.

4 The 2009, 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.

5 The 2009, 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 2009, 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.

8 The 2009 fee paid to Ms. Marey-Semper 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.

9 The 2009 and 2008 fee of Mr. Siilasmaa amounted to a total of EUR 140 000, consisting of 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 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.

11 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.

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, and continuing in his current position at Nokia, has a retirement benefit of 65% of his pensionable salary beginning at the age of 62 and early retirement is possible at the age of 55 with reduced benefits. Mr. Moerk will retire at the end of September 2010 at the age of 57.

Personnel average	2009	2008
Production	3 091	3 481
Marketing	1 225	1 226
R&D	8 431	8 717
Administration	2 408	2 552
	15 155	15 976
Personnel, December 31	14 133	16 262

3. Depreciation and amortization

EURm	2009	2008
Depreciation and amortization by asset class category		
Intangible assets		
Capitalized development costs	9	28
Intangible rights	23	28
Other intangible assets	170	28
Tangible assets	—	—
Total	202	84
Depreciation and amortization by function		
R&D	177	54
Production	—	1
Selling, marketing and administration	25	29
Total	202	84

4. Intangible assets

EURm	2009	2008
Capitalized development costs		
Acquisition cost January 1	287	358
Additions during the period	1	53
Disposals during the period	—	−124
Accumulated acquisition cost December 31	288	287
Accumulated amortization January 1	−266	−252
Disposals during the period	—	14
Amortization during the period	−9	−28
Accumulated amortization December 31	−275	−266
Net book value January 1	21	106
Net book value December 31	13	21
Intangible rights		
Acquisition cost January 1	286	259
Additions during the period	34	32
Disposals during the period	−16	−5
Accumulated acquisition cost December 31	304	286
Accumulated amortization January 1	−234	−211
Disposals during the period	−1	5
Amortization during the period	−23	−28
Accumulated amortization December 31	−258	−234
Net book value January 1	52	48
Net book value December 31	46	52
Other intangible assets		
Acquisition cost January 1	185	6
Additions during the period	437	179
Disposals during the period	−3	—
Accumulated acquisition cost December 31	619	185
Accumulated amortization January 1	−30	−2
Disposals during the period	−1	—
Amortization during the period	−170	−28
Accumulated amortization December 31	−201	−30
Net book value January 1	155	4
Net book value December 31	418	155

5. Tangible assets

At the end of 2009 and 2008 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	2009	2008
Investments in subsidiaries		
Acquisition cost January 1	12 084	6 564
Additions	108	5 624
Disposals	−83	−104
Net carrying amount December 31	12 109	12 084
Investments in associated companies		
Acquisition cost January 1	10	9
Additions	27	1
Disposals	−7	—
Net carrying amount December 31	30	10
Investments in other shares		
Acquisition cost January 1	41	4
Additions	33	37
Disposals	—	—
Net carrying amount December 31	74	41

7. Shareholders' equity

Parent company, EURm	Share capital	Share issue premium	Treasury shares	Reserve for invested non-restricted equity	Retained earnings	Total
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 and restricted 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 exercised				51		51
Cancellation of treasury shares			4 231		−4 231	—
Acquisitions of treasury shares			−3 123			−3 123
Settlement of performance and restricted 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
Cancellation of treasury shares			969		−969	—
Settlement of performance and restricted shares			231	−137		94
Dividend					−1 481	−1 481
Net profit					767	767
Balance at December 31, 2009	**246**	**—**	**−685**	**3 154**	**4 555**	**7 270**

8. Distributable earnings

EURm	2009	2008
Reserve for invested non-restricted equity	3 154	3 291
Retained earnings from previous years	3 788	4 489
Net profit for the year	767	1 749
Retained earnings, total	7 709	9 529
Treasury shares	−685	−1 885
Distributable earnings, December 31	7 024	7 644

9. Long-term liabilities

EURm	2009	2008
Long-term financial liabilities		
Bonds	2 755	—
Loans from financial institutions	500	—
Long-term liabilities, total	3 255	—

Long-term liabilities repayable after 5 years		
Bonds	1 483	—
Loans from financial institutions	500	—
Long-term liabilities, total	1 983	—

Bonds	Milj.		Interest		
2009–2014	1 250	EUR	5,534	1 272	—
2009–2019	1 000	USD	5,572	653	—
2009–2019	500	EUR	6,792	508	—
2009–2039	500	USD	6,775	322	—
Total				2 755	—

10. Commitments and contingencies

EURm	2009	2008
Contingent liabilities on behalf of Group companies		
Guarantees for loans	1	8
Leasing guarantees	157	171
Other guarantees	162	128
Contingent liabilities on behalf of other companies		
Guarantees for loans	—	2

11. Leasing contracts

At December 31, 2009 the leasing contracts of the Parent Company amounted to EUR 35 million (EUR 106 million in 2008). EUR 21 million will expire in 2010 (EUR 29 million in 2009).

12. 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, 2009.

13. Notes to cash flow statements

EURm	2009	2008
Adjustments for:		
Depreciation	202	84
Income taxes	126	553
Financial income and expenses	−242	437
Impairment of intangible assets	−7	109
Impairment of non-current available-for-sale investments	7	—
Other operating income and expenses	13	174
Adjustments, total	99	1 357
Change in net working capital		
Short-term trade receivables, increase (–), decrease (+)	364	1 402
Inventories, increase (–), decrease (+)	37	184
Interest-free short-term liabilities, increase (+), decrease (–)	480	−1 043
Change in net working capital	881	543

14. Principal Nokia Group companies on December 31, 2009

See note 32 to Notes to the consolidated financial statements.

15. Nokia shares and shareholders

See Nokia shares and shareholders p. 58–62.

16. Accrued income

EURm	2009	2008
Taxes	—	129
Other	1 873	2 117
Total	1 873	2 246

17. Accrued expenses

EURm	2009	2008
Personnel expenses	226	236
Taxes	48	—
Other	1 481	1 597
Total	1 755	1 833

18. Income tax

EURm	2009	2008
Income tax from operations	124	528
Other income tax	3	11
Total	127	539

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, 2009, the share capital of Nokia Corporation was EUR 245 896 461.96 and the total number of shares issued was 3 744 956 052.

On December 31, 2009, the total number of shares included 36 693 564 shares owned by Group companies representing approximately 1.0% of the share capital and the total voting rights.

Under 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, 2009	2009	2008	2007	2006	2005
Share capital, EURm	**246**	246	246	246	266
Shares (1 000)	**3 744 956**	3 800 949	3 982 812	4 095 043	4 433 887
Shares owned by the Group (1 000)	**36 694**	103 076	136 862	129 312	261 511
Number of shares excluding shares owned by the Group (1 000)	**3 708 262**	3 697 872	3 845 950	3 965 730	4 172 376
Average number of shares excluding shares owned by the Group during the year (1 000), basic	**3 705 116**	3 743 622	3 885 408	4 062 833	4 365 547
Average number of shares excluding shares owned by the Group during the year (1 000), diluted	**3 721 072**	3 780 363	3 932 008	4 086 529	4 371 239
Number of registered shareholders [1]	**156 081**	122 713	103 226	119 143	126 352

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

Key ratios December 31, 2009, IFRS (calculation see page 66)	2009	2008	2007	2006	2005
Earnings per share from net profit, EUR					
Earnings per share, basic	**0.24**	1.07	1.85	1.06	0.83
Earnings per share, diluted	**0.24**	1.05	1.83	1.05	0.83
P/E ratio	**37.17**	10.37	14.34	14.60	18.61
(Nominal) dividend per share, EUR	**0.40** [1]	0.40	0.53	0.43	0.37
Total dividends paid, EURm [2]	**1 498** [1]	1 520	2 111	1 761	1 641
Payout ratio	**1.67** [1]	0.37	0.29	0.41	0.45
Dividend yield, %	**4.48** [1]	3.60	2.0	2.80	2.4
Shareholders' equity per share, EUR [3]	**3.53**	3.84	3.84	3.02	2.95
Market capitalization, EURm [3]	**33 078**	41 046	101 995	61 390	64 463

1 2009 Dividend to be proposed by the Board of Directors for shareholders' approval at the Annual General Meeting convening on May 6, 2010.

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

3 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 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 2009, 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 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. Nokia repurchased 71 090 000 shares under this authorization in 2008. In 2009, Nokia did not repurchase any shares on the basis of this authorization. This authorization was effective until June 30, 2009 as per the resolution of the Annual General Meeting on May 8, 2008, but it was terminated by the resolution of the Annual General Meeting on April 23, 2009.

At the Annual General Meeting held on April 23, 2009, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 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. The shares may be repurchased under the buy-back authorization in order to develop the capital structure of the company. 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. Nokia has not purchased any shares based on this authorization. The authorization is effective until June 30, 2010 and the authorization terminated the authorization for repurchasing of the Company's shares resolved at the Annual General Meeting on May 8, 2008.

Authorizations proposed to the Annual General Meeting 2010

The Board of Directors will propose to the Annual General Meeting to be held on May 6, 2010 that the Annual General Meeting authorize the Board to resolve to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted shareholders' equity. The proposed maximum number of shares represents less than 10% of all the shares of the Company. The shares may be repurchased in order to develop the capital structure of the Company, finance or carry out acquisitions or other arrangements, settle the Company's equity-based incentive plans, be transferred for other purposes, or be cancelled. The authorization would be effective until June 30, 2011 and terminate the current authorization granted by the Annual General Meeting on April 23, 2009.

The Board of Directors will also propose to the Annual General Meeting to be held on May 6, 2010 that the Annual General Meeting authorize the Board to resolve to issue a maximum of 740 million shares through issuance of shares or special rights entitling to shares (including stock options) in one or more issues. The Board proposes that the authorization may be used to develop the Company's capital structure, diversify the shareholder base, finance or carry out acquisitions or other arrangements, settle the Company's equity-based incentive plans, or for other purposes resolved by the Board. The proposed authorization includes the right for the Board to resolve on all the terms and conditions of the issuance of shares and special rights entitling to shares, including issuance in deviation from the shareholders' pre-emptive rights. The authorization would be effective until June 30, 2013 and terminate the current authorization granted by the Annual General Meeting on May 3, 2007.

