Nokia in 2010

Review by the Board of Directors and Nokia Annual Accounts 2010

Key data

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

Nokia, EURm	2010	2009	Change, %
Net sales	42 446	40 984	4
Operating profit	2 070	1 197	73
Profit before tax	1 786	962	86
Profit attributable to equity holders' of the parent	1 850	891	108
Research and development expenses	5 863	5 909	−1

%	2010	2009
Return on capital employed	11.0	6.7
Net debt to equity (gearing)	−43	−25

EUR	2010	2009	Change, %
Earnings per share, basic	0.50	0.24	108
Dividend per share	0.40 *	0.40	—
Average number of shares (1 000 shares)	3 708 816	3 705 116	

* Board's proposal

Reportable segments, EURm	2010	2009	Change, %
Devices & Services			
Net sales	29 134	27 853	5
Operating profit	3 299	3 314	
NAVTEQ			
Net sales	1 002	670	50
Operating profit	−225	−344	−35
Nokia Siemens Networks			
Net sales	12 661	12 574	1
Operating profit	−686	−1 639	−58

Personnel, December 31	2010	2009	Change, %
Devices & Services	60 492	54 773	10
NAVTEQ	5 452	4 571	19
Nokia Siemens Networks	66 160	63 927	3
Corporate Common Functions	323	282	15
Nokia Group	132 427	123 553	7

10 major markets, net sales; EURm	2010	2009
China	7 149	5 990
India	2 952	2 809
Germany	2 019	1 733
Russia	1 744	1 528
USA	1 630	1 731
Brazil	1 506	1 333
UK	1 470	1 916
Spain	1 313	1 408
Italy	1 266	1 252
Indonesia	1 157	1 458

10 major countries, personnel, December 31	2010	2009
India	22 734	18 376
China	20 668	15 419
Finland	19 841	21 559
Germany	11 243	11 582
Brazil	10 925	10 288
USA	7 415	7 294
Hungary	5 931	6 342
UK	3 859	4 010
Mexico	2 554	2 619
Poland	2 122	1 937

Main currencies, exchange rates at the end of 2010

1 EUR	USD	1.3187
	GBP	0.8495
	CNY	8.7867
	INR	59.7792
	RUB	40.5401
	JPY	110.45

Review by the Board of Directors 2010

Before the statutory information and disclosures of the review by the Board of Directors, the Nokia Board of Directors outlines a brief summary of the key developments and actions taken during 2010 and early 2011.

» At the Nokia Annual General Meeting in May 2010, the Chairman of the Board, Jorma Ollila acknowledged that 2009 had not been a satisfactory year and that Nokia shareholders were justified in being unhappy with the share price development. The Board was, as the Chairman noted, painfully aware of the situation and very determined to change it around.

» During the summer 2010, the Board searched for and identified a new CEO with a strong background in software and a proven record in change management, who replaced the previous CEO in September 2010.

» During the fourth quarter of 2010 and ending in early 2011, an in-depth review of the challenges of the company, both operational and strategic, was undertaken by the CEO with the full support and close involvement of the Board.

» Based on the review, a new strategy was established, and approved and disclosed in February 2011. The strategy is built around three "pillars": regaining leadership in the smartphone market, reinforcing our leadership position in mobile phones and investing in future disruptive technologies.

» During 2010 and continuing in 2011, the Board has held more meetings both formal and informal and interacted more intensively with management during and between board meetings than ever before.

» The Board is closely monitoring the implementation of the new strategy as well as the execution of operational activities, all with the goal of improving shareholder value.

From the financial perspective, in 2010 Nokia's net sales increased 4% to EUR 42.4 billion (EUR 41.0 billion in 2009). Net sales of Devices & Services for 2010 increased 5% to EUR 29.1 billion (EUR 27.9 billion). Net sales of NAVTEQ increased 50% to EUR 1 002 million in 2010 (EUR 670 million). Net sales of Nokia Siemens Networks increased 1% to EUR 12.7 billion (EUR 12.6 billion).

In 2010, Europe accounted for 34% (36%) of Nokia's net sales, Asia-Pacific 21% (22%), Greater China 18% (16%), Middle East & Africa 13% (14%), Latin America 9% (7%) and North America 5% (5%). The 10 markets in which Nokia generated the greatest net sales in 2010 were, in descending order of magnitude, 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. In comparison, the 10 markets in which Nokia generated the greatest net sales in 2009 were China, India, the United Kingdom, Germany, the United States, Russia, Indonesia, Spain, Brazil and Italy, together representing approximately 52% of total net sales in 2009.

Nokia's gross margin in 2010 was 30.2%, compared to 32.4% in 2009. Nokia's 2010 operating profit increased 73% to EUR 2.1 billion, compared with EUR 1.2 billion in 2009. Nokia's 2010 operating margin was 4.9% (2.9%). Nokia's operating profit in 2010 included purchase price accounting items and other special items of net negative EUR 1.1 billion (net negative EUR 2.3 billion). Devices & Services operating profit was EUR 3.3 billion, compared with EUR 3.3 billion in 2009, with a reported operating margin of 11.3% (11.9%). Devices & Services operating profit in 2010 included purchase price accounting items and other special items of net positive EUR 137 million (net negative EUR 174 million). NAVTEQ's operating loss for 2010 was EUR 225 million (EUR 344 million), representing an operating margin of –22.5% (–51.3%). NAVTEQ's operating loss included purchase price accounting items and other special items of negative EUR 489 million (net negative EUR 465 million). Nokia Siemens Networks had an operating loss of EUR 0.7 billion, compared with a EUR 1.6 billion operating loss in 2009, representing an operating margin of –5.4% (–13.0%). Nokia Siemens Networks operating loss in 2010 included purchase price accounting items and other special items of net negative EUR 0.8 billion (net negative EUR 1.7 billion, including EUR 908 million impairment of goodwill). Group Common Functions expenses totaled EUR 114 million in 2010, compared to EUR 134 million in 2009.

For the full year 2010, Nokia's net sales and profitability benefited from improved economic and financial conditions following the significant deterioration in demand during the second half of 2008 and 2009. In 2010, we saw volume and value growth in the global mobile device market driven by rapid growth in converged mobile devices. At the same time, the competitive environment in mobile devices intensified, adversely impacting our competitive position in the market. Our device volumes were also adversely affected in the second half of 2010 by shortages of certain components. For NAVTEQ and Nokia Siemens Networks, the demand environment improved in 2010. The overall appreciation of certain currencies relative to the Euro during 2010 had a positive effect on our net sales.

Reported research and development expenses were EUR 5.9 billion in 2010, virtually unchanged from 2009. Research and development costs represented 13.8% of Nokia net sales in 2010, down from 14.4% in 2009. Research and development expenses included purchase price accounting items and other special items of EUR 575 million in 2010 (EUR 564 million in 2009). At December 31, 2010, Nokia employed 35 869 people in research and development, representing approximately 27% of the group's total workforce, and had a strong research and development presence in 16 countries.

In 2010, Nokia's selling and marketing expenses were EUR 3.9 billion, virtually unchanged from 2009. Selling and marketing expenses represented 9.1% of Nokia net sales in 2010 (9.6%). Selling and marketing expenses included purchase price accounting items and other special items of EUR 429 million in 2010 (EUR 413 million).

Administrative and general expenses were EUR 1.1 billion in 2010, virtually unchanged from 2009. Administrative and general expenses were equal to 2.6% of Nokia net sales in 2010 (2.8%). Administrative and general expenses included special items of EUR 77 million in 2010 (EUR 103 million).

Net financial expense was EUR 285 million in 2010 (EUR 265 million).

Profit before tax was EUR 1.8 billion in 2010 (EUR 1.0 billion). Profit was EUR 1.3 billion (profit of EUR 0.3 billion), based on a profit of EUR 1.8 billion (profit of EUR 0.9 billion) attributable to equity holders of the parent and a loss of EUR 0.5 billion (loss of EUR 0.6 billion) attributable to non-controlling interests. Earnings per share increased to EUR 0.50 (basic) and EUR 0.50 (diluted), compared to EUR 0.24 (basic) and EUR 0.24 (diluted) in 2009.

The following chart sets out Nokia Group's cash flow (for the periods indicated) and financial position (at the end of the periods indicated), as well as the year-on-year growth rates.

Nokia Group cash flow and financial position

EURm	2010	2009	Change, %
Cash generated from operations	6 311	4 421	43%
Operating cash flow [1]	4 774	3 247	47%
Total cash and other liquid assets	12 275	8 873	38%
Net cash and other liquid assets [2]	6 996	3 670	91%
Net debt-equity ratio (gearing)	–43	–25	

1 Net cash from operating activities.

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

Operating cash flow for the year ended December 31, 2010 was EUR 4.8 billion (EUR 3.2 billion) and total combined cash and other liquid assets were EUR 12.3 billion (EUR 8.9 billion). As of December 31, 2010, our net debt-to-equity ratio (gearing) was –43% (–25% as of December 31, 2009). In 2010, capital expenditure amounted to EUR 679 million (EUR 531 million).

Devices & Services

Net Sales. The following chart sets out our Devices & Services net sales for the periods indicated, as well as the year-on-year growth rates, by category.

Devices & Services net sales by category

EURm	2010	2009 [3]	Change, % [3]
Mobile phones [1]	14 347	15 126	–5%
Converged mobile devices [2]	14 786	12 676	17%
Total	29 133	27 802	5%

1 Series 30 and Series 40-based devices ranging from basic mobile phones focused on voice capability to devices with a number of additional functionalities, such as Internet connectivity, including the services and accessories sold with them.

2 Smartphones and mobile computers, including the services and accessories sold with them.

3 Does not include the net sales of the security appliance business that was divested in April 2009.

The following chart sets out Devices & Services net sales for the periods indicated, as well as the year-on-year growth rates, by geographic area.

Devices & Services net sales by geographic area

EURm	2010	2009	Change, %
Europe	9 736	9 890	–2%
Middle East & Africa	4 046	3 923	3%
Greater China	6 167	5 028	23%
Asia-Pacific	6 013	6 230	–3%
North America	901	1 020	–12%
Latin America	2 270	1 762	29%
Total	29 133	27 853	5%

The 5% increase in Devices & Services net sales in 2010 resulted from higher volumes and a flat ASP as well as the overall appreciation of certain currencies against the Euro during 2010 and a smaller negative foreign exchange hedging impact compared with 2009. Of our total Devices & Services net sales, services contributed EUR 667 million in 2010, compared with EUR 592 million in 2009.

Volume and Market Share. The following chart sets out our Devices & Services volumes for the periods indicated, as well as the year-on-year growth rates, by category.

Devices & Services mobile device volumes by category

Million units	2010	2009	Change, %
Mobile phones [1]	352.6	364.0	–3%
Converged mobile devices [2]	100.3	67.8	48%
Total	452.9	431.8	5%

1 Series 30 and Series 40-based devices ranging from basic mobile phones focused on voice capability to devices with a number of additional functionalities, such as Internet connectivity, including the services and accessories sold with them.

2 Smartphones and mobile computers, including the services and accessories sold with them.

In 2010, our total mobile device volumes reached 453 million units, representing an increase of 5% year-on-year. The overall industry mobile device volumes for 2010 reached 1.43 billion units, based on Nokia's preliminary market estimate, representing an increase of 13% year-on-year. Based on our preliminary market estimate, Nokia's market share decreased to 32% in 2010, compared to an estimated 34% in 2009 (based on Nokia's revised definition of the industry mobile device market share applicable beginning in 2010 and applied retrospectively to 2009 for comparative purposes only).

Of the total industry mobile device volumes, converged mobile device industry volumes in 2010 increased to 286 million units, based on Nokia's preliminary estimate, representing an increase of 63% year-on-year. Nokia's preliminary estimated share of the converged mobile device market was 36% in 2010, compared with an estimated 39% in 2009.

The following chart sets out our mobile device volumes for the periods indicated, as well as the year-on-year growth rates, by geographic area.

Nokia mobile device volumes by geographic area

Million units	2010	2009	Change, %
Europe	112.7	107.0	5%
Middle East & Africa	83.8	77.6	8%
Greater China	82.5	72.6	14%
Asia-Pacific	119.1	123.5	–4%
North America	11.1	13.5	–18%
Latin America	43.7	37.6	16%
Total	452.9	431.8	5%

Nokia's 5% increase in global mobile device volumes was driven primarily by an improved demand environment in 2010, partially offset by the intense competitive environment and shortages of certain components in the second half of 2010. During 2010, Nokia gained device market share in Latin America. Our device market share decreased in Asia-Pacific, Middle East & Africa, Europe and North America. Our device market share was flat in Greater China.

In Latin America, our market share increased. Nokia's share increased in, for example, Chile, Columbia, Paraguay and Peru, but was partly offset by market share declines in Argentina, Brazil, Mexico and some other countries.

In Asia-Pacific, Nokia's market share declined in 2010 as a result of market share losses in several markets, including India, Indonesia, Singapore, Vietnam and some other countries, but this was partly offset by market share increases in, for example, Australia, Thailand and Philippines. In Middle East & Africa, Nokia's market share decline was driven by share losses in markets such as Egypt, Nigeria and UAE, which was offset to some extent by share gains in markets such as South Africa and Pakistan. In Europe, Nokia's market share declined in markets including the UK and Spain, but was partly offset by share gains in markets such as Italy and France. Our market share declined in North America in 2010 primarily due to a market share decline in the United States offset to some extent by our market share increase in Canada. In Greater China, Nokia continued to benefit from its brand, broad product portfolio and extensive distribution system during 2010.

Average Selling Price. The following chart sets out our Devices & Services ASP for the periods indicated, as well as the year-on-year growth rates, by category.

Devices & Services average selling price by category

EUR	2010	2009	Change, %
Mobile phones 1	41	42	–2%
Converged mobile devices 2	147	187	–21%
Total	64	64	0 %

1 Series 30 and Series 40-based devices ranging from basic mobile phones focused on voice capability to devices with a number of additional functionalities, such as Internet connectivity, including the services and accessories sold with them.

2 Smartphones and mobile computers, including the services and accessories sold with them.

Nokia's device ASP (including services revenue) in 2010 was EUR 64, unchanged from 2009. During the first half 2010, our device ASP decreased primarily as a result of general price erosion across our mobile device portfolio and a higher proportion of lower-priced converged mobile device sales, offset to some extent by the positive impact of converged mobile devices representing a higher proportion of our overall mobile device sales compared to 2009. However, the decrease in our ASP during the first half 2010 was offset by an increase in our ASP during the second half 2010. The increase in our ASP during the second half 2010 was due primarily to converged mobile devices representing a higher proportion of our overall mobile device sales and the appreciation of certain currencies against the Euro. This increase was offset to some extent by general price erosion driven by the intense competitive environment and a higher proportion of lower-priced converged mobile device sales, which is reflected in the 21% decline in our converged mobile devices ASP in 2010 compared to 2009.

Profitability. Devices & Services gross profit decreased 5% to EUR 8.8 billion, compared with EUR 9.3 billion in 2009, with a gross margin of 30.1% (33.3%). The gross margin decline was primarily due to general price pressure, product material cost erosion being less than general product price erosion, offset to some extent by converged mobile device volumes representing a higher proportion of overall mobile device volumes. Additionally, the gross margin was negatively impacted in 2010 by the overall appreciation of certain currencies against the Euro and unfavorable foreign exchange hedging compared with 2009. During the first half 2010, the gross margin was positively impacted by the depreciation of certain currencies against the Euro. However, this positive impact was more than offset by the appreciation of certain currencies against the Euro during the second half 2010. Further, during the first half 2010, the gross margin was negatively impacted by unfavorable foreign exchange hedging, which was to some extent offset by a favorable foreign exchange hedging impact during the second half 2010.

Devices & Services operating profit remained virtually unchanged at EUR 3.3 billion, compared with 2009. Devices & Services operating margin in 2010 was 11.3%, compared with 11.9% in 2009. The year-on-year decrease in operating margin in 2010 was driven primarily by the lower gross margin compared to 2009.

NAVTEQ

Net sales. Net sales of NAVTEQ were EUR 1.0 billion in 2010, compared to EUR 670 million in 2009. Europe accounted for 43% (46%) of NAVTEQ's net sales, North America 33% (44%), Middle East & Africa 6% (4%), Asia-Pacific 7% (3%), Latin America 2% (2%) and Greater China 9% (1%). The year-on-year increase in net sales was primarily driven by growth in mobile device sales, particularly Nokia mobile devices, improved sales of map licenses to mobile device customers, as well as improved conditions and higher navigation uptake rates in the automotive industry.

Profitability. NAVTEQ gross profit was EUR 849 million in 2010, compared to EUR 582 million in 2009, with a gross margin of 84.7% (86.9%). NAVTEQ operating loss was EUR 225 million in 2010, compared to a loss of EUR 344 million in 2009. NAVTEQ operating margin was –22.5% (–51.3%). The year-on-year improvement in operating margin was primarily due to higher net sales offset to some extent by the lower gross margin and higher operating expenses.

Nokia Siemens Networks

Net Sales. The following chart sets out Nokia Siemens Networks net sales for the periods indicated, as well as the year-on-year and sequential growth rates, by geographic area.

Nokia Siemens Networks net sales by geographic area

EURm	2010	2009	Change, %
Europe	**4 628**	4 695	–1%
Middle East & Africa	**1 451**	1 653	–12%
Greater China	**1 451**	1 397	4%
Asia-Pacific	**2 915**	2 725	7%
North America	**735**	748	–2%
Latin America	**1 481**	1 356	9%
Total	12 661	12 574	1%

The 1% increase in net sales of Nokia Siemens Networks primarily reflected improved market conditions in the second half of the year and growth in both the product and services business, largely offset by challenging competitive factors, as well as industry-wide shortages of certain components and security clearances issues in India preventing the completion of product sales to customers during the second and third quarters of 2010. Of total Nokia Siemens Networks net sales, services contributed EUR 5.8 billion in 2010. At constant currency, net sales of Nokia Siemens Networks would have decreased 4%. Europe accounted for 37% (37%) of Nokia Siemens Network's net sales, Asia-Pacific 23% (22%), Middle East & Africa 11% (13%), Latin America 12% (11%), Greater China 11% (11%) and North America 6% (6%).

Profitability. Nokia Siemens Networks gross profit decreased to EUR 3 395 million in 2010, compared with EUR 3 412 million in 2009, with a gross margin of 26.8% (27.1%). The year-on-year decline in gross margin was primarily due to general price pressure on certain products, a higher proportion of lower margin products in the business mix and shortages of certain components during the second and third quarters of 2010, offset to some extent by progress on product cost reductions and a more favorable regional mix compared to 2009.

Nokia Siemens Networks had an operating loss of EUR 686 million, compared with operating loss of EUR 1.6 billion in 2009. The operating margin of Nokia Siemens Networks in 2010 was –5.4% compared with –13.0% in 2009. The operating loss decrease in 2010 resulted primarily from the absence of goodwill charges in 2010, compared to the EUR 908 million impairment of goodwill in 2009, higher net sales and lower operating expenses, the impact of which was partially offset by the lower gross margin.

The key financial data, including the calculation of key ratios, for the years 2010, 2009 and 2008 are available in the Annual Accounts section.

Main events in 2010

Nokia

Nokia Board of Directors appointed Stephen Elop as President and Chief Executive Officer of Nokia as of September 21, 2010. Mr. Elop replaced Olli-Pekka Kallasvuo, who left the position of President and Chief Executive Officer on September 20, 2010, and his position on Nokia Board of Directors on September 10, 2010.

During 2010 and subsequently, Nokia announced changes to its Group Executive Board (the Nokia Leadership Team as from February 11, 2011). Changes are described in more detail in chapter "Management and Board of Directors" below.

Effective July 1, 2010, Nokia introduced a simplified company structure for its devices and services business comprised of three units–Mobile Solutions, Mobile Phones and Markets–designed to accelerate product innovation and software execution in line with the company's goals of integrating content, applications and services into its mobile computer, smartphone and mobile phone portfolio. Following the initiation of Nokia's strategic transformation on February 11, 2011, Nokia will have a new company structure as of April 1, 2011, which features two distinct business units: Smart Devices and Mobile Phones. They will focus on Nokia's key business areas: smartphones and mass-market mobile phones. Each unit will have profit-and-loss responsibility and end-to-end accountability for the full consumer experience, including product development, product management and product marketing.

In the third quarter, Nokia was chosen as the world's most sustainable technology company, according to the Dow Jones Sustainability Indexes Review 2010. Nokia was chosen as "Technology Supersector Leader" making it number one across the entire global technology sector for the second successive year.

The Interbrand annual rating of 2010 Best Global Brands positioned Nokia as the eighth most valued brand in the world.

In the third quarter, Nokia was ranked number one in The Economic Times-Brand Equity's annual "Most Trusted Brands" survey for 2010 in India. Nokia has now been ranked as the most trusted brand in India for three consecutive years.

Devices & Services

In the first quarter, Nokia and Intel merged their Maemo and Moblin software platforms to form a single Linux-based and fully open source platform, MeeGo, for a wide range of computing devices, including pocketable mobile computers, netbooks, tablets, mediaphones, connected TVs and in-vehicle infotainment systems.

Nokia brought to market a new family of smartphones based on the new Symbian software that brings a clearly improved user experience, higher standards of quality, and competitive value to consumers. The first devices on the new software were the Nokia N8–offering industry-leading imaging, video and entertainment capabilities–the Nokia C7 and the Nokia C6-01. Nokia also brought to market Nokia E7 in the first quarter 2011.

During the third and fourth quarters Nokia brought to market the Nokia X3 Touch & Type and the Nokia C3 Touch & Type, both affordable mobile phones which combine a touch screen and traditional phone keypad.

Nokia brought to market the Nokia C3-00, a fully QWERTY mobile phone. Nokia further added to its affordable QWERTY phone range by starting shipments of the Nokia X2-01 in China.

Nokia continued to develop its Ovi services. Highlights for the year included:

» Store continued to see increased downloads of applications and content. By early 2011, the Store was attracting more than 4 million downloads a day, compared with more than 2.7 million a day reported in October 2010. During the year, Nokia improved the consumer user experience, redesigned the look and feel and made enhancements to the way content is displayed and discovered, as well as made improvements for developers, including providing new, simplified development tools.

» Maps continued to grow and attract new users, with engagement boosted by our introduction of new and improved versions of the services as well as the modification of the Maps business model as a result of the inclusion of worldwide walk and drive navigation for 100 countries at no extra cost with compatible Nokia smartphones. The company continued to integrate new features, while Nokia and third parties continued to expand the content available to users.

» In Music, the Ovi Music platform replaced the Nokia Music Store in the third quarter. The Ovi Music platform brings DRM-free music, improved search, a more attractive user interface, common Ovi branding and numerous user experience enhancements, including over-the-air one-click album downloads.

» Life Tools, Nokia's unique life improvement mobile information services designed especially for emerging markets, was launched in Nigeria during the fourth and in China during the second quarter, expanding the presence of Life Tools to four markets.

» In the second quarter Nokia took a significant step to building greater presence for Ovi on the web, announcing a worldwide strategic alliance with Yahoo! Inc., whereby Nokia has become the exclusive, global provider of Yahoo!'s maps and navigation services, integrating Ovi Maps across Yahoo! properties, and Yahoo! is the exclusive, global provider of Nokia's Ovi Mail and Ovi Chat services.

In the fourth quarter Nokia announced that it will use Qt technologies to simplify development for both Nokia's own and third party developers. In addition, Nokia announced its intention to support HTML5 for the development of Web content and applications.

During the fourth quarter following the withdrawal of other members, the Symbian Foundation, a non-profit entity, transitioned to a licensing operation only and Symbian platform's development is now under the control of Nokia.

In the second quarter Nokia and Microsoft launched Microsoft Communicator Mobile, the first application developed together as part of their alliance around mobile productivity. The application is available for compatible devices through Ovi Store.

As part of the Nokia Money initiative, the first commercial services called "Mobile Money Services by YES Bank" started in city regions of Pune, Chandigarh and Nashik in India. In November, Nokia joined forces with the Union Bank of India to offer "Union Bank Money" across India. Through these services, people can transfer money to other people just by using their mobile phone numbers, pay utility bills, recharge their prepaid SIM cards (SIM top-up), pay merchants for goods and services, and withdraw cash from ATMs.

NAVTEQ

In the first quarter NAVTEQ launched its new advanced mapping collection technology, NAVTEQ True, further innovating the scale and quality of data collection and processing.

In the third quarter NAVTEQ launched Natural Guidance, a product to enable guidance in a human manner through the use of descriptive reference cues.

In the second quarter NAVTEQ announced successful advertiser trials in Europe with McDonald's and Best Western powered by NAVTEQ's LocationPoint Advertising platform.

NAVTEQ expanded map coverage to include six more countries, bringing to 84 the number of countries supported by NAVTEQ Maps.

In the first quarter NAVTEQ announced the availability of real-time traffic in the UK, bringing to 13 the number of European cities now with access to uninterrupted traffic data.

Nokia Siemens Networks

Nokia Siemens Networks continued to make significant progress in LTE overall by demonstrating several technological LTE world-first trials and by announcing several commercial LTE contracts, including Deutsche Telekom, TeliaSonera Sweden, Elisa and a major deal with LightSquared in the US.

Nokia Siemens Networks continued to win major contracts in key emerging markets including India with a USD 700 million network expansion deal with Bharti Airtel and 3G deals with Idea Cellular, Aircel, Vodafone Essar and Tata Teleservices.

In the second quarter Nokia Siemens Networks also signed a EUR 750 million frame agreement with China Mobile and China Unicom to continue providing GSM, WCDMA and TD-SCDMA mobile network equipment and solutions.

During the second quarter Nokia Siemens Networks smart device solutions, which allow improved battery life, better coverage and faster download speeds, were deployed in London to improve user experience on the O2 network. Similar contracts were agreed with many operators including Elisa in Finland, Mosaic Telecom in the United States, SFR in France, Indosat in Indonesia, Cable & Wireless Communications in the UK and Cell C in South Africa.

Nokia Siemens Networks won managed services and equipment supply contracts with NII Holdings for five years in five Latin American countries and with Vodafone Hutchison for seven years in Australia. In addition, Nokia Siemens Networks secured the first outsourcing contract in Russia market with Mobile TeleSystems and its first network outsourcing contract in China with Anhui Unicom. Nokia Siemens Networks announced its plans to open new Global Network Operations Centers in Russia and Brazil.

In the third quarter, marking a critical step forward to 400G (400 Gigabit per second) data transport networks, Nokia Siemens Networks succeeded in transmitting data at a speed of 200 Gigabit per second (200G) over standard optical fiber. The company was also the first in the industry to migrate its 100th customer from legacy mobile backhaul technology to IP/Ethernet.

Acquisitions and divestments in 2010

In April 2010, Nokia acquired MetaCarta Inc. to obtain its geographic intelligence technology and expertise. In July 2010, Nokia divested Metacarta's enterprise business to Qbase Holdings LLC.

In April 2010, Nokia acquired Novarra Inc., whose mobile browser and services platform will be used by Nokia to deliver enhanced Internet experiences on Nokia's Series 40-based mobile phones.

In July 2010, Nokia Siemens Networks announced that it had signed an agreement to acquire the majority of the wireless network infrastructure assets of Motorola, Inc. for USD 1.2 billion in cash. The acquisition is expected to close after the final antitrust approval by the Chinese regulatory authorities has been granted and the other closing conditions have been met.

In September 2010, Nokia acquired Motally Inc., whose mobile analytics service enables developers and publishers to optimize the development of their mobile applications through increased understanding of how users engage.

In October 2010, Nokia Siemens Networks announced that it would acquire IRIS Telecom, a telecom and engineering services firm headquartered in Istanbul, Turkey. The acquisition was completed in January 2011.

In November 2010, NAVTEQ acquired PixelActive Inc. to accelerate expansion from a 2D to a 3D map and further leverage 3D technologies for all NAVTEQ products.

In November 2010, Renesas Electronics Corporation acquired Nokia's Wireless Modem business. With this transfer, Renesas Electronics assumes full ownership of the Wireless Modem unit, which has been responsible for the development of Nokia's wireless modem technologies for LTE, HSPA and GSM standards. As a result of the transaction, approximately 1 100 employees transferred from Nokia to Renesas Electronics.

Personnel

The average number of employees for 2010 was 129 355 (123 171 for 2009 and 121 723 for 2008). At December 31, 2010, Nokia employed a total of

132 427 people (123 553 people at December 31, 2009 and 125 829 at December 31, 2008). The total amount of wages and salaries paid in 2010 was EUR 5 808 million (EUR 5 658 million in 2009 and EUR 5 615 million in 2008).

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. 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 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 6, 2010 elected the following 10 members to the Board of Directors: Lalita D. Gupte, Dr. Bengt Holmström, Prof. Dr. Henning Kagermann, Olli-Pekka Kallasvuo, Per Karlsson, Jorma Ollila, Dame Marjorie Scardino, Isabel Marey-Semper, Risto Siilasmaa and Keijo Suila. Olli-Pekka Kallasvuo resigned from the Board of Directors as from September 10, 2010.

For information on shares and stock options held by the members of the Board of Directors, and the President and CEO as well as the other members of the 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 publication Nokia in 2010.

For more information regarding Corporate Governance, please see the Corporate Governance Statement in the Additional information section of this publication Nokia in 2010 or at Nokia’s website, www.nokia.com.

