Nokia in 2011

REVIEW BY THE BOARD OF DIRECTORS AND NOKIA ANNUAL ACCOUNTS 2011

KEY DATA

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

Nokia, EURm	2011	2010	Change, %
Net sales	38 659	42 446	–9
Operating profit	–1 073	2 070	
Profit before tax	–1 198	1 786	
Profit attributable to equity holders' of the parent	–1 164	1 850	
Research and development expenses	5 612	5 863	–4

%	2011	2010
Return on capital employed	neg.	11
Net debt to equity (gearing)	–40	–43

EUR	2011	2010	Change, %
Earnings per share, basic	–0.31	0.50	
Dividend per share	0.20 *	0.40	–50
Average number of shares (1 000 shares)	3 709 947	3 708 816	

* Board's proposal

Nokia businesses, EURm	2011	2010	Change, %
Devices & Services			
Net sales	23 943	29 134	–18
Operating profit	884	3 540	–75
Location & Commerce			
Net sales	1 091	869	26
Operating profit	–1 526	–663	
Nokia Siemens Networks			
Net sales	14 041	12 661	11
Operating profit	–300	–686	

Personnel, December 31	2011	2010	Change, %
Devices & Services	49 406	58 712	–16
Location & Commerce	6 659	7 232	–8
Nokia Siemens Networks	73 686	66 160	11
Corporate Common Functions	299	323	–7
Nokia Group	130 050	132 427	–2

10 major markets, net sales; EURm	2011	2010
China	6 130	7 149
India	2 923	2 952
Brazil	1 901	1 506
Russia	1 843	1 744
Germany	1 606	2 019
Japan	1 539	730
USA	1 405	1 630
UK	996	1 470
Italy	982	1 266
Spain	907	1 313

10 major countries, personnel, December 31	2011	2010
India	22 279	22 734
China	22 165	20 668
Finland	16 970	19 841
Brazil	11 887	10 925
Germany	10 992	11 243
USA	7 980	7 415
Hungary	5 198	5 931
UK	3 237	3 859
Poland	2 541	2 122
Mexico	1 970	2 554

Main currencies, rates at the end of 2011

1 EUR	USD	1.3059
	GBP	0.8391
	CNY	8.2723
	INR	69.0430
	RUB	41.7680
	JPY	101.70

REVIEW BY THE BOARD OF DIRECTORS 2011

Before the statutory information and other disclosures of the review by the Board of Directors, the Nokia Board of Directors notes that year 2011 was a year of transition for Nokia, and that year 2012 is expected to continue to be a year of transition. The Board continues to closely monitor the implementation of the strategy as well as the execution of operational activities, all with the goal of improving shareholder value. In the following, the Board of Directors outlines a brief summary of the key developments and actions in 2011 and early 2012.

» New strategy and operational structure. In February 2011, Nokia outlined its new strategic direction, including changes in leadership and operational structure to accelerate the company's speed of execution in a dynamic competitive environment. In connection with the new Nokia strategy, Nokia and Microsoft announced plans to form a partnership that brings together their complementary strengths and expertise to create a new global mobile ecosystem. Under the partnership, Windows Phone serves as Nokia's primary smartphone platform. Nokia and Microsoft signed a definitive agreement on the partnership in April 2011.

» Changes to Nokia's operations. Nokia announced a number of planned changes to Nokia's operations during 2011 and 2012 in connection with the implementation of the new strategy in Nokia's Devices & Services business and the creation of Nokia's new Location & Commerce business. The planned changes include substantial personnel reductions, site and facility closures and reconfiguration of certain facilities. Nokia expects personnel reductions to occur in phases until the end of 2012. Nokia also launched a comprehensive social responsibility program for employees and communities likely to be affected by the personnel reductions.

» Collaboration with Accenture. In April 2011, Nokia announced a strategic collaboration with Accenture resulting in the transfer of Nokia's Symbian-based software development and support services to Accenture. At the same time Accenture will provide mobility software services to Nokia for future smartphones. As a result of the transaction, approximately 2 300 employees transferred to Accenture.

» Lumia products. Eight months after the announcement of Nokia's new strategic direction, at the Nokia World event in October, Nokia demonstrated clear progress on its strategy by unveiling a portfolio of innovative devices, services and accessories, including the first smartphones in its Windows Phone-based Nokia Lumia range, Nokia Lumia 800 and 710. In early 2012, Nokia added to the Lumia range and announced the Nokia Lumia 900 and 610.

» Symbian transition and Nokia N9. During the transition to Windows Phone as Nokia's primary smartphone platform, Nokia announced and started shipping various new Symbian devices and made available Symbian smartphone software updates. Nokia also announced and started shipping the N9, the outcome of efforts in Nokia's MeeGo program.

» Location & Commerce. As a natural next step in Nokia's services journey, Nokia announced in June 2011 its new Location & Commerce business, which was formed by combining NAVTEQ with Nokia's social location services operations from Devices & Services. The Location & Commerce business develops a new class of integrated social location products and services for consumers, as well as platform and local commerce services for device manufacturers, application developers, Internet services providers, merchants and advertisers.

» Nokia Siemens Networks. Some of the main events regarding Nokia Siemens Networks during 2011 include the completion of Nokia Siemens Networks' acquisition of Motorola Solutions' Networks assets, which strengthened Nokia Siemens Networks' position in key regions, particularly North America and Japan, as well as with some of the world's major service providers. Further, in November 2011, Nokia Siemens Networks announced its strategy to focus on mobile broadband and services and the launch of an extensive global restructuring program.

» Proposal for new Chairman of the Board of Directors. The current Chairman of the Board of Directors, Jorma Ollila, informed that he will no longer be available to serve on the Nokia Board of Directors after the Annual General Meeting 2012. In January 2012, the Corporate Governance and Nomination Committee announced that it will propose in the assembly meeting of the new Board of Directors after the Annual General Meeting on May 3, 2012 that Risto Siilasmaa be elected as Chairman of the Board.

CHANGES IN OPERATING AND REPORTABLE SEGMENTS

Nokia adopted its current operational structure during 2011 and has three businesses: Devices & Services, Location & Commerce and Nokia Siemens Networks. As of April 1, 2011, Nokia's Devices & Services business includes two operating and reportable segments – Smart Devices, which focuses on smartphones, and Mobile Phones, which focuses on mass market feature phones – as well as Devices & Services Other. Devices & Services Other includes net sales of Nokia's luxury phone business Vertu, spare parts and related cost of sales and operating expenses, as well as intellectual property related royalty income and common research and development expenses.

Location & Commerce focuses on the development of location-based services and local commerce. NAVTEQ, which Nokia acquired in July 2008, was a separate reportable segment of Nokia from the third quarter 2008 until the end of the third quarter of 2011. As of October 1, 2011, the Location & Commerce business was formed as a new operating and reportable segment by combining NAVTEQ and Nokia's Devices & Services social location services operations.

For IFRS financial reporting purposes, Nokia has four operating and reportable segments: Smart Devices and Mobile Phones within Devices & Services, Location & Commerce and Nokia Siemens Networks. Prior period results have been regrouped and recast for comparability purposes according to the new reporting format that became effective on April 1, 2011 and October 1, 2011, respectively.

RESULTS OF OPERATIONS

Nokia Group

The following table sets forth selective line items for the fiscal years 2011 and 2010.

EURm	2011	2010	YoY change
Net sales	38 659	42 446	−9%
Cost of sales	−27 340	−29 629	−8%
Gross profit	11 319	12 817	−12%
Research and development expenses	−5 612	−5 863	−4%
Selling and marketing expenses	−3 791	−3 877	−2%
Administrative and general expenses	−1 121	−1 115	1%
Other operating income and expenses	−1 868	108	
Operating profit	−1 073	2 070	

NET SALES

Although the mobile device industry continued to see volume growth in 2011, Nokia's net sales and profitability were negatively affected by the increasing momentum of competing smartphone platforms relative to Nokia's Symbian smartphones in all regions as Nokia embarked on Nokia's platform transition to Windows Phone, as well as Nokia's pricing actions due to the competitive environment in both the smartphone and feature phone markets. In addition, during the first half of 2011 Nokia's net sales and profitability were adversely affected by Nokia's lack of dual SIM products, which continued to be a growing part of the market. For Nokia Siemens Networks, net sales growth was driven primarily by the contribution from the acquired Motorola Solutions network infrastructure assets, which was completed in April 2011. On a year-on-year basis the movement of the euro relative to relevant currencies had almost no impact on Nokia's overall net sales.

The following table sets forth the distribution by geographical area of Nokia's net sales for the fiscal years 2011 and 2010.

Distribution of net sales by geographic area

%	2011	2010
Europe	31	34
Middle East & Africa	14	13
Greater China	17	18
Asia-Pacific	23	21
North America	4	5
Latin America	11	9
Total	100	100

The 10 markets in which Nokia generated the greatest net sales in 2011 were, in descending order of magnitude, China, India, Brazil, Russia, Germany, Japan, the United States, the United Kingdom, Italy and Spain, together representing approximately 52% of total net sales in 2011. In comparison, the 10 markets in which Nokia generated the greatest net sales in 2010 were China, India, Germany, Russia, the United States, Brazil, the United Kingdom, Spain, Italy and Indonesia, together representing approximately 52% of total net sales in 2010.

GROSS MARGIN

Nokia's gross margin in 2011 was 29.3%, compared to 30.2% in 2010. The lower gross margin in 2011 resulted primarily from the decrease in gross margin in Devices & Services compared to 2010, which was partially offset by increased gross margin in Nokia Siemens Networks.

OPERATING EXPENSES

Nokia's research and development ("R&D") expenses were EUR 5 612 million in 2011, compared to EUR 5 863 million in 2010. Research and development costs represented 14.5% of Nokia's net sales in 2011 compared to 13.8% in 2010. The increase in R&D expenses as a percentage of net sales largely resulted from a relative decline in net sales in 2011 compared to an increase in net sales and a decrease in research and development expenses in 2010. R&D expenses included purchase price accounting items and other special items of EUR 440 million in 2011 compared to EUR 575 million in 2010. At December 31, 2011, Nokia employed 34 876 people in R&D, representing approximately 27% of Nokia's total workforce, and had a strong R&D presence in 16 countries.

In 2011, Nokia's selling and marketing expenses were EUR 3 791 million, compared to EUR 3 877 million in 2010. Selling and marketing expenses represented 9.8% of Nokia's net sales in 2011 compared to 9.1% in 2010. The increase in selling and marketing expenses as a percentage of net sales reflected a decline in net sales in 2011 compared to an increase in net sales and a decrease in selling and marketing expenses in 2010. Selling and marketing expenses included purchase price accounting items and other special items of EUR 444 million in 2011 compared to EUR 429 million in 2010.

Administrative and general expenses were EUR 1 121 million in 2011, unchanged compared to 2010. Administrative and general expenses were equal to 2.9% of Nokia's net sales in 2011 compared to 2.6% in 2010. The increase in administrative and general expenses as a percentage of net sales reflected the decrease in net sales in 2011. Administrative and general expenses included special items of EUR 37 million in 2011 compared to EUR 77 million in 2010.

In 2011, other income and expenses included restructuring charges of EUR 500 million, impairment of assets of EUR 90 million, consideration related to the Accenture transaction of EUR 251 million, impairment of shares in an associated company of EUR 41 million and a benefit from a cartel claim settlement of EUR 49 million in 2011. In 2010, other income and expenses included restructuring charges of EUR 112 million, a prior year-related refund of customs duties of EUR 61 million, a gain on sale of assets and businesses of EUR 29 million and a gain on sale of the wireless modem business of EUR 147 million.

OPERATING MARGIN

Nokia's 2011 operating loss was EUR 1 073 million, compared with an operating profit of EUR 2 070 million in 2010. The decreased operating profit resulted primarily from an impairment of goodwill of EUR 1.1 billion in Nokia's Location & Commerce business and a decrease in the operating profit in Nokia's Devices & Services business, which was partially offset by a decrease in the operating loss in Nokia Siemens Networks. Nokia's 2011 operating margin was –2.8% in 2011, compared to 4.9% in 2010. Nokia's operating profit in 2011 included purchase price accounting items and other special items of net negative EUR 2 898 million compared to net negative EUR 1 134 million in 2010.

CORPORATE COMMON

Corporate Common Functions' expenses totaled EUR 131 million in 2011, compared to EUR 113 million in 2010.

NET FINANCIAL INCOME AND EXPENSES

Financial income and expenses, net, was an expense of EUR 102 million in 2011 compared to an expense of EUR 285 million in 2010. The lower net expense in 2011 was primarily driven by lower net costs related to hedging Nokia's cash balances and favorable fluctuations in certain foreign exchange rates. Nokia expects financial income and expenses, net, in 2012 to be an expense of approximately EUR 300 million primarily due to higher expected net costs related to hedging Nokia's cash balances, as well as higher costs related to Nokia Siemens Networks' financing.

Nokia's net debt to equity ratio was negative 40% at December 31, 2011, compared with a net debt to equity ratio of negative 43% at December 31, 2010.

PROFIT BEFORE TAXES

Loss before tax was EUR 1 198 million in 2011, compared to profit of EUR 1 786 million in 2010. Taxes amounted to EUR 290 million in 2011 and EUR 443 million in 2010. The effective tax rate decreased to negative 24.2% in 2011, compared with 24.8% in 2010. In 2011, Nokia's taxes continued to be unfavorably affected by Nokia Siemens Networks taxes as no tax benefits are recognized for certain Nokia Siemens Networks deferred tax items due to uncertainty of utilization of these items.

NON-CONTROLLING INTERESTS

Loss attributable to non-controlling interests totaled EUR 324 million in 2011, compared with loss attributable to non-controlling interests of EUR 507 million in 2010. This change was primarily due to a decrease in Nokia Siemens Networks' losses.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND EARNINGS PER SHARE

Loss attributable to equity holders of the parent in 2011 totaled EUR 1 164 million, compared with profit of EUR 1 850 million in 2010. Earnings per share in 2011 decreased to EUR –0.31 (basic) and EUR –0.31 (diluted), compared with EUR 0.50 (basic) and EUR 0.50 (diluted) in 2010.

Nokia Group cash flow and financial position

EURm	2011	2010	YoY change
Net cash from operating activities	1 137	4 774	–76%
Total cash and other liquid assets	10 902	12 275	–11%
Net cash and other liquid assets [1]	5 581	6 996	–20%

1 Total cash and other liquid assets minus interest-bearing liabilities.

Net cash and other liquid assets decreased by EUR 1.4 billion primarily due to payment of the dividend, cash outflows related to the acquisition of Motorola Solutions' networks assets, and capital expenditures, partially offset by positive overall net cash from operating activities and a EUR 500 million equity investment in Nokia Siemens Networks by Siemens. In 2011, capital expenditure amounted to EUR 597 million compared with EUR 679 million in 2010.

Nokia's agreement with Microsoft includes platform support payments from Microsoft to us as well as software royalty payments from us to Microsoft. In the fourth quarter of 2011, Nokia received the first quarterly payment of USD 250 million (approximately EUR 180 million). Nokia has started to recognize a portion of the platform support payments as a benefit to Nokia's Smart Devices cost of goods sold. The total amount of the platform support payments is expected to slightly exceed the total amount of the minimum software royalty commitments.

IMPAIRMENT OF GOODWILL IN LOCATION & COMMERCE BUSINESS

In the fourth quarter 2011, Nokia conducted annual impairment testing to assess if events or changes in circumstances indicated that the carrying amount of Nokia's goodwill may not be recoverable. As a result, Nokia recorded a charge to operating profit of EUR 1.1 billion for the impairment of goodwill in Nokia's Location & Commerce business. The impairment charge was the result of an evaluation of the projected financial performance of Nokia's Location & Commerce business. This took into consideration the market dynamics in digital map data and related location-based content markets, including Nokia's estimate of the market moving long-term from fee-based towards advertising-based models especially in some more mature markets. It also reflected recently announced results and related competitive factors in the local search and advertising market resulting in lower estimated growth prospects from Nokia's location-based assets integrated with different advertising platforms. After consideration of all relevant factors, Nokia reduced the net sales projections for Location & Commerce which, in turn, reduced projected profitability and cash flows.

RESULTS BY SEGMENTS

Devices & Services

The following table sets forth selective line items for Devices & Services for the fiscal years 2011 and 2010.

EURm	2011	2010	YoY change
Net sales [1]	23 943	29 134	–18%
Cost of sales	–17 303	–20 412	–15%
Gross profit	6 640	8 722	–24%
Research and development expenses	–2 441	–2 694	–9%
Selling and marketing expenses	–2 180	–2 270	–4%
Administrative and general expenses	–362	–388	–7%
Other operating income and expenses	–773	170	
Operating profit	884	3 540	–75%

1 Includes Intellectual Property Rights ("IPR") royalty income recognized in Devices & Services Other net sales.

NET SALES

The following table sets forth Nokia's Devices & Services net sales and year-on-year growth rate by geographic area for the fiscal years 2011 and 2010.

Devices & Services net sales by geographic area

EURm	2011	2010	YoY change
Europe	7 064	9 736	–27%
Middle East & Africa	4 098	4 046	1%
Greater China	5 063	6 167	–18%
Asia–Pacific	4 896	6 014	–19%
North America	354	901	–61%
Latin America	2 468	2 270	9%
Total	23 943	29 134	–18%

The 18% year-on-year decline in Devices & Services net sales in 2011 resulted from lower volumes and Average Selling Prices ("ASP") in both Smart Devices and Mobile Phones discussed below, partially offset by higher IPR royalty income discussed below.

During the second quarter of 2011, Devices & Services net sales were negatively affected by unexpected sales and inventory patterns, resulting in distributors and operators purchasing fewer of Nokia's devices across Nokia's portfolio as they reduced their inventories of Nokia devices. Devices & Services net sales were also affected during the second quarter of 2011 by a negative mix shift towards devices with lower average selling prices and lower gross margins. Nokia's actions enabled us to create healthier sales channel dynamics during the latter weeks of the second quarter 2011. Devices & Services net sales increased sequentially in the fourth quarter 2011, supported by broader product renewal in both Mobile Phones, for example dual SIM devices, and Smart Devices as well as overall industry seasonality.

Nokia's overall Devices & Services net sales in 2011 benefited from the recognition in Devices & Services Other of approximately EUR 450 million (approximately EUR 70 million in 2010) of non-recurring IPR royalty income, as well as strong growth in the underlying recurring IPR royalty income. Nokia believes these developments underline Nokia's industry leading patent portfolio. During the last two decades, Nokia have invested more than EUR 45 billion in research and development and built one of the wireless industry's strongest and broadest IPR portfolios, with over 10 000 patent families. Nokia is a world leader in the development of mobile device and mobile communications technologies, which is also demonstrated by Nokia's strong patent position.

VOLUME

The following chart sets out the mobile device volumes for Nokia's Devices & Services business and year–on-year growth rates by geographic area for the fiscal years 2011 and 2010. The IPR royalty income referred to in the paragraph above has been allocated to the geographic area contained in this chart.

Devices & Services mobile device volumes by geographic area

Million units	2011	2010	YoY change
Europe	87.8	112.7	–22%
Middle East & Africa	94.6	83.8	13%
Greater China	65.8	82.5	–20%
Asia–Pacific	118.9	119.1	0%
North America	3.9	11.1	–65%
Latin America	46.1	43.7	5%
Total	417.1	452.9	–8%

On a year-on-year basis, the decline in Nokia's total Devices & Services volumes in 2011 was driven by lower volumes in both Smart Devices and Mobile Phones discussed below.

AVERAGE SELLING PRICE

Nokia's mobile device ASP represents total Devices & Services net sales divided by total Devices & Services volumes.

Nokia's mobile device ASP in 2011 was EUR 57, down 11% from EUR 64 in 2010. The decrease in Nokia's Devices & Services ASP in 2011 was driven primarily by the increase in the proportion of Mobile Phone sales partially offset by the positive effect of higher IPR royalty income and the lower deferral of revenue related to services sold in combination with Nokia's devices. On a year-on-year basis, the impact from the appreciation of the euro against certain currencies had a slightly negative impact, almost entirely offset by the positive impact from foreign currency hedging.

GROSS MARGIN

Nokia's Devices & Services gross margin in 2011 was 27.7%, compared to 29.9% in 2010. On a year-on-year basis, the decline in Nokia's Devices & Services gross margin in 2011 was driven primarily by gross margin declines in both Smart Devices and, to a lesser extent, in Mobile Phones, as discussed below, which was partially offset by higher IPR royalty income.

OPERATING EXPENSES

Devices & Services R&D expenses in 2011 decreased 9% to EUR 2 441 million, compared with EUR 2 694 million in 2010. In 2011, R&D expenses represented 10.2% of Devices & Services net sales, compared with 9.2% in 2010. The decrease in Devices & Services R&D expenses was primarily due to declines in Smart Devices and Devices & Services Other R&D expenses, partially offset by an increase in Mobile Phones R&D expenses. The decreases in Smart Devices and Devices & Services Other R&D expenses were due primarily to a focus on priority projects and cost controls. The increase in Mobile Phones R&D expenses was due primarily to investments to accelerate product development to bring new innovations to the market faster and at lower price-points, consistent with the Mobile Phones "Internet for the next billion" strategy. This increase was partially offset by a focus on priority projects and cost controls. Devices & Services R&D expenses included amortization of acquired intangible assets of EUR 8 million and EUR 10 million in 2011 and 2010, respectively.

In 2011, Devices & Services selling and marketing expenses decreased 4% to EUR 2 180 million, compared with EUR 2 270 million in 2010. The decrease was primarily due to lower Smart Devices sales and marketing expenses. In 2011, selling and marketing expenses represented 9.1% of Devices & Services net sales, compared with 7.8% of its net sales in 2010.

Devices & Services administrative and general expenses in 2011 decreased 7% to EUR 362 million, compared with EUR 388 million in 2010. The decrease in Devices & Services administrative and general expenses was primarily driven by lower Smart Devices administrative and general expenses which more than offset an increase in Devices & Services Other administrative and general expenses. In 2011, administrative and general expenses represented 1.5% of Devices & Services net sales, compared with 1.3% in 2010.

Other operating income and expenses were expense of EUR 773 million in 2011 and included restructuring charges of 456 million, impairment of assets of EUR 90 million, Accenture deal consideration related to the Accenture transaction of EUR 251 million, impairment of shares in an associated company of EUR 41 million and a benefit from a cartel claim settlement of EUR 49 million. In 2010, other operating income and expenses were EUR 170 million and included restructuring charges of EUR 85 million, a prior year-related refund of customs duties of EUR 61 million, a gain on sale of assets and business of EUR 29 million and a gain on sale of the wireless modem business of EUR 147 million.

COST REDUCTION ACTIVITIES AND PLANNED OPERATIONAL ADJUSTMENTS

Nokia is targeting to reduce Nokia's Devices & Services operating expenses by more than EUR 1 billion for the full year 2013, compared to Devices & Services operating expenses of EUR 5.35 billion for the full year 2010, excluding special items and purchase price accounting related items. This reduction is expected to come from a variety of different sources and initiatives, including a planned reduction in the number of employees and normal personnel attrition, a reduction in the use of outsourced professionals, reductions in facility costs, and various improvements in efficiencies.

As of December 31, 2011, Nokia had recognized cumulative net charges in Devices & Services of EUR 797 million related to restructuring activities in 2011, which included restructuring charges and associated impairments. While the total extent of the restructuring activities is still to be determined, Nokia currently anticipates cumulative net charges in Devices & Services of around EUR 900 million before the end of 2012. Nokia also believes total cash outflows related to Nokia's Devices & Services restructuring activities will be below the level of the cumulative charges related to these restructuring activities.

OPERATING MARGIN

Devices & Services operating profit decreased 75% to EUR 884 million in 2011, compared with EUR 3 540 million in 2010. Devices & Services operating margin in 2011 was 3.7%, compared with 12.2% in 2010. The year-on-year decrease in operating margin in 2010 was driven primarily by the lower net sales and gross margin compared to 2010 in both Smart Devices and Mobile Phones as well as higher restructuring charges and Accenture transaction related consideration.

Smart Devices

The following table sets forth selective line items for Smart Devices for the fiscal years 2011 and 2010.

Smart Devices results summary

	2011	2010	YoY change
Net sales (EURm) [1]	10 820	14 874	–27%
Smart Devices volume (million units)	77.3	103.6	–25%
Smart Devices ASP (EUR)	140	144	–3%
Gross margin (%)	23.7%	30.8%	
Operating expenses (EURm)	2 974	3 392	–12%
Contribution margin (%)	–3.8%	9.3%	

1 Does not include IPR royalty income. IPR royalty income is recognized in Devices & Services Other net sales.

NET SALES

Smart Devices net sales decreased 27% to EUR 10 820 million in 2011, compared to EUR 14 874 million in 2010. The year-on-year decline in Nokia's Smart Devices net sales in 2011 was primarily due to significantly lower volumes and, to a lesser extent, lower ASPs.

VOLUME

Smart Devices volume decreased 25% to 77.3 million units in 2011, compared to 103.6 million units in 2010. The year-on-year decrease in Nokia's Smart Device volumes in 2011 was driven by the strong momentum of competing smartphone platforms relative to Nokia's higher priced Symbian devices, particularly in Europe and Asia Pacific, as well as pricing tactics by certain of Nokia's competitors. During the second quarter of 2011, Nokia's Smart Device volumes were also negatively affected by distributors and operators purchasing fewer of Nokia's smartphones as they reduced their inventories of those devices, which were slightly above normal levels at the end of the first quarter of 2011, particularly in China. During the second half of 2011, Nokia's Symbian competitiveness continued to be challenged across the portfolio driving the significant year-on-year volume decline.

AVERAGE SELLING PRICE

Smart Devices ASP represents Smart Devices net sales divided by Smart Devices volumes.

Smart Devices ASP decreased 3% to EUR 140 in 2011, compared to EUR 144 in 2010. The year-on-year decline in Nokia's Smart Devices ASP in 2011 was driven primarily by price actions due to the competitive environment and the negative impact from foreign currency hedging, partially offset by a positive mix shift towards higher priced smartphones, such as the Nokia N8, Nokia N9 and Lumia devices, and the lower deferral of revenue related to services sold in combination with Nokia's devices, particularly in the second half of 2011.

Although Smart Devices ASP declined progressively during the first three quarters of 2011, Smart Devices ASP increased sequentially in the fourth quarter of 2011, supported by sales of the higher priced Nokia N9 and Nokia Lumia devices.

GROSS MARGIN

Smart Devices gross margin was 23.7% in 2011, down from 30.8% in 2010. The year-on-year decline in Nokia's Smart Devices gross margin in 2011 was driven primarily by greater price erosion than cost erosion due to the competitive environment, Nokia's tactical pricing actions during the second and third quarters of 2011 and an increase in Symbian-related allowances during the fourth quarter of 2011.

Following the announcement of Nokia's partnership with Microsoft in February 2011, Nokia expected to sell approximately 150 million more Symbian devices in the years to come. However, changing market conditions have put increasing pressure on Symbian and contributed to a faster decline of Nokia's Symbian volumes than Nokia anticipated. Nokia expect this trend to continue in 2012. As a result of the changing market conditions, combined with Nokia's increased focus on Lumia, Nokia believes Nokia will sell fewer Symbian devices than previously anticipated. Thus, in the fourth quarter 2011, Nokia recognized allowances related to excess component inventory and future purchase commitments, and Nokia may need to recognize additional allowances in the future.

Mobile Phones

The following table sets forth selective line items for Mobile Phones for the fiscal years 2011 and 2010.

Mobile Phones results summary

	2011	2010	YoY change
Net sales (EURm) [1]	11 930	13 696	–13%
Mobile Phones volume (millions units)	339.8	349.2	–3%
Mobile Phones ASP (EUR)	35	39	–10%
Gross margin (%)	26.1%	28.0%	
Operating expenses (EURm)	1 640	1 508	9%
Contribution margin (%)	12.4%	17.0%	

1 Does not include IPR royalty income. IPR royalty income is recognized in Devices & Services Other net sales.

NET SALES

Mobile Phones net sales decreased 13% to EUR 11 930 million in 2011, compared to EUR 13 696 million in 2010. On a year-on-year basis, Nokia's Mobile Phones net sales decrease in 2011 was due to lower ASPs and, to a lesser extent, lower volumes.

VOLUME

Mobile Phones volume decreased 3% to 339.8 million units in 2011, compared to 349.2 million units in 2010. The year-on-year decline in Nokia's Mobile Phones volumes in 2011 was driven by the challenging competitive environment, especially during the first half of the year due to Nokia's lack of dual SIM phones, which continued to be a growing part of the market, and pressure from a variety of price aggressive competitors, which adversely affected Nokia's Mobile Phones volumes. During 2011, Mobile Phones volumes were also negatively affected by Nokia's reduced portfolio of higher priced feature phones, as well as by distributors and operators purchasing fewer of Nokia's feature phones during the second quarter of 2011 as they reduced their inventories of those devices which were slightly above normal levels at the end of the first quarter of 2011.

During the second half of 2011, Nokia's Mobile Phones volumes increased year-on-year, driven by the introduction and broader availability of Nokia's first dual SIM devices and the ongoing product renewal across the feature phones portfolio, which more than offset Nokia's reduced portfolio of higher priced feature phones.

AVERAGE SELLING PRICE

Mobile Phones ASP represents Mobile Phones net sales divided by Mobile Phones volumes.

Mobile Phones ASP decreased 10% to EUR 35 in 2011, compared to EUR 39 in 2010. The year-on-year decline in Nokia's Mobile Phones ASP in 2011 was primarily due to a higher proportion of sales of lower priced devices driven by a reduced portfolio of higher priced feature phones and Nokia's tactical pricing actions across the portfolio, which partially affected the second quarter of 2011 and fully affected the third quarter of 2011. In addition, the appreciation of the euro against certain currencies contributed to the decline, which was partially offset by the positive impact from foreign currency hedging.

GROSS MARGIN

Mobile Phones gross margin was 26.1% in 2011, down from 28.0% in 2010. The year-on-year decline in Nokia's Mobile Phones gross margin in 2011 was due primarily to greater price erosion than cost erosion due to the competitive environment and Nokia's tactical pricing actions across the portfolio which partially affected the second quarter of 2011 and fully affected the third quarter of 2011, a negative impact from foreign currency hedging and the appreciation of the euro against certain currencies, which were partially offset by a product mix shift towards higher margin feature phones.

Location & Commerce

The following table sets forth selective line items for Location & Commerce for the fiscal years 2011 and 2010.

EURm	2011	2010	YoY change
Net sales	1 091	869	26%
Cost of sales	–214	–169	27%
Gross profit	877	700	25%
Research and development expenses	–958	–1 011	–5%
Selling and marketing expenses	–259	–274	–5%
Administrative and general expenses	–68	–75	–9%
Other operating income and expenses	–1 118	–3	
Operating profit	–1 526	–663	–130%

NET SALES

The following table sets forth Location & Commerce net sales and year-on-year growth rate by geographic area for the fiscal years 2011 and 2010.

Location & Commerce net sales by geographic area

EURm	2011	2010	YoY change
Europe	488	380	28%
Middle East & Africa	74	44	68%
Greater China	128	57	125%
Asia-Pacific	74	50	48%
North America	284	322	–12%
Latin America	43	16	169%
Total	1 091	869	26%

Location & Commerce net sales increased 26% to EUR 1 091 million in 2011, compared to EUR 869 million in 2010. The year-on-year increase in net sales in 2011 was primarily driven by higher sales of map content licenses to vehicle customers due to increased consumer uptake of navigation systems and higher recognition of deferred revenue related to sales of map platform licenses to Smart Devices.

GROSS MARGIN

On a year-on-year basis the gross margin in Location & Commerce was virtually unchanged. In 2011, the gross margin benefited from an increased proportion of higher gross margin sales compared to 2010, which were offset by a reclassification of certain data related charges from operating expenses to cost of sales in the fourth quarter of 2011.

OPERATING EXPENSES

Location & Commerce R&D expenses decreased 5% to EUR 958 million, compared to EUR 1 011 million in 2010. The decrease was primarily driven by a focus on cost controls, lower project spending and a shift of R&D operating expenses to cost of sales as a result of the divestiture of the media advertising business.

Location & Commerce selling and marketing expenses decreased 5% to EUR 259 million, compared to EUR 274 million in 2010. The decrease was primarily driven by a focus on cost controls and lower product marketing spending.

Location & Commerce administrative and general expenses decreased 9% to EUR 68 million, compared to EUR 75 million in 2010. The decrease was primarily driven by a focus on cost controls, partially offset by increased depreciation costs related to closure of offices.

OPERATING MARGIN

Location & Commerce operating loss increased to EUR 1 526 million in 2011, compared with a loss of EUR 663 million in 2010.

Location & Commerce operating margin in 2011 was negative 139.9%, compared with negative 76.3% in 2010. The year-on-year decrease in operating margin in 2011 was driven primarily by the higher other operating expenses due to the impairment of Location & Commerce's goodwill of EUR 1.1 billion offset to some extent by higher net sales and lower operating expenses compared to 2010.

In the fourth quarter of 2011, Nokia conducted Nokia's annual impairment testing to assess if events or changes in circumstances indicated that the carrying amount of Nokia's goodwill may not be recoverable. As a result, Nokia recorded the above-noted impairment of goodwill in Nokia's Location & Commerce business.

The impairment charge was the result of an evaluation of the projected financial performance of Nokia's Location & Commerce business. This took into consideration the market dynamics in digital map data and related location-based content markets, including Nokia's estimate of the market moving long-term from fee-based towards advertising-based models especially in some more mature markets. It also reflected recently announced results and related competitive factors in the local search and advertising market resulting in lower estimated growth prospects from Nokia's location-based assets integrated with different advertising platforms. After consideration of all relevant factors, Nokia reduced the net sales projections for Location & Commerce which, in turn, reduced projected profitability and cash flows.

Nokia Siemens Networks

Nokia Siemens Networks completed the acquisition of the majority of Motorola Solutions' wireless network infrastructure assets in April 2011. Accordingly, the results of Nokia Siemens Networks for 2011 are not directly comparable to 2010.

The following table sets forth selective line items for Nokia Siemens Networks for the fiscal years 2011 and 2010.

EURm	2011	2010	YoY change
Net sales	14 041	12 661	11%
Cost of Sales	−10 239	−9 266	11%
Gross profit	3 802	3 395	12%
Research and development expenses	−2 213	−2 156	3%
Selling and marketing expenses	−1 350	−1 328	2%
Administrative and general expenses	−553	−553	0%
Other income and expenses	14	−44	
Operating profit	−300	−686	−56%

NET SALES

The following table sets forth Nokia Siemens Networks net sales and year-on-year growth rate by geographic area for the fiscal years 2011 and 2010.

Nokia Siemens Networks net sales by geographic area

EURm	2011	2010	YoY change
Europe	4 469	4 628	−3%
Middle East & Africa	1 391	1 451	−4%
Greater China	1 465	1 451	1%
Asia-Pacific	3 848	2 915	32%
North America	1 077	735	47%
Latin America	1 791	1 481	21%
Total	14 041	12 661	11%

Nokia Siemens Networks' net sales increased 11% to EUR 14 041 million in 2011, compared to EUR 12 661 million in 2010. The year-on-year increase in Nokia Siemens Networks' net sales in 2011 was driven primarily by the contribution from the acquired Motorola Solutions networks assets, which was completed in April 2011. Excluding the acquired Motorola Solutions networks assets, net sales would have increased 4% year-on-year, primarily driven by growth in services, which represented approximately 50% of Nokia Siemens Networks' net sales in 2011.

GROSS MARGIN

Nokia Siemens Networks' gross margin was 27.1% in 2011, compared to 26.8% in 2010. Nokia Siemens Networks gross margin in 2011 reflected the positive impact from the acquired Motorola Solutions networks assets offset to a large extent by the negative effects of the competitive industry environment and an unfavorable sales mix towards lower gross margin revenues.

OPERATING EXPENSES

Nokia Siemens Networks' research and development expenses increased 3% to EUR 2 213 million, compared to EUR 2 156 million in 2010. The increase was primarily due to the addition of R&D operations relating to the acquired Motorola Solutions networks assets as well as investments in strategic initiatives.

Nokia Siemens Networks' selling and marketing expenses, as well as administrative and general expenses, were virtually flat year-on-year in 2011 as the increase from the acquired Motorola Solutions networks was offset by ongoing cost control initiatives.

OPERATING MARGIN

Nokia Siemens Networks' operating loss in 2011 was EUR 300 million, compared with an operating loss of EUR 686 million in 2010. Nokia Siemens Networks' operating margin in 2011 was negative 2.1%, compared with negative 5.4% in 2010 primarily because of higher net sales, which were offset by higher operating expenses.

NEW STRATEGY AND RESTRUCTURING PROGRAM

On November 23, 2011, Nokia Siemens Networks announced its strategy to focus on mobile broadband and services and the launch of an extensive global restructuring program. Nokia Siemens Networks expects substantial charges related to this restructuring program in 2012.

The key financial data, including the calculations of key ratios, for the years 2011, 2010 and 2009 are available in the Annual Accounts section.

MAIN EVENTS IN 2011

Nokia

- In 2011, Nokia announced a new strategy for its mobile products business, with three core elements: i) to win in smartphones; ii) to connect the "next billion" consumers to the Internet and information; and iii) to continue to invest in long-term exploratory research into the future of mobility and computing. Nokia outlined this new strategy in conjunction with an announcement of changes to its leadership team and operational structure designed to accelerate the company's speed of execution. Nokia switched to a structure featuring two distinct business units within Nokia's Devices & Services business–Smart Devices and Mobile Phones–and formed a new business, Location & Commerce.
- As of October 2011, Location & Commerce was formed by the combination of Nokia's NAVTEQ business with Nokia's social location services operations and is focusing on the development of integrated social location products and services for consumers, as well as platform services and local commerce services for device manufacturers, application developers, Internet services providers, merchants, and advertisers. Nokia also announced plans for changes to its R&D operations, including personnel reductions, to support the execution of Nokia's new strategy.
- In February 2011, Nokia announced the new Nokia Leadership Team (formerly the Group Executive Board) composed of the following members: Stephen Elop (Chief Executive Officer), Esko Aho (Corporate Relations and Responsibility), Juha Äkräs (Human Resources), Jerri DeVard (Chief Marketing Officer), Colin Giles (Sales), Richard Green (Chief Technology Officer), Jo Harlow (Smart Devices), Timo Ihamuotila (Chief Financial Officer), Mary McDowell (Mobile Phones), Kai Öistämö (Chief Development Officer), Tero Ojanperä (Services & Developer Experience, acting), Louise Pentland (Chief Legal Officer) and Niklas Savander (Markets). Michael Halbherr, who was appointed as Executive Vice President to lead the new Location & Commerce business, also became a member of the Nokia Leadership Team, effective July 1, 2011. Henry Tirri was appointed Executive Vice President and Chief Technology Officer, effective September 22, 2011, replacing Richard Green. Tero Ojanperä left the Nokia Leadership Team at the end of his contract on September 30, 2011.
- Nokia decided to delist its shares from the Frankfurt Stock Exchange, and the final day of trading was March 16, 2012.
- In September 2011, Nokia and Siemens announced the appointment of Jesper Ovesen as Executive Chairman of the Board of Nokia Siemens Networks. As Executive Chairman, Ovesen assumed a full-time role with a special emphasis on overseeing the strategic direction of Nokia Siemens Networks as it seeks to strengthen its position as a leader in the industry and become a more independent entity.
- In September 2011, Nokia and Siemens announced that they each provided capital of EUR 500 million to Nokia Siemens Networks to further strengthen the company's financial position.
- In the third quarter, Nokia was again selected as a component of the Dow Jones Sustainability World Index (DJSI) and Dow Jones Sustainability Europe Index in the DJSI 2011 Review.
- In June 2011, Nokia announced that it has signed a patent license agreement with Apple. The agreement resulted in settlement of all patent litigation between the companies, including the withdrawal by Nokia and Apple of their respective complaints to the US International Trade Commission.