Share issues 2005–2009

Year	Type of issue	Subscription price EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
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

Share issues 2005–2009 (continued)

Year	Type of issue	Subscription price EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
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	
2009	Nokia Stock Option Plan 2004 2Q	11.79	0	2009	0.00	
	Nokia Stock Option Plan 2004 3Q	9.44	8	2009	0.07	
	Nokia Stock Option Plan 2004 4Q	12.35	0	2009	0.00	
	Nokia Stock Option Plan 2005 2Q	12.79	0	2009	0.00	
	Nokia Stock Option Plan 2005 3Q	13.09	0	2009	0.00	
	Nokia Stock Option Plan 2005 4Q	14.48	0	2009	0.00	
	Nokia Stock Option Plan 2006 1Q	14.99	0	2009	0.00	
	Nokia Stock Option Plan 2006 2Q	18.02	0	2009	0.00	
	Nokia Stock Option Plan 2006 3Q	15.37	0	2009	0.00	
	Nokia Stock Option Plan 2006 4Q	15.38	0	2009	0.00	
	Nokia Stock Option Plan 2007 1Q	17.00	0	2009	0.00	
	Nokia Stock Option Plan 2007 2Q	18.39	0	2009	0.00	
	Nokia Stock Option Plan 2007 3Q	21.86	0	2009	0.00	
	Nokia Stock Option Plan 2007 4Q	27.53	0	2009	0.00	
	Nokia Stock Option Plan 2008 1Q	24.15	0	2009	0.00	
	Nokia Stock Option Plan 2008 2Q	19.16	0	2009	0.00	
	Nokia Stock Option Plan 2008 3Q	17.80	0	2009	0.00	
	Total		8		0.07	

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	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	—	—	—
Cancellation of shares	2009	56 000	—	—	—

Share turnover

	2009 [1]	2008 [2]	2007 [2]	2006 [2]	2005 [2]
Share turnover (1 000)	**11 025 092**	12 962 489	12 695 999	12 480 730	12 977 232
Total number of shares (1 000)	**3 744 956**	3 800 949	3 982 812	4 095 043	4 433 887
% of total number of shares	**294**	341	319	305	293

1 Includes share turnover in NASDAQ OMX Helsinki, New York Stock Exchange and Frankfurter Wertpapierbörse.

2 Includes share turnover in all exchanges.

Share prices, EUR (NASDAQ OMX Helsinki)

	2009	2008	2007	2006	2005
Low/high	**6.67/12.25**	9.95/25.78	14.63/28.60	14.61/18.65	10.75/15.75
Average [1]	**9.64**	17.35	20.82	15.97	13.20
Year-end	**8.92**	11.10	26.52	15.48	15.45

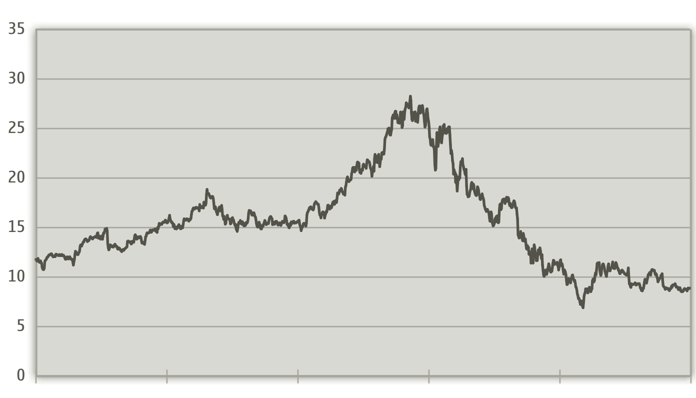
1 Calculated by weighting average price with daily volumes.

Share prices, USD (New York Stock Exchange)

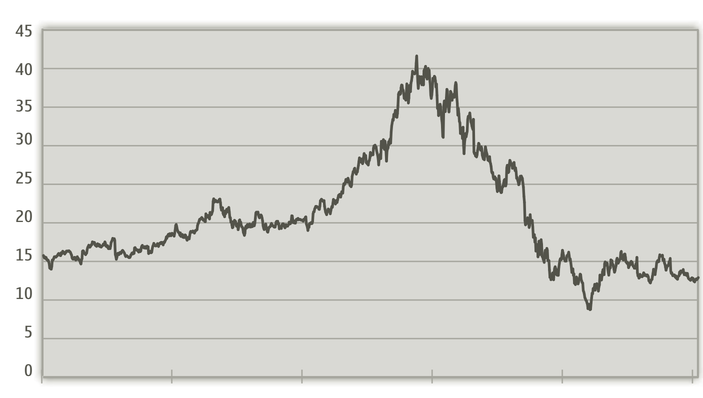
ADS	2009	2008	2007	2006	2005
Low/high	**8.47/16.58**	12.35/38.25	19.08/41.10	17.72/23.10	13.92/18.62
Average [1]	**13.36**	24.88	29.28	19.98	16.39
Year-end	**12.85**	15.60	38.39	20.32	18.30

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, 2009

Shareholders registered in Finland represented 12,17% and shareholders registered in the name of a nominee represented 87,83% of the total number of shares of Nokia Corporation. The number of registered shareholders was 156 081 on December 31, 2009. Each account operator (23) is included in this figure as only one registered shareholder.

Nominee registered shareholders include holders of American Depositary Receipts (ADR). As of December 31, 2009, ADRs represented 19,38% of the total number of shares in Nokia.

Largest shareholders registered in Finland, December 31, 2009

(excluding nominee registered shares and shares owned by Nokia Corporation 1))	Total number of shares (1 000)	% of all shares	% of all voting rights
Ilmarinen Mutual Pension Insurance Company	30 876	0.82	0.83
Svenska Litteratursällskapet i Finland rf	14 226	0.38	0.38
Folketrygfondet	11 700	0.31	0.32
The State Pension Fund	10 700	0.29	0.29
Sigrid Jusélius Foundation	9 400	0.25	0.25
Varma Mutual Pension Insurance Company	8 700	0.23	0.23
OP-Delta-Sijoitusrahasto	6 821	0.18	0.18
BNP Paribas Arbitrage	5 127	0.14	0.14
Nordea Nordenfonden	4 627	0.12	0.12
Etera	4 350	0.12	0.12

1 Nokia Corporation owned 36 693 564 shares as of December 31, 2009.

Breakdown of share ownership, December 31, 2009 [1]

By number of shares owned	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1–100	45 228	28.98	2 748 905	0.07
101–1 000	78 088	50.03	32 635 554	0.87
1 001–10 000	28 773	18.43	83 185 330	2.22
10 001–100 000	3 676	2.36	93 395 576	2.49
100 001–500 000	229	0.15	48 563 675	1.30
500 001–1 000 000	36	0.02	24 629 194	0.66
1 000 001–5 000 000	36	0.02	77 972 171	2.08
Over 5 000 000	15	0.01	3 381 825 647	90.30
Total	156 081	100.00	3 744 956 052	100.00

By nationality, %	Shares
Non-Finnish shareholders	87.83
Finnish shareholders	12.17
Total	100.00

By shareholder category (Finnish shareholders), %	Shares
Corporations	1.76
Households	5.35
Financial and insurance institutions	1.35
Non-profit organizations	1.70
General government	2.02
Total	12.17

1 Please note that the breakdown covers only shareholders registered in Finland, and each account operator (23) 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, 2009, an aggregate of 2 421 968 shares which represented approximately 0.06% 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 4 232 410 shares representing approximately 0.11% of the total number of shares and voting rights on December 31, 2009.

Nokia Group 2005 –2009, IFRS *

	2009	2008	2007	2006	2005
Profit and loss account, EURm					
Net sales	40 984	50 710	51 058	41 121	34 191
Cost and expenses	−39 787	−45 744	−43 073	−35 633	−29 552
Operating profit	1 197	4 966	7 985	5 488	4 639
Share of results of associated companies	30	6	44	28	10
Financial income and expenses	−265	−2	239	207	322
Profit before tax	962	4 970	8 268	5 723	4 971
Tax	−702	−1 081	−1 522	−1 357	−1 281
Profit before minority interests	260	3 889	6 746	4 366	3 690
Minority interests	631	99	459	−60	−74
Profit attributable to equity holders of the parent	891	3 988	7 205	4 306	3 616
Balance sheet items, EURm					
Fixed assets and other non-current assets	12 125	15 112	8 305	4 031	3 501
Current assets	23 613	24 470	29 294	18 586	18 951
Inventories	1 865	2 533	2 876	1 554	1 668
Accounts receivable and prepaid expenses	12 875	15 117	14 665	8 495	7 373
Total cash and other liquid assets	8 873	6 820	11 753	8 537	9 910
Total equity	14 749	16 510	17 338	12 060	12 514
Capital and reserves attributable to the Company's equity holders	13 088	14 208	14 773	11 968	12 309
Minority interests	1 661	2 302	2 565	92	205
Long-term liabilities	5 801	2 717	1 285	396	268
Long-term interest-bearing liabilities	4 432	861	203	69	21
Deferred tax liabilities	1 303	1 787	963	205	151
Other long-term liabilities	66	69	119	122	96
Current liabilities	15 188	20 355	18 976	10 161	9 670
Current portion of long-term loans	44	13	173	—	—
Short-term borrowings	727	3 578	714	180	279
Other financial liabilities	245	924	184	67	98
Accounts payable	4 950	5 225	7 074	3 732	3 494
Accrued expenses	6 504	7 023	7 114	3 796	3 320
Provisions	2 718	3 592	3 717	2 386	2 479
Total assets	35 738	39 582	37 599	22 617	22 452

* As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated 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 years 2008–2009 are not directly comparable to the results for the full years 2005–2007. Nokia's first quarter 2007 and full years 2005–2006 results included the Nokia's former Networks business group only.

On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ ia 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]	2009	2008	2007	2006	2005
Net sales, EURm	40 984	50 710	51 058	41 121	34 191
Change, %	–19.2	–0.7	24.2	20.3	16.4
Exports and foreign subsidiaries, EURm	40 594	50 348	50 736	40 734	33 860
Salaries and social expenses, EURm	6 734	6 847	5 702	4 206	3 773
Operating profit, EURm	1 197	4 966	7 985	5 488	4 639
% of net sales	2.9	9.8	15.6	13.3	13.6
Financial income and expenses, EURm	–265	–2	239	207	322
% of net sales	0.6	—	0.5	0.5	0.9
Profit before tax, EURm	962	4 970	8 268	5 723	4 971
% of net sales	2.3	9.8	16.2	13.9	14.5
Profit from continuing operations, EURm	891	3 988	7 205	4 306	3 616
% of net sales	2.2	7.9	14.1	10.5	10.6
Taxes, EURm	702	1 081	1 522	1 357	1 281
Dividends, EURm	1 498 [2]	1 520	2 111	1 761	1 641
Capital expenditure, EURm	531	889	715	650	607
% of net sales	1.3	1.8	1.4	1.6	1.8
Gross investments [3], EURm	683	1 166	1 017	897	870
% of net sales	1.7	2.3	2.0	2.2	3.1
R&D expenditure, EURm	5 909	5 968	5 647	3 897	3 825
% of net sales	14.4	11.8	11.1	9.5	11.2
Average personnel	123 171	121 723	100 534	65 324	56 896
Non-interest bearing liabilities, EURm	14 483	16 833	18 208	10 103	9 487
Interest-bearing liabilities, EURm	5 203	4 452	1 090	249	300
Return on capital employed, %	6.7	27.2	54.8	46.1	36.5
Return on equity, %	6.5	27.5	53.9	35.5	27.1
Equity ratio, %	41.9	42.3	46.7	54.0	56.4
Net debt to equity, %	–25	–14	–62	–69	–77

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 years 2008–2009 are not directly comparable to the results for the full years 2005–2007. Nokia's first quarter 2007 and full years 2005–2007 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 acquisition0s, investments in shares and capitalized development costs.