Changes in the Nokia Leadership Team:

Nokia Board of Directors appointed Stephen Elop as President and Chief Executive Officer of Nokia as of September 21, 2010. Mr. Elop replaced Olli-Pekka Kallasvuo, who left the position of President and Chief Executive Officer on September 20, 2010.

During 2010 and subsequently, Nokia announced the following changes in the members of the Nokia Leadership Team (the Group Executive Board until February 11, 2011):

» Hallstein Moerk, formerly Executive Vice President of Human Resources, resigned from the Group Executive Board effective March 31, 2010;

» Juha Äkräs was appointed Executive Vice President of Human Resources and member of the Group Executive Board effective April 1, 2010;

» Richard Simonson, formerly Executive Vice President of Mobile Phones, resigned from the Group Executive Board effective June 30, 2010;

» Anssi Vanjoki, formerly Executive Vice President of Mobile Solutions, resigned from the Group Executive Board effective October 12, 2010;

» Jerri DeVard was appointed Executive Vice President and Chief Marketing Officer and a member of the Group Executive Board as from January 1, 2011;

» Alberto Torres, formerly Executive Vice President of MeeGo Computers, resigned from the Group Executive Board on February 10, 2011; and

» On February 11, 2011 Nokia announced Nokia’s new strategy, including changes to Nokia’s Leadership Team and operational structure. Effective from that day, the Nokia Leadership Team replaced the Group Executive Board and consists of the following members: Stephen Elop (chairman), Esko Aho, Juha Äkräs, Jerri DeVard, Colin Giles, Rich Green, Jo Harlow, Timo Ihamuotila, Mary McDowell, Kai Öistämö, Tero Ojanperä (in acting capacity), Louise Pentland and Niklas Savander.

Service contracts

Stephen Elop’s service contract covers his position as President and CEO as from September 21, 2010. As at December 31, 2010, Mr. Elop’s annual total gross base salary, which is subject to an annual review by the Board of Directors and confirmation by the independent members of the Board, is EUR 1 050 000. His incentive targets under the Nokia short-term cash incentive plan are 150% of annual gross base salary as at December 31, 2010. 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. Upon joining Nokia, Mr. Elop received 500 000 stock options, 75 000 performance shares at threshold performance level and 100 000 restricted shares out of Nokia Equity Program 2010.

As compensation for lost income from his prior employer, which resulted due to his move to Nokia, Mr. Elop received a one-time payment of EUR 2 292 702 in October 2010 and is entitled to a second payment of USD 3 000 000 in October 2011. In addition, relating to his move to Nokia, Mr. Elop received a one-time payment of EUR 509 744 to reimburse him for fees he was obligated to repay his former employer. He also received income of EUR 312 203, including tax assistance, resulting from legal expenses paid by Nokia associated with his move to Nokia. In case of early termination of employment, Mr. Elop is obliged to return to Nokia all or part of these payments related to his move to Nokia.

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 total gross 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 total gross base salary and target incentive for six months) but 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 total gross 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 total gross 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 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 total gross 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 will link a meaningful portion of his compensation directly to the performance of Nokia's share price over the next two years. To participate in this new program, Mr. Elop will invest during 2011 and 2012 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 annual equity grants are reduced to a level below the competitive market value.

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

1) Total Shareholder Return (TSR), relative to a peer group of companies over the 2 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. Right for the shares would be forfeited and no shares would be delivered if Mr. Elop resigned without cause or was terminated for cause by Nokia before the settlement.

Nokia also had a service contract with Olli-Pekka Kallasvuo covering his position as President and CEO until September 20, 2010. As at September 20, 2010, Mr. Kallasvuo's annual total gross base salary was EUR 1 233 000, and his incentive targets under the Nokia short-term cash incentive plan were 150% of annual gross base salary. The service contract included provisions concerning termination of employment, and Nokia announced on September 10, 2010 that in accordance with the terms and conditions of his service contract, Mr. Kallasvuo was entitled to a severance payment consisting of 18 months gross base salary and target incentive which totaled EUR 4 623 750. Mr. Kallasvuo was paid the short-term cash incentive for the period from July 1 to September 20, 2010 at a level of 100% of base pay on a pro rata basis. He also received as compensation the fair market value of the 100 000 Nokia restricted shares granted to him in 2007, which were to vest on October 1, 2010. All the unvested equity granted to him was forfeited upon termination of the employment, while his vested outstanding stock options remained exercisable until mid-February 2011, at which point they were forfeited in accordance with the plans' terms and conditions. In addition, Mr. Kallasvuo did not meet the minimum eligibility requirements under his supplemental retirement plan agreement and as such, will not receive any payments under that agreement. As a result, Nokia reversed the actuarial liability of EUR 10 154 000, that had been accrued under that plan. In accordance with the terms and conditions of his service contract, Mr. Kallasvuo is subject to a 12-month non-competition obligation until September 20, 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 2010, Nokia did not issue, cancel or repurchase any shares.

In 2010, Nokia transferred a total of 867 512 Nokia shares held by it under Nokia equity plans as settlement under the plans to the plan participants, personnel of Nokia Group. The amount of shares transferred represented approximately 0.02% 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, 2010, Nokia and its subsidiary companies owned 35 826 052 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, 2010, was 3 744 956 052. On December 31, 2010, Nokia’s share capital was EUR 245 896 461.96.

Information on the authorizations held by the Board in 2010 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.

Industry and Nokia outlook

Nokia expects attractive mobile device industry revenue growth in 2011 and over the longer-term, driven by the further adoption of smartphones by consumers globally and the further adoption of mobile devices and services, particularly in emerging markets. Over the longer-term, Nokia expects mobile device industry gross margins to come under pressure due to competitive factors.

Due to the initiation of Nokia’s strategic transformation on February 11, 2011, the full-year prospects for its Devices & Services business are subject to significant uncertainties, and therefore Nokia believes it is not appropriate to provide annual targets for 2011 at the present time. However, Nokia expects to continue to provide short-term quarterly forecasts to indicate its progress in the company’s interim reports as well as annual targets when circumstances allow it to do so.

Nokia expects 2011 and 2012 to be transition years, as the company invests to build the planned winning ecosystem with Microsoft. After the transition, Nokia targets longer-term 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.

Nokia and Nokia Siemens Networks expect overall industry revenue to grow slightly in 2011, compared to 2010. While growth is expected in certain areas, such as mobile broadband and services, this is expected to be offset to some extent by declines in certain areas and a continued challenging competitive environment.

Due to Nokia Siemens Networks’ solid position in industry growth areas, Nokia and Nokia Siemens Networks target Nokia Siemens Networks net sales to grow faster than the market in 2011 and Nokia Siemens Networks operating margin to be above breakeven in 2011, excluding special items and purchase price accounting related items.

Additionally, Nokia and Nokia Siemens Networks continue to target Nokia Siemens Networks to reduce its annualized operating expenses and production overheads by EUR 500 million by the end of 2011, compared to the end of 2009, excluding special items and purchase price accounting related items.

Subsequent events

Nokia outlines new strategy, introduces new leadership and operational structure

On February 11, 2011, Nokia outlined its new strategic direction, including changes in leadership and operational structure designed to accelerate the company’s speed of execution in the intensely competitive mobile product market. The main elements of the new strategy includes: plans for a broad strategic partnership with Microsoft to build a new global mobile ecosystem, with Windows Phones serving as Nokia’s primary smartphone platform; a renewed approach to capture volume and value growth to connect “the next billion” to the internet in developing growth markets;

focused investments in next-generation disruptive technologies; and a new leadership team and operational structure designed to focus on speed, accountability and results.

Nokia and Microsoft have entered into a non-binding term sheet, however, the planned partnership with Microsoft remains subject to negotiations and execution of definitive agreements by the parties and there can be no assurances that definite agreements will be entered into. The future impact to Nokia Group's financial statements resulting from the terms of any definitive agreements will be evaluated once those terms are agreed.

As of April 1, 2011, Nokia will have a new operational structure, which features two distinct business units in Devices & Services business: Smart Devices and Mobile Phones. They will focus on Nokia's key business areas: smartphones and mass-market mobile phones. Each unit will have profit-and-loss responsibility and end-to-end accountability for the full consumer experience, including product development, product management and product marketing.

Starting April 1, 2011, Nokia will present its financial information in line with the new organizational structure and provide financial information for its three businesses: Devices & Services, NAVTEQ and Nokia Siemens Networks. Devices & Services will include two business units: Smart Devices and Mobile Phones as well as devices and services other and unallocated items. For IFRS financial reporting purposes, we will have four operating and reportable segments: Smart Devices and Mobile Phones within Devices & Services, NAVTEQ and Nokia Siemens Networks.

Nokia Siemens Networks planned acquisition of certain wireless network infrastructure assets of Motorola

On July 19, 2010, Nokia Siemens Networks announced that it had entered into an agreement to acquire the majority of Motorola's wireless network infrastructure assets for USD 1.2 billion in cash and cash equivalents. Approximately 7 500 employees are expected to transfer to Nokia Siemens Networks from Motorola's wireless network infrastructure business when the transaction closes, including large research and development sites in the United States, China and India. As part of the transaction, Nokia Siemens Networks expects to enhance its capabilities in key wireless technologies, including WiMAX and CDMA, and to strengthen its market position in key geographic markets, in particular Japan and the United States. Nokia Siemens Networks is also targeting to gain incumbent relationship with more than 50 operators and to strengthen its relationship with certain of the largest communication service providers globally.

The Motorola acquisition is expected to close after the final antitrust approval by the Chinese regulatory authorities has been granted and the other closing conditions have been met.

Risk factors

Set forth below is a description of risk factors that could affect Nokia. There may be, however, additional risks unknown to Nokia and other risks currently believed to be immaterial that could turn out to be material. These risks, either individually or together, could adversely affect our business, sales, 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 proposed partnership with Microsoft may not succeed in creating a competitive smartphone platform for high-quality differentiated winning smartphones or in creating new sources of revenue for us.

» We may not be able to maintain the viability of our current Symbian smartphone platform during the transition to Windows Phone as our primary smartphone platform or we may not realize a return on our investment in MeeGo and next generation devices, platforms and user experiences.

» Our ability to bring winning smartphones to the market in a timely manner will be significantly impaired if we are unable to build a competitive and profitable global ecosystem of sufficient scale, attractiveness and value to all participants.

» We may not be able to produce mobile phones in a timely and cost efficient manner with differentiated hardware, localized services and applications.

» Our failure to increase our speed of innovation, product development and execution will impair our ability to bring new competitive smartphones and mobile phones to the market in a timely manner.

» We may be unable to retain, motivate, develop and recruit appropriately skilled employees, which may hamper our ability to implement our strategies, particularly our new mobile product strategy.

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

» 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 new strategy or other factors.

- If any of the companies we partner and collaborate with, including Microsoft, 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 to market successfully or in a timely way.

- The failure of the limited number of suppliers we depend on for the timely delivery of sufficient quantities of fully functional components, sub-assemblies and software on favorable terms and for their compliance with our supplier requirements could materially adversely affect our ability to deliver our mobile products profitably and on time.

- We may fail to efficiently manage our manufacturing, service creation and delivery as well as logistics without interruption or make timely and appropriate adjustments, or fail to ensure that our products 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 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 costs related to our products and to our operations.

- We may be unable to effectively and smoothly implement the new operational structure for our devices and services business effective April 1, 2011.

- Our sales and profitability are dependent on the development of the mobile and fixed communications industry in numerous diverse markets, as well as on general economic conditions globally and regionally.

- Our 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 consequence, evaluating the rights related to the technologies we use or intend to use is more and more challenging, and we expect increasingly to face claims that we have infringed third parties' intellectual property rights. The use of these technologies may also result in increased licensing costs for us, restrictions on our ability to use certain technologies in our products and/or costly and time-consuming litigation, which could have a material adverse effect on our business, results of operations and financial condition.

- Our products include numerous Nokia, NAVTEQ and Nokia Siemens Networks patented, standardized or proprietary technologies on which we depend. Third parties may use without a license or unlawfully infringe our intellectual property or commence actions seeking to establish the invalidity of the intellectual property rights of these technologies. This may have a material adverse effect on our business and results of operations.

- Our sales derived from, and assets located in, emerging market countries may be materially adversely affected by economic, regulatory and political developments in those countries or by other countries imposing regulations against imports to such countries. As sales from those countries represent a significant portion of our total sales, economic or political turmoil in those countries could materially adversely affect our sales and results of operations. Our investments in emerging market countries may also be subject to other risks and uncertainties.

- Changes in various types of regulation and trade policies 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.

- 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 and financial condition.

- Allegations of possible health risks from the electromagnetic fields generated by base stations and mobile devices, and the lawsuits and publicity relating to this matter, regardless of merit, could have a material adverse effect on our sales, results of operations, share price, reputation and brand value by leading consumers to reduce their use of mobile devices, by increasing difficulty in obtaining sites for base stations, or by leading regulatory bodies to set arbitrary use restrictions and exposure limits, or by causing us to allocate additional monetary and personnel resources to these issues.

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 may be unable to execute effectively and in a timely manner its plan designed to improve its financial performance and market position and increase profitability or Nokia Siemens Networks maybe unable to otherwise continue to reduce operating expenses and other costs.

» Competition in the mobile and fixed networks 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. 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 be unable to complete its planned acquisition of the majority of the wireless infrastructure networks assets of Motorola in a timely manner, or at all, and, if completed, to successfully integrate the acquired business or cross-sell Nokia Siemens Networks' existing products and services to customers of the acquired business and realize the expected synergies and benefits of the acquisition.

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

» Increasingly, Nokia Siemens Networks' sales and profitability depend on its success in the telecommunications infrastructure services market. 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.

» 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 0.40 per share for 2010.

Board of Directors, Nokia Corporation
March 11, 2011

Consolidated income statements, IFRS

Financial year ended December 31	Notes	2010 EURm	2009 EURm	2008 EURm
Net sales		**42 446**	40 984	50 710
Cost of sales		**−29 629**	−27 720	−33 337
Gross profit		**12 817**	13 264	17 373
Research and development expenses		**−5 863**	−5 909	−5 968
Selling and marketing expenses		**−3 877**	−3 933	−4 380
Administrative and general expenses		**−1 115**	−1 145	−1 284
Impairment of goodwill	8	**—**	−908	—
Other income	7	**476**	338	420
Other expenses	7, 8	**−368**	−510	−1 195
Operating profit	2–10, 24	**2 070**	1 197	4 966
Share of results of associated companies	15, 31	**1**	30	6
Financial income and expenses	8, 11	**−285**	−265	−2
Profit before tax		**1 786**	962	4 970
Tax	12	**−443**	−702	−1 081
Profit		**1 343**	260	3 889
Profit attributable to equity holders of the parent		**1 850**	891	3 988
Loss attributable to non-controlling interests		**−507**	−631	−99
		1 343	260	3 889

Earnings per share (for profit attributable to the equity holders of the parent)	28	2010 EUR	2009 EUR	2008 EUR
Basic		**0.50**	0.24	1.07
Diluted		**0.50**	0.24	1.05

Average number of shares (1 000's shares)	28	2010	2009	2008
Basic		**3 708 816**	3 705 116	3 743 622
Diluted		**3 713 250**	3 721 072	3 780 363

See Notes to consolidated financial statements.

Consolidated statements of comprehensive income, IFRS

Financial year ended December 31	Notes	2010 EURm	2009 EURm	2008 EURm
Profit		**1 343**	260	3 889
Other comprehensive income				
Translation differences	22	**1 302**	−563	595
Net investment hedge gains (+)/losses (–)	22	**−389**	114	−123
Cash flow hedges	21	**−141**	25	−40
Available-for-sale investments	21	**9**	48	−15
Other increase (+)/decrease (–), net		**45**	−7	28
Income tax related to components of other comprehensive income	21, 22	**126**	−44	58
Other comprehensive income (+)/expense (–), net of tax		**952**	−427	503
Total comprehensive income (+)/expense (–)		**2 295**	−167	4 392
Total comprehensive income (+)/expense (–) attributable to				
equity holders of the parent		**2 776**	429	4 577
non-controlling interests		**−481**	−596	−185
		2 295	−167	4 392

See Notes to consolidated financial statements.

Consolidated statements of financial position, IFRS

December 31	Notes	2010 EURm	2009 EURm
ASSETS			
Non-current assets			
Capitalized development costs	13	**40**	143
Goodwill	13	**5 723**	5 171
Other intangible assets	13	**1 928**	2 762
Property, plant and equipment	14	**1 954**	1 867
Investments in associated companies	15	**136**	69
Available-for-sale investments	16	**533**	554
Deferred tax assets	25	**1 596**	1 507
Long-term loans receivable	16, 35	**64**	46
Other non-current assets	16	**4**	6
		11 978	12 125
Current assets			
Inventories	18, 20	**2 523**	1 865
Accounts receivable, net of allowances for doubtful accounts (2010: EUR 363 million, 2009: EUR 391 million)	16, 20, 35	**7 570**	7 981
Prepaid expenses and accrued income	19	**4 360**	4 551
Current portion of long-term loans receivable	16, 35	**39**	14
Other financial assets	16, 17, 35	**378**	329
Investments at fair value through profit and loss, liquid assets	16, 35	**911**	580
Available-for-sale investments, liquid assets	16, 35	**3 772**	2 367
Available-for-sale investments, cash equivalents	16, 35	**5 641**	4 784
Bank and cash	35	**1 951**	1 142
		27 145	23 613
Total assets		**39 123**	35 738
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent			
Share capital	23	**246**	246
Share issue premium		**312**	279
Treasury shares, at cost		**−663**	−681
Translation differences	22	**825**	−127
Fair value and other reserves	21	**3**	69
Reserve for invested non-restricted equity		**3 161**	3 170
Retained earnings		**10 500**	10 132
		14 384	13 088
Non-controlling interests		**1 847**	1 661
Total equity		**16 231**	14 749
Non-current liabilities			
Long-term interest-bearing liabilities	16, 35	**4 242**	4 432
Deferred tax liabilities	25	**1 022**	1 303
Other long-term liabilities		**88**	66
		5 352	5 801
Current liabilities			
Current portion of long-term loans	16, 35	**116**	44
Short-term borrowings	16, 35	**921**	727
Other financial liabilities	16, 17, 35	**447**	245
Accounts payable	16, 35	**6 101**	4 950
Accrued expenses and other liabilities	26	**7 365**	6 504
Provisions	27	**2 590**	2 718
		17 540	15 188
Total shareholders' equity and liabilities		**39 123**	35 738

See Notes to consolidated financial statements.

Consolidated statements of cash flows, IFRS

Financial year ended December 31	Notes	2010 EURm	2009 EURm	2008 EURm
Cash flow from operating activities				
Profit attributable to equity holders of the parent		**1 850**	891	3 988
Adjustments, total	32	**2 112**	3 390	3 024
Change in net working capital	32	**2 349**	140	−2 546
Cash generated from operations		**6 311**	4 421	4 466
Interest received		**110**	125	416
Interest paid		**−235**	−256	−155
Other financial income and expenses, net		**−507**	−128	250
Income taxes paid, net		**−905**	−915	−1 780
Net cash from operating activities		**4 774**	3 247	3 197
Cash flow from investing activities				
Acquisition of Group companies, net of acquired cash		**−110**	−29	−5 962
Purchase of current available-for-sale investments, liquid assets		**−8 573**	−2 800	−669
Purchase of investments at fair value through profit and loss, liquid assets		**−646**	−695	—
Purchase of non-current available-for-sale investments		**−124**	−95	−121
Purchase of shares in associated companies		**−33**	−30	−24
Additions to capitalized development costs		**—**	−27	−131
Proceeds from repayment and sale of long-term loans receivable		**—**	—	129
Proceeds from (+) /payment of (−) other long-term receivables		**2**	2	−1
Proceeds from (+) /payment of (−) short-term loans receivable		**−2**	2	−15
Capital expenditures		**−679**	−531	−889
Proceeds from disposal of shares in Group companies, net of disposed cash		**−21**	—	—
Proceeds from disposal of shares in associated companies		**5**	40	3
Proceeds from disposal of businesses		**141**	61	41
Proceeds from maturities and sale of current available-for-sale investments, liquid assets		**7 181**	1 730	4 664
Proceeds from maturities and sale of investments at fair value through profit and loss, liquid assets		**333**	108	—
Proceeds from sale of non-current available-for-sale investments		**83**	14	10
Proceeds from sale of fixed assets		**21**	100	54
Dividends received		**1**	2	6
Net cash used in investing activities		**−2 421**	−2 148	−2 905
Cash flow from financing activities				
Proceeds from stock option exercises		**—**	—	53
Purchase of treasury shares		**1**	—	−3 121
Proceeds from long-term borrowings		**482**	3 901	714
Repayment of long-term borrowings		**−6**	−209	−34
Proceeds from (+) /repayment of (−) short-term borrowings		**131**	−2 842	2 891
Dividends paid		**−1 519**	−1 546	−2 048
Net cash used in financing activities		**−911**	−696	−1 545
Foreign exchange adjustment		**224**	−25	−49
Net increase (+) /decrease (−) in cash and cash equivalents		**1 666**	378	−1 302
Cash and cash equivalents at beginning of period		**5 926**	5 548	6 850
Cash and cash equivalents at end of period		**7 592**	5 926	5 548
Cash and cash equivalents comprise of:				
Bank and cash		**1 951**	1 142	1 706
Current available-for-sale investments, cash equivalents	16, 35	**5 641**	4 784	3 842
		7 592	5 926	5 548

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

See Notes to consolidated financial statements.

Consolidated statements of changes in shareholders' equity, IFRS

EURm	Number of shares (1 000's)	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restrict. equity	Retained earnings	Before non-controlling interests	Non-controlling interests	Total
Balance at December 31, 2007	3 845 950	246	644	−3 146	−163	23	3 299	13 870	14 773	2 565	17 338
Translation differences					595				595		595
Net investment hedge losses, net of tax					−91				−91		−91
Cash flow hedges, net of tax						42			42	−67	−25
Available-for-sale investments, net of tax						−3			−3	−2	−5
Other increase, net								46	46	−17	29
Profit								3 988	3 988	−99	3 889
Total comprehensive income		—	—	—	504	39	—	4 034	4 577	−185	4 392
Stock options exercised	3 547						51		51		51
Stock options exercised related to acquisitions			1						1		1
Share-based compensation			74						74		74
Excess tax benefit on share-based compensation			−117						−117	-6	-124
Settlement of performance and restricted shares	5 622		−179	154			−44		−69		-69
Acquisition of treasury shares	−157 390			−3 123					−3 123		-3 123
Reissuance of treasury shares	143			2					2		2
Cancellation of treasury shares			—	4 232				−4 232	—		—
Dividend								−1 992	−1 992	−35	−2 027
Acquisitions and other change in non-controlling interests										−37	−37
Vested portion of share-based payment awards related to acquisitions			19						19		19
Acquisition of Symbian								12	12		12
Total of other equity movements		—	−202	1 265	—	—	7	−6 212	−5 142	−78	−5 220
Balance at December 31, 2008	3 697 872	246	442	−1 881	341	62	3 306	11 692	14 208	2 302	16 510
Translation differences					−552				−552	−9	−561
Net investment hedge gains, net of tax					84				84		84
Cash flow hedges, net of tax						−35			−35	49	14
Available-for-sale investments, net of tax						42			42	2	44
Other decrease, net								−1	−1	−7	−8
Profit								891	891	−631	260
Total comprehensive income		—	—	—	−468	7	—	890	429	−596	−167
Stock options exercised	7						—		—		—
Stock options exercised related to acquisitions			−1						−1		−1
Share-based compensation			16						16		16
Excess tax benefit on share-based compensation			−12						−12	−1	−13
Settlement of performance and restricted shares	10 352		−166	230			−136		−72		−72
Acquisition of treasury shares									—		—
Reissuance of treasury shares	31			1					1		1
Cancellation of treasury shares				969				−969	—		—
Dividend								−1 481	−1 481	−44	−1 525
Total of other equity movements		—	−163	1 200	—	—	−136	−2 450	−1 549	−45	−1 594
Balance at December 31, 2009	3 708 262	246	279	−681	−127	69	3 170	10 132	13 088	1 661	14 749

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, 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		—	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

Dividends declared per share were EUR 0.40 for 2010, subject to shareholders' approval, (EUR 0.40 for 2009 and EUR 0.40 for 2008).

Notes to the consolidated financial statements

1. Accounting principles

Basis of presentation

The consolidated financial statements of Nokia Corporation ("Nokia" or "the Group"), a Finnish public limited liability company with domicile in Helsinki, in the Republic of Finland, are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union ("IFRS"). The consolidated financial statements are presented in millions of euros ("EURm"), except as noted, and are prepared under the historical cost convention, except as disclosed in the accounting policies below. The notes to the consolidated financial statements also conform to Finnish Accounting legislation. On March 11, 2011, Nokia's Board of Directors authorized the financial statements for 2010 for issuance and filing.

The Group completed the acquisition of all of the outstanding equity of NAVTEQ on July 10, 2008. The NAVTEQ business combination has had a material impact on the consolidated financial statements and associated notes. See Note 9.

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, 2010.

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

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

» Amendments to IFRS 2 and IFRIC 11 clarify that an entity that receives goods or services in a share-based payment arrangement should account for those goods or services regardless of which entity in the group settles the transaction, and regardless of whether the transaction is settled in shares or cash.

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

» 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 aggregate of the consideration transferred and recognized non-controlling interests in the acquired business over the acquisition date fair values of the identifiable net assets acquired 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. The recoverable amount is then compared to its carrying amount and an impairment loss is recognized if the recoverable amount is less than the carrying amount. Impairment losses are recognized immediately in the 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

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

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

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

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

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

Shipping and handling costs

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

Research and development

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

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

Other intangible assets

Acquired patents, trademarks, licenses, software licenses for internal use, customer relationships and developed technology are capitalized and amortized using the straight-line method over their useful lives, generally 3 to 6 years. 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 to trustee-administered funds as determined by periodic actuarial calculations.

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

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

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

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

The liability (or asset) recognized in the statement of financial position is pension obligation at the closing date less the fair value of plan assets, the share of unrecognized actuarial gains and losses, and past service costs. Any net pension asset is limited to unrecognized actuarial losses, past service cost, the present value of available refunds from the plan and expected reductions in future contributions to the plan.

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	1–3 years
Other machinery and equipment	3–10 years

Land and water areas are not depreciated.

Maintenance, repairs and renewals are generally charged to expense during the financial period in which they are incurred. However, major renovations are capitalized and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset. Leasehold improvements are depreciated over the shorter of the lease term or useful life.

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

Leases

The Group has entered into various operating leases, the payments under which are treated as rentals and recognized in the 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. 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, 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 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 permanent. The cumulative net loss relating to that investment is removed from equity and recognized in the income statement for the period. If, in a subsequent period, the fair value of the investment in a non-equity instrument increases and the increase can be objectively related to an event occurring after the loss was recognized, the loss is reversed, with the amount of the reversal included in the income statement.

Investments at fair value through profit and loss, liquid assets

The investments at fair value through profit and loss, liquid assets include highly liquid financial assets designated at fair value through profit or loss at inception. For investments designated 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 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 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. 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, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses or deductible temporary differences can be utilized. 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 fair value and tax base of identifiable net assets acquired in business combinations. Deferred tax assets and deferred tax liabilities are offset for presentation purposes when there is a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as an asset only when the reimbursement is virtually certain. At each balance sheet date, the Group assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary based on actual experience and changes in future estimates.

Warranty provisions

The Group provides for the estimated liability to repair or replace products under warranty at the time revenue is recognized. The provision is an estimate calculated based on historical experience of the level of 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 and the restructuring plan has been announced by the Group.

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 results of which form the basis for making judgments about the reported carrying values of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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

Revenue recognition

Sales from the majority of the Group are recognized when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Sales may materially change if management's assessment of such criteria was determined to be inaccurate. The Group enters into transactions involving multiple components consisting of any combination of hardware, services and software. The consideration received from these transactions is allocated to each separately identifiable component based on the relative fair value of each component. The consideration allocated to each component is recognized as revenue when the revenue recognition criteria for that component have been met. Determination of the fair value for each component requires the use of estimates and judgment taking into consideration factors such as the price when the component is sold separately by the Group or the price when a similar component is sold separately by the Group or a third party, which may have a significant impact on the timing and amount of revenue recognition.

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

Revenue from contracts involving solutions achieved through modification of complex telecommunications equipment is recognized on the percentage of completion basis when the outcome of the contract can be estimated reliably. Recognized revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. Current sales and profit estimates for projects may materially change due to the early stage of a long-term project, new technology, changes in the project scope, changes in costs, changes in timing, changes in customers' plans, realization of penalties, and other corresponding factors, 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 the actual financial position of the customers or general economic conditions differ from assumptions, the ultimate collectability of such financings and trade credits may be required to be re-assessed, which could result in a write-off of these balances and thus negatively impact profits in future periods. The Group endeavors to mitigate this risk through the transfer of its rights to the cash collected from these arrangements to third party financial institutions on a non-recourse basis in exchange for an upfront cash payment.

Allowances for doubtful accounts

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

Inventory-related allowances

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

Warranty provisions

The Group provides for the estimated cost of product warranties at the time revenue is recognized. The Group's warranty provision is established based upon best estimates of the amounts necessary to settle future and existing claims on products sold as of each balance sheet date. As new products incorporating complex technologies are continuously introduced, and as local laws, regulations and practices may change, changes in these estimates could result in additional allowances or changes to recorded allowances being required in future periods.