Devices & Services

- In March 2011, Nokia announced plans to establish a new manufacturing site near Hanoi in northern Vietnam with a targeted opening in early 2013.

» To focus feature phone production in locations closest to suppliers and key markets, Nokia ended production at its manufacturing facility in Cluj, Romania in November 2011. In January 2012, Nokia and De' Longhi, a global leader in household appliances, announced that they have agreed terms for De' Longhi to acquire the facility.

SMART DEVICES

» To support its effort to win in smartphones, Nokia announced in February 2011 plans to form a partnership with Microsoft to combine their respective complementary assets and expertise to build a new global mobile ecosystem. Under the partnership, which was formalized in April 2011, Nokia is adopting and licensing from Microsoft Windows Phone as its primary smartphone platform, and has subsequently begun a transition away from Symbian. In October 2011, Nokia launched the Nokia Lumia 800 and Nokia Lumia 710, its first products based on the Windows Phone platform. The Lumia range is designed to bring consumers attractive industrial design, a fast social and Internet experience, leading imaging capabilities as well as signature Nokia experiences optimized for Windows Phone, such as Nokia Drive and Mix Radio.

» Nokia's new strategy for smartphones also included personnel reductions as well as the transfer of approximately 2 300 employees to Accenture as part of an agreement in which Accenture is providing Symbian software development and support activities to Nokia through 2016. Nokia has continued to bring new Symbian smartphones to market, including seven devices during 2011, of which three are powered by Belle, the latest version of the Symbian software, which brings a major improvement to the user experience.

» In June 2011, Nokia launched the Nokia N9, the outcome of efforts in Nokia's MeeGo program. The Nokia N9 is a pure touch smartphone which introduces an innovative new design where the home key – typically located at the bottom of the device – is replaced by a simple gesture: a swipe. Under Nokia's new strategy for smartphones, MeeGo will place increased emphasis on longer-term market exploration of next-generation devices, platforms and user experiences.

MOBILE PHONES

» To support its effort to connect the "next billion", Nokia renewed its strategy to focus on capturing volume and value growth by leveraging Nokia's innovation and strength in developing growth markets to provide people with an affordable Internet experience on their mobile device – in many cases, their first ever Internet experience with any computing device. In the fourth quarter of 2011, Nokia launched the Nokia Asha range of Nokia mobile phones, which offer access to the Internet, integrated social networking, messaging and access to applications from Nokia Store.

» Nokia's dual SIM technology was among several new innovations during 2011 aimed at increasing affordability for the consumer not just at the point of sale, but in terms of the total cost of ownership of the device. During 2011, Nokia brought to market its first seven dual SIM mobile phones. Mobile Phones also developed applications and services specifically with affordability in mind. During 2011, some of Nokia's new mobile phones–including the Nokia Asha range–shipped with a powerful new browser, which compresses data and can thus reduce the cost of browsing the web. Additionally, some new models shipped with Nokia's new maps software which provides an advanced, cost-efficient maps experience. Nokia Maps for Series 40 is similar to that available on Nokia's smartphones in that people can view maps and plan routes when the phone is in offline mode.

Location & Commerce

» During 2011, Location & Commerce continued to develop integrated location-based products and services for consumers, as well as platform services for the wider ecosystem. For consumers, these included the following applications available either commercially or in beta:

- Nokia Maps, a mobile application that gives people new ways to discover and explore the world around them, as well as enabling them to search for and navigate to addresses and places of interest;
- Nokia Drive, a dedicated in-car navigation application, equivalent to a fully-fledged personal navigation device, including voice-guided navigation in multiple languages for more than 100 countries, 2D and 3D map views and day and night modes;
- Nokia Public Transport, a dedicated public transport application which provides smart public transportation routing for more than 231 cities worldwide on mobile, including timetable routing for bus and train routes for 77 cities;
- Nokia Pulse, an application that enables people to instantly share their location or other information with family, friends or any other pre-defined group;

- Nokia Live View, an augmented reality application that enables people to see information about points of interest–such as a restaurant, hotel or shop–in their camera viewfinder;
- Nokia Maps HTML5–a mobile web version of Nokia Maps providing access to Nokia's rich mapping experience to owners of non-Nokia smartphones and tablets; and
- maps.nokia.com, Nokia's mapping offering on the web, enabling people to discover the world easy and comfortably with City Pages, heat maps, stunning 3D maps for more than 20 cities, a rich places directory, superior content from leading guides, and local insights from Nokia users.

» In the fourth quarter, Location & Commerce began powering Yahoo! Maps.

» Location & Commerce continued to build the "Where" ecosystem with partners from Internet companies as well as the car and mobile industry, including Yahoo! whose maps.yahoo.com offering is powered by the Nokia Location Platform, benefiting from the latest maps with up-to-date location data/addresses, new routing options enabling users to avoid tolls and freeway, updated road networks and points of interest.

» During the third quarter, Location & Commerce announced that it is supplying map data and content to Daimler AG for the Mercedes E Class range plus the CLS-Class model. As a result, almost all Daimler passenger vehicle navigation platforms in Europe will be powered by Location & Commerce.

» During the fourth quarter, Location & Commerce was selected by Ford Motor Company to be its exclusive map supplier for the SYNC MyFord Touch navigation system. The agreement positions Location & Commerce as the map data provider for the system in North America, Latin America, the Middle East, Russia and Europe.

Nokia Siemens Networks

» In November 2011, Nokia Siemens Networks announced a new strategy, including changes to its organizational structure and a significant restructuring program aimed at making the company an undisputed leader in mobile broadband and services and improving the company's competitiveness and profitability.

» Throughout 2011, Nokia Siemens Networks announced a number of contracts in the key area of mobile broadband, including LTE deals with STC in Saudi Arabia, Latvijas Mobilais Telefons in Latvia; with TeliaSonera in Finland, Bell in Canada, LG U+ and SK Telecom in Korea, Telecom Italia and Telefonica O2 in Germany.

» During the third quarter, to further support its focus on mobile broadband, Nokia Siemens Networks also outlined its vision for how broadband must be delivered in the future via Liquid Net; unveiled three new TD-LTE devices to supply communications service providers and enable the market for TD-LTE; agreed to establish a mobile broadband focused SmartLab with the Skolkovo Foundation in Russia; and set-up a joint venture to build 4G LTE equipment with Micran in Tomsk, Russia.

SIGNIFICANT ACQUISITIONS AND DIVESTMENTS IN 2011

» During the second quarter 2011, Nokia Siemens Networks completed the acquisition of certain wireless network infrastructure assets of Motorola Solutions, including products and services in relation to GSM, CDMA, WCDMA, WiMAX and LTE. The acquisition is designed to strengthen the company's position in North America and Japan, adding approximately 6 900 employees across 52 countries.

» As part of its new strategy, Nokia Siemens Networks is focusing on mobile broadband and services, and as such has announced during the fourth quarter a number of planned divestments, with the sale of its Microwave Transport business to DragonWave, its fixed line Broadband Access business to ADTRAN and its WiMAX unit to NewNet Communications Technologies.

PERSONNEL

The average number of employees for 2011 was 134 171 (129 355 for 2010 and 123 171 for 2009). At December 31, 2011, Nokia employed a total of 130 050 people (132 427 people at December 31, 2010 and 123 553 people at December 31, 2009). The total amount of wages and salaries paid in 2011 was EUR 6 284 (EUR 5 808 million in 2010 and EUR 5 658 million in 2009).

SUSTAINABILITY AT NOKIA

Nokia strives to be a leader in sustainability. Nokia has a long track record of taking sustainability into account in everything it does, from product design and supplier requirements, to service offering which enhance people's education, livelihoods and health, and which can be beneficial in many other ways too. Nokia believes that its approach in considering our environmental and social impact not only reflects ethical and legal responsibilities, but also makes good business sense and our goals go way beyond compliance. In managing environmental requirements, Nokia focuses on materials used, energy efficiency, take-back of used products, the environmental performance of Nokia operations and supply chain, and services downloadable from Nokia store to help people to make sustainable choices. In social issues management, the focus is on human rights, labor conditions and origins of raw materials, as well as leveraging the power of mobile technology to make a positive impact in people´s lives.

Some of the 2011 sustainability highlights include:

» efforts in providing the next billion people with the access to the Internet and information;

» improving education, health and livelihoods with mobile technology, for example 40 million people having experienced Nokia Life as of the end of 2011;

» increasing focus on supplier performance and making progress in tracing the origins of certain raw materials;

» introducing five new Eco Hero devices, including the Nokia Asha 200 and 201, the first Eco Hero devices available at a lower price point; and

» launching the Nokia Public Transport, an application that offers public transportation route planning in hundreds of cities all over the world.

MANAGEMENT AND BOARD OF DIRECTORS

Board of Directors, Nokia Leadership Team and President

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 one-year term at each Annual General Meeting, i.e. 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 Board has the responsibility for appointing and discharging the Chief Executive Officer, the Chief Financial Officer and the other members of the Nokia Leadership Team. The Chief Executive Officer also acts as President and his rights and responsibilities include those allotted to the President under Finnish law.

The Annual General Meeting held on May 3, 2011 elected the following 11 members to the Board of Directors: Stephen Elop, Bengt Holmström, Henning Kagermann, Per Karlsson, Jouko Karvinen, Helge Lund, Isabel Marey-Semper, Jorma Ollila, Dame Marjorie Scardino, Risto Siilasmaa and Kari Stadigh.

For information on shares and stock options held by the members of the Board of Directors, the President and CEO and the other members of the Nokia Leadership Team, please see the section "Compensation of the Board of Directors and the Nokia Leadership Team" available in the Additional information section of this 'Nokia in 2011' publication.

For more information regarding Corporate Governance, please see the Corporate Governance Statement in the Additional information section of this 'Nokia in 2011' publication or Nokia's website, www.nokia.com/global/about-nokia.

Changes in the Nokia Leadership Team

During 2011 and subsequently, the following appointments to the Nokia Leadership Team were made:

» Jerri DeVard was appointed Executive Vice President, Chief Marketing Officer, and member of the Nokia Leadership Team as from January 1, 2011.

» Colin Giles was appointed Executive Vice President of Sales and member of the Nokia Leadership Team as from February 11, 2011.

» Jo Harlow was appointed Executive Vice President of Smart Devices and member of the Nokia Leadership Team as from February 11, 2011.

» Louise Pentland, Chief Legal Officer, was appointed Executive Vice President and member of the Nokia Leadership Team as from February 11, 2011.

» Michael Halbherr was appointed Executive Vice President of Location & Commerce and member of the Nokia Leadership Team as from July 1, 2011.

» Henry Tirri was appointed Executive Vice President, Chief Technology Officer, and member of the Nokia Leadership Team as from September 22, 2011.

» Marko Ahtisaari was appointed Executive Vice President of Design and member of the Nokia Leadership Team as from February 1, 2012.

Further, during 2011, the following Nokia Leadership Team members resigned:

» Alberto Torres, formerly Executive Vice President of MeeGo Computers, resigned from the Nokia Leadership Team effective as from February 11, 2011 and left Nokia on March 31, 2011.

- Richard Green, formerly Executive Vice President and Chief Technology Officer, resigned from the Nokia Leadership Team and left Nokia effective as from September 22, 2011.
- Dr. Tero Ojanperä formerly Executive Vice President of Services and Developer Experience resigned from the Nokia Leadership Team and left Nokia effective as from October 1, 2011.

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, "Obligation to purchase shares", 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 2011, Nokia did not cancel or repurchase any shares nor did Nokia issue any new shares.

In 2011, Nokia transferred a total of 1 059 016 Nokia shares held by it as settlement under Nokia equity plans to the plan participants, personnel of Nokia Group. The shares were transferred free of charge and the amount of shares transferred represented approximately 0.03% 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, 2011, Nokia and its subsidiary companies owned 34 767 036 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, 2011, was 3 744 956 052. On December 31, 2011, Nokia's share capital was EUR 245 896 461.96.

Information on the authorizations held by the Board in 2011 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 are available in the Annual Accounts section.

NOKIA OUTLOOK

Year 2012 is expected to continue to be a year of transition during which Nokia's Devices & Services business will be subject to risks and uncertainties as Nokia's Smart Devices business unit continues to transition from Symbian products to Nokia products with Windows Phone and Nokia's Mobile Phones business unit aims to bring more smartphone-like features and design to Nokia's feature phone portfolio. Those risks and uncertainties include, among others, continued deterioration in demand for Nokia's Symbian devices; the timing, ramp-up and demand for Nokia's new products, including Nokia's Lumia devices; and further pressure on margins as competitors endeavor to capitalize on Nokia's platform and product transition. Nokia Siemens Networks announced in November 2011 a new strategy which focuses its business on mobile broadband and services, and has launched an extensive global restructuring program. In 2012 Nokia Siemens Networks is continuing to implement its new strategy and restructuring program. Additionally, the macroeconomic environment is making it increasingly difficult to estimate our outlook and provide reliable targets.

Mainly due to these factors, Nokia believes that it is not appropriate to provide annual targets for 2012.

Longer-term, Nokia targets:

- Devices & Services net sales to grow faster than the market, and
- Devices & Services operating margin to be 10% or more, excluding special items and purchase price accounting related items.

Longer-term, Nokia and Nokia Siemens Networks target:

- Nokia Siemens Networks' operating margin to be between 5% and 10%, excluding special items and purchase price accounting related items.

Nokia and Nokia Siemens Networks have announced a number of planned changes to operations during 2011 and 2012 in connection with the implementation of new strategies for Nokia's Devices & Services and Nokia Siemens Networks businesses as well as in relation to the creation of a new Location & Commerce business. The planned changes include substantial personnel reductions, site and facility closures and reconfigurations of certain Nokia facilities. Nokia continues to target to reduce its Devices & Services operating expenses by more than EUR 1 billion for the full year 2013, compared to the Devices & Services operating expenses of EUR 5.35 billion for the full year 2010, excluding special items and purchase price accounting related items. Nokia and Nokia Siemens Networks continue to target to reduce Nokia Siemens Networks annualized operating expenses and production overheads, excluding special items and purchase price accounting related items, by EUR 1 billion by the end of 2013, compared to the end of 2011.

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 Nokia's business, sales, profitability, results of operations, financial condition, market share, brand, reputation and share price from time to time. Unless otherwise indicated or the context otherwise provides, references in these risk factors to "Nokia", "we", "us" and "our" mean Nokia's consolidated operating segments. Additional risks primarily related to Nokia Siemens Networks that could affect Nokia are detailed under the heading "Nokia Siemens Networks" below.

» Our success in the smartphone market depends on our ability to introduce and bring to market quantities of attractive, competitively priced Nokia products with Windows Phone that are positively differentiated from our competitors' products, both outside and within the Windows Phone ecosystem, and receive broad market acceptance.

» We may not be able to make Nokia products with Windows Phone a competitive choice for consumers unless, together with Microsoft, we successfully encourage and support a competitive and profitable global ecosystem for Windows Phone smartphones that achieves sufficient scale, value and attractiveness to all market participants.

» We may experience further difficulties in having a competitive offering of Symbian devices and maintaining the economic viability of the Symbian smartphone platform during the transition to Windows Phone as our primary smartphone platform.

» We may not be able to produce attractive and competitive feature phones, including devices with more smartphone-like features, in a timely and cost efficient manner with differentiated hardware, software, localized services and applications.

» We face intense competition in mobile products and in the digital map data and related location-based content and services markets.

» We may not be able to retain, motivate, develop and recruit appropriately skilled employees, which may hamper our ability to implement our strategies, particularly our current mobile products strategy and location-based services and commerce strategy, and we may not be able to effectively and smoothly implement the new operational structure for our businesses, achieve targeted efficiencies and reductions in operating expenses.

» Our strategy for our Location & Commerce business may not succeed if we are unable to maintain current sources of revenue, provide support for our Devices & Services business and create new sources of revenue from our location-based services and commerce assets.

» Our partnership with Microsoft is subject to risks and uncertainties.

» Our failure to keep momentum and increase our speed of innovation, product development and execution will impair our ability to bring new innovative and competitive mobile products and location-based or other services to the market in a timely manner.

» Our sales and profitability are dependent on the development of the mobile and communications industry, including location-based and other services industries, in numerous diverse markets, as well as on general economic conditions globally and regionally.

» Our products include numerous patented standardized or proprietary technologies on which we depend. Third parties may use without a license and 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 ability to maintain and leverage our traditional strengths in the mobile product market may be impaired if we are unable to retain the loyalty of our mobile operator and distributor customers and consumers as a result of the implementation of our strategies or other factors.

» If any of the companies we partner and collaborate with, including Microsoft and Accenture, 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 mobile products or location-based or other services to market successfully or in a timely way.

» If the limited number of suppliers we depend on fail to deliver sufficient quantities of fully functional products, components, sub-assemblies, software and services on favorable terms and in compliance with our supplier requirements, our ability to deliver our mobile products profitably, in line with quality requirements and on time could be materially adversely affected.

- We may fail to manage our manufacturing, service creation and delivery as well as our logistics efficiently and without interruption, or fail to make timely and appropriate adjustments, or fail to ensure that our products meet our and our customers' and consumers' requirements and are delivered on time and in sufficient volumes.
- Any actual or even alleged defects or other quality, safety and security issues in our products, including the hardware, software and content used in our products, could have a material adverse effect on our sales, results of operations, reputation and the value of the Nokia brand.
- Any cybersecurity breach or other factors leading to an actual or alleged loss, improper disclosure or leakage of any personal or consumer data collected by us or our partners or subcontractors, made available to us or stored in or through our products could have a material adverse effect on our sales, results of operations, reputation and value of the Nokia brand.
- Our business and results of operations, particularly our profitability, may be materially adversely affected if we are not able to successfully manage the pricing of our products and costs related to our products and 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.
- Our products include increasingly complex technologies, some of which have been developed by us or licensed to us by certain third parties. As a result, 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 could have allegedly 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/or costly and time-consuming litigation, which could have a material adverse effect on our business, results of operations and financial condition.
- Our sales derived from, and manufacturing facilities and assets located in, emerging market countries may be materially adversely affected by economic, regulatory, political or other developments in those countries or by other countries imposing regulations against imports to such countries.
- Changes in various types of regulation, technical standards and trade policies as well as enforcement of such regulation and policies in countries around the world could have a material adverse effect on our business and results of operations.
- We have operations in a number of countries and, as a result, face complex tax issues and could be obligated to pay additional taxes in various jurisdictions.
- 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.
- An unfavorable outcome of litigation could have a material adverse effect on our business, results of operations, financial condition and reputation.
- 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, 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.

Nokia Siemens Networks

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

- Nokia Siemens Networks' new strategy to focus on mobile broadband and services and its restructuring plan designed to improve financial performance and competitiveness may not succeed in improving its overall competitiveness and profitability. Nokia Siemens Networks may be unable to execute the strategy effectively and in a timely manner, and it may be unable to otherwise continue to reduce operating expenses and other costs.
- Nokia Siemens Networks' sales and profitability depend on its success in the mobile broadband infrastructure services market, a key focus area in its new strategy. Nokia Siemens Networks' may fail to effectively and profitably adapt its

business and operations in a timely manner to the increasingly diverse service needs of its customers in that market.

» Competition in the mobile broadband infrastructure and related services market is intense. Nokia Siemens Networks' may be unable to maintain or improve its market position or respond successfully to changes in the competitive environment.

» Nokia Siemens Networks' liquidity and its ability to meet its working capital requirements depend on access to available credit under Nokia Siemens Networks' credit facilities and other credit lines as well as cash at hand. If a significant number of those sources of liquidity were to be unavailable, or cannot be refinanced when they mature, this would have a material adverse effect on our business, results of operations and financial condition.

» Nokia Siemens Networks' may fail to effectively and profitably invest in new competitive products, services, upgrades and technologies and bring them to market in a timely manner.

» Nokia Siemens Networks may be unable to execute successfully its strategy for the acquired Motorola Solutions wireless network infrastructure assets, including retaining existing customers of those acquired assets, cross-selling its products and services to customers of those acquired assets and otherwise realizing the expected synergies and benefits of the acquisition.

» 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 networks 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 current or 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.

DIVIDEND

Nokia's Board of Directors will propose a dividend of EUR 0.20 per share for 2011.

Board of Directors, Nokia Corporation
March 8, 2012

CONSOLIDATED INCOME STATEMENTS, IFRS

Financial year ended December 31	Notes	2011 EURm	2010 EURm	2009 EURm
Net sales		38 659	42 446	40 984
Cost of sales		−27 340	−29 629	−27 720
Gross profit		11 319	12 817	13 264
Research and development expenses		−5 612	−5 863	−5 909
Selling and marketing expenses		−3 791	−3 877	−3 933
Administrative and general expenses		−1 121	−1 115	−1 145
Impairment of goodwill	8	−1 090	—	−908
Other income	7	221	476	338
Other expenses	7, 8	−999	−368	−510
Operating loss (–)/profit (+)	2–10, 24	−1 073	2 070	1 197
Share of results of associated companies	15, 31	−23	1	30
Financial income and expenses	8, 11	−102	−285	−265
Loss (–)/profit (+) before tax		−1 198	1 786	962
Tax	12	−290	−443	−702
Loss (–)/profit (+)		−1 488	1 343	260
Loss (–)/profit (+) attributable to equity holders of the parent		−1 164	1 850	891
Loss attributable to non-controlling interests		−324	−507	−631
		−1 488	1 343	260

Earnings per share (for loss (–)/profit (+) attributable to the equity holders of the parent)	Notes	2011 EUR	2010 EUR	2009 EUR
	28			
Basic		−0.31	0.50	0.24
Diluted		−0.31	0.50	0.24

Average number of shares (1 000's shares)	Notes	2011	2010	2009
	28			
Basic		3 709 947	3 708 816	3 705 116
Diluted		3 709 947	3 713 250	3 721 072

See Notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME, IFRS

Financial year ended December 31	Notes	2011 EURm	2010 EURm	2009 EURm
Loss (–)/profit (+)		–1 488	1 343	260
Other comprehensive income				
Translation differences	22	9	1 302	–563
Net investment hedge gains (+)/losses (–)	22	–37	–389	114
Cash flow hedges	21	116	–141	25
Available-for-sale investments	21	70	9	48
Other increase (+)/decrease (–), net		-16	45	-7
Income tax related to components of other comprehensive income	21, 22	–16	126	–44
Other comprehensive income (+)/expense (–), net of tax		126	952	–427
Total comprehensive income (+)/expense (–)		–1 362	2 295	–167
Total comprehensive income (+)/expense (–) attributable to				
equity holders of the parent		–1 083	2 776	429
non-controlling interests		–279	–481	–596
		–1 362	2 295	–167

See Notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, IFRS

December 31	Notes	2011 EURm	2010 EURm
ASSETS			
Non-current assets			
Capitalized development costs	13	6	40
Goodwill	13	4 838	5 723
Other intangible assets	13	1 406	1 928
Property, plant and equipment	14	1 842	1 954
Investments in associated companies	15	67	136
Available-for-sale investments	16	641	533
Deferred tax assets	25	1 848	1 596
Long-term loans receivable	16, 34	99	64
Other non-current assets		3	4
		10 750	11 978
Current assets			
Inventories	18, 20	2 330	2 523
Accounts receivable, net of allowances for doubtful accounts (2011: EUR 284 million, 2010: EUR 363 million)	16, 20, 34	7 181	7 570
Prepaid expenses and accrued income	19	4 488	4 360
Current portion of long-term loans receivable	16, 34	54	39
Other financial assets	16, 17, 34	500	378
Investments at fair value through profit and loss, liquid assets	16, 34	433	911
Available-for-sale investments, liquid assets	16, 34	1 233	3 772
Available-for-sale investments, cash equivalents	16, 34	7 279	5 641
Bank and cash	34	1 957	1 951
		25 455	27 145
Total assets		36 205	39 123
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent			
Share capital	23	246	246
Share issue premium		362	312
Treasury shares, at cost		-644	-663
Translation differences	22	771	825
Fair value and other reserves	21	154	3
Reserve for invested non-restricted equity		3 148	3 161
Retained earnings		7 836	10 500
		11 873	14 384
Non-controlling interests		2 043	1 847
Total equity		13 916	16 231
Non-current liabilities			
Long-term interest-bearing liabilities	16, 34	3 969	4 242
Deferred tax liabilities	25	800	1 022
Other long-term liabilities		76	88
		4 845	5 352
Current liabilities			
Current portion of long-term loans	16, 34	357	116
Short-term borrowings	16, 34	995	921
Other financial liabilities	16, 17, 34	483	447
Accounts payable	16, 34	5 532	6 101
Accrued expenses and other liabilities	26	7 450	7 365
Provisions	27	2 627	2 590
		17 444	17 540
Total shareholders' equity and liabilities		36 205	39 123

See Notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS, IFRS

Financial year ended December 31	Notes	2011 EURm	2010 EURm	2009 EURm
Cash flow from operating activities				
Loss (–)/profit (+) attributable to equity holders of the parent		–1 164	1 850	891
Adjustments, total	32	3 486	2 112	3 390
Change in net working capital	32	–638	2 349	140
Cash generated from operations		1 684	6 311	4 421
Interest received		190	110	125
Interest paid		–283	–235	–256
Other financial income and expenses, net		264	–507	–128
Income taxes paid, net		–718	–905	–915
Net cash from operating activities		1 137	4 774	3 247
Cash flow from investing activities				
Acquisition of Group companies, net of acquired cash		–817	–110	–29
Purchase of current available-for-sale investments, liquid assets		–3 676	–8 573	–2 800
Purchase of investments at fair value through profit and loss, liquid assets		–607	–646	–695
Purchase of non-current available-for-sale investments		–111	–124	–95
Purchase of shares in associated companies		–2	–33	–30
Additions to capitalized development costs		—	—	–27
Proceeds from (+) /payment of (–) other long-term receivables		–14	2	2
Proceeds from (+) /payment of (–) short-term loans receivable		–31	–2	2
Capital expenditures		–597	–679	–531
Proceeds from disposal of shares in Group companies, net of disposed cash		–5	–21	—
Proceeds from disposal of shares in associated companies		4	5	40
Proceeds from disposal of businesses		3	141	61
Proceeds from maturities and sale of current available-for-sale investments, liquid assets		6 090	7 181	1 730
Proceeds from maturities and sale of investments at fair value through profit and loss, liquid assets		1 156	333	108
Proceeds from sale of non-current available-for-sale investments		57	83	14
Proceeds from sale of fixed assets		48	21	100
Dividends received		1	1	2
Net cash from/used in investing activities		1 499	–2 421	–2 148
Cash flow from financing activities				
Other contributions from shareholders		546	—	—
Purchase of treasury shares		—	1	—
Proceeds from long-term borrowings		1	482	3 901
Repayment of long-term borrowings		–51	–6	–209
Proceeds from (+) /repayment of (–) short-term borrowings		–59	131	–2 842
Dividends paid		–1 536	–1 519	–1 546
Net cash used in financing activities		–1 099	–911	–696
Foreign exchange adjustment		107	224	–25
Net increase (+) /decrease (–) in cash and cash equivalents		1 644	1 666	378
Cash and cash equivalents at beginning of period		7 592	5 926	5 548
Cash and cash equivalents at end of period		9 236	7 592	5 926
Cash and cash equivalents comprise of:				
Bank and cash		1 957	1 951	1 142
Current available-for-sale investments, cash equivalents	16, 34	7 279	5 641	4 784
		9 236	7 592	5 926

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	Trans-lation differ-ences	Fair value and other reserves	Reserve for invested non-restrict. equity	Retained earnings	Before non-controlling interests	Non-controlling 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
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	10 390	—	−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
Translation differences					1 240				1 240	64	1 304
Net investment hedge losses, net of tax					−288				−288		−288
Cash flow hedges, net of tax						−73			−73	−43	−116
Available-for-sale investments, net of tax						7			7		7
Other increase, net								40	40	5	45
Profit								1 850	1 850	−507	1 343
Total comprehensive income		—	—	—	952	−66	—	1 890	2 776	−481	2 295
Stock options exercised related to acquisitions			−1						−1		−1
Share-based compensation			47						47		47
Excess tax benefit on share-based compensation			−1						−1		−1
Settlement of performance and restricted shares	868		−12	17			−9		−4		−4
Reissuance of treasury shares				1					1		1
Conversion of debt to equity										766	766
Dividend								−1 483	−1 483	−56	−1 539
Acquisitions and other change in non-controlling interests								−39	−39	−43	−82
Total of other equity movements	868	—	33	18	—	—	−9	−1 522	−1 480	667	−813
Balance at December 31, 2010	3 709 130	246	312	−663	825	3	3 161	10 500	14 384	1 847	16 231

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-restrict. equity	Retained earnings	Before non-controlling interests	Non-controlling interests	Total
Balance at December 31, 2010	3 709 130	246	312	−663	825	3	3 161	10 500	14 384	1 847	16 231
Translation differences					−26				−26	35	9
Net investment hedge losses, net of tax					−28				−28		−28
Cash flow hedges, net of tax						84			84	10	94
Available-for-sale investments, net of tax						67			67		67
Other decrease, net								−16	−16		−16
Loss								−1 164	−1 164	−324	−1 488
Total comprehensive income		—	—	—	−54	151	—	−1 180	−1 083	−279	−1 362
Share-based compensation			18						18		18
Excess tax benefit on share-based compensation			−3						−3	−1	−4
Settlement of performance and restricted shares	1 059		−11	19			−13		−5		−5
Contributions from shareholders			46						46	500	546
Dividend								−1 484	−1 484	−39	−1 523
Acquisitions and other change in non-controlling interests									—	15	15
Total of other equity movements	1 059	—	50	19	—	—	−13	−1 484	−1 428	475	−953
Balance at December 31, 2011	3 710 189	246	362	−644	771	154	3 148	7 836	11 873	2 043	13 916

Dividends declared per share were EUR 0.20 for 2011 (EUR 0.40 for 2010, EUR 0.40 for 2009), 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. Nokia's Board of Directors authorized the financial statements for 2011 for issuance and filing on March 8, 2012.

As of April 1, 2011, the Group's operational structure featured two new operating and reportable segments: Smart Devices and Mobile Phones, which combined with Devices & Services Other and unallocated items form Devices & Services business.

As of October 1, 2011, the Group formed a Location & Commerce business which combines NAVTEQ and Nokia's social location services operations from Devices & Services. Location & Commerce business is an operating and reportable segment. From the third quarter 2008 until the end of the third quarter 2011, NAVTEQ was a separate reportable segment of Nokia. As a consequence, Nokia currently has four operating and reportable segments: Smart Devices and Mobile Phones within Devices & Services, Location & Commerce and Nokia Siemens Networks.

Prior year segment specific results for 2009 and 2010 have been regrouped and recasted for comparability purposes according to the new operational structure. See Note 2.

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, 2011.

- Amendment to IAS 32 Financial Instruments: Presentation requires that if an entity's rights issues offered are issued pro-rata to 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.
- Amendment to IFRS 7 Financial Instruments: Disclosures enhances disclosures about transfer transactions of financial assets in order to help users of financial statements evaluate related risk exposures and their effect on an entity's financial position.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments clarifies accounting requirements for an entity that renegotiates 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 the 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, 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 associates is included in the consolidated income statement in accordance with the equity method of accounting. An associate 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. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. In the consolidated statement of financial position, non-controlling interests are presented within equity, separately from the equity of the owners of the parent.

The entities or businesses 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 entity or business divested during an accounting period is included in the Group accounts only to the date of disposal.

Business Combinations

The acquisition method of accounting is used to account for acquisitions of separate entities or businesses by the Group. The consideration transferred in a business combination is measured as the aggregate of the fair values of the assets transferred, liabilities incurred towards the former owners of the acquired business and equity instruments issued. Acquisition-related costs are recognized as expense in profit and loss in the periods when the costs are incurred and the related services are received. Identifiable assets acquired and liabilities assumed by the Group are measured separately at their fair value as of the acquisition date. Non-controlling interests in the acquired business are measured separately based on their proportionate share of the identifiable net assets of the acquired business. The excess of the cost of the acquisition over the interest in the fair value of the identifiable net assets acquired and attributable to the owners of the parent, is recorded as goodwill.

Assessment of the recoverability of long-lived assets, 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 could trigger an impairment review include significant 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. If there is no reason to believe that cash-generating unit's value in use materially exceeds its fair value less costs to sell, the Group may use fair value less costs to sell as its recoverable amount.

Cash-generating unit, as determined for the purposes of Group's goodwill impairment testing, is the smallest group of assets (including goodwill) generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In testing a cash-generating unit for impairment, the Group identifies all corporate assets that relate to the cash-generating unit under review and those assets are allocated, on a reasonable and consistent basis, to the relevant units. The aggregate total carrying amount of the unit, including the portion of the carrying amount of the corporate assets allocated to the unit, is compared with its recoverable amount. An impairment loss is recognized if the recoverable amount is less than the carrying amount. Impairment losses are recognized immediately in the income statement.

Disposals of separate entities or businesses

When a disposal transaction causes the Group to relinquish control over a separate entity or business, the Group records a gain or loss on disposal at the disposal date. The gain or loss on disposal is calculated as the difference between the fair value of the consideration received and the derecognized net assets of the disposed entity or business, adjusted by amounts recognized in other comprehensive income in relation to that entity or business.

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 end of the accounting period. Foreign exchange gains and losses arising from statement of financial position items, as well as changes in fair value 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 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 Group companies, where the functional currency is other than euro, are translated into euro at the year-end foreign exchange rates. Differences resulting from the translation of income and expenses at the average rate and assets and liabilities at the closing rate are recognized in other comprehensive income as translation differences within consolidated shareholder's 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

Majority of the Group's sales are recognized as revenue 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 one or more of the 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 where such revisions become probable and can be estimated reliably. Losses on projects in progress are recognized in the period they become probable and can be estimated reliably.

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 7 years. Where an indication of impairment exists, the carrying amount of the related intangible asset is assessed for recoverability. Any resulting impairment losses are recognized immediately in the income statement.

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 contributions 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 even 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 a period which the contributions relate to.

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

For defined benefit plans, pension costs are assessed using the projected unit credit method: Pension cost is recognized in the income statement so as to spread the service cost over the service lives of employees. 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 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. Actuarial gains and losses within the corridor limits are not recognized.

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.

Actuarial valuations for the Group's defined benefit pension plans are performed annually. In addition, actuarial valuations are performed when a curtailment or settlement of a defined benefit plan occurs in the Group.

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	1–5 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 lease contracts. The related payments are treated as rentals and recognized in the income statement 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 invests a portion of cash needed to cover projected cash needs of its on-going operations in highly liquid, interest-bearing investments and certain equity instruments. The following investments are classified as available-for-sale based on the purpose for acquiring the investments as well as ongoing intentions: (1) Highly liquid, interest-bearing investments that are readily convertible to known amounts of cash with maturities at acquisition of less than 3 months, which are classified in the balance sheet as current available-for-sale investments, cash equivalents. Due to the high credit quality and short-term nature of these investments, there is an insignificant risk of changes in value. (2) Similar types of investments as in category (1), but with maturities at acquisition of longer than 3 months, are 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, are 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 changes in fair value 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 the 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 changes in fair value 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 by the Group. FIFO (First-in First-out) method is used to determine the cost basis of fixed income securities being disposed of by the Group. 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 other than temporary. 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 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. Allowance for doubtful accounts is based on a periodic review of all outstanding amounts, where significant doubt about collectability exists, 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 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 of the Group's accounts payable.

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 the 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 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. Changes in fair value 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 income statement 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 changes in fair value 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 income statement 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 changes in fair value of derivative instruments that directly relate to normal business operations are recognized within other operating income and expenses. The changes in fair value 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 statement of financial position, 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 the 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 income statement 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 income statement 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. For hedging instruments closed before the maturity date of the related liability, hedge accounting will immediately discontinue from that date onwards, with all the cumulative gains and losses on the hedging instruments recycled gradually to income statement in the periods when the hedged variable interest cash flows affect the income statement.

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 with respect to 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 income statement 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 income statement 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 changes in fair value 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, for all temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements using liability method. 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. Each reporting period they are assessed for realizability and when circumstances indicate it is no longer probable that deferred tax assets will be utilized, they are adjusted as necessary. Deferred tax liabilities are recognized for temporary differences that arise between the amounts initially recognized and the 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 substantively 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. When the Group expects a provision to be reimbursed, the reimbursement is recognized as an asset only when the reimbursement is virtually certain. The Group assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary based on actual experience and changes in future estimates at each balance sheet date.

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 volumes, product mix and repair and replacement cost.

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, the restructuring plan has been announced by the Group and a reliable estimate of the amount can be made.

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 judgments

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, expected outcomes and various other assumptions that are believed to be reasonable under the circumstances. The related results form a 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. The Group will revise material estimates if changes occur in the circumstances on which an estimate was based or as a result of new information or more experience. 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

Majority of the Group's sales are recognized as revenue 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 could 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 which may have a significant impact on the timing and amount of revenue recognition. Examples of such factors include 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.

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. Potential 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, which may have a significant impact on the timing and amount of revenue recognition.

CUSTOMER FINANCING

The Group has provided a limited number of customer financing arrangements and agreed extended payment terms with selected customers. Should 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. From time to time the Group endeavors to mitigate this risk through 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 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 net realizable 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 acquisition method of accounting to account for acquisitions of businesses. The consideration transferred in a business combination is measured as the aggregate of the fair values of the assets transferred, liabilities incurred towards the former owners of the acquired business and equity instruments issued. Identifiable assets acquired, and liabilities assumed by the Group are measured separately at their fair value as of the acquisition date. Non-controlling interests in the acquired business are measured separately based on their proportionate share of the identifiable net assets of the acquired business. The excess of the cost of the acquisition over Nokia's interest in the fair value of the identifiable net assets acquired is recorded as goodwill.

The allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various valuation assumptions requiring management judgment. Actual results may differ from the forecasted amounts and the difference could be material. See also Note 9.

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 discount rate, length of an explicit forecast period, 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 8.

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 current tax expense, tax provisions, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognized. Each reporting period they are assessed for realizability and when circumstances indicate it is no longer probable that deferred tax assets will be utilized, they are 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.

Primarily in Finland and Germany but also in certain other jurisdictions the utilization of deferred tax assets is dependent on future taxable profit in excess of the profits arising from reversal of existing taxable temporary differences. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient taxable profits will be available in the future from which the reversal of temporary differences and tax losses can be deducted. Recognition therefore involves judgment with regard to future financial performance of a particular legal entity or tax group in which the deferred tax asset has been recognized.

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 benefit 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 related 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 affect future expense. See also Note 24.

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 and financial position:

IFRS 9 Financial Instruments will change the classification, measurement and impairment of financial instruments based on the Group's objectives for the related contractual cash flows.

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 11 Joint Arrangements establishes that the legal form of an arrangement should not be the primary factor in the determination of the appropriate accounting for the arrangement. Party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and then accounting for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 Disclosure of Interests in Other Entities requires disclosure of information that enables users of financial statements to evaluate nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement replaces fair value measurement guidance contained within individual IFRSs with a single, unified definition of fair value in a single new IFRS standard. The new standard provides a framework for measuring fair value, related disclosure requirements about fair value measurements and further authoritative guidance on the application of fair value measurement in inactive markets.