Calculation of key ratios, see page 66.

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 2009

	1 EUR =
USD	1.4648
GBP	0.9006
JPY	130.30
CNY	10.0018
INR	68.3223

Proposal by the Board of Directors for distribution of profit

The distributable funds in the balance sheet of the Company as per December 31, 2009 amount to EUR 7 024 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, 2009, the number of shares of the Company amounted to 3 744 956 052, based on which the maximum amount to be distributed as dividend is EUR 1 498 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 11, 2010

Jorma Ollila Chairman	Marjorie Scardino	Georg Ehrnrooth
Lalita D. Gupte	Bengt Holmström	Henning Kagermann
Per Karlsson	Isabel Marey-Semper	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 2009. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, 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, income statement, 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 and of the review by the Board of Directors, 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 and the review by the Board of Directors 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.

Opinion on the company's financial statements and the review by the Board of Directors

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.

Other opinions

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 11, 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Account

Additional information

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. The estimates affect all our segments equally unless otherwise indicated.

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. 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 when they are reliably measurable which is normally when 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. 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 number of customer financing arrangements 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. During the past three fiscal years the Group has not had any write-offs or impairments regarding customer financing. The financial impact of the customer financing related assumptions mainly affects the Nokia Siemens Networks segment. See also Note 33 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. Based on these estimates and assumptions the allowance for doubtful accounts was EUR 391 million in 2009 (EUR 415 million in 2008).

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. Based on these estimates and assumptions the allowance for excess and obsolete inventory was EUR 361 million in 2009 (EUR 348 million in 2008). The financial impact of the assumptions regarding this allowance affects mainly the cost of sales of the Devices & Services and Nokia Siemens Networks segments.

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. Based on these estimates and assumptions the warranty provision decreased to EUR 971 million primarily due to lower sales volumes in Devices & Services in 2009 (EUR 1 375 million in 2008). The financial impact of the assumptions regarding this provision mainly affects the cost of sales of Devices & Services segment.

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. Based on these estimates and assumptions the provision for IPR infringements was EUR 390 million in 2009 (EUR 343 million in 2008). The financial impact of the assumptions regarding this provision mainly affects Devices & Services segment.

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 28 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 primarily in the Nokia Siemens Networks segment 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 7 to our consolidated financial statements.

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 amount of identifiable intangible assets, long-lived assets if events or changes in circumstances indicate that such carrying amount may not be recoverable. We assess the carrying amount of our goodwill at least annually, or more frequently based on these same indicators. 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 these assets or the strategy for our overall business; and

» significantly negative industry or economic trends.

When we determine that the carrying amount 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.

Goodwill is allocated to the Group's cash-generating units (CGU) and discounted cash flows are prepared at CGU level for the purpose of impairment testing. The allocation of goodwill to our CGUs is made in a manner that is consistent with the level at which management monitors operations and the CGUs expected to benefit from the synergies arising from each of our acquisitions. Accordingly, (i) goodwill arising from the acquisitions completed by the Devices & Services segment has been allocated to the Devices & Services CGU, (ii) goodwill arising from the acquisition of and acquisitions completed by NAVTEQ has been allocated to the NAVTEQ CGU and (iii) goodwill arising from the formation of and acquisitions completed by Nokia Siemens Networks has been allocated to the Nokia Siemens Networks CGU.

The recoverable amounts for the Devices & Services CGU and NAVTEQ CGU are determined based on a value in use calculation. The 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, whenever 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.

In prior years we used a value in use calculation to determine the recoverable amount of the Nokia Siemens Networks CGU. In 2009 the value in use calculation resulted in a recoverable amount that was lower than the carrying amount for the Nokia Siemens Networks CGU. As a result, we performed an analysis to determine the fair value less costs to sell of the Nokia Siemens Networks CGU. The fair value less costs to sell of the Nokia Siemens Networks CGU exceeded its value in use. IFRS requires that recoverable amount is based on the higher of the value in use and fair value less costs to sell and accordingly the current year goodwill assessment is based on a discounted cash flow calculation to estimate the fair value less costs to sell. The cash flow projections employed in the discounted cash flow calculation have been determined by management based on the best information available to reflect the amount that an entity could obtain from the disposal of the Nokia Siemens Networks CGU in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

The discount rates applied in the value in use calculation for each CGU have been determined independently of capital structure reflecting current assessments of the time value of money and relevant market risk premiums. Risk premiums included in the determination of the discount rate reflect risks and uncertainties for which the future cash flow estimates have not been adjusted. Overall, the discount rates applied in the 2009 impairment testing have decreased in line with declining interest rates and narrowing credit spreads.

In case there are reasonably possible changes in estimates or underlying assumptions applied in our goodwill impairment testing, such as growth rates and discount rates, which could have a material impact on the carrying amount of the goodwill or result in an impairment loss, those are disclosed below in connection with the relevant CGU.

The Group recorded an impairment loss of EUR 908 million in the third quarter of 2009 to reduce the carrying amount of the Nokia Siemens Networks CGU to its recoverable amount. The impairment loss was allocated in its entirety to the carrying amount of goodwill arising from the formation of Nokia Siemens Networks and from subsequent acquisitions completed by Nokia Siemens Networks. The impairment loss is presented as impairment of goodwill in the consolidated income statement. As a result of the impairment loss, the amount of goodwill allocated to the Nokia Siemens Networks CGU has been reduced to zero.

The recoverability of the Nokia Siemens Networks CGU has declined as a result of a decline in forecasted profits and cash flows. The Group evaluated the historical and projected financial performance of the Nokia Siemens Networks CGU taking into consideration the challenging competitive factors and market conditions in the infrastructure and related service business. As a result of this evaluation, the Group lowered its net sales and gross margin projections for the Nokia Siemens Networks CGU. The reduction in the projected scale of the business had a negative impact on the projected profits and cash flows of the Nokia Siemens Networks CGU.

We have performed our annual goodwill impairment testing during the fourth quarter of 2009 on the opening fourth quarter balances. During 2009, the conditions in the world economy have shown signs of improvement as countries have begun to emerge from the global economic downturn. However, significant uncertainty exists regarding the speed, timing and resiliency of the global economic recovery and this uncertainty is reflected in the impairment testing for each of the Group's CGUs.

Goodwill amounting to EUR 1 227 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 stable market share and normalized profit margins in the medium to long-term. The goodwill impairment testing conducted for the Devices & Services CGU for the year ended December 31, 2009 did not result in any impairment charges.

Goodwill amounting to EUR 3 944 million has been allocated to the NAVTEQ CGU. The impairment testing has been carried out based on management's expectations and assessment of the financial performance and future strategies of the NAVTEQ CGU in light of current and expected market and economic conditions. The goodwill impairment testing conducted for the NAVTEQ CGU for the year ended December 31, 2009 did not result in any impairment charges. The recoverable amount of the NAVTEQ CGU is between 5 to 10% higher than its carrying amount. The Group expects that a reasonably possible change of 1% in the valuation assumptions for long-term growth rate or discount rate would give rise to an impairment loss.

The key assumptions applied in the impairment testing for each CGU in the annual goodwill impairment testing for each year indicated are presented in the table below:

Cash-generating unit, %	Devices & Services [1]		Nokia Siemens Networks		NAVTEQ [1]	
	2009	2008	2009	2008	2009	2008
Terminal growth rate	**2.00**	2.28	**1.00**	1.00	**5.00**	5.00
Pre-tax discount rate	**11.46**	12.35	**13.24**	15.60	**12.60**	12.42

1 Subsequent to the acquisition of NAVTEQ on July 10, 2008, we have had three operating and reportable segments: Devices & Services, NAVTEQ and Nokia Siemens Networks. The organizational changes fundamentally altered our reporting structure, the information reported to management as well as the way in which management monitors and runs operations and accordingly no directly comparable information for the Devices & Services CGU and NAVTEQ CGU is available for the year ended December 31, 2007.

The annual goodwill impairment testing conducted for each of the Group's CGUs for the years ended December 31, 2008 and 2007 have not resulted in any impairment charges. The goodwill impairment testing for the year ended December 31, 2009 resulted in the aforementioned impairment charge for the Nokia Siemens Networks CGU.

The Group has applied consistent valuation methodologies for each of the Group's CGUs for the years ended December 31, 2009, 2008 and 2007. We periodically update the assumptions applied in our impairment testing to reflect management's best estimates of future cash flows and the conditions that are expected to prevail during the forecast period.

See Note 7 to our consolidated financial statements for further information regarding "Valuation of long-lived and intangible assets and goodwill."

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. The financial impact of these assumptions mainly affects Devices & Services segment.

Income taxes

The Group is subject to income taxes both in Finland and in numerous other jurisdictions. Significant judgment is required in determining income tax expense, tax provisions, 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. If circumstances indicate it is no longer probable that deferred tax assets will be utilized they are assessed for realizability and adjusted as necessary. At December 31, 2009, the Group had loss carry forwards and temporary differences of EUR 2 532 million (EUR 102 million in 2008) for which no deferred tax assets were recognized in the consolidated financial statements due to loss history and current year loss in certain jurisdictions.

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. In 2009, Nokia benefited EUR 203 million from the positive net effect from the development and outcome of various prior year taxes and changes in tax contingencies impacting Nokia taxes.

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. The financial impact of the pension assumptions affects mainly the Devices & Services and Nokia Siemens Networks segments.

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 23 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

According to Nokia's Articles of Association, Nokia has a Group Executive Board that is responsible for the operative management of the Group. The Board has the responsibility for appointing and discharging the President and Chief Executive Officer, Chief Financial Officer and the other members of the Group Executive Board. The Chief Executive Officer, who is separate from Chairman, also acts as President, and his rights and responsibilities include those allotted to the President under Finnish law.

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

Olli-Pekka Kallasvuo, b. 1953
President and CEO of Nokia Corporation.
Member of the Board of Directors 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 NAVTEQ Corporation and Nokia Siemens Networks B.V. Member of the Board of the Confederation of Finnish Industries EK. Member of The European Round Table of Industrialists.

Esko Aho, b. 1954
Executive Vice President, Corporate Relations and Responsibility.
Group Executive Board member since 2009.
Joined Nokia 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 and Russian Venture Company. Vice Chairman of the Board, Technology Industries of Finland. Member of the Club de Madrid, the InterAction Council and the Science and Technology in Society Forum (STS).