Provision for intellectual property rights, or IPR, infringements

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

Legal contingencies

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

Capitalized development costs

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

Business combinations

The Group applies the 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. The excess of the aggregate of the consideration transferred and recognized non-controlling interests in the acquired business over the acquisition date fair values 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 the discount rate, length of the 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.

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 vesting conditions attached to performance shares are included in assumptions about the number of shares that the employee will ultimately receive relating to projections of net sales and earnings per share. Significant differences in equity market performance, employee option activity and the Group's projected and actual net sales and earnings per share performance, may materially affect future expense. See also Note 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 will change the classification, measurement and impairment of financial instruments based on our objectives for the related contractual cash flows.

Amendment to IAS 32 requires that if rights issues offered are issued pro rata to all of an entity's 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 IAS 12 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.

Amendment to IFRS 7 enhances disclosures about transfer transactions of financial assets for evaluating related risk exposures and their effect on an entity's financial position.

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

In addition, there are a number of other amendments that form part of the IASB's annual improvement project which will be adopted by the Group on January 1, 2011.

The Group will adopt the amendments to IAS 32 and IFRIC 19 as well as the additional amendments that form part of the IASB's annual improvement project on January 1, 2011. Amendments to IAS 12 and IFRS 7 will be adopted on January 1, 2012.

The Group does not expect that the adoption of these new standards, interpretations and amendments will have a material impact on the financial condition and results of operations of the Group.

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

2. Segment information

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

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

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

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

Corporate Common Functions consists of company wide functions.

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

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

2010, EURm	Devices & Services	NAVTEQ	Nokia Siemens Networks	Total reportable segments	Corporate Common Functions and Corporate unallocated [4, 6]	Eliminations	Group
Profit and loss information							
Net sales to external customers	29 118	668	12 660	42 446	—		42 446
Net sales to other segments	16	334	1	351	—	−351	—
Depreciation and amortization	405	519	843	1 767	4		1 771
Impairment	—	—	2	2	13		15
Operating profit / loss	3 299	−225	−686	2 388	−114	−204 [7]	2 070
Share of results of associated companies	—	2	11	13	−12		1
Balance sheet information							
Capital expenditures [2]	337	36	306	679	—		679
Segment assets [3]	9 560	6 492	10 621	26 673	14 998	−2 548	39 123
of which:							
Investments in associated companies	—	7	42	49	87		136
Segment liabilities [5]	10 146	2 488	7 190	19 824	5 616	−2 548	22 892

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

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

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

2 Including goodwill, capital expenditures in 2010 amount to EUR 761 million (EUR 590 million in 2009). The goodwill and capitalized development costs consist of EUR 73 million in 2010 (EUR 7 million in 2009) for Devices & Services, EUR 9 million in 2010 (EUR 22 million in 2009) for NAVTEQ, EUR 0 million in 2010 (EUR 30 million in 2009) for Nokia Siemens Networks, and EUR 0 million in 2010 (EUR 0 million in 2009) for Corporate Common Functions.

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

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

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

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

7 Elimination of profits recognized in NAVTEQ that are deferred in Devices & Services related to Ovi Maps service sold in combination with Nokia's GPS enabled smartphones.

Net sales to external customers by geographic area by location of customer	2010 EURm	2009 EURm	2008 EURm
Finland	371	390	362
China	7 149	5 990	5 916
India	2 952	2 809	3 719
Germany	2 019	1 733	2 294
Russia	1 744	1 528	2 083
USA	1 630	1 731	1 907
Brazil	1 506	1 333	1 902
UK	1 470	1 916	2 382
Other	23 605	23 554	30 145
Total	42 446	40 984	50 710

Segment non-current assets by geographic area [8]	2010 EURm	2009 EURm
Finland	1 501	1 698
China	402	358
India	210	180
Germany	209	243
USA	6 079	5 859
UK	236	228
Other	1 008	1 377
Total	9 645	9 943

8 Comprises intangible assets and property, plant and equipment.

3. Percentage of completion

Contract sales recognized under percentage of completion accounting were EUR 5 094 million in 2010 (EUR 6 868 million in 2009 and EUR 9 220 million in 2008). Services revenue for managed services and network maintenance contracts were EUR 2 924 million in 2010 (EUR 2 607 million in 2009 and EUR 2 530 million in 2008).

Included in accrued expenses and other liabilities were advances received related to construction contracts of EUR 161 million at December 31, 2010 (EUR 126 million in 2009). Included in accounts receivable were contract revenues recorded prior to billings of EUR 1 326 million at December 31, 2010 (EUR 1 396 million in 2009) and billing in excess of costs incurred of EUR 510 million at December 31, 2010 (EUR 451 million in 2009).

The aggregate amount of costs incurred and recognized profits (net of recognized losses) under open construction contracts in progress since inception was EUR 17 262 million in 2010 (EUR 15 351 million in 2009).

Retentions related to construction contracts, included in accounts receivable, were EUR 207 million at December 31, 2010 (EUR 265 million at December 31, 2009).

4. Personnel expenses

EURm	2010	2009	2008
Wages and salaries	5 808	5 658	5 615
Share-based compensation expense	48	13	67
Pension expenses, net	431	427	478
Other social expenses	708	649	754
Personnel expenses as per income statement	6 995	6 747	6 914

Share-based compensation expense includes pension and other social costs of EUR 1 million in 2010 (EUR –3 million in 2009 and EUR –7 million in 2008) based upon the related employee benefit charge recognized during the year.

Pension expenses, comprised of multi-employer, insured and defined contribution plans were EUR 377 million in 2010 (EUR 377 million in 2009 and EUR 394 million in 2008). Expenses related to defined benefit plans comprise the remainder.

Average personnel	2010	2009	2008
Devices & Services	58 642	56 462	57 443
NAVTEQ	5 020	4 282	3 969
Nokia Siemens Networks	65 379	62 129	59 965
Group Common Functions	314	298	346
Nokia Group	129 355	123 171	121 723

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 Beitragsorientierter Alterversorgungs Plan ("BAP"), 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	2010	2009
Present value of defined benefit obligations at beginning of year	−1 411	−1 205
Foreign exchange	−49	5
Current service cost	−61	−55
Interest cost	−78	−69
Plan participants' contributions	−8	−12
Past service cost	−1	—
Actuarial gain (+)/loss (−)	1	−139
Acquisitions	−1	2
Curtailment	1	—
Settlements	17	2
Benefits paid	46	60
Present value of defined benefit obligations at end of year	−1 544	−1 411
Plan assets at fair value at beginning of year	1 330	1 197
Foreign exchange	44	−7
Expected return on plan assets	76	70
Actuarial gain (+)/loss (−) on plan assets	9	56
Employer contribution	62	49
Plan participants' contributions	8	12
Benefits paid	−32	−44
Settlements	−6	−2
Acquisitions	3	−1
Plan assets at fair value at end of year	1 494	1 330
Surplus (+)/deficit (−)	−50	−81
Unrecognized net actuarial gains (−)/losses (+)	−26	−21
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)	−9	−5
Prepaid (+)/accrued (−) pension cost in the statement of financial position	−84	−106

Present value of obligations include EUR 932 million (EUR 822 million in 2009) of wholly funded obligations, EUR 567 million of partly funded obligations (EUR 516 million in 2009) and EUR 45 million (EUR 73 million in 2009) of unfunded obligations.

The amounts recognized in the income statement are as follows:

EURm	2010	2009	2008
Current service cost	61	55	79
Interest cost	78	69	78
Expected return on plan assets	−76	−70	−71
Net actuarial gains (−)/losses (+) recognized in year	−1	−9	—
Impact of paragraph 58(b) limitation	3	5	—
Past service cost gain (−)/loss (+)	1	—	2
Curtailment	−1	—	−12
Settlement	−11	—	152
Total, included in personnel expenses	54	50	228

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

EURm	2010	2009
Prepaid (+)/accrued (−) pension costs at beginning of year	−106	−120
Net income(+)/expense (−) recognized in the profit and loss account	−54	−50
Contributions paid	62	49
Benefits paid	14	16
Acquisitions	2	1
Foreign exchange	−2	−2
Prepaid (+)/accrued (−) pension costs at end of year *	−84	−106

* included within prepaid expenses and accrued income / accrued expenses

The prepaid pension cost above is made up of a prepayment of EUR 85 million (EUR 68 million in 2009) and an accrual of EUR 169 million (EUR 174 million in 2009).

EURm	2010	2009	2008	2007	2006
Present value of defined benefit obligations	−1 544	−1 411	−1 205	−2 266	−1 577
Plan assets at fair value	1 494	1 330	1 197	2 174	1 409
Surplus (+)/deficit (−)	−50	−81	−8	−92	−168

Experience adjustments arising on plan obligations amount to a gain of EUR 18 million in 2010 (loss of EUR 12 million in 2009, a gain of EUR 50 million in 2008, a loss of EUR 31 million in 2007 and EUR 25 million in 2006).

Experience adjustments arising on plan assets amount to a gain of EUR 9 million in 2010 (a gain of EUR 54 million in 2009, a loss of EUR 22 million in 2008, EUR 3 million in 2007 and EUR 11 million in 2006).

The principal actuarial weighted average assumptions used were as follows:

%	2010	2009
Discount rate for determining present values	5.1	5.3
Expected long-term rate of return on plan assets	5.1	5.4
Annual rate of increase in future compensation levels	2.6	2.8
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 Groups's pension plan weighted average asset allocation as a percentage of Plan Assets at December 31, 2010, and 2009, by asset category are as follows:

%	2010	2009
Asset category:		
Equity securities	23	18
Debt securities	57	64
Insurance contracts	8	8
Short-term investments	4	5
Other	8	5
Total	100	100

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

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

The foreign pension plan assets include a self investment through a loan provided to Nokia by the Group's German pension fund of EUR 69 million (EUR 69 million in 2009). See Note 31.

The actual return on plan assets was EUR 85 million in 2010 (EUR 126 million in 2009).

In 2011, the Group expects to make contributions of EUR 43 million to its defined benefit pension plans.

6. Expenses by nature

EURm	2010	2009	2008
Cost of material	**20 917**	19 502	23 892
Personnel expenses	**6 995**	6 747	6 914
Depreciation and amortization	**1 771**	1 784	1 617
Advertising and promotional expenses	**1 291**	1 335	1 600
Warranty costs	**894**	696	1 020
Other costs and expenses	**8 616**	8 643	9 926
Total of Cost of sales, Research and development, Selling and marketing and Administrative and general expenses	**40 484**	38 707	44 969

7. Other income and expenses

Other income totaled EUR 476 million in 2010 (EUR 338 million in 2009 and EUR 420 million in 2008). Other expenses totaled EUR 368 million in 2010 (EUR 510 million in 2009 and EUR 1 195 million in 2008).

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 patents and approximately 1 100 Nokia R&D professionals, the vast majority of whom are 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 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 totalling EUR 56 million for intangible assets arising from the acquisitions of Enpocket and Intellisync and the asset acquisition of Twango.

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

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

8. Impairment

EURm	2010	2009	2008
Goodwill	—	908	—
Other intangible assets	—	56	—
Property, plant and equipment	—	1	77
Inventories	—	—	13
Investments in associated companies	—	19	8
Available-for-sale investments	**107**	25	43
Other non-current assets	**3**	—	8
Total	**110**	1 009	149

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 2010, the Group has goodwill allocated to two cash-generating units, which correspond to the Group's reportable segments: Devices & Services CGU and NAVTEQ CGU.

The recoverable amounts for the Devices & Services CGU and the NAVTEQ CGU are based on value in use calculations. The cash flow projections employed in the value in use calculation are based on financial plans approved by management. These projections are consistent with external sources of information, wherever available. Cash flows beyond the explicit forecast period are extrapolated using an estimated terminal growth rate that does not exceed the long-term average growth rates for the industry and economies in which the CGU operates. The impairment testing has been carried out based on management's assessment of financial performance and future strategies in light of current and expected market and economic conditions. Events that occurred subsequent to the balance sheet date, as discussed in Note 33, did not have an impact on this assessment.

Goodwill amounting to EUR 1 355 million has been allocated to the Devices & Services CGU for the purpose of impairment testing. The goodwill impairment testing conducted for the Devices & Services CGU for the year ended December 31, 2010 did not result in any impairment charges.

Goodwill amounting to EUR 4 368 million has been allocated to the NAVTEQ CGU. The goodwill impairment testing conducted for the NAVTEQ CGU for the year ended December 31, 2010 did not result in any impairment charges. The recoverable amount of the NAVTEQ CGU is between 15–20% higher than its carrying amount. The Group has concluded that a reasonably possible change of between 1–2% in the valuation assumptions for long-term growth rate and discount rate would give rise to an impairment loss.

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

	Cash-generating unit	
	Devices & Services	NAVTEQ
	%	%
Terminal growth rate	2.0	4.0
Post-tax discount rate	8.7	9.6
Pre-tax discount rate	11.1	12.8

The Group has applied consistent valuation methodologies for each of the Group's CGUs for the years ended December 31, 2010, 2009 and 2008. The value in use is 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 cash-generating units 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. Overall, the discount rates applied in the 2010 impairment testing have decreased in line with declining interest rates.

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 has been reduced to zero.

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

Other intangible assets

In 2010 and 2008, the Group did not recognise any impairment charges on other intangible assets. In conjunction with the Group's decision to refocus its activities around specified core assets, the Group recorded impairment charges in 2009 totalling EUR 56 million for intangible assets arising from the acquisitions of Enpocket and Intellisync and the asset acquisition of Twango. The impairment charge was recognised in other operating expense and is included in the Devices & Services segment.

Property, plant and equipment and inventories

In 2010, the Group did not recognise any impairment charges with respect to property, plant and equipment and inventories. In 2008, resulting from the Group's decision to discontinue the production of mobile devices in Germany, an impairment loss was recognised amounting to EUR 55 million. The impairment loss related to the closure and sale of production facilities at Bochum, Germany during 2008 and is included in the Devices & Services segment.

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

Investments in associated companies

In 2010, the Group did not recognise any impairment charges on its 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 19 million in 2009 and EUR 8 million in 2008 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 securities held as non-current available-for-sale suffered a permanent decline in fair value resulting in an impairment charge of EUR 107 million in 2010 (EUR 25 million in 2009, EUR 43 million in 2008). These impairment amounts are included within financial expenses and other operating expenses in the consolidated income statement. See also note 11.

9. Acquisitions

Acquisitions completed 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. NAVTEQ acquired a 100% ownership interest in PixelActive on November 17, 2010.

Acquisitions completed in 2009

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

» Plum Ventures, Inc, based in Boston, USA, develops and operates a cloud-based social media sharing and messaging service for private groups. The Group acquired certain assets of Plum on September 11, 2009.

» Dopplr Oy, based in Helsinki, Finland, provides a Social Atlas that enables members to share travel plans and preferences privately with their networks. The Group acquired a 100% ownership interest in Dopplr on September 28, 2009.

» Huano Technology Co., Ltd, based in Changsha, China, is an infrastructure service provider with Nokia Siemens Networks as its primary customer. Nokia Siemens Networks increased its ownership interest in Huano from 49% to 100% on July 22, 2009.

» T-Systems Traffic GmbH is a leading German provider of dynamic mobility services delivering near real-time data about traffic flow and road conditions. NAVTEQ acquired a 100% ownership interest in T-Systems Traffic on January 2, 2009.

» Acuity Mobile, based in Greenbelt, USA, is a leading provider of mobile marketing content delivery solutions. NAVTEQ acquired a 100% ownership interest in Acuity Mobile on September 11, 2009.

Acquisitions completed in 2008

NAVTEQ

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

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

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

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

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

Symbian

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

The Group contributed the Symbian OS and S60 software to the Symbian Foundation for the purpose of creating a unified mobile software platform with a common UI framework. A full platform was available for all Foundation members under a royalty-free license, from the Foundation's first day of operations.

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

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

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

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

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

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

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

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

During 2008, the Group completed five additional acquisitions. The total purchase consideration paid and the total goodwill arising from these acquisitions amounted to EUR 514 million and EUR 339 million, respectively. The goodwill arising from these acquisitions is attributable to assembled workforce and post acquisition synergies.

» Trolltech ASA, based in Oslo, Norway, is a recognised software provider with world-class software development platforms and frameworks. The Group acquired a 100% ownership interest in Trolltech ASA on June 6, 2008.

» Oz Communications Inc., headquartered in Montreal, Canada, is a leading consumer mobile messaging solution provider delivering access to popular instant messaging and email services on consumer mobile devices. The Group acquired a 100% ownership interest in Oz Communications Inc. on November 4, 2008.

» Atrica, based in Santa Clara, USA, is one of the leading providers of Carrier Ethernet solutions for Metropolitan Area Networks. Nokia Siemens Networks acquired a 100% ownership interest in Atrica on January 7, 2008.

» Apertio Ltd, based in Bristol, England is the leading independent provider of subscriber-centric networks for mobile, fixed and converged telecommunications operators. Nokia Siemens Networks acquired a 100% ownership interest in Apertio Ltd on February 11, 2008.

» On January 1, 2008, Nokia Siemens Networks assumed control of Vivento Technical Services from Deutsche Telekom.

10. Depreciation and amortization

EURm	2010	2009	2008
Depreciation and amortization by function			
Cost of sales	248	266	297
Research and development [1]	906	909	778
Selling and marketing [2]	426	424	368
Administrative and general	191	185	174
Total	1 771	1 784	1 617

1 In 2010, depreciation and amortization allocated to research and development included amortization of acquired intangible assets of EUR 556 million (EUR 534 million in 2009 and EUR 351 million in 2008, respectively).

2 In 2010, depreciation and amortization allocated to selling and marketing included amortization of acquired intangible assets of EUR 408 million (EUR 401 million in 2009 and EUR 343 million in 2008, respectively).

11. Financial income and expenses

EURm	2010	2009	2008
Dividend income on available-for-sale financial investments	2	3	1
Interest income on available-for-sale financial investments	110	101	357
Interest expense on financial liabilities carried at amortised cost	−254	−243	−185
Net realised gains (or losses) on disposal of fixed income available-for-sale financial investments	1	2	−4
Net fair value gains (or losses) on investments at fair value through profit and loss	−3	19	—
Interest income on investments at fair value through profit and loss	28	11	—
Net fair value gains (or losses) on hedged items under fair value hedge accounting	−63	−4	—
Net fair value gains (or losses) on hedging instruments under fair value hedge accounting	58	—	—
Other financial income	73	18	17
Other financial expenses	−129	−29	−31
Net foreign exchange gains (or losses)			
From foreign exchange derivatives designated at fair value through profit and loss account	58	−358	432
From balance sheet items revaluation	−165	230	−595
Net gains (net losses) on other derivatives designated at fair value through profit and loss account	−1	−15	6
Total	−285	−265	−2

During 2010, the Group received distributions of EUR 69 million (2009 EUR 13 million) 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 EUR 94 million (2009 EUR 9 million) for the fund included in other financial expenses. Additional information can be found in Note 8 Impairments and Note 16 Fair Value of Financial Instruments.

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

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

12. Income taxes

EURm	2010	2009	2008
Income tax			
Current tax	−798	−736	−1 514
Deferred tax	355	34	433
Total	−443	−702	−1 081
Finland	−126	76	−604
Other countries	−317	−778	−477
Total	−443	−702	−1 081

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, 2010:

EURm	2010	2009	2008
Income tax expense at statutory rate	464	250	1 292
Permanent differences	4	−96	−65
Non tax deductible impairment of Nokia Siemens Networks’ goodwill [1]	—	236	—
Taxes for prior years	−48	−17	−128
Taxes on foreign subsidiaries’ profits in excess of (lower than) income taxes at statutory rates	−195	−145	−181
Change in losses and temporary differences with no tax effect [2]	221	577	—
Net increase (+)/decrease(−) in tax contingencies	24	−186	2
Change in income tax rates	2	4	−22
Deferred tax liability on undistributed earnings [3]	−31	111	220
Other	2	−32	−37
Income tax expense	443	702	1 081

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 a benefit of EUR 52 million from the reassessment of recoverability of deferred tax assets in Nokia Siemens Networks.

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

Certain of the Group companies’ income tax returns for periods ranging from 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	2010	2009
Capitalized development costs		
Acquisition cost January 1	1 830	1 811
Additions during the period	—	27
Impairment losses	–11	—
Retirements during the period	–784	—
Disposals during the period	—	–8
Accumulated acquisition cost December 31	1 035	1 830
Accumulated amortization January 1	–1 687	–1 567
Retirements during the period	784	—
Impairment losses	11	—
Disposals during the period	—	8
Amortization for the period	–103	–128
Accumulated amortization December 31	–995	–1 687
Net book value January 1	143	244
Net book value December 31	40	143
Goodwill		
Acquisition cost January 1	6 079	6 257
Translation differences	470	–207
Acquisitions	82	32
Disposals during the period	—	–3
Accumulated acquisition cost December 31	6 631	6 079
Accumulated impairments January 1	–908	—
Impairments during the period	—	–908
Accumulated impairments December 31	–908	–908
Net book value January 1	5 171	6 257
Net book value December 31	5 723	5 171
Other intangible assets		
Acquisition cost January 1	5 287	5 498
Translation differences	216	–142
Additions during the period	58	50
Acquisitions	21	3
Retirements during the period	–142	–26
Impairments during the period	—	–94
Disposals during the period	–3	–2
Accumulated acquisition cost December 31	5 437	5 287
Accumulated amortization January 1	–2 525	–1 585
Translation differences	–42	56
Retirements during the period	125	17
Impairments during the period	—	38
Disposals during the period	2	2
Amortization for the period	–1 069	–1 053
Accumulated amortization December 31	–3 509	–2 525
Net book value January 1	2 762	3 913
Net book value December 31	1 928	2 762

14. Property, plant and equipment

EURm	2010	2009
Land and water areas		
Acquisition cost January 1	59	60
Additions during the period	—	1
Disposals during the period	–2	–2
Accumulated acquisition cost December 31	57	59
Net book value January 1	59	60
Net book value December 31	57	59
Buildings and constructions		
Acquisition cost January 1	1 312	1 274
Translation differences	69	–17
Additions during the period	86	132
Disposals during the period	–53	–77
Accumulated acquisition cost December 31	1 414	1 312
Accumulated depreciation January 1	–385	–350
Translation differences	–19	3
Disposals during the period	41	42
Depreciation for the period	–90	–80
Accumulated depreciation December 31	–453	–385
Net book value January 1	927	924
Net book value December 31	961	927
Machinery and equipment		
Acquisition cost January 1	3 984	4 183
Translation differences	213	–67
Additions during the period	472	386
Acquisitions	4	1
Impairments during the period	—	–1
Disposals during the period	–669	–518
Accumulated acquisition cost December 31	4 004	3 984
Accumulated depreciation January 1	–3 168	–3 197
Translation differences	–164	50
Disposals during the period	639	489
Depreciation for the period	–492	–510
Accumulated depreciation December 31	–3 185	–3 168
Net book value January 1	816	986
Net book value December 31	819	816
Other tangible assets		
Acquisition cost January 1	47	30
Translation differences	6	-2
Additions during the period	15	19
Disposals during the period	–12	—
Accumulated acquisition cost December 31	56	47
Accumulated depreciation January 1	–27	–15
Translation differences	–2	1
Disposals during the period	9	—
Depreciation for the period	–17	–13
Accumulated depreciation December 31	–37	–27
Net book value January 1	20	15
Net book value December 31	19	20

EURm	2010	2009
Advance payments and fixed assets under construction		
Net carrying amount January 1	45	105
Translation differences	3	−2
Additions	92	29
Disposals	−1	−1
Transfers to:		
Other intangible assets	—	−3
Buildings and constructions	−20	−34
Machinery and equipment	−10	−36
Other tangible assets	−11	−13
Net carrying amount December 31	98	45
Total property, plant and equipment	1 954	1 867

15. Investments in associated companies

EURm	2010	2009
Net carrying amount January 1	69	96
Translation differences	3	−4
Additions	63	30
Deductions	−6	−50
Impairments	—	−19
Share of results	1	30
Dividend	−1	—
Other movements	7	−14
Net carrying amount December 31	136	69

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 amortised cost	Financial liabilities measured at amortised cost	Total carrying amounts	Fair value
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**
At December 31, 2009, EURm							
Available-for-sale investments in publicly quoted equity shares		8				8	8
Other available-for-sale investments carried at fair value		257				257	257
Other available-for-sale investments carried at cost less impairment		258				258	258
Long-term loans receivable				46		46	40
Other non-current assets				6		6	6
Accounts receivable				7 981		7 981	7 981
Current portion of long-term loans receivable				14		14	14
Derivative assets			316			316	316
Other current financial assets				13		13	13
Fixed income and money-market investments carried at fair value	7 151	31				7 182	7 182
Investments designated at fair value through profit and loss			580			580	580
Total financial assets	**7 151**	**554**	**896**	**8 060**	**—**	**16 661**	**16 655**
Long-term interest-bearing liabilities					4 432	4 432	4 691
Other long-term non-interest bearing financial liabilities					2	2	2
Current portion of long-term loans payable					44	44	44
Short-term borrowings					727	727	727
Other financial liabilities			245			245	245
Accounts payable					4 950	4 950	4 950
Total financial liabilities	**—**	**—**	**245**	**—**	**10 155**	**10 400**	**10 659**

The current fixed income and money market investments included available for sale liquid assets of EUR 3 772 million (EUR 2 367 million in 2009) and cash equivalents of EUR 5 641 million (EUR 4 784 million in 2009). See Note 35, section Financial Credit Risk, for details on fixed income and money-market investments.

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

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

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

The amount of change in the fair value of investments designated at fair value through profit and loss attributable to changes in the credit risk of the assets was deemed inconsequential during 2010. Changes in fair value that are attributable to changes in market conditions are calculated based on relevant benchmark interest rates.

The Group has 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 derivatives 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, 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
At December 31, 2009, EURm				
Fixed income and money-market investments carried at fair value	6 933	249	—	7 182
Investments at fair value through profit and loss	580	—	—	580
Available-for-sale investments in publicly quoted equity shares	8	—	—	8
Other available-for-sale investments carried at fair value	—	15	242	257
Derivative assets	—	316	—	316
Total assets	7 521	580	242	8 343
Derivative liabilities	—	245	—	245
Total liabilities	—	245	—	245

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

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

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

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

EURm	Other available-for-sale investments carried at fair value
Balance at December 31, 2008	**214**
Total gains/losses in income statement	−30
Total gains/losses recorded in other comprehensive income	15
Purchases	45
Sales	−2
Transfer from level 1 and 2	—
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
Transfer from associated companies	1
Transfer from level 1 and 2	—
Balance at December 31, 2010	**279**

The gains and losses from Level 3 financial instruments are included in the line other operating expenses of the income statement for the respective period. A net loss of EUR 12 million (EUR 14 million in 2009) related to Level 3 financial instruments held at December 31, 2010, was included in the income statement during 2010.

17. Derivative financial instruments

	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

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

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.

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

In addition to derivative liabilities, the Group has 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.

18. Inventories

EURm	2010	2009
Raw materials, supplies and other	**762**	409
Work in progress	**642**	681
Finished goods	**1 119**	775
Total	**2 523**	1 865

19. Prepaid expenses and accrued income

Prepaid expenses and accrued income totalled EUR 4 360 million in 2010 (EUR 4 551 million in 2009).

In 2010, prepaid expenses and accrued income included advance payments to Qualcomm of EUR 1 166 million (1 264 million in 2009). In 2008, Nokia and Qualcomm entered into a new 15 year agreement, under the terms of which Nokia has been granted a license to all Qualcomm's patents for the use in Nokia mobile devices and Nokia Siemens Networks infrastructure equipment. The financial structure of the agreement included an 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.

In addition, prepaid expenses and accrued income primarily consists of VAT and other tax receivables. Prepaid expenses and accrued income also includes prepaid pension costs, accrued interest income and other 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]	Acquisitions	Balance at end of year
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
2008					
Allowance for doubtful accounts	332	224	–141	—	415
Excess and obsolete inventory	417	151	–221	1	348

1 Deductions include utilization and releases of the allowances.

21. Fair value and other reserves

	Hedging reserve			Available-for-sale investments			Total		
EURm	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
Balance at December 31, 2007	54	–15	39	–17	1	–16	37	–14	23
Cash flow hedges:									
Net fair value gains (+)/losses (–)	281	–67	214	—	—	—	281	–67	214
Transfer of gains (–)/losses (+) to income statement as adjustment to net sales	–631	177	–454	—	—	—	–631	177	–454
Transfer of gains (–)/losses (+) to income statement as adjustment to cost of sales	186	–62	124	—	—	—	186	–62	124
Transfer of gains (–)/losses (+) as a basis adjustment to assets and liabilities	124	–32	92	—	—	—	124	–32	92
Available-for-sale investments:									
Net fair value gains (+)/losses (–)	—	—	—	–29	9	–20	–29	9	–20
Transfer to income statement on impairment	—	—	—	1	—	1	1	—	1
Transfer of net fair value gains (–)/losses (+) to income statement on disposal	—	—	—	13	1	14	13	1	14
Movements attributable to non-controlling interests	87	–21	66	3	–1	2	90	–22	68
Balance at December 31, 2008	101	–20	81	–29	10	–19	72	–10	62
Cash flow hedges:									
Net fair value gains (+)/losses (–)	–19	6	–13	—	—	—	–19	6	–13
Transfer of gains (–)/losses (+) to income statement as adjustment to net sales	873	–222	651	—	—	—	873	–222	651
Transfer of gains (–)/losses (+) to income statement 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 income statement on impairment	—	—	—	14	—	14	14	—	14
Transfer of net fair value gains (–)/losses (+) to income statement 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 income statement as adjustment to net sales	357	–57	300	—	—	—	357	–57	300
Transfer of gains (–)/losses (+) to income statement 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 income statement on impairment	—	—	—	13	—	13	13	—	13
Transfer of net fair value gains (–)/losses (+) to income statement 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

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, 2010 and 2009 do not include gains/losses on forward exchange contracts that have been designated to hedge forecasted sales or purchases that are no longer expected to occur.