Amendments to IAS 1 Presentation of Financial Statements retains the 'one or two statement' approach at the option of the entity and only revises the way other comprehensive income is presented: Requiring separate subtotals for those elements which may be 'recycled' and those elements that will not.

Amendment to IAS 12 Income Taxes provides clarification for measurement of deferred taxes in situations where an asset is measured using the fair value model in IAS 40 Investment Property by introducing a presumption that the carrying amount of the underlying asset will be recovered through sale.

Amended IAS 19 Employee Benefits discontinues the use of the 'corridor' approach and re-measurement impacts will be recognized in other comprehensive income (with the remainder in profit or loss). Other long-term benefits are required to be measured in the same way even though changes in the recognized amount are fully reflected in profit or loss. Treatment for termination benefits, specifically the point in time when an entity would recognize a liability for termination benefits is also revised.

Amendments to IAS 1 and IAS 12 will be adopted on January 1, 2012. The Group expects to adopt the new standards IFRS 10, IFRS 11, IFRS 12 and IFRS 13 as well as the amended IAS 19 on their effective date, January 1, 2013.

On 16 December 2011, the IASB amended the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, and modified the relief from restating comparative periods and the associated disclosures in IFRS 7. The Group will adopt the standard on the revised effective date.

The Group is currently evaluating potential impact of the new standards on its accounts.

2. SEGMENT INFORMATION

Nokia has three businesses: Devices & Services, Location & Commerce and Nokia Siemens Networks, and four operating and reportable segments for financial reporting purposes: Smart Devices and Mobile Phones within our Devices & Services business, Location & Commerce and Nokia Siemens Networks.

Nokia's reportable segments represent the strategic business units that offer different products and services. The chief operating decision maker receives monthly financial information for these business units. Key financial performance measures of the reportable segments include primarily net sales and contribution/operating profit. Segment contribution for Smart Devices and Mobile Phones consists of net sales as well as its own, directly assigned costs and allocated costs but exclude major restructuring projects/programs and certain other items that are not directly related to the segments. Operating Profit is presented for Location & Commerce and Nokia Siemens Networks. Nokia evaluates the performance of its segments and allocates resources to them based on operating profit/contribution.

Smart Devices focuses on smartphones and smart devices and has profit-and-loss responsibility and end-to-end accountability for the full consumer experience, including product development, product management and product marketing.

Mobile Phones focuses on mass market feature phones and related services and applications and has profit-and-loss responsibility and end-to-end accountability for the full consumer experience, including development, management and marketing of feature phone products, services and applications.

Devices & Services Other includes net sales of Vertu, spare parts and related cost of sales and operating expenses, as well as intellectual property related royalty income. Operating expenses of Devices & Services Other also include common research and development. Other income and expenses include major restructuring projects/programs related to the Devices & Services business as well as other unallocated items.

Location & Commerce develops a range of location-based products and services for consumers, as well as platform services and local commerce services for the Group's feature phones and smartphones as well as for other device manufacturers, application developers, Internet service providers, merchants, and advertisers. Location & Commerce also continues to serve NAVTEQ's existing customers both in terms of provision of content and as a business-to-business provider of map data. Location & Commerce has profit and loss responsibility and end-to-end accountability for the full consumer experience.

Nokia Siemens Networks provides a portfolio of mobile, fixed and converged network technology, as well as professional services including managed services, consultancy and systems integration, deployment and maintenance to operators and service providers.

Corporate Common Functions consists of company-wide functions.

In February 2011, Nokia announced a partnership with Microsoft to bring together the respective complementary assets and expertise of both parties to build a new global mobile ecosystem for smartphones. The partnership, under which Nokia is adopting and licensing Windows Phone from Microsoft as its primary smartphone platform, was formalized in April 2011.

The Group is paying Microsoft a software royalty fee to license the Windows Phone smartphone platform, which the Group records as royalty expense in its Smart Devices cost of goods sold. Nokia has a competitive software royalty structure, which includes annual minimum software royalty commitments and reflects the large volumes that the Group expects to ship, as well as a variety of other considerations related to engineering work to which both companies are committed. The Group expects that the adoption of Windows Phone will enable it to reduce significantly its operating expenses.

In recognition of the contributions that the Group is providing, the Group will receive quarterly platform support payments from Microsoft. The received platform support payments are recognized over time as a benefit to our Smart Devices costs of goods sold. The total amount of the platform payments is expected to slightly exceed the total amount of the minimum software royalty commitments.

The Microsoft partnership also recognizes the value of intellectual property and puts in place mechanisms for exchanging intellectual property rights.

Nokia adopted its current operational structure during 2011. As of April 1, 2011 Devices & Services business, previously a reportable segment itself, has two operating and reportable segments; Smart Devices and Mobile Phones as well as Devices & Services Other. As of October 1, 2011, Location & Commerce, was formed by combining the NAVTEQ business, previously a reportable segment itself, with Devices & Services social location services operations. Prior period results have been regrouped and recast for comparability purposes according to the new organizational structure. Majority of impacted amounts relate to operating expenses which were previously recorded in Devices & Services and subsequently transferred to Location & Commerce, and which specifically related to social location services operations.

In order to consistently reflect where the economic value of location services is created, the recast also impacted cost of sales by reportable segment. Amounts that were previously reported within Devices & Services Other cost of sales and Smart Devices cost of sales were transferred to Location & Commerce cost of sales. As a consequence of the higher value add performed in Location & Commerce, the recasted numbers also reflect a higher internal transfer price, which impacted Location & Commerce net sales positively and Smart Devices cost of sales negatively. The internal transfer price represents revenue to Location & Commerce and cost of sales to Smart Devices.

Location & Commerce will be responsible for developing the services going forward and these services will continue to be delivered to customers and consumers by Devices & Services in combination with our devices. In order to consistently reflect deferral of services revenue over the service period, the recast also had an impact on Location & Commerce revenue and corporate eliminations.

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 were to third parties, that is, at current market prices.

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

2011, EURm	Smart Devices	Mobile Phones	Devices & Services Other	Devices & Services	Location & Commerce	Nokia Siemens Networks	Corporate Common Functions and Corporate unallocated.[4, 6]	Eliminations	Group
Profit and loss information									
Net sales to external customers	10 818	11 930	1 178	23 926	698	14 035	—		38 659
Net sales to other segments	2	—	15	17	393	6	—	−416	—
Depreciation and amortization	18	20	315	353	491	711	7		1 562
Impairment [1]	—	2	168	170	1 091	19	58		1 338
Contribution	−411	1 481	−186						
Operating profit (+)/loss (–) [1]				884	−1 526	−300	−131		−1 073
Share of results of associated companies	—	—	—	—	1	−17	−7		−23
Balance sheet information									
Capital expenditures [2]	21	18	213	252	43	302	—		597
Segment assets [3]	2 367	1 999	4 299	8 665	5 257	11 310	13 505	−2 532	36 205
of which:									
Investments in associated companies	—	—	—	—	4	29	34		67
Segment liabilities [5]	2 528	1 270	5 696	9 494	2 812	7 520	4 995	−2 532	22 289
2010, EURm									
Profit and loss information									
Net sales to external customers	14 870	13 696	552	29 118	668	12 660	—		42 446
Net sales to other segments	3	—	13	16	201	1	—	−218	—
Depreciation and amortization	38	17	350	405	519	843	4		1 771
Impairment	—	—	—	—	—	2	13		15
Contribution	1 376	2 327	−163						
Operating profit (+)/loss (–)				3 540	−663	−686	−113	−8	2 070
Share of results of associated companies	—	—	—	—	2	11	−12		1
Balance sheet information									
Capital expenditures [2]	31	13	256	300	73	306	—		679
Segment assets [3]	2 924	1 905	4 725	9 554	6 742	10 621	14 754	−2 548	39 123
of which:									
Investments in associated companies				—	7	42	87		136
Segment liabilities [5]	3 064	1 417	5 627	10 108	3 009	7 190	5 133	−2 548	22 892
2009, EURm									
Profit and loss information									
Net sales to external customers	12 640	14 644	557	27 841	579	12 564	—		40 984
Net sales to other segments	9	—	3	12	177	10	—	−199	—
Depreciation and amortization	35	17	380	432	488	860	4		1 784
Impairment [1]	—	—	56	56	—	919	34		1 009
Contribution	1 438	2 240	−114						
Operating profit (+)/loss (–) [1]				3 564	−594	−1 639	−134		1 197
Share of results of associated companies	—	—	—	—	—	32	−2		30

1 Location & Commerce operating loss in 2011 includes a goodwill impairment loss of EUR 1 090 million. Nokia Siemens Networks operating loss in 2009 includes a goodwill impairment loss of EUR 908 million.

2 Including goodwill, capital expenditures in 2011 amount to EUR 786 million (EUR 761 million in 2010). The goodwill consists of EUR 28 million in 2011 (EUR 73 million in 2010) for Devices & Services, EUR 0 million in 2011 (EUR 9 million in 2010) for Location & Commerce, EUR 161 million in 2011 (EUR 0 million in 2010) for Nokia Siemens Networks, and EUR 0 million in 2011 (EUR 0 million in 2010) 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, Location & Commerce 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 Location & Commerce and Nokia Siemens Networks.

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, Location & Commerce'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 Location & Commerce and Nokia Siemens Networks.

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, EURm	2011	2010	2009
Finland	317	371	390
China	6 130	7 149	5 990
India	2 923	2 952	2 809
Brazil	1 901	1 506	1 333
Russia	1 843	1 744	1 528
Germany	1 606	2 019	1 733
Japan	1 539	730	312
USA	1 405	1 630	1 731
UK	996	1 470	1 916
Italy	982	1 266	1 252
Other	19 017	21 609	21 990
Total	38 659	42 446	40 984

Segment non-current assets by geographic area [7], EURm	2011	2010
Finland	894	1 501
China	472	402
India	185	210
Germany	192	209
UK	120	236
USA	4 732	6 079
Other	1 497	1 008
Total	8 092	9 645

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

3. PERCENTAGE OF COMPLETION

Contract sales recognized under percentage of completion accounting are EUR 4 769 million in 2011 (EUR 5 094 million in 2010 and EUR 6 868 million in 2009). Services revenue for managed services and network maintenance contracts are EUR 2 994 million in 2011 (EUR 2 924 million in 2010 and EUR 2 607 million in 2009).

Advances received related to construction contracts, included in accrued expenses and other liabilities, are EUR 95 million at December 31, 2011 (EUR 161 million in 2010). Included in accounts receivable are contract revenues recorded prior to billings EUR 1 267 million at December 31, 2011 (EUR 1 326 million in 2010) and billings in excess of costs incurred are EUR 260 million at December 31, 2011 (EUR 510 million in 2010).

The aggregate amount of costs incurred and recognized profits (net of recognized losses) under construction contracts in progress since inception is EUR 20 077 million at December 31, 2011 (EUR 17 262 million in 2010).

Retentions related to construction contracts, included in accounts receivable, are EUR 136 million at December 31, 2011 (EUR 207 million at December 31, 2010).

4. PERSONNEL EXPENSES

EURm	2011	2010	2009
Wages and salaries	6 284	5 808	5 658
Share-based compensation expense, total	18	48	13
Pension expenses, net	445	431	427
Other social expenses	787	708	649
Personnel expenses as per income statement	7 534	6 995	6 747

Share-based compensation expense includes pension and other social costs of EUR 0 million in 2011 (EUR 1 million in 2010 and EUR –3 million in 2009) based on the related employee benefit charge recognized during the year.

Pension expenses, comprised of multi-employer, insured and defined contribution plans were EUR 396 million in 2011 (EUR 377 million in 2010 and EUR 377 million in 2009). The remainder consists of expenses related to defined benefit plans.

Average personnel	2011	2010	2009
Devices & Services	54 850	56 896	54 987
Location & Commerce	7 187	6 766	5 757
Nokia Siemens Networks	71 825	65 379	62 129
Group Common Functions	309	314	298
Nokia Group	134 171	129 355	123 171

5. PENSIONS

The Group operates a number of post retirement 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 the pension scheme BAP (Beitragsorientierter Alterversorgungs Plan), formerly known as Beitragsorientierte Siemens Alterversorgung ("BSAV"). The funding vehicle for the BAP is the NSN Pension Trust e.V. 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.

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	2011	2010
Present value of defined benefit obligations at beginning of year	−1 544	−1 411
Foreign exchange	−3	−49
Current service cost	−59	−61
Interest cost	−83	−78
Plan participants' contributions	−9	−8
Past service cost	−1	−1
Actuarial gain (+)/loss (–)	−26	1
Business combinations	—	−1
Curtailment	8	1
Settlements	17	17
Benefits paid	46	46
Other movements [1]	−83	—
Present value of defined benefit obligations at end of year	−1 737	−1 544
Plan assets at fair value at beginning of year	1 494	1 330
Foreign exchange	4	44
Expected return on plan assets	77	76
Actuarial gain (+)/loss (–) on plan assets	−14	9
Employer contribution	54	62
Plan participants' contributions	9	8
Benefits paid	−37	−32
Settlements	−11	−6
Business combinations	−2	3
Other movements [1]	83	—
Plan assets at fair value at end of year	1 657	1 494
Deficit	−80	−50
Unrecognized net actuarial gains (+)/losses (–)	10	−26
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)	−1	−9
Prepaid (+)/accrued (–) pension cost in the statement of financial position	−70	−84

1 The Group has reclassified an existing plan as a defined benefit plan due to requirement to cover for shortfall in return on plan assets. This reclassification did not have a material impact on the Group's financial statements.

Present value of obligations include EUR 414 million (EUR 932 million in 2010) of wholly funded obligations, EUR 1 260 million of partly funded obligations (EUR 567 million in 2010) and EUR 63 million (EUR 45 million in 2010) of unfunded obligations.

The amounts recognized in the income statement are as follows:

EURm	2011	2010	2009
Current service cost	59	61	55
Interest cost	83	78	69
Expected return on plan assets	−77	−76	−70
Net actuarial gains (–)/losses (+) recognized in year	7	−1	−9
Impact of paragraph 58 (b) limitation	−7	3	5
Past service cost gain (–)/loss (+)	1	1	—
Curtailment	−11	−1	—
Settlement	−6	−11	—
Total, included in personnel expenses	49	54	50

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

EURm	2011	2010
Prepaid (+)/accrued (–) pension costs at beginning of year	−84	−106
Net income (+)/expense (–) recognized in the profit and loss account	−49	−54
Contributions paid	54	62
Benefits paid	9	14
Business combinations	−2	2
Foreign exchange	2	−2
Prepaid (+)/accrued (–) pension costs at end of year [1]	−70	−84

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

The accrued pension cost above is made up of a prepayment of EUR 106 million (EUR 85 million in 2010) and an accrual of EUR 176 million (EUR 169 million in 2010).

EURm	2011	2010	2009	2008	2007
Present value of defined benefit obligations	−1 737	−1 544	−1 411	−1 205	−2 266
Plan assets at fair value	1 657	1 494	1 330	1 197	2 174
Surplus (+)/ deficit (–)	−80	−50	−81	−8	−92

Experience adjustments arising on plan obligations amount to a gain of EUR 33 million in 2011 (gain of EUR 18 million in 2010, a loss of EUR 12 million in 2009, a gain of EUR 50 million in 2008, a loss of EUR 31 million in 2007).

Experience adjustments arising on plan assets amount to a loss of EUR 14 million in 2011 (a gain of EUR 9 million in 2010, EUR 54 million in 2009, a loss of EUR 22 million in 2008, EUR 3 million in 2007).

The principal actuarial weighted average assumptions used were as follows:

%	2011	2010
Discount rate for determining present values	4.9	5.1
Expected long-term rate of return on plan assets	4.5	5.1
Annual rate of increase in future compensation levels	2.4	2.6
Pension increases	2.0	2.0

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 Group's pension plan weighted average asset allocation as a percentage of Plan Assets at December 31, 2011, and 2010, by asset category are as follows:

%	2011	2010
Asset category:		
Equity securities	20	23
Debt securities	62	57
Insurance contracts	8	8
Short-term investments	3	4
Other	7	8
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. 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 2010). See Note 31.

The actual return on plan assets was EUR 63 million in 2011 (EUR 85 million in 2010).

In 2012, the Group expects to make contributions of EUR 45 million to its defined benefit pension plans.

6. EXPENSES BY NATURE

EURm	2011	2010	2009
Cost of material	18 331	20 917	19 502
Personnel expenses	7 534	6 995	6 747
Depreciation and amortization	1 562	1 771	1 784
Advertising and promotional expenses	1 212	1 291	1 335
Warranty costs	671	894	696
Other costs and expenses	8 554	8 616	8 643
Total of Cost of sales, Research and development, Selling and marketing and Administrative and general expenses	37 864	40 484	38 707

7. OTHER INCOME AND EXPENSES

Other income totaled EUR 221 million in 2011 (EUR 476 million in 2010 and EUR 338 million in 2009). Other expenses totaled EUR 999 million in 2011 (EUR 368 million in 2010 and EUR 510 million in 2009).

In 2011, other operating income includes a benefit from a cartel claim settlement of EUR 49 million. Other expenses included restructuring charges of EUR 500 million and associated impairments of EUR 90 million. Restructuring charges included EUR 456 million related to Devices & Services, recorded within Devices & Services other, EUR 25 million related to Location & Commerce and EUR 19 million to Nokia Siemens Networks, respectively. Other expenses also included an impairment of shares in an associated company of EUR 41 million. In addition other expenses included a consideration paid related to the Accenture transaction of EUR 251 million. Nokia agreed to outsource its Symbian software development and support activities to Accenture, which resulted in the transfer of approximately 2 300 employees to Accenture.

In 2010, other income includes a refund of customs duties of EUR 61 million, a gain on sale of assets and a business of EUR 29 million and a gain on sale of the wireless modem business of EUR 147 million impacting Devices & Services operating profit. The wireless modem business was responsible for development of Nokia's wireless modem technologies for LTE, HSPA and GSM standards. The wireless modem business included Nokia's wireless modem technologies for LTE, HSPA and GSM standards, certain related patens and approximately 1 100 Nokia R&D professionals, the vast majority of whom were located in Finland, India, the UK and Denmark. The sale was closed on November 30, 2010. Other expenses included restructuring charges of EUR 112 million, of which EUR 85 million is related to Devices & Services and EUR 27 million to Nokia Siemens Networks. The restructuring charges in Devices & Services mainly related to changes in Symbian Smartphones and Services organizations as well as certain corporate functions.

Other 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 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 totaling EUR 56 million for intangible assets arising from the acquisitions of Enpocket and Intellisync and the asset acquisition of Twango.

In all three years presented "Other income and expenses" include the costs of hedging forecasted sales and purchases (forward points of cash flow hedges) and fair value changes of derivatives hedging identifiable and probable forecasted cash flows.

8. IMPAIRMENT

EURm	2011	2010	2009
Goodwill	1 090	—	908
Other intangible assets	2	—	56
Property, plant and equipment	104	—	1
Inventories	7	—	—
Investments in associated companies	41	—	19
Available-for-sale investments	94	107	25
Other assets	—	3	—
Total, net	1 338	110	1 009

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. In 2011, the Group has allocated goodwill to four cash-generating units, which correspond to the Group's reportable segments: Smart Devices CGU, Mobile Phones CGU, Location & Commerce CGU and Nokia Siemens Networks CGU. For the purposes of the Group's 2011 annual impairment testing, the amount of goodwill previously allocated in 2010 to the Devices & Services CGU has been reallocated to the Smart Devices CGU and the Mobile Phones CGU based on their relative fair values. Based on the Group's assessment, no goodwill was allocated from Devices & Services to Location & Commerce pursuant to the formation of Location & Commerce business unit and segment on October 1, 2011. The organizational changes were not a driver of, and did not result in an impairment in the Location & Commerce CGU.

The recoverable amounts for the Smart Devices CGU and the Mobile Phones CGU are based on value in use calculations. A discounted cash flow calculation was used to estimate the value in use for both CGUs. Cash flow projections determined by management are based on information available, to reflect the present value of the future cash flows expected to be derived through the continuing use of the Smart Devices CGU and the Mobile Phones CGU.

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

The cash flow projections employed in the value in use and the fair value less costs to sell calculations are based on detailed financial plans approved by management, covering a three-year planning horizon. Cash flows in subsequent periods reflect a realistic pattern of slowing growth that declines towards an estimated terminal growth rate utilized in the terminal period. The terminal growth rate utilized does not exceed long-term average growth rates for the industry and economies in which the CGU operates. All cash flow projections are consistent with external sources of information, wherever available.

Goodwill amounting to EUR 862 million, EUR 502 million and EUR 173 million was allocated to the Smart Devices CGU, Mobile Phones CGU and Nokia Siemens Networks CGU, respectively, at the date of the 2011 impairment testing. The goodwill impairment testing conducted for the aforementioned CGUs did not result in any impairment charges for the year ended December 31, 2011.

In the fourth quarter of 2011, the Group conducted annual impairment testing for the Location & Commerce CGU to assess if events or changes in circumstances indicated that the carrying amount of the Location & Commerce CGU was not recoverable. As a result, the Group recorded an impairment loss of EUR 1 090 million to reduce the carrying amount of the Location & Commerce CGU to its recoverable amount. The impairment loss was allocated in its entirety to the carrying amount of goodwill in the balance sheet of the Location & Commerce CGU. 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 Location & Commerce CGU has been reduced to EUR 3 274 million at December 31, 2011.

The impairment charge is the result of an evaluation of the projected financial performance and net cash flows of the Location & Commerce CGU. The main drivers for management's net cash flow projections include license fees related to digital map data, fair value of the services sold within the Group and estimated average revenue per user with regard to mobile media advertising. The average revenue per user is estimated based on peer market data for mobile advertising revenue. Projected device sales volumes impact the overall forecasted intercompany and advertising revenues. This takes into consideration the market dynamics in digital map data and related location-based content markets, including the Group's long-term view that the market will move from fee-based models towards advertising-based models especially in some more mature markets. It also reflects recently announced results and related competitive factors in local search and advertising markets resulting in lower estimated growth prospects from location-based assets integrated with different advertising platforms. After consideration of all relevant factors, the Group reduced the net sales projections for the Location & Commerce CGU which, in turn, reduced projected profitability and cash flows.

The Group has concluded that the recoverable amount for the Location & Commerce CGU is most sensitive to the valuation assumptions for discount rate and long-term growth rate. A reasonably possible increase in the discount rate or decrease in long-term growth rate would give rise to an additional material impairment loss.

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

	Cash-generating unit			
	Smart Devices %	Mobile Phones %	Location & Commerce %	Nokia Siemens Networks %
Terminal growth rate	1.9	1.5	3.1	1.0
Post-tax discount rate	9.0	9.0	9.7	10.4
Pre-tax discount rate	12.2	13.1	13.1	13.8

Both value in use of Smart Devices CGU and Mobile Phones CGU and fair value less costs to sell for Location & Commerce CGU and Nokia Siemens Networks CGU are determined on a pre-tax value basis using pre-tax valuation assumptions including pre-tax cash flows and pre-tax discount rate. As market-based rates of return for the Group's CGUs are available only on a post-tax basis, the pre-tax discount rates are derived by adjusting the post-tax discount rates to reflect the specific amount and timing of future tax cash flows.

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.

In 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. As a result of the impairment loss, the amount of goodwill allocated to the Nokia Siemens Networks CGU in the year ended December 31, 2009, was reduced to zero. Goodwill allocated to the Nokia Siemens Networks CGU has subsequently increased during 2011, primarily as a result of the acquisition of Motorola Solutions' Networks business (see Note 9).

The goodwill impairment testing conducted for each of the Group's CGUs for the year ended December 31, 2010 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 totaling EUR 56 million for intangible assets arising from the acquisitions of Enpocket and Intellisync and the asset acquisition of Twango. The impairment charge was recognized in other operating expense and is included in Devices & Services Other.

Property, plant and equipment and inventories

The majority of 2011 impairment losses recognized with respect to property, plant and equipment resulted from EUR 94 million charges related to the Group's restructuring programs, including the closure of manufacturing operations in Cluj, Romania, and consolidation of other office sites. The charges were recorded in other operating expense and are included in Devices & Services Other.

Investments in associated companies

After application of the equity method, including recognition of the Group's share of results of associated companies, the Group determined that recognition of impairment losses of EUR 41 million in 2011 (EUR 0 million in 2010, EUR 19 million in 2009) was necessary to adjust the Group's investment in associated companies to its recoverable amount.

Available-for-sale investments

The Group's investment in certain equity and interest bearing securities held as available-for-sale suffered a permanent decline in fair value resulting in an impairment charge of EUR 94 million (EUR 107 million in 2010, EUR 25 million in 2009). These impairment amounts are included within financial expenses and other operating expenses in the consolidated income statement. See also Note 11.

9. ACQUISITIONS

Acquisitions in 2011

MOTOROLA

On April 30, 2011 Nokia Siemens Networks completed its acquisition of assets related to Motorola Solutions' networks business in exchange for a total consideration of EUR 642 million. The acquired business consists of Motorola's wireless networks infrastructure equipment manufacturing and sales operations, including the GSM, CDMA, WCDMA, WiMAX and LTE product portfolios and services offerings. The acquisition is expected to strengthen the Group's position in certain regions, particularly North America and Japan. The goodwill of EUR 155 million arising from the acquisition is attributable to the increased presence in these key markets and the assembled workforce. The majority of the goodwill acquired is expected to be deductible for income tax purposes.

The following table summarizes the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interest at December 31, 2011. The fair values of certain intangible and tangible assets acquired remain provisional as at December 31, 2011 pending finalization of the valuation of those assets. Consequently, the goodwill is also provisional.

	EURm
Cash	706
Fair value of installment payments receivable	-64
Total consideration	**642**
Non-current assets	
Goodwill	155
Developed technology	156
Customer relationships	195
Other intangible assets	3
	509
Property, plant & equipment	105
Investments in associated companies	6
Deferred tax assets	1
	621
Current assets	
Inventories	103
Accounts receivable	228
Prepaid expenses and accrued income	20
Deferred tax assets	35
Bank and cash	31
	417
Total assets acquired	**1 038**
Non-current liabilities	
Other long-term liabilities	15
	15
Current liabilities	
Accounts payable	154
Accrued expenses	166
Deferred tax liabilities	15
Provisions	30
	365
Total liabilities assumed	**380**
Non-controlling interests	16
Net assets acquired	642

Nokia Siemens Networks has concluded on a working capital adjustment settlement with respect to the acquisition whereby Motorola Solutions has agreed to make additional installment payments to Nokia Siemens Networks. The installment payments are subject to certain conditions that Nokia Siemens Networks must fulfill over a given time period. The maximum amount of installment payments totals EUR 85 million and Nokia Siemens Networks has determined that the fair value of the installment payments amounts to EUR 81 million of which EUR 17 million has been received at December 31, 2011.

The fair value of accounts receivables of EUR 228 million includes trade receivables with a fair value of EUR 144 million. The gross contractual amount for trade receivables due is EUR 255 million, of which EUR 111 million is expected to be uncollectible.

Acquisition-related costs of EUR 4 million and EUR 8 million have been charged to administrative and general expenses in the consolidated income statement for the years ended December 31, 2011 and December 31, 2010, respectively.

From April 30, 2011, the consolidated statement of comprehensive income includes revenue and net loss contributed by the Motorola networks business of EUR 894 million and EUR 4 million, respectively.

Had Motorola Networks business been consolidated from January 1, 2011, the Group consolidated statement of income would show revenue of EUR 39 445 million and loss of EUR 1 402 million. This pro forma information is not necessarily indicative of the results of the combined operations, had the acquisition actually occurred on January 1, 2011, nor is it indicative of the future results of the combined operations.

During 2011, the Group completed additional acquisitions that in aggregate did not have a material impact on the consolidated financial statements.

Acquisitions in 2010

During 2010, the Group completed several minor 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 108 million and EUR 82 million, respectively. The goodwill arising from these acquisitions is attributable to assembled workforce and post acquisition synergies.

- MetaCarta Inc, based in Cambridge, USA, provides unique geographic intelligence technology and expertise in geographic intelligence solutions. The Group acquired a 100% ownership in MetaCarta on April 9, 2010.
- Novarra Inc, based in Chicago, USA, is a provider of a mobile browser and service platform with more than 100 employees. The Group acquired a 100% ownership interest in Novarra on April 9, 2010.
- Motally Inc, a US-based company, provides mobile analytics services offering in-application tracking and reporting. The Group acquired a 100% ownership interest in Motally on August 31 2010.
- PixelActive Inc, based in California, USA, specialises in tools and techniques for 3D modeling of detailed road networks, buildings and terrain. The Group acquired a 100% ownership interest in PixelActive on November 17, 2010.

Acquisitions 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. The Group 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. The Group acquired a 100% ownership interest in Acuity Mobile on September 11, 2009.

10. DEPRECIATION AND AMORTIZATION

EURm	2011	2010	2009
Depreciation and amortization by function			
Cost of sales	227	248	266
Research and development [1]	674	906	909
Selling and marketing [2]	442	426	424
Administrative and general	219	191	185
Total	1 562	1 771	1 784

1 In 2011, depreciation and amortization allocated to research and development included amortization of acquired intangible assets of EUR 412 million (EUR 556 million in 2010 and EUR 534 million in 2009).

2 In 2011, depreciation and amortization allocated to selling and marketing included amortization of acquired intangible assets of EUR 422 million (EUR 408 million in 2010 and EUR 401 million in 2009).

11. FINANCIAL INCOME AND EXPENSES

EURm	2011	2010	2009
Dividend income on available-for-sale financial investments	2	2	3
Interest income on available-for-sale financial investments	169	110	101
Interest income on loans receivables carried at amortized cost	1	—	—
Interest income on investments at fair value through profit and loss	18	28	11
Net interest income / (expense) on derivatives not under hedge accounting	−12	−20	−8
Interest expense on financial liabilities carried at amortized cost	−255	−254	−243
Net realised gains (or losses) on disposal of fixed income available-for-sale financial investments	−4	1	2
Net fair value gains (or losses) on investments at fair value through profit and loss	102	−3	19
Net gains (net losses) on other derivatives designated at fair value through profit and loss	−121	19	−7
Net fair value gains (or losses) on hedged items under fair value hedge accounting	−82	−63	−4
Net fair value gains (or losses) on hedging instruments under fair value hedge accounting	72	58	—
Net foreign exchange gains (or losses)			
From foreign exchange derivatives designated at fair value through profit and loss	74	58	−358
From balance sheet items revaluation	−34	−165	230
Other financial income	49	73	18
Other financial expenses	−81	−129	−29
Total	−102	−285	−265

During 2011, the Group received distributions of 45 million (EUR 69 million in 2010) included in other financial income from a private fund held as non-current available-for-sale. Due to these distributions resulting in a reduction in estimated future cash flows, the Group also recognized an impairment loss of 38 million (EUR 94 million in 2010) for the fund included in other financial expenses. Due to deterioration of the Asset Backed Security market the Group recognized an impairment loss of 15 million in 2011 (EUR 0 million in 2010) included in other financial expenses. Additional information can be found in Note 8 and Note 16.

During 2011, interest income increased mainly as a result of higher cash levels than in 2010 and higher interest rates in certain currencies where the Group has investments. Lower interest rates in EUR and USD had a positive impact on Net fair value gains (or losses) on investments at fair value through profit and loss but these gains were offset by the negative impact on Net gains (or losses) on other derivatives designated at fair value through profit and loss that was affected by similar factors. Foreign exchange gains (or losses) were positively impacted by low and in some cases negative hedging costs (i.e. income) in 2011 as well as increased volatility on the foreign exchange market.

During 2009, interest income decreased significantly due to lower interest rates and interest expense has increased given higher long-term funding with a higher cost.

12. INCOME TAXES

EURm	2011	2010	2009
Income tax			
Current tax	−752	−798	−736
Deferred tax	462	355	34
Total	−290	−443	−702
Finland	−97	−126	76
Other countries	−193	−317	−778
Total	−290	−443	−702

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, 2011:

EURm	2011	2010	2009
Income tax expense (+)/benefit (–) at statutory rate	−311	464	250
Permanent differences	−22	4	−96
Non tax deductible impairment of goodwill [1]	283	—	236
Taxes for prior years	−7	−48	−17
Taxes on foreign subsidiaries' profits in excess of (lower than) income taxes at statutory rates	−73	−195	−145
Change in losses and temporary differences with no tax effect [2]	280	221	577
Net increase (+)/decrease (–) in tax contingencies	7	24	−186
Change in income tax rates	39	2	4
Deferred tax liability on undistributed earnings [3]	62	−31	111
Other	32	2	−32
Income tax expense	290	443	702

1 See Note 8.

2 This item primarily relates to Nokia Siemens Networks' losses and temporary differences for which no deferred tax was recognized. In 2010 it also includes benefit of EUR 52 million from reassessment of recoverability of deferred tax assets in Nokia Siemens Networks.

3 In 2010 the change in deferred tax liability on undistributed earnings mainly relates to changes to tax rates applicable to profit distributions.

Certain of the Group companies' income tax returns for periods ranging from 2004 through 2010 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.

13. INTANGIBLE ASSETS

EURm	2011	2010
Capitalized development costs		
Acquisition cost January 1	1 035	1 830
Impairments	—	–11
Retirements	—	–784
Accumulated acquisition cost December 31	1 035	1 035
Accumulated amortization January 1	–995	–1 687
Retirements	—	784
Impairments	—	11
Amortization	–34	–103
Accumulated amortization December 31	–1 029	–995
Net book value January 1	40	143
Net book value December 31	6	40
Goodwill		
Acquisition cost January 1	6 631	6 079
Translation differences	17	470
Acquisitions	189	82
Disposals	–1	—
Accumulated acquisition cost December 31	6 836	6 631
Accumulated impairments January 1	–908	–908
Impairments	–1 090	—
Accumulated impairments December 31	–1 998	–908
Net book value January 1	5 723	5 171
Net book value December 31	4 838	5 723
Other intangible assets		
Acquisition cost January 1	5 437	5 287
Translation differences	83	216
Additions	53	58
Acquisitions	366	21
Retirements	–23	–142
Impairments	–2	—
Disposals	–37	–3
Accumulated acquisition cost December 31	5 877	5 437
Accumulated amortization January 1	–3 509	–2 525
Translation differences	–84	–42
Retirements	21	125
Disposals	25	2
Amortization	–924	–1 069
Accumulated amortization December 31	–4 471	–3 509
Net book value January 1	1 928	2 762
Net book value December 31	1 406	1 928

14. PROPERTY, PLANT AND EQUIPMENT

EURm	2011	2010
Land and water areas		
Acquisition cost January 1	57	59
Acquisitions	9	—
Impairments	–4	—
Disposals	—	–2
Accumulated acquisition cost December 31	62	57
Net book value January 1	57	59
Net book value December 31	62	57
Buildings and constructions		
Acquisition cost January 1	1 414	1 312
Translation differences	3	69
Additions	86	86
Acquisitions	32	—
Impairments	–124	—
Disposals	–31	–53
Accumulated acquisition cost December 31	1 380	1 414
Accumulated depreciation January 1	–453	–385
Translation differences	—	–19
Impairments	40	—
Disposals	13	41
Depreciation	–119	–90
Accumulated depreciation December 31	–519	–453
Net book value January 1	961	927
Net book value December 31	861	961
Machinery and equipment		
Acquisition cost January 1	4 004	3 984
Translation differences	–4	213
Additions	464	472
Acquisitions	66	4
Impairments	–25	—
Disposals	–427	–669
Accumulated acquisition cost December 31	4 078	4 004
Accumulated depreciation January 1	–3 185	–3 168
Translation differences	–13	–164
Impairments	9	—
Disposals	410	639
Depreciation	–478	–492
Accumulated depreciation December 31	–3 257	–3 185
Net book value January 1	819	816
Net book value December 31	821	819

EURm	2011	2010
Other tangible assets		
Acquisition cost January 1	56	47
Translation differences	−3	6
Additions	11	15
Disposals	−7	−12
Accumulated acquisition cost December 31	57	56
Accumulated depreciation January 1	−37	−27
Translation differences	3	−2
Disposals	7	9
Depreciation	−7	−17
Accumulated depreciation December 31	−34	−37
Net book value January 1	19	20
Net book value December 31	23	19
Advance payments and fixed assets under construction		
Net carrying amount January 1	98	45
Translation differences	—	3
Additions	57	92
Acquisitions	1	—
Disposals	—	−1
Transfers to:		
Other intangible assets	2	—
Buildings and constructions	−42	−20
Machinery and equipment	−38	−10
Other tangible assets	−3	−11
Net carrying amount December 31	75	98
Total property, plant and equipment	1 842	1 954

15. INVESTMENTS IN ASSOCIATED COMPANIES

EURm	2011	2010
Net carrying amount January 1	136	69
Translation differences	−5	3
Additions	8	63
Deductions	−7	−6
Impairments (Note 8)	−41	—
Share of results	−23	1
Dividend	—	−1
Other movements	−1	7
Net carrying amount December 31	67	136

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

16. 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 amortized cost	Financial liabilties measured at amortized cost	Total carrying amounts	Fair value
At December 31, 2011, EURm							
Available-for-sale investments in publicly quoted equity shares	—	7	—	—	—	7	7
Other available-for-sale investments carried at fair value	—	359	—	—	—	359	359
Other available-for-sale investments carried at cost less impairment	—	215	—	—	—	215	215
Long-term loans receivable	—	—	—	99	—	99	97
Accounts receivable	—	—	—	7 181	—	7 181	7 181
Current portion of long-term loans receivable	—	—	—	54	—	54	54
Derivative assets	—	—	475	—	—	475	475
Other current financial assets	—	—	—	25	—	25	25
Fixed income and money-market investments carried at fair value	8 512	60	—	—	—	8 572	8 572
Investments designated at fair value through profit and loss	—	—	433	—	—	433	433
Total financial assets	8 512	641	908	7 359	—	17 420	17 418
Long-term interest-bearing liabilities	—	—	—	—	3 969	3 969	3 929
Other long-term non-interest bearing financial liabilities	—	—	—	—	3	3	3
Current portion of long-term loans payable	—	—	—	—	357	357	357
Short-term borrowings	—	—	—	—	995	995	995
Other financial liabilities	—	—	483	—	—	483	483
Accounts payable	—	—	—	—	5 532	5 532	5 532
Total financial liabilities	—	—	483	—	10 856	11 339	11 299
At December 31, 2010, EURm							
Available-for-sale investments in publicly quoted equity shares	—	8	—	—	—	8	8
Other available-for-sale investments carried at fair value	—	293	—	—	—	293	293
Other available-for-sale investments carried at cost less impairment	—	232	—	—	—	232	232
Long-term loans receivable	—	—	—	64	—	64	60
Other non-current assets	—	—	—	4	—	4	4
Accounts receivable	—	—	—	7 570	—	7 570	7 570
Current portion of long-term loans receivable	—	—	—	39	—	39	39
Derivative assets	—	—	366	—	—	366	366
Other current financial assets	—	—	—	12	—	12	12
Fixed income and money-market investments carried at fair value	9 413	—	—	—	—	9 413	9 413
Investments designated at fair value through profit and loss	—	—	911	—	—	911	911
Total financial assets	9 413	533	1 277	7 689	—	18 912	18 908
Long-term interest-bearing liabilities	—	—	—	—	4 242	4 242	4 467
Other long-term non-interest bearing financial liabilities	—	—	—	—	13	13	13
Current portion of long-term loans payable	—	—	—	—	116	116	116
Short-term borrowings	—	—	—	—	921	921	921
Other financial liabilities	—	—	359	—	88	447	447
Accounts payable	—	—	—	—	6 101	6 101	6 101
Total financial liabilities	—	—	359	—	11 481	11 840	12 065

The current fixed income and money market investments included available for sale liquid assets of EUR 1 233 million (EUR 3 772 million in 2010) and cash equivalents of EUR 7 279 million (EUR 5 641 million in 2010). See Note 34, 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 Group had a non-controlling interest that includes a put arrangement measured at its redemption value of EUR 88 million at December 31, 2010 presented in Other financial liabilities. The put arrangement has been exercised in the first quarter of 2011. The remaining portion of the line Other financial liabilities is comprised of derivative liabilities.