Timo Ihamuotila, b. 1966
Executive Vice President, Chief Financial Officer.
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).

Executive Vice President, Sales, Markets 2008–2009, 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 2000–2004, Director, Corporate Finance, Nokia Corporation 1999–2000. Vice President of Nordic Derivates Sales, Citibank plc 1996–1999. Manager, Dealing & Risk Management, Nokia 1993–1996. Analyst, Assets and Liability Management, Kansallis Bank 1990–1993.

Member of the Board of Directors of NAVTEQ Corporation and Nokia Siemens Networks B.V.

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.

Member of the Board of Directors of NAVTEQ Corporation.

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. HR Manager for Europe, Middle East and Africa and Managing Director for European Multicountry Area were the last positions.

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.

* This Corporate Governance Statement is issued separately from the Review by the Board of Directors. The review by the Board of Directors 2009 starts on page 3 of this publication.

Niklas Savander, b. 1962
Executive Vice President, Services.
Group Executive Board Member 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 NAVTEQ Corporation and Nokia Siemens Networks B.V. Member of the Board of Directors and secretary of Waldemar von Frenckells Stiftelse.

Richard A. Simonson, b. 1958
Executive Vice President, Head of Mobile Phones and Strategic Sourcing, Devices.
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).

Executive Vice President & Chief Financial Officer of Nokia Corporation 2003–2009, 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., and Silver Spring Networks. Member of the Board of Trustees of International House –New York. Member of US Treasury Advisory Committee on the Auditing Profession.

Alberto Torres, b. 1965
Executive Vice President, Solutions.
Group Executive member since October 1, 2009.
Joined Nokia 2004.

Ph.D. in Computer Science (Stanford University), Bachelor and Master of Science (Universidad Simón Bolívar).

Senior Vice President, Head of Devices Category Management 2009, Senior Vice President, Focused Businesses 2008–2009, President, Vertu 2005–2009, Vice President, Corporate Strategy, Nokia 2004–2005, Principal, McKinsey & Company, 1994–2003, President, Gnosis 1988–1989.

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 Board of Directors of Amer Sports Corporation. Member of the Board of Directors of Sonova Holding AG.

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

Alberto Torres, Executive Vice President, Head of Solution Unit, was appointed as a member of the Group Executive Board as of October 1, 2009. Robert Andersson left the Group Executive Board as from September 30, 2009 to head Nokia Corporate Alliances and Business Development. Simon Beresford-Wylie, left the Group Executive Board and the position of Chief Executive Officer of Nokia Siemens Networks as from September 30, 2009 and left the company on November 1, 2009.

Juha Äkräs has been appointed Executive Vice President of Human Resources as from April 1, 2010. At the same time, he will become a member of the Group Executive Board. Mr. Äkräs is currently Senior Vice President, co-heading Human Resources with Mr. Moerk, the current Executive Vice President of Human Resources. Mr. Moerk will leave the Group Executive Board as from March 31, 2010 and will act as Executive Advisor in Nokia until his retirement at the end of September 2010.

Board of Directors

The current members of the Board of Directors were elected at the Annual General Meeting on April 23, 2009, 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.

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

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. Member of the Board of Directors of the University of Helsinki. Chairman of the World Business Council for Sustainable Development. Vice Chairman of the Independent Reflection Group of the Council of the European Union considering the future of the European Union. Member of The European Round Table of Industrialists. Member of the Board of Directors of Ford Motor Company 2000–2008. Vice Chairman of UPM-Kymmene Corporation 2004–2008.

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.

Member of the Board of Directors of 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. Member of the Board of Directors of Sampo plc. 1992–2009 and Chairman 2006–2009. Chairman of the Board of Directors of Assa Abloy AB (publ) 1994–2006. Vice Chairman of the Board of Directors of Rautaruukki Corporation 2001–2007.

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 (Hons) (University of Delhi) and Master of Management Studies (University of Bombay).

Joint Managing Director and member of the Board of Directors of ICICI Bank Ltd 2002–2006, Joint Managing Director and member of the Board of Directors of ICICI Ltd 1999–2002 (ICICI Ltd merged with ICICI Bank Ltd in 2002), Deputy Managing Director of ICICI Ltd 1996–1999, Executive Director on the Board of Directors of ICICI Ltd 1994–1996. Various leadership positions in Corporate and Retail Banking, Strategy and Resources, and International Banking in ICICI 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. (non-executive Chairman). Also member of Board of Governors of educational institutions. Member of the Board of Directors (executive director) of ICICI Bank Ltd 2002–2006, Member of the Board of Directors (non-executive director) of ICICI Bank Ltd 1994–2002, Member of the Board of Directors (executive director) of ICICI Ltd 1994–2002. Member of the Board of Directors of ICICI Securities Ltd 1993–2006, ICICI Prudential Life Insurance Co Ltd 2000–2006, ICICI Lombard General Insurance Co Ltd 2000–2006, ICICI Bank UK Ltd 2003–2006, ICICI Bank Canada 2003–2006, ICICI Bank Eurasia Limited Liability Company 2005–2006.

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
Board member since 2007.
Member of the Personnel Committee.

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

Co-CEO and Chairman of the Executive Board of SAP AG 2008–2009. CEO of SAP 2003–2008. Co-chairman of the Executive Board of SAP 1998–2003. A number of leadership positions in SAP since 1982. Member of SAP Executive Board 1991–2009. 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, Deutsche Post AG and Münchener Rückversicherungs-Gesellschaft AG (Munich Re). Member of the Board of Directors of Wipro Ltd. President of Deutsche Akademie der Technikwissenschaften. Member of the Honorary Senate of the Foundation Lindau Nobelprizewinners.

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. and NAVTEQ Corporation. Member of the Board of the Confederation of Finnish Industries EK. Member of The European Round Table of Industrialists. Member of the Board of Directors of EMC Corporation 2004–2009. Chairman of the Board of Directors of Sampo Plc 2001–2006.

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.

Isabel Marey-Semper, b. 1967
L'Oréal Group, Director Shared Services R&D.
Board member since 2009.
Member of the Audit Committee.

Ph.D. in NeuroPharmacology (Université Paris Pierre et Marie Curie–Collège de France), MBA (Collège des Ingénieurs, Paris).

Chief Financial Officer, EVP in charge of strategy of PSA Peugeot Citroën 2007–2009. COO, Intellectual Property and Licensing Business Unit of Thomson 2006–2007. Vice President Corporate Planning at Saint-Gobain 2004–2005. Director of Corporate Planning, High Performance Materials at Saint-Gobain 2002–2004. Principal, A.T. Kearney (Telesis, prior to acquisition by A.T. Kearney) 1997–2002.

Member of the Board of Directors of Faurecia S.A. 2007–2009.

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

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

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

Chairman of the Board of Directors of F-Secure Corporation, Elisa Corporation and Fruugo Inc. Member of the Board of Directors of Blyk Ltd, Ekahau Inc. and Efecte Corporation. Vice Chairman of the Board 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.

Keijo Suila, b. 1945
Board member since 2006.
Member of the Personnel 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 Board of Directors of Solidium Oy and The Finnish Fair Corporation. Member of the Board of Directors of Kesko Corporation 2001–2009 and Vice Chairman 2006–2009.

Proposal of the Corporate Governance and Nomination Committee for Composition of the Board of Directors in 2010

On January 28, 2010, the Corporate Governance and Nomination Committee announced its proposal to the Annual General Meeting convening on May 6, 2010 regarding the composition of the Board of Directors for a one-year term as from the Annual General Meeting in 2010 until the close of the Annual General Meeting 2011. The Committee proposes to the Annual General Meeting that the number of Board members be ten and that the following current Board members be re-elected: Lalita D. Gupte, Dr. Bengt Holmström, Prof. Dr. Henning Kagermann, Olli-Pekka Kallasvuo, Per Karlsson, Isabel Marey-Semper, Jorma Ollila, Dame Marjorie Scardino, Risto Siilasmaa and Keijo Suila.

Nokia's Board leadership structure consists of a Chairman and Vice Chairman, annually elected by the Board and confirmed by the independent directors of the Board from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. 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. These elections will take place at the Board's assembly meeting following the Annual General Meeting.

On January 28, 2010, 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 May 6, 2010 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 also 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.

Nokia has a Risk Policy which outlines Nokia's risk management policies and processes and is approved by the Audit Committee. The Board's role in risk oversight includes risk analysis and assessment in connection with each financial and business review, update and decision-making proposal and is an integral part of all Board deliberations. The Audit Committee is responsible for, among other matters, risk management relating to the financial reporting process and assisting the Board's oversight of the risk management function. Nokia applies a common and systematic approach to risk management across all business operations and processes based on a strategy approved by the Board. Accordingly, risk management at Nokia is not a separate process but a normal daily business and management practice.

The Board has the responsibility for appointing and discharging the President and the Chief Executive Officer, the Chief Financial Executive Officer and the other members of the Group Executive Board. The Chief Executive Officer, who is separate from Chairman, also acts as President, and his rights and responsibilities include those allotted to the President under Finnish law. 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 2009, the self-evaluation process consisted of a questionnaire, a one-to-one discussion between the Chairman and each director, and 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. In addition, performance of the Board Chairman was evaluated in a process led by the Vice Chairman.

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 April 23, 2009 elected 11 members to the Board of Directors. The members of the Board of Directors elected by the Annual General Meeting in 2009 are Georg Ehrnrooth, Lalita D. Gupte, Dr. Bengt Holmström, Dr. Henning Kagermann, Olli-Pekka Kallasvuo, Per Karlsson, Jorma Ollila, Dame Marjorie Scardino, Isabel Marey-Semper, Risto Siilasmaa and Keijo Suila.

Nokia's Board leadership structure consists of a Chairman and Vice Chairman, annually elected by the Board and confirmed by the independent directors of the Board from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. On April 23, 2009, the independent directors of the Board elected Jorma Ollila to continue to act as Chairman and Dame Marjorie Scardino to continue to act as Vice Chairman of the Board. The Chairman has certain specific duties as defined by Finnish standards and the Nokia Corporate Governance Guidelines. The Board has determined that Nokia Board Chairman, Mr. Ollila, is independent as defined by Finnish standards, and also under the New York Stock Exchange rules since June 1, 2009. The Vice Chairman of the Board shall assume the duties of the Chairman in case the Chairman is prevented from performing his duties. The Board has determined that Nokia Board Vice Chairman, Dame Marjorie Scardino, is also independent as defined by Finnish standards and relevant stock exchange rules and has been independent since being appointed Vice Chairman in 2007. The Chief Executive Officer is currently a member of the Board. Nokia does not have a policy concerning the combination or separation of the roles of Chairman and Chief Executive Officer, but the leadership structure is dependent on the company needs, shareholder value and other relevant factors applicable from time to time, and respecting the highest corporate governance standards.