All of the net fair value gains or losses recorded in the fair value and other reserve at December 31, 2010 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 forecasted foreign currency cash flows occur, at various dates up to approximately 1 year from the balance sheet date.

22. Translation differences

	Translation differences			Net investment hedging			Total		
EURm	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
Balance at December 31, 2007	−204	—	−204	92	−51	41	−112	−51	−163
Translation differences:									
Currency translation differences	595	—	595	—	—	—	595	—	595
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Net investment hedging:									
Net investment hedging gains (+)/losses (–)	—	—	—	−123	32	−91	−123	32	−91
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Movements attributable to non-controlling interests	—	—	—	—	—	—	—	—	—
Balance at December 31, 2008	391	—	391	−31	−19	−50	360	−19	341
Translation differences:									
Currency translation differences	−556	2	−554	—	—	—	−556	2	−554
Transfer to profit and loss (financial income and expense)	−7	—	−7	—	—	—	−7	—	−7
Net investment hedging:									
Net investment hedging gains (+)/losses (–)	—	—	—	114	−31	83	114	−31	83
Transfer to profit and loss (financial income and expense)	—	—	—	1	—	1	1	—	1
Movements attributable to non-controlling interests	8	1	9	—	—	—	8	1	9
Balance at December 31, 2009	−164	3	−161	84	−50	34	−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	1 075	4	1 079	−305	51	−254	770	55	825

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, 2010, 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, 2010, the total number of shares included 35 826 052 shares owned by Group companies representing approximately 1.0% of the share capital and the total voting rights.

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

Authorizations

Authorization to increase the share capital

At the Annual General Meeting held on May 3, 2007, Nokia shareholders authorized the Board of Directors to issue a maximum of 800 million shares through one or more issues of shares or special rights entitling to shares, including stock options. This authorization was effective until June 30, 2010 as per the resolution of the Annual General Meeting on May 3, 2007, but it was terminated by the resolution of the Annual General Meeting on May 6, 2010.

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 2010, 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 April 23, 2009, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted equity. Nokia did not repurchase any shares on the basis of this authorization. This authorization was effective until June 30, 2010 as per the resolution of the Annual General Meeting on April 23, 2009, but it was terminated by the resolution of the Annual General Meeting on May 6, 2010.

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. The amount of shares corresponds to less than 10% of all the shares of the Company. The shares may be repurchased under the buy back authorization in order to develop the capital structure of the Company. In addition, shares may be repurchased in order to finance or carry out acquisitions or other arrangements, 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, 2011.

Authorizations proposed to the Annual General Meeting 2011

On January 27, 2011, Nokia announced that the Board of Directors will propose that the Annual General Meeting convening on May 3, 2011 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, 2012 and terminate the current authorization for repurchasing of the Company's shares resolved at the Annual General Meeting on May 6, 2010.

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 47 million in 2010 (EUR 16 million in 2009 and EUR 74 million in 2008).

Stock options

During 2010 Nokia administered two global stock option plans, the Stock Option Plan 2005 and 2007, each of which, including its terms and conditions, has been approved by the Annual General Meetings 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 have a vesting schedule with 25% of the options vesting one year after grant and 6.25% each quarter thereafter. The stock options granted under the plans generally have a term of five years.

The exercise price of the stock options is determined at the time of grant, on a quarterly basis, 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). 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 21 743 599 new Nokia shares may be subscribed for, representing 0.6% of the total number of votes at December 31, 2010. The exercises of stock options resulted in an increase of Nokia's share capital prior to May 3, 2007. After that date the exercises of stock options have no longer resulted in an increase of the share capital as thereafter all share subscription prices are recorded in the fund for invested non-restricted equity as per a resolution by the Annual General Meeting.

There were no stock options outstanding as of December 31, 2010, which upon exercise would result in an increase of the share capital of the parent company.

The following table sets forth certain information relating to the stock options outstanding at December 31, 2010.

Plan (year of launch)	Stock options outstanding 2010	Number of participants (approx.)	Option (sub) category	Vesting status (as percentage of total number of stock options outstanding)	Exercise period First vest date	Last vest date	Expiry date	Exercise price/ share EUR
2005 [1]	6 465 329	3 500	2005 2Q	Expired	July 1, 2006	July 1, 2009	December 31, 2010	12.79
			2005 3Q	Expired	October 1, 2006	October 1, 2009	December 31, 2010	13.09
			2005 4Q	Expired	January 1, 2007	January 1, 2010	December 31, 2010	14.48
			2006 1Q	100.00	April 1, 2007	April 1, 2010	December 31, 2011	14.99
			2006 2Q	100.00	July 1, 2007	July 1, 2010	December 31, 2011	18.02
			2006 3Q	100.00	October 1, 2007	October 1, 2010	December 31, 2011	15.37
			2006 4Q	93.75	January 1, 2008	January 1, 2011	December 31, 2011	15.38
			2007 1Q	87.50	April 1, 2008	April 1, 2011	December 31, 2011	17.00
2007 [1]	15 278 270	11 000	2007 2Q	81.25	July 1, 2008	July 1, 2011	December 31, 2012	18.39
			2007 3Q	75.00	October 1, 2008	October 1, 2011	December 31, 2012	21.86
			2007 4Q	68.75	January 1, 2009	January 1, 2012	December 31, 2012	27.53
			2008 1Q	62.50	April 1, 2009	April 1, 2012	December 31, 2013	24.15
			2008 2Q	56.25	July 1, 2009	July 1, 2012	December 31, 2013	19.16
			2008 3Q	50.00	October 1, 2009	October 1, 2012	December 31, 2013	17.80
			2008 4Q	43.75	January 1, 2010	January 1, 2013	December 31, 2013	12.43
			2009 1Q	37.50	April 1, 2010	April 1, 2013	December 31, 2014	9.82
			2009 2Q	31.25	July 1, 2010	July 1, 2013	December 31, 2014	11.18
			2009 3Q	25.00	October 1, 2010	October 1, 2013	December 31, 2014	9.28
			2009 4Q	—	January 1, 2011	January 1, 2014	December 31, 2014	8.76
			2010 1Q	—	April 1, 2011	April 1, 2014	December 31, 2015	10.11
			2010 2Q	—	July 1, 2011	July 1, 2014	December 31, 2015	8.86
			2010 3Q	—	October 1, 2011	October 1, 2014	December 31, 2015	7.29
			2010 4Q	—	January 1, 2012	January 1, 2015	December 31, 2015	7.59

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

Total stock options outstanding at December 31, 2010 [1]

	Number of shares	Weighted average exercise price EUR [2]	Weighted average share price EUR [2]
Shares under option at January 1, 2008	**35 567 227**	**15.28**	
Granted	3 767 163	17.44	
Exercised	3 657 985	14.21	22.15
Forfeited	783 557	16.31	
Expired	11 078 983	14.96	
Shares under option at December 31, 2008	**23 813 865**	**15.89**	
Granted	4 791 232	11.15	
Exercised	104 172	6.18	9.52
Forfeited	893 943	17.01	
Expired	4 567 020	13.55	
Shares under option at December 31, 2009	**23 039 962**	**15.39**	
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**	
Options exercisable at December 31, 2007 (shares)	21 535 000	14.66	
Options exercisable at December 31, 2008 (shares)	12 895 057	14.77	
Options exercisable at December 31, 2009 (shares)	13 124 925	16.09	
Options exercisable at December 31, 2010 (shares)	**11 376 937**	**17.07**	

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

2 The weighted average exercise price and the weighted average share price do not incorporate the effect of transferable stock option exercises during 2007 by option holders not employed by the Group.

The weighted average grant date fair value of stock options granted was EUR 2.29 in 2010, EUR 2.34 in 2009 and EUR 3.92 in 2008.

The options outstanding by range of exercise price at December 31, 2010 are as follows:

	Options outstanding		
Exercise prices, EUR	Number of shares	Weighted average remaining contractual life in years	Weighted average exercise price EUR
0.94–9.82	6 201 937	5.00	8.66
10.11–14.99	4 973 503	3.78	11.46
15.37–19.16	10 681 907	1.61	18.28
19.43–27.53	87 949	1.70	23.96
	21 945 296		

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:

	2010	2009	2008
Weighted average expected dividend yield	**4.73%**	3.63%	3.20%
Weighted average expected volatility	**52.09%**	43.46%	39.92%
Risk-free interest rate	**1.52–2.49%**	1.97–2.94%	3.15–4.58%
Weighted average risk-free interest rate	**1.78%**	2.23%	3.65%
Expected life (years)	**3.59**	3.60	3.55
Weighted average share price, EUR	**8.27**	10.82	16.97

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 2010, Nokia administered four global performance share plans, the Performance Share Plans of 2007, 2008, 2009 and 2010, 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 earnings per share ("EPS") at the end of the performance period.

The 2007, 2008, 2009 and 2010 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
2007	0	5 000	2007–2009	2010
2008	0	5 000	2008–2010	2011
2009	2 469 189	5 000	2009–2011	2012
2010	3 243 580	4 000	2010–2012	2013

1 Shares under performance share plan 2008 vested on December 31, 2010 and are therefore not included in the outstanding numbers.

2 Does not include 7 354 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]
2007 Performance period	1.26	9.5%	1.86	20%
2008 Performance period	1.72	4%	2.76	16%
2009 Performance period	1.01	–5%	1.53	10%
2010 Performance period	0.82	0%	1.44	13.5%

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

2 The EPS for 2007 plan: basic reported. The EPS for 2008 plan: diluted excluding special items. The EPS for 2009 and 2010 plans: diluted non-IFRS.

Performance shares outstanding at December 31, 2010 [1]

	Number of performance shares at threshold	Weighted average grant date fair value EUR [2]
Performance shares at January 1, 2008 [5]	**13 554 558**	
Granted	2 463 033	13.35
Forfeited	690 909	
Vested [3, 4, 6]	7 291 463	
Performance shares at December 31, 2008	**8 035 219**	
Granted	2 960 110	9.57
Forfeited	691 325	
Vested [5, 7]	5 210 044	
Performance shares at December 31, 2009	**5 093 960**	
Granted	3 576 403	5.94
Forfeited	1 039 908	
Vested [8]	1 910 332	
Performance shares at December 31, 2010	**5 720 123**	

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 2004–2005, under the 2004 Performance Share Plan, both performance criteria were met. Hence,
3 595 339 Nokia shares equaling the threshold number were delivered in 2006. The final payout, in 2008, was adjusted by the shares delivered based on the Interim Measurement Period.

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

5 Based on the performance of the Group during the Interim Measurement Period 2005–2006, under the 2005 Performance Share Plan, both performance criteria were met. Hence, 3 980 572 Nokia shares equaling the threshold number were delivered in 2007. The performance shares related to the interim settlement of the 2005 Performance Share Plan are included in the number of performance shares outstanding at January 1, 2008 as these performance shares were outstanding until the final settlement in 2009. The final payout, in 2009, was adjusted by the shares delivered based on the Interim Measurement Period.

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

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

8 Includes performance shares under Performance Share Plan 2008 that vested on December 31, 2010.

There will be no settlement under the Performance Share Plan 2008 as neither of the threshold performance criteria of EPS and Average Annual Net Sales Growth of this plan was met.

Restricted shares

During 2010, Nokia administered four global restricted share plans, the Restricted Share Plan 2007, 2008, 2009 and 2010, 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, 2010 [1]

	Number of restricted shares	Weighted average grant date fair value EUR [2]
Restricted shares at January 1, 2008	**5 995 329**	
Granted [3]	4 799 543	13.89
Forfeited	358 747	
Vested	2 386 728	
Restricted shares at December 31, 2008	**8 049 397**	
Granted	4 288 600	7.59
Forfeited	446 695	
Vested	2 510 300	
Restricted shares at December 31, 2009	**9 381 002**	
Granted	5 801 800	6.85
Forfeited	1 492 357	
Vested	1 330 549	
Restricted shares at December 31, 2010 [4]	**12 359 896**	

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

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

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

4 Includes 849 800 restricted shares granted in Q4 2007 under Restricted Share Plan 2007 that vested on January 1, 2011.

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. These plans are settled by using Nokia shares or ADSs acquired from the market. When treasury shares are issued on exercise of stock options any gain or loss is recognized in share issue premium.

On the basis of these plans, the Group had 0.2 million stock options outstanding on December 31, 2010. The weighted average exercise price is USD 13.72.

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 million shares have already been delivered by December 31, 2010. 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, 2010, approximately 12.8 million ADSs had been purchased under this plan since its inception, and there were a total of approximately 550 participants in the plan.

25. Deferred taxes

EURm	2010	2009
Deferred tax assets:		
Intercompany profit in inventory	76	77
Tax losses carried forward	388	263
Warranty provision	82	73
Other provisions	268	315
Depreciation differences and untaxed reserves	782	796
Share-based compensation	21	15
Other temporary differences	447	320
Reclassification due to netting of deferred taxes	−468	−352
Total deferred tax assets	1 596	1 507
Deferred tax liabilities:		
Depreciation differences and untaxed reserves	−406	−469
Fair value gains/losses	−13	−67
Undistributed earnings	−353	−345
Other temporary differences [1]	−718	−774
Reclassification due to netting of deferred taxes	468	352
Total deferred tax liabilities	−1 022	−1 303
Net deferred tax assets	574	204
The tax charged to equity:	−1	−13

1 In 2010, other temporary differences include a deferred tax liability of EUR 542 million (EUR 744 million in 2009) arising from purchase price allocation related to Nokia Siemens Networks and NAVTEQ.

At December 31, 2010, the Group had loss carry forwards, primarily attributable to foreign subsidiaries of EUR 1 792 million (EUR 1 150 million in 2009), most of which will not expire within 10 years.

At December 31, 2010, the Group had loss carry forwards, temporary differences and tax credits of EUR 3 323 million (EUR 2 532 million in 2009) for which no deferred tax asset was recognized due to uncertainty of utilization of these items. Most of these items do not have an expiry date.

At December 31, 2010, the Group had undistributed earnings of EUR 360 million (EUR 322 million in 2009) on which no deferred tax liability has been formed as these have been considered to be permanent investments.

26. Accrued expenses and other liabilities

EURm	2010	2009
Social security, VAT and other taxes	1 585	1 808
Wages and salaries	619	474
Deferred revenue	786	231
Advance payments	1 172	546
Other	3 203	3 445
Total	7 365	6 504

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

27. Provisions

EURm	Warranty	Restructuring	IPR infringements	Project losses	Tax	Other	Total
At January 1, 2009	1 375	356	343	245	460	813	3 592
Exchange differences	–13	—	—	—	—	—	–13
Additional provisions	793	268	73	269	139	344	1 886
Change in fair value	—	—	—	—	—	–1	–1
Changes in estimates	–178	–62	–9	–63	–325	–174	–811
Charged to profit and loss account	615	206	64	206	–186	169	1 074
Utilized during year	–1 006	–378	–17	–254	—	–280	–1 935
At December 31, 2009	**971**	**184**	**390**	**197**	**274**	**702**	**2 718**
At January 1, 2010	971	184	390	197	274	702	2 718
Exchange 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	2010	2009
Analysis of total provisions at December 31:		
Non-current	**837**	841
Current	**1 753**	1 877

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. In 2009, tax provisions decreased due to the positive development and outcome of various prior year items.

The restructuring provision is mainly related to restructuring activities in Devices & Services and Nokia Siemens Networks segments. The majority of outflows related to the restructuring is expected to occur during 2011.

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 are expected to result in a reduction of up to 1 800 employees globally. In 2009, Devices & Services recognized restructuring provisions of EUR 208 million mainly related to measures taken to adjust our business operations and cost base according to market conditions.

Restructuring and other associated expenses incurred in Nokia Siemens Networks in 2010 totaled EUR 316 million (EUR 310 million in 2009) 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 173 million (EUR 151 million in 2009) impacting gross profit, EUR 19 million (EUR 30 million in 2009) research and development expenses, EUR 21 million reversal of provision (EUR 12 million in 2009) in selling and marketing expenses, EUR 76 million (EUR 103 million in 2009) administrative expenses and EUR 27 million (EUR 14 million in 2009) other operating expenses. EUR 510 million was paid during 2010 (EUR 514 million during 2009).

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-cancelable purchase commitments, product portfolio provisions for the alignment of the product portfolio and related replacement of discontinued products in customer sites and provision for pension and other social security costs on share-based awards. In 2010, usage of other provisions mainly relates to product portfolio provisions. Most of those contracts were signed in 2008 and contract fullfillment occurred primarily in 2009 and 2010.

28. Earnings per share

	2010	2009	2008
Numerator/EURm			
Basic/Diluted:			
Profit attributable to equity holders of the parent	**1 850**	891	3 988
Denominator/1 000 shares			
Basic:			
Weighted average shares	**3 708 816**	3 705 116	3 743 622
Effect of dilutive securities:			
Performance shares	**324**	9 614	25 997
Restricted shares	**4 110**	6 341	6 543
Stock options	—	1	4 201
	4 434	15 956	36 741
Diluted:			
Adjusted weighted average and assumed conversions	**3 713 250**	3 721 072	3 780 363

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 2010, stock options equivalent to 13 million shares (12 million in 2009 and 11 million in 2008) were excluded from the calculation of diluted earnings per share because they were determined to be anti-dilutive. In addition, 1 million of performance shares were excluded in 2010 from the calculation of dilutive shares because contingency conditions have not been met.

29. Commitments and contingencies

EURm	2010	2009
Collateral for our own commitments		
Property under mortgages	**18**	18
Assets pledged	**5**	13
Contingent liabilities on behalf of Group companies		
Other guarantees	**1 262**	1 350
Contingent liabilities on behalf of other companies		
Other guarantees	**17**	3
Financing commitments		
Customer finance commitments [1]	**85**	99
Venture fund commitments [2]	**238**	293

1 See also note 35 b).

2 See also note 35 a).

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

Property under mortgages given as collateral for our own commitments comprise of mortgages given to the Finnish National Board of Customs as a general indemnity of EUR 18 million in 2010 (EUR 18 million in 2009).

Assets pledged for the Group's own commitments include available-for-sale investments of EUR 5 million in 2010 (EUR 10 million of available-for-sale investments in 2009).

Other guarantees include guarantees of EUR 984 million in 2010 (EUR 1 013 million in 2009) provided to certain Nokia Siemens Networks' customers in the form of bank guarantees or corporate guarantees issued by Nokia Siemens Networks' Group entity. These instruments entitle the customer to claim payment as compensation for non-performance by Nokia of its obligations under network infrastructure supply agreements. Depending on the nature of the guarantee, compensation is payable on demand or subject to verification of non-performance. Volume of Other guarantees has decreased due to release of certain commercial guarantees and due to exclusion of those guarantees where possibility for claim is considered as remote.

Contingent liabilities on behalf of other companies were EUR 17 million in 2010 (EUR 3 million in 2009).

Financing commitments of EUR 85 million in 2010 (EUR 99 million in 2009) 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 238 million in 2010 (EUR 293 million in 2009) 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, 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.

At December 31, 2010, the Group had purchase commitments of EUR 2 606 million (EUR 2 765 million in 2009) relating to inventory purchase obligations, service agreements and outsourcing arrangements, primarily for purchases in 2011.

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
2011	285
2012	215
2013	160
2014	122
2015	82
Thereafter	205
Total	1 069

Rental expense amounted to EUR 429 million in 2010 (EUR 436 million in 2009 and EUR 418 million in 2008).

31. Related party transactions

At December 31, 2010, the Group had borrowings amounting to EUR 69 million (EUR 69 million in 2009 and EUR 69 million in 2008) from Nokia Unterstützungskasse GmbH, the Group's German pension fund, which is a separate legal entity. The loan bears interest at 6% annum and its duration is pending until further notice by the loan counterparts who have the right to terminate the loan with a 90 day notice period.

There were no loans made to the members of the Group Executive Board and Board of Directors at December 31, 2010, 2009 or 2008, respectively.

Transactions with associated companies

EURm	2010	2009	2008
Share of results of associated companies	1	30	6
Dividend income	1	—	6
Share of shareholders' equity of associated companies	61	35	21
Sales to associated companies	15	8	59
Purchases from associated companies	186	211	162
Receivables from associated companies	3	2	29
Liabilities to associated companies	22	31	8

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 2008–2010 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

	2010			2009			2008		
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 from September 21, 2010	280 303	440 137	67 018	—	—	—	—	—	—
Olli-Pekka Kallasvuo President and CEO until September 20, 2010	979 758	676 599	−2 455 999 *	1 176 000	1 288 144	2 840 777	1 144 800	721 733	1 286 370

* The net negative share-based compensation expense of EUR 2 455 999 for Mr. Kallasvuo consisted of EUR 748 000 compensation for the fair market value of the 100 000 restricted Nokia shares granted to him in 2007, which were to vest on October 1, 2010, and reversal of the previously recognized share-based compensation expense, due to termination of Mr. Kallasvuo's employment and forfeiture of his other equity grants.

Total remuneration of the Group Executive Board awarded for the fiscal years 2008–2010 was EUR 9 009 253 in 2010 (EUR 10 723 777 in 2009 and EUR 8 859 567 in 2008), 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 3 186 223 in 2010 (EUR 9 668 484 in 2009 and EUR 4 850 204 in 2008).

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	2010 Gross annual fee EUR [1]	2010 Shares received	2009 Gross annual fee EUR [1]	2009 Shares received	2008 Gross annual fee EUR [1]	2008 Shares received
Jorma Ollila, Chairman	**440 000**	**20 710**	440 000	16 575	440 000	9 499
Dame Marjorie Scardino, Vice Chairman	**150 000**	**7 058**	150 000	5 649	150 000	3 238
Georg Ehrnrooth [2]	—	—	155 000	5 838	155 000	3 346
Lalita D. Gupte [3]	**140 000**	**6 588**	140 000	5 273	140 000	3 022
Bengt Holmström	**130 000**	**6 117**	130 000	4 896	130 000	2 806
Henning Kagermann	**130 000**	**6 117**	130 000	4 896	130 000	2 806
Olli-Pekka Kallasvuo [4]	**130 000**	**6 117**	130 000	4 896	130 000	2 806
Per Karlsson [5]	**155 000**	**7 294**	155 000	5 838	155 000	3 346
Isabel Marey-Semper [6]	**140 000**	**6 588**	140 000	5 273	—	—
Risto Siilasmaa [7]	**155 000**	**7 294**	140 000	5 273	140 000	3 022
Keijo Suila [8]	**130 000**	**6 117**	130 000	4 896	140 000	3 022

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 and 2008 fees of Georg Ehrnrooth 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 Audit Committee.

3 The 2010, 2009 and 2008 fees of Lalita Gupte amounted to an annual total of EUR 140 000 each year indicated, consisting of fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

4 Olli-Pekka Kallasvuo left his position on the Nokia Board of Directors on September 10, 2010. This table includes fees paid to Olli-Pekka Kallasvuo for his services as a member of the Board, only.

5 The 2010, 2009 and 2008 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.

6 The 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.

7 The 2010 fee of Risto Siilasmaa amounted to a total of EUR 155 000, consisting of 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 and 2008 fees of Risto Siilasmaa 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.

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

Pension arrangements of certain Group Executive Board 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 a prescribed statutory system. Under the Finnish TyEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, although gains realized from equity are not. The Finnish TyEL pension scheme provides for early retirement benefits at age 62 with a reduction in the amount of retirement benefits. Standard retirement benefits are available from age 63 to 68, according to an increasing scale.

As part of his supplemental retirement plan agreement, Olli-Pekka Kallasvuo could have retired at the age of 60 with full retirement benefits to the extent that he had remained employed at that time by Nokia. The amount of that retirement benefit would have been calculated as if Mr. Kallasvuo had continued his service with Nokia through the retirement age of 65. As Mr. Kallasvuo's employment with Nokia ended prior to his 60th birthday, this supplemental pension benefit was forfeited and Nokia reversed the actuarial liability of EUR 10 154 000 associated with it.

Hallstein Moerk left the Group Executive Board as of March 31, 2010 and retired from employment with Nokia as of September 30, 2010 pursuant to the terms of his employment and pension agreement with Nokia. Nokia's obligation was settled in full and it no longer has any actuarial liability for Mr. Moerk's pension benefit.

32. Notes to cash flow statements

EURm	2010	2009	2008
Adjustments for:			
Depreciation and amortization (Note 10)	**1 771**	1 784	1 617
Profit (–)/loss (+) on sale of property, plant and equipment and available-for-sale investments	**–193**	–111	–11
Income taxes (Note 12)	**443**	702	1 081
Share of results of associated companies (Note 15)	**–1**	–30	–6
Non-controlling interest	**–507**	–631	–99
Financial income and expenses (Note 11)	**191**	265	2
Transfer from hedging reserve to sales and cost of sales (Note 21)	**–22**	44	–445
Impairment charges (Note 8)	**110**	1 009	149
Asset retirements (Note 9, 13)	**37**	35	186
Share-based compensation (Note 24)	**47**	16	74
Restructuring charges	**245**	307	448
Settlement of a pension plan (Note 5)	—	—	152
Other income and expenses	**–9**	—	–124
Adjustments, total	**2 112**	3 390	3 024
Change in net working capital			
Decrease (+)/increase (–) in short-term receivables	**1 281**	1 145	–534
Decrease (+)/increase (–) in inventories	**–512**	640	321
Decrease (–)/increase (+) in interest-free short-term borrowings	**1 563**	–1 698	–2 333
Loans made to customers	**17**	53	—
Change in net working capital	**2 349**	140	–2 546

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

In 2010, Nokia Siemens Networks' EUR 750 million loans and capitalized interest of EUR 16 million from Siemens were converted to 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 2009 and 2008.

33. Subsequent events

Nokia outlines new strategy, introduces new leadership and operational structure

On February 11, 2011, Nokia outlined its new strategic direction, including changes in leadership and operational structure designed to accelerate the company's speed of execution in the intensely competitive mobile product market. The main elements of the new strategy includes: plans for a broad strategic partnership with Microsoft to build a new global mobile ecosystem, with Windows Phones serving as Nokia's primary smartphone platform; a renewed approach to capture volume and value growth to connect "the next billion" to the internet in developing growth markets; focused investments in next-generation disruptive technologies; and a new leadership team and operational structure designed to focus on speed, accountability and results.

Nokia and Microsoft have entered into a non-binding term sheet, however, the planned partnership with Microsoft remains subject to negotiations and execution of definitive agreements by the parties and there can be no assurances that definite agreements will be entered into. The future impact to Nokia Group's financial statements resulting from the terms of any definitive agreements will be evaluated once those terms are agreed.

As of April 1, 2011, Nokia will have a new operational structure, which features two distinct business units in Devices & Services business: Smart Devices and Mobile Phones. They will focus on Nokia's key business areas: smartphones and mass-market mobile phones. Each unit will have profit-and-loss responsibility and end-to-end accountability for the full consumer experience, including product development, product management and product marketing.

Starting April 1, 2011, Nokia will present the financial information in line with the new organizational structure and provide financial information for three businesses: Devices & Services, NAVTEQ and Nokia Siemens Networks. Devices & Services will include two business units: Smart Devices and Mobile Phones as well as devices and services other and unallocated items. For IFRS financial reporting purposes, we will have four operating and reportable segments: Smart Devices and Mobile Phones within Devices & Services, NAVTEQ and Nokia Siemens Networks.

Nokia Siemens Networks planned acquisition of certain wireless network infrastructure assets of Motorola

On July 19, 2010, Nokia Siemens Networks announced that it had entered into an agreement to acquire the majority of Motorola's wireless network infrastructure assets for USD 1.2 billion in cash and cash equivalents. Approximately 7 500 employees are expected to transfer to Nokia Siemens Networks from Motorola's wireless network infrastructure business when the transaction closes, including large research and development sites in the United States, China and India. As part of the transaction, Nokia Siemens Networks expects to enhance its capabilities in key wireless technologies, including WiMAX and CDMA, and to strengthen its market position in key geographic markets, in particular Japan and the United States. Nokia Siemens Networks is also targeting to gain incumbent relationship with more than 50 operators and to strengthen its relationship with certain of the largest communication service providers globally.

The Motorola acquisition is expected to close after the final antitrust approval by the Chinese regulatory authorities has been granted and the other closing conditions have been met.