Note 17 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:

	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
At December 31, 2011, EURm				
Fixed income and money-market investments carried at fair value	8 540	32	—	8 572
Investments at fair value through profit and loss	433	—	—	433
Available-for-sale investments in publicly quoted equity shares	7	—	—	7
Other available-for-sale investments carried at fair value	—	13	346	359
Derivative assets	—	475	—	475
Total assets	8 980	520	346	9 846
Derivative liabilities	—	483	—	483
Total liabilities	—	483	—	483
At December 31, 2010, EURm				
Fixed income and money-market investments carried at fair value	9 215	198	—	9 413
Investments at fair value through profit and loss	911	—	—	911
Available-for-sale investments in publicly quoted equity shares	8	—	—	8
Other available-for-sale investments carried at fair value	—	14	279	293
Derivative assets	—	366	—	366
Total assets	10 134	578	279	10 991
Derivative liabilities	—	359	—	359
Total liabilities	—	359	—	359

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 which are measured at fair value:

EURm	Other available- for-sale investments carried at fair value
Balance at December 31, 2009	242
Total gains/losses in income statement	3
Total gains/losses recorded in other comprehensive income	−11
Purchases	78
Sales	−34
Other transfers	1
Balance at December 31, 2010	279
Total gains/losses in income statement	−22
Total gains/losses recorded in other comprehensive income	51
Purchases	81
Sales	−47
Other transfers	4
Balance at December 31, 2011	346

The gains and losses from Level 3 financial instruments are included in other operating expenses for the respective period. A net loss of EUR 30 million (net loss of EUR 12 million in 2010) related to level 3 financial instruments held at December 31, 2011, was included in the profit and loss during 2011.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
2011, EURm	Fair value [1]	Notional [2]	Fair value [1]	Notional [2]
Hedges of net investment in foreign subsidiaries:				
Forward foreign exchange contracts	56	1 584	−179	2 810
Cash flow hedges:				
Forward foreign exchange contracts	107	7 464	−117	7 540
Fair value hedges				
Interest rate swaps	167	1 627	—	—
Cash flow and Fair value hedges: [3]				
Cross currency interest rate swaps	26	378	—	—
Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss:				
Forward foreign exchange contracts	112	5 435	−139	6 282
Currency options bought	7	994	—	—
Currency options sold	—	—	−6	721
Interest rate swaps	—	—	−41	552
Other derivatives	—	3	−1	38
	475	17 485	−483	17 943

	Assets		Liabilities	
2010, EURm	Fair value [1]	Notional [2]	Fair value [1]	Notional [2]
Hedges of net investment in foreign subsidiaries:				
Forward foreign exchange contracts	66	2 254	−154	4 433
Cash flow hedges:				
Forward foreign exchange contracts	41	8 025	−57	8 572
Fair value hedges				
Interest rate swaps	128	1 550	−8	76
Cash flow and Fair value hedges: [3]				
Cross currency interest rate swaps	—	—	−6	378
Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss:				
Forward foreign exchange contracts	73	5 349	−69	7 956
Currency options bought	13	1 959	—	—
Currency options sold	—	—	−15	749
Interest rate swaps	45	1 028	−50	1 199
	366	20 165	−359	23 363

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

In addition to derivative liabilities the Group had a non-controlling interest that included a put arrangement measured at its redemption value of EUR 88 million at December 31, 2010 presented in Other financial liabilities. The put arrangement has been exercised in the first quarter of 2011.

18. INVENTORIES

EURm	2011	2010
Raw materials, supplies and other	789	762
Work in progress	516	642
Finished goods	1 025	1 119
Total	2 330	2 523

19. PREPAID EXPENSES AND ACCRUED INCOME

EURm	2011	2010
Social security, VAT and other taxes	1 906	1 690
Deferred cost of sales	114	175
Other prepaid expenses and accrued income	2 468	2 495
Total	4 488	4 360

In 2011, other prepaid expenses and accrued income included advance payments to Qualcomm of EUR 1 069 million (EUR 1 166 million in 2010). In 2008, Nokia and Qualcomm entered into a new 15 year agreement, under the terms of which Nokia was 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 upfront payment of EUR 1.7 billion, which is amortized over the contract period and ongoing 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.

Prepaid expenses and accrued income also include, accrued interest income and various other prepaid expenses and accrued income, but no amounts which are individually significant.

20. VALUATION AND QUALIFYING ACCOUNTS

EURm Allowances on assets to which they apply:	Balance at beginning of year	Charged to cost and expenses	Deductions [1]	Balance at end of year
2011				
Allowance for doubtful accounts	363	131	−210	284
Excess and obsolete inventory	301	345	−189	457
2010				
Allowance for doubtful accounts	391	117	−145	363
Excess and obsolete inventory	361	124	−184	301
2009				
Allowance for doubtful accounts	415	155	−179	391
Excess and obsolete inventory	348	192	−179	361

1 Deductions include utilization and releases of the allowances.

21. FAIR VALUE AND OTHER RESERVES

	Hedging reserve			Available-for-sale investments			Fair value and other reserves total		
EURm	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
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 non-controlling interests	−65	16	−49	−2	—	−2	−67	16	−51
Balance at December 31, 2009	61	−15	46	17	6	23	78	−9	69
Cash flow hedges:									
Net fair value gains (+)/losses (–)	−119	12	−107	—	—	—	−119	12	−107
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to net sales	357	−57	300	—	—	—	357	−57	300
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to cost of sales	−379	70	−309	—	—	—	−379	70	−309
Available-for-sale investments:									
Net fair value gains (+)/losses(–)	—	—	—	−3	−2	−5	−3	−2	−5
Transfer to profit and loss account on impairment	—	—	—	13	—	13	13	—	13
Transfer of net fair value gains (–)/losses (+) to profit and loss account on disposal	—	—	—	−1	—	−1	−1	—	−1
Movements attributable to non-controlling interests	50	−7	43	—	—	—	50	−7	43
Balance at December 31, 2010	−30	3	−27	26	4	30	−4	7	3
Cash flow hedges:									
Net fair value gains (+)/losses (–)	106	−25	81	—	—	—	106	−25	81
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to net sales	−166	42	−124	—	—	—	−166	42	−124
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to cost of sales	162	−36	126	—	—	—	162	−36	126
Transfer of gains (–)/losses (+) as a basis adjustment to assets and liabilities [1]	14	−3	11	—	—	—	14	−3	11
Available-for-sale investments:									
Net fair value gains (+)/losses (–)	—	—	—	67	—	67	67	—	67
Transfer to profit and loss account on impairment	—	—	—	22	−2	20	22	−2	20
Transfer of net fair value gains (–)/losses (+) to profit and loss account on disposal	—	—	—	−19	−1	−20	−19	−1	−20
Movements attributable to non-controlling interests	−8	−2	−10	—	—	—	−8	−2	−10
Balance at December 31, 2011	78	−21	57	96	1	97	174	−20	154

1 The adjustments relate to acquisitions completed in 2011. For more details see Note 9.

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 income statement. 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 years ended December 31, 2011 and 2010 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 reserves at December 31, 2011 on open forward foreign exchange contracts which hedge anticipated future foreign currency sales or purchases are transferred from the hedging reserve to the income statement when the hedged items affect the income statement, at various dates up to approximately 1 year from the balance sheet date.

22. TRANSLATION DIFFERENCES

	Translation differences			Net investment hedging			Translation differences total		
EURm	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
Balance at December 31, 2008 [1]	260	0	260	100	−19	81	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 non-controlling interests	8	1	9	—	—	—	8	1	9
Balance at December 31, 2009	−295	3	−292	215	−50	165	−80	−47	−127
Translation differences:									
Currency translation differences	1 302	3	1 305	—	—	—	1 302	3	1 305
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Net investment hedging:									
Net investment hedging gains (+)/losses (–)	—	—	—	−389	101	−288	−389	101	−288
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Movements attributable to non-controlling interests	−63	−2	−65	—	—	—	−63	−2	−65
Balance at December 31, 2010	944	4	948	−174	51	−123	770	55	825
Translation differences:									
Currency translation differences	9	—	9	—	—	—	9	—	9
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Net investment hedging:									
Net investment hedging gains (+)/losses (–)	—	—	—	−37	9	−28	−37	9	−28
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Movements attributable to non-controlling interests	−35	—	−35	—	—	—	−35	—	−35
Balance at December 31, 2011	918	4	922	−211	60	−151	707	64	771

1 Reclassification of an item recognized prior to 2008 with no impact to total translation differences in the consolidated statement of financial position.

23. 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, 2011, 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, 2011, the total number of shares included 34 767 036 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 6, 2010, Nokia shareholders authorized the Board of Directors to issue a maximum of 740 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 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 authorization is effective until June 30, 2013.

At the end of 2011, 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 6, 2010, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted equity. Nokia did not repurchase any shares on the basis of this authorization. This authorization was effective until June 30, 2011 as per the resolution of the Annual General Meeting on May 6, 2010, but it was terminated by the resolution of the Annual General Meeting on May 3, 2011.

At the Annual General Meeting held on May 3, 2011, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted equity. The amount of shares corresponds to less than 10% of all the shares of the Company. The shares may be repurchased under the buyback 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. The authorization is effective until June 30, 2012.

AUTHORIZATIONS PROPOSED TO THE ANNUAL GENERAL MEETING 2012

On January 26, 2012, Nokia announced that the Board of Directors will propose that the Annual General Meeting convening on May 3, 2012 authorize the Board to resolve to repurchase a maximum of 360 million Nokia shares. The proposed maximum number of shares that may be repurchased is the same as the Board's current share repurchase authorization and it corresponds to 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 shares may be repurchased either through a tender offer made to all shareholders on equal terms, or through public trading from the stock market. The authorization would be effective until June 30, 2013 and terminate the current authorization for repurchasing of the Company's shares resolved at the Annual General Meeting on May 3, 2011.

24. 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 18 million in 2011 (EUR 47 million in 2010 and EUR 16 million in 2009).

Stock options

During 2011 Nokia administered three global stock option plans, the Stock Option Plan 2005, 2007 and 2011, each of which, including its terms and conditions, has been approved by the Annual General Meeting in the year when the plan was launched.

Each stock option entitles the holder to subscribe for one new Nokia share. The stock options are non-transferable and may be exercised for shares only. All of the stock options granted under the Stock Option Plans 2005 and 2007 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 2005 and 2007 plans have a term of approximately five years. The stock options granted under the Stock Option Plan 2011 have a vesting schedule with 50% of stock options vesting three years after grant date and the remaining 50% vesting four years from grant. The stock options granted under the 2011 plan have a term of approximately six years.

The exercise price of the stock options is determined at the time of grant, on a quarterly basis, in accordance with a pre-agreed schedule after the release of Nokia's periodic financial results. The exercise prices 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). With respect to the 2011 Stock Option Plan, should an ex-dividend date take place during that week, the exercise price shall be determined based on the following week's trade volume weighted average price of the Nokia share on NASDAQ OMX Helsinki. Exercise prices are determined on a one-week weighted average to mitigate any day-specific 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 change how the exercise price is determined.

Shares will be eligible for dividend for the financial year in which the subscription takes place. Other shareholder rights commence on the date on which the subscribed shares are entered in the Trade Register. The stock option grants are generally forfeited if the employment relationship terminates with Nokia.

Pursuant to the stock options issued under the global stock option plans, an aggregate maximum number of 23 203 328 new Nokia shares may be subscribed for, representing 0.6% of the total number of votes at December 31, 2011. All share subscription prices based on the exercises of stock options are recorded in the fund for invested non-restricted equity as per a resolution by the Annual General Meeting.

The table below sets forth certain information relating to the stock options outstanding at December 31, 2011.

Plan (year of launch)	Stock options outstanding 2011	Number of participants (approx.)	Option (sub) category	Vesting status (as percentage of total number of stock options outstanding)	Exercise period			Exercise price/ share EUR
					First vest date	Last vest date	Expiry date	
2005 [1]	—	—	2006 1Q	Expired	April 1, 2007	April 1, 2010	December 31, 2011	14.99
			2006 2Q	Expired	July 1, 2007	July 1, 2010	December 31, 2011	18.02
			2006 3Q	Expired	October 1, 2007	October 1, 2010	December 31, 2011	15.37
			2006 4Q	Expired	January 1, 2008	January 1, 2011	December 31, 2011	15.38
			2007 1Q	Expired	April 1, 2008	April 1, 2011	December 31, 2011	17.00
2007 [1]	12 352 526	4 600	2007 2Q	100.00	July 1, 2008	July 1, 2011	December 31, 2012	18.39
			2007 3Q	100.00	October 1, 2008	October 1, 2011	December 31, 2012	21.86
			2007 4Q	93.75	January 1, 2009	January 1, 2012	December 31, 2012	27.53
			2008 1Q	87.50	April 1, 2009	April 1, 2012	December 31, 2013	24.15
			2008 2Q	81.25	July 1, 2009	July 1, 2012	December 31, 2013	19.16
			2008 3Q	75.00	October 1, 2009	October 1, 2012	December 31, 2013	17.80
			2008 4Q	68.75	January 1, 2010	January 1, 2013	December 31, 2013	12.43
			2009 1Q	62.50	April 1, 2010	April 1, 2013	December 31, 2014	9.82
			2009 2Q	56.25	July 1, 2010	July 1, 2013	December 31, 2014	11.18
			2009 3Q	50.00	October 1, 2010	October 1, 2013	December 31, 2014	9.28
			2009 4Q	43.75	January 1, 2011	January 1, 2014	December 31, 2014	8.76
			2010 1Q	37.50	April 1, 2011	April 1, 2014	December 31, 2015	10.11
			2010 2Q	31.25	July 1, 2011	July 1, 2014	December 31, 2015	8.86
			2010 3Q	25.00	October 1, 2011	October 1, 2014	December 31, 2015	7.29
			2010 4Q	—	January 1, 2012	January 1, 2015	December 31, 2015	7.59
2011 [2]	10 850 802	3 000	2011 2Q	—	July 1, 2014	July 1, 2015	December 27, 2017	6.02
			2011 3Q	—	October 1, 2014	October 1, 2015	December 27, 2017	3.76
			2011 4Q	—	January 1, 2015	January 1, 2016	December 27, 2017	4.84

1 The Group's global Stock Option Plans 2005 and 2007 have a vesting schedule with 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.

2 The Group's global Stock Option Plan 2011 has a vesting schedule with 50% of stock options vesting three years after grant date and the remaining 50% vesting four years from grant.

Total stock options outstanding at December 31, 2011 [1]

	Number of shares	Weighted average exercise price EUR	Weighted average share price EUR
Shares under option at January 1, 2009	**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**	
Granted	6 708 582	8.73	
Exercised	39 772	2.20	9.44
Forfeited	1 698 435	12.07	
Expired	6 065 041	13.97	
Shares under option at December 31, 2010	**21 945 296**	**14.04**	
Granted	11 751 907	5.50	
Exercised	6 208	5.07	7.69
Forfeited	2 441 876	9.05	
Expired	7 909 089	17.53	
Shares under option at December 31, 2011	**23 340 030**	**9.08**	
Options exercisable at December 31, 2008 (shares)	12 895 057	14.77	
Options exercisable at December 31, 2009 (shares)	13 124 925	16.09	
Options exercisable at December 31, 2010 (shares)	11 376 937	17.07	
Options exercisable at December 31, 2011 (shares)	**6 904 331**	**14.01**	

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

The weighted average grant date fair value of stock options granted was EUR 0.92 in 2011, EUR 2.29 in 2010 and EUR 2.34 in 2009.

The options outstanding by range of exercise price at December 31, 2011 are as follows:

	Options outstanding		
Exercise prices, EUR	Number of shares	Weighted average remaining contractual life in years	Weighted average exercise price EUR
0.90–4.84	2 825 362	5.99	3.85
5.14–6.02	8 098 681	5.98	6.01
6.20–8.86	5 112 043	4.00	8.69
8.88–14.75	3 994 625	2.84	11.40
17.80–27.53	3 309 319	1.50	18.83
	23 340 030		

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:

	2011	2010	2009
Weighted average expected dividend yield	7.37%	4.73%	3.63%
Weighted average expected volatility	36.95%	52.09%	43.46%
Risk-free interest rate	1.71–2.86%	1.52–2.49%	1.97–2.94%
Weighted average risk-free interest rate	2.68%	1.78%	2.23%
Expected life (years)	4.70	3.59	3.60
Weighted average share price, EUR	5.46	8.27	10.82

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

During 2011, Nokia administered four global performance share plans, the Performance Share Plans of 2008, 2009, 2010 and 2011, each of which, including its terms and conditions, has been approved by the Board of Directors.

The performance shares represent a commitment by Nokia Corporation 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, in the Performance Share Plans of 2008, 2009 and 2010 earnings per share ("EPS") at the end of the performance period and in the Performance Share Plan 2011 average annual EPS during the performance period.

The 2008, 2009, 2010 and 2011 plans have a three-year performance period with no interim payout. The shares vest after the respective 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 performance share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

The following table summarizes our global performance share plans.

Plan	Performance shares outstanding at threshold [1,2]	Number of participants (approx.)	Performance period	Settlement
2008	0	5000	2008–2010	2011
2009	0	4000	2009–2011	2012
2010	2 660 445	3000	2010–2012	2013
2011	4 669 530	4000	2011–2013	2014

1 Shares under performance share plan 2009 vested on December 31, 2011 and are therefore not included in the outstanding numbers.

2 Does not include 2559 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]
2008	1.72	4%	2.76	16%
2009	1.01	–5%	1.53	10%
2010	0.82	0%	1.44	13.5%
2011	0.50	2.5%	1.10	10%

1 Both the EPS and Average Annual Net Sales Growth criteria have an equal weight of 50%.

2 Performance Share Plans of 2008, 2009 and 2010: EPS at the end of the performance period. Performance Share Plan 2011: average annual EPS. The EPS for 2008 plan: diluted excluding special items. The EPS for 2009, 2010 and 2011 plans: diluted non-IFRS.

Performance shares outstanding at December 31, 2011 [1]

	Number of performance shares at threshold	Weighted average grant date fair value EUR [2]
Performance shares at January 1, 2009	**8 035 219**	
Granted	2 960 110	9.57
Forfeited	691 325	
Vested [3, 4]	5 210 044	
Performance shares at December 31, 2009	**5 093 960**	
Granted	3 576 403	5.94
Forfeited	1 039 908	
Vested [5]	1 910 332	
Performance shares at December 31, 2010	**5 720 123**	
Granted	5 410 211	3.66
Forfeited	1 538 377	
Vested [6]	2 009 423	
Performance shares at December 31, 2011	**7 582 534**	

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, if any, expected to be paid during the vesting period.

3 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 final payout, in 2009, was adjusted by the shares delivered based on the Interim Measurement Period.

4 Includes performance shares under Performance Share plan 2007 that vested on December 31, 2009.

5 Includes performance shares under Performance Share plan 2008 that vested on December 31, 2010.

6 Includes performance shares under Performance Share plan 2009 that vested on December 31, 2011.

There will be no settlement under the Performance Share Plan 2009 as neither of the threshold performance criteria of EPS and Average Annual Net Sales Growth of this plan was met.

Restricted shares

During 2011, Nokia administered four global restricted share plans, the Restricted Share Plans 2008, 2009, 2010 and 2011, each of which, including its terms and conditions, has been approved by the Board of Directors.

Restricted shares are used to recruit, retain and motivate selected high potential and critical talent who are vital to the future success of Nokia. Restricted shares are used only for key management positions and other critical talent.

All of the Group's restricted share plans have a restriction period of three years after grant. 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. The restricted share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Restricted shares outstanding at December 31, 2011 [1]

	Number of restricted shares	Weighted average grant date fair value EUR [2]
Restricted shares at January 1, 2009	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	
Granted	5 801 800	6.85
Forfeited	1 492 357	
Vested	1 330 549	
Restricted shares at December 31, 2010	12 359 896	
Granted	8 024 880	3.15
Forfeited	2 063 518	
Vested	1 735 167	
Restricted shares at December 31, 2011 [3]	16 586 091	

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 901 900 restricted shares granted in Q4 2008 under Restricted Share Plan 2008 that vested on January 1, 2012.

Other equity plans for employees

In addition to the global equity incentive 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. On the basis of these plans, the Group had 0.1 million stock options outstanding on December 31, 2011. The weighted average exercise price is USD 11.02.

In connection with the 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 2.5 million shares have already been delivered by December 31, 2011. The Group does not intend to make further awards under the NAVTEQ Plan.

The Group also has 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, 2011, approximately 800 000 ADSs had been purchased under this plan during 2011, and there were a total of approximately 1 220 participants in the plan.

Nokia also has a one-time special CEO incentive program designed to align the CEO's compensation to increased shareholder value and links a meaningful portion of CEO's compensation directly to the performance of Nokia's share price over the period of 2011-2012. Mr. Elop has the opportunity to earn 125 000–750 000 Nokia shares at the end of 2012 based on two independent criteria: Total Shareholder Return (TSR) relative to a peer group of companies over the two-year period and Nokia's absolute share price at the end of 2012. If the minimum performance for neither of the two performance criterion is reached, no share delivery will take place. Shares earned under this plan are subject to an additional one-year vesting period.

25. DEFERRED TAXES

EURm	2011	2010
Deferred tax assets:		
Intercompany profit in inventory	66	76
Tax losses carried forward and unused tax credits	715	488
Warranty provision	63	82
Other provisions	363	268
Depreciation differences and untaxed reserves	711	782
Share-based compensation	11	21
Other temporary differences	362	347
Reclassification due to netting of deferred taxes	−443	−468
Total deferred tax assets	1 848	1 596
Deferred tax liabilities:		
Depreciation differences and untaxed reserves	−500	−406
Fair value gains/losses	−65	−13
Undistributed earnings	−268	−353
Other temporary differences [1]	−410	−718
Reclassification due to netting of deferred taxes	443	468
Total deferred tax liabilities	−800	−1 022
Net deferred tax asset	1 048	574
Tax charged to equity	−4	−1

1 In 2011 other temporary differences include a deferred tax liability of EUR 339 million (EUR 542 million in 2010) arising from purchase price allocation related to Nokia Siemens Networks and NAVTEQ.

At December 31, 2011 the Group had loss carry forwards of EUR 2 702 million (EUR 1 792 million in 2010) of which EUR 969 million will expire within 10 years (EUR 144 million in 2010).

At December 31, 2011 the Group had loss carry forwards, temporary differences and tax credits of EUR 4 302 million (EUR 3 323 million in 2010) 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.

The recognition of the remaining deferred tax assets is supported by profit projections in the relevant jurisdictions.

At December 31, 2011 the Group had undistributed earnings of EUR 424 million (EUR 360 million in 2010) on which no deferred tax liability has been formed as these will not reverse in the foreseeable future.

26. ACCRUED EXPENSES AND OTHER LIABILITIES

EURm	2011	2010
Social security, VAT and other taxes	1 655	1 585
Wages and salaries	636	619
Deferred revenue	751	786
Advance payments	1 524	1 172
Other	2 884	3 203
Total	7 450	7 365

Other operating expense accruals include accrued discounts, royalties and marketing expenses as well as various amounts which are individually insignificant. Majority of the deferred revenue will be recognized as revenue within the next 12 months.

27. PROVISIONS

EURm	Warranty	Restructuring	IPR infringements	Project losses	Tax	Other	Total
At January 1, 2011	928	195	449	207	296	515	2 590
Translation differences	–5	—	—	—	–4	—	–9
Acquisitions	30	—	—	—	—	5	35
Additional provisions	671	584	70	237	124	374	2 060
Changes in estimates	–33	–95	–74	–70	–103	–135	–510
Charged to profit and loss account	638	489	–4	167	21	239	1 550
Utilized during year	–903	–225	–14	–169	–14	–214	–1 539
At December 31, 2011	**688**	**459**	**431**	**205**	**299**	**545**	**2 627**
At January 1, 2010	971	184	390	197	274	702	2 718
Translation differences	40	—	—	—	—	—	40
Additional provisions	888	228	106	239	40	238	1 739
Changes in estimates	–43	–44	–15	–52	–13	–87	–254
Charged to profit and loss account	845	184	91	187	27	151	1 485
Utilized during year	–928	–173	–32	–177	–5	–338	–1 653
At December 31, 2010	**928**	**195**	**449**	**207**	**296**	**515**	**2 590**

EURm	2011	2010
Analysis of total provisions at December 31:		
Non-current	1 175	837
Current	1 452	1 753

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

The restructuring provision is mainly related to restructuring activities in Devices & Services and Nokia Siemens Networks businesses. The majority of outflows related to the restructuring is expected to occur during 2012.

In April 2011, Nokia announced plans to reduce its global workforce by about 4 000 employees by the end of 2012, as well as plans to consolidate the company's research and product development sites so that each site has a clear role and mission. In September 2011, Nokia announced plans to take further actions to align its workforce and operations, which includes reductions in Sales and Marketing and Corporate functions in line with Nokia's earlier announcement in April 2011. The measures also include the closure of Nokia's manufacturing facility in Cluj, Romania, which–together with adjustments to supply chain operations–has affected approximately 2 200 employees. As a result, Devices & Services recognized a restructuring provision of EUR 456 million in total.

In 2010, Devices & Services recognized restructuring provisions of EUR 85 million mainly related to changes in Symbian Smartphones and Services organizations as well as certain corporate functions that were expected to result in a reduction of up to 1 800 employees globally.

In September 2011, Nokia announced a plan to concentrate the development efforts of the Location & Commerce business in Berlin, Germany and Boston and Chicago in the USA, and other supporting sites and plans to close its operations in Bonn, Germany and Malvern, USA. As a result, Location & Commerce recognized a restructuring provision of EUR 25 million.

Restructuring and other associated expenses incurred in Nokia Siemens Networks in 2011 totaled EUR 145 million (EUR 316 million in 2010) 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 40 million (EUR 173 million in 2010) impacting gross profit, EUR 28 million (EUR 19 million in 2010) research and development expenses, EUR 22 million reversal of provision (EUR 21 million in 2010) in selling and marketing expenses, EUR 36 million (EUR 76 million in 2010) administrative expenses and EUR 19 million (EUR 27 million in 2010) other operating expenses.

Provisions for losses on projects in progress are related to Nokia Siemens Networks' onerous contracts. Utilization of provisions for project losses is generally expected to occur in the next 18 months.

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.

Other provisions include provisions for non-cancellable 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.

28. EARNINGS PER SHARE

	2011	2010	2009
Numerator/EURm			
Basic/Diluted:			
Profit attributable to equity holders of the parent	−1 164	1 850	891
Denominator/1000 shares			
Basic:			
Weighted average shares	3 709 947	3 708 816	3 705 116
Effect of dilutive securities:			
Performance shares	—	324	9 614
Restricted shares	—	4 110	6 341
Stock options	—	—	1
	—	4 434	15 956
Diluted:			
Adjusted weighted average shares and assumed conversions	3 709 947	3 713 250	3 721 072

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 2011, stock options equivalent to 16 million shares (13 million in 2010 and 12 million in 2009) were excluded from the calculation of diluted earnings per share because they were determined to be anti-dilutive.

In addition, 2 million of performance shares were excluded from the calculation of dilutive shares because contingency conditions have not been met.

As at 31 December 2011, there were 7 million of restricted shares outstanding that could potentially have a dilutive impact in the future but were excluded from the calculation.

29. COMMITMENTS AND CONTINGENCIES

EURm	2011	2010
Collateral for our own commitments		
Property under mortgages	18	18
Assets pledged	2	5
Contingent liabilities on behalf of Group companies		
Other guarantees	1 292	1 262
Contingent liabilities on behalf of other companies		
Other guarantees	16	17
Financing commitments		
Customer finance commitments [1]	86	85
Venture fund commitments [2]	133	238

1 See also Note 34 b).
2 See also Note 34 a).

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

Property under mortgages given as collateral for our own commitments comprise of mortgages given to the Finnish National Board of Customs as a general indemnity of EUR 18 million in 2011 (EUR 18 million in 2010).

Assets pledged for the Group's own commitments include available-for-sale investments of EUR 2 million in 2011 (EUR 5 million of available-for-sale investments in 2010).

Other guarantees include guarantees of EUR 997 million in 2011 (EUR 984 million in 2010) 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 Siemens Networks 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 slightly increased due to release of certain commercial guarantees and due to transferred business related commercial guarantees from Motorola Solutions, Inc.

Contingent liabilities on behalf of other companies were EUR 16 million in 2011 (EUR 17 million in 2010).

Financing commitments of EUR 86 million in 2011 (EUR 85 million in 2010) 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 133 million in 2011 (EUR 238 million in 2010) are financing commitments to a number of funds making technology related investments. As a limited partner in these funds Nokia is committed to capital contributions and also entitled to cash distributions according to respective partnership agreements.

The Group is party to routine litigation incidental to the normal conduct of business, including, but not limited to, several claims, suits and actions both initiated by third parties and initiated by Nokia relating to infringements of patents, violations of licensing arrangements and other intellectual property related matters, as well as actions with respect to products, contracts and securities. Based on the information currently available, and 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.

As of December 31, 2011, the Group had purchase commitments of EUR 2 305 million (EUR 2 606 million in 2010) relating to inventory purchase obligations, service agreements and outsourcing arrangements, primarily for purchases in 2012. The Group has also entered into a partnership with Microsoft whereas the Group is committed to a software royalty structure which includes annual minimum software royalty commitments. In consideration for Nokia's contribution under the arrangement, the Group will also receive quarterly platform support payments from Microsoft. The total amount of the platform support payments is expected to slightly exceed the total amount of the minimum software royalty commitments.

30. LEASING CONTRACTS

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

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

Leasing payments, EURm	Operating leases
2012	292
2013	206
2014	154
2015	108
2016	71
Thereafter	196
Total	1 027

Rental expense amounted to EUR 457 million in 2011 (EUR 429 million in 2010 and EUR 436 million in 2009).

31. RELATED PARTY TRANSACTIONS

At December 31, 2011, the Group had borrowings amounting to EUR 69 million (EUR 69 million in 2010 and EUR 69 million in 2009) 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 Nokia Leadership Team and the Board of Directors at December 31, 2011, 2010 or 2009, respectively.

Transactions with associated companies

EURm	2011	2010	2009
Share of results of associated companies	– 23	1	30
Dividend income	—	1	—
Share of shareholders' equity of associated companies	47	61	35
Sales to associated companies	37	15	8
Purchases from associated companies	91	186	211
Receivables from associated companies	—	3	2
Liabilities to associated companies	14	22	31

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 2009–2011 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

EUR	2011 Base salary	2011 Cash incentive payments	2011 Share-based compensation expense	2010 Base salary	2010 Cash incentive payments	2010 Share-based compensation expense	2009 Base salary	2009 Cash incentive payments	2009 Share-based compensation expense
Stephen Elop President and CEO	1 020 000	473 070	2 086 351	280 303	440 137	67 018	—	—	—

Total remuneration of the Nokia Leadership Team awarded for the fiscal years 2009–2011 was EUR 8 396 423 in 2011 (EUR 9 009 253 in 2010 and EUR 10 723 777 in 2009), which consisted of base salaries and cash incentive payments. Total share-based compensation expense relating to equity-based awards expensed by the company was EUR 4 513 671 in 2011 (EUR 3 186 223 in 2010 and EUR 9 668 484 in 2009).

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.

Board of Directors	2011 Gross annual fee [1] EUR	2011 Shares received	2010 Gross annual fee [1] EUR	2010 Shares received	2009 Gross annual fee [1] EUR	2009 Shares received
Jorma Ollila, Chairman	440 000	29 604	440 000	20 710	440 000	16 575
Dame Marjorie Scardino, Vice Chairman	150 000	10 092	150 000	7 058	150 000	5 649
Georg Ehrnrooth [2]	—	—	—	—	155 000	5 838
Stephen Elop [3]	—	—	—	—	—	—
Lalita D. Gupte [4]	—	—	140 000	6 588	140 000	5 273
Bengt Holmström	130 000	8 746	130 000	6 117	130 000	4 896
Henning Kagermann [5]	155 000	10 428	130 000	6 117	130 000	4 896
Olli-Pekka Kallasvuo [6]	—	—	130 000	6 117	130 000	4 896
Per Karlsson [7]	130 000	8 746	155 000	7 294	155 000	5 838
Jouko Karvinen [8]	140 000	9 419	—	—	—	—
Helge Lund	130 000	8 746	—	—	—	—
Isabel Marey-Semper [9]	140 000	9 419	140 000	6 588	140 000	5 273
Risto Siilasmaa [10]	155 000	10 428	155 000	7 294	140 000	5 273
Kari Stadigh	130 000	8 746	—	—	—	—
Keijo Suila	—	—	130 000	6 117	130 000	4 896

1 Approximately 40% of each Board member's gross annual fee is paid in Nokia shares purchased from the market (included in the table under "Shares Received") and the remaining approximately 60% of the gross annual fee is paid in cash. 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 relating to the acquisition of the shares, including taxes.

2 The 2009 fee of Georg Ehrnrooth amounted to an annual 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.

3 Stephen Elop did not receive remuneration for his services as a member of the Board. This table does not include remuneration paid to Mr. Elop for services as the President and CEO.

4 The 2010 and 2009 fees of Lalita D. Gupte amounted to an annual total of EUR 140 000 each year indicated, 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.

5 The 2011 fee of Henning Kagermann amounted to an annual 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.

6 Olli-Pekka Kallasvuo left his position on the Nokia Board of Directors in 2010. This table includes fees paid to Olli-Pekka Kallasvuo for his services as a member of the Board, only.

7 The 2010 and 2009 fees of Per Karlsson amounted to an annual total of EUR 155 000 each year indicated, 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 2011 fee of Jouko Karvinen amounted to an annual 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 2011, 2010 and 2009 fees paid to Isabel Marey-Semper amounted to an annual total of EUR 140 000 each year indicated, 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 2011 and 2010 fees paid to Risto Siilasmaa amounted to an annual total of EUR 155 000 each year indicated, consisting of a fee of EUR 130 000 for service as a member of the Board and EUR 25 000 for service as Chairman of the Audit Committee. The 2009 fee of Risto Siilasmaa amounted to an annual 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 Nokia Leadership Team Members

Stephen Elop, President and CEO, participates in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings according to prescribed statutory rules. 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.

32. NOTES TO CASH FLOW STATEMENT

EURm	2011	2010	2009
Adjustments for:			
Depreciation and amortization (Note 10)	1 562	1 771	1 784
Profit (–)/loss (+) on sale of property, plant and equipment and available-for-sale investments	–49	–193	–111
Income taxes (Note 12)	290	443	702
Share of results of associated companies (Note 15)	23	–1	–30
Non-controlling interest	–324	–507	–631
Financial income and expenses (Note 11)	49	191	265
Transfer from hedging reserve to sales and cost of sales (Note 21)	–4	–22	44
Impairment charges (Note 8)	1 338	110	1 009
Asset retirements (Note 13)	13	37	35
Share-based compensation (Note 24)	18	47	16
Restructuring related charges (Note 7, 27)	565	245	307
Other income and expenses	5	–9	—
Adjustments, total	3 486	2 112	3 390
Change in net working capital			
Decrease (+)/increase (–) in short-term receivables	137	1 281	1 145
Decrease (+)/increase (–) in inventories	289	–512	640
Decrease (–)/increase (+) in interest-free short-term borrowings	–1 145	1 563	–1 698
Loans made to customers	81	17	53
Change in net working capital	–638	2 349	140

In 2010, Nokia Siemens Networks' EUR 750 million loans and capitalized interest of EUR 16 million from Siemens were converted into equity impacting the non-controlling interests in the Consolidated Statements of Financial Position. The Group did not engage in any material non-cash investing activities in 2011 and 2009.

33. PRINCIPAL NOKIA GROUP COMPANIES AT DECEMBER 31, 2011

%		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
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.

A complete list of subsidiaries and associated companies is included in Nokia's Statutory Accounts.

34. 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 its 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 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 foreign currency denominated cash flows from highly probable or 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 remains 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 defined using nominal values of the transactions. 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, forward foreign exchange contracts, foreign exchange options and foreign currency denominated loans to hedge its equity exposure arising from foreign net investments.

At the end of years 2011 and 2010, the following currencies represent a significant portion of the currency mix in the outstanding financial instruments:

2011, EURm	USD	JPY	CNY	INR
FX derivatives used as cash flow hedges (net amount) [1]	1 282	110	—	−20
FX derivatives used as net investment hedges (net amount) [2]	−1 045	−17	−2 023	−818
FX exposure from balance sheet items (net amount) [3]	−962	−19	880	−109
FX derivatives not designated in a hedge relationship and carried at fair value through the profit and loss statement (net amount) [3]	875	255	−825	−264
Cross currency / interest rate hedges	420	—	—	—

2010, EURm	USD	JPY	CNY	INR
FX derivatives used as cashflow hedges (net amount) [1]	−140	521	—	−23
FX derivatives used as net investment hedges (net amount) [2]	−642	—	−2 834	−702
FX exposure from balance sheet items (net amount) [3]	−1 645	−245	−710	−218
FX derivatives not designated in a hedge relationship and carried at fair value through profit and loss (net amount) [3, 4]	134	1 026	1 845	−117
Cross currency / interest rate hedges	408	—	—	—

1. The FX derivatives are used to hedge the foreign exchange risk from forecasted highly probable cashflows related to sales, purchases and business acquisition activities. In some of the currencies, especially in US Dollar, Nokia has substantial foreign exchange risks in both estimated cash inflows and outflows, which have been netted in the table. See Note 21 for more details on hedge accounting. The underlying exposures hedged 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 hedged are not presented in the table, as they are not financial instruments as defined under IFRS 7.
3. The balance sheet items and some probable forecasted cash flows which are denominated in foreign currencies are hedged by a portion of FX derivatives not designated in a hedge relationship and carried at fair value through the profit and loss statement.
4. The FX exposures for 2010 have been recalculated to include options' nominal instead of options' delta as a measure of exposure.

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. refinancing or reinvestment 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 manage uncertainty caused by fluctuations in interest rates and minimize net long-term debt funding costs.

The interest rate exposure of the Group is monitored and managed centrally. Nokia uses the Value-at-Risk (VaR) methodology complemented by selective shock sensitivity analyses to assess and measure the interest rate risk of interest-bearing assets, interest-bearing liabilities and related derivatives, which together create the Group's interest rate exposure.

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

	2011		2010	
EURm	Fixed rate	Floating rate	Fixed rate	Floating rate
Assets	6 384	4 733	8 795	3 588
Liabilities	−4 313	−950	−4 156	−992
Assets and liabilities before derivatives	2 071	3 783	4 639	2 596
Interest rate derivatives	1 736	−1 656	1 036	−994
Assets and liabilities after derivatives	3 807	2 127	5 675	1 602

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 non-controlling investments in publicly listed equity shares. The fair value of the equity investments which are subject to equity price risk at December 31, 2011 was EUR 7 million (EUR 8 million in 2010). 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 16 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 as appropriate.