The current members of the Board are all non-executive, except the President and CEO who is an executive member of the Board. The Board has determined that all ten non-executive Board members are independent as defined by Finnish standards. Also, the Board has determined that nine of the Board's ten non-executive members are independent directors as defined by the rules of the New York Stock Exchange. Dr. Bengt Holmström was determined not to be independent under the rules of the New York Stock Exchange 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 New York Stock Exchange rules, but that is less than 8%. The executive member of the Board, President and CEO Olli-Pekka Kallasvuo, was determined not to be independent under both Finnish standards and the New York Stock Exchange rules.

The Board held 13 meetings during 2009, of which seven were regularly scheduled meetings held in person and six were meetings held in writing. The attendance at all meetings was 100%. 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 2009. 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 2009. All the directors attended Nokia's Annual General Meeting held on April 23, 2009. The Finnish Corporate Governance Code recommends attendance by the Board Chairman and a sufficient number of directors to allow the shareholders to exercise their right to present questions to the Board and management.

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 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.

According to Finnish law, the shareholders have the right to submit director recommendations or other agenda items or proposals to the agenda of a general meeting provided that the item or proposal belongs to the scope of the general meeting of the shareholders and the request is made to the Board in writing well in advance to be included in the notice of the meeting, which time may not be deemed to be earlier than four weeks before the notice of the meeting.

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 April 23, 2009, the Audit Committee consists of the following four members of the Board: Georg Ehrnrooth (Chairman), Lalita D. Gupte, Isabel Marey-Semper and Risto Siilasmaa.

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 the 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 the 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 2009 see "Auditor fees and services" on page 96.

In discharging its oversight role, the Committee has full access to all company books, records, facilities and personnel. The Committee may retain counsel, auditors or other advisors in its sole discretion, and must receive appropriate funding, as determined by the Committee, from the company for the payment of compensation to such outside advisors.

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 six meetings in 2009. The attendance at all meetings was 100%. In addition, any directors who wish to may attend Audit Committee meetings as nonvoting observers.

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 April 23, 2009, the Personnel Committee consists of the following four members of the Board: Per Karlsson (Chairman), Henning Kagermann, Marjorie Scardino and Keijo Suila.

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 four meetings in 2009. The average ratio of attendance at the meetings was 94%. Three members of the Committee attended 100% of the Committee meetings and one member attended 75% of the meetings. In addition, any directors who wish to may attend Personnel Committee meetings as nonvoting observers.

For further information on the activities of the Personnel Committee, see "Executive compensation philosophy, programs and decision-making process" on page 82.

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 April 23, 2009, 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 Committee has the power to retain search firms or advisors to identify candidates. The Committee may also retain counsel or other advisors, as it deems appropriate. The Committee has sole authority to retain or terminate such search firms or advisors and to review and approve such search firm or advisor's fees and other retention terms. It is the Committee's practice to retain a search firm to identify director candidates each time a new director candidate is searched for.

The Corporate Governance and Nomination Committee had three meetings in 2009. The attendance at all meetings was 100%. In addition, any directors who wish to may attend Corporate Governance and Nomination Committee meetings as nonvoting observers.

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

Certain corporate governance policies

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. In addition, Nokia complies with the corporate governance rules that are mandatory for foreign private issuers under section 303A of the New York Stock Exchange Listed Company Manual, which is accessible at http://nysemanual.nyse.com/lcm/, as well as any other mandatory corporate governance rules applicable due to listing of Nokia share in Helsinki, Frankfurt and New York stock exchanges.

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 Chief Financial Officer'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 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 2009, 2008 and 2007.

Position, EUR	2009 [1]	2008	2007
Chairman	**440 000**	440 000	375 000
Vice Chairman	**150 000**	150 000	150 000
Member	**130 000**	130 000	130 000
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
Total	**1 840 000**	1 710 000	1 775 000

1 The increase in the total amount results from the Board of Directors having one more member in 2009 compared to 2008 while fees paid based on the position remained the same.

It is Nokia's policy that the remuneration consists of an annual fee only, no fees for meeting attendance are paid, and that a significant portion of director compensation will be paid in the form of company stock purchased from the market. It is also Nokia's policy that the Board members shall retain all Nokia shares received as director compensation until the end of the board membership (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes). In addition, non-executive members of the Board do not receive stock options, performance shares, restricted shares or other variable compensation for their duties as Board members as per company policy. The President and CEO receives variable compensation for his executive duties, but not for his duties as a member of the Board of Directors. The total compensation of the President and CEO is described in "Summary compensation table 2009" on page 85.

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 the 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 2009

For the year ended December 31, 2009, 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 1 840 000.

The following table sets forth the total annual remuneration paid to the members of the Board of Directors in 2009, as resolved by the shareholders at the Annual General Meeting on April 23, 2009. For information with respect to the Nokia shares and equity awards held by the members of the Board of Directors, please see "Share ownership of the Board of Directors" on page 88.

	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]	2009	440 000	—	—	—	—	—	440 000
Marjorie Scardino, Vice Chairman [4]	2009	150 000	—	—	—	—	—	150 000
Georg Ehrnrooth [5]	2009	155 000	—	—	—	—	—	155 000
Lalita D. Gupte [6]	2009	140 000	—	—	—	—	—	140 000
Bengt Holmström	2009	130 000	—	—	—	—	—	130 000
Henning Kagermann	2009	130 000	—	—	—	—	—	130 000
Olli-Pekka Kallasvuo [7]	2009	130 000	—	—	—	—	—	130 000
Per Karlsson [8]	2009	155 000	—	—	—	—	—	155 000
Isabel Marey-Semper [9]	2009	140 000	—	—	—	—	—	140 000
Risto Siilasmaa [10]	2009	140 000	—	—	—	—	—	140 000
Keijo Suila	2009	130 000	—	—	—	—	—	130 000

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 2009 fee of Mr. Ollila was paid for his services as Chairman of the Board.

4 The 2009 fee of Ms. Scardino was paid for her services as Vice Chairman of the Board.

5 The 2009 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 2009 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 2009" on page 85.

8 The 2009 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 2009 fee paid to Ms. Marey-Semper 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 2009 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.

Proposal of the Corporate Governance and Nomination Committee for remuneration to the Board of Directors in 2010

On January 28, 2010, the Corporate Governance and Nomination Committee of the Board announced that it will propose to the Annual General Meeting to be held on May 6, 2010 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 2011 be unchanged from 2008 and 2009 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 Corporate Governance and Nomination Committee proposes that approximately 40% of the remuneration be paid in Nokia shares purchased from the market, which shares shall be retained until the end of the board membership in line with the Nokia policy (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes).

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 globally that drive Nokia's success and industry leadership worldwide. Our compensation programs are designed to promote long-term value sustainability of the company and to ensure that remuneration is based on performance.

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 sample includes companies in high technology, telecommunications and Internet services industries, as well as other industries that are headquartered in Europe and the United States. The peer group is determined by the Personnel Committee and reviewed for appropriateness from time to time as deemed necessary due to such factors as changes in the business environment or industry.

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 regarding Nokia's programs and compensation levels in preparation for 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 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 other direct reports to the President and CEO and approves their incentive compensation based on such evaluation.

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.

Nokia's management performed an internal risk assessment of Nokia's compensation policies and practices for its employees in 2009. The internal risk assessment concluded that there are no risks arising from Nokia's compensation policies and practices that are reasonably likely to have a material adverse effect on Nokia. The findings of the analysis were reported to the Personnel Committee.

Components of executive compensation

Nokia's 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 an important element of our variable pay programs and are tied directly to Nokia's and the executive's performance. 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 that are based on a number of factors and are intended to be stretch targets that, if achieved, we believe, will result in performance that would exceed that of our 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 2009.

Incentive as a % of annual base salary in 2009

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 management and key business goals)
		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 management); 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 an established 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 short-term 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 management and key business goals and (2) a comparison of each executive officer's individual performance to his/her predefined individual strategic objectives and targets. Individual strategic objectives include key criteria which are the cornerstone for the success of Nokia's long-term strategy and 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 and key business goals have been achieved together with (b) qualitative and quantitative 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 percentage; 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 key business goals 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, which are selected by the Personnel Committee, in the high technology, Internet services 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 performance in key markets, development of strategic capabilities enhanced competitiveness of core businesses and executive development.

For more information on the actual cash compensation paid in 2009 to Nokia's executive officers, see "Summary compensation table 2009" on page 84.

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 above in "Executive compensation philosophy, programs and decision-making process", 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. In addition, any shares granted are subject to the share ownership guidelines as explained below.

Information on the actual equity-based incentives granted to the members of Nokia's Group Executive Board is included in "Share ownership" on page 89.

Actual executive compensation for 2009

At December 31, 2009, Nokia had a Group Executive Board consisting of eleven members. Changes in the composition of the Group Executive Board during 2009 are explained in "Group Executive Board" on page 74.

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 2009.

Gains realized upon exercise of stock options and share-based incentive grants vested for the members of the Group Executive Board during 2009 are included in "Share ownership" on page 89.

Aggregate cash compensation to the Group Executive Board for 2009 [1]

Year	Number of members December 31, 2009	Base salaries EUR	Cash incentive payments [2] EUR
2009	11	6 107 162	4 614 593

1 Includes base salary and cash incentives paid or payable by Nokia for the 2009 fiscal year. The cash incentives are paid as a percentage of annual base salary based on Nokia's short-term cash incentives. Includes Robert Andersson and Simon Beresford-Wylie for the period until Septermber 30, 2009 and Alberto Torres as from October 1, 2009.

2 Excluding any gains realized upon exercise of stock options, which are described in "Share ownership" on page 89.

Long-term equity-based incentives granted in 2009 [1]

	Group Executive Board [3]	Total	Total number of participants
Performance shares at threshold [2]	345 000	2 960 110	5 800
Stock options	690 000	4 791 232	3 700
Restricted shares	558 000	4 288 600	500

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/or service conditions, as determined in the relevant plan rules. For a description of Nokia's equity plans, see Note 23 "Share-based payment" to Nokia's consolidated financial statements on page 37.