34. Principal Nokia Group companies at December 31, 2010

%		Parent holding	Group majority
US	Nokia Inc.	—	100.0
DE	Nokia GmbH	100.0	100.0
GB	Nokia UK Limited	—	100.0
KR	Nokia TMC Limited	100.0	100.0
CN	Nokia Telecommunications Ltd	4.5	83.9
NL	Nokia Finance International B.V.	100.0	100.0
HU	Nokia Komárom Kft	100.0	100.0
IN	Nokia India Pvt Ltd	99.9	100.0
IT	Nokia Italia S.p.A	100.0	100.0
ES	Nokia Spain S.A.U	100.0	100.0
RO	Nokia Romania SRL	100.0	100.0
BR	Nokia do Brazil Technologia Ltda	99.9	100.0
RU	OOO Nokia	100.0	100.0
US	NAVTEQ Corp	—	100.0
NL	Nokia Siemens Networks B.V.	—	50.0 [1]
FI	Nokia Siemens Networks Oy	—	50.0
DE	Nokia Siemens Networks GmbH & Co KG	—	50.0
IN	Nokia Siemens Networks Pvt. Ltd.	—	50.0

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

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

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

Treasury activities are governed by policies approved by the CEO. Treasury Policy provides principles for overall financial risk management and determines the allocation of responsibilities for financial risk management in Nokia. Operating Procedures cover specific areas such as foreign exchange risk, interest rate risk, use of derivative financial instruments, as well as liquidity and credit risk. Nokia is risk averse in its Treasury activities.

a) Market risk

Foreign exchange risk

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

According to the foreign exchange policy guidelines of the Group, which 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, except for foreign exchange options where the risk is measured using options' delta. 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 a duration of less than a year. The Group does not hedge forecasted foreign currency cash flows beyond two years.

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

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

At the end of the years 2010 and 2009, the following currencies represent a significant portion of the currency mix in the outstanding financial instruments:

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 mount) [3]	26	645	2 129	-95
Cross currency/interest rate hedges	408	—	—	—

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

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 for which these hedges are entered into are not presented in the table, as they are not financial instruments as defined under IFRS 7.

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

3 The balance sheet items 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 profit and loss.

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 minimizing net long-term interest rate costs over time.

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

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

	2010		2009	
EURm	Fixed rate	Floating rate	Fixed rate	Floating rate
Assets	8 795	3 588	5 712	3 241
Liabilities	–4 156	–992	–3 771	–1 403
Assets and liabilities before derivatives	4 639	2 596	1 941	1 838
Interest rate derivatives	1 036	–994	1 628	–1 693
Assets and liabilities after derivatives	5 675	1 602	3 569	145

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, 2010 was EUR 8 million (EUR 8 million in 2009). 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.

Value-at-Risk

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

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

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

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

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

FX risk

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

- FX exposures from outstanding balance sheet items and other FX derivatives carried at fair value through profit and loss, which are not in a hedge relationship and are mostly used for hedging balance sheet FX exposure.
- FX derivatives designated as forecasted cash flow hedges and net investment hedges. Most of the VaR is caused by these derivatives as forecasted cash flow and net investment exposures are not financial instruments as defined under IFRS 7 and thus not included in the VaR calculation.

Table 1 Foreign exchange positions Value-at-Risk

	VaR from financial instruments	
EURm	2010	2009
At December 31	245	190
Average for the year	223	291
Range for the year	174–299	160–520

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	2010	2009
At December 31	45	41
Average for the year	43	33
Range for the year	33–63	4–52

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 included in Group's balance sheet:

EURm	2010	2009
Financial guarantees given on behalf of customers and other third parties	—	—
Loan commitments given but not used	85	99
	85	99

Business related credit risk

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

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

Group Credit Policy provides that credit decisions are based on credit evaluation including credit ratings 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 2.2%, 2.1% and 2.1% (2009: 2.2%, 2.2% and 1.9%) of Group accounts receivable and loans due from customers and other third parties as at December 31, 2010, while the top three credit exposures by country amounted to 8.5%, 7.4% and 5.5% (2009: 7.2%, 6.5% and 5.6%), 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 the 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.

At December 31, 2010, the carrying amount before deducting any allowances for doubtful accounts relating to customers for which an allowance was provided amounted to EUR 2 521 million (2009: EUR 2 528 million). The amount of provision taken against that portion of these receivables considered to be impaired was EUR 363 million (2009: EUR 391 million) (see also note 20 Valuation and qualifying accounts).

An amount of EUR 472 million (2009: EUR 679 million) 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	2010	2009
Past due 1–30 days	239	393
Past due 31–180 days	131	170
More than 180 days	102	116
	472	679

The carrying amount of accounts receivable that would otherwise be past due or impaired, but whose terms have been renegotiated was EUR 40 million (EUR 36 million in 2009).

At December 31, 2010, there were no loans due from customers and other third parties, for which an allowance for doubtful accounts was provided (2009: EUR 4 million).

There were no past due loans from customers and other third parties at December 31, 2010.

Financial credit risk

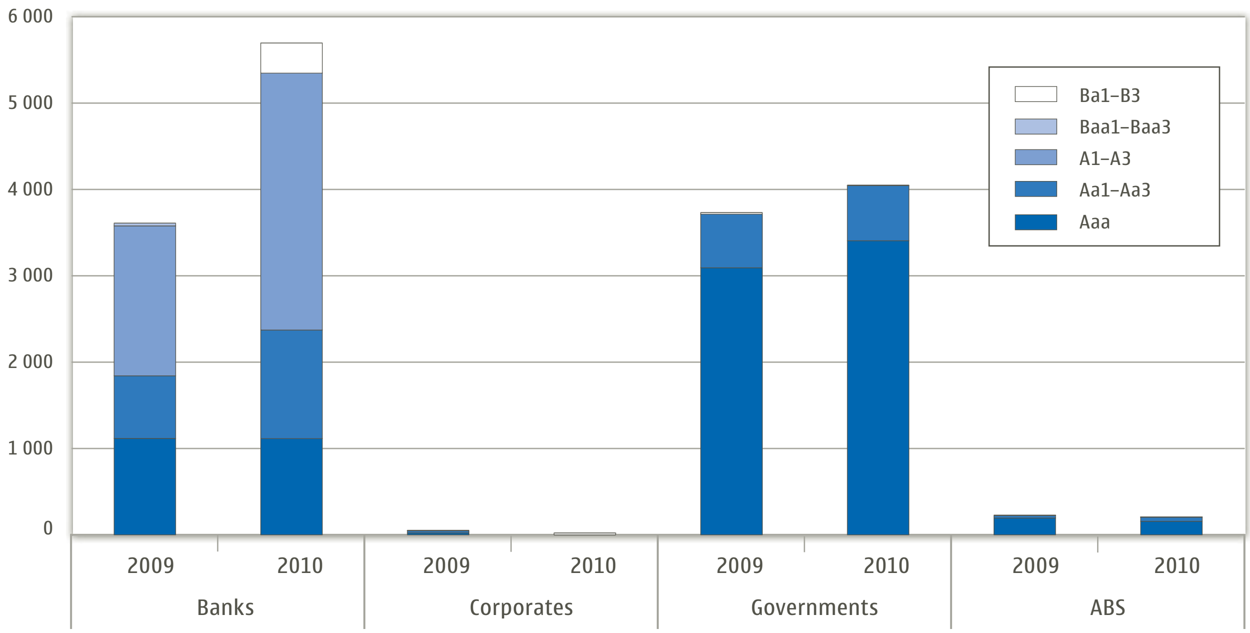
Financial instruments contain an element of risk of loss resulting from counterparties being unable to meet their obligations. This risk is measured and monitored centrally by Treasury. Nokia manages financial credit risk actively by limiting its counterparties to a sufficient number of major banks and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

Fixed income and money-market investments [1, 2, 3]

EURm



1 Fixed income and money-market investments include term deposits, investments in liquidity funds and investments in fixed income instruments classified as available-for-sale investments and investments at fair value 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 37 million of restricted investment at December 31, 2010 (EUR 48 million at December 31, 2009). 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.

89% of Nokia's cash is held with banks of investment grade credit rating (84% for 2009).

c) Liquidity risk

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

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

Nokia guarantees a sufficient liquidity at all times by efficient cash management and by investing in liquid interest bearing securities. The transactional liquidity risk is minimized by only entering transactions where proper two-way quotes can be obtained from the market.

Due to the dynamic nature of the underlying business, Nokia and Nokia Siemens Networks aim at maintaining flexibility in funding by keeping committed and uncommitted credit lines available. Nokia and Nokia Siemens Networks manage their respective credit facilities independently and facilities do not include cross-default clauses between Nokia and Nokia Siemens Networks or any forms of guarantees from either party. At December 31, 2010, the committed facilities totaled EUR 3 508 million (EUR 4 113 million in 2009).

The most significant existing committed facilities include:

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

USD 1 923 million Revolving Credit Facility of Nokia Corporation is used primarily for US and Euro Commercial Paper Programs back up purposes. At year end 2010, this facility was fully undrawn.

EUR 2 000 million Revolving Credit Facility of Nokia Siemens Networks Finance B.V. and Nokia Siemens Networks Oy is used for general corporate purposes. The Facility includes financial covenants related to gearing test, leverage test and interest coverage test of Nokia Siemens Networks. As of December 31, 2010, EUR 103 million of the facility was drawn and all financial covenants were satisfied.

As of December 31, 2010, the weighted average commitment fee on the committed credit facilities was 0.83% per annum (0.70% in 2009).

The most significant existing funding programs as of December 31, 2010 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:	Local commercial paper program in Finland, totaling EUR 750 million	—
Nokia Corporation:	US Commercial Paper (USCP) program, totaling USD 4 000 million	USD 500 million
Nokia Corporation and		
Nokia Finance International B.V.:	Euro Commercial Paper (ECP) program, totaling USD 4 000 million	—
Nokia Siemens Networks Finance B.V.:	Local commercial paper program in Finland, totaling EUR 500 million	EUR 245 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 2010, EURm	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due beyond 5 years
Non-current financial assets					
Available-for-sale investments	—	3	3	35	—
Long-term loans receivable	—	—	59	8	1
Other non-current assets	—	—	2	—	—
Current financial assets					
Current portion of long-term loans receivable	9	33	—	—	—
Short-term loans receivable	—	1	—	—	—
Investments at fair value through profit and loss	10	18	322	44	1 043
Available-for-sale investment	7 904	1 229	163	97	77
Cash	1 951	—	—	—	—
Cash flows related to derivative financial assets net settled:					
Derivative contracts–receipts	72	–53	38	47	–276
Cash flows related to derivative financial assets gross settled:					
Derivative contract–receipts	14 136	3 718	456	123	253
Derivative contracts–payments	–14 075	–3 704	–457	–128	–247
Accounts receivable [1]	5 476	838	21	—	—
Non-current financial liabilities					
Long-term liabilities	–119	–90	–839	–2 351	–2 596
Current financial liabilities					
Current portion of long-term loans	–2	–125	—	—	—
Short-term liabilities	–849	–73	—	—	—
Cash flows related to derivative financial liabilities net settled: [5]					
Derivative contracts–payments	–3	—	—	5	58
Cash flows related to derivative financial liabilities gross settled: [5]					
Derivative contracts–receipts	18 836	3 506	655	310	450
Derivative contracts–payments	–19 085	–3 545	–651	–295	–420
Other financial liabilities [4]	–88	—	—	—	—
Accounts payable	–5 942	–155	–9	—	—
Contingent financial assets and liabilities					
Loan commitments given undrawn [2]	–27	–38	–20	—	—
Loan commitments obtained undrawn [3]	50	—	3 355	—	—

At 31 December 2009, EURm	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due beyond 5 years
Non-current financial assets					
Long-term loans receivable	—	—	36	6	4
Other non-current assets	—	—	3	1	1
Current financial assets					
Current portion of long-term loans receivable	4	11	—	—	—
Short-term loans receivable	1	1	—	—	—
Investments at fair value through rofit and loss	3	22	29	515	139
Available-for-sale investment	6 417	322	290	110	116
Cash	1 142	—	—	—	—
Cash flows related to derivative financial assets net settled:					
Derivative contracts–receipts	88	–47	80	110	27
Cash flows related to derivative financial assets gross settled:					
Derivative contracts–receipts	14 350	1 067	—	—	—
Derivative contracts–payments	–14 201	–1 037	—	—	—
Accounts receivable [1]	5 903	1 002	73	—	—
Non-current financial liabilities					
Long-term liabilities	–124	–96	–594	–2 973	–2 596
Current financial liabilities					
Current portion of long-term loans	–3	–41	—	—	—
Short-term liabilities	–628	–100	—	—	—
Cash flows related to derivative financial liabilities net settled: [5]					
Derivative contracts–payments	–1	–4	–11	–3	55
Cash flows related to derivative financial liabilities gross settled: [5]					
Derivative contracts–receipts	14 529	1 444	45	292	466
Derivative contracts payments	–14 652	–1 455	–36	–279	–469
Accounts payable	–4 873	–74	–3	—	—
Contingent financial assets and liabilities					
Loan commitments given undrawn [2]	–59	–40	—	—	—
Loan commitments obtained undrawn [3]	—	—	2 841	—	—

1 Accounts receivable maturity analysis does not include accrued receivables and receivables accounted based on the percentage of completion method of EUR 1 235 million (2009: EUR 1 004 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 (EUR 0 million in 2009) include EUR 88 million non-derivative short term financial liabilities disclosed in Note 16.

5 In 2010 the Group has changed the presentation of certain derivatives from net settled to gross settled, to better reflect the nature of the contracts. The 2009 numbers have been aligned with the new presentation. The net cash flows for each time buckets remain the same.

In addition to items presented in the above table, the Group has entered in 2010 into an agreement to acquire the majority of the Motorola wireless network infrastructure assets for USD 1.2 billion in cash and cash equivalents. The Motorola acquisition is expected to close after the final antitrust approval by the Chinese regulatory authorities has been granted and the other closing conditions have been met.

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 brand) 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	2010 EURm	2009 EURm
Net sales		20 639	20 167
Cost of sales		−15 363	−14 666
Gross margin		5 276	5 501
Selling and marketing expenses		−1 453	−1 403
Research and development expenses		−3 142	−3 097
Administrative expenses		−217	−396
Other operating expenses		−124	−70
Other operating income		341	106
Operating profit	2, 3	681	641
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		396	290
Dividend income from other companies		1	2
Other interest and financial income			
Interest income from Group companies		8	84
Interest income from other companies		4	2
Other financial income from other companies		15	9
Exchange gains and losses		−374	106
Interest expenses and other financial expenses			
Interest expenses to Group companies		−24	−80
Interest expenses to other companies		−63	−161
Other financial expenses		−113	−10
Financial income and expenses, total		−150	242
Profit before extraordinary items and taxes		531	883
Extraordinary items			
Group contributions		−6	10
Extraordinary items, total		−6	10
Profit before taxes		525	893
Income taxes			
for the year	18	−106	−127
from previous years		−2	1
deferred taxes		123	–
Net profit		540	767

See Notes to the financial statements of the parent company.

Balance sheets, parent company, FAS

December 31	Notes	2010 EURm	2009 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	4		
Capitalized development costs		3	13
Intangible rights		35	46
Other intangible assets		446	418
		484	477
Tangible assets	5	—	—
Investments			
Investments in subsidiaries	6	12 054	12 109
Investments in associated companies	6	58	30
Long-term loan receivables from Group companies		10	10
Other non-current assets	6	107	74
		12 229	12 223
Current assets			
Inventories and work in progress			
Raw materials and supplies		57	45
Work in progress		65	86
Finished goods		98	86
		220	217
Receivables			
Deferred tax assets		124	1
Trade debtors from Group companies		1 163	1 080
Trade debtors from other companies		568	713
Short-term loan receivables from Group companies		3 970	3 472
Prepaid expenses and accrued income from Group companies		54	15
Prepaid expenses and accrued income from other companies		2 133	1 858
		8 012	7 139
Short-term investments		37	35
Bank and cash		207	70
Total		21 189	20 161

See Notes to the financial statements of the parent company.

December 31	Notes	2010 EURm	2009 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7		
Share capital		246	246
Treasury shares	7	−669	−685
Reserve for invested non-restricted equity	7, 8	3 145	3 154
Retained earnings	7, 8	3 072	3 788
Net profit for the year	7, 8	540	767
		6 334	7 270
Liabilities			
Long-term liabilities			
Long-term finance liabilities to other companies	9	3 430	3 255
Short-term liabilities			
Current finance liabilities from Group companies		4 876	3 380
Current finance liabilities from other companies		379	473
Advance payments from other companies		323	217
Trade creditors to Group companies		3 433	3 280
Trade creditors to other companies		525	531
Accrued expenses and prepaid income to Group companies		32	73
Accrued expenses and prepaid income to other companies		1 857	1 682
		11 425	9 636
Total liabilities		14 855	12 891
Total		21 189	20 161

See Notes to the financial statements of the parent company.

Statements of cash flows, parent company, FAS

Financial year ended December 31	Notes	2010 EURm	2009 EURm
Cash flow from operating activities			
Net profit		540	767
Adjustments, total	13	457	99
Cash flow before change in net working capital		997	866
Change in net working capital	13	478	881
Cash generated from operations		1 475	1 747
Interest received		10	88
Interest paid		−127	−140
Other financial income and expenses		−158	157
Income taxes paid		−223	46
Cash flow before extraordinary items		977	1 898
Extraordinary income and expenses		10	40
Net cash from operating activities		987	1 938
Cash flow from investing activities			
Investments in shares		−104	−93
Additions to capitalized development costs		—	−1
Capital expenditures		−191	−461
Proceeds from sale of shares		14	30
Proceeds from sale of other intangible assets		—	−3
Long-term loans made to customers		—	−1
Proceeds from other long-term receivables		−123	128
Proceeds from short-term receivables		−717	8 356
Dividends received		324	292
Net cash used in/from investing activities		−797	8 247
Cash flow from financing activities			
Proceeds from short-term borrowings		1 335	3 287
Proceeds from/repayment of long-term borrowings		97	−12 085
Dividends paid		−1 483	−1 481
Net cash used in financing activities		−51	−10 279
Net increase/decrease in cash and cash equivalents		139	−94
Cash and cash equivalents at beginning of period		105	199
Cash and cash equivalents at end of period		244	105

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	2010	2009
Wages and salaries	912	1 096
Pension expenses	141	146
Other social expenses	39	42
Personnel expenses as per profit and loss account	1 092	1 284

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 2008–2010 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

	2010			2009			2008		
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 from September 21, 2010	280 303	440 137	67 018	—	—	—	—	—	—
Olli-Pekka Kallasvuo President and CEO until September 20, 2010	979 758	676 599	−2 455 999 *	1 176 000	1 288 144	2 840 777	1 144 800	721 733	1 286 370

* The net negative share-based compensation expense of EUR 2 455 999 for Mr. Kallasvuo consisted of EUR 748 000 compensation for the fair market value of the 100 000 restricted Nokia shares granted to him in 2007, which were to vest on October 1, 2010, and reversal of the previously recognized share-based compensation expense, due to termination of Mr. Kallasvuo's employment and forfeiture of his other equity grants.

Total remuneration of the Group Executive Board awarded for the fiscal years 2008–2010 was EUR 9 009 253 in 2010 (EUR 10 723 777 in 2009 and EUR 8 859 567 in 2008), 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 3 186 223 in 2010 (EUR 9 668 484 in 2009 and EUR 4 850 204 in 2008).

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	2010 Gross annual fee EUR [1]	2010 Shares received	2009 Gross annual fee EUR [1]	2009 Shares received	2008 Gross annual fee EUR [1]	2008 Shares received
Jorma Ollila, Chairman	440 000	20 710	440 000	16 575	440 000	9 499
Dame Marjorie Scardino, Vice Chairman	150 000	7 058	150 000	5 649	150 000	3 238
Georg Ehrnrooth [2]	—	—	155 000	5 838	155 000	3 346
Lalita D. Gupte [3]	140 000	6 588	140 000	5 273	140 000	3 022
Bengt Holmström	130 000	6 117	130 000	4 896	130 000	2 806
Henning Kagermann	130 000	6 117	130 000	4 896	130 000	2 806
Olli-Pekka Kallasvuo [4]	130 000	6 117	130 000	4 896	130 000	2 806
Per Karlsson [5]	155 000	7 294	155 000	5 838	155 000	3 346
Isabel Marey-Semper [6]	140 000	6 588	140 000	5 273	—	—
Risto Siilasmaa [7]	155 000	7 294	140 000	5 273	140 000	3 022
Keijo Suila [8]	130 000	6 117	130 000	4 896	140 000	3 022

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 and 2008 fees of Georg Ehrnrooth 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 Audit Committee.

3 The 2010, 2009 and 2008 fees of Lalita Gupte amounted to an annual total of EUR 140 000 each year indicated, consisting of fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

4 Olli-Pekka Kallasvuo left his position on the Nokia Board of Directors on September 10, 2010. This table includes fees paid to Olli-Pekka Kallasvuo for his services as a member of the Board, only.

5 The 2010, 2009 and 2008 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.

6 The 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.

7 The 2010 fee of Risto Siilasmaa amounted to a total of EUR 155 000, consisting of 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 and 2008 fees of Risto Siilasmaa 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.

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

Pension arrangements of certain Group Executive Board 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 a prescribed statutory system. Under the Finnish TyEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, although gains realized from equity are not. The Finnish TyEL pension scheme provides for early retirement benefits at age 62 with a reduction in the amount of retirement benefits. Standard retirement benefits are available from age 63 to 68, according to an increasing scale.

As part of his supplemental retirement plan agreement, Olli-Pekka Kallasvuo could have retired at the age of 60 with full retirement benefits to the extent that he had remained employed at that time by Nokia. The amount of that retirement benefit would have been calculated as if Mr. Kallasvuo had continued his service with Nokia through the retirement age of 65. As Mr. Kallasvuo's employment with Nokia ended prior to his 60th birthday, this supplemental pension benefit was forfeited and Nokia reversed the actuarial liability of EUR 10 154 000 associated with it.

Hallstein Moerk left the Group Executive Board as of March 31, 2010 and retired from employment with Nokia as of September 30, 2010 pursuant to the terms of his employment and pension agreement with Nokia. Nokia's obligation was settled in full and it no longer has any actuarial liability for Mr. Moerk's pension benefit.

Personnel average	2010	2009
Production	2 560	3 091
Marketing	1 117	1 225
R&D	7 860	8 431
Administration	2 290	2 408
	13 827	15 155
Personnel, December 31	13 017	14 133

3. Depreciation and amortization

EURm	2010	2009
Depreciation and amortization by asset class category		
Intangible assets		
Capitalized development costs	10	9
Intangible rights	23	23
Other intangible assets	143	170
Tangible assets	—	—
Total	176	202
Depreciation and amortization by function		
R&D	143	177
Production	—	—
Selling, marketing and administration	33	25
Total	176	202

4. Intangible assets

EURm	2010	2009
Capitalized development costs		
Acquisition cost January 1	288	287
Additions during the period	—	1
Disposals during the period	−4	—
Accumulated acquisition cost December 31	284	288
Accumulated amortization January 1	−275	−266
Disposals during the period	4	—
Amortization during the period	−10	−9
Accumulated amortization December 31	−281	−275
Net book value January 1	13	21
Net book value December 31	3	13
Intangible rights		
Acquisition cost January 1	304	286
Additions during the period	20	34
Disposals during the period	−96	−16
Accumulated acquisition cost December 31	228	304
Accumulated amortization January 1	−258	−234
Disposals during the period	88	−1
Amortization during the period	−23	−23
Accumulated amortization December 31	−193	−258
Net book value January 1	46	52
Net book value December 31	35	46
Other intangible assets		
Acquisition cost January 1	619	185
Additions during the period	171	437
Disposals during the period	—	−3
Accumulated acquisition cost December 31	790	619
Accumulated amortization January 1	−201	−30
Disposals during the period	—	−1
Amortization during the period	−143	−170
Accumulated amortization December 31	−344	−201
Net book value January 1	418	155
Net book value December 31	446	418

5. Tangible assets

At the end of 2010 and 2009, 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	2010	2009
Investments in subsidiaries		
Acquisition cost January 1	12 109	12 084
Additions	96	108
Disposals	–151	–83
Net carrying amount December 31	12 054	12 109
Investments in associated companies		
Acquisition cost January 1	30	10
Additions	28	27
Disposals	—	–7
Net carrying amount December 31	58	30
Investments in other shares		
Acquisition cost January 1	74	41
Additions	57	33
Disposals	–24	—
Net carrying amount December 31	107	74

7. Shareholders' equity

Parent Company, EURm	Share capital	Treasury shares	Reserve for invested non-restricted equity	Retained earnings	Total
Balance at December 31, 2007	246	–3 147	3 299	10 712	11 110
Stock options exercised			51		51
Cancellation of treasury shares		4 231		–4 231	—
Acquisitions of treasury shares		–3 123			–3 123
Settlement of performance and restricted shares		154	–59		95
Dividend				–1 992	–1 992
Net profit				1 749	1 749
Balance at December 31, 2008	246	–1 885	3 291	6 238	7 890
Cancellation of treasury shares		969		–969	—
Settlement of performance and restricted shares		231	–137		94
Dividend				–1 481	–1 481
Net profit				767	767
Balance at December 31, 2009	246	–685	3 154	4 555	7 270
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**

8. Distributable earnings

EURm	2010	2009
Reserve for invested non-restricted equity	3 145	3 154
Retained earnings from previous years	3 072	3 788
Net profit for the year	540	767
Retained earnings, total	6 757	7 709
Treasury shares	–669	–685
Distributable earnings, December 31	6 088	7 024

9. Long-term liabilities

EURm	2010	2009
Long-term financial liabilities		
Bonds	2 930	2 755
Loans from financial institutions	500	500
Long-term liabilities, total	3 430	3 255
Long-term liabilities repayable after 5 years		
Bonds	1 640	1 483
Loans from financial institutions	—	500
Long-term liabilities, total	1 640	1 983

Bonds	Million		Interest, %		
2009–2014	1 250	EUR	5.534	1 290	1 272
2009–2019	1 000	USD	5.572	753	653
2009–2019	500	EUR	6.792	524	508
2009–2039	500	USD	6.775	363	322
Total				2 930	2 755

10. Commitments and contingencies

EURm	2010	2009
Contingent liabilities on behalf of Group companies		
Guarantees for loans	68	1
Leasing guarantees	243	157
Other guarantees	63	162
Contingent liabilities on behalf of other companies		
Other guarantees	3	—

11. Leasing contracts

At December 31, 2010, the leasing contracts of the Parent Company amounted to EUR 31 million (EUR 35 million in 2009). EUR 18 million will expire in 2011 (EUR 21 million in 2010).

12. Loans granted to the management of the company

There were no loans granted to the members of the Group Executive Board and Board of Directors at December 31, 2010.

13. Notes to cash flow statements

EURm	2010	2009
Adjustments for:		
Depreciation	176	202
Income taxes	–14	126
Financial income and expenses	248	–242
Impairment of intangible assets	–5	–7
Impairment of non-current available-for-sale investments	—	7
Other operating income and expenses	52	13
Adjustments, total	457	99
Change in net working capital		
Short-term trade receivables, increase (–), decrease (+)	–200	364
Inventories, increase (–), decrease (+)	–3	37
Interest-free short-term liabilities, increase (+), decrease (–)	681	480
Change in net working capital	478	881

14. Principal Nokia Group companies on December 31, 2010

See note 34 to Notes to the consolidated financial statements.

15. Nokia Shares and Shareholders

See Nokia Shares and Shareholders p. 72–76.

16. Accrued income

EURm	2010	2009
Taxes	67	—
Other	2 119	1 873
Total	2 186	1 873

17. Accrued expenses

EURm	2010	2009
Personnel expenses	201	226
Taxes	—	48
Other	1 688	1 481
Total	1 889	1 755

18. Income tax

EURm	2010	2009
Income tax from operations	108	124
Other income tax	–2	3
Total	106	127

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, 2010, 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, 2010, the total number of shares included 35 826 052 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, 2010	2010	2009	2008	2007	2006
Share capital, EURm	**246**	246	246	246	246
Shares (1 000)	**3 744 956**	3 744 956	3 800 949	3 982 812	4 095 043
Shares owned by the Group (1 000)	**35 826**	36 694	103 076	136 862	129 312
Number of shares excluding shares owned by the Group (1 000)	**3 709 130**	3 708 262	3 697 872	3 845 950	3 965 730
Average number of shares excluding shares owned by the Group during the year (1 000), basic	**3 708 816**	3 705 116	3 743 622	3 885 408	4 062 833
Average number of shares excluding shares owned by the Group during the year (1 000), diluted	**3 713 250**	3 721 072	3 780 363	3 932 008	4 086 529
Number of registered shareholders [1]	**191 790**	156 081	122 713	103 226	119 143

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

Key ratios December 31, 2010, IFRS (calculation see page 80)	2010	2009	2008	2007	2006
Earnings per share for profit attributable to equity holders of the parent, EUR					
Earnings per share, basic	**0.50**	0.24	1.07	1.85	1.06
Earnings per share, diluted	**0.50**	0.24	1.05	1.83	1.05
P/E ratio	**15.48**	37.17	10.37	14.34	14.60
(Nominal) dividend per share, EUR	**0.40** [1]	0.40	0.40	0.53	0.43
Total dividends paid, EURm [2]	**1 498** [1]	1 498	1 520	2 111	1 761
Payout ratio	**0.80** [1]	1.67	0.37	0.29	0.41
Dividend yield, %	**5.17** [1]	4.48	3.60	2.00	2.80
Shareholders' equity per share, EUR [3]	**3.88**	3.53	3.84	3.84	3.02
Market capitalization, EURm [3]	**28 709**	33 078	41 046	101 995	61 390

1 2010 Dividend to be proposed by the Board of Directors for shareholders' approval at the Annual General Meeting convening on May 3, 2011.