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 VaR calculation includes foreign currency denominated monetary financial instruments such as:

- Available-for-sale investments, loans and receivables, investments at fair value through profit and loss, cash, loans and accounts payable.
- 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	2011	2010
At December 31	141	245
Average for the year	218	223
Range for the year	141–316	174–299

Interest rate risk

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

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

EURm	2011	2010
At December 31	33	45
Average for the year	34	43
Range for the year	19–45	33–63

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	2011	2010
Financial guarantees given on behalf of customers and other third parties	—	—
Loan commitments given but not used	86	85
	86	85

Business Related Credit Risk

The Company aims to ensure highest possible quality in accounts receivable and loans due from customers and other third parties. The Group Credit Policy, approved by the Nokia Leadership Team, 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, credit risks are mitigated with the use of approved instruments, such as letters of credit, collateral or insurance and sale of selected receivables.

The accounts receivable do not include any major concentrations of credit risk by customer or by geography. Top three customers account for approximately 3.2%, 2.3% and 1.9% (2.2%, 2.1% and 2.1% in 2010) of Group accounts receivable and loans due from customers and other third parties as at December 31, 2011, while the top three credit exposures by country amounted to 10.6%, 7.5% and 4.4% (8.5%, 7.4% and 5.5% in 2010), respectively.

The Group has provided allowances for doubtful accounts as needed 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 allowances for doubtful accounts that represent an estimate of incurred losses as of the end of reporting period. All receivables and loans due from customers and other third parties are considered on an individual basis in establishing the allowances for doubtful accounts.

As at December 31, 2011, the carrying amount before deducting any allowances for doubtful accounts as well as amounts expected to be uncollectible for acquired receivables relating to customers for which an allowance was provided or an uncollectible amount has been identified amounted to EUR 2 109 million (EUR 2 521 million in 2010). The amount of provision taken against that portion of these receivables considered to be impaired as well as the amount expected to be uncollectible for acquired receivables was a total of EUR 395 million (EUR 363 million in 2010) (see also Note 9 and Note 20).

An amount of EUR 316 million (EUR 472 million in 2010) relates to past due receivables from customers for which no allowances for doubtful accounts were recognized. The aging of these receivables is as follows:

EURm	2011	2010
Past due 1–30 days	169	239
Past due 31–180 days	118	131
More than 180 days	29	102
	316	472

The carrying amount of accounts receivable that would otherwise be past due or impaired but whose terms have been renegotiated was EUR 3 million (EUR 40 million in 2010).

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 Principles. 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 fixed income and money market investments by sector and credit rating grades ranked as per Moody's rating categories.

	Rating [3]	Total amount [1,2] EURm	Due within 3 months EURm	Due between 3 and 12 months EURm	Due between 1 and 3 years EURm	Due between 3 and 5 years EURm	Due beyond 5 years EURm
At December 31, 2011							
Banks	Aaa	1 368	1 368	—	—	—	—
	Aa1–Aa3	1 319	1 316	—	1	2	—
	A1–A3	1 706	1 706	—	—	—	—
	Baa1–Baa3	616	616	—	—	—	—
	Non rated	270	260	10	—	—	—
Governments	Aaa	3 224	2 508	221	50	266	179
	Aa1–Aa3	408	400	6	2	—	—
Other	Aaa	—	—	—	—	—	—
	Aa1–Aa3	11	—	—	—	—	11
	A1–A3	18	—	—	12	—	6
	Baa1–Baa3	2	—	—	—	—	2
	Ba1–C	1	—	—	—	—	1
	Non rated	2	—	2	—	—	—
Total		8 945	8 174	239	65	268	199
At December 31, 2010							
Banks	Aaa	1 152	1 152	—	—	—	—
	Aa1–Aa3	1 283	1 227	52	1	—	3
	A1–A3	2 971	2 942	21	2	1	5
	Baa1-Baa3	340	338	—	—	—	2
	Non rated	303	303	—	—	—	—
Governments	Aaa	3 408	1 499	899	376	18	616
	Aa1–Aa3	638	402	199	26	11	—
	Baa1–Baa3	5	—	—	—	5	—
Other	Aaa	167	30	32	43	28	34
	Aa1–Aa3	43	—	10	—	27	6
	A1–A3	9	—	3	—	—	6
	Baa1–Baa3	2	—	—	—	—	2
	Ba1–C	1	—	—	—	—	1
	Non rated	2	—	2	—	—	—
Total		10 324	7 893	1 218	448	90	675

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 through 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 40 million of restricted investment at December 31, 2011 (EUR 37 million at December 31, 2010). 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.

92% of Nokia's cash in bank accounts is held with banks of investment grade credit rating (89% for 2010).

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 short-term liquid interest bearing securities. The transactional liquidity risk is minimized by 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, 2011 the committed facilities totaled EUR 3 550 million (EUR 3 508 million in 2010).

The most significant existing Committed Facilities include:

Borrower(s):

Nokia Corporation:	EUR 1 500 million Revolving Credit Facility, maturing 2016
Nokia Siemens Networks Finance B.V. and Nokia Siemens Networks Oy:	EUR 2 000 million Revolving Credit Facility, maturing 2012

EUR 1 500 million Revolving Credit Facility of Nokia Corporation is used primarily for US and Euro Commercial Paper Programs back up purposes. As at year end 2011, this facility was fully undrawn.

On December 21, 2011, Nokia Siemens Networks signed a forward starting term and multicurrency revolving facilities agreement valued at EUR 1 255 million to replace Nokia Siemens Networks' existing EUR 2 000 million revolving credit facility when it matures in June 2012. The committed facilities are comprised in equal parts of a revolving credit facility maturing in June 2015 and a term loan facility that matures in June 2013. They will be used for general corporate purposes. The amount of commitments available under the Forward Starting Credit Facilities may be increased until the forward starting date in June 2012 and by March 2012 the commitment has been increased by EUR 150 million to EUR 1 405 million. Both the EUR 1 255 million Forward Starting Credit Facility and the existing EUR 2 000 million Revolving Credit Facility include financial covenants related to leverage and interest coverage of Nokia Siemens Networks. As of December 31, 2011, EUR 613 million of the existing EUR 2 000 million Revolving Credit Facility was drawn and all financial covenants were satisfied.

As of December 31, 2011 the weighted average commitment fee on the committed credit facilities was 0.71% per annum (0.83% in 2010).

The most significant existing funding programs as of December 31, 2011 were:

Issuer(s):	Program	Issued
Nokia Corporation:	Shelf registration statement on file with the US Securities and Exchange Commission	USD 1 500 million
Nokia Corporation:	Euro Medium-Term Note Program, totaling EUR 5 000 million	EUR 1 750 million
Nokia Corporation:	Local commercial paper program in Finland, totaling EUR 750 million	
Nokia Corporation:	US Commercial Paper program, totaling USD 4 000 million	
Nokia Corporation and Nokia Finance International B.V.:	Euro Commercial Paper program, totaling USD 4 000 million	
Nokia Siemens Networks Finance B.V.:	Local commercial paper program in Finland, totaling EUR 500 million	EUR 148 million

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 31 December 2011, EURm	Total	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	112	1	2	43	62	4
Current financial assets						
Current portion of long-term loans receivable	59	10	49	—	—	—
Short-term loans receivable	14	12	2	—	—	—
Investments at fair value through profit and loss	575	—	7	14	264	290
Available-for-sale investment	8 557	8 305	133	69	15	35
Cash	1 957	1 957	—	—	—	—
Cash flows related to derivative financial assets net settled:						
Derivative contracts–receipts	215	72	−46	90	17	82
Cash flows related to derivative financial assets gross settled:						
Derivative contracts–receipts	16 014	14 272	1 226	41	41	434
Derivative contracts–payments	−15 779	−14 113	−1 200	−27	−27	−412
Accounts receivable [1]	5 872	5 030	802	40	—	—
Non-current financial liabilities						
Long-term liabilities	− 5 391	−106	−153	−2 374	−316	−2 442
Current financial liabilities						
Current portion of long-term loans	−387	−61	−326	—	—	—
Short-term liabilities	− 1 002	−915	−87	—	—	—
Cash flows related to derivative financial liabilities net settled:						
Derivative contracts–payments	−107	—	−3	−2	−3	−99
Cash flows related to derivative financial liabilities gross settled:						
Derivative contracts–receipts	17 354	15 480	1 874	—	—	—
Derivative contracts–payments	−17 775	−15 775	−2 000	—	—	—
Accounts payable	− 5 532	− 5 449	−65	−18	—	—
Contingent financial assets and liabilities						
Loan commitments given undrawn [2]	−86	−37	−49	—	—	—
Loan commitments obtained undrawn [3]	2 937	50	1 387	—	1 500	—

At 31 December 2010, EURm	Total	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						
Available-for-sale investments	41	—	3	3	35	—
Long-term loans receivable	68	—	—	59	8	1
Other non-current assets	2	—	—	2	—	—
Current financial assets						
Current portion of long-term loans receivable	42	9	33	—	—	—
Short-term loans receivable	1	—	1	—	—	—
Investments at fair value through profit and loss	1 437	10	18	322	44	1 043
Available-for-sale investment	9 470	7 904	1 229	163	97	77
Cash	1 951	1 951	—	—	—	—
Cash flows related to derivative financial assets net settled :						
Derivative contracts–receipts	−172	72	−53	38	47	−276
Cash flows related to derivative financial assets gross settled:						
Derivative contracts–receipts	18 686	14 136	3 718	456	123	253
Derivative contracts–payments	−18 611	−14 075	−3 704	−457	−128	−247
Accounts receivable [1]	6 335	5 476	838	21	—	—
Non-current financial liabilities						
Long-term liabilities	− 5 995	−119	−90	−839	−2 351	−2 596
Current financial liabilities						
Current portion of long-term loans	−127	−2	−125	—	—	—
Short-term liabilities	−922	−849	−73	—	—	—
Cash flows related to derivative financial liabilities net settled:						
Derivative contracts–payments	60	−3	—	—	5	58
Cash flows related to derivative financial liabilities gross settled:						
Derivative contracts–receipts	23 757	18 836	3 506	655	310	450
Derivative contracts–payments	−23 996	−19 085	−3 545	−651	−295	−420
Other financial liabilities [4]	−88	−88	—	—	—	—
Accounts payable	−6 106	−5 942	−155	−9	—	—
Contingent financial assets and liabilities						
Loan commitments given undrawn [2]	−85	−27	−38	−20	—	—
Loan commitments obtained undrawn [3]	3 405	50	—	3 355	—	—

1 Accounts receivable maturity analysis does not include receivables accounted based on the percentage of completion method of EUR 1309 million (2010: EUR 1235 million).

2 Loan commitments given undrawn 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.

4 Other financial liabilities in 2010 included EUR 88 million non-derivative short-term financial liabilities disclosed in Note 16.

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 multiline and/or multiyear insurance policies, where available.

PARENT COMPANY FINANCIAL STATEMENTS ACCORDING TO FINNISH ACCOUNTING STANDARDS

INCOME STATEMENTS, PARENT COMPANY, FAS

Financial year ended December 31	Notes	2011 EURm	2010 EURm
Net sales		17 240	20 639
Cost of sales		−12 979	−15 363
Gross margin		4 261	5 276
Selling and marketing expenses		−1 384	−1 453
Research and development expenses		−2 888	−3 142
Administrative expenses		−227	−217
Other operating expenses		−586	−124
Other operating income		203	341
Operating profit	2, 3	−621	681
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		3 696	396
Dividend income from other companies		1	1
Other interest and financial income			
Interest income from Group companies		20	8
Interest income from other companies		5	4
Other financial income from other companies		8	15
Exchange gains and losses		65	−374
Interest expenses and other financial expenses			
Interest expenses to Group companies		−53	−24
Interest expenses to other companies		−72	−63
Impairment loss on investments in subsidiaries		−1 461	—
Other financial expenses		−98	−113
Financial income and expenses, total		2 111	−150
Profit before extraordinary items and taxes		1 490	531
Extraordinary items			
Group contributions		—	−6
Extraordinary items, total		—	−6
Profit before taxes		1 490	525
Income taxes			
for the year	18	−138	−106
from previous years		−14	−2
deferred taxes		204	123
Net profit		1 542	540

See Notes to the financial statements of the parent company.

BALANCE SHEETS, PARENT COMPANY, FAS

December 31	Notes	2011 EURm	2010 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	4		
Capitalized development costs		—	3
Intangible rights		36	35
Other intangible assets		319	446
		355	484
Tangible assets			
Machinery and equipment	5	1	—
		1	—
Investments			
Investments in subsidiaries	6	11 199	12 054
Investments in associated companies	6	11	58
Long-term loan receivables from Group companies		—	10
Long-term loan receivables from other companies		13	—
Other non-current assets	6	85	107
		11 308	12 229
Current assets			
Inventories and work in progress			
Raw materials and supplies		74	57
Work in progress		72	65
Finished goods		78	98
		224	220
Receivables			
Deferred tax assets		371	124
Trade debtors from Group companies		1 277	1 163
Trade debtors from other companies		497	568
Short-term loan receivables from Group companies		2 673	3 970
Prepaid expenses and accrued income from Group companies		278	54
Prepaid expenses and accrued income from other companies		2 194	2 133
		7 290	8 012
Short-term investments		37	37
Bank and cash		290	207
Total		19 505	21 189

See Notes to the financial statements of the parent company.

December 31	Notes	2011 EURm	2010 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7		
Share capital		246	246
Share issue premium		46	—
Treasury shares	7, 8	–649	–669
Fair value reserve	7, 8	68	—
Reserve for invested non-restricted equity	7, 8	3 132	3 145
Retained earnings	7, 8	2 128	3 072
Net profit for the year	7, 8	1 542	540
		6 513	6 334
Liabilities			
Long-term liabilities			
Long-term finance liabilities to other companies	9	3 528	3 430
Short-term liabilities			
Deferred tax liabilities		65	—
Current finance liabilities from Group companies		4 215	4 876
Current finance liabilities from other companies		—	379
Advance payments from other companies		614	323
Trade creditors to Group companies		1 799	3 433
Trade creditors to other companies		621	525
Accrued expenses and prepaid income to Group companies		52	32
Accrued expenses and prepaid income to other companies		2 098	1 857
		9 464	11 425
Total liabilities		12 992	14 855
Total		19 505	21 189

See Notes to the financial statements of the parent company.

STATEMENTS OF CASH FLOWS, PARENT COMPANY, FAS

Financial year ended December 31	Notes	2011 EURm	2010 EURm
Cash flow from operating activities			
Net profit		1 542	540
Adjustments, total	13	–1 740	457
Cash flow before change in net working capital		–198	997
Change in net working capital	13	–440	478
Cash generated from operations		–638	1 475
Interest received		28	10
Interest paid		–205	–127
Other financial income and expenses		87	–158
Income taxes paid		–165	–223
Cash flow before extraordinary items		–893	977
Extraordinary income and expenses		–6	10
Net cash used in/from operating activities		–899	987
Cash flow from investing activities			
Investments in shares		–563	–104
Capital expenditures		–66	–191
Proceeds from sale of shares		2	14
Proceeds from sale of other intangible assets		17	—
Proceeds from other long-term receivables		21	–123
Proceeds from short-term receivables		1 179	–717
Dividends received		2 656	324
Net cash from/used in investing activities		3 246	–797
Cash flow from financing activities			
Other contribution from shareholders		46	—
Repayments/proceeds from short-term borrowings		–938	1 335
Proceeds from long-term borrowings		112	97
Dividends paid		–1 484	–1 483
Net cash used in financing activities		–2 264	–51
Net increase/decrease in cash and cash equivalents		83	139
Cash and cash equivalents at beginning of period		244	105
Cash and cash equivalents at end of period		327	244

See Notes to the financial statements of the parent company.

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. ACCOUNTING PRINCIPLES

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

See Note 1 to Notes to the consolidated financial statements.

2. PERSONNEL EXPENSES

EURm	2011	2010
Wages and salaries	800	912
Pension expenses	136	141
Other social expenses	27	39
Personnel expenses as per profit and loss account	963	1 092

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 2009–2011 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

	2011			2010			2009		
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
Stephen Elop President and CEO	1 020 000	473 070	2 086 351	280 303	440 137	67 018	—	—	—

Total remuneration of the Nokia Leadership Team awarded for the fiscal years 2009–2011 was EUR 8 396 423 in 2011 (EUR 9 009 253 in 2010 and EUR 10 723 777 in 2009), which consisted of base salaries and cash incentive payments. Total share-based compensation expense relating to equity-based awards expensed by the company was EUR 4 513 671 in 2011 (EUR 3 186 223 in 2010 and EUR 9 668 484 in 2009).

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.

	2011		2010		2009	
Board of Directors	Gross annual fee [1] EUR	Shares received	Gross annual fee [1] EUR	Shares received	Gross annual fee [1] EUR	Shares received
Jorma Ollila, Chairman	440 000	29 604	440 000	20 710	440 000	16 575
Dame Marjorie Scardino, Vice Chairman	150 000	10 092	150 000	7 058	150 000	5 649
Georg Ehrnrooth [2]	—	—	—	—	155 000	5 838
Stephen Elop [3]	—	—	—	—	—	—
Lalita D. Gupte [4]	—	—	140 000	6 588	140 000	5 273
Bengt Holmström	130 000	8 746	130 000	6 117	130 000	4 896
Henning Kagermann [5]	155 000	10 428	130 000	6 117	130 000	4 896
Olli-Pekka Kallasvuo [6]	—	—	130 000	6 117	130 000	4 896
Per Karlsson [7]	130 000	8 746	155 000	7 294	155 000	5 838
Jouko Karvinen [8]	140 000	9 419	—	—	—	—
Helge Lund	130 000	8 746	—	—	—	—
Isabel Marey-Semper [9]	140 000	9 419	140 000	6 588	140 000	5 273
Risto Siilasmaa [10]	155 000	10 428	155 000	7 294	140 000	5 273
Kari Stadigh	130 000	8 746	—	—	—	—
Keijo Suila	—	—	130 000	6 117	130 000	4 896

1 Approximately 40% of each Board member's gross annual fee is paid in Nokia shares purchased from the market (included in the table under "Shares Received") and the remaining approximately 60% of the gross annual fee is paid in cash. 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 relating to the acquisition of the shares, including taxes.

2 The 2009 fee of Georg Ehrnrooth amounted to an annual 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.

3 Stephen Elop did not receive remuneration for his services as a member of the Board. This table does not include remuneration paid to Mr. Elop for services as the President and CEO.

4 The 2010 and 2009 fees of Lalita D. Gupte amounted to an annual total of EUR 140 000 each year indicated, 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.

5 The 2011 fee of Henning Kagermann amounted to an annual 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.

6 Olli-Pekka Kallasvuo left his position on the Nokia Board of Directors in 2010. This table includes fees paid to Olli-Pekka Kallasvuo for his services as a member of the Board, only.

7 The 2010 and 2009 fees of Per Karlsson amounted to an annual total of EUR 155 000 each year indicated, 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 2011 fee of Jouko Karvinen amounted to an annual 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 2011, 2010 and 2009 fees paid to Isabel Marey-Semper amounted to an annual total of EUR 140 000 each year indicated, 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 2011 and 2010 fees paid to Risto Siilasmaa amounted to an annual total of EUR 155 000 each year indicated, consisting of a fee of EUR 130 000 for service as a member of the Board and EUR 25 000 for service as Chairman of the Audit Committee. The 2009 fee of Risto Siilasmaa amounted to an annual 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 Nokia Leadership Team Members

Stephen Elop, President and CEO, participates in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings according to prescribed statutory rules. 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.

Personnel average	2011	2010
Production	2 473	2 560
Marketing	1 064	1 117
R&D	5 985	7 860
Administration	2 373	2 290
	11 895	13 827
Personnel, December 31	10 262	13 017

3. DEPRECIATION AND AMORTIZATION

EURm	2011	2010
Depreciation and amortization by asset class category		
Intangible assets		
Capitalized development costs	3	10
Intangible rights	25	23
Other intangible assets	143	143
Tangible assets	—	—
Total	171	176
Depreciation and amortization by function		
R&D	131	143
Production	1	—
Selling, marketing and administration	39	33
Total	171	176

4. INTANGIBLE ASSETS

EURm	2011	2010
Capitalized development costs		
Acquisition cost January 1	284	288
Disposals during the period	—	−4
Accumulated acquisition cost December 31	284	284
Accumulated amortization January 1	−281	−275
Disposals during the period	—	4
Amortization during the period	−3	−10
Accumulated amortization December 31	−284	−281
Net book value January 1	3	13
Net book value December 31	—	3
Intangible rights		
Acquisition cost January 1	228	304
Additions during the period	28	20
Disposals during the period	−5	−96
Accumulated acquisition cost December 31	251	228
Accumulated amortization January 1	−193	−258
Disposals during the period	3	88
Amortization during the period	−25	−23
Accumulated amortization December 31	−215	−193
Net book value January 1	35	46
Net book value December 31	36	35
Other intangible assets		
Acquisition cost January 1	790	619
Additions during the period	36	171
Disposals during the period	−44	—
Accumulated acquisition cost December 31	782	790
Accumulated amortization January 1	−344	−201
Disposals during the period	24	—
Amortization during the period	−143	−143
Accumulated amortization December 31	−463	−344
Net book value January 1	446	418
Net book value December 31	319	446

5. TANGIBLE ASSETS

At the end of 2011 and 2010 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	2011	2010
Investments in subsidiaries		
Acquisition cost January 1	12 054	12 109
Additions	608	96
Impairments	−1 360	—
Disposals	−103	−151
Net carrying amount December 31	11 199	12 054
Investments in associated companies		
Acquisition cost January 1	58	30
Additions	2	28
Impairments	−49	—
Net carrying amount December 31	11	58
Investments in other shares		
Acquisition cost January 1	107	74
Additions	32	57
Impairments	−52	—
Disposals	−2	−24
Net carrying amount December 31	85	107

7. SHAREHOLDERS' EQUITY

Parent Company, EURm	Share capital	Share issue premium	Treasury shares	Fair value reserve	Reserve for invested non-restricted equity	Retained earnings	Total
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
Settlement of performance and restricted shares			16		−9		7
Dividend						−1 483	−1 483
Net profit						540	540
Balance at December 31, 2010	246	—	−669	—	3 145	3 612	6 334
Other contribution from shareholders		46					46
Settlement of performance and restricted shares			20		−13		7
Fair value reserve increase				68			68
Dividend						−1 484	−1 484
Net profit						1 542	1 542
Balance at December 31, 2011	**246**	**46**	**−649**	**68**	**3 132**	**3 670**	**6 513**

8. DISTRIBUTABLE EARNINGS

EURm	2011	2010
Reserve for invested non-restricted equity	3 132	3 145
Retained earnings from previous years	2 128	3 072
Net profit for the year	1 542	540
Retained earnings, total	6 802	6 757
Treasury shares	−649	−669
Distributable earnings, December 31	6 153	6 088

9. LONG-TERM LIABILITIES

EURm	2011	2010
Long-term financial liabilities		
Bonds	3 028	2 930
Loans from financial institutions	500	500
Long-term liabilities, total	3 528	3 430
Long-term liabilities repayable after 5 years		
Bonds	1 731	1 640
Loans from financial institutions	—	—
Long-term liabilities, total	1 731	1 640

Bonds	Million	Interest, %	2011	2010
2009–2014	1 250 EUR	5.534	1 297	1 290
2009–2019	1 000 USD	5.572	799	753
2009–2019	500 EUR	6.792	543	524
2009–2039	500 USD	6.775	389	363
			3 028	2 930

10. COMMITMENTS AND CONTINGENCIES

EURm	2011	2010
Contingent liabilities on behalf of Group companies		
Guarantees for loans	2	68
Leasing guarantees	204	243
Other guarantees	65	63
Contingent liabilities on behalf of other companies		
Guarantees for loans	—	—
Other guarantees	3	3

11. LEASING CONTRACTS

At December 31, 2011 the leasing contracts of the Parent Company amounted to EUR 48 million (EUR 31 million in 2010). EUR 16 million will expire in 2012 (EUR 18 million in 2011).

12. LOANS GRANTED TO THE MANAGEMENT OF THE COMPANY

There were no loans granted to the members of the Group Executive Board and Nokia Leadership team at December 31, 2011.

13. NOTES TO CASH FLOW STATEMENTS

EURm	2011	2010
Adjustments for:		
Depreciation	171	176
Income taxes	−107	−14
Financial income and expenses	−3 529	248
Impairment of intangible assets	6	−5
Impairment of non-current available-for-sale investments	1 461	—
Other operating income and expenses	258	52
Adjustments, total	−1 740	457
Change in net working capital		
Short-term trade receivables, increase (–), decrease (+)	209	−200
Inventories, increase (–), decrease (+)	—	−3
Interest-free short-term liabilities, increase (+), decrease (–)	−649	681
Change in net working capital	−440	478

14. PRINCIPAL NOKIA GROUP COMPANIES ON DECEMBER 31, 2011

See note 33 to Notes to the consolidated financial statements.

15. NOKIA SHARES AND SHAREHOLDERS

See Nokia shares and shareholders p. 78–82.

16. ACCRUED INCOME

EURm	2011	2010
Taxes	85	67
Other	2 386	2 119
Total	2 471	2 186

17. ACCRUED EXPENSES

EURm	2011	2010
Personnel expenses	134	201
Taxes	—	—
Other	2 016	1 688
Total	2 150	1 889

18. INCOME TAX

EURm	2011	2010
Income tax from operations	138	108
Other income tax	—	−2
Total	138	106

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, 2011, 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, 2011, the total number of shares included 34 767 036 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, 2011	2011	2010	2009	2008	2007
Share capital, EURm	246	246	246	246	246
Shares (1 000)	3 744 956	3 744 956	3 744 956	3 800 949	3 982 812
Shares owned by the Group (1 000)	34 767	35 826	36 694	103 076	136 862
Number of shares excluding shares owned by the Group (1 000)	3 710 189	3 709 130	3 708 262	3 697 872	3 845 950
Average number of shares excluding shares owned by the Group during the year (1 000), basic	3 709 947	3 708 816	3 705 116	3 743 622	3 885 408
Average number of shares excluding shares owned by the Group during the year (1 000), diluted	3 709 947	3 713 250	3 721 072	3 780 363	3 932 008
Number of registered shareholders [1]	229 096	191 790	156 081	122 713	103 226

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

Key ratios December 31, 2011, IFRS (calculation see page 86)	2011	2010	2009	2008	2007
Earnings per share for profit attributable to equity holders of the parent, EUR					
Earnings per share, basic	−0.31	0.50	0.24	1.07	1.85
Earnings per share, diluted	−0.31	0.50	0.24	1.05	1.83
P/E ratio	neg.	15.48	37.17	10.37	14.34
(Nominal) dividend per share, EUR	0.20 [1]	0.40	0.40	0.40	0.53
Total dividends paid, EURm [2]	749 [1]	1 498	1 498	1 520	2 111
Payout ratio	neg. [1]	0.80	1.67	0.37	0.29
Dividend yield, %	5.30 [1]	5.17	4.48	3.60	2.00
Shareholders' equity per share, EUR [3]	3.20	3.88	3.53	3.84	3.84
Market capitalization, EURm [3]	13 987	28 709	33 078	41 046	101 995

1 2011 Dividend to be proposed by the Board of Directors for shareholders' approval at the Annual General Meeting convening on May 3, 2012.

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 6, 2010, Nokia shareholders authorized the Board of Directors to issue a maximum of 740 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 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 authorization is effective until June 30, 2013.

At the end of 2011, 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 6, 2010, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted equity. Nokia did not repurchase any shares on the basis of this authorization. This authorization was effective until June 30, 2011 as per the resolution of the Annual

General Meeting on May 6, 2010, but it was terminated by the resolution of the Annual General Meeting on May 3, 2011.

At the Annual General Meeting held on May 3, 2011, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted equity. The amount of shares corresponds to less than 10% of all the shares of the Company. The shares may be repurchased under the buyback 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. The authorization is effective until June 30, 2012.

Authorizations proposed to the Annual General Meeting 2012

On January 26, 2012, Nokia announced that the Board of Directors will propose that the Annual General Meeting convening on May 3, 2012 authorize the Board to resolve to repurchase a maximum of 360 million Nokia shares. The proposed maximum number of shares that may be repurchased is the same as the Board's current share repurchase authorization and it corresponds to 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 shares may be repurchased either through a tender offer made to all shareholders on equal terms, or through public trading from the stock market. The authorization would be effective until June 30, 2013 and terminate the current authorization for repurchasing of the Company's shares resolved at the Annual General Meeting on May 3, 2011.

Stock Option exercises 2007–2011

Year	Stock Option Category	Subscription price EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
2007	Nokia Stock Option Plan 2002 A/B	17.89	43 513	2007	778.00	—
	Nokia Stock Option Plan 2001C 1Q/02	26.06	17	2007	0.44	—
	Nokia Stock Option Plan 2001C 3Q/02	12.99	243	2007	3.00	—
	Nokia Stock Option Plan 2001C 4Q/02	16.86	49	2007	0.83	—
	Nokia Stock Option Plan 2003 2Q	14.95	9 683	2007	145.00	0.15
	Nokia Stock Option Plan 2003 3Q	12.71	53	2007	0.67	—
	Nokia Stock Option Plan 2003 4Q	15.05	48	2007	0.72	—
	Nokia Stock Option Plan 2004 2Q	11.79	1 569	2007	18.00	0.03
	Nokia Stock Option Plan 2004 3Q	9.44	30	2007	0.29	—
	Nokia Stock Option Plan 2004 4Q	12.35	25	2007	0.30	—
	Nokia Stock Option Plan 2005 2Q	12.79	1 350	2007	17.00	0.02
	Nokia Stock Option Plan 2005 3Q	13.09	4	2007	0.06	—
	Nokia Stock Option Plan 2005 4Q	14.48	13	2007	0.19	—
	Nokia Stock Option Plan 2006 1Q	14.99	13	2007	0.19	—
	Nokia Stock Option Plan 2006 2Q	18.02	631	2007	11.00	—
	Nokia Stock Option Plan 2006 3Q	15.37	7	2007	0.12	—
	Total		57 248		975.81	0.20
2008	Nokia Stock Option Plan 2003 2Q	14.95	2 444	2008	36.53	—
	Nokia Stock Option Plan 2003 3Q	12.71	11	2008	0.15	—
	Nokia Stock Option Plan 2003 4Q	15.05	82	2008	1.24	—
	Nokia Stock Option Plan 2004 2Q	11.79	415	2008	4.90	—
	Nokia Stock Option Plan 2004 3Q	9.44	5	2008	0.05	—
	Nokia Stock Option Plan 2004 4Q	12.35	13	2008	0.16	—
	Nokia Stock Option Plan 2005 2Q	12.79	361	2008	4.62	—
	Nokia Stock Option Plan 2005 3Q	13.09	5	2008	0.07	—
	Nokia Stock Option Plan 2005 4Q	14.48	0	2008	0.00	—
	Nokia Stock Option Plan 2006 1Q	14.99	1	2008	0.01	—
	Nokia Stock Option Plan 2006 2Q	18.02	192	2008	3.46	—
	Nokia Stock Option Plan 2006 3Q	15.37	11	2008	0.17	—
	Nokia Stock Option Plan 2006 4Q	15.38	6	2008	0.09	—
	Nokia Stock Option Plan 2007 1Q	17.00	0	2008	0.00	—
	Nokia Stock Option Plan 2007 2Q	18.39	0	2008	0.00	—
	Nokia Stock Option Plan 2007 3Q	21.86	0	2008	0.00	—
	Total		3 546		51.45	

Year	Stock option category	Subscription price EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
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	
2010	Nokia Stock Option Plan 2005 2Q	12.79	0	2010	0.00	—
	Nokia Stock Option Plan 2005 3Q	13.09	0	2010	0.00	—
	Nokia Stock Option Plan 2005 4Q	14.48	0	2010	0.00	—
	Nokia Stock Option Plan 2006 1Q	14.99	0	2010	0.00	—
	Nokia Stock Option Plan 2006 2Q	18.02	0	2010	0.00	—
	Nokia Stock Option Plan 2006 3Q	15.37	0	2010	0.00	—
	Nokia Stock Option Plan 2006 4Q	15.38	0	2010	0.00	—
	Nokia Stock Option Plan 2007 1Q	17.00	0	2010	0.00	—
	Nokia Stock Option Plan 2007 2Q	18.39	0	2010	0.00	—
	Nokia Stock Option Plan 2007 3Q	21.86	0	2010	0.00	—
	Nokia Stock Option Plan 2007 4Q	27.53	0	2010	0.00	—
	Nokia Stock Option Plan 2008 1Q	24.15	0	2010	0.00	—
	Nokia Stock Option Plan 2008 2Q	19.16	0	2010	0.00	—
	Nokia Stock Option Plan 2008 3Q	17.80	0	2010	0.00	—
	Nokia Stock Option Plan 2008 4Q	12.43	0	2010	0.00	—
	Nokia Stock Option Plan 2009 1Q	9.82	0	2010	0.00	—
	Nokia Stock Option Plan 2009 2Q	11.18	0	2010	0.00	—
	Nokia Stock Option Plan 2009 3Q	9.28	0	2010	0.00	—
	Total		0		0.00	
2011	Nokia Stock Option Plan 2006 1Q	14.99	0	2011	0.00	—
	Nokia Stock Option Plan 2006 2Q	18.02	0	2011	0.00	—
	Nokia Stock Option Plan 2006 3Q	15.37	0	2011	0.00	—
	Nokia Stock Option Plan 2006 4Q	15.38	0	2011	0.00	—
	Nokia Stock Option Plan 2007 1Q	17.00	0	2011	0.00	—
	Nokia Stock Option Plan 2007 2Q	18.39	0	2011	0.00	—
	Nokia Stock Option Plan 2007 3Q	21.86	0	2011	0.00	—
	Nokia Stock Option Plan 2007 4Q	27.53	0	2011	0.00	—
	Nokia Stock Option Plan 2008 1Q	24.15	0	2011	0.00	—
	Nokia Stock Option Plan 2008 2Q	19.16	0	2011	0.00	—
	Nokia Stock Option Plan 2008 3Q	17.80	0	2011	0.00	—
	Nokia Stock Option Plan 2008 4Q	12.43	0	2011	0.00	—
	Nokia Stock Option Plan 2009 1Q	9.82	0	2011	0.00	—
	Nokia Stock Option Plan 2009 2Q	11.18	0	2011	0.00	—
	Nokia Stock Option Plan 2009 3Q	9.28	0	2011	0.00	—
	Nokia Stock Option Plan 2009 4Q	8.76	0	2011	0.00	—
	Nokia Stock Option Plan 2010 1Q	10.11	0	2011	0.00	—
	Nokia Stock Option Plan 2010 2Q	8.86	0	2011	0.00	—
	Nokia Stock Option Plan 2010 3Q	7.29	0	2011	0.00	—
	Total		0		0.00	

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	2007	169 500	—	—	—
Cancellation of shares	2008	185 410	—	—	—
Cancellation of shares	2009	56 000	—	—	—
Cancellation of shares	2010	—	—	—	—
Cancellation of shares	2011	—	—	—	—

Share turnover

	2011 [1]	2010 [1]	2009 [1]	2008 [2]	2007 [2]
Share turnover (1 000)	15 696 008	12 299 112	11 025 092	12 962 489	12 695 999
Total number of shares (1 000)	3 744 956	3 744 956	3 744 956	3 800 949	3 982 812
% of total number of shares	419	328	294	341	319

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)

	2011	2010	2009	2008	2007
Low/high	3.33/8.49	6.59/11.82	6.67/12.25	9.95/25.78	14.63/28.60
Average [1]	5.19	8.41	9.64	17.35	20.82
Year-end	3.77	7.74	8.92	11.10	26.52

1 Calculated by weighting average price with daily volumes.

Share prices, USD (New York Stock Exchange)

ADS	2011	2010	2009	2008	2007
Low/high	4.46/11.75	8.00/15.89	8.47/16.58	12.35/38.25	19.08/41.10
Average [1]	7.13	11.11	13.36	24.88	29.28
Year-end	4.82	10.32	12.85	15.60	38.39

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, 2011

Shareholders registered in Finland represented 21.85% and shareholders registered in the name of a nominee represented 78.15% of the total number of shares of Nokia Corporation. The number of registered shareholders was 229 096 on December 31, 2011. 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, 2011, ADRs represented 15.77% of the total number of shares in Nokia.

Largest shareholders registered in Finland, December 31, 2011 [1]

Shareholder	Total number of shares (1 000)	% of all shares	% of all voting rights
Ilmarinen Mutual Pension Insurance Company	79 889	2.13	2.15
Varma Mutual Pension Insurance Company	40 002	1.07	1.08
The State Pension Fund	23 000	0.61	0.62
Svenska Litteratursällskapet i Finland rf	14 226	0.38	0.38
OP-Delta Fund	12 600	0.34	0.34
Sigrid Jusélius Foundation	9 400	0.25	0.25
Mutual Insurance Company Pension Fennia	8 181	0.22	0.22
Schweizerische Nationalbank	7 923	0.21	0.21
Nordea Suomi Fund	7 300	0.19	0.20
Keva (Local Government Pensions Institutions)	5 836	0.16	0.16

1 Excluding nominee registered shares and shares owned by Nokia Corporation. Nokia Corporation owned 34 767 036 shares as of December 31, 2011.

Breakdown of share ownership, December 31, 2011 [1]

By number of shares owned	Number of shareholders	% of shareholders	Total number of shares	% of all shares
1–100	47 949	20.93	2 939 023	0.08
101–1 000	115 427	50.38	52 109 957	1.39
1 001–10 000	58 462	25.52	175 741 877	4.69
10 001–100 000	6 812	2.97	165 606 238	4.42
100 001–500 000	341	0.15	68 676 745	1.83
500 001–1 000 000	43	0.02	30 491 834	0.81
1 000 001–5 000 000	43	0.02	105 647 022	2.82
Over 5 000 000	19	0.01	3 143 743 356	83.95
Total	229 096	100.00	3 744 956 052	100.00

By nationality, %	Shares
Non-Finnish shareholders	78.15
Finnish shareholders	21.85
Total	100.00

By shareholder category (Finnish shareholders), %	Shares
Corporations	2.86
Households	9.94
Financial and insurance institutions	2.47
Non-profit organizations	1.86
General government	4.72
Total	21.85

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 NOKIA LEADERSHIP TEAM

Members of the Board of Directors and the Nokia Leadership Team owned on December 31, 2011, an aggregate of 2 254 452 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 4 970 949 shares representing approximately 0.13% of the total number of shares and voting rights on December 31, 2011.

NOKIA GROUP 2007–2011, IFRS*

	2011	2010	2009	2008	2007
Profit and loss account, EURm					
Net sales	38 659	42 446	40 984	50 710	51 058
Cost and expenses	–39 732	–40 376	–39 787	–45 744	–43 073
Operating profit	–1 073	2 070	1 197	4 966	7 985
Share of results of associated companies	–23	1	30	6	44
Financial income and expenses	–102	–285	–265	–2	239
Profit before tax	–1 198	1 786	962	4 970	8 268
Tax	–290	–443	–702	–1 081	–1 522
Profit	–1 488	1 343	260	3 889	6 746
Profit attributable to equity holders of the parent	–1 164	1 850	891	3 988	7 205
Non-controlling interests	–324	–507	–631	–99	–459
	–1 488	1 343	260	3 889	6 746
Balance sheet items, EURm					
Fixed assets and other non-current assets	10 750	11 978	12 125	15 112	8 305
Current assets	25 455	27 145	23 613	24 470	29 294
Inventories	2 330	2 523	1 865	2 533	2 876
Accounts receivable and prepaid expenses	12 223	12 347	12 875	15 117	14 665
Total cash and other liquid assets	10 902	12 275	8 873	6 820	11 753
Total equity	13 916	16 231	14 749	16 510	17 338
Capital and reserves attributable to the Company's equity holders	11 873	14 384	13 088	14 208	14 773
Non-controlling interests	2 043	1 847	1 661	2 302	2 565
Long-term liabilities	4 845	5 352	5 801	2 717	1 285
Long-term interest-bearing liabilities	3 969	4 242	4 432	861	203
Deferred tax liabilities	800	1 022	1 303	1 787	963
Other long-term liabilities	76	88	66	69	119
Current liabilities	17 444	17 540	15 188	20 355	18 976
Current portion of long-term loans	357	116	44	13	173
Short-term borrowings	995	921	727	3 578	714
Other financial liabilities	483	447	245	924	184
Accounts payable	5 532	6 101	4 950	5 225	7 074
Accrued expenses and other liabilities	7 450	7 365	6 504	7 023	7 114
Provisions	2 627	2 590	2 718	3 592	3 717
Total assets	36 205	39 123	35 738	39 582	37 599

* 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 2008–2011 are not directly comparable to the results for the full year 2007. Nokia's first quarter 2007 results included Nokia's former Networks business group only.