2 At maximum performance, the settlement amounts to four times the number at threshold.

3 Includes Robert Andersson for the period until Septermber 30, 2009 and Alberto Torres as from October 1, 2009.

Summary compensation table 2009

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	2009	1 176 000	1 288 144	3 332 940	650 661	*	1 358 429 [4, 5]	177 248 [6]	7 983 422
President and CEO	2008	1 144 800	721 733	2 470 858	548 153	*	469 060	175 164	5 529 768
	2007	1 037 619	2 348 877	5 709 382	581 690	*	956 333	183 603	10 817 504
Timo Ihamuotila EVP and Chief Financial Officer [7]	2009	396 825	234 286	752 856	135 834	*	15 575 [4]	21 195 [7]	1 556 571
Richard Simonson	2009	648 494	453 705	1 449 466	166 126	*		134 966 [9]	2 852 757
EVP, Mobile Phones (Chief Financial	2008	630 263	293 477	699 952	152 529	*		106 632	1 882 853
Officer until October 31, 2009) [8]	2007	488 422	827 333	1 978 385	199 956	*		46 699	3 540 795
Anssi Vanjoki	2009	630 000	342 250	863 212	166 126	*	68 541 [4]	31 055 [10]	2 101 184
EVP, Markets	2008	615 143	260 314	699 952	152 529	*	—	33 552	1 761 490
	2007	556 381	900 499	1 978 385	199 956	*	18 521	49 244	3 702 986
Kai Öistämö	2009	460 000	343 225	935 174	166 126	*	9 824 [4]	29 778 [11]	1 944 127
EVP, Devices	2008	445 143	200 126	699 952	152 529	*	87 922	29 712	1 615 384
	2007	382 667	605 520	1 978 385	199 956	*	41 465	32 086	3 240 079
Mary McDowell	2009	508 338	349 911	800 873	152 283	*		33 726 [12]	1 845 131
EVP, Chief Development Officer [8]	2008	493 798	196 138	620 690	133 463	*		33 462	1 477 551
	2007	444 139	769 773	1 978 385	199 956	*		32 463	3 424 716

1 The positions set forth in this table are the current positions of the named executives. Until October 30, 2009, Mr. Ihamuotila served as Executive Vice President and Global Head of Sales. Mr. Simonson served as Executive Vice President and Chief Financial Officer until October 30, 2009.

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.

3 Amounts shown represent the grant date fair value of equity grants awarded in the respective fiscal year. The fair value of stock options equals the estimated fair value on the grant date, calculated using the Black-Scholes model. 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 the performance shares is presented on the basis of a number of shares, which is two times the number of shares at threshold. The value of restricted shares and performance shares at maximum (four times the number of shares at threshold), for each of the named executive officer, is as follows: Mr. Kallasvuo EUR 5 586 450; Mr. Ihamuotila EUR 1 249 720; Mr. Simonson EUR 2 024 831; Mr. Vanjoki EUR 1 438 576; Mr. Öistämö EUR 1 510 538 and Ms. McDowell EUR 1 328 290.

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 available 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 the reduction of EUR 1 571 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 1 360 000 for the change in liability in the early retirement benefit at the age of 60 provided under his service contract. Nokia carries the liability on its books for the early retirement benefit. Considerable portion of this change in pension liability stems from the actuarial change to the discount interest rate used in the calculation.

6 All other compensation for Mr. Kallasvuo in 2009 includes: EUR 130 000 for his services as member of the Board or Directors, see page 81 "Remuneration of the Board of Directors in 2009" above; EUR 21 540 for car allowance, EUR 10 000 for financial counseling, EUR 10 989 for taxable benefit for premiums paid under supplemental medical and disability insurance, EUR 4 719 for driver and for mobile phone.

7 All other compensation for Mr. Ihamuotila in 2009 includes: EUR 7 620 for car allowance, EUR 10 000 for financial counseling, EUR 2 337 for the amount related to the end of his international assignment in the United States under Nokia's policy, EUR 1 238 taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone.

8 Salaries, benefits and perquisites for Ms. McDowell and Mr. Simonson are paid and denominated in USD. Amounts were converted to euro using year-end 2009 USD/EUR exchange rate of 1.43. For year 2008 disclosure, amounts were converted to euro using the 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 2009 includes: EUR 96 498 company contributions to the Restoration & Deferral plan, EUR 11 538 company contributions to the 401(k) plan, EUR 12 345 for car allowance, EUR 11 194 for financial counseling, EUR 3 391 imputed income under the Employee Stock Purchase Plan.

10 All other compensation for Mr. Vanjoki in 2009 includes: EUR 19 817 for car allowance and driver benefit, EUR 10 000 for financial counseling, EUR 1 238 as taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone.

11 All other compensation for Mr. Öistämö in 2009 includes: EUR 18 540 for car allowance, EUR 10 000 for financial counseling, EUR 1 238 as taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone.

12 All other compensation for Ms. McDowell in 2009 includes: EUR 12 345 for car allowance, EUR 10 996 for financial counseling, EUR 10 280 company contributions to the 401(k) plan and EUR 105 as service award under Nokia's policy.

* 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 only for those data elements previously disclosed unless otherwise indicated.

Equity grants in 2009 [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	2009	May 8	235 000	11.18	650 661	117 500	470 000	150 000	3 332 940
Timo Ihamuotila EVP and Chief Financial Officer	2009	May 8	35 000	11.18	96 908	27 500	110 000	35 000	752 856
		Nov 6	20 000	8.76	38 927				
Richard Simonson EVP, Mobile Phones (Chief Financial Officer until October 31, 2009)	2009	May 8	60 000	11.18	166 126	30 000	120 000	107 000	1 449 466
Anssi Vanjoki EVP, Markets	2009	May 8	60 000	11.18	166 126	30 000	120 000	40 000	863 212
Kai Öistämö EVP, Devices	2009	May 8	60 000	11.18	166 126	30 000	120 000	50 000	935 174
Mary McDowell EVP, Chief Development Officer	2009	May 8	55 000	11.18	152 283	27 500	110 000	38 000	800 873

1 Including all equity awards made during 2009. Awards were made under the Nokia Stock Option Plan 2007, the Nokia Performance Share Plan 2009 and the Nokia Restricted Share Plan 2009.

2 The fair value of stock options equals the estimated fair value on the grant date, calculated using the Black-Scholes model. The stock option exercise price was EUR 11.18 on May 8, 2009 and EUR 8.76 on November 6, 2009. NASDAQ OMX HELSINKI closing market price at grant date on May 8, 2009 was EUR 10.84 and on November 6, 2009 was EUR 8.84.

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.

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 89.

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.

Hallstein Moerk, following his arrangement with a previous employer, and continuing in his current position at Nokia, has a retirement benefit of 65% of his pensionable salary beginning at the age of 62 and early retirement is possible at the age of 55 with reduced benefits. Mr. Moerk will retire at the end of September 2010 at the age of 57.

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, 2009, 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, 2009, 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. Performance shares are the main element of the company's broad-based equity compensation program to further emphasize the performance element in employees' long-term incentives.

Our compensation programs promote long-term value sustainability of the company and ensure that remuneration is based on performance. 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 longterm equity-based incentives. The equity-based compensation programs intend to align the potential value received by participants directly with the performance of Nokia. We also have granted restricted shares to a small selected number of key 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 2009, which was approved by the Board of Directors, followed the structure of the program in 2008. The participant group for the 2009 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, 2009, the aggregate number of participants in all of Nokia's equity-based programs was approximately 13 000 compared with approximately 18 000 as at December 31, 2008 reflecting changes in Nokia's grant guidelines and reduction in eligible population.

The employees of Nokia Siemens Networks including the Chief Executive Officer 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 23 "Share-based payment" to Nokia's consolidated financial statements on page 37.

Performance shares

We have granted performance shares under the global 2005, 2006, 2007, 2008 and 2009 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 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 Nokia'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 2005 Performance Share Plan has a four-year performance period and a two-year interim measurement period. The 2006, 2007, 2008 and 2009 plans have a three-year performance period with no interim measurement period. 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.

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
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
2009	2009–2011	N/A	N/A	2012

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.

The 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. Performance share grants to the CEO are made upon recommendation by the Personnel Committee and approved by the Board of Directors and confirmed by the independent members of the Board. Performance share grants to the other Group Executive Board members and other direct reports of the CEO are approved by the Personnel Committee.

Stock options

Nokia's global stock option plans in effect for 2009, 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 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 are 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 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. Stock option grants to the CEO are made upon recommendation by the Personnel Committee and a re approved by the Board of Directors and confirmed by the independent members of the Board. Stock option grants to the other Group Executive Board members and to other direct reports of the CEO are made by the Personnel Committee.

Restricted shares

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 talent. 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. Restricted share grants to the CEO are made upon recommendation by the Personnel Committee and approved by the Board of Directors and confirmed by the independent directors of the Board. Restricted share grants to the other Group Executive Board members and other direct reports of the CEO are approved 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 is approximately 3 million of which approximately 1 million shares have already been delivered by December 31, 2009. The Group 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 of December 31, 2009, approximately 12.3 million ADSs had been purchased under this plan since its inception, and there were a total of approximately 760 participants in the plan.

For more information on these plans, see Note 23 "Share-based payment" to Nokia's consolidated financial statements on page 37.

Equity-based compensation program 2010

The Board of Directors announced the proposed scope and design for the Equity Program 2010 on January 28, 2010. 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 2010 approved by the Board of Directors will cover a performance period of three years (2010–2012). 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: 0% (threshold) and 13.5% (maximum) during the performance period 2010–2012, and
2. EPS (diluted, non-IFRS): EUR 0.82 (threshold) and EUR 1.44 (maximum) at the end of the performance period in 2012.

Average Annual Net Sales Growth is calculated as an average of the net sales growth rates for the years 2010 through 2012. EPS is the diluted, non-IFRS earnings per share in 2012. 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 17 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 4.25 million shares. If only one of the threshold levels of performance is achieved, only approximately 2.13 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, 2012. 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 2010 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 86.

Restricted shares

The restricted shares to be granted under the Restricted Share Plan 2010 will have a three-year restriction period (2010–2012). The restricted shares will vest and the payable Nokia shares be delivered in 2013 and early 2014, 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 2010

The maximum number of planned grants under the Nokia Equity Program 2010 (i.e., performance shares, stock options and restricted shares) in 2010 are set forth in the table below.

Plan type	Maximum number of planned grants under the equity program in 2010
Stock options	8 million
Restricted shares	6 million
Performance shares at threshold [1]	4.25 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 17 million Nokia shares.

As at December 31, 2009, the total dilutive effect of Nokia's stock options, performance shares and restricted shares outstanding, assuming full dilution, was approximately 1.6% in the aggregate. The potential maximum effect of the proposed equity program 2010 would be approximately another 0.8%.

Recoupment of certain equity gains

The Board of Directors has approved a policy allowing for the recoupment of equity gains realized by Group Executive Board members under Nokia equity plans in case of a financial restatement caused by an act of fraud or intentional misconduct. This policy will apply to equity grants made to Group Executive Board members after January 1, 2010.

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 Nokia's policy, approximately 40% of the remuneration paid to the members of the Board of Directors has been paid in Nokia's shares purchased from the market. It is Nokia's policy that the directors retain all company stock received as director compensation until the end of their board membership, subject to the need to finance any costs including taxes relating to the acquisition of the shares. 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 86.