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

3 Shares owned by the Group companies are not included.

Authorizations

Authorization to increase the share capital

At the Annual General Meeting held on May 3, 2007, Nokia shareholders authorized the Board of Directors to issue a maximum of 800 million shares through one or more issues of shares or special rights entitling to shares, including stock options. This authorization was effective until June 30, 2010 as per the resolution of the Annual General Meeting on May 3, 2007, but it was terminated by the resolution of the Annual General Meeting on May 6, 2010.

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 2010, 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 April 23, 2009, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted equity. Nokia did not repurchase any shares on the basis of this authorization. This authorization was effective until June 30, 2010 as per the resolution of the Annual General Meeting on April 23, 2009, but it was terminated by the resolution of the Annual General Meeting on May 6, 2010.

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. The amount of shares corresponds to less than 10% of all the shares of the Company. The shares may be repurchased under the buy back authorization in order to develop the capital structure of the Company. In addition, shares may be repurchased in order to finance or carry out acquisitions or other arrangements, 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, 2011.

Authorizations proposed to the Annual General Meeting 2011

On January 27, 2011 Nokia announced that the Board of Directors will propose that the Annual General Meeting convening on May 3, 2011 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, 2012 and terminate the current authorization for repurchasing of the Company's shares resolved at the Annual General Meeting on May 6, 2010.

Share issues 2006–2010

Year	Type of issue	Subscription price EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
2006	Nokia Stock Option Plan 2003 2Q	14.95	2 287	2006	34.19	0.14
	Nokia Stock Option Plan 2003 3Q	12.71	32	2006	0.41	0.00
	Nokia Stock Option Plan 2003 4Q	15.05	3	2006	0.05	0.00
	Nokia Stock Option Plan 2004 2Q	11.79	523	2006	6.16	0.03
	Nokia Stock Option Plan 2004 3Q	9.44	9	2006	0.08	0.00
	Nokia Stock Option Plan 2004 4Q	12.35	17	2006	0.21	0.00
	Nokia Stock Option Plan 2005 2Q	12.79	174	2006	2.22	0.01
	Nokia Stock Option Plan 2005 3Q	13.09	2	2006	0.03	0.00
	Total		3 047		43.34	0.18
2007	Nokia Stock Option Plan 2002 A/B	17.89	43 513	2007	778.00	—
	Nokia Stock Option Plan 2001C 1Q/02	26.06	17	2007	0.44	—
	Nokia Stock Option Plan 2001C 3Q/02	12.99	243	2007	3.00	—
	Nokia Stock Option Plan 2001C 4Q/02	16.86	49	2007	0.83	—
	Nokia Stock Option Plan 2003 2Q	14.95	9 683	2007	145.00	0.15
	Nokia Stock Option Plan 2003 3Q	12.71	53	2007	0.67	—
	Nokia Stock Option Plan 2003 4Q	15.05	48	2007	0.72	—
	Nokia Stock Option Plan 2004 2Q	11.79	1 569	2007	18.00	0.03
	Nokia Stock Option Plan 2004 3Q	9.44	30	2007	0.29	—
	Nokia Stock Option Plan 2004 4Q	12.35	25	2007	0.30	—
	Nokia Stock Option Plan 2005 2Q	12.79	1 350	2007	17.00	0.02
	Nokia Stock Option Plan 2005 3Q	13.09	4	2007	0.06	—
	Nokia Stock Option Plan 2005 4Q	14.48	13	2007	0.19	—
	Nokia Stock Option Plan 2006 1Q	14.99	13	2007	0.19	—
	Nokia Stock Option Plan 2006 2Q	18.02	631	2007	11.00	—
	Nokia Stock Option Plan 2006 3Q	15.37	7	2007	0.12	—
	Total		57 248		975.81	0.20

Share issues 2006–2010 (continued)

Year	Type of issue	Subscription price EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
2008	Nokia Stock Option Plan 2003 2Q	14.95	2 444	2008	36.53	—
	Nokia Stock Option Plan 2003 3Q	12.71	11	2008	0.15	—
	Nokia Stock Option Plan 2003 4Q	15.05	82	2008	1.24	—
	Nokia Stock Option Plan 2004 2Q	11.79	415	2008	4.90	—
	Nokia Stock Option Plan 2004 3Q	9.44	5	2008	0.05	—
	Nokia Stock Option Plan 2004 4Q	12.35	13	2008	0.16	—
	Nokia Stock Option Plan 2005 2Q	12.79	361	2008	4.62	—
	Nokia Stock Option Plan 2005 3Q	13.09	5	2008	0.07	—
	Nokia Stock Option Plan 2005 4Q	14.48	0	2008	0.00	—
	Nokia Stock Option Plan 2006 1Q	14.99	1	2008	0.01	—
	Nokia Stock Option Plan 2006 2Q	18.02	192	2008	3.46	—
	Nokia Stock Option Plan 2006 3Q	15.37	11	2008	0.17	—
	Nokia Stock Option Plan 2006 4Q	15.38	6	2008	0.09	—
	Nokia Stock Option Plan 2007 1Q	17.00	0	2008	0.00	—
	Nokia Stock Option Plan 2007 2Q	18.39	0	2008	0.00	—
	Nokia Stock Option Plan 2007 3Q	21.86	0	2008	0.00	—
	Total		3 546		51.45	
2009	Nokia Stock Option Plan 2004 2Q	11.79	0	2009	0.00	—
	Nokia Stock Option Plan 2004 3Q	9.44	8	2009	0.07	—
	Nokia Stock Option Plan 2004 4Q	12.35	0	2009	0.00	—
	Nokia Stock Option Plan 2005 2Q	12.79	0	2009	0.00	—
	Nokia Stock Option Plan 2005 3Q	13.09	0	2009	0.00	—
	Nokia Stock Option Plan 2005 4Q	14.48	0	2009	0.00	—
	Nokia Stock Option Plan 2006 1Q	14.99	0	2009	0.00	—
	Nokia Stock Option Plan 2006 2Q	18.02	0	2009	0.00	—
	Nokia Stock Option Plan 2006 3Q	15.37	0	2009	0.00	—
	Nokia Stock Option Plan 2006 4Q	15.38	0	2009	0.00	—
	Nokia Stock Option Plan 2007 1Q	17.00	0	2009	0.00	—
	Nokia Stock Option Plan 2007 2Q	18.39	0	2009	0.00	—
	Nokia Stock Option Plan 2007 3Q	21.86	0	2009	0.00	—
	Nokia Stock Option Plan 2007 4Q	27.53	0	2009	0.00	—
	Nokia Stock Option Plan 2008 1Q	24.15	0	2009	0.00	—
	Nokia Stock Option Plan 2008 2Q	19.16	0	2009	0.00	—
	Nokia Stock Option Plan 2008 3Q	17.80	0	2009	0.00	—
	Total		8		0.07	
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	

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	2006	341 890	20.51	—	—
Cancellation of shares	2007	169 500	—	—	—
Cancellation of shares	2008	185 410	—	—	—
Cancellation of shares	2009	56 000	—	—	—
Cancellation of shares	2010	—	—	—	—

Share turnover

	2010 [1]	2009 [1]	2008 [2]	2007 [2]	2006 [2]
Share turnover (1 000)	**12 299 112**	11 025 092	12 962 489	12 695 999	12 480 730
Total number of shares (1 000)	**3 744 956**	3 744 956	3 800 949	3 982 812	4 095 043
% of total number of shares	**328**	294	341	319	305

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)

	2010	2009	2008	2007	2006
Low/high	**6.59/11.82**	6.67/12.25	9.95/25.78	14.63/28.60	14.61/18.65
Average [1]	**8.41**	9.64	17.35	20.82	15.97
Year-end	**7.74**	8.92	11.10	26.52	15.48

1 Calculated by weighting average price with daily volumes.

Share prices, USD (New York Stock Exchange)

ADS	2010	2009	2008	2007	2006
Low/high	**8.00/15.89**	8.47/16.58	12.35/38.25	19.08/41.10	17.72/23.10
Average [1]	**11.11**	13.36	24.88	29.28	19.98
Year-end	**10.32**	12.85	15.60	38.39	20.32

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, 2010

Shareholders registered in Finland represented 17.24% and shareholders registered in the name of a nominee represented 82.76% of the total number of shares of Nokia Corporation. The number of registered shareholders was 191 790 on December 31, 2010. Each account operator (25) is included in this figure as only one registered shareholder.

Nominee registered shareholders include holders of American Depositary Receipts (ADR). As of December 31, 2010, ADRs represented 14.32% of the total number of shares in Nokia.

Largest shareholders registered in Finland, December 31, 2010

(excluding nominee registered shares and shares owned by Nokia Corporation [1])	Total number of shares (1 000)	% of all shares	% of all voting rights
Ilmarinen Mutual Pension Insurance Company	48 356	1.29	1.30
Varma Mutual Pension Insurance Company	38 231	1.02	1.03
The State Pension Fund	17 000	0.45	0.46
Svenska Litteratursällskapet i Finland rf	14 226	0.38	0.38
Folketrygfondet	11 800	0.32	0.32
Sigrid Jusélius Foundation	9 400	0.25	0.25
OP-Delta Fund	9 100	0.24	0.25
Schweizerische Nationalbank	7 227	0.19	0.19
Etera	6 500	0.17	0.18
Mutual Insurance Company Pension Fennia	6 306	0.17	0.17

1 Nokia Corporation owned 35 826 052 shares as of December 31, 2010.

Breakdown of share ownership, December 31, 2010 [1]

By number of shares owned	Number of shareholders	% of shareholders	Total number of shares	% of all shares
1–100	45 743	23.85	2 811 343	0.08
101–1 000	97 211	50.69	42 583 383	1.14
1 001–10 000	43 242	22.55	127 384 952	3.40
10 001–100 000	5 195	2.71	129 294 504	3.45
100 001–500 000	296	0.15	61 561 119	1.64
500 001–1 000 000	41	0.02	28 435 787	0.76
1 000 001–5 000 000	44	0.02	89 696 617	2.40
Over 5 000 000	18	0.01	3 263 188 347	87.14
Total	191 790	100.00	3 744 956 052	100.00

By nationality, %	Shares
Non-Finnish shareholders	82.76
Finnish shareholders	17.24
Total	100.00

By shareholder category (Finnish shareholders), %	Shares
Corporations	2.40
Households	7.48
Financial and insurance institutions	1.90
Non-profit organizations	1.85
General government	3.61
Total	17.24

1 Please note that the breakdown covers only shareholders registered in Finland, and each account operator (25) is included in the number of shareholders as only one registered shareholder. Due to this, the breakdown is not illustrative to the entire shareholder base of Nokia.

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

Members of the Board of Directors and the Group Executive Board owned on December 31, 2010, an aggregate of 1 513 313 shares which represented approximately 0.04% 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 1 943 975 shares representing approximately 0.05% of the total number of shares and voting rights on December 31, 2010.

Nokia Group 2006–2010, IFRS *

	2010	2009	2008	2007	2006
Profit and loss account, EURm					
Net sales	42 446	40 984	50 710	51 058	41 121
Cost and expenses	–40 376	–39 787	–45 744	–43 073	–35 633
Operating profit	2 070	1 197	4 966	7 985	5 488
Share of results of associated companies	1	30	6	44	28
Financial income and expenses	–285	–265	–2	239	207
Profit before tax	1 786	962	4 970	8 268	5 723
Tax	–443	–702	–1 081	–1 522	–1 357
Profit	1 343	260	3 889	6 746	4 366
Profit attributable to equity holders of the parent	1 850	891	3 988	7 205	4 306
Non-controlling interests	–507	–631	–99	–459	60
	1 343	260	3 889	6 746	4 366
Balance sheet items, EURm					
Fixed assets and other non-current assets	11 978	12 125	15 112	8 305	4 031
Current assets	27 145	23 613	24 470	29 294	18 586
Inventories	2 523	1 865	2 533	2 876	1 554
Accounts receivable and prepaid expenses	12 347	12 875	15 117	14 665	8 495
Total cash and other liquid assets	12 275	8 873	6 820	11 753	8 537
Total equity	16 231	14 749	16 510	17 338	12 060
Capital and reserves attributable to the Company's equity holders	14 384	13 088	14 208	14 773	11 968
Non-controlling interests	1 847	1 661	2 302	2 565	92
Long-term liabilities	5 352	5 801	2 717	1 285	396
Long-term interest-bearing liabilities	4 242	4 432	861	203	69
Deferred tax liabilities	1 022	1 303	1 787	963	205
Other long-term liabilities	88	66	69	119	122
Current liabilities	17 540	15 188	20 355	18 976	10 161
Current portion of long-term loans	116	44	13	173	—
Short-term borrowings	921	727	3 578	714	180
Other financial liabilities	447	245	924	184	67
Accounts payable	6 101	4 950	5 225	7 074	3 732
Accrued expenses and other liabilities	7 365	6 504	7 023	7 114	3 796
Provisions	2 590	2 718	3 592	3 717	2 386
Total assets	39 123	35 738	39 582	37 599	22 617

* 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 2008–2010 are not directly comparable to the results for the full years 2006–2007. Nokia's first quarter 2007 and full year 2006 results included Nokia's former Networks business group only.

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

Key ratios and economic indicators [1]	2010	2009	2008	2007	2006
Net sales, EURm	**42 446**	40 984	50 710	51 058	41 121
Change, %	**3.6**	–19.2	–0.7	24.2	20.3
Exports and foreign subsidiaries, EURm	**42 075**	40 594	50 348	50 736	40 734
Salaries and social expenses, EURm	**6 947**	6 734	6 847	5 702	4 206
Operating profit, EURm	**2 070**	1 197	4 966	7 985	5 488
% of net sales	**4.9**	2.9	9.8	15.6	13.3
Financial income and expenses, EURm	**–285**	–265	–2	239	207
% of net sales	**0.7**	0.6	—	0.5	0.5
Profit before tax, EURm	**1 786**	962	4 970	8 268	5 723
% of net sales	**4.2**	2.3	9.8	16.2	13.9
Profit from continuing operations, EURm	**1 850**	891	3 988	7 205	4 306
% of net sales	**4.4**	2.2	7.9	14.1	10.5
Taxes, EURm	**443**	702	1 081	1 522	1 357
Dividends, EURm	**1 498** [2]	1 498	1 520	2 111	1 761
Capital expenditure, EURm	**679**	531	889	715	650
% of net sales	**1.6**	1.3	1.8	1.4	1.6
Gross investments [3], EURm	**836**	683	1 166	1 017	897
% of net sales	**2.0**	1.7	2.3	2.0	2.2
R&D expenditure, EURm	**5 863**	5 909	5 968	5 647	3 897
% of net sales	**13.8**	14.4	11.8	11.1	9.5
Average personnel	**129 355**	123 171	121 723	100 534	65 324
Non-interest bearing liabilities, EURm	**16 591**	14 483	16 833	18 208	10 103
Interest-bearing liabilities, EURm	**5 279**	5 203	4 452	1 090	249
Return on capital employed, %	**11.0**	6.7	27.2	54.8	46.1
Return on equity, %	**13.5**	6.5	27.5	53.9	35.5
Equity ratio, %	**42.8**	41.9	42.3	46.7	54.0
Net debt to equity, %	**–43**	–25	–14	–62	–69

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 2008–2010 are not directly comparable to the results for the full years 2006–2007. Nokia's first quarter 2007 and full years 2006 results included Nokia's former Networks business group only.

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

2 Board's proposal

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

Calculation of Key Ratios, see page 80.

Calculation of key ratios

Key ratios under IFRS

Operating profit
Profit after depreciation

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

Earnings per share (basic)

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

P/E ratio

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

Dividend per share

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

Payout ratio

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

Dividend yield, %

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

Shareholders' equity per share

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

Market capitalization
Number of shares x share price per share class

Adjusted average share price

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

Share turnover, %

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

Return on capital employed, %

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

Return on shareholders' equity, %

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

Equity ratio, %

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

Net debt to equity (gearing), %

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

Year-end currency rates 2010

	1 EUR =
USD	1.3187
GBP	0.8495
CNY	8.7867
INR	59.7792
RUB	40.5401
JPY	110.45

Signing of the Annual Accounts 2010 and proposal for distribution of profit

The distributable funds in the balance sheet of the Company as per December 31, 2010 amount to EUR 6 088 million.

The Board proposes that from the retained earnings a dividend of EUR 0.40 per share is to be paid out on the shares of the Company. As per December 31, 2010, the number of shares of the Company amounted to 3 744 956 052, based on which the maximum amount to be distributed as dividend is EUR 1 498 million.

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

Espoo, March 11, 2011

Jorma Ollila Chairman	Marjorie Scardino	Lalita D. Gupte
Bengt Holmström	Henning Kagermann	Per Karlsson
Isabel Marey-Semper	Risto Siilasmaa	Keijo Suila

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 2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of 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, March 11, 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Account

Additional information

Critical accounting policies

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

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

Revenue recognition

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

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

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

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

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

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

Customer financing

We have provided a limited number of customer financing arrangements and agreed extended payment terms with selected customers. In establishing credit arrangements, management must assess the creditworthiness of the customer and the timing of cash flows expected to be received under the arrangement. However, should the actual financial position of our customers or general economic conditions differ from our assumptions, we may be required to re-assess the ultimate collectability of such financings and trade credits, which could result in a write-off of these balances in future periods and thus negatively impact our profits in future periods. Our assessment of the net recoverable value considers the collateral and security arrangements of the receivable as well as the likelihood and timing of estimated collections. The Group endeavors to mitigate this risk through the transfer of its rights to the cash collected from these arrangements to third-party financial institutions on a non-recourse basis in exchange for an upfront cash payment. During the past three fiscal years the Group has not had any write-offs or impairments regarding customer financing. The financial impact of the customer financing related assumptions mainly affects the Nokia Siemens Networks segment. See also Note 35(b) to our consolidated financial statements for a further discussion of long-term loans to customers and other parties.

Allowances for doubtful accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the subsequent inability of our customers to make required payments. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyzes accounts receivables and historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. Based on these estimates and assumptions the allowance for doubtful accounts was EUR 363 million at the end of 2010 (EUR 391 million at the end of 2009).

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 301 million at the end of 2010 (EUR 361 million at the end of 2009). The financial impact of the assumptions regarding this allowance affects mainly the cost of sales of the Devices & Services and Nokia Siemens Networks segments.

Warranty provisions

We provide for the estimated cost of product warranties at the time revenue is recognized. Our products are covered by product warranty plans of varying periods, depending on local practices and regulations. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligations are affected by actual product failure rates (field failure rates) and by material usage and service delivery costs incurred in correcting a product failure. Our warranty provision is established based upon our best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. As we continuously introduce new products which incorporate complex technology, and as local laws, regulations and practices may change, it will be increasingly difficult to anticipate our failure rates, the length of warranty periods and repair costs. While we believe that our warranty provisions are adequate and that the judgments applied are appropriate, the ultimate cost of product warranty could differ materially from our estimates. When the actual cost of quality of our products is lower than we originally anticipated, we release an appropriate proportion of the provision, and if the cost of quality is higher than anticipated, we increase the provision. Based on these estimates and assumptions the warranty provision was EUR 928 million at the end of 2010 (EUR 971 million at the end of 2009). The financial impact of the assumptions regarding this provision mainly affects the cost of sales of our Devices & Services segment.

Provision for intellectual property rights, or IPR, infringements

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

Our products 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. Through contact with parties claiming infringement of their patented or otherwise exclusive technology, or through our own monitoring of developments in patent and other intellectual property right cases involving our competitors, we identify potential IPR infringements.

We estimate the outcome of all potential IPR infringements made known to us through assertion by third parties, or through our own monitoring of patent- and other IPR-related cases in the relevant legal systems. To the extent that we determine that an identified potential infringement will result in a probable outflow of resources, we record a liability based on our best estimate of the expenditure required to settle infringement proceedings. Based on these estimates and assumptions the provision for IPR infringements was EUR 449 million at the end of 2010 (EUR 390 million at the end of 2009). The financial impact of the assumptions regarding this provision mainly affects our Devices & Services segment.

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

Legal contingencies

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

Capitalized development costs

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

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

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

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

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

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

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

The discount rates applied in the value in use calculation for each CGU have been determined independently of capital structure reflecting current assessments of the time value of money and relevant market risk premiums. Risk premiums included in the determination of the discount rate reflect risks and uncertainties for which the future cash flow estimates have not been adjusted. Overall, the discount rates applied in the 2010 impairment testing have decreased in line with declining interest rates.

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

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

We have performed our annual goodwill impairment testing during the fourth quarter of 2010 on the opening fourth quarter balances. During 2010, the conditions in the world economy have shown signs of improvement as countries have begun to emerge from the global economic downturn. However, significant uncertainty exists regarding the speed, timing and resiliency of the global economic recovery and this uncertainty is reflected in the impairment testing for each of the Group's CGUs. The impairment testing has been carried out based on management's assessment of financial performance and future strategies in light of current and expected market and economic conditions. Events that occurred subsequent to the balance sheet date, as discussed in Note 33, did not have an impact on this assessment.

Goodwill amounting to EUR 1 355 million has been allocated to the Devices & Services CGU for the purpose of impairment testing. The goodwill impairment testing conducted for the Devices & Services CGU for the year ended December 31, 2010 did not result in any impairment charges.

Goodwill amounting to EUR 4 368 million has been allocated to the NAVTEQ CGU. The goodwill impairment testing conducted for the NAVTEQ CGU for the year ended December 31, 2010 did not result in any impairment charges. The recoverable amount of the NAVTEQ CGU is between

15 to 20% higher than its carrying amount. The Group expects that a reasonably possible change of 1–2% in the valuation assumptions for long-term growth rate or discount rate would give rise to an impairment loss.

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

Cash-generating Unit, %	2010	2009	2008
Devices & Services			
Terminal growth rate	**2.0**	2.0	2.3
Pre-tax discount rate	**11.1**	11.5	12.4
Nokia Siemens Networks			
Terminal growth rate	—	1.0	1.0
Pre-tax discount rate	—	13.2	15.6
NAVTEQ			
Terminal growth rate	**4.0**	5.0	5.0
Pre-tax discount rate	**12.8**	12.6	12.4

The annual goodwill impairment testing conducted for each of the Group's CGUs for the years ended December 31, 2010 and 2008 have not resulted in any impairment charges.

The goodwill impairment testing for the year ended December 31, 2009 resulted in the aforementioned impairment charge for the Nokia Siemens Networks CGU.

The Group has applied consistent valuation methodologies for each of the Group's CGUs for the years ended December 31, 2010, 2009 and 2008. We periodically update the assumptions applied in our impairment testing to reflect management's best estimates of future cash flows and the conditions that are expected to prevail during the forecast period.

See 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 2010 the Group received distributions of EUR 69 million (EUR 13 million in 2009) 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 94 million (EUR 9 million in 2009) 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, 2010, the Group had loss carry forwards, temporary differences and tax credits of EUR 3 323 million (EUR 2 532 million in 2009) for which no deferred tax assets were recognized in the consolidated financial statements due to loss history and current year loss in certain jurisdictions.

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

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

Pensions

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

Share-based compensation

We have various types of equity settled share-based compensation schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments as at the date of grant, excluding the impact of any non-market vesting conditions. Fair value of stock options is estimated by using the Black-Scholes model on the date of grant based on certain assumptions. Those assumptions are described in Note 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

Regulatory framework

This Corporate Governance statement is prepared in accordance with 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 2010 is available on page 3 of this publication Nokia in 2010.

Nokia's corporate governance practices comply with Finnish legislation and regulations, Nokia's Articles of Association and the Finnish Corporate Governance Code, however, with one exception outlined below. The Finnish Corporate Governance Code is accessible, among others, at www.cgfinland.fi. In addition, Nokia complies with the corporate governance rules that are mandatory for foreign private issuers under section 303A of the New York Stock Exchange Listed Company Manual, which is accessible at http://nysemanual.nyse.com/lcm/, as well as any other mandatory corporate governance rules applicable due to listing of Nokia share in Helsinki, Frankfurt and New York stock exchanges.

Nokia Restricted Share Plans depart from the recommendation 39 of the Finnish Corporate Governance Code as they do not include any performance criterion 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 very selective basis to promote long-term retention of key 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 promote share ownership of the participants of the plans and act as a supplementary equity incentive instrument to the Performance Share and Stock Option plans.

Pursuant to the provisions of the Finnish Companies Act and Nokia's Articles of Association, the control and management of Nokia is divided among the shareholders at a general meeting, the Board of Directors (or the "Board"), the President and the Nokia Leadership Team (the Group Executive Board until February 11, 2011) chaired by the Chief Executive Officer.

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 the company. 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.

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

The Board of Directors

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

The responsibilities of the Board of Directors

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

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. Nokia's risk management policies and processes are described in more detail in 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 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.

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

The Board has three committees: Audit Committee, Corporate Governance and Nomination Committee and Personnel Committee, assisting the Board in its duties pursuant to the respective Committee Charter. The

Board also may, and has practice to, establish ad hoc committees for a detailed review and consideration of a particular topic 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 the past year's practice, in 2010, 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 6, 2010 elected the following 10 members to the Board of Directors: Lalita D. Gupte, Dr. Bengt Holmström, Prof. Dr. Henning Kagermann, Olli-Pekka Kallasvuo, Per Karlsson, Jorma Ollila, Dame Marjorie Scardino, Isabel Marey-Semper, Risto Siilasmaa and Keijo Suila. Olli-Pekka Kallasvuo resigned from the Board of Directors as from September 10, 2010.

Nokia Board's leadership structure consists of a Chairman and Vice Chairman, annually elected by the Board and confirmed by the independent directors of the Board from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. On May 6, 2010, 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 of the Board shall assume the duties of the Chairman in case the Chairman is prevented from performing his duties. The Board has determined that Nokia Board 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 2010, the roles were separate and Jorma Ollila was the Chairman of the Board and the Chief Executive Officer was Olli-Pekka Kallasvuo until September 20, 2010 and Stephen Elop as from September 21, 2010. Olli-Pekka Kallasvuo was a member of the Board until September 10, 2010. The Corporate Governance and Nomination Committee will propose to the Annual General Meeting on May 3, 2011 that the Chief Executive Officer, Stephen Elop, be elected as a Nokia Board member. The Corporate Governance and Nomination Committee will also propose that Jorma Ollila be re-elected as Chairman of the Board after the Annual General Meeting on May 3, 2011.

The current members of the Board are all non-executive, and the Board has determined that all of them are independent as defined by Finnish standards. Also, the Board has determined that eight of the Board's nine non-executive members are independent directors as defined by the rules of the New York Stock Exchange. Dr. Bengt Holmström was determined not to be independent under the rules of the New York Stock Exchange due to a family relationship with an executive officer of a Nokia supplier of whose consolidated gross revenue from Nokia accounts for an amount that exceeds the limit provided in the New York Stock Exchange rules, but that is less than 5%.

The Board held 13 meetings during 2010, majority of which were regularly scheduled meetings held in person, complemented by meetings through conference call and other means. In addition, in 2010, the non-executive directors held a meeting without management in connection with each regularly scheduled Board meeting, as well as a number of additional meetings without management. Also, the independent directors held one meeting separately in 2010.

Directors' attendance at the Board meetings, including Committee meetings and, any of the meeting format mentioned above, but excluding meetings among non-executive directors or independent directors only, was as follows in 2010:

	Board meetings	Committee meetings
Georg Ehrnrooth (until May 6, 2010)	100%	100%
Lalita Gupte	93%	100%
Bengt Holmström	93%	N/A
Henning Kagermann	100%	100%
Olli-Pekka Kallasvuo (until Sep 10, 2010)	100% [1]	N/A
Per Karlsson	85%	100%
Isabel Marey-Semper	85%	100%
Jorma Ollila	100%	N/A
Marjorie Scardino	100%	100%
Risto Siilasmaa	100%	100%
Keijo Suila	100%	100%

1 Excluding meetings which he was excused by law.

In addition, many of the directors attended as a non-voting observer 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 had been absent in any of the meetings of non-executive directors, the non-executive Vice Chairman of the Board would have chaired the meeting. In addition, the independent directors meet separately at least once annually. All the directors attended Nokia's Annual General Meeting held on May 6, 2010. 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.

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, Board Committees and certain other matters relating to corporate governance are available on our website, www.nokia.com.

Committees of the Board of Directors

The Audit Committee consists of a minimum of three members of the Board who meet all applicable independence, financial literacy and other requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 6, 2010, the Audit Committee consists of the following three members of the Board: Risto Siilasmaa (Chairman), Lalita D. Gupte 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. The Committee also maintains procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal controls, or auditing matters and for the confidential, anonymous submission by employees of the company of concerns regarding accounting or auditing matters. Nokia's disclosure controls and procedures, which are reviewed by the Audit Committee and approved by the Chief Executive Officer and the Chief Financial Officer, as well as Nokia's internal controls over financial reporting are designed to provide reasonable assurance regarding the quality and integrity of the company's financial statements and related disclosures. The Disclosure Committee chaired by the Chief Financial Officer is responsible for preparation of the quarterly and annual results announcements, and the process includes involvement by business managers, business controllers and other functions, like internal audit, as well as a final review and confirmation by the Audit Committee and the Board. 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. Also under Finnish law, the fees of the external auditor are approved by Nokia's shareholders by a simple majority vote at the Annual General Meeting. The Committee makes a proposal to the shareholders in respect of the fees of the external auditor, and approves the external auditor's annual audit fees under the guidance given by the shareholders at the Annual General Meeting. For information about the fees paid to Nokia's external auditor, PricewaterhouseCoopers, during 2010 see "Auditor fees and services" on page 120.