On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ was a separate reportable segment of Nokia starting from the third quarter 2008 until end of third quarter 2011. Accordingly, the results of NAVTEQ are not available for prior period. As of October 1, 2011, Location & Commerce was formed by combining the NAVTEQ business with Devices & Services social location services operations.

Key ratios and economic indicators [1]	2011	2010	2009	2008	2007
Net sales, EURm	38 659	42 446	40 984	50 710	51 058
Change, %	–8.9	3.6	–19.2	–0.7	24.2
Exports and foreign subsidiaries, EURm	38 342	42 075	40 594	50 348	50 736
Salaries and social expenses, EURm	7 516	6 947	6 734	6 847	5 702
Operating profit, EURm	–1 073	2 070	1 197	4 966	7 985
% of net sales	–2.8	4.9	2.9	9.8	15.6
Financial income and expenses, EURm	–102	–285	–265	–2	239
% of net sales	–0.3	0.7	0.6	—	0.5
Profit before tax, EURm	–1 198	1 786	962	4 970	8 268
% of net sales	–3.0	4.2	2.3	9.8	16.2
Profit from continuing operations, EURm	–1 164	1 850	891	3 988	7 205
% of net sales	–3.0	4.4	2.2	7.9	14.1
Taxes, EURm	290	443	702	1 081	1 522
Dividends, EURm	749 [2]	1 498	1 498	1 520	2 111
Capital expenditure, EURm	597	679	531	889	715
% of net sales	1.5	1.6	1.3	1.8	1.4
Gross investments [3], EURm	710	836	683	1 166	1 017
% of net sales	1.8	2.0	1.7	2.3	2.0
R&D expenditure, EURm	5 612	5 863	5 909	5 968	5 647
% of net sales	14.5	13.8	14.4	11.8	11.1
Average personnel	134 171	129 355	123 171	121 723	100 534
Non-interest bearing liabilities, EURm	16 168	16 591	14 483	16 833	18 208
Interest-bearing liabilities, EURm	5 321	5 279	5 203	4 452	1 090
Return on capital employed, %	neg.	11.0	6.7	27.2	54.8
Return on equity, %	neg.	13.5	6.5	27.5	53.9
Equity ratio, %	40.1	42.8	41.9	42.3	46.7
Net debt to equity, %	–40	–43	–25	–14	–62

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 2008–2011 are not directly comparable to the results for the full year 2007. Nokia's first quarter 2007 results included Nokia's former Networks business group only.

On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ was a separate reportable segment of Nokia starting from the third quarter 2008 until end of third quarter 2011. Accordingly, the results of NAVTEQ are not available for prior period. As of October 1, 2011, Location & Commerce was formed by combining the NAVTEQ business with Devices & Services social location services operations.

2 Board's proposal

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

Calculation of Key Ratios, see page 86.

CALCULATION OF KEY RATIOS

KEY RATIOS UNDER IFRS

Operating profit
Profit after depreciation

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

Earnings per share (basic)
Profit attributable to equity holders of the parent
Average of adjusted number of shares during the year

P/E ratio
Adjusted share price, December 31
Earnings per share

Dividend per share
Nominal dividend per share
The adjustment coefficients of the share issues that have taken place during or after the year in question

Payout ratio
Dividend per share
Earnings per share

Dividend yield, %
Nominal dividend per share
Share price

Shareholders' equity per share
Capital and reserves attributable to the Company's equity holders
Adjusted number of shares at year end

Market capitalization
Number of shares x share price per share class

Adjusted average share price
Amount traded, in EUR, during the period
Adjusted number of shares traded during the period

Share turnover, %
Number of shares traded during the period
Average number of shares during the period

Return on capital employed, %
Profit before taxes + interest and other net financial expenses
Average capital and reserves attributable to the Company's equity holders + short-term borrowings + long-term interest-bearing liabilities (including the current portion thereof) + non-controlling interests

Return on shareholders' equity, %
Profit attributable to the equity holders of the parent
Average capital and reserves attributable to the Company's equity holders during the year

Equity ratio, %
Capital and reserves attributable to the Company's equity holders + non-controlling interests
Total assets – advance payments received

Net debt to equity (gearing), %
Long-term interest-bearing liabilities (including the current portion thereof) + short-term borrowings – cash and other liquid assets
Capital and reserves attributable to the equity holders of the parent + non-controlling interests

Year-end currency rates 2011

	1 EUR =
USD	1.3059
GBP	0.8391
CNY	8.2723
INR	69.0430
RUB	41.7680
JPY	101.70

SIGNING OF THE ANNUAL ACCOUNTS 2011 AND PROPOSAL BY THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

The distributable funds in the balance sheet of the Company as per December 31, 2011 amount to EUR 6 153 million.

The Board proposes that from the retained earnings a dividend of EUR 0.20 per share is to be paid out on the shares of the Company. As per December 31, 2011, 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 749 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 8, 2012

Jorma Ollila
Chairman

Marjorie Scardino

Bengt Holmström

Henning Kagermann

Per Karlsson

Jouko Karvinen

Helge Lund

Isabel Marey-Semper

Risto Siilasmaa

Kari Stadigh

Stephen Elop
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 2011. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in shareholders' equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, statement of cash flows 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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the review by the Board of Directors that give a true and fair view 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 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 express an opinion on the financial statements, on the consolidated financial statements and on the review by the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we 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 are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements and the review by the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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, 8 March, 2012

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. Some 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 related results form the basis for making judgments about reported carrying values of assets and liabilities and reported amounts of revenues and expenses that may not be readily apparent from other sources. The Group will revise material estimates if changes occur in the circumstances on which an estimate was based or as a result of new information or more experience. Actual results may differ from current estimates under different assumptions or conditions. The estimates affect all our businesses equally unless otherwise indicated.

The following paragraphs discuss 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

Majority of the Group's sales 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 Local & Commerce 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 largely based 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 Location & Commerce 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, Location & Commerce 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 one or more of 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 probable and can be estimated reliably. Losses on projects in progress are recognized in the period they become probable and can be estimated reliably.

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 reassess 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. From time to time, the Group endeavors to mitigate this risk through 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 business. See also Note 34(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 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 284 million at the end of 2011 (EUR 363 million at the end of 2010).

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 457 million at the end of 2011 (EUR 301 million at the end of 2010). The financial impact of the assumptions regarding this allowance affects mainly the cost of sales of the Devices & Services and Nokia Siemens Networks businesses.

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 was EUR 688 million at the end of 2011 (EUR 928 million at the end of 2010). The financial impact of the assumptions regarding this provision mainly affects the cost of sales of our Devices & Services business.

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 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 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. We identify potential IPR infringements 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 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 431 million at the end of 2011 (EUR 449 million at the end of 2010). The financial impact of the assumptions regarding this provision mainly affects our Devices & Services business.

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

LEGAL CONTINGENCIES

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

CAPITALIZED DEVELOPMENT COSTS

We capitalize certain development costs primarily in the Nokia Siemens Networks business when it is probable that a development project will be a success, the development project will generate further economic benefits and certain criteria, including commercial and technical feasibility, have been met. These costs are then amortized on a systematic basis over their expected useful lives, which due to the constant development of new technologies is between two to five years. During the development stage, management must estimate the commercial and technical feasibility of these projects as well as their expected useful lives. Should a product fail to substantiate its estimated feasibility or life cycle, we may be required to write off excess development costs in future periods.

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

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 acquisition method of accounting to account for acquisitions of businesses. The consideration transferred in a business combination is measured as the aggregate of the fair values of the assets transferred, liabilities incurred towards the former owners of the acquired business and equity instruments issued. Acquisition-related costs are recognized as expense in profit and loss in the periods when the costs are incurred and the related services are received. Identifiable assets acquired and liabilities assumed are measured separately at their fair value as of the acquisition date. Non-controlling interests in the acquired business are measured separately based on their proportionate share of the identifiable net assets of the acquired business. 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 the 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 ASSETS, INTANGIBLE ASSETS AND GOODWILL

We assess 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. We assess the carrying amount of our goodwill at least annually, or more frequently based on these same indicators. Factors that we consider important, and 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 are expected to benefit from the synergies arising from each of our acquisitions. Accordingly, goodwill has been allocated to the Group's reportable segments; Smart Devices CGU, Mobile Phones CGU, Location & Commerce CGU and Nokia Siemens Networks CGU. For the purposes of the Group's 2011 annual impairment testing, the amount of goodwill previously allocated in 2010 to the Devices & Services CGU has been reallocated to the Smart Devices CGU and the Mobile Phones CGU based on their relative fair values. Based on the Group's assessment, no goodwill was allocated from Devices & Services to Location & Commerce pursuant to the formation of Location & Commerce business unit and segment on October 1, 2011. The organizational changes were not a driver of, and did not result in an impairment in the Location & Commerce CGU. Goodwill amounting to EUR 862 million, EUR 502 million and EUR 173 million was allocated to the Smart Devices CGU, Mobile Phones CGU and Nokia Siemens Networks CGU, respectively, at the date of the 2011 impairment testing.

In the fourth quarter of 2011, we conducted our annual impairment testing to assess if events or changes in circumstances indicated that the carrying amount of our goodwill may not be recoverable. The impairment testing was carried out based on management's assessment of financial performance and future strategies in light of current and expected market and economic conditions.

The recoverable amounts for the Smart Devices CGU and the Mobile Phones CGU are based on value in use calculations. A discounted cash flow calculation was used to estimate the value in use for both CGUs. Cash flow projections determined by management are based on information available, to reflect the present value of the future cash flows expected to be derived through the continuing use of the Smart Devices CGU and the Mobile Phones CGU.

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

The cash flow projections employed in the value in use and the fair value less costs to sell calculations are based on detailed financial plans approved by management, covering a three-year planning horizon. Cash flows in subsequent periods reflect a realistic pattern of slowing growth that declines towards an estimated terminal growth rate utilized in the terminal period. The terminal growth rate utilized does not exceed long-term average growth rates for the industry and economies in which the CGU operates. All cash flow projections are consistent with external sources of information, wherever available.

The goodwill impairment testing conducted for the Smart Devices CGU, Mobile Phones CGU and Nokia Siemens Networks CGU did not result in any impairment charges for the year ended December 31, 2011.

A charge to operating profit of EUR 1 090 million was recorded for the impairment of goodwill in our Location & Commerce business in the fourth quarter 2011. The impairment loss was allocated in its entirety to the carrying amount of goodwill in the balance sheet of the Location & Commerce CGU. 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 Location & Commerce CGU has been reduced to EUR 3 274 million at December 31, 2011.

The impairment charge is the result of an evaluation of the projected financial performance and net cash flows of the Location & Commerce CGU. The main drivers for management's net cash flow projections include license fees related to digital map data, fair value of the services sold within the Group and estimated average revenue per user with regard to mobile media advertising. The average revenue per user is estimated based on peer market data for mobile advertising revenue. Projected device sales volumes impact the overall forecasted intercompany and advertising revenues. This takes into consideration the market dynamics in digital map data and related location-based content markets, including the Group's long-term view that the market will move from fee-based models towards advertising-based models especially in some more mature markets. It also reflects recently announced results and related competitive factors in local search and advertising market resulting in lower estimated growth prospects from location-based assets integrated with different advertising platforms. After consideration of all relevant factors, the Group reduced the net sales projections for the Location & Commerce CGU which, in turn, reduced projected profitability and cash flows.

The Group has concluded that the recoverable amount for the Location & Commerce CGU is most sensitive to the valuation assumptions for discount rate and long-term growth rate. A reasonably possible increase in the discount rate or decrease in long-term growth rate would give rise to an additional material 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 units	2011	2010	2009
Devices & Services			
Terminal growth rate	—	2.0	2.0
Post-tax discount rate	—	8.7	—
Pre-tax discount rate	—	11.1	11.5
Nokia Siemens Networks			
Terminal growth rate	1.0	—	1.0
Post-tax discount rate	10.4	—	—
Pre-tax discount rate	13.8	—	13.2
Location & Commerce			
Terminal growth rate	3.1	4.0	5.0
Post-tax discount rate	9.7	9.6	—
Pre-tax discount rate	13.1	12.8	12.6
Smart Devices			
Terminal growth rate	1.9		
Post-tax discount rate	9.0		
Pre-tax discount rate	12.2		
Mobile Phones			
Terminal growth rate	1.5		
Post-tax discount rate	9.0		
Pre-tax discount rate	13.1		

Both value in use of Smart Devices CGU and Mobile Phones CGU and fair value less costs to sell for Location & Commerce CGU and Nokia Siemens Networks CGU are determined on a pre-tax value basis using pre-tax valuation assumptions including pre-tax cash flows and pre-tax discount rate. As market-based rates of return for the Group's CGUs are available only on a post-tax basis, the pre-tax discount rates are derived by adjusting the post-tax discount rates to reflect the specific amount and timing of future tax cash flows. 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.

In 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. As a result of the impairment loss, the amount of goodwill allocated to the Nokia Siemens Networks CGU in the year ended December 31, 2009, was reduced to zero. Goodwill allocated to the Nokia Siemens Networks CGU has subsequently increased during 2011, primarily as a result of the acquisition of Motorola Solutions' Networks business.

The goodwill impairment testing conducted for each of the Group's CGUs for the year ended December 31, 2010 did not result in any impairment charges. See also Note 8 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. During 2011 the Group received distributions of EUR 45 million (EUR 69 million in 2010) included in other financial income from a private fund held as non-current available-for-sale. Due to a reduction in estimated future cash flows the Group also recognized an impairment loss of EUR 38 million (EUR 94 million in 2010) for the fund included in other financial expenses.

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. Deferred tax assets are assessed for realizability each reporting period, and when circumstances indicate that it is no longer probable that deferred tax assets will be utilized, they are adjusted as necessary.

At December 31, 2011, the Group had loss carry forwards, temporary differences and tax credits of EUR 4 302 million (EUR 3 323 million in 2010) for which no deferred tax assets were recognized in the consolidated financial statements due to uncertainty of utilization of these items.

We recognize tax provisions based on estimates and assumptions when, despite our belief that tax return positions are supportable, it is more likely than not that certain positions will be challenged and may not be fully sustained upon review by tax authorities.

If the final outcome of these matters differs from the amounts initially recorded, differences may positively or negatively impact the current taxes and deferred taxes 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 businesses.

SHARE-BASED COMPENSATION

We have various types of equity-settled share-based compensation schemes for employees mainly in Devices & Services and Location & Commerce. 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 24 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.

CORPORATE GOVERNANCE

This Corporate Governance statement is prepared in accordance with Chapter 2, Section 6 of the Finnish Securities Markets Act and the recommendation 54 of the Finnish Corporate Governance Code and is issued separately from the review by the Board of Directors. The review by the Board of Directors 2011 is available on page 3 of the 'Nokia in 2011' publication.

REGULATORY FRAMEWORK

Nokia's corporate governance practices comply with Finnish laws and regulations as well as with Nokia's Articles of Association. Nokia also complies with the Finnish Corporate Governance Code with the following two exceptions:

Nokia is not in full compliance with the recommendation 39 of the Finnish Corporate Governance Code as Nokia's Restricted Share Plans do not include any performance criteria but are time-based only, with a restriction period of at least three years from the grant. However, restricted shares are granted only on a selective basis to promote long-term retention of functional mastery and other employees and executives deemed critical for the future success of Nokia, as well as to support attraction of promising external talent in a competitive environment in which Nokia's peers, especially in the United States, commonly use such shares. The Restricted Share Plans also promote employee share ownership, and are used in conjunction with the Performance Share and Stock Option Plans.

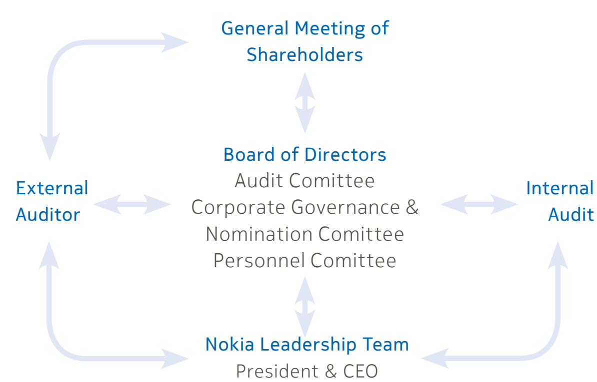
Further, in 2011, Nokia did not fully comply with the recommendation 4 of the Finnish Corporate Governance Code as Helge Lund, who was proposed for the first time to the Board, was not able to attend the Annual General Meeting held on May 3, 2011. However, there were well-founded reasons for his absence and all of the prospective directors proposed for the first time to the Board, including Mr. Lund, were introduced to the shareholders via video messages. The Finnish Corporate Governance Code is accessible at www.cgfinland.fi.

In addition, as a result of Nokia's listing of its shares on the New York Stock Exchange and its registration under the US Securities Exchange Act of 1934, Nokia must comply with the US federal securities laws and regulations, including the Sarbanes-Oxley Act of 2002 as well as the requirements of the New York Stock Exchange, in particular the corporate governance rules under section 303A of the New York Stock Exchange Listed Company Manual, which is accessible at http://nysemanual.nyse.com/lcm/. Nokia complies with the above rules in each case to the extent that those provisions are applicable to foreign private issuers. Nokia also complies with any other mandatory corporate governance rules applicable due to listing of Nokia share in Helsinki and New York stock exchanges. In 2011, Nokia decided to delist its shares from the Frankfurt Stock Exchange, and the final day of trading was March 16, 2012.

Nokia's aim is to comply in all material respects with applicable rules and regulations. To the extent any non-domestic rules and regulations would require a violation of the laws of Finland, Nokia is obliged to comply with the Finnish requirements. Nevertheless, Nokia aims to minimize the necessity for, or consequences of, conflicts between the laws of Finland and applicable non-domestic requirements.

MAIN CORPORATE GOVERNANCE BODIES OF NOKIA

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 (the "Board"), the President and the Nokia Leadership Team chaired by the Chief Executive Officer.



General Meeting of shareholders

The shareholders may exercise their decision-making power and their right to speak and ask questions at the General Meeting of shareholders. Each Nokia share entitles the shareholder to one vote at General Meetings of Nokia. Pursuant to the Finnish Companies Act, an Annual General Meeting must be convened each year by June 30. The Annual General Meeting decides, among other things, on the election and remuneration of the Board of Directors, on the election and fees of external auditor as well as on distribution of profit.

In addition to the Annual General Meeting, an Extraordinary General Meeting shall be convened when the Board considers such meeting to be necessary, or, when the provisions of the Finnish Companies Act mandate that such a meeting must be held.

The Board of Directors

The operations of Nokia 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 Nokia. The Board's responsibilities are active, not passive, and include the responsibility regularly to evaluate the strategic direction of Nokia, management policies and the effectiveness with which management implements them. The Board's responsibilities also include overseeing the structure and composition of Nokia's top management and monitoring legal compliance and the management of risks related to Nokia'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.

In risk management policies and processes the Board's role includes risk analysis and assessment in connection with each financial and business review, update and decision-making proposal. Risk oversight is an integral part of all Board deliberations. For a more detailed description of Nokia's risk management policies and processes, please see the chapter "Main features of the internal control and risk management systems in relation to the financial reporting process" below.

The Board has the responsibility for appointing and discharging the Chief Executive Officer, the Chief Financial Officer and the other members of the Nokia Leadership Team. 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 Nokia Leadership Team are approved by the Personnel Committee upon the recommendation of the Chief Executive Officer.

It is the responsibility of the members of the Board 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 has three committees: Audit Committee, Corporate Governance and Nomination Committee and Personnel Committee. These assist the Board in its duties pursuant to their respective committee charters. The Board may also establish ad hoc committees for detailed reviews or considerations of particular topics to be proposed for the approval of the Board.

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 line with past years' practice, in 2011, 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 one-year term at each Annual General Meeting, i.e., as from the close of that Annual General Meeting until the close of the following Annual General Meeting, which convenes each year by June 30. The Annual General Meeting held on May 3, 2011 elected the following 11 members to the Board of Directors: Stephen Elop, Bengt Holmström, Henning Kagermann, Per Karlsson, Jouko Karvinen, Helge Lund, Isabel Marey-Semper, Jorma Ollila, Dame Marjorie Scardino, Risto Siilasmaa and Kari Stadigh.

Nokia Board's leadership structure consists of a Chairman and Vice Chairman, elected annually 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 May 3, 2011, the independent directors of the Board elected Jorma Ollila to continue as Chairman and Dame Marjorie Scardino to continue as Vice Chairman of the Board. The Chairman has certain specific duties as defined by Finnish standards and the Nokia Corporate Governance Guidelines. The Vice Chairman assumes the duties of the Chairman in case the Chairman is prevented from performing his duties. The Board has determined that Nokia Board Chairman, Jorma Ollila, and the Vice Chairman, Dame Marjorie Scardino, are independent as defined by Finnish standards and relevant stock exchange rules.

Nokia does not have a policy concerning the combination or separation of the roles of Chairman and Chief Executive Officer, but the Board 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. In 2011, the roles were separate and Jorma Ollila was the Chairman of the Board and the Chief Executive Officer was Stephen Elop.

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. 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 whose consolidated gross revenue from Nokia accounts for an amount that exceeds the limit provided in the New York Stock Exchange corporate governance standards, but that is less than 4%.

The Board held 19 meetings during 2011, the majority of which were regularly scheduled meetings held in person, complemented by meetings through conference call and other means. In addition, in 2011 the non-executive directors held a meeting without management in connection with each regularly scheduled Board meeting. Also, the independent directors held one meeting separately in 2011.

Directors' attendance at the Board meetings, including Committee meetings, but excluding meetings among the non-executive directors or independent directors only, was as follows in 2011:

In addition, many of the directors attended as non-voting observers meetings of a committee in which they were not a member.

According to the Nokia Board practices, the non-executive directors meet without management in connection with each regularly scheduled meeting. Such sessions are chaired by the non-executive Chairman of the Board. If the non-executive Chairman of the Board is unable to chair any of the meetings of non-executive directors, the non-executive Vice Chairman of the Board chairs the meeting.

In addition, the independent directors meet separately at least once annually. All the directors who served on the Board for the term until the close of the Annual General Meeting 2011, except for Per Karlsson, attended Nokia's Annual General Meeting held on May 3, 2011. The Finnish Corporate Governance Code recommends attendance by the Board Chairman and a sufficient number of directors in the general meeting of shareholders to allow the shareholders to exercise their right to present questions to the Board and management. Also all of the persons proposed for the first time to the Board, except for Helge Lund, attended the Annual General Meeting held on May 3, 2011, which elected them. The Finnish Corporate Governance Code recommends that a person proposed for the first time as director shall participate in the general meeting that decides on his or her election in order to

	Board meetings	Audit Committee meetings	Personnel Committee meetings	Corporate Governance & Nomination Committee meetings
Stephen Elop (as of May 3, 2011)	100%	N/A	N/A	N/A
Lalita Gupte (until May 3, 2011)	100%	100%	N/A	N/A
Bengt Holmström	95%	N/A	N/A	N/A
Henning Kagermann	95%	N/A	100%	100%
Per Karlsson	10% [1]	N/A	20% [1]	0% (until May 3, 2011) [1]
Jouko Karvinen (as of May 3, 2011)	100%	100%	N/A	N/A
Helge Lund (as of May 3, 2011)	100%	N/A	67%	N/A
Isabel Marey-Semper	90%	100%	N/A	N/A
Jorma Ollila	100%	N/A	N/A	N/A
Marjorie Scardino	85%	N/A	80%	100%
Risto Siilasmaa	100%	100%	N/A	100%
Kari Stadigh (as of May 3, 2011)	100%	N/A	100%	N/A
Keijo Suila (until May 3, 2011)	84%	N/A	N/A	N/A

1 Per Karlsson was absent from the Board and Committee meetings in 2011 due to illness requiring medication and hospitalization. After recovering he was able to rejoin the Board and Committee meetings as from November 2011.

be introduced to the shareholders. All of the persons proposed for the first time to the Board were introduced to the shareholders via video messages.

The independent directors of the Board 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, its committees and certain other matters relating to corporate governance are available on Nokia's website, www.nokia.com/global/about-nokia. Also, the Committee Charters of the Audit Committee, Corporate Governance and Nomination Committee and Personnel Committee are available on Nokia's website, www.nokia.com/global/about-nokia. Nokia also has a Code of Conduct which is equally applicable to all of Nokia's employees, directors and management, and a Code of Ethics for the Principal Executive Officers and the Senior Financial Officers. Both the Code of Conduct and Code of Ethics are available on Nokia's website, www.nokia.com/global/about-nokia.

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, i.e. NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 3, 2011, the Audit Committee consists of the following three members of the Board: Risto Siilasmaa (Chairman), Jouko Karvinen and Isabel Marey-Semper.

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, including also the performance of its ethics and compliance program. 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 the 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. For further information on internal control over financial reporting, see chapter "Main features of the internal control and risk management systems in relation to the financial reporting process" below.

Under Finnish law, Nokia's external auditor is elected by Nokia's 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. Under Finnish law, the fees of the external auditor are also 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 Annual General Meeting. For information about the fees paid to Nokia's external auditor, PricewaterhouseCoopers, during 2011 see "Auditor fees and services" on page 132.

In discharging its oversight role, the Audit 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, heads of the internal audit and ethics and compliance functions, and the external auditor in connection with each regularly scheduled meeting. The head of the internal audit function has at all times a direct access to the Audit Committee, without involvement of management.

The Audit Committee had eight meetings in 2011. The attendance at all meetings was 100%. In addition, any directors who wish to may attend Audit Committee meetings as non-voting 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, i.e. NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 3, 2011, the Personnel Committee consists of the following five members of the Board: Henning Kagermann (Chairman), Per Karlsson, Helge Lund, Dame Marjorie Scardino and Kari Stadigh.

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 their terms of employment. 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, designed with an intention to contribute to the long-term value sustainability of the company, 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 five meetings in 2011. The average attendance at the meetings was 74%. In addition, any directors who wish to may attend Personnel Committee meetings as non-voting observers.

For further information on the activities of the Personnel Committee, see "Executive compensation philosophy, programs and decision-making process" on page 111.

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, i.e. NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 3, 2011, the Corporate Governance and Nomination Committee consists of the following three members of the Board: Dame Marjorie Scardino (Chairman), Henning Kagermann and Risto Siilasmaa.

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 and considering and evaluating the appropriate level and structure of director remuneration, (ii) proposing to the shareholders the director nominees for election at the Annual General Meetings as well as the director remuneration, (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 the 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 new director candidates.

The Corporate Governance and Nomination Committee had five meetings in 2011. The average attendance at the meetings was 87%. In addition, any directors who wish to may attend Corporate Governance and Nomination Committee meetings as non-voting observers.

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

Nokia Leadership Team and CEO

Under its Articles of Association, in addition to the Board of Directors, Nokia has a Nokia Leadership Team that is responsible for the operative management of Nokia. The Chairman and members of the Nokia Leadership Team are appointed by the Board of Directors. Nokia Leadership Team is chaired by the Chief Executive Officer. Only the Chairman of the Nokia Leadership Team, the Chief Executive Officer, can be a member of both the Board of Directors and the Nokia Leadership Team. The Chief Executive Officer also acts as President, and his rights and responsibilities include those allotted to the President under Finnish law.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

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, the 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 the risk management across all business operations and processes based on a strategy approved by the Board. Accordingly, the risk management at Nokia is not a separate process but a normal daily business and management practice.

The management is responsible for establishing and maintaining adequate internal control over financial reporting for Nokia. Nokia's internal control over financial reporting is designed to provide reasonable assurance to the management and the Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements.

The management conducts a yearly assessment of Nokia's internal controls over financial reporting in accordance with the Committee of Sponsoring Organizations (COSO) framework and the Control Objectives for Information and related Technology (CoBiT) of internal controls. For the year 2011, the assessment was performed based on a top down risk assessment of Nokia's financial statements covering significant accounts, processes and locations, corporate level controls, control activities and information systems' general controls.

As part of its assessment the management documented:

» The corporate-level controls, which create the "tone from the top" containing Nokia values and Code of Conduct and provide discipline and structure to the decision making and ways of working. Selected items from Nokia's operational mode and governance principles are separately documented as corporate level controls.

» The control activities, which consist of policies and procedures to ensure the management's directives are carried out and the related documentation is stored according to Nokia's document retention practices and local statutory requirements.

» The information systems' general controls to ensure that sufficient information technology general controls, including change management, system development, computer operations as well as access and authorizations, are in place.

» The significant processes, including six financial cycles and underlying IT cycle identified by Nokia to address control activities implementing a top down risk based approach. These cycles include revenue cycle, delivery cycle, indirect purchase cycle, treasury cycle, human resources cycle, accounting and reporting cycle and IT cycle. Financial cycles have been designed to (i) give a complete end-to-end view to all financial processes (ii) identify key control points (iii) identify involved organizations, (iv) ensure coverage for important accounts and financial statement assertions and (v) enable internal control management within Nokia.

Further, the management also:

» assessed the design of controls in place to mitigate the financial reporting risks;

» tested operating effectiveness of all key controls;

» evaluated all noted deficiencies in internal controls over financial reporting as of year-end; and

» performed a quality review on assessment documentation and provided feedback for improvement.

Based on this evaluation, the management has assessed the effectiveness of Nokia's internal control over financial reporting, as at December 31, 2011, and concluded that such internal control over financial reporting is effective.

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

Internal audit resides within the Chief Financial Officer's organization and 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.

For more information on Nokia's risk management, please see Note 34 of Nokia's consolidated financial statements.

BOARD OF DIRECTORS

The current members of the Board of Directors were elected at the Annual General Meeting on May 3, 2011, based on the proposal of the Board's Corporate Governance and Nomination Committee. On the same date, the Chairman and Vice Chairman, 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 elected on an annual basis for a one-year term ending at the close of the next Annual General Meeting. The election is made by a simple majority of the shareholders' votes represented at the 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 Ltd. Member of the Board of Directors of the University of Helsinki. 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 Executive Committee of the World Business Council for Sustainable Development (WBCSD). 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.
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.

Stephen Elop, b. 1963

President and CEO of Nokia Corporation.
Chairman of the Nokia Leadership Team.
Board member since May 3, 2011.

Bachelor of Computer Engineering and Management (McMaster University, Hamilton, Canada). Doctor of Laws, honorary (McMaster University, Hamilton, Canada).

President of Microsoft Business Division and member of senior membership team of Microsoft Corporation 2008–2010. COO, Juniper Networks, Inc. 2007–2008. President, Worldwide Field Operations, Adobe Systems Inc. 2005–2006. President and CEO (last position), Macromedia Inc. 1998–2005.

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.

Henning Kagermann, b. 1947

Board member since 2007.
Chairman of the Personnel Committee. Member of the Corporate Governance and Nomination Committee.

Ph.D. (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 AG 1998–2003. A number of leadership positions in SAP AG 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 Bayerische Motoren Werke Aktiengesellschaft (BMW AG), 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.

Per Karlsson, b. 1955

Independent Corporate Advisor.
Board member since 2002.
Member of the Personnel 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 Group S.A.

Jouko Karvinen, b. 1957

CEO of Stora Enso Oyj. Board member since May 3, 2011.
Member of the Audit Committee.

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

CEO of Philips Medical Systems Division 2002–2006. Member of Board of Management of Royal Philips Electronics 2006 and Group Management Committee 2002–2006. Holder of executive and managerial positions at ABB Group Limited from 1987, including Executive Vice President, Head of Automation Technology Products Division and Member of Group Executive Committee 2000–2002, Senior Vice President, Business Area Automation Power Products 1998–2000, Vice President, Business Unit Drives Products & Systems 1993–1998, Vice President, Power Electronics Division of ABB Drives Oy, Global AC Drives Feeder Factory and R&D Centre 1990–1993.

Member of the Board of Directors of Aktiebolaget SKF. Member of the Board of Directors of the Finnish Forest Industries Federation and the Confederation of European Paper Industries (CEPI).

Helge Lund, b. 1962

President and CEO of Statoil ASA.
Board member since May 3, 2011.
Member of the Personnel Committee.

MA in Business Economics (School of Economics and Business Administration, Bergen). Master of Business Administration (MBA) (INSEAD).

CEO of StatoilHydro 2007–2009. CEO of Statoil 2004–2007. CEO of Aker Kvaerner ASA until 2004, central managerial positions in the Aker RGI system from 1999. Deputy Managing Director of Nycomed Pharma AS. Political adviser to the Conservative Party of the parliamentary group of Norway. Consultant of McKinsey & Co.

Isabel Marey-Semper, b. 1967

Director of Advanced Research of L'Oréal Group.
Board member since 2009. Member of the Audit Committee.

Ph.D. (Neuro-Pharmacology) (Université Paris Pierre et Marie Curie–Collège de France). MBA (Collège des Ingénieurs, Paris).

Director of Shared Services of L'Oréal Group 2010–2011. Chief Financial Officer, Executive Vice President 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 of Saint-Gobain 2002–2004. Principal of 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. Chairman of the Audit Committee.
Member of the Corporate Governance and Nomination Committee.

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

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

Chairman of the Boards of Directors of F-Secure Corporation and Elisa Corporation. Chairman of the Board of Directors of Fruugo Inc. Member of the Boards of Directors of Blyk Ltd, Efecte Corporation and Mendor Ltd. Member of the Board of Directors of The Federation of Finnish Technology Industries.

Kari Stadigh, b. 1955

Group CEO and President of Sampo plc.
Board member since May 3, 2011.
Member of the Personnel Committee.

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

Deputy CEO of Sampo plc 2001–2009. President of Sampo Life Insurance Company Limited 1999–2000. President of Nova Life Insurance Company Ltd 1996–1998. President and COO of Jaakko Pöyry Group 1991-1996.

Member of the Board of Directors of Nordea Bank AB (publ). Chairman of the Board of Directors of If P&C Insurance Holding Ltd (publ), Kaleva Mutual Insurance Company and Mandatum Life Insurance Company Limited. Member of the Board of Directors of Varma Mutual Pension Insurance Company. Chairman of the Board of Directors of The Federation of Finnish Financial Services. Vice Chairman of Confederation of Finnish Industries (EK). Member of the Board of Directors of Central Chamber of Commerce of Finland. Chairman of the Board of Directors of Alma Media Corporation 2005-2011. Member of the Board of Directors of Aspo Plc. 2009. Chairman of the Board of Directors of Aspo Plc. 2000-2008.

ELECTION OF THE BOARD MEMBERS

Proposal of the Corporate Governance and Nomination Committee for Composition of the Board of Directors in 2012

On January 26, 2012, the Corporate Governance and Nomination Committee announced its proposal to the Annual General Meeting convening on May 3, 2012 regarding the composition of the Board of Directors for a one-year term from the Annual General Meeting 2012 until the close of the Annual General Meeting 2013. The Committee will propose that the number of Board members be 11 and that the following current Nokia Board members be re-elected as members of the Nokia Board of Directors for a term until the close of the Annual General Meeting 2013: Stephen Elop, Henning Kagermann, Jouko Karvinen, Helge Lund, Isabel Marey-Semper, Dame Marjorie Scardino, Risto Siilasmaa and Kari Stadigh.

In addition, the Committee will propose that Bruce Brown, Chief Technology Officer, The Procter & Gamble Company, Mårten Mickos, CEO of Eucalyptus Systems, Inc., and Elizabeth Nelson, independent corporate advisor, be elected as members of the Nokia Board of Directors for the same term until the close of the Annual General Meeting 2013.

Election of the Chairman and Vice Chairman of the Board and the Chairmen and members of the Board's Committees

The Chairman and the Vice Chairman are elected by the new 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 new Board will also confirm the election of the members and Chairmen for the Board's committees from among the Board's independent directors upon the recommendation of the Corporate Governance and Nomination Committee and based on each committee's member qualification standards. These elections will take place at the Board's assembly meeting following the Annual General Meeting.

On January 26, 2012, the Corporate Governance and Nomination Committee announced that it will propose in the assembly meeting of the new Board of Directors after the Annual General Meeting on May 3, 2012 that Risto Siilasmaa be elected as Chairman of the Board and Dame Marjorie Scardino as Vice Chairman of the Board.

NOKIA LEADERSHIP TEAM

According to Nokia's Articles of Association, the Nokia Leadership Team is responsible for the operative management of Nokia. The Chairman and members of the Nokia Leadership Team are appointed by the Board of Directors. Only the Chairman of the Nokia Leadership Team, the Chief Executive Officer, can be a member of both the Board of Directors and the Nokia Leadership Team.

CHANGES IN THE NOKIA LEADERSHIP TEAM

During 2011 and subsequently, the following appointments to the Nokia Leadership Team were made:

» Jerri DeVard was appointed Executive Vice President, Chief Marketing Officer, and member of the Nokia Leadership Team as from January 1, 2011.

» Colin Giles was appointed Executive Vice President of Sales and member of the Nokia Leadership Team as from February 11, 2011.

» Jo Harlow was appointed Executive Vice President of Smart Devices and member of the Nokia Leadership Team as from February 11, 2011.

» Louise Pentland, Chief Legal Officer, was appointed Executive Vice President and member of the Nokia Leadership Team as from February 11, 2011.

» Michael Halbherr was appointed Executive Vice President of Location & Commerce and member of the Nokia Leadership Team as from July 1, 2011.

» Henry Tirri was appointed Executive Vice President, Chief Technology Officer, and member of the Nokia Leadership Team as from September 22, 2011.

» Marko Ahtisaari was appointed Executive Vice President of Design and member of the Nokia Leadership Team as from February 1, 2012.

Further, during 2011, the following Nokia Leadership Team members resigned:

» Alberto Torres, formerly Executive Vice President of MeeGo Computers, resigned from the Nokia Leadership Team effective as from February 11, 2011 and left Nokia on March 31, 2011.

» Richard Green, formerly Executive Vice President and Chief Technology Officer, resigned from the Nokia Leadership Team and left Nokia effective as from September 22, 2011.

» Dr. Tero Ojanperä formerly Executive Vice President of Services and Developer Experience resigned from the Nokia Leadership Team and left Nokia effective as from October 1, 2011.

THE CURRENT MEMBERS OF THE NOKIA LEADERSHIP TEAM ARE SET FORTH BELOW.

Stephen Elop, b. 1963

President and CEO of Nokia Corporation. Member of the Board of Directors of Nokia Corporation. Nokia Leadership Team member and Chairman since 2010. Joined Nokia 2010.

Bachelor of Computer Engineering and Management (McMaster University, Hamilton, Canada). Doctor of Laws, honorary (McMaster University, Hamilton, Canada).

President of Microsoft Business Division and member of senior membership team of Microsoft Corporation 2008–2010. COO, Juniper Networks, Inc. 2007–2008. President, Worldwide Field Operations, Adobe Systems Inc. 2005–2006. President and CEO (last position), Macromedia Inc. 1998–2005.