Share ownership of the Board of Directors

At December 31, 2009, the members of Nokia's Board of Directors held the aggregate of 1 626 314 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 0.04% of Nokia's outstanding shares 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, 2009.

	Shares [1]	ADSs [1]
Jorma Ollila [2]	740 970	—
Marjorie Scardino	—	26 150
Georg Ehrnrooth [3]	327 531	—
Lalita D. Gupte	—	11 322
Bengt Holmström	27 118	—
Henning Kagermann	10 512	—
Olli-Pekka-Kallasvuo [4]	383 555	—
Per Karlsson [3]	32 073	—
Isabel Marey-Semper	5 273	—
Risto Siilasmaa	48 295	—
Keijo Suila	13 515	—

1 The number of shares or ADSs includes not only shares or ADSs received as director compensation, but also shares or ADSs 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, 2009, a total of 1 200 000 stock options. The information relating to stock options held by Mr. Ollila as at December 31, 2009 is presented in the table below.

				Number of stock options		Total intrinsic value of stock options, December 31, 2009 EUR	
	Stock option category	Expiration date	Exercise price per share EUR	Exercisable	Unexercisable	Exercisable	Unexercisable
Jorma Ollila	2004 2Q	December 31, 2009	11.79	400 000	—	0	0
	2005 2Q	December 31, 2010	12.79	400 000	—	0	0
	2006 2Q	December 31, 2011	18.02	325 000	75 000	0	0

The number of stock options in the above table 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 above table 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 30, 2009 of EUR 8.92.

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 90 and "Performance shares and restricted shares" on page 92.

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, 2009.

	Shares	Shares receivable through stock options	Shares receivable through performance shares at threshold [3]	Shares receivable through performance shares at maximum [4]	Shares receivable through restricted shares
Number of equity instruments held by Group Executive Board	1 179 209	3 032 410	521 000	2 084 000	1 151 000
% of the shares [1]	0.0318	0.0818	0.0140	0.0562	0.0310
% of the total outstanding equity incentives (per instrument) [2]	—	13.326	10.228	10.228	12.269

1 The percentage is calculated in relation to the outstanding number of shares 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, under the global equity plans.

3 No Nokia shares were delivered under Nokia Performance Share Plan 2007 as Nokia's performance did not reach the threshold level of either performance criterion. Therefore the shares deliverable at threshold equals zero for the performance share plan 2007.

4 No Nokia shares were delivered under Nokia Performance Share Plan 2007 as Nokia's performance did not reach the threshold level of either performance criterion. Therefore the shares deliverable at maximum equals zero for Nokia Performance Share Plan 2007. At maximum performance under the performance share plan 2008 and 2009, the number of 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, 2009.

	Shares	ADSs
Olli-Pekka Kallasvuo	383 555	—
Esko Aho	—	—
Timo Ihamuotila	47 159	—
Mary McDowell	127 906	5 000
Hallstein Moerk	64 526	—
Tero Ojanperä	55 826	—
Niklas Savander	71 165	—
Richard Simonson	158 841	30 557
Alberto Torres	41 410	—
Anssi Vanjoki	125 514	—
Kai Öistämö	67 750	—

Mr. Andersson left the Group Executive Board as of September 30, 2009 to head Nokia Corporate Alliances and Business Development. He held 69 855 shares on September 30, 2009. Mr. Beresford-Wylie left the Group Executive Board as of September 30, 2009 and ceased employment with Nokia Siemens Networks on November 1, 2009. He held 87 547 shares on September 30, 2009.

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, 2009. 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 23 "Share-based payment" to Nokia's consolidated financial statements on page 37.

				Number of stock options [1]		Total intrinsic value of stock options, December 31, 2009 EUR [2]	
	Stock option category	Expiration date	Exercise price per share EUR	Exercisable	Unexercisable	Exercisable [3]	Unexercisable
Olli-Pekka Kallasvuo	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	60 000	—	—	—
	2005 4Q	December 31, 2010	14.48	93 750	6 250	—	—
	2006 2Q	December 31, 2011	18.02	243 750	56 250	—	—
	2007 2Q	December 31, 2012	18.39	90 000	70 000	—	—
	2008 2Q	December 31, 2013	19.16	35 937	79 063	—	—
	2009 2Q	December 31, 2014	11.18	—	235 000	—	—
Esko Aho	2009 2Q	December 31, 2014	11.18	—	35 000	—	—
Timo Ihamuotila	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	6 300	—	—	—
	2006 2Q	December 31, 2011	18.02	7 200	2 700	—	—
	2007 2Q	December 31, 2012	18.39	18 000	14 000	—	—
	2008 2Q	December 31, 2013	19.16	6 250	13 750	—	—
	2009 2Q	December 31, 2014	11.18	—	35 000	—	—
	2009 4Q	December 31, 2014	8.76	—	20 000	—	3 200
Mary McDowell	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	60 000	—	—	—
	2006 2Q	December 31, 2011	18.02	81 250	18 750	—	—
	2007 2Q	December 31, 2012	18.39	30 935	24 065	—	—
	2008 2Q	December 31, 2013	19.16	8 750	19 250	—	—
	2009 2Q	December 31, 2014	11.18	—	55 000	—	—
Hallstein Moerk	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	17 500	—	—	—
	2006 2Q	December 31, 2011	18.02	48 750	11 250	—	—
	2007 2Q	December 31, 2012	18.39	18 000	14 000	—	—
	2008 2Q	December 31, 2013	19.16	6 250	13 750	—	—
	2009 2Q	December 31, 2014	11.18	—	35 000	—	—
Tero Ojanperä	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	40 000	—	—	—
	2006 2Q	December 31, 2011	18.02	48 750	11 250	—	—
	2007 2Q	December 31, 2012	18.39	18 000	14 000	—	—
	2008 2Q	December 31, 2013	19.16	6 250	13 750	—	—
	2009 2Q	December 31, 2014	11.18	—	35 000	—	—

Stock option ownership of the Group Executive Board, continued

				Number of stock options 1		Total intrinsic value of stock options, December 31, 2009 EUR 2	
	Stock option category	Expiration date	Exercise price per share EUR	Exercisable	Unexercisable	Exercisable 3	Unexercisable
Niklas Savander	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	7 000	—	—	—
	2006 2Q	December 31, 2011	18.02	33 750	11 250	—	—
	2007 2Q	December 31, 2012	18.39	18 000	14 000	—	—
	2008 2Q	December 31, 2013	19.16	8 750	19 250	—	—
	2009 2Q	December 31, 2014	11.18	—	55 000	—	—
Richard Simonson	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	60 000	—	—	—
	2006 2Q	December 31, 2011	18.02	81 250	18 750	—	—
	2007 2Q	December 31, 2012	18.39	30 935	24 065	—	—
	2008 2Q	December 31, 2013	19.16	10 000	22 000	—	—
	2009 2Q	December 31, 2014	11.18	—	60 000	—	—
Alberto Torres	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	10 000	—	—	—
	2006 2Q	December 31, 2011	18.02	5 850	1 350	—	—
	2007 2Q	December 31, 2012	18.39	10 125	7 875	—	—
	2008 2Q	December 31, 2013	19.16	3 125	6 875	—	—
	2009 2Q	December 31, 2014	11.18	—	20 000	—	—
Anssi Vanjoki	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	26 250	—	—	—
	2006 2Q	December 31, 2011	18.02	50 000	18 750	—	—
	2007 2Q	December 31, 2012	18.39	30 935	24 065	—	—
	2008 2Q	December 31, 2013	19.16	10 000	22 000	—	—
	2009 2Q	December 31, 2014	11.18	—	60 000	—	—
Kai Öistämö	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	7 200	—	—	—
	2005 4Q	December 31, 2010	14.48	17 500	1 750	—	—
	2006 2Q	December 31, 2011	18.02	81 250	18 750	—	—
	2007 2Q	December 31, 2012	18.39	30 935	24 065	—	—
	2008 2Q	December 31, 2013	19.16	10 000	22 000	—	—
	2009 2Q	December 31, 2014	11.18	—	60 000	—	—
Stock options held by the members of the Group Executive Board Total 4				**1 688 537**	**1 343 873**	**—**	**3 200**
All outstanding stock option plans (global plans), Total				**12 844 453**	**9 911 056**	**—**	**6 099**

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 30, 2009 of EUR 8.92.

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 94.

4 Mr. Andersson left the Group Executive Board as of September 30, 2009 to head Nokia Corporate Alliances and Business Development. Mr. Beresford-Wylie left the Group Executive Board as of September 30, 2009 and ceased employment with Nokia Siemens Networks on November 1, 2009. 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. The information related to stock options held and retained by Mr. Andersson and Mr. Beresford-Wylie as of the date of resignation from the Group Executive Board is presented in the table below.

	Stock option category	Expiration date	Exercise price per share EUR	Number of stock options [1] Exercisable	Number of stock options [1] Unexercisable	Total intrinsic value of stock options, EUR [7] Exercisable [3]	Total intrinsic value of stock options, EUR [7] Unexercisable
Robert Andersson [5]							
(as per September 30, 2009)	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	12 000	—	—	—
	2005 4Q	December 31, 2010	14.48	24 500	3 500	—	—
	2006 2Q	December 31, 2011	18.02	35 000	20 000	—	—
	2007 2Q	December 31, 2012	18.39	16 000	16 000	—	—
	2008 2Q	December 31, 2013	19.16	5 000	15 000	—	—
	2009 2Q	December 31, 2014	11.18	—	5 000	—	—
Simon Beresford-Wylie [6]							
(as per September 30, 2009)	2004 2Q	December 31, 2009	11.79	—	—	—	—
	2005 2Q	December 31, 2010	12.79	54 000	—	—	—
	2006 2Q	December 31, 2011	18.02	75 000	6 250	—	—

5 Mr. Andersson remained with Nokia and thus is entitled to retain all vested and unvested stock options granted to him prior to leaving the Group Executive Board as of September 30, 2009.

6 Mr. Beresford-Wylie's stock option grants were forfeited upon termination of employment in accordance with the plan rules.

7 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 September 30, 2009 of EUR 10.05.

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, 2009. These entitlements were granted pursuant to Nokia's Performance Share Plans 2007, 2008 and 2009 and Restricted Share Plans 2007, 2008 and 2009. For a description of Nokia's performance share and restricted share plans, please see Note 23 "Share-based payment" to the consolidated financial statements on page 37.