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

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

The Audit Committee had seven meetings in 2010. 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, including NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 6, 2010, the Personnel Committee consists of the following four members of the Board: Per Karlsson (Chairman), Prof. Dr. Henning Kagermann, Dame Marjorie Scardino and Keijo Suila.

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

The Personnel Committee had four meetings in 2010. The attendance at all meetings was 100%. 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 101.

The Corporate Governance and Nomination Committee consists of three to five members of the Board who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 6, 2010, the Corporate Governance and Nomination Committee consists of the following three members of the Board: Dame Marjorie Scardino (Chairman), Per Karlsson 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 sole authority to retain or terminate such search firms or advisors and to review and approve such search firm or advisor's fees and other retention terms. It is the Committee's practice to retain a search firm to identify director candidates each time a new director candidate is searched for.

The Corporate Governance and Nomination Committee had four meetings in 2010. The attendance at all meetings was 100%. 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.

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.

Nokia's management is responsible for establishing and maintaining adequate internal control over financial reporting for the company. Nokia's internal control over financial reporting is designed to provide reasonable assurance to Nokia's management and the Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may decline.

Management evaluated the effectiveness of Nokia's internal control over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, framework. Based on this evaluation, management has assessed the effectiveness of Nokia's internal control over financial reporting, as at December 31, 2010, 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 the company's system of internal control.

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

For more information on Nokia's risk management, please see Note 35 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 6, 2010, 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.

Changes in the Board of Directors

At the Annual General Meeting on May 6, 2010 Olli-Pekka Kallasvuo, President and Chief Executive Officer at the time, was elected as a member of the Board of Directors. Mr. Kallasvuo resigned from the Board of Directors as from September 10, 2010.

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 European Round Table of Industrialists. Chairman 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.

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

B.A. (Economics, Hons) (University of Delhi).
Master of Management Studies (University of Bombay).

Joint Managing Director and member of the Board of Directors of ICICI Bank Ltd 2002–2006. Joint Managing Director and member of the Board of Directors of ICICI Limited 1999–2002 (ICICI Limited merged with ICICI Bank Ltd in 2002). Deputy Managing Director of ICICI Limited 1996–1999. Executive Director on the Board of Directors of ICICI Limited 1994–1996. Various leadership positions in Corporate and Retail Banking, Strategy and Resources, and International Banking in ICICI Limited since 1971.

Member of the Boards of Directors of Alstom S.A., Bharat Forge Ltd., Godrej Properties Ltd., and Kirloskar Brothers Ltd. Member of the Board of Directors of HPCL-Mittal Energy Ltd. and Swadhaar FinServe Pvt. Ltd. (non-executive Chairman). Also member of Board of Governors of educational institutions. Member of the Board of Directors (non-executive director) of ICICI Bank Ltd. 1994–2002. Member of the Boards of Directors of FirstSource Solutions Ltd. 2006–2010, ICICI Securities Ltd. 1993–2006, ICICI Prudential Life Insurance Co Ltd. 2000–2006, ICICI Lombard General Insurance Co Ltd. 2000–2006, ICICI Bank UK Ltd. 2003–2006, ICICI Bank Canada 2003–2006 and ICICI Bank Eurasia Ltd. 2005–2006.

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

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

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

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

Prof. Dr. Henning Kagermann, b. 1947
Board member since 2007.
Member of the Personnel Committee.

Ph.D. (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.
Chairman of the Personnel Committee.
Member of the Corporate Governance and Nomination Committee.

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

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

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

Isabel Marey-Semper, b. 1967
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.

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

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

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

Chairman of the Board of Directors of the Finnish Fair Corporation. Chairman of the Board of Directors of Solidium Oy 2008–2011. Member of the Board of Directors of Kesko Corporation 2001–2009 and Vice Chairman 2006–2009.

Nokia Leadership Team

Election of the Board members–Proposal of the Corporate Governance and Nomination Committee for Composition of the Board of Directors in 2011

On January 27, 2011, the Corporate Governance and Nomination Committee announced its proposal to the Annual General Meeting convening on May 3, 2011 regarding the composition of the Board of Directors for a one-year term as from the Annual General Meeting in 2011 until the close of the Annual General Meeting in 2012. 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 one-year term ending at the close of the Annual General Meeting in 2012: Dr. Bengt Holmström, Prof. Dr. Henning Kagermann, Per Karlsson, Isabel Marey-Semper, Jorma Ollila, Dame Marjorie Scardino, and Risto Siilasmaa.

In addition, the Committee will propose that Jouko Karvinen, CEO of Stora Enso Oyj, Helge Lund, President and CEO of Statoil Group, and Kari Stadigh, Group CEO and President of Sampo plc, be elected as members of the Nokia Board of Directors for the same one-year term ending at the close of the Annual General Meeting in 2012. The Committee will also propose the election of Stephen Elop, President and CEO of Nokia Corporation, to the Nokia Board of Directors for the same one-year term.

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

The Chairman and a 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 27, 2011, 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, 2011 that Jorma Ollila be elected as Chairman of the Board and Dame Marjorie Scardino as Vice Chairman of the Board.

According to Nokia's Articles of Association, Nokia has a Nokia Leadership Team (called the Group Executive Board until February 11, 2011) that is responsible for the operative management of the company. 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. The Chief Executive Officer also acts as President, and his rights and responsibilities include those allotted to the President under Finnish law.

Changes in the Nokia Leadership Team

Nokia Board of Directors appointed Stephen Elop as President and Chief Executive Officer of Nokia as of September 21, 2010. Mr. Elop replaced Olli-Pekka Kallasvuo, who left the position of President and Chief Executive Officer on September 20, 2010.

During 2010 and subsequently, Nokia announced the following changes in the Nokia Leadership Team (the Group Executive Board until February 11, 2011):

» Hallstein Moerk, formerly Executive Vice President of Human Resources, resigned from the Group Executive Board effective March 31, 2010, Thereafter, Mr. Moerk served as Executive Advisor for Nokia until his retirement at the end of September 2010.

» Juha Äkräs was appointed Executive Vice President of Human Resources and member of the Group Executive Board effective April 1, 2010.

» Richard Simonson, formerly Executive Vice President of Mobile Phones, resigned from the Group Executive Board effective June 30, 2010. Thereafter, Mr. Simonson served as Senior Advisor to Nokia until he left the company on October 1, 2010.

» Anssi Vanjoki, formerly Executive Vice President of Mobile Solutions, resigned from the Group Executive Board effective October 12, 2010. Thereafter, Mr. Vanjoki's employment with Nokia has continued until the end of his notice period on March 11, 2011.

» Jerri DeVard was appointed Executive Vice President and Chief Marketing Officer and a member of the Group Executive Board as from January 1, 2011.

» Alberto Torres, formerly Executive Vice President of MeeGo Computers, resigned from the Group Executive Board on February 10, 2011, leaving the company on March 31, 2011.

» On February 11, 2011 Nokia announced Nokia's new strategy, including changes to Nokia's leadership team and operational structure. Effective from that day, the Group Executive Board has been called the Nokia Leadership Team.

The current members of Nokia Leadership Team are set forth below.

Stephen Elop, b. 1963
President and CEO of Nokia Corporation.
Nokia Leadership Team member and Chairman since September 21, 2010.
Joined Nokia on September 21, 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.

Chairman of the Board of Directors of NAVTEQ Corporation.

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 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.

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. Vice Chair 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, Customer and Market Operations, 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.

Richard Green, b. 1955
Executive Vice President, Chief Technology Officer.
Nokia Leadership Team member since February 11, 2011.
Joined Nokia on May 3, 2010.

Bachelor's and Master's degrees (State University of New York, Albany).

Senior Vice President and Chief Technology Officer, Mobile Solutions, Nokia 2010–2011. Executive Vice President, Software Division, Sun Microsystems, Inc., 2006–2008. Senior roles at Casatt Software and Nuance.

Member of the Board of Directors of Albany Foundation.

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 Boards of Directors of NAVTEQ Corporation and 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.

Dr. Tero Ojanperä, b. 1966
Executive Vice President,
acting Head of Services and Developer Experience.
Nokia Leadership Team member since 2005.
Joined Nokia 1990.

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

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

Member of the Board of Directors of NAVTEQ Corporation.
A member of Young Global Leaders.

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 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.

Juha Äkräs, b. 1965
Executive Vice President, Human Resources.
Nokia Leadership Team member as of April 1, 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 Nokian Tyres plc. Member of the Board of Directors of NAVTEQ Corporation.

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 2010, 2009 and 2008.

Position, EUR	2010	2009	2008
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, 2]	1 840 000 [1, 2]	1 710 000 [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, while the amount of fees paid for the services rendered remained the same.

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; no fees are paid for meeting attendance. In addition, 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.

The former President and CEO received variable compensation for his executive duties, but not for his duties as a member of the Board of Directors. The total compensation of the former President and CEO is described below in "Summary Compensation Table 2010" on page 107.

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 to 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 the company has an efficient board of world-class professionals representing an appropriate and diverse mix of skills and experience. A competitive board remuneration contributes to the achievement of this target.

Remuneration of the Board of Directors in 2010

For the year ended December 31, 2010, 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 2010, as resolved by the shareholders at the Annual General Meeting on May 6, 2010. For information with respect to the Nokia shares and equity awards held by the members of the Board of Directors, please see "Share Ownership" on page 112.

	Year	Fees earned or paid in cash [1] EUR	Stock awards [2] EUR	Option awards [2] EUR	Non-equity incentive plan compen-sation [2] EUR	Change in pension value and non-qualified deferred compensation earnings [2] EUR	All other compen-sation [2] EUR	Total EUR
Jorma Ollila, Chairman [3]	2010	440 000	—	—	—	—	—	440 000
Marjorie Scardino, Vice Chairman [4]	2010	150 000	—	—	—	—	—	150 000
Lalita D. Gupte [5]	2010	140 000	—	—	—	—	—	140 000
Bengt Holmström	2010	130 000	—	—	—	—	—	130 000
Henning Kagermann	2010	130 000	—	—	—	—	—	130 000
Olli-Pekka Kallasvuo [6]	2010	130 000	—	—	—	—	—	130 000
Per Karlsson [7]	2010	155 000	—	—	—	—	—	155 000
Isabel Marey-Semper [8]	2010	140 000	—	—	—	—	—	140 000
Risto Siilasmaa [9]	2010	155 000	—	—	—	—	—	155 000
Keijo Suila	2010	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 former 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 Represents the fees paid to Lalita Gupte, 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.

6 Olli-Pekka Kallasvuo left his position on the Nokia Board of Directors on September 10, 2010. This table includes remuneration paid to Mr. Kallasvuo for service as a member of the Board only. For the compensation paid for his services as the President and CEO until September 20, 2010, see "Summary Compensation Table 2010" on page 107.

7 Represents the fees paid to Per Karlsson, 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.

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 2011

On January 27, 2011, the Corporate Governance and Nomination Committee of the Board announced its proposal to the Annual General Meeting convening on May 3, 2011 regarding the remuneration to the Board of Directors in 2011. The Committee will propose that the annual fee payable to the Board members elected at the same meeting for a one-year term ending at the close of the Annual General Meeting in 2012, remain at the same level as during the past three 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 per cent of the remuneration be paid in Nokia shares purchased from the market, which shares shall be retained until the end of the board membership in line with the Nokia policy (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes).

Executive compensation

Executive compensation philosophy, programs and decision-making process

Our executive compensation philosophy and programs have been developed to enable Nokia to effectively compete in an extremely complex and rapidly evolving mobile communications industry. We are a leading company in our industry and conduct business globally. Our executive compensation programs have been designed to attract, retain and motivate talented executive officers on a global basis that drive Nokia's success and industry leadership worldwide. Our compensation programs are designed to promote sustainability and long-term value creation of the company and to ensure that remuneration is based on performance.

Our compensation program for executive officers includes:

» competitive base pay rates; and

» short- and long-term incentives that are intended to result in a competitive total compensation package.

The main objectives of our executive compensation programs are to:

» attract and retain outstanding executive talent;

» deliver a significant amount of performance-related variable compensation for the achievement of both short- and long-term stretch goals;

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

» align the interests of the executive officers with those of the shareholders through long-term incentives in the form of equity-based awards.

The competitiveness of Nokia's executive compensation levels and practices is one of several key factors the Personnel Committee of the Board considers in its determination of compensation for Nokia executives. The Personnel Committee compares, on an annual basis, Nokia's compensation practices, base salaries and total compensation, including short- and long-term incentives against those of other relevant companies with the same or similar revenue, size, global reach and complexity that 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 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 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 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; and

» past experience and tenure in role.

The above factors are assessed by the Personnel Committee in totality.

Nokia's management performed an internal risk assessment of Nokia's compensation policies and practices for all its employees in 2009. As a result, management concluded that there are no risks arising from Nokia's compensation policies and practices that are reasonably likely to have a material adverse effect on Nokia. The findings of the analysis were reported to the Personnel Committee. Nokia's compensation policies and practices did not change materially during 2010 and the Personnel

Committee concluded that there were no other significant factors which would have necessitated a new assessment in 2010.

Components of executive compensation

Our compensation program for executive officers includes annual cash compensation in the form of a base salary, short-term cash incentives and long-term equity-based incentive awards in the form of performance shares, stock options and restricted shares.

The following report discusses executive compensation in 2010 when the Nokia Leadership Team was called the Group Executive Board, and thus all references are made to the Group Executive Board.

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.

Measurement criteria for the short-term cash incentive plan include those financial objectives that are considered important measures of Nokia's success in driving increased shareholder value. Financial objectives are established and based on a number of factors and are intended to be stretch targets that, if achieved, we believe, will result in performance that would exceed that of our key competitors in the high technology, telecommunications and Internet services industries. The target setting, as well as the weighting of each measure, also requires the Personnel Committee's approval 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 Group Executive Board and the relative weighting of each objective for the year 2010.

Incentive as a % of annual base salary in 2010

Position	Minimum performance, %	Target performance, %	Maximum performance, %	Measurement criteria
President and CEO [1]	0	100	225	(a) Financial Objectives (includes targets for net sales, operating profit and operating cash flow management and key business goals)
	0	25	37.5	(c) Total Shareholder Return [2] (comparison made with key competitors in the high technology, telecommunications and Internet services industries over one-, three- and five-year periods)
	0	25	37.5	(d) Strategic Objectives
Total	**0**	**150**	**300**	
Group Executive Board	0	75	168.75	(a) Financial Objectives (includes targets for net sales, operating profit and operating cash flow management; and
				(b) Individual Strategic Objectives (as described below)
	0	25	37.5	(c) Total Shareholder Return [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 Applies for Olli-Pekka Kallasvuo, President and CEO until September 20, 2010. For Stephen Elop, President and CEO from September 21, 2010, short-term incentive target is 150% of base pay, paid to him pro rata for year 2010, based on his hire date.

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 Group Executive Board are eligible for the additional 25% total shareholder return element.

The short-term incentive payout is based on performance relative to targets set for each measurement criteria listed in the table above and includes: (1) a comparison of Nokia's actual performance to pre-established targets for net sales, operating profit and operating cash flow management and key business goals and (2) a comparison of each executive officer's individual performance to his/her predefined individual strategic objectives and targets. Individual strategic objectives include key criteria which are the cornerstone for the success of Nokia's long-term strategy and require a discretionary assessment of performance by the Personnel Committee. Such strategic objectives may include, but are not limited to, Nokia's product portfolio, consumer relationships, developer ecosystem, partnerships and other strategic assets.

When determining the final incentive payout, the Personnel Committee determines an overall score for each executive based on the degree to which (a) Nokia's financial objectives and key business goals have been achieved together with (b) qualitative and quantitative scores assigned to the individual strategic objectives. The final incentive payout is determined by multiplying each executive's eligible salary by: (i) his/her incentive target percentage; and (ii) the score resulting from factors (a) and (b) 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 may apply discretion when evaluating actual results against targets and the resulting incentive payouts. In certain exceptional situations, the actual short-term cash incentive awarded to the executive officer could be zero. The maximum payout is only possible with maximum performance on all measures.

The portion of the short-term cash incentive that is tied to (a) Nokia's financial objectives and key business goals and (b) individual strategic objectives and targets, is paid twice each year based on the performance for each of Nokia's short-term plans that end on June 30 and December 31 of each year. Another portion of the short-term cash incentives is paid annually at the end of the year, based on the Personnel Committee's assessment of (c) Nokia's total shareholder return compared to key 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. In the case of the former President and CEO Olli-Pekka Kallasvuo, the annual incentive award for 2010 was designed to also include his performance compared against (d) strategic leadership objectives, including performance in key markets, development of strategic capabilities, enhanced competitiveness of core businesses and executive development. As a result of the end of his employment with Nokia prior to December 31, 2010, this incentive target, tied to strategic leadership objectives, was not paid. For our current President and CEO, Stephen Elop, we did not designate strategic leadership objectives for 2010 due to the inability to measure those objectives during the short-term performance period following his hire date.

For more information on the actual cash compensation paid in 2010 to our executive officers, see "Summary compensation table 2010" on page 107.

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 Group Executive Board in 2010 is included in "Share Ownership" on page 112.

Actual executive compensation for 2010

Service contracts

Stephen Elop's service contract covers his position as President and CEO as from September 21, 2010. As at December 31, 2010, Mr. Elop's annual total gross base salary, which is subject to an annual review by the Board of Directors and confirmation by the independent members of the Board, is EUR 1 050 000. His incentive targets under the Nokia short-term cash incentive plan are 150% of annual gross base salary as at December 31, 2010. 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. Upon joining Nokia, Mr. Elop received 500 000 stock options, 75 000 performance shares at threshold performance level and 100 000 restricted shares out of Nokia Equity Program 2010.

As compensation for lost income from his prior employer, which resulted due to his move to Nokia, Mr. Elop received a one-time payment of EUR 2 292 702 in October 2010 and is entitled to a second payment of USD 3 000 000 in October 2011. In addition, relating to his move to Nokia, Mr. Elop received a one-time payment of EUR 509 744 to reimburse him for fees he was obligated to repay his former employer. He also received income of EUR 312 203, including tax assistance, resulting from legal expenses paid by Nokia associated with his move to Nokia. In case of early termination of employment, Mr. Elop is obliged to return to Nokia all or part of these payments related to his move to Nokia.

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 total gross 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 total gross base salary and target incentive for six months) but 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 total gross 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 total gross 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 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 total gross 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 will link a meaningful portion of his compensation directly to the performance of Nokia's share price over the next two years. To participate in this new program, Mr. Elop will invest during 2011 and 2012 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 annual equity grants are reduced to a level below the competitive market value.

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

1) Total Shareholder Return (TSR), relative to a peer group of companies over the 2 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. Right for the shares would be forfeited and no shares would be delivered if Mr. Elop resigned without cause or was terminated for cause by Nokia before the settlement.

Nokia also had a service contract with Olli-Pekka Kallasvuo covering his position as President and CEO until September 20, 2010. As at September 20, 2010, Mr. Kallasvuo's annual total gross base salary was EUR 1 233 000, and his incentive targets under the Nokia short-term cash incentive plan were 150% of annual gross base salary. The service contract included provisions concerning termination of employment, and Nokia announced on September 10, 2010 that in accordance with the terms and conditions of his service contract, Mr. Kallasvuo was entitled to a severance payment consisting of 18 months gross base salary and target incentive which totaled EUR 4 623 750. Mr. Kallasvuo was paid the short-term cash incentive for the period from July 1 to September 20, 2010 at a level of 100% of base pay on a pro rata basis. He also received as compensation the fair market value of the 100 000 Nokia restricted shares granted to him in 2007, which were to vest on October 1, 2010. All the unvested equity granted to him was forfeited upon termination of the employment, while his vested outstanding stock options remained exercisable until mid-February 2011, at which point they were forfeited in accordance with the plans' terms and conditions. In addition, Mr. Kallasvuo did not meet the minimum eligibility requirements under his supplemental retirement plan agreement and as such, will not receive any payments under that agreement. As a result, Nokia reversed the actuarial liability of EUR 10 154 000, that had been accrued under that plan. In accordance with the terms and conditions of his service contract, Mr. Kallasvuo is subject to a 12-month non-competition obligation until September 20, 2011.

For information about the compensation and benefits received by Mr. Elop and Mr. Kallasvuo during 2010, see "Summary compensation table 2010" on page 107 and "Equity grants in 2010" on page 108.

Pension arrangements for the members of the Nokia Leadership Team (the Group Executive Board until February 11, 2011)

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, President and CEO, participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings according to a prescribed statutory system. Under the Finnish TyEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, although gains realized from equity are not. The Finnish TyEL pension scheme provides for early retirement benefits at age 62 with a reduction in the amount of retirement benefits. Standard retirement benefits are available from age 63 to 68, according to an increasing scale.

Executives in the United States participate in Nokia's Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings. 25% of the employer match vests for the participants during 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 will be matched 100% up to 8% of eligible earnings, less contributions made to the 401(k) plan.

As part of his supplemental retirement plan agreement, Olli-Pekka Kallasvuo could have retired at the age of 60 with full retirement benefits to the extent that he had remained employed at that time by Nokia. The amount of that retirement benefit would have been calculated as if Mr. Kallasvuo had continued his service with Nokia through the retirement age of 65. As Mr. Kallasvuo's employment with Nokia ended prior to his 60th birthday, this supplemental pension benefit was forfeited and Nokia reversed the actuarial liability of EUR 10 154 000 associated with it.

Hallstein Moerk left the Group Executive Board as of March 31, 2010 and retired from employment with Nokia as of September 30, 2010 pursuant to the terms of his employment and pension agreement with Nokia. Nokia's obligation was settled in full and it no longer has any actuarial liability for Mr. Moerk's pension benefit.

Actual compensation for the members of the Group Executive Board in 2010

At December 31, 2010, Nokia had a Group Executive Board consisting of nine members. Changes in the composition in the Group Executive Board during 2010 and subsequently are explained above in "Nokia Leadership Team" on page 96.

The following report discusses executive compensation in 2010 when the Nokia Leadership Team was called the Group Executive Board, and thus all references are made to the Group Executive Board.

The following tables summarize the aggregate cash compensation paid and the long-term equity-based incentives granted to the members of the Group Executive Board under our equity plans in 2010.

Gains realized upon exercise of stock options and share-based incentive grants vested for the members of the Group Executive Board during 2010 are included in "Share ownership" on page 112.

Aggregate cash compensation to the Group Executive Board for 2010 [1]

Year	Number of members on December 31	Base salaries EUR	Cash incentive payments [2] EUR
2010	9	5 552 108	3 457 145

1 Includes base salary and cash incentives paid or payable by Nokia for the 2010 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 Hallstein Moerk for the period until March 31, 2010, Richard Simonson until June 30, 2010, Olli-Pekka Kallasvuo until September 20, 2010, Anssi Vanjoki until October 12, 2010 and Juha Äkräs as from April 1, 2010 and Stephen Elop as from September 21, 2010.

2 Excluding any gains realized upon exercise of stock options, which are described in "Share ownership" on page 112.

Long-term equity-based incentives granted in 2010 [1]

	Group Executive Board [3,4]	Total	Total number of participants
Performance shares at threshold [2]	485 000	3 576 403	4 250
Stock options	1 320 000	6 708 582	3 200
Restricted shares	1 104 000	5 801 800	430

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 Nokia's consolidated financial statements on page 49.

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

3 Includes Hallstein Moerk for the period until March 31, 2010, Richard Simonson until June 30, 2010, Olli-Pekka Kallasvuo until September 20, 2010, Anssi Vanjoki until October 12, 2010 and Juha Äkräs as from April 1, 2010 and Stephen Elop as from September 21, 2010.

4 For the Group Executive Board members whose employment terminated during 2010, the long-term equity-based incentives were forfeited following termination of employment in accordance with plan rules. Mr. Vanjoki's termination date under his employment agreement is March 11, 2011, and his equity will be forfeited thereafter. Mr. Moerk retained his vested and unvested grants upon retirement, in accordance with the equity plans' provisions.

Summary compensation table 2010

Name and principal position [1]	Year	Salary EUR	Bonus [2] EUR	Stock awards [3, 4] EUR	Option awards [3, 4] EUR	Non-equity incentive plan compensation EUR	Change in pension value and nonqualified deferred compensation earnings [5] EUR	All other compensation EUR	Total EUR
Stephen Elop President and CEO	2010	280 303	440 137	1 682 607	800 132	*	340 471	3 115 276 [6]	6 658 926
Olli-Pekka Kallasvuo	2010	979 758	676 599	3 267 288	641 551	*	[7]	5 524 061 [8]	11 089 257
President and CEO	2009	1 176 000	1 288 144	3 332 940	650 661	*	1 358 429	177 248	7 983 422
until September 20, 2010	2008	1 144 800	721 733	2 470 858	548 153	*	469 060	175 164	5 529 768
Timo Ihamuotila EVP, Chief Financial	2010	423 524	245 634	1 341 568	166 328	*	31 933	8 893 [9]	2 217 880
Officer [9]	2009	396 825	234 286	752 856	135 834	*	15 575	21 195	1 556 571
Mary T. McDowell	2010	559 637	314 782	1 233 368	142 567	*		71 386 [11]	2 321 740
EVP, Mobile Phones [10]	2009	508 338	349 911	800 873	152 283	*		33 726	1 845 131
	2008	493 798	196 138	620 690	133 463	*		33 462	1 477 551
Kai Öistämö	2010	481 067	248 608	1 212 143	166 328	*	[12]	18 365 [13]	2 126 511
EVP, Chief Development	2009	460 000	343 225	935 174	166 126	*	9 824	29 778	1 944 127
Officer	2008	445 143	200 126	699 952	152 529	*	87 922	29 712	1 615 384
Niklas Savander EVP, Markets	2010	441 943	247 086	1 233 368	142 567	*	[12]	23 634 [14]	2 088 598
Richard Simonson EVP,	2010	640 221	372 870	1 508 474	166 328	*		77 920 [15]	2 765 814
Mobile Phones until	2009	648 494	453 705	1 449 466	166 126	*		134 966	2 852 757
June 30, 2010 [10]	2008	630 263	293 477	699 952	152 529	*		106 632	1 882 853

1 The positions set forth in this table are the current positions of the named executives. Mr. Elop was appointed President and CEO effective September 21, 2010; Mr. Kallasvuo served as President and CEO until September 20, 2010; Ms. McDowell served as Executive Vice President, Corporate Development until June 30, 2010; Mr. Öistämö served as Executive Vice President, Devices until June 30, 2010; Mr. Savander served as Executive Vice President, Services until June 30, 2010; also Mr. Simonson served as Executive Vice President, Mobile Phones until June 30, 2010.

2 Bonus payments are part of Nokia's short-term cash incentives. The amount consists of the 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 the Nokia share less the present value of dividends expected to be paid during the vesting period. The value of the performance shares is presented on the basis of 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 officer, is as follows: Mr. Elop EUR 2 718 091; Mr. Kallasvuo EUR 4 854 540; Mr. Ihamuotila EUR 1 753 078; Ms. McDowell EUR 1 586 091; Mr. Öistämö EUR 1 623 653; Mr. Savander EUR 1 586 091; and Mr. Simonson EUR 1 919 984.

4 Mr. Kallasvuo's and Mr. Simonson's equity grants were forfeited and cancelled following end of employment in accordance with plan provisions.

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. Ms. McDowell participates and Mr. Simonson participated until October 2, 2010 in Nokia's U.S Retirement Savings and Investment Plan, as described in "Pension arrangements for the Members of the Nokia Leadership Team (formerly Group Executive Board)" above on page 106. The Company's contributions to the plan are included under "All other compensation column" and noted hereafter.

6 All other compensation for Mr. Elop in 2010 includes: EUR 2 292 702 one time payment as compensation for lost income from his prior employer which resulted due to his move to Nokia; EUR 509 744 one-time payment to reimburse him for fees he was obligated to repay his former employer; EUR 312 203 income resulting from legal expenses paid by Nokia associated with his move to Nokia, including tax assistance; EUR 627 for taxable benefit for premiums paid under supplemental medical and disability insurance, for driver and for mobile phone.

7 Mr. Kallasvuo's proportionate change in the liability related to the individual under the funded part of the Finnish TyEL pension was negative (see footnote 5 above). In addition, it includes a negative change in the annual pension liability of EUR 9 590 000, relating to the cancellation of the early retirement benefit at the age of 60 provided under his service contract, which has been forfeited upon end of employment. As a result of the cancellation of this early retirement benefit, Nokia reversed the actuarial liability of EUR 10 154 000.

8 All other compensation for Mr. Kallasvuo in 2010 includes: EUR 4 623 750 as severance payment as described under his service agreement, see ''Service contracts '' above on page 104; EUR 748 000 as compensation for the fair market value of the 100 000 Nokia restricted shares granted to him in 2007, which were to vest on October 1, 2010; EUR 130 000 for his services as member of the Board or Directors, see ''Remuneration of the Board of Directors in 2010" above on page 100; EUR 15 427 for car allowance; EUR 6 088 for driver and for mobile phone; EUR 796 for taxable benefit for premiums paid under supplemental medical and disability insurance.

9 All other compensation for Mr. Ihamuotila in 2010 includes: EUR 7 440 for car allowance; EUR 1 453 taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone.