Esko Aho, b. 1954

Executive Vice President, Corporate Relations and Responsibility. Nokia Leadership Team 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. Member of the Board of Directors of Terveystalo. Member of the Board of Directors of Technology Academy Finland. Vice Chairman of the Board of Directors of the Federation of Finnish Technology Industries. Member of the Club de Madrid, the InterAction Council, the Science and Technology in Society Forum (STS). Member of the ICC World Council and Vice Chair of ICC Finland.

Marko Ahtisaari, b. 1969

Executive Vice President, Design.
Nokia Leadership Team member since February 1, 2012.
With Nokia 2002–2006, rejoined 2009.

Master of Arts in Philosophy (Graduate School of Arts and Sciences, Columbia University, New York, USA). Bachelor of Arts in Economics and Philosophy (Columbia College, New York, USA).

Senior Vice President, Design, Nokia 2009–2012. CEO and Co-founder, Dopplr 2008–2009. Head of Brand & Design, Blyk 2006–2008. Director, Design Strategy, Nokia 2005–2006. Director, Insight & Innovation, Nokia 2002–2004. Designer, Satama Interactive 1999–2002. Faculty Fellow, Graduate School of Arts and Sciences, Columbia University 1993–1998.

Member of the Board of Directors of Artek oy ab. Member of the Board of Directors of WITNESS.

Jerri DeVard, b. 1958

Executive Vice President, Chief Marketing Officer.
Nokia Leadership Team member since January 1, 2011.
Joined Nokia on January 1, 2011.

B.A. (Economics) (Spelman College, Atlanta, Georgia, USA). M.B.A. (Marketing) (Clark Atlanta University Graduate School of Business, Atlanta, Georgia, USA).

Principal, DeVard Marketing Group 2007–2010. Senior Vice President, Marketing and Brand Management, Verizon Communications Inc. 2005–2007. Senior Vice President, Marketing Communications and Brand Management, Verizon Communications Inc. 2003–2005. Chief Marketing Officer of e-Consumer, Citigroup 2000–2002. Management positions at Citigroup 1998–2000. Vice President, Marketing, Color Cosmetics, Revlon Inc. 1996–1998. Vice President, Sales and Marketing, Harrah's Entertainment 1994–1996. Several brand management positions at the Pillsbury Co. 1983–1993.

Member of the Board of Directors of Belk Inc. Member of the Board of Trustees of Spelman College. Member of the PepsiCo African-American Advisory Board.

Colin Giles, b. 1963

Executive Vice President, Sales.
Nokia Leadership Team member since February 11, 2011.
Joined Nokia 1992.

Bachelor's degree engineering (University of Western Australia). EMBA (London Business School).

Senior Vice President, Sales, Markets, Nokia 2010–2011. President and Senior Vice President for Greater China, Japan and Korea, Nokia 2009–2010. Senior Vice President, Sales, Distribution East, Nokia 2008–2009. Senior Vice President, CMO, Greater China, Nokia 2002–2008. Vice President Sales and Marketing, China, Nokia 2001–2002. General Manager, Taiwan, Nokia 1997–2001. Director, Marketing, Asia Pacific, Nokia 1994–1997. Management positions in several telecommunications companies in Australia and the United Kingdom.

Michael Halbherr, b. 1964

Executive Vice President, Location & Commerce.
Nokia Leadership Team member since July 1, 2011.
Joined Nokia 2006.

PhD. (Electrical Engineering) (ETH, Zurich, Switzerland). Work at MIT Laboratory for Computer Science (Cambridge, MA, USA).

Vice President, Ovi Product Development, Nokia Services 2010–2011. Vice President, Nokia Maps, Nokia Services 2006–2010. CEO, gate5 AG, Berlin, Germany 2001–2006. Managing Director, Europeatweb, Munich, Germany 2000–2001. Manager, The Boston Consulting Group, in the USA and Switzerland 1994–2000.

Jo Harlow, b. 1962

Executive Vice President, Smart Devices.
Nokia Leadership Team member since February 11, 2011.
Joined Nokia 2003.

Bachelor of science (psychology) (Duke University, Durham, North Carolina, USA).

Senior Vice President, Symbian Smartphones, Mobile Solutions, Nokia 2010–2011. Senior Vice President, Smartphones Product Management, Nokia 2009. Vice President, Live Category, Nokia 2008–2009. Senior Vice President, Marketing, Mobile Phones, Nokia 2006–2007. Vice President, Marketing, North America, Mobile Phones, Nokia 2003–2005. Marketing, sales and management roles at Reebok 1992–2003 and Procter & Gamble 1984–1992.

Timo Ihamuotila, b. 1966

Executive Vice President, Chief Financial Officer.
Nokia Leadership Team 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, Nokia 2008–2009. Executive Vice President, Sales and Portfolio Management, Mobile Phones, Nokia 2007. Senior Vice President, CDMA Business Unit, Mobile Phones, Nokia 2004–2007. Vice President, Finance, Corporate Treasurer, Nokia 2000–2004. Director, Corporate Finance, Nokia 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 Nokia Siemens Networks B.V. Member of the Board of Directors of Central Chamber of Commerce of Finland.

Mary T. McDowell, b. 1964

Executive Vice President, Mobile Phones.
Nokia Leadership Team member since 2004.
Joined Nokia 2004.

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

Executive Vice President and Chief Development Officer, Nokia 2008–2010. Executive Vice President and General Manager of Enterprise Solutions, Nokia 2004–2007. Senior Vice President & General Manager, Industry-Standard Servers, Hewlett-Packard Company 2002–2003. Senior Vice President & General Manager, Industry-Standard Servers, 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 Autodesk, Inc. Member of the Board of Visitors of the College of Engineering at the University of Illinois.

Louise Pentland, b. 1972

Executive Vice President, Chief Legal Officer.
Nokia Leadership Team member since February 11, 2011.
Joined Nokia 1998.

LL.B honors (law degree) (Newcastle upon Tyne). Qualified and active Solicitor (England and Wales). Licensed attorney (Member of the New York Bar).

Senior Vice President and Chief Legal Officer, Nokia 2008–2011. Acting Chief Legal Officer, Nokia 2007–2008. Vice President and Head of Legal, Enterprise Solutions, Nokia 2004–2007. Senior Legal Counsel, Nokia Networks 1998–2004. Before joining Nokia, corporate in-house legal positions at Avon Cosmetics Ltd. and law firm positions prior to that in the United Kingdom.

Member of Association of General Counsel, CLO Roundtable–Europe, Global Leaders in Law, Corporate Counsel Forum. Vice chair of the International Bar Association.

Niklas Savander, b. 1962

Executive Vice President, Markets.
Nokia Leadership Team member since 2006.
Joined Nokia 1997.

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

Executive Vice President, Services, Nokia 2007–2010. Executive Vice President, Technology Platforms, Nokia 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, Marketing, Nokia Networks 1998–2000. Vice President of Nokia Network Systems, Marketing 1997–1998. Holder of executive and managerial positions at Hewlett-Packard Company 1987–1997.

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

Henry Tirri, b. 1956

Executive Vice President, Chief Technology Officer.
Nokia Leadership Team member since September 22, 2011.
Joined Nokia 2004.

Ph.D. (computer science) (University of Helsinki). Dr. h.c. (University of Tampere).

Head of Nokia Research Center (NRC), CTO Office 2008–2011. Head of NRC Systems Research laboratory 2007–2008. Nokia Research Fellow 2004–2007.

Adjunct Professor in computer science (University of Helsinki). Adjunct Professor in computational engineering (Aalto University, Helsinki). Member of the Industry Advisory Board of IEEE Computer Society. Member of the Scientific Advisory Board of Institute for Infocom Research. Member of the international Advisory Committee of Tsinghua National Laboratory for Information Science and Technology.

Juha Äkräs, b. 1965

Executive Vice President, Human Resources.
Nokia Leadership Team member since 2010.
Joined Nokia 1993.

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

Senior Vice President, Human Resources, Nokia 2006–2010. Vice President, Global Operational Human Resources, Nokia 2005–2006. Senior Vice President and General Manager, Core Networks, Nokia Networks 2003–2005. Vice President and General Manager, IP Networks, Nokia Networks 2002–2003. Vice President, Strategy and Business Development, Nokia Networks 2000–2001. Vice President, Customer Services APAC, Nokia Telecommunications 1997–1999. Head of Marketing and Business Development, Customer Services, Nokia Telecommunications 1995–1996. Business Development Manager and Controller, Customer Services, Nokia Cellular Systems 1994–1995. Project Manager, Nokia Telecom AB (Sweden) 1993–1994.

Member of the Board of Directors of Confederation of Finnish Industries (EK).

Dr. Kai Öistämö, b. 1964

Executive Vice President, Chief Development Officer.
Nokia Leadership Team member since 2005.
Joined Nokia 1991.

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

Executive Vice President, Devices, Nokia 2007–2010. Executive Vice President and General Manager of Mobile Phones, Nokia 2005–2007. Senior Vice President, Business Line Management, Mobile Phones, Nokia 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 the Board of Directors of Sanoma Corporation. Chairman of the Board of The Funding Agency for Technology and Innovation (TEKES).

COMPENSATION OF THE BOARD OF DIRECTORS AND THE NOKIA LEADERSHIP TEAM

BOARD OF DIRECTORS

The following table sets forth the annual remuneration of the members of the Board of Directors for service on the Board and its committees, as resolved at the respective Annual General Meetings in 2011, 2010 and 2009.

Position, EUR	2011	2010	2009
Chairman	440 000	440 000	440 000
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	1 700 000 [1]	1 700 000 [1,2]	1 840 000 [1,2]

1 The changes in the aggregate amount of Board pay from year to year are due to changes in the number of Board members and changes in committee composition. The amount of fees paid to the Board and Committee members for the services rendered remained the same. The President and CEO Stephen Elop did not receive remuneration for his service as a member of the Board in 2011.

2 The aggregate amount of Board pay also includes the remuneration paid to the former President and CEO in his capacity as a member of the Board of Directors, but in that capacity only.

It is Nokia's policy that director remuneration consists of an annual fee only and no fees are paid for meeting attendance. Approximately 40% of director compensation is paid in the form of Nokia shares that are purchased from the market. It is also Nokia's policy that the Board members retain all Nokia shares received as director compensation until the end of their board membership (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes). In addition, it is Nokia's policy that non-executive members of the Board do not participate in any of Nokia's equity programs and do not receive stock options, performance shares, restricted shares or any other equity-based or otherwise variable compensation for their duties as Board members.

The President and CEO did not receive compensation for his duties as a member of the Board of Directors in 2011. The total compensation of the President and CEO is described below in "Summary Compensation Table 2011" on page 118.

The remuneration of the Board of Directors is set annually by our Annual General Meeting by a resolution of a simple majority of the shareholders' votes represented at the meeting, upon the proposal of the Corporate Governance and Nomination Committee of the Board of Directors. The remuneration is set for the period as from the respective Annual General Meeting until the close of the next Annual General Meeting.

When preparing the proposal for the Board remuneration for the shareholders' approval in the Annual General Meeting, it is the policy of the Corporate Governance and Nomination Committee 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 international professionals representing a diverse mix of skills and experience. A competitive Board remuneration contributes to the achievement of this target.

Remuneration of the Board of Directors in 2011

For the year ended December 31, 2011, the aggregate amount of remuneration paid to the members of the Board of Directors for their services as members of the Board and its committees was EUR 1 700 000.

The following table sets forth the total annual remuneration paid to the members of the Board of Directors in 2011, as resolved by the shareholders at the Annual General Meeting on May 3, 2011. 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 123.

	Year	Fees earned or paid in cash EUR [1]	Stock awards EUR [2]	Option awards EUR [2]	Non-Equity incentive plan compensation EUR [2]	Change in pension value and nonqualified deferred compensation earnings EUR [2]	All other compensation EUR [2]	Total EUR
Jorma Ollila, Chairman [3]	2011	440 000	—	—	—	—	—	440 000
Marjorie Scardino, Vice Chairman [4]	2011	150 000	—	—	—	—	—	150 000
Stephen Elop [5]	2011	—	—	—	—	—	—	—
Bengt Holmström	2011	130 000	—	—	—	—	—	130 000
Henning Kagermann [6]	2011	155 000	—	—	—	—	—	155 000
Per Karlsson	2011	130 000						130 000
Jouko Karvinen [7]	2011	140 000	—	—	—	—	—	140 000
Helge Lund	2011	130 000						130 000
Isabel Marey-Semper [8]	2011	140 000	—	—	—	—	—	140 000
Risto Siilasmaa [9]	2011	155 000	—	—	—	—	—	155 000
Kari Stadigh	2011	130 000	—	—	—	—	—	130 000
Total		1 700 000						1 700 000

1 Approximately 40% of each Board member's annual remuneration is paid in Nokia shares purchased from the market and the remaining approximately 60% is paid in cash.

2 Not applicable to any non-executive member of the Board of Directors. Not applicable to the President and CEO with respect to his service as a member of the Board of Directors.

3 Represents the fee of Jorma Ollila for service as Chairman of the Board.

4 Represents the fee of Dame Marjorie Scardino for service as Vice Chairman of the Board.

5 Stephen Elop did not receive remuneration for his service as a member of the Board. This table does not include remuneration paid to Mr. Elop for his service as the President and CEO. For the compensation paid for his service as the President and CEO, see "Summary Compensation Table 2011" on page 118.

6 Represents the fees paid to Henning Kagermann, consisting of a fee of EUR 130 000 for service as a member of the Board and EUR 25 000 for service as Chairman of the Personnel Committee.

7 Represents the fees paid to Jouko Karvinen, consisting of a fee of EUR 130 000 for service as a member of the Board and EUR 10 000 for service as a member of the Audit Committee.

8 Represents the fees paid to Isabel Marey-Semper, consisting of a fee of EUR 130 000 for service as a member of the Board and EUR 10 000 for service as a member of the Audit Committee.

9 Represents the fees paid to Risto Siilasmaa, consisting of a fee of EUR 130 000 for service as a member of the Board and EUR 25 000 for service as Chairman of the Audit Committee.

Proposal by the Corporate Governance and Nomination Committee for remuneration to the Board of Directors in 2012

On January 26, 2012, the Corporate Governance and Nomination Committee of the Board announced its proposal to the Annual General Meeting convening on May 3, 2012 regarding the remuneration to the Board of Directors in 2012. The Committee will propose that the annual fee payable to the Board members elected at the same meeting for a term until the close of the Annual General Meeting in 2013, remain at the same level as during the past four years and be as follows: EUR 440 000 for the Chairman, EUR 150 000 for the Vice Chairman and EUR 130 000 for each member (excluding the President and CEO of Nokia if elected to the Nokia Board); 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 will propose that, as in the past, approximately 40 percent 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

The basic principles of our executive compensation philosophy are to attract, retain and motivate talented executive officers on a global basis with the right mix of skills and capabilities to drive Nokia's success in an extremely complex and rapidly evolving mobile communications industry. As a result, we have developed an overall compensation framework that provides competitive base pay rates combined with short- and long-term incentives that are intended to result in a competitive total compensation package.

Our executive compensation programs have been designed to enable Nokia to effectively execute our strategy announced in early 2011. Specifically, our programs are designed to:

» incorporate specific measures that align directly with the execution of our new strategy over the next year;

» deliver an appropriate amount of performance-related variable compensation for the achievement of strategic goals and financial targets in both the short- and long-term;

» appropriately balance rewards between both Nokia's and an individual's performance; and

- foster an ownership culture that promotes sustainability and long-term value creation and align the interests of the executive officers with those of the shareholders through long-term equity-based incentives.

The competitiveness of Nokia's executive compensation levels and practices is one of several key factors the Personnel Committee of the Board considers in its determination of compensation for Nokia executive officers. 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 we believe we compete against for executive talent. The relevant sample includes companies in high technology, telecommunications and Internet services industries, as well as companies from 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 compensation 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. All compensation for the President and CEO, including long-term equity incentives, is approved by the Board and 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 Nokia Leadership Team (other than the President and CEO of Nokia) and other executive level 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 Nokia Leadership Team members (excluding the President and CEO) and other executive level 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 or recommending the compensation of the President and CEO to the Board:

- 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 particular officer's role on Nokia's overall performance and strategic direction;
- the internal comparison to the compensation levels of the other executive officers of Nokia;
- past experience and tenure in role; and
- the potential and expected future contributions of the executive.

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 all its employees specifically to understand any potential risk factors that would be associated with the changes made to Nokia's compensation programs in 2011 in alignment to our new strategy. Management assessed such factors as Nokia's proportion of fixed compensation in relation to variable compensation, the caps on incentive compensation that can be earned under our plans, performance metrics tied to the incentive programs and the time horizon over which variable compensation may be earned, as well as Nokia's share ownership, severance and recoupment policies and our overall governance structure and practices. Based on the assessment, management concluded that there are no risks arising from Nokia's compensation programs, policies and practices or the changes implemented that are likely to have a material adverse effect on Nokia. The findings of the analysis were reported to the Personnel Committee.

COMPONENTS OF EXECUTIVE COMPENSATION

Our compensation program for executive officers includes annual cash compensation in the form of a base salary and short-term cash incentives as well as 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. The Personnel Committee evaluates and weighs as a whole the appropriate salary levels based on both our US and European peer companies.

Short-term cash incentives are an important element of our variable pay programs and are tied directly to Nokia's and the individual executives' performance. The short-term cash incentive opportunity is expressed as a percentage of each executive officer's annual base salary. These award opportunities and measurement criteria are presented in the table below.

Short-term incentives are determined for each executive based on their performance as measured on an individual scorecard. Measurement criteria for the scorecard include a common set of objectives and targets shared by all Nokia Leadership Team members related to the change in strategy, individual strategic objectives for each executive officer and Business Unit-specific key operative targets which consist of key financial targets, key delivery milestones (products and services) and other key performance indicators such as quality and customer satisfaction. A broad range of sustainability and competitive factors are also taken into consideration when assessing an executive's performance. The measures to be included in the scorecard for each executive and the specific targets require the Personnel Committee's approval with respect to the members of the Nokia Leadership Team, and the Board's approval with respect to the President and CEO.

The following table reflects the measurement criteria that are established for the President and CEO and members of the Nokia Leadership Team and the relative weighting of each component for the year 2011. The short-term incentive payout is based on performance relative to targets set for each measurement criteria listed in the table and includes a comparison of each executive officer's individual performance to his/her predefined scorecard objectives and targets.

Short-term incentive as a % of annual base salary in 2011

Position	Minimum performance	Target performance	Maximum performance	Measurement criteria
President and CEO	0%	100%	225%	(a) Shared Strategic Change Goals applicable to all Nokia Leadership Team members (including but not limited to targets for Nokia's product and service portfolio, partnerships and organizational performance) (b) Individual Strategic / Change Goals [1] (c) Key Operative Targets (including net sales, operating profit and gross margin)
Total	0%	100%	225%	
Nokia Leadership Team	0%	75%	168.75%	(a) Shared Strategic Change Goals applicable to all Nokia Leadership Team members (including but not limited to targets for Nokia's product and service portfolio, partnerships and organizational performance) (b) Individual Strategic / Change Goals [1] (c) Key Operative Targets (including net sales, operating profit and gross margin)
	0%	25%	37.5%	(d) Total Shareholder Return [2,3] (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 The individual strategic objectives in the scorecard include key criteria which are the cornerstone for the success of Nokia's long-term strategy. Such strategic objectives may include, but are not limited to, Nokia's product and service portfolio, consumer relationships, developer ecosystem, partnerships and other strategic assets.

2 Total shareholder return reflects the change in Nokia's share price during an established time period, including the amount of dividends paid, divided by Nokia's share price at the beginning of the period. The calculation is conducted in the same manner for each company in the peer group.

3 Only certain members of the Nokia Leadership Team are eligible for the additional 25% total shareholder return element. For Stephen Elop, Total Shareholder Return is measured in the one-time special CEO incentive program approved by the Board of Directors for the two-year period 2011–2012.

When determining the final incentive payout, the Personnel Committee determines an overall score for each executive based on the evaluation (including both qualitative and quantitative scores) of the individual scorecard. 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 scorecard evaluation above. The resulting score for each executive is then multiplied by an "affordability factor", which is determined based on overall net sales, profitability and cash flow management of Nokia and which is applicable in a similar manner to all Nokia employees within the short-term cash incentive program. The Personnel Committee applies 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.

In 2011, the portion of the short-term cash incentive that is tied to the predefined individual scorecard was paid twice a year based on the performance for Nokia's short-term plans that ended on June 30 and December 31, 2011. The portion of the short-term cash incentive that is tied to Total Shareholder

Return is paid annually at the end of the year to eligible Nokia Leadership Team members. The payment is based on the Personnel Committee's assessment of Nokia's total shareholder return compared to key peer group companies that 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.

For more information on the actual cash compensation paid in 2011 to our executive officers, see "Summary compensation table 2011" on page 118.

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 for long-term financial performance and encourage retention, while also considering evolving regulatory requirements and recommendations and changing economic conditions. 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 an 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 that the executive receives is dependent on Nokia's share price. Stock options are granted with the purpose of creating value for the executive officer, once vested, only if the Nokia share price at the time of vesting is higher than the exercise price of the stock option established at grant. This is also intended to focus executives on share price appreciation and thus aligning the interests of the executives with those of the shareholders. Restricted shares are used primarily for long-term retention purposes and they vest fully after the close of a pre-determined restriction period. Any shares granted are subject to the share ownership guidelines as explained below. All of these equity-based incentive awards are generally forfeited if the executive leaves Nokia prior to their vesting.

Recoupment of certain equity gains

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

Information on the actual equity-based incentives granted to the members of our Nokia Leadership Team in 2011 is included in "Stock option ownership of the Nokia Leadership Team" on page 125 and "Performance shares and restricted shares of the Nokia Leadership Team" on page 127 .

ACTUAL EXECUTIVE COMPENSATION FOR 2011

Service contracts

Stephen Elop's service contract covers his position as President and CEO as from September 21, 2010. As at December 31, 2011, Mr. Elop's annual 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 1 050 000. His incentive targets under the Nokia short-term cash incentive plan are 100% of annual base salary as at December 31, 2011 (description of a separate plan approved by the Board of Directors for 2011-2012 is below). Mr. Elop is entitled to the customary benefits in line with our policies applicable to the top management, however, some of them are being provided on a tax assisted basis. Mr. Elop is also eligible to participate in Nokia's long-term equity-based compensation programs according to Nokia policies and guidelines and as determined by the Board of Directors.

In case of termination by Nokia for reasons other than cause, Mr. Elop is entitled to a severance payment of up to 18 months of compensation (both annual base salary and target incentive) and his equity will be forfeited as determined in the applicable equity plan rules, with the exception of the equity out of the Nokia Equity Program 2010 which will vest in an accelerated manner. In case of termination by Mr. Elop, the notice period is six months and he is entitled to a payment for such notice period (both annual base salary and target incentive for six months) and all his equity will be forfeited. In the event of a change of control of Nokia, Mr. Elop may terminate his employment upon a material reduction of his duties and responsibilities, upon which he will be entitled to a compensation of 18 months (both annual base salary and target incentive), and his unvested equity will vest in an accelerated manner. In case of termination by Nokia for cause, Mr. Elop is entitled to no additional compensation and all his equity will be forfeited. In case of termination by Mr. Elop for cause, he is entitled to a severance payment equivalent to 18 months of notice (both annual base salary and target incentive), and his unvested equity will vest in an accelerated manner. Mr. Elop is subject to a 12-month non-competition obligation after termination of the contract. Unless the contract is terminated by Nokia for cause, Mr. Elop may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual base salary and target incentive for the respective period during which no severance payment is paid.

The Board of Directors decided in March 2011 that in order to align Stephen Elop's compensation to the successful execution of the new strategy announced on February 11, 2011, his compensation structure for 2011 and 2012 would be modified. This one-time special CEO incentive program is designed to align Mr. Elop's compensation to increased shareholder value and links a meaningful portion of his compensation directly to the performance of Nokia's share price over the period of 2011–2012. To participate in this program, Mr. Elop invested a portion of his short-term cash incentive opportunity and a portion of the value of his expected annual equity grants into the program as follows:

- His target short-term cash incentive level is reduced from 150% to 100% and
- His equity grants are reduced to a level below the competitive market value.

In consideration, Mr. Elop has the opportunity to earn a number of Nokia shares at the end of 2012 based on two independent criteria, with half of the opportunity tied to each criterion:

1 Total Shareholder Return (TSR) relative to a peer group of companies over the two-year period from December 31, 2010 until December 31, 2012: Minimum payout will require performance at the 50th percentile of the peer group and the maximum payout will occur if the rank is among the top three of the peer group. The peer group consists of a number of relevant companies in the high technology/mobility, telecommunications and Internet services industries.

2 Nokia's absolute share price at the end of 2012: Minimum payout if the Nokia share price is EUR 9, with maximum payout if the Nokia share price is EUR 17.

Nokia share price under both criteria is calculated as a 20-day trade volume weighted average share price on the NASDAQ OMX Helsinki. If the minimum performance for neither of the two performance criterion is reached, no share delivery will take place. If the minimum level for one of the criterion is met, a total of 125 000 Nokia ordinary shares will be delivered to Mr. Elop. At maximum level for both criteria, a total of 750 000 Nokia ordinary shares will be delivered to him. Shares earned under this plan during 2011–2012 will be subject to an additional one-year vesting period until the first quarter 2014, at which point the earned and vested shares will be delivered to Mr. Elop. The number of shares earned and to be settled may be adjusted by the Board of Directors under certain exceptional circumstances. Until the shares are settled, no shareholder rights, such as voting or dividend rights, associated with the shares would be applicable. No shares will be delivered if Mr. Elop resigns without cause or is terminated for cause by Nokia before the settlement.

For information about the compensation and benefits received by Mr. Elop during 2011, see "Summary compensation table 2011" on page 118 and "Equity grants in 2011" on page 119.

Pension arrangements for the members of the Nokia Leadership Team

The members of the Nokia Leadership Team participate in the local retirement programs applicable to employees in the country where they reside. Executives in Finland, including Mr. Elop, participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings according to prescribed statutory rules. 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.

Actual compensation for the members of the Nokia Leadership Team in 2011

At December 31, 2011, Nokia had a Nokia Leadership Team consisting of 13 members. Changes in the composition in the Nokia Leadership Team during 2011 and subsequently are explained above in "Nokia Leadership Team" on page 107.

The following tables summarize the aggregate cash compensation paid and the long-term equity-based incentives granted to the members of the Nokia Leadership Team under our equity plans in 2011.

Gains realized upon exercise of stock options and share-based incentive grants vested for the members of the Nokia Leadership Team during 2011 are included in "Stock option exercises and settlement of shares" on page 130.

Aggregate cash compensation to the Nokia Leadership Team for 2011 [1]

Year	Number of members on December 31	Base salaries EUR	Cash incentive payments [2] EUR
2011	13	6 229 909	2 166 514

1 Includes base salary and cash incentives paid or payable by Nokia for the 2011 fiscal year. The cash incentives are paid as a percentage of annual base salary Includes base salary and cash incentives paid or payable by Nokia for the 2011 fiscal year. The cash incentives are paid as a percentage of annual base salary based on Nokia's short-term cash incentives. Includes compensation paid to Alberto Torres for the period until February 10, 2011, Richard Green until September 21, 2011, Tero Ojanperä until September 30, 2011 and Colin Giles, Jo Harlow and Louise Pentland as from February 11, 2011, Michael Halbherr as from July 1, 2011 and Henry Tirri as from September 22, 2011.

2 Excluding any gains realized upon exercise of stock options, which are described in "Stock option exercises and settlement of shares" on page 130.

Long-term equity-based incentives granted in 2011 [1]

	Nokia Leadership Team [4, 5]	Total	Total number of participants
Performance shares at threshold [2, 3]	716 500	5 410 211	4 350
Stock options	3 383 000	11 751 907	3 200
Restricted shares	726 000	8 024 880	1 050

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 our equity plans, see Note 24 to our consolidated financial statements.

2 Includes also the threshold number of shares under the one-time special CEO incentive program.

3 For performance shares granted under Nokia Performance Share Plans, at maximum performance, the settlement amounts to four times the number at threshold. For the one-time special CEO incentive program, at maximum performance, the settlement amounts to three times the number at threshold.

4 Includes Alberto Torres for the period until February 10, 2011, Richard Green until September 21, 2011, Tero Ojanperä until September 30, 2011 and Colin Giles, Jo Harlow and Louise Pentland as from February 11, 2011, Michael Halbherr as from July 1, 2011 and Henry Tirri as from September 22, 2011.

5 For the Nokia Leadership Team members whose employment terminated during 2011, the long-term equity-based incentives were forfeited following termination of employment in accordance with plan rules

Summary compensation table 2011

Name and principal position [1]	Year	Salary EUR	Bonus [2] EUR	Stock awards [3] EUR	Option awards [3] EUR	Change in pension value and nonqualified deferred compensation earnings [5] EUR	All other compensation EUR	Total
Stephen Elop, President and CEO	2011	1 020 000	473 070	3 752 396 [4]	539 443	73 956	2 085 948 [6]	7 944 813
	2010	280 303	440 137	1 682 607	800 132	340 471	3 115 276	6 658 926
Timo Ihamuotila, EVP, Chief Financial Officer	2011	550 000	173 924	479 493	185 448	150 311	8 743 [7]	1 547 919
	2010	423 524	245 634	1 341 568	166 328	31 933	8 893	2 217 880
	2009	396 825	234 286	752 856	135 834	15 575	21 195	1 556 571
Mary T. McDowell, EVP, Mobile Phones [8]	2011	559 177	202 294	479 493	185 448		249 517 [9,10]	1 675 929
	2010	559 637	314 782	1 233 368	142 567		71 386	2 321 740
	2009	508 338	349 911	800 873	152 283		33 726	1 845 131
Jerri DeVard, EVP, Chief Marketing Officer [8]	2011	402 489	98 069	609 789	131 503		284 867 [9,11]	1 526 717
Niklas Savander, EVP, Markets	2011	550 000	134 809	479 493	185 448	103 173	21 905 [12]	1 474 828
	2010	441 943	247 086	1 233 368	142 567		23 634	2 088 598
Tero Ojanperä, EVP, Services and Developer Experience, until September 30, 2011	2011	341 222	45 339	212 480 [15]	30 329 [15]	55 550	1 085 713 [13]	1 770 634
Richard Green, EVP, Chief Technology Officer, February 11–September 21, 2011	2011	303 472	69 628	320 942 [15]	45 494 [15]		684 368 [9,14]	1 423 904

1 The positions set forth in this table are the current positions of the named executives. Mr. Ojanperä served as Executive Vice President, Services and Developer Experience until September 30, 2011 and Mr. Green served as Executive Vice President and Chief Technology Officer from February 11, 2011 until September 21, 2011.

2 Bonus payments are part of Nokia's short-term cash incentives. The amount consists of the annual cash bonus earned and paid or payable by Nokia for the respective fiscal year.

3 Amounts shown represent the grant date fair value of equity grants awarded for 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 a 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 granted number of shares, which is two times the number of shares at threshold. The value of the stock awards with performance shares valued at maximum (four times the number of shares at threshold), for each of the named executive officers, is as follows: Mr. Elop EUR 4 671 337, Mr. Ihamuotila EUR 736 797, Ms. McDowell EUR 736 797, Ms. DeVard EUR 775 199, Mr. Savander EUR 736 797, Mr. Ojanperä EUR 322 753 and Mr. Green EUR 486 352.

4 The value of stock awards for Mr. Elop includes EUR 2 033 572 as the fair value of the one-time special CEO incentive program based on the estimated fair value on the grant date. It was calculated using the Black-Scholes model, taking into consideration the two performance criteria, Nokia's share price on an absolute and relative basis to a peer group, as defined by the incentive program rules. Based on the stock price at December 31, 2011, the actual value of this award would be zero.

5 The change in pension value represents the proportionate change in the liability related to the individual executives. 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.

6 All other compensation for Mr. Elop in 2011 includes: final one-time payment of EUR 2 080 444 as compensation for lost income from his prior employer which resulted due to his move to Nokia and EUR 5 504 taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone and driver.

7 All other compensation for Mr. Ihamuotila in 2011 includes: EUR 7 020 for car allowance and EUR 1 723 taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone and driver.

8 Salaries, benefits and perquisites for Ms. McDowell and Ms. DeVard were paid and denominated in GBP and USD. Amounts were converted using year-end 2011 USD/EUR exchange rate of 1.35 and GPB/EUR rate of 0.86. For year 2010 disclosure, amounts were converted using year-end 2010 USD/EUR exchange rate of 1.32. For year 2009 disclosure, amounts were converted using year-end 2009 USD/EUR exchange rate of 1.43.

9 Ms. McDowell, Ms. DeVard and Mr. Green participated in Nokia's U.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's match vests for the participants during each of the first four years 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 short-term cash incentive. Contributions to the Restoration and Deferral Plan are matched 100% up to 8% of eligible earnings, less contributions made to the 401(k) plan. The company's contributions to the plan are included under "All Other Compensation" column and noted hereafter.

10 All other compensation for Ms. McDowell in 2011 includes: EUR 221 792 provided under Nokia's international assignment policy in the UK, EUR 15 524 for car allowance and EUR 12 201 company contributions to the 401(k) Plan.

11 All other compensation for Ms. DeVard in 2011 includes: EUR 251 176 provided under Nokia's international assignment policy in the UK, EUR 12 388 for car allowance, EUR 12 201 company contributions to the 401(k) Plan and EUR 9 100 accrued US-related benefits.

12 All other compensation for Mr. Savander in 2011 includes: EUR 20 509 for car allowance and EUR 1 396 taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone and driver.

13 All other compensation for Mr. Ojanperä in 2011 includes: EUR 1 083 839 for severance compensation, EUR 1 354 taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone and driver, EUR 370 for medical-related benefits and EUR 150 for service award.

14 All other compensation for Mr. Green in 2011 includes: EUR 652 438 for severance compensation, EUR 26 495 for accrued vacation time and EUR 5 435 for company contributions to the 401(k) Plan.

15 Mr. Green's and Mr. Ojanperä's equity grants were forfeited and cancelled upon their respective terminations of employment in accordance with plan rules.

Equity grants in 2011 [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
Stephen Elop, President and CEO	2011	Mar. 11				250 000 [4]	750 000 [4]		2 033 572 [5]
	2011	May 13	250 000	6.02	252 745	125 000	500 000	180 000	1 718 824
	2011	Aug. 5	500 000	3.76	286 698				
Timo Ihamuotila, EVP, Chief Financial Officer	2011	May 13	70 000	6.02	70 769	35 000	140 000	50 000	479 493
	2011	Aug. 5	200 000	3.76	114 679				
Mary T. McDowell, EVP, Mobile Phones	2011	May 13	70 000	6.02	70 769	35 000	140 000	50 000	479 493
	2011	Aug. 5	200 000	3.76	114 679				
Jerri DeVard, EVP, Chief Marketing Officer	2011	May 13	45 000	6.02	45 494	22 500	90 000	100 000	609 789
	2011	Aug. 5	150 000	3.76	86 009				
Niklas Savander, EVP, Markets	2011	May 13	70 000	6.02	70 769	35 000	140 000	50 000	479 493
	2011	Aug. 5	200 000	3.76	114 679				
Tero Ojanperä, EVP, Services and Developer Experience, until September 30, 2011 [6]	2011	May 13	30 000	6.02	30 329	15 000	60 000	23 000	212 480
Richard Green, EVP, Chief Technology Officer, until September 21, 2011 [6]	2011	May 13	45 000	6.02	45 494	22 500	90 000	35 000	320 942

1 Including all equity awards made during 2011. Awards were made under the Nokia Stock Option Plan 2011, the Nokia Performance Share Plan 2011 and the Nokia Restricted Share Plan 2011. The table includes also the award made under the one-time special CEO incentive program.

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 6.02 on May 13, 2011 and EUR 3.76 on August 5, 2011. NASDAQ OMX Helsinki closing market price was EUR 6.02 at grant date on May 13, 2011 and EUR 3.56 on August 5, 2011.

3 The fair value of performance shares and restricted shares equals the estimated fair value on grant date. The estimated fair value is based on the grant date market price of the Nokia share less the present value of dividends expected to be paid during the vesting period. The value of performance shares is presented on the basis of a number of shares, which is two times the number at threshold.

4 Represents the threshold and maximum number of shares under the one-time special CEO incentive program granted on March 11, 2011.

5 The fair value of the one-time special CEO incentive program equals the estimated fair value on the grant date, calculated using the Black-Scholes model and taking into consideration the two performance criteria, Nokia's share price both on an absolute basis and relative to a peer group, as defined by the incentive program rules. NASDAQ OMX Helsinki closing market price at grant date on March 11, 2011 was EUR 6.08.

6 Mr. Green's and Mr. Ojanperä's equity grants were forfeited and cancelled upon their respective terminations of employment in accordance with plan rules.

For information with respect to the Nokia shares and equity awards held by the members of the Nokia Leadership Team as at December 31, 2011, please see "Share ownership of the Nokia Leadership Team" on page 123.

EQUITY-BASED INCENTIVE PROGRAMS

General

During the year ended December 31, 2011, we administered three global stock option plans, four global performance share plans and four global restricted share plans. Both executives and employees participate in these plans. Our compensation programs promote long-term value creation and sustainability of the company and ensure that remuneration is based on performance. Performance shares have been the main element of the company's broad-based equity compensation program to further emphasize the performance element in employees' long-term incentives. For managers and employees in higher job levels we employ a portfolio approach designed to build an optimal and balanced combination of long-term equity-based incentives, by granting both performance shares and stock options. We believe using both equity instruments help focus recipients on long term financial performance as well as on share price appreciation, thus aligning recipients' interests with those of shareholders' and promoting the long-term financial success of the company. The equity-based compensation programs are intended to align the potential value received by participants directly with the performance of Nokia. We have also granted restricted shares to a small selected number of key employees considered key talent whose retention or recruitment is vital to the future success of Nokia.

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 equity program for 2011, which was approved by the Board of Directors, followed the structure of the program in 2010. The participant group for the 2011 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, 2011, the aggregate number of participants in all of our active equity-based programs was approximately 9 300 compared with approximately 11 500 as at December 31, 2010 reflecting changes in our grant guidelines and reduction in eligible population.

For a more detailed description of all of our equity-based incentive plans, see Note 24 to Nokia's consolidated financial statements on page 55.

Performance shares

During 2011, we administered four global performance share plans, the Performance Share Plans of 2008, 2009, 2010 and 2011, each of which, including its terms and conditions, has been approved by the Board of Directors.

The performance shares represent a commitment by Nokia Corporation 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, in the Performance Share Plans of 2008, 2009 and 2010 earnings per share ("EPS") at the end of the performance period and in the Performance Share Plan 2011 average annual EPS.

The 2008, 2009, 2010 and 2011 plans have a three-year performance period with no interim payout. The shares vest after the respective 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.

Plan	Performance period	Settlement
2008 [1]	2008–2010	2011
2009 [1]	2009–2011	2012
2010	2010–2012	2013
2011	2011–2013	2014

1 No Nokia shares were delivered under Nokia Performance Share Plans 2008 and 2009 as Nokia's performance did not reach the threshold level of either performance criteria under both plans.

Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights, associated with the performance shares. The performance share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Performance share grants 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. Performance share grants to the other Nokia Leadership Team members and other direct reports of the CEO are approved by the Personnel Committee. Performance share grants to eligible employees are approved by the CEO on a quarterly basis, based on an authorization given by the Board of Directors.