	Performance shares: Plan name [1]	Number of performance shares at threshold [2]	Number of performance shares at maximum [3, 4]	Intrinsic value [4] December 31, 2009 EUR	Restricted shares: Plan name [5]	Number of restricted shares	Intrinsic value [6] December 31, 2009 EUR
Olli-Pekka Kallasvuo	2007	—	—	—	2007	100 000	892 000
	2008	57 500	230 000	—	2008	75 000	669 000
	2009	117 500	470 000	2 096 200	2009	150 000	1 338 000
Esko Aho	2008	—	—	—	2008	7 000	62 440
	2009	17 500	70 000	312 200	2009	25 000	223 000
Timo Ihamuotila	2007	—	—	—	2007	25 000	223 000
	2008	10 000	40 000	—	2008	14 000	124 880
	2009	27 500	110 000	490 600	2009	35 000	312 200
Mary McDowell	2007	—	—	—	2007	35 000	312 200
	2008	14 000	56 000	—	2008	20 000	178 400
	2009	27 500	110 000	490 600	2009	38 000	338 960
Hallstein Moerk	2007	—	—	—	2007	25 000	223 000
	2008	10 000	40 000	—	2008	14 000	124 880
	2009	17 500	70 000	312 200	2009	25 000	223 000
Tero Ojanperä	2007	—	—	—	2007	25 000	223 000
	2008	10 000	40 000	—	2008	14 000	124 880
	2009	17 500	70 000	312 200	2009	25 000	223 000
Niklas Savander	2007	—	—	—	2007	25 000	223 000
	2008	14 000	56 000	—	2008	20 000	178 400
	2009	27 500	110 000	490 600	2009	38 000	338 960

	Performance shares				Restricted shares		
	Plan name [1]	Number of performance shares at threshold [2]	Number of performance shares at maximum [3,4]	Intrinsic value [4] December 31, 2009 EUR	Plan name [5]	Number of restricted shares	Intrinsic value [6] December 31, 2009 EUR
Richard Simonson	2007	—	—	—	2007	35 000	312 200
	2008	16 000	64 000	—	2008	22 000	196 240
	2009	30 000	120 000	535 200	2009	107 000	954 440
Alberto Torres	2007	—	—	—	2007	13 000	115 960
	2008	5 000	20 000	—	2008	10 000	89 200
	2009	10 000	40 000	178 400	2009	25 000	223 000
Anssi Vanjoki	2007	—	—	—	2007	35 000	312 200
	2008	16 000	64 000	—	2008	22 000	196 240
	2009	30 000	120 000	535 200	2009	40 000	356 800
Kai Öistämö	2007	—	—	—	2007	35 000	312 200
	2008	16 000	64 000	—	2008	22 000	196 240
	2009	30 000	120 000	535 200	2009	50 000	446 000
Performance shares and restricted shares held by the Group Executive Board, Total [7]		521 000	2 084 000	6 288 600		1 151 000	10 266 920
All outstanding performance shares and restricted shares (global plans), Total		5 093 960 [11]	20 375 720 [12]	52 040 089		9 381 002	83 678 538

1 The performance period for the 2007 plan is 2007-2009, 2008 plan 2008-2010 and 2009 plan 2009-2011, respectively.

2 The threshold number will vest as Nokia shares should the pre-determined threshold performance levels be met. No Nokia shares were delivered under the Performance Share Plan 2007 as Nokia's performance did not reach the threshold level of either performance criterion. Therefore the shares deliverable at threshold equals zero for the Performance Share Plan 2007.

3 The maximum number will vest as Nokia shares should the pre-determined maximum performance levels be met. The maximum number of performance shares equals four times the number at threshold. No Nokia shares were delivered under the Performance Share Plan 2007 as Nokia's performance did not reach the threshold level of either performance criterion. Therefore the shares deliverable at maximum equals zero for the Performance Share Plan 2007.

4 For Performance Share Plans 2008 and 2009 the value of performance shares is presented on the basis of Nokia's estimation of the number of shares expected to vest. The intrinsic value for the Performance Share Plan 2009 is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 30, 2009 of EUR 8.92. For the Performance Share Plan 2007 no Nokia shares were delivered as Nokia's performance did not reach the threshold level of either performance criterion.

5 Under the Restricted Share Plans 2007, 2008 and 2009, awards have been granted quarterly. For the major part of the awards made under these plans, the restriction period will end for the 2007 plan, on January 1, 2011; and for the 2008 plan, on January 1, 2012 and for the 2009 plan, on January 1, 2013.

6 The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 30, 2009 of EUR 8.92.

7 Mr. Andersson, left the Group Executive Board as of September 30, 2009 to head Nokia Corporate Alliances and Business Development. Mr. Beresford-Wylie left the Group Executive Board as of September 30, 2009 and ceased employment with Nokia Siemens Networks on November 1, 2009. 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. The information related to performance shares and restricted shares held by Mr. Andersson and Mr. Beresford-Wylie as of the date of resignation from the Group Executive Board is presented in the table below.

	Performance shares				Restricted shares		
	Plan name [1]	Number of performance shares at threshold [2]	Number of performance shares at maximum [3,4]	Intrinsic value [10] EUR	Plan name [5]	Number of restricted shares	Intrinsic value [10] EUR
Robert Andersson [8] (as per September 30, 2009)	2007	—	—	—	2006	20 000	201 000
	2008	10 000	40 000	—	2007	25 000	251 250
	2009	2 500	10 000	50 250	2008	7 000	70 350
Simon Beresford-Wylie [9] (as per September 30, 2009)	—	—	—	—	2006	25 000	251 250

8 Mr. Andersson remained with Nokia and thus is entitled to retain performance shares and restricted shares granted to him prior to leaving the Group executive Board as of September 30, 2009.

9 Mr. Beresford-Wylie's performance and restricted shares grants were forfeited upon termination of employment in accordance with the plan rules.

10 The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at September 30, 2009 of EUR 10.05.

11 The threshold number will vest as Nokia shares should the predetermined threshold performance levels be met. No Nokia shares were delivered under the Performance Share Plan 2007 as Nokia's performance did not reach the threshold level of either performance criterion. Therefore the aggregate number does not include any shares for Performance Share Plan 2007.

12 The maximum number will vest as Nokia shares should the pre-determined maximum performance levels be met. The maximum number of performance shares equals four times the number at threshold. No Nokia shares were delivered under the Performance Share Plan 2007 as Nokia's performance did not reach the threshold level of either performance criterion. Therefore the aggregate number does not include any shares for Performance Share Plan 2007.

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 2009 for Nokia's Group Executive Board members.

	Stock option awards [1]		Performance shares awards [2]		Restricted shares awards [3]	
Name [5]	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	0	0	180 300	1 491 450	135 000 [4]	1 159 000 [4]
Esko Aho	0	0	0	0	0	0
Timo Ihamuotila	0	0	14 760	137 835	4 500	40 005
Mary McDowell	0	0	81 300	727 170	25 000	222 250
Hallstein Moerk	0	0	50 900	459 304	15 000	133 350
Tero Ojanperä	0	0	50 900	459 304	15 000	133 350
Niklas Savander	0	0	37 121	309 802	15 000	133 350
Richard Simonson	0	0	81 300	727 170	25 000	222 250
Alberto Torres	0	0	8 865	85 030	4 800	42 672
Anssi Vanjoki	0	0	81 300	727 170	25 000	222 250
Kai Öistämö	0	0	56 284	455 746	25 000	222 250

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 2005 and 2006 performance share grants. Value for the 2005 performance share grant is based on the market price of the Nokia share on NASDAQ OMX Helsinki as at May 27, 2009 of EUR 10.85. Value for the 2006 performance share grant is based on the closing market price of the Nokia share on NASDAQ OMX Helsinki as at February 26, 2009 of EUR 7.72.

3 Delivery of Nokia shares vested from the 2006 restricted share grant to all members of the Group Executive Board. Value is based on the closing market price of the Nokia share on NASDAQ OMX Helsinki on October 21, 2009 of EUR 8.89

4 Represents the final payout in gross shares for the 2005 and 2006 restricted share grants. Value for the 2005 restricted share grant is based on the closing market price of the Nokia share on NASDAQ OMX Helsinki on February 26, 2009 of EUR 7.72. Value for the 2006 restricted share grant is based on the closing market price of the Nokia share on NASDAQ OMX Helsinki on October 21, 2009 of EUR 8.89.

5 Mr. Andersson, left the Group Executive Board as of September 30, 2009 to head Nokia Corporate Alliances and Business Development. Mr. Beresford-Wylie left the Group Executive Board as of September 30, 2009 and ceased employment with Nokia Siemens Networks on November 1, 2009. The information regarding stock option settlement exercises and settlement of shares regarding Mr. Andersson and Mr. Beresford-Wylie as of the date of resignation from the Group Executive Board is presented in the table below.

		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)
Robert Andersson (as per September 30, 2009)	2009	0	0.00	45 960	374 718	0	0.00
Simon Beresford-Wylie (as per September 30, 2009)	2009	0	0.00	81 300	727 170	0	0.00

Stock ownership guidelines for executive management

One of the goals of our long-term equity-based incentive program is to focus executives on promoting the long-term sustainability of the company and on building value for shareholders on a long-term basis. In addition to granting stock options, performance shares and restricted shares, we also encourage stock ownership by our top executives and have 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 and for members of the Group Executive Board two times the member's annual base salary, respectively. To meet this requirement, all members of the Group Executive Board are expected to retain 50% of any after-tax gains from equity programs in shares until the minimum investment level is met. The Personnel Committee regularly monitors the compliance by the executives with the stock ownership guidelines.

Insider trading in securities

The Board of Directors has established and regularly updates a policy in respect of insiders' trading in Nokia securities. The members of the Board and the Group Executive Board are considered as primary insiders. Under the policy, the holdings of Nokia securities by the primary insiders are public information, which is available from 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. Nokia updates its insider trading policy from time to time and closely monitors compliance with the policy 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 our independent auditor for each of the fiscal years in the three-year period ended December 31, 2009. The independent auditor is elected annually by our 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 2009 and 2008 in total with a separate presentation of those fees related to Nokia and Nokia Siemens Networks.

	2009			2008		
EURm	Nokia	Nokia Siemens Networks	Total	Nokia	Nokia Siemens Networks	Total
Audit fees [1]	6.2	9.8	16.0	6.4	13.1	19.5
Audit-related fees [2]	1.2	1.6	2.8	2.4	5.0	7.4
Tax fees [3]	3.6	2.0	5.6	3.8	3.0	6.8
All other fees [4]	0.3	—	0.3	0.7	—	0.7
Total	11.3	13.4	24.7	13.3	21.1	34.4

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; SAS 70 audit of internal controls; 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 in 2008 include EUR 2.5 million Nokia has recovered or will be able to recover from a third party.

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 our 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 our 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, May 6, 2010 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 2009 is EUR 0.40.
The dividend record date is proposed to be May 11, 2010 and the pay date on or about May 25, 2010.

Financial reporting

Nokia's quarterly reports in 2010 are planned for April 22, July 22, and October 21. The 2010 results are planned to be published in January 2011.

Information published in 2009

All Nokia's press releases published in 2009 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	

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