10 Salaries, benefits and perquisites for Ms. McDowell and Mr. Simonson are paid and denominated in USD. Amounts were converted to euro using year-end 2010 USD/EUR exchange rate of 1.32 and GPB/EUR rate of 0.85. For year 2009 disclosure, amounts were converted to euro using year-end 2009 USD/EUR exchange rate of 1.43. For year 2008 disclosure, amounts were converted to euro using year-end 2008 USD/EUR exchange rate of 1.40.

11 All other compensation for Ms. McDowell in 2010 includes: EUR 45 951 provided under Nokia's international assignment policy in the U.K; EUR 12 935 for car allowance, EUR 12 500 company contributions to the 401(k) Plan.

12 Mr. Öistämö's and Mr. Savander's proportionate change in the liability related to the individual under the funded part of the Finnish TyEL pension was negative (see footnote 5 above).

13 All other compensation for Mr. Öistämö in 2010 includes: EUR 16 925 for car allowance; EUR 1 440 as taxable benefit for premiums paid under supplemental medical and disability insurance, for mobile phone and driver benefit.

14 All other compensation for Mr. Savander in 2010 includes: EUR 22 200 for car allowance; EUR 1 434 as taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone.

15 All other compensation for Mr. Simonson in 2010 includes: EUR 55 514 company contributions to the Restoration & Deferral plan; EUR 12 500 company contributions to the 401(k) plan; EUR 9 906 for car allowance.

* None of the named executive officers participated in a formulated, non-discretionary, incentive plan. Annual incentive payments are included under the "Bonus" column.

Equity grants in 2010 [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	2010	Nov 5	500 000	7.59	800 132	75 000	300 000	100 000	1 682 607
Olli-Pekka Kallasvuo President and CEO until September 20, 2010 [4]	2010	May 7	270 000	8.86	641 551	135 000	540 000	170 000	3 267 288
Timo Ihamuotila EVP, Chief Financial Officer	2010	May 7	70 000	8.86	166 328	35 000	140 000	120 000	1 341 568
Mary T. McDowell EVP, Mobile Phones	2010	May 7	60 000	8.86	142 567	30 000	120 000	115 000	1 233 368
Kai Öistämö EVP, Chief Development Officer	2010	May 7	70 000	8.86	166 328	35 000	140 000	100 000	1 212 143
Niklas Savander EVP, Markets	2010	May 7	60 000	8.86	142 567	30 000	120 000	115 000	1 233 368
Richard Simonson EVP, Mobile Phones until June 30, 2010 [4]	2010	May 7	70 000	8.86	166 328	35 000	140 000	111 000	1 508 474

1 Including all equity awards made during 2010. Awards were made under the Nokia Stock Option Plan 2007, the Nokia Performance Share Plan 2010 and the Nokia Restricted Share Plan 2010.

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 8.86 on May 7, 2010 and EUR 7.59 on November 5, 2010. NASDAQ OMX Helsinki closing market price at grant date on May 7, 2010 was EUR 8.35 and on November 5, 2010 was EUR 7.65.

3 The fair value of performance shares and restricted shares equals the estimated fair value on the grant date. The estimated fair value is based on the grant date market price of the Nokia share less the present value of dividends expected to be paid during the vesting period. The value of performance shares is presented on the basis of a number of shares, which is two times the number at threshold.

4 Mr. Kallasvuo's and Mr. Simonson's equity grants were forfeited and cancelled following end of employment in accordance with the plan rules.

For information with respect to the Nokia shares and equity awards held by the members of the Group Executive Board as at December 31, 2010, please see "Share ownership" on page 112.

Equity-based incentive programs

General

During the year ended December 31, 2010, Nokia administered two 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 are 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 Nokia employs 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. Nokia believes 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. Nokia also has granted restricted shares to a small selected number of key employees each year who are 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 broad-based equity compensation program for 2010, which was approved by the Board of Directors, followed the structure of the program in 2009. The participant group for the 2010 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, 2010, the aggregate number of participants in all of our active equity-based programs was approximately 11 500 compared with approximately 13 000 as at December 31, 2009 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 49.

Performance shares

During 2010, Nokia administered four global performance share plans, the Performance Share Plans of 2007, 2008, 2009 and 2010, 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 earnings per share ("EPS") at the end of the performance period.

The 2007, 2008, 2009 and 2010 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
2007 [1]	2007–2009	2010
2008 [1]	2008–2010	2011
2009	2009–2011	2012
2010	2010–2012	2013

1 No Nokia shares were delivered under Nokia Performance Share Plans 2007 and 2008 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 at the end of the respective calendar quarter on the basis of an authorization given by the Board of Directors.

Stock options

During 2010 Nokia administered two global stock option plans, the Stock Option Plan 2005 and 2007, each of which, including its terms and conditions, has been approved by the Annual General Meetings 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 have a vesting schedule with 25% of the options vesting one year after grant and 6.25% each quarter thereafter. The stock options granted under the plans generally have a term of five years.

The exercise price of the stock options is determined at the time of grant, on a quarterly basis, 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). 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 options 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, on the basis of an authorization given by the Board of Directors.

Restricted shares

During 2010 Nokia administered four global restricted share plans, the Restricted Share Plan 2007, 2008, 2009 and 2010, 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 Nokia'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 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 at the end of the respective calendar quarter on the basis of an authorization given by the Board of Directors.

Other equity plans for employees

In addition to Nokia's 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.

In connection with our July 10, 2008 acquisition of NAVTEQ, the Group assumed NAVTEQ's 2001 Stock Incentive Plan ("NAVTEQ Plan"). All unvested NAVTEQ restricted stock units under the NAVTEQ Plan were converted to an equivalent number of restricted stock units entitling their holders to Nokia shares. The maximum number of Nokia shares to be delivered to NAVTEQ employees during the years 2008–2012 is approximately 3 million, of which approximately 2 million shares have already been delivered by December 31, 2010. The Group does not intend to make further awards under the NAVTEQ Plan.

Nokia has also an Employee Share Purchase Plan in the United States, which permits all full-time Nokia employees located in the United States to acquire Nokia ADSs at a 15% discount. The purchase of the ADSs is funded through monthly payroll deductions from the salary of the participants, and the ADSs are purchased on a monthly basis. As of December 31, 2010, approximately 12.8 million ADSs had been purchased under this plan since its inception, and there were a total of approximately 550 participants in the plan.

For more information on these plans, see Note 24 to Nokia's consolidated financial statements on page 49.

Nokia equity-based incentive program 2011

On January 27, 2011, the Board of Directors approved the scope and design of the Nokia Equity Program 2011, subject to the approval of the Stock Option Plan 2011 by the Annual General Meeting. Similarly, like 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, thus also aligning the participants' interests with Nokia shareholders' interests. Nokia's balanced approach and use of the performance-based plan as the main long-term incentive vehicle effectively contribute to the long-term value creation and sustainability of the Company and ensure that compensation is based on performance.

The main equity instrument continues to be performance shares. In addition, stock options will be used in conjunction with performance shares on a limited basis for senior managers, and restricted shares will be used on a very selective basis for high potential and critical talent, vital to the future success of Nokia. These equity-based incentive awards are generally forfeited if the employee leaves Nokia prior to vesting.

Performance shares

The Performance Share Plan 2011 approved by the Board of Directors will cover a performance period of three years (2011–2013). No performance shares will vest unless Nokia's performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria:

1 Average Annual Net Sales Growth: 2.5% (threshold) and 10% (maximum) during the performance period 2011–2013, and

2 Average Annual EPS (diluted, non-IFRS): EUR 0.50 (threshold) and EUR 1.10 (maximum) during the performance period 2011–2013.

Average Annual Net Sales Growth is calculated as an average of the net sales growth rates for the years 2011 through 2013. Average Annual EPS is calculated as an average of the diluted, non-IFRS earnings per share for years 2011, 2012 and 2013. Both the Average Annual Net Sales Growth and the Averaged Annual EPS criteria are equally weighted and performance under each of the two performance criteria is calculated independent of each other.

Nokia believes 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 28 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 7 million shares. If only one of the threshold levels of performance is achieved, only approximately 3.5 million of the performance shares will vest. If none of the threshold levels is achieved, then none of the performance shares will vest. The vesting of shares follows a linear scale for actual financial performance achieved. If the required performance level is achieved, the vesting will occur December 31, 2013. 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 Board of Directors will make a proposal for Stock Option Plan 2011 to the Annual General Meeting convening on May 3, 2011. The Board will propose to the Annual General Meeting that selected personnel of Nokia Group be granted a maximum of 35 million stock options until the end of 2013. The proposed Stock Option Plan 2011 will succeed the previous Stock Option Plan 2007, approved by the Annual General Meeting 2007, which has not been available for further grants of stock options since the end of 2010.

The grants of stock options in 2011 will be made out of this new plan subject to its approval by the Annual General Meeting. The planned maximum annual grant for the year 2011 under the Stock Option Plan 2011 is approximately 12 million stock options, with the remaining stock options available through the end of 2013.

The stock options under the Stock Option Plan 2011 entitle to subscribe for a maximum of 35 million Nokia shares. The sub-categories of stock options to be granted under the plan will have a term of approximately six years. The vesting periods of the stock options are as follows: 50% of stock options granted under each subcategory vesting three years after grant date and the remaining 50% vesting four years from grant. The exercise period for the first sub-category will commence on July 1, 2014 and the exercise period for the last sub-categories will expire on December 27, 2019.

The exercise price for each sub-category of stock options will be determined on a quarterly basis. The exercise price for each sub-category of stock options will be equal to the trade volume weighted average price of the Nokia share on NASDAQ OMX Helsinki during the trading days of the first whole week of the second month (i.e. February, May, August or November) of the respective calendar quarter, on which the sub-category has been denominated. 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. The determination of exercise price is defined in the terms and conditions of the stock option plan, which are subject to the approval of 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.

Restricted shares

Restricted shares under the Restricted Share Plan 2011 approved by the Board of Directors are used, on a very selective basis, to attract and retain high potential and critical talent, vital to the future success of Nokia. The restricted shares under the Restricted Share Plan 2011 will have a three-year restriction period. The restricted shares will vest and the resulting Nokia shares be delivered in 2014 and early 2015, 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 2011 in Year 2011

The maximum number of planned grants under the Nokia Equity Program 2011 (i.e. performance shares, stock options and restricted shares) in 2011 are set forth in the table below.

Plan type	Maximum number of shares available for grants under the equity based compensation program in 2011
Stock options	12 million
Restricted shares	9 million
Performance shares at maximum [1]	28 million

1 The number of Nokia shares to be delivered at threshold performance is a quarter of maximum performance, i.e., a total of 7 million Nokia shares.

As at December 31, 2010, the total dilutive effect of all Nokia's stock options, performance shares and restricted shares outstanding, assuming full dilution, was approximately 1.5% in the aggregate. The potential maximum effect of the proposed Equity Based Compensation Program for 2011 would be approximately another 1.3%.

Share ownership

General

The following section describes the ownership or potential ownership interest in the company of the members of Nokia's Board of Directors and the Group Executive Board as at December 31, 2010, either through share ownership or 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 2010" on page 100.

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 109.

The following report discusses executive compensation in 2010 when the Nokia Leadership Team was called the Group Executive Board, and thus all references are made to the Group Executive Board.

Share ownership of the Board of Directors

At December 31, 2010, the members of Nokia's Board of Directors held the aggregate of 989 111 shares and ADSs in Nokia, which represented 0.03% 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, 2010.

Name [1]	Shares [2]	ADSs [2]
Jorma Ollila [3]	761 680	—
Marjorie Scardino	—	33 208
Lalita D. Gupte	—	17 910
Bengt Holmström	33 235	—
Henning Kagermann	16 629	—
Per Karlsson [4]	39 367	—
Isabel Marey-Semper	11 861	—
Risto Siilasmaa	55 589	—
Keijo Suila	19 632	—

1 Georg Ehrnrooth did not stand for re-election in the Annual General Meeting held on May 6, 2010 and he held 327 531 shares at that time, including both shares held personally and shares held through a company. Olli-Pekka Kallasvuo left the Board of Directors on September 10, 2010 and he held 389 672 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.

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, 2010, a total of 400 000 stock options. The information relating to stock options held by Mr. Ollila as at December 31, 2010 is presented in the table below.

			Number of stock options		Total intrinsic value of stock options, December 31, 2010 (EUR)	
Stock option category	Expiration date	Exercise price per share (EUR)	Exercisable	Unexercisable	Exercisable	Unexercisable
2005 2Q	December 31, 2010	12.79	0	0	0	0
2006 2Q	December 31, 2011	18.02	400 000	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, 2010 of EUR 7.74.

4 Per Karlsson's holdings include both shares held personally and shares held through a company.

Share ownership of the Group Executive Board

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 Group Executive Board as at December 31, 2010.

	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 Group Executive Board [1]	524 202	1 943 975	443 500	1 774 000	1 174 000
% of the outstanding shares [2]	0.014	0.052	0.012	0.048	0.032
% of the total outstanding equity incentives (per instrument) [3]		8.94	7.75	7.75	9.5

1 Includes nine Group Executive Board members at year end. Figures do not include those former Group Executive Board members who left during 2010.

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, i.e., stock options, performance shares and restricted shares, as applicable, under the global equity plans.

4 No Nokia shares were delivered under Nokia Performance Share Plan 2008 which vested in 2010 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 2008.

5 No Nokia shares were delivered under Nokia Performance Share Plan 2008 which vested in 2010 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 2008. At maximum performance under the Performance Share Plan 2009 and 2010, the number of shares deliverable equals four times the number of performance shares at threshold.

The following table sets forth the number of shares and ADSs in Nokia held by members of the Group Executive Board as of December 31, 2010.

Name	Shares	ADSs
Stephen Elop	—	—
Esko Aho	—	—
Timo Ihamuotila	56 213	—
Mary T. McDowell	169 219	5 000
Tero Ojanperä	66 872	—
Niklas Savander	83 465	—
Alberto Torres	42 832	—
Juha Äkräs	15 976	—
Kai Öistämö	84 625	—

Hallstein Moerk left the Group Executive Board as of March 31, 2010 and held 59 526 shares at that time. Richard Simonson left the Group Executive Board as of June 30, 2010 and held 73 083 shares and 30 557 ADSs at that time. Olli-Pekka Kallasvuo left the Group Executive Board as of September 20, 2010 and held 389 672 shares at that time. Anssi Vanjoki left the Group Executive Board as of October 12, 2010 and held 125 514 shares at that time.

Stock option ownership of the Group Executive Board

The following table provides certain information relating to stock options held by members of the Group Executive Board as of December 31, 2010. These stock options were issued pursuant to Nokia Stock Option Plans 2005 and 2007. For a description of our stock option plans, please see Note 24 to Nokia's consolidated financial statements on page 49.

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 31, 2010 EUR [2] Exercisable [3]	Total intrinsic value of stock options, December 31, 2010 EUR [2] Unexercisable
Stephen Elop	2010 4Q	December 31, 2015	7.59	0	500 000	0	75 000
Esko Aho	2009 2Q	December 31, 2014	11.18	10 937	24 063	0	0
	2010 2Q	December 31, 2015	8.86	0	30 000	0	0
Timo Ihamuotila	2005 2Q	December 31, 2010	12.79	0	0	0	0
	2006 2Q	December 31, 2011	18.02	9 900	0	0	0
	2007 2Q	December 31, 2012	18.39	26 000	6 000	0	0
	2008 2Q	December 31, 2013	19.16	11 250	8 750	0	0
	2009 2Q	December 31, 2014	11.18	10 937	24 063	0	0
	2009 4Q	December 31, 2014	8.76	0	20 000	0	0
	2010 2Q	December 31, 2015	8.86	0	70 000	0	0
Mary T. McDowell	2005 2Q	December 31, 2010	12.79	0	0	0	0
	2006 2Q	December 31, 2011	18.02	100 000	0	0	0
	2007 2Q	December 31, 2012	18.39	44 683	10 317	0	0
	2008 2Q	December 31, 2013	19.16	15 750	12 250	0	0
	2009 2Q	December 31, 2014	11.18	17 187	37 813	0	0
	2010 2Q	December 31, 2015	8.86	0	60 000	0	0
Tero Ojanperä	2005 2Q	December 31, 2010	12.79	0	0	0	0
	2006 2Q	December 31, 2011	18.02	60 000	0	0	0
	2007 2Q	December 31, 2012	18.39	26 000	6 000	0	0
	2008 2Q	December 31, 2013	19.16	11 250	8 750	0	0
	2009 2Q	December 31, 2014	11.18	10 937	24 063	0	0
	2010 2Q	December 31, 2015	8.86	0	40 000	0	0
Niklas Savander	2005 2Q	December 31, 2010	12.79	0	0	0	0
	2006 2Q	December 31, 2011	18.02	45 000	0	0	0
	2007 2Q	December 31, 2012	18.39	26 000	6 000	0	0
	2008 2Q	December 31, 2013	19.16	15 750	12 250	0	0
	2009 2Q	December 31, 2014	11.18	17 187	37 813	0	0
	2010 2Q	December 31, 2015	8.86	0	60 000	0	0
Alberto Torres [4]	2005 2Q	December 31, 2010	12.79	0	0	0	0
	2006 2Q	December 31, 2011	18.02	7 200	0	0	0
	2007 2Q	December 31, 2012	18.39	14 625	3 375	0	0
	2008 2Q	December 31, 2013	19.16	5 625	4 375	0	0
	2009 2Q	December 31, 2014	11.18	6 250	13 750	0	0
	2010 2Q	December 31, 2015	8.86	0	40 000	0	0
Juha Äkräs	2005 2Q	December 31, 2010	12.79	0	0	0	0
	2006 2Q	December 31, 2011	18.02	6 875	0	0	0
	2007 2Q	December 31, 2012	18.39	8 125	1 875	0	0
	2008 2Q	December 31, 2013	19.16	3 375	2 625	0	0
	2009 2Q	December 31, 2014	11.18	3 750	8 250	0	0
	2010 2Q	December 31, 2015	8.86	0	40 000	0	0
Kai Öistämö	2005 2Q	December 31, 2010	12.79	0	0	0	0
	2005 4Q	December 31, 2010	14.48	0	0	0	0
	2006 2Q	December 31, 2011	18.02	100 000	0	0	0
	2007 2Q	December 31, 2012	18.39	44 683	10 317	0	0
	2008 2Q	December 31, 2013	19.16	18 000	14 000	0	0
	2009 2Q	December 31, 2014	11.18	18 750	41 250	0	0
	2010 2Q	December 31, 2015	8.86	0	70 000	0	0
Stock options held by the members of the Group Executive Board as at December 31, 2010. Total [5]				**696 026**	**1 247 949**	**0**	**75 000**
All outstanding stock option plans (global plans), Total				**11 712 432**	**10 031 167**	**0**	**147 096**

1 Number of stock options equals the number of underlying shares represented by the option entitlement. Stock options vest over four years: 25% after one year and 6.25% each quarter thereafter.

2 The intrinsic value of the stock options is based on the difference between the exercise price of the options and the closing market price of Nokia shares on NASDAQ OMX Helsinki as at December 30, 2010 of EUR 7.74.

3 For gains realized upon exercise of stock options for the members of the Group Executive Board, see the table in "Stock option exercises and settlement of shares" on page 118.

4 Mr. Torres's termination date under the employment agreement is March 31, 2011. His equity will forfeit following termination of employment in accordance with the plan rules.

5 During 2010, the following executives stepped down from the Group Executive Board: Olli-Pekka Kallasvuo, Richard Simonson, Anssi Vanjoki and Hallstein Moerk. The information related to stock options held for each former executive is as of the date of resignation from the Group Executive Board and is presented in the table below.

				Number of stock options [1]		Total intrinsic value of stock options, December 31, 2010 EUR [9]	
Name	Stock option category	Expiration date	Exercise price per share EUR	Exercisable	Unexercisable	Exercisable [3]	Unexercisable
Olli-Pekka Kallasvuo [6] as per September 20, 2010	2005 2Q	December 31, 2010	12.79	0	0	0	0
	2005 4Q	December 31, 2010	14.48	0	0	0	0
	2006 2Q	December 31, 2011	18.02	300 000	0	0	0
	2007 2Q	December 31, 2012	18.39	120 000	40 000	0	0
	2008 2Q	December 31, 2013	19.16	57 498	57 502	0	0
	2009 2Q	December 31, 2014	11.18	58 750	176 250	0	0
	2010 2Q	December 31, 2015	8.86	0	270 000	0	0
Richard Simonson [6] as per June 30, 2010	2005 2Q	December 31, 2010	12.79	0	0	0	0
	2006 2Q	December 31, 2011	18.02	93 750	6 250	0	0
	2007 2Q	December 31, 2012	18.39	37 809	17 191	0	0
	2008 2Q	December 31, 2013	19.16	14 000	18 000	0	0
	2009 2Q	December 31, 2014	11.18	0	60 000	0	0
	2010 2Q	December 31, 2015	8.86	0	70 000	0	0
Anssi Vanjoki [7] as per October 12, 2010	2005 2Q	December 31, 2010	12.79	0	0	0	0
	2006 2Q	December 31, 2011	18.02	68 750	0	0	0
	2007 2Q	December 31, 2012	18.39	44 683	10 317	0	0
	2008 2Q	December 31, 2013	19.16	18 000	14 000	0	0
	2009 2Q	December 31, 2014	11.18	18 750	41 250	0	0
	2010 2Q	December 31, 2015	8.86	0	70 000	0	0
Hallstein Moerk [8] as per March 31, 2010	2005 2Q	December 31, 2010	12.79	0	0	0	0
	2006 2Q	December 31, 2011	18.02	52 500	7 500	0	0
	2007 2Q	December 31, 2012	18.39	20 000	12 000	0	0
	2008 2Q	December 31, 2013	19.16	7 500	12 500	0	0
	2009 2Q	December 31, 2014	11.18	0	35 000	0	12 250

6 Mr. Kallasvuo's and Mr. Simonson's stock option grants were forfeited following termination of employment in accordance with the plan rules.

7 Mr. Vanjoki's termination date under the employment agreement was March 11, 2011. His equity was forfeited following termination of employment in accordance with the plan rules.

8 Mr. Moerk retained his vested and unvested stock option grants upon retirement, in accordance with the plan provisions.

9 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 March 31, 2010 of EUR 11.53 in respect of Mr. Moerk, as at June 30, 2010 of EUR 6.71 in respect of Mr. Simonson, as at September 20, 2010 of EUR 7.87 in respect of Mr. Kallasvuo and as at October 12, 2010 of EUR 7.86 in respect of Mr. Vanjoki.

Performance shares and restricted shares

The following table provides certain information relating to performance shares and restricted shares held by members of the Group Executive Board as at December 31, 2010. These entitlements were granted pursuant to our Performance Share Plans 2008, 2009 and 2010 and Restricted Share Plans 2007, 2008, 2009 and 2010. For a description of Nokia's performance share and restricted share plans, please see Note 24 to Nokia's consolidated financial statements on page 49.

Name	Plan name [1]	Performance shares: Number of performance shares at threshold [2]	Performance shares: Number of performance shares at maximum [3]	Performance shares: Intrinsic value December 31, 2010 [4] EUR	Restricted shares: Plan name [5]	Restricted shares: Number of restricted shares	Restricted shares: Intrinsic value December 31, 2010 [6] EUR
Stephen Elop	2010	75 000	300 000	1 161 000	2010	100 000	774 000
Esko Aho	2008	—	—	—	2008	7 000	54 180
	2009	17 500	70 000	102 224	2009	25 000	193 500
	2010	15 000	60 000	232 200	2010	58 000	448 920
Timo Ihamuotila	2008	0	0	0	2008	14 000	108 360
	2009	27 500	110 000	160 638	2009	35 000	270 900
	2010	35 000	140 000	541 800	2010	120 000	928 800
Mary T. McDowell	2008	0	0	0	2008	20 000	154 800
	2009	27 500	110 000	160 638	2009	38 000	294 120
	2010	30 000	120 000	464 400	2010	115 000	890 100
Tero Ojanperä	2008	0	0	0	2008	14 000	108 360
	2009	17 500	70 000	102 224	2009	25 000	193 500
	2010	20 000	80 000	309 600	2010	85 000	657 900
Niklas Savander	2008	0	0	0	2008	20 000	154 800
	2009	27 500	110 000	160 638	2009	38 000	294 120
	2010	30 000	120 000	464 400	2010	115 000	890 100
Alberto Torres [7]	2008	0	0	0	2007	13 000	100 620
	2009	10 000	40 000	58 414	2008	10 000	77 400
	2010	20 000	80 000	309 600	2009	25 000	193 500
					2010	30 000	232 200
Juha Äkräs	2008	0	0	0	2007	4 000	30 960
	2009	6 000	24 000	35 048	2008	8 000	61 920
	2010	20 000	80 000	309 600	2009	15 000	116 100
					2010	85 000	657 900
Kai Öistämö	2008	0	0	0	2008	22 000	170 280
	2009	30 000	120 000	175 241	2009	50 000	387 000
	2010	35 000	140 000	541 800	2010	100 000	774 000
Performance shares and restricted shares held by the Group Executive Board, Total [8]		**443 500**	**1 774 000**	**5 289 465**		**1 191 000**	**9 218 340**
All outstanding performance shares and restricted shares (global plans), Total		**5 720 123 [13]**	**22 880 492 [14]**	**64 755 163**		**12 359 896**	**95 665 595**

1 The performance period for the 2008 plan is 2008–2010, for the 2009 plan 2009–2011 and for the 2010 plan 2010–2012, 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 2008 which would have vested in 2010 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 2008.

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 2008 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 2008.

4 For Performance Share Plans 2009 and 2010 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 2009 and 2010 is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 30, 2010 of EUR 7.74. For the Performance Share Plan 2008 no Nokia shares were delivered as Nokia's performance did not reach the threshold level of either performance criteria.

5 Under the Restricted Share Plans 2007, 2008, 2009 and 2010, awards have been granted quarterly. For the major part of the awards made under these plans, the restriction period will end for the 2007 plan, on January 1, 2011; for the 2008 plan, on January 1, 2012; for the 2009 plan, on January 1, 2013; and for the 2010 plan, on January 1, 2014.

6 The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 30, 2010 of EUR 7.74.

7 Mr. Torres's termination date under the employment agreement is March 31, 2011. His equity will forfeit following termination of employment in accordance with the plan rules.

8 During 2010, the following executives stepped down from the Group Executive Board: Olli-Pekka Kallasvuo, Richard Simonson, Hallstein Moerk and Anssi Vanjoki. 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 Group Executive Board and is presented in the table below.

Name	Performance shares				Restricted shares		
	Plan name [1]	Number of performance shares at threshold [13]	Number of performance shares at maximum [14]	Intrinsic value EUR [12]	Plan name [5]	Number of restricted shares	Intrinsic value EUR [12]
Olli-Pekka Kallasvuo [9] as per September 20, 2010	2008	0	0	0	2007	100 000	787 000
	2009	117 500	470 000	697 890	2008	75 000	590 250
	2010	135 000	540 000	2 124 900	2009	150 000	1 180 500
					2010	170 000	1 337 900
Richard Simonson [9] as per June 30, 2010	2008	0	0	0	2007	35 000	234 850
	2009	30 000	120 000	151 921	2008	22 000	147 620
	2010	35 000	140 000	469 700	2009	107 000	717 970
					2010	111 000	744 810
Anssi Vanjoki [10] as per October 12, 2010	2008	0	0	0	2007	35 000	275 100
	2009	30 000	120 000	177 958	2008	22 000	172 920
	2010	35 000	140 000	550 200	2009	40 000	314 400
					2010	45 000	353 700
Hallstein Moerk [11] as per March 31, 2010	2008	0	0	0	2007	25 000	288 250
	2009	17 500	70 000	152 280	2008	14 000	161 420
					2009	25 000	288 250

9 Mr. Kallasvuo's and Mr. Simonson's performance and restricted share grants were forfeited following termination of employment in accordance with the plan rules.

10 Mr. Vanjoki's termination date under the employment agreement was March 11, 2011.
His equity was forfeited following termination of employment in accordance with the plan rules.

11 Mr. Moerk retained his performance and restricted share grants upon retirement, in accordance with the equity plan provisions.

12 The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at March 31, 2010 of EUR 11.53 in respect of Mr. Moerk, as at June 30, 2010 of EUR 6.71 in respect of Mr. Simonson, as at September 20, 2010 of EUR 7.87 in respect of Mr. Kallasvuo and as at October 12, 2010 of EUR 7.86 in respect of Mr. Vanjoki.

13 The threshold number will vest as Nokia shares should the pre-determined threshold performance levels to be met for both performance criteria. No Nokia shares were delivered under the Performance Share Plan 2008 as Nokia's performance did not reach the threshold level of either performance criteria. Therefore the aggregate number does not include any shares for Performance Share Plan 2008.

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 2008 as Nokia's performance did not reach the threshold level of either performance criteria. Therefore the aggregate number does not include any shares for Performance Share Plan 2008.

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 2010 for Nokia's Group Executive Board members.

	Stock options awards [1]		Performance shares awards [2]		Restricted shares awards [3]	
Name [4]	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
Timo Ihamuotila	0	0	0	0	25 000	196 500
Mary T. McDowell	0	0	0	0	35 000	275 100
Tero Ojanperä	0	0	0	0	25 000	196 500
Niklas Savander	0	0	0	0	25 000	196 500
Alberto Torres	0	0	0	0	0	0
Juha Äkräs	0	0	0	0	0	0
Kai Öistämö	0	0	0	0	35 000	275 100

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 2007 during 2010 as Nokia's performance did not reach the threshold level of either performance criteria