Stock options

During 2011 we administered three global stock option plans, the Stock Option Plan 2005, 2007 and 2011, each of which, including its terms and conditions, has been approved by the Annual General Meeting in the year when the plan was launched.

Each stock option entitles the holder to subscribe for one new Nokia share. The stock options are non-transferable and may be exercised for shares only. All of the stock options granted under the Stock Option Plans 2005 and 2007 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 2005 and 2007 plans have a term of approximately five years. The stock options granted under the Stock Option Plan 2011 have a vesting schedule with 50% of stock options vesting three years after grant date and the remaining 50% vesting four years from grant. The stock options granted under the 2011 plan have a term of approximately six years.

The exercise price of the stock options is determined at the time of grant, on a quarterly basis, in accordance with a pre-agreed schedule after the release of Nokia's periodic financial results. The exercise prices 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). With respect to the 2011 Stock Option Plan, should an ex-dividend date take place during that week, the exercise price shall be determined based on the following week's trade volume weighted average price of the Nokia share on NASDAQ OMX Helsinki. Exercise prices are determined on a one-week weighted average to mitigate any day-specific 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 change how the exercise price is determined.

Shares will be eligible for dividend for the financial year in which the share subscription takes place. Other shareholder rights will commence on the date on which the subscribed shares are entered in the Trade Register. The stock option grants are generally forfeited if the employment relationship terminates with Nokia.

Stock option grants to the CEO are made upon recommendation by the Personnel Committee and are approved by the Board of Directors and confirmed by the independent directors of the Board. Stock option grants to the other Nokia Leadership Team members and other direct reports of the CEO are approved by the Personnel Committee. Stock option grants to eligible employees are approved by the CEO on a quarterly basis, based on an authorization given by the Board of Directors.

Restricted shares

During 2011, we administered four global restricted share plans, the Restricted Share Plan 2008, 2009, 2010 and 2011, each of which, including its terms and conditions, has been approved by the Board of Directors.

Restricted shares are used to recruit, retain, and motivate selected high potential and critical talent who are vital to the future success of Nokia. Restricted shares are used only for key management positions and other critical talent.

All of our restricted share plans have a restriction period of three years after grant. 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. The restricted share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

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 Nokia Leadership Team members and other direct reports of the CEO are approved by the Personnel Committee. Restricted share grants to eligible employees are approved by the CEO on a quarterly basis, based on an authorization given by the Board of Directors.

Nokia equity-based incentive program 2012

On January 26, 2012, the Board of Directors approved the scope and design of the Nokia Equity Program 2012. Similarly to the earlier broad-based equity incentive programs, it intends to align the potential value received by the participants directly with the long-term financial performance of the company and increases in the company's share price, thus aligning the participants' interests with Nokia shareholders' interests. Nokia's balanced approach toward the use of equity effectively contributes to long-term value creation and sustainability of the company and ensures compensation is based on performance.

The Equity Program 2012 consists of performance shares, stock options and restricted shares. The primary equity instruments for the executive employees are performance shares and stock options. Restricted shares are also used for executives in lesser amounts for retention purposes. For directors below the executive level the primary equity instruments are performance shares and restricted shares. Below the director level, performance shares and restricted shares are used on a selective basis to ensure retention and recruitment of functional mastery and other employees deemed critical to Nokia's future success. These equity-based incentive awards are generally forfeited if the employee leaves Nokia prior to vesting.

Performance shares

The Performance Share Plan 2012 approved by the Board of Directors has a performance period of two years (2012–2013) and a subsequent one-year restriction period. Therefore, the amount of shares based on the financial performance during 2012–2013 will vest after 2014. 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 (non-IFRS): EUR 17 394 million (threshold) and EUR 26 092 million (maximum) during the performance period 2012–2013, and
2. Average Annual EPS (diluted, non-IFRS): EUR 0.04 (threshold) and EUR 0.35 (maximum) during the performance period 2012–2013.

Average Annual Net Sales is calculated as an average of the non-IFRS net sales for Nokia Group (excluding Nokia Siemens Networks B.V. and its subsidiaries) for the years 2012 and 2013. Average Annual EPS is calculated as an average of the diluted, non-IFRS earnings per share for the years 2012 and 2013 for Nokia Group. Both the Average Annual Net Sales and the Average Annual EPS criteria are equally weighted and performance under each of the two performance criteria is calculated independent of each other.

We believe the performance criteria set above are challenging. The awards at the threshold are significantly reduced from grant level and achievement of maximum award would serve as an indication that Nokia's performance significantly exceeded current market expectations of our long-term execution.

Achievement of the maximum performance for both criteria would result in the vesting of a maximum of 36 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 9 million shares. If only one of the threshold levels of performance is achieved, only approximately 4.5 million of the performance shares will vest. If none of the threshold levels is achieved, then none of the performance shares will vest. If the required performance level is achieved, the vesting will occur after 2014. 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 2012 are out of the Stock Option Plan 2011 approved by the Annual General Meeting in 2011. For more information about the Stock Option Plan 2011 see "Equity-Based Incentive Programs–Stock Options" above.

Restricted shares

Restricted shares under the Restricted Share Plan 2012 approved by the Board of Directors are used as described above to ensure retention and recruitment of functional mastery and other employees deemed critical to Nokia's future success. The restricted shares under the Restricted Share Plan 2012 have a three-year restriction period. The restricted shares will vest and the resulting Nokia shares be delivered in 2015 and early 2016, subject to fulfillment of the service period criteria. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with these restricted shares.

Maximum planned grants under the Nokia equity-based incentive program 2012 in year 2012

The approximate maximum number of planned grants under the Nokia Equity Program 2012 (i.e. performance shares, stock options and restricted shares) in 2012 are set forth in the table below.

Plan type	Planned maximum number of shares available for grants under the equity based incentive program in 2012
Stock options	8.5 million
Restricted shares	14 million
Performance shares at maximum [1]	36 million

1 The number of Nokia shares to be delivered at threshold performance is a quarter of maximum performance, i.e., a total of 9 million Nokia shares.

As at December 31, 2011, the total dilutive effect of all Nokia's stock options, performance shares and restricted shares outstanding, assuming full dilution, was approximately 1.8% in the aggregate. The potential maximum effect of the proposed Equity Based Compensation Program for 2012 would be approximately another 1.6%.

SHARE OWNERSHIP

General

The following section describes the ownership or potential ownership interest in the company of the members of our Board of Directors and the Nokia Leadership Team as at December 31, 2011, either through share ownership or, with respect to the Nokia Leadership Team, through holding of equity-based incentives, which may lead to share ownership in the future.

With respect to the Board of Directors, approximately 40% of director compensation is paid in the form of Nokia shares that is purchased from the market. It is also Nokia's policy that the Board members retain all Nokia shares received as director compensation until the end of their board membership (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes). In addition, it is Nokia's policy that non-executive members of the Board do not participate in any of Nokia's equity programs and do not receive stock options, performance shares, restricted shares or any other equity based or otherwise variable compensation for their duties as Board members.

For a description of our remuneration for our Board of Directors, see "Remuneration of the Board of Directors in 2011" on page 110.

The Nokia Leadership Team members receive equity based compensation in the form of performance shares, stock options and restricted shares. For a description of our equity-based compensation programs for employees and executives, see "Equity-based incentive programs" on page 119.

Share ownership of the Board of Directors

At December 31, 2011, the members of our Board of Directors held the aggregate of 1 478 943 shares and ADSs in Nokia, which represented 0.04% of our 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 the members of the Board of Directors as at December 31, 2011.

Name [1]	Shares [2]	ADSs [2]
Jorma Ollila [3]	791 284	—
Marjorie Scardino	43 300	—
Stephen Elop	—	150 000
Bengt Holmström	41 981	—
Henning Kagermann	27 057	—
Per Karlsson [4]	48 113	—
Jouko Karvinen	9 419	—
Helge Lund	8 746	—
Isabel Marey-Semper	21 280	—
Risto Siilasmaa	129 017	—
Kari Stadigh	208 746	—

1 Lalita D. Gupte did not stand for re-election in the Annual General Meeting held on May 3, 2011 and she held 17 910 shares at that time. Keijo Suila did not stand for re-election in the Annual General Meeting held on May 3, 2011 and he held 19 632 shares at that time.

2 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. Stock options or other equity awards that are deemed as being beneficially owned under the applicable SEC rules are not included. For the number of shares or ADSs received as director compensation, see Note 31 to our consolidated financial statements on page 63.

3 For Jorma 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 service 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, 2011, a total of 400 000 stock options, which all expired without exercise on the same date. The information relating to stock options held by Mr. Ollila as at December 31, 2011 is presented in the table below.

			Number of stock options		Total intrinsic value of stock options, December 30, 2011 EUR	
Stock option category	Expiration date	Exercise price per share EUR	Exer-cisable	Unexer-cisable	Exer-cisable	Unexer-cisable
2006 2Q	December 31, 2011	18.02	0	0	0	0

The number of stock options in the above table equals the number of underlying shares represented by the option entitlement. 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, 2011 of EUR 3.77.

4 Per Karlsson's holdings include both shares held personally and shares held through a company.

Share ownership of the Nokia Leadership Team

The following table sets forth the share ownership, as well as potential ownership interest through the holding of equity-based incentives, of the members of the Nokia Leadership Team as at December 31, 2011.

	Shares	Shares receivable through stock options	Shares receivable through performance shares at threshold [4]	Shares receivable through performance shares at maximum [5]	Shares receivable through restricted shares
Number of equity instruments held by Nokia Leadership Team [1]	925 509	4 970 949	993 250 [6]	3 723 000 [6]	1 983 500
% of the outstanding shares [2]	0.020	0.134	0.027	0.100	0.053
% of the total outstanding equity incentives (per instrument) [3]		21.42	13.10	12.27	11.96

1 Includes 13 Nokia Leadership Team members at year end. Figures do not include those former Nokia Leadership Team members who left during 2011.

2 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.

3 The percentage is calculated in relation to the total outstanding equity incentives per instrument.

4 No Nokia shares were delivered under Nokia Performance Share Plan 2009 which vested in 2011 as Nokia's performance did not reach the threshold level of either performance criteria. Therefore the shares deliverable at threshold equals zero for the Performance Share Plan 2009.

5 No Nokia shares were delivered under Nokia Performance Share Plan 2009 which vested in 2011 as Nokia's performance did not reach the threshold level of either performance criteria. Therefore the shares deliverable at maximum equals zero for Nokia Performance Share Plan 2009. At maximum performance under the Performance Share Plan 2010 and 2011, the number of shares deliverable equals four times the number of performance shares at threshold.

6 Includes also the shares receivable through the one-time special CEO incentive program. For the one-time special CEO incentive program, at maximum performance, the number of shares deliverable equals three times the number of shares at threshold.

The following table sets forth the number of shares and ADSs in Nokia held by members of the Nokia Leadership Team as of December 31, 2011.

Name [1]	Shares [2]	ADSs [2]	Became Nokia Leadership Team member (Year)
Stephen Elop	—	150 000	2010
Esko Aho	—	—	2009
Jerri DeVard	—	—	2011
Colin Giles	64 018	—	2011
Michael Halbherr	200 000	—	2011
Jo Harlow	9 913	15 000	2011
Timo Ihamuotila	62 894	—	2007
Mary T. McDowell	180 830	5 000	2004
Louise Pentland	25 283	—	2011
Niklas Savander	93 403	—	2006
Henry Tirri	6 032	—	2011
Juha Äkräs	17 904	—	2010
Kai Öistämö	95 232	—	2005

1 Alberto Torres left the Nokia Leadership Team on February 10, 2011 and held 42 832 shares at that time. Richard Green left the Nokia Leadership Team on September 21, 2011 and did not hold any shares at that time. Tero Ojanperä left the Nokia Leadership Team on September 30, 2011 and held 66 872 shares at that time.

2 Stock options or other equity awards that are deemed as being beneficially owned under applicable SEC rules are not included.

Stock option ownership of the Nokia Leadership Team

The following table provides certain information relating to stock options held by members of the Nokia Leadership Team as of December 31, 2011. These stock options were issued pursuant to Nokia Stock Option Plans 2005, 2007 and 2011. For a description of our stock option plans, please see Note 24 to Nokia's consolidated financial statements on page 55.

Name	Stock option category	Expiration date	Exercise price per share EUR	Number of stock options [1] Exer-cisable	Number of stock options [1] Unexer-cisable	Total intrinsic value of stock options, December 30, 2011 EUR [2] Exer-cisable [3]	Total intrinsic value of stock options, December 30, 2011 EUR [2] Unexer-cisable
Stephen Elop	2010 4Q	December 31, 2015	7.59	0	500 000	0	0
	2011 2Q	December 27, 2017	6.02	0	250 000	0	0
	2011 3Q	December 27, 2017	3.76	0	500 000	0	5 000
Esko Aho	2009 2Q	December 31, 2014	11.18	19 685	15 315	0	0
	2010 2Q	December 31, 2015	8.86	9 375	20 625	0	0
	2011 2Q	December 27, 2017	6.02	0	30 000	0	0
	2011 3Q	December 27, 2017	3.76	0	100 000	0	1 000
Jerri DeVard	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
	2011 3Q	December 27, 2017	3.76	0	150 000	0	1 500
Colin Giles	2006 2Q	December 31, 2011	18.02	0	0	0	0
	2007 2Q	December 31, 2012	18.39	18 000	0	0	0
	2008 2Q	December 31, 2013	19.16	8 125	1 875	0	0
	2009 2Q	December 31, 2014	11.18	11 250	8 750	0	0
	2010 2Q	December 31, 2015	8.86	7 812	17 188	0	0
	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
	2011 3Q	December 27, 2017	3.76	0	150 000	0	1 500
Michael Halbherr	2007 2Q	December 31, 2012	18.39	533	0	0	0
	2008 2Q	December 31, 2013	19.16	3 043	707	0	0
	2009 2Q	December 31, 2014	11.18	3 935	3 065	0	0
	2010 2Q	December 31, 2015	8.86	2 031	4 469	0	0
	2011 2Q	December 27, 2017	6.02	0	15 000	0	0
	2011 3Q	December 27, 2017	3.76	0	255 000	0	2 550
Jo Harlow	2006 2Q	December 31, 2011	18.02	0	0	0	0
	2007 2Q	December 31, 2012	18.39	10 000	0	0	0
	2008 2Q	December 31, 2013	19.16	2 837	663	0	0
	2009 2Q	December 31, 2014	11.18	3 090	2 410	0	0
	2010 2Q	December 31, 2015	8.86	7 812	17 188	0	0
	2011 2Q	December 27, 2017	6.02	0	70 000	0	0
	2011 3Q	December 27, 2017	3.76	0	200 000	0	2 000
Timo Ihamuotila	2006 2Q	December 31, 2011	18.02	0	0	0	0
	2007 2Q	December 31, 2012	18.39	32 000	0	0	0
	2008 2Q	December 31, 2013	19.16	16 250	3 750	0	0
	2009 2Q	December 31, 2014	11.18	19 685	15 315	0	0
	2009 4Q	December 31, 2014	8.76	8 750	11 250	0	0
	2010 2Q	December 31, 2015	8.86	21 875	48 125	0	0
	2011 2Q	December 27, 2017	6.02	0	70 000	0	0
	2011 3Q	December 27, 2017	3.76	0	200 000	0	2 000
Mary T. McDowell	2006 2Q	December 31, 2011	18.02	0	0	0	0
	2007 2Q	December 31, 2012	18.39	55 000	0	0	0
	2008 2Q	December 31, 2013	19.16	22 750	5 250	0	0
	2009 2Q	December 31, 2014	11.18	30 935	24 065	0	0
	2010 2Q	December 31, 2015	8.86	18 750	41 250	0	0
	2011 2Q	December 27, 2017	6.02	0	70 000	0	0
	2011 3Q	December 27, 2017	3.76	0	200 000	0	2 000

Name	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, December 30, 2011 EUR [2] Exercisable [3]	Total intrinsic value of stock options, December 30, 2011 EUR [2] Unexercisable
Louise Pentland	2006 2Q	December 31, 2011	18.02	0	0	0	0
	2007 2Q	December 31, 2012	18.39	3 333	0	0	0
	2008 2Q	December 31, 2013	19.16	3 250	750	0	0
	2009 2Q	December 31, 2014	11.18	6 750	5 250	0	0
	2010 2Q	December 31, 2015	8.86	9 375	20 625	0	0
	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
	2011 3Q	December 27, 2017	3.76	0	150 000	0	1 500
Niklas Savander	2006 2Q	December 31, 2011	18.02	0	0	0	0
	2007 2Q	December 31, 2012	18.39	32 000	0	0	0
	2008 2Q	December 31, 2013	19.16	22 750	5 250	0	0
	2009 2Q	December 31, 2014	11.18	30 935	24 065	0	0
	2010 2Q	December 31, 2015	8.86	18 750	41 250	0	0
	2011 2Q	December 27, 2017	6.02	0	70 000	0	0
	2011 3Q	December 27, 2017	3.76	0	200 000	0	2 000
Henry Tirri	2006 2Q	December 31, 2011	18.02	0	0	0	0
	2007 2Q	December 31, 2012	18.39	1 333	0	0	0
	2008 2Q	December 31, 2013	19.16	2 837	663	0	0
	2009 2Q	December 31, 2014	11.18	6 750	5 250	0	0
	2010 2Q	December 31, 2015	8.86	6 250	13 750	0	0
	2011 2Q	December 27, 2017	6.02	0	27 000	0	0
	2011 4Q	December 27, 2017	4.84	0	118 000	0	0
Juha Äkräs	2006 2Q	December 31, 2011	18.02	0	0	0	0
	2007 2Q	December 31, 2012	18.39	10 000	0	0	0
	2008 2Q	December 31, 2013	19.16	4 875	1 125	0	0
	2009 2Q	December 31, 2014	11.18	6 750	5 250	0	0
	2010 2Q	December 31, 2015	8.86	12 500	27 500	0	0
	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
	2011 3Q	December 27, 2017	3.76	0	150 000	0	1 500
Kai Öistämö	2006 2Q	December 31, 2011	18.02	0	0	0	0
	2007 2Q	December 31, 2012	18.39	55 000	0	0	0
	2008 2Q	December 31, 2013	19.16	26 000	6 000	0	0
	2009 2Q	December 31, 2014	11.18	33 750	26 250	0	0
	2010 2Q	December 31, 2015	8.86	21 875	48 125	0	0
	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
	2011 3Q	December 27, 2017	3.76	0	150 000	0	1 500
Stock options held by the members of the Nokia Leadership Team as at December 31, 2011, Total [4]				648 586	4 322 363		24 050
All outstanding stock option plans (global plans), Total				6 767 629	16 435 699		

1 Number of stock options equals the number of underlying shares represented by the option entitlement. Stock options granted under 2005, 2007 and 2011 Stock Option Plans have different vesting schedules. The Group's global Stock Option Plans 2005 and 2007 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. The Group's global Stock Option Plan 2011 has a vesting schedule with 50% of stock options vesting three years after grant date and the remaining 50% vesting four years from grant.

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, 2011 of EUR 3.77.

3 For gains realized upon exercise of stock options for the members of the Nokia Leadership Team, see the table in "Stock option exercises and settlement of shares" on page 130.

4 During 2011, the following executives stepped down from the Nokia Leadership Team: Alberto Torres, Richard Green and Tero Ojanperä. The information related to stock options held for each former executive is as of the date of resignation from the Nokia Leadership Team and is presented in the table below.

Name	Stock option category	Expiration date	Exercise price per share EUR	Number of stock options [1]		Total intrinsic value of stock options, EUR [7]	
				Exer-cisable	Unexer-cisable	Exer-cisable [3]	Unexer-cisable
Alberto Torres [5] as per February 10, 2011	2006 2Q	December 31, 2011	18.02	7 200	0	0	0
	2007 2Q	December 31, 2012	18.39	15 750	2 250	0	0
	2008 2Q	December 31, 2013	19.16	6 250	3 750	0	0
	2009 2Q	December 31, 2014	11.18	7 500	12 500	0	0
	2010 2Q	December 31, 2015	8.86	0	40 000	0	0
Richard Green [6] as per September 21, 2011	2010 3Q	December 31, 2015	7.29	0	25 000	0	0
	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
Tero Ojanperä [6] as per September 30, 2011	2006 2Q	December 31, 2011	18.02	60 000	0	0	0
	2007 2Q	December 31, 2012	18.39	32 000	0	0	0
	2008 2Q	December 31, 2013	19.16	15 000	5 000	0	0
	2009 2Q	December 31, 2014	11.18	17 498	17 502	0	0
	2010 2Q	December 31, 2015	8.86	10 000	30 000	0	0
	2011 2Q	December 27, 2017	6.02	0	30 000	0	0

5 Mr. Torres' termination date under the employment agreement was March 31, 2011. His equity was forfeited and cancelled upon termination of employment in accordance with the plan rules.

6 Mr. Green's and Mr. Ojanperä's stock option grants were forfeited and cancelled upon their respective terminations 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 February 10, 2011 of EUR 8.16 in respect of Mr. Torres, as at September 21, 2011 of EUR 4.19 in respect of Mr. Green, and as at September 30, 2011 of EUR 4.25 in respect of Mr. Ojanperä.

Performance shares and restricted shares of the Nokia Leadership Team

The following table provides certain information relating to performance shares and restricted shares held by members of the Nokia Leadership Team as at December 31, 2011. These entitlements were granted pursuant to our Performance Share Plans 2009, 2010 and 2011 and Restricted Share Plans 2008, 2009, 2010 and 2011. For Stephen Elop the table also includes the one-time special CEO incentive program. For a description of our performance share and restricted share plans, please see Note 24 to Nokia's consolidated financial statements on page 55.

	Performance shares				Restricted shares		
Name	Plan name [1]	Number of performance shares at threshold [2]	Number of performance shares at maximum [3]	Intrinsic value December 31, 2011 [5] EUR	Plan name [7]	Number of restricted shares	Intrinsic value December 30, 2011 [8] EUR
Stephen Elop	2010	75 000	300 000	279 772	2010	100 000	377 000
	2011	125 000	500 000	942 500	2011	180 000	678 600
	2011	250 000 [4]	750 000 [4]	0 [6]			
Esko Aho					2008	7 000	26 390
	2009	0	0	0	2009	25 000	94 250
	2010	15 000	60 000	55 954	2010	58 000	218 660
	2011	15 000	60 000	113 100	2011	23 000	86 710
Jerri DeVard	2011	22 500	90 000	169 650	2011	100 000	377 000
Colin Giles					2008	10 000	37 700
	2009	0	0	0	2009	20 000	75 400
	2010	12 500	50 000	46 629	2010	55 000	207 350
	2011	22 500	90 000	169 650	2011	35 000	131 950
Michael Halbherr					2008	9 000	33 930
	2009	0	0	0	2009	10 500	39 585
	2010	3 250	13 000	12 123	2010	17 000	64 090
	2011	35 000	140 000	263 900	2011	50 000	188 500
Jo Harlow					2008	6 000	22 620
	2009	0	0	0	2009	20 000	75 400
	2010	12 500	50 000	46 629	2010	55 000	207 350
	2011	35 000	140 000	263 900	2011	50 000	188 500
Timo Ihamuotila	2009	0	0	0	2009	35 000	131 950
	2010	35 000	140 000	130 560	2010	120 000	452 400
	2011	35 000	140 000	263 900	2011	50 000	188 500
Mary T. McDowell	2009	0	0	0	2009	38 000	143 260
	2010	30 000	120 000	111 909	2010	115 000	433 550
	2011	35 000	140 000	263 900	2011	50 000	188 500
Louise Pentland	2009	0	0	0	2009	6 000	22 620
	2010	15 000	60 000	55 954	2010	78 000	294 060
	2011	22 500	90 000	169 650	2011	35 000	131 950
Niklas Savander	2009	0	0	0	2009	38 000	143 260
	2010	30 000	120 000	111 909	2010	115 000	433 550
	2011	35 000	140 000	263 900	2011	50 000	188 500
Henry Tirri					2008	10 000	37 700
	2009	0	0	0	2009	20 000	75 400
	2010	10 000	40 000	37 303	2010	30 000	113 100
	2011	22 500	90 000	169 650	2011	35 000	131 950
Juha Äkräs					2008	8 000	30 160
	2009	0	0	0	2009	15 000	56 550
	2010	20 000	80 000	74 606	2010	85 000	320 450
	2011	22 500	90 000	169 650	2011	35 000	131 950
Kai Öistämö	2009	0	0	0	2009	50 000	188 500
	2010	35 000	140 000	130 560	2010	100 000	377 000
	2011	22 500	90 000	169 650	2011	35 000	131 950
Performance shares and restricted shares held by the Nokia Leadership Team, Total [9]		993 250	3 723 000	4 486 907		1 983 500	7 477 795
All outstanding performance shares and restricted shares (global plans), Total		7 582 534	30 080 134 [14]	45 153 423		16 586 091	62 529 563

1 The performance period for the 2009 plan is 2009–2011, for the 2010 plan 2010–2012 and for the 2011 plan 2011–2013, respectively.

2 The threshold number will vest as Nokia shares should the pre-determined threshold performance levels be met of both performance criteria. No Nokia shares were delivered under the Performance Share Plan 2009 which would have vested in 2011 as Nokia's performance did not reach the threshold level of either performance criteria. Therefore the shares deliverable at threshold equals zero for the Performance Share Plan 2009.

3 The maximum number will vest as Nokia shares should the pre-determined maximum performance levels be met of both performance criteria. The maximum number of performance shares equals four times the number at threshold. No Nokia shares were delivered under the Performance Share Plan 2009 as Nokia's performance did not reach the threshold level of either performance criteria. Therefore the shares deliverable at maximum equals zero for the Performance Share Plan 2009.

4 Represents the threshold and maximum number of shares under the one-time special CEO incentive program. For the one-time special CEO incentive program, the maximum number equals three times the number at threshold.

5 For Performance Share Plans 2010 and 2011 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 Plans 2010 and 2011 is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 30, 2011 of EUR 3.77. For the Performance Share Plan 2009 no Nokia shares were delivered as Nokia's performance did not reach the threshold level of either performance criteria.

6 The intrinsic value of the one-time special CEO incentive program is based on the assessment of the two performance criteria of Total Shareholder Return relative to a peer group and Nokia's absolute share price as of December 31, 2011. Nokia share price is a 20-day trade volume weighted average on NASDAQ OMX Helsinki as at December 30, 2011 of EUR 3.85.

7 Under the Restricted Share Plans 2008, 2009, 2010 and 2011, awards have been granted quarterly. For the major part of the awards made under these plans, the restriction period will end for the 2008 plan on January 1, 2012; for the 2009 plan on January 1, 2013; for the 2010 plan on January 1, 2014; and for the 2011 plan, on January 1, 2015.

8 The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 30, 2011 of EUR 3.77.

9 During 2011, the following executives stepped down from the Nokia Leadership Team: Alberto Torres, Richard Green and Tero Ojanperä. The information related to performance shares and restricted shares held by each of the former executives is as of the date of resignation from the Nokia Leadership Team and is presented in the table below.

	Performance shares				Restricted shares		
Name	Plan name [1]	Number of performance shares at threshold [13]	Number of performance shares at maximum [14]	Intrinsic value [12] EUR	Plan name [5]	Number of restricted shares	Intrinsic value [12] EUR
Alberto Torres [10] as per February 10, 2011	2009	10 000	40 000	0	2008	10 000	81 600
	2010	20 000	80 000	161 481	2009	25 000	204 000
					2010	30 000	244 800
Richard Green [11] as per September 21, 2011	2010	12 500	50 000	51 823	2010	75 000	314 250
	2011	22 500	90 000	188 550	2011	35 000	146 650
Tero Ojanperä [11] as per September 30, 2011	2009	17 500	70 000	0	2008	14 000	59 500
	2010	20 000	80 000	84 105	2009	25 000	106 250
	2011	15 000	60 000	127 500	2010	85 000	361 250
					2011	23 000	97 750

10 Mr. Torres' termination date under the employment agreement was March 31, 2011. His equity was forfeited and cancelled upon termination of employment in accordance with the plan rules.

11 Mr. Green's and Mr. Ojanperä's performance and restricted share grants were forfeited and cancelled upon their respective terminations of employment in accordance with the plan rules.

12 The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at February 10, 2011 of EUR 8.16 in respect of Mr. Torres, as at September 21, 2011 of EUR 4.19 in respect of Mr. Green, and as at September 30, 2011 of EUR 4.25 in respect of Mr. Ojanperä.

13 The threshold number will vest as Nokia shares should the pre-determined threshold performance levels be met for both performance criteria. No Nokia shares were delivered under the Performance Share Plan 2009 as Nokia's performance did not reach the threshold level of either performance criteria.

14 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 2009 as Nokia's performance did not reach the threshold level of either performance criteria.

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 2011 for our Nokia Leadership Team members.

	Stock options awards [1]		Performance shares awards [2]		Restricted shares awards [3,4]	
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
Stephen Elop	0	0	0	0	0	0
Esko Aho	0	0	0	0	0	0
Jerri DeVard	0	0	0	0	0	0
Colin Giles	0	0	0	0	13 000 [3]	82 550
Michael Halbherr	0	0	0	0	0	0
Jo Harlow	0	0	0	0	4 000 [3]	25 400
Timo Ihamuotila	0	0	0	0	14 000 [4]	68 600
Mary T. McDowell	0	0	0	0	20 000 [4]	98 000
Louise Pentland	0	0	0	0	3 000 [3] 8 500 [4]	19 050 41 650
Niklas Savander	0	0	0	0	20 000 [4]	98 000
Henry Tirri	0	0	0	0	5 000 [3]	31 750
Juha Äkräs	0	0	0	0	4 000 [3]	25 400
Kai Öistämö	0	0	0	0	22 000 [4]	107 800

1 Value realized on exercise is based on the difference between the Nokia share price and exercise price of options.

2 No Nokia shares were delivered under the Performance Share Plan 2008 during 2011 as Nokia's performance did not reach the threshold level of either performance criteria.

3 Represents the payout for the 2007 Restricted Share Plan. Value is based on the average market price of the Nokia share on NASDAQ OMX Helsinki on February 23, 2011 of EUR 6.35.

4 Represents the payout for the 2008 Restricted Share Plan. Value is based on the average market price of the Nokia share on NASDAQ OMX Helsinki on October 26, 2011 of EUR 4.90.

5 During 2011, the following executives stepped down from the Nokia Leadership Team: Alberto Torres, Richard Green and Tero Ojanperä. The information regarding stock option exercises and settlement of shares regarding each of the former executives is as of the date of resignation from the Nokia Leadership Team and is represented in the table below.

	Stock options awards [1]		Performance shares awards [2]		Restricted shares awards [3,4]	
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
Alberto Torres as per February 10, 2011	0	0	0	0	13 000 [3]	82 550
Richard Green as per September 21, 2011	0	0	0	0	0	0
Tero Ojanperä as per September 30, 2011	0	0	0	0	0	0

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 value 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 Nokia Leadership Team two times the member's annual base salary, respectively. To meet this requirement, all members of the Nokia Leadership Team 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 a policy in respect of insiders' trading in Nokia securities. The members of the Board and the Nokia Leadership Team 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 available on our 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 our quarterly results including the day of the release and the four-week "closed-window" period immediately preceding the release of our annual results including the day of the release. In addition, Nokia may set trading restrictions based on participation in projects. We update our insider trading policy from time to time and provide training for compliance with the policy. 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, 2011. 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 2011 and 2010 in total, with a separate presentation of those fees related to Nokia and Nokia Siemens Networks.

	2011			2010		
EURm	Nokia	Nokia Siemens Networks	Total	Nokia	Nokia Siemens Networks	Total
Audit fees [1]	7.2	10.9	18.1	6.8	9.8	16.4
Audit-related fees [2]	1.3	2.3	3.6	1.3	1.2	2.5
Tax fees [3]	2.8	2.1	4.9	4.4	1.2	5.6
All other fees [4]	1.1	—	1.1	0.1	—	0.1
Total	12.4	15.3	27.7	12.6	12.0	24.6

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.

2 Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the company's financial statements or that are traditionally performed by the independent auditor, and include consultations concerning financial accounting and reporting standards; advice on tax accounting matters; advice and assistance in connection with local statutory accounting requirements; due diligence related to acquisitions or divestitures; 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 compliance programs. 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.

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 advice; (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, other consulting services 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/global/about-nokia/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 3, 2012 at 2.00 pm
Address: Helsinki Fair Centre, Amfi-hall, Messuaukio 1, Helsinki, Finland

Dividend

Dividend proposed by the Board of Directors for the fiscal year 2011 is EUR 0.20. The dividend record date is proposed to be May 8, 2012 and the pay date on or about May 23, 2012.

Financial reporting

Nokia's interim reports in 2012 are planned for April 19, July 19, and October 18. The 2012 results are planned to be published in January 2013.

Information published in 2011

All Nokia's global press releases published in 2011 are available on the Internet at press.nokia.com.

Stock exchanges

The Nokia Corporation share is quoted on the following stock exchanges:

	Symbol	Trading currency
NASDAQ OMX Helsinki (since 1915)	NOK1V	EUR
New York Stock Exchange (since 1994)	NOK	USD

List of indices

NOK1V	NOK
OMXN40 OMX Nordic 40	**NYA** NYSE Composite
HEX OMX Helsinki	**CTN** CSFB Technology
HEX25 OMX Helsinki 25	**MLO** Merrill Lynch 10
HXINFT Helsinki Information Technology	
BE500 Bloomberg European 500	
SX5E DJ Euro STOXX 50	
E300 FTSE Eurofirst 300	

It should be noted that certain statements herein that are not historical facts are forward-looking statements, including, without limitation, those regarding: A) the expected plans and benefits of our partnership with Microsoft to bring together complementary assets and expertise to form a global mobile ecosystem for smartphones; B) the timing and expected benefits of our new strategies, including expected operational and financial benefits and targets as well as changes in leadership and operational structure; C) the timing of the deliveries of our products and services; D) our ability to innovate, develop, execute and commercialize new technologies, products and services; E) expectations regarding market developments and structural changes; F) expectations and targets regarding our industry volumes, market share, prices, net sales and margins of our products and services; G expectations and targets regarding our operational priorities and results of operations; H) expectations and targets regarding collaboration and partnering arrangements; I) the outcome of pending and threatened litigation; J) expectations regarding the successful completion of acquisitions or restructurings on a timely basis and our ability to achieve the financial and operational targets set in connection with any such acquisition or restructuring; and K) statements preceded by "believe," "expect," "anticipate," "foresee," "target," "estimate," "designed," "aim", "plans," "will" or similar expressions. These statements are based on management's best assumptions and beliefs in light of the information currently available to it. Because they involve risks and uncertainties, actual results may differ materially from the results that we currently expect. Factors that could cause these differences include, but are not limited to: 1) our success in the smartphone market, including our ability to introduce and bring to market quantities of attractive, competitively priced Nokia products with Windows Phone that are positively differentiated from our competitors' products, both outside and within the Windows Phone ecosystem; 2) our ability to make Nokia products with Windows Phone a competitive choice for consumers, and together with Microsoft, our success in encouraging and supporting a competitive and profitable global ecosystem for Windows Phone smartphones that achieves sufficient scale, value and attractiveness to all market participants; 3) the difficulties we experience in having a competitive offering of Symbian devices and maintaining the economic viability of the Symbian smartphone platform during the transition to Windows Phone as our primary smartphone platform; 4) our ability to realize a return on our investment in next generation devices, platforms and user experiences; 5) our ability to produce attractive and competitive feature phones, including devices with more smartphone-like features, in a timely and cost efficient manner with differentiated hardware, software, localized services and applications; 6) the intensity of competition in the various markets where we do business and our ability to maintain or improve our market position or respond successfully to changes in the competitive environment; 7) our ability to retain, motivate, develop and recruit appropriately skilled employees; 8) our ability to effectively and smoothly implement the new operational structure for our businesses, achieve targeted efficiencies and reductions in operating expenses; 9) the success of our Location & Commerce strategy, including our ability to maintain current sources of revenue, provide support for our Devices & Services business and create new sources of revenue from our location-based services and commerce assets; 10) our success in collaboration and partnering arrangements with third parties, including Microsoft; 11) our ability to increase our speed of innovation, product development and execution to bring new innovative and competitive mobile products and location-based or other services to the market in a timely manner; 12) our dependence on the development of the mobile and communications industry, including location-based and other services industries, in numerous diverse markets, as well as on general economic conditions globally and regionally; 13) our ability to protect numerous patented standardized or proprietary technologies from third-party infringement or actions to invalidate the intellectual property rights of these technologies; 14) our ability to maintain and leverage our traditional strengths in the mobile product market if we are unable to retain the loyalty of our mobile operator and distributor customers and consumers as a result of the implementation of our strategies or other factors; 15) the success, financial condition and performance of our suppliers, collaboration partners and customers; 16) our ability to manage efficiently our manufacturing and logistics, as well as to ensure the quality, safety, security and timely delivery of our products and services; 17) our ability to source sufficient amounts of fully functional quality components, sub-assemblies, software and services on a timely basis without interruption and on favorable terms; 18) our ability to manage our inventory and timely adapt our supply to meet changing demands for our products; 19) any actual or even alleged defects or other quality, safety and security issues in our product; 20) the impact of a cybersecurity breach or other factors leading to any actual or alleged loss, improper disclosure or leakage of any personal or consumer data collected by us or our partners or subcontractors, made available to us or stored in or through our products; 21) our ability to successfully manage the pricing of our products and costs related to our products and operations; 22) exchange rate fluctuations, including, in particular, fluctuations 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; 23) our ability to protect the technologies, which we or others develop or that we license, from claims that we have infringed third parties' intellectual property rights, as well as our unrestricted use on commercially acceptable terms of certain technologies in our products and services; 24) the impact of economic, political, regulatory or other developments on our sales, manufacturing facilities and assets located in emerging market countries; 25) the impact of changes in government policies, trade policies, laws or regulations where our assets are located and where we do business; 26) the potential complex tax issues and obligations we may incur to pay additional taxes in the various jurisdictions in which we do business; 27) any disruption to information technology systems and networks that our operations rely on; 28) unfavorable outcome of litigations; 29) allegations of possible health risks from electromagnetic fields generated by base stations and mobile products and lawsuits related to them, regardless of merit; 30) Nokia Siemens Networks ability to implement its new strategy and restructuring plan effectively and in a timely manner to improve its overall competitiveness and profitability; 31) Nokia Siemens Networks' success in the telecommunications infrastructure services market and Nokia Siemens Networks' ability to effectively and profitably adapt its business and operations in a timely manner to the increasingly diverse service needs of its customers; 32) Nokia Siemens Networks' ability to maintain or improve its market position or respond successfully to changes in the competitive environment; 33) Nokia Siemens Networks' liquidity and its ability to meet its working capital requirements; 34) Nokia Siemens Networks' ability to timely introduce new competitive products, services, upgrades and technologies; 35) Nokia Siemens Networks' ability to execute successfully its strategy for the acquired Motorola Solutions wireless network infrastructure assets; 36) developments under large, multi-year contracts or in relation to major customers in the networks infrastructure and related services business; 37) the management of our customer financing exposure, particularly in the networks infrastructure and related services business; 38) whether ongoing or any additional governmental investigations into alleged violations of law by some former employees of Siemens may involve and affect the carrier-related assets and employees transferred by Siemens to Nokia Siemens Networks; and 39) any impairment of Nokia Siemens Networks customer relationships resulting from ongoing or any additional governmental investigations involving the Siemens carrier-related operations transferred to Nokia Siemens Networks, as well as the risk factors specified on pages 13–47 of Nokia's annual report Form 20-F for the year ended December 31, 2011 under Item 3D. "Risk Factors." Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Nokia does not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

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achievements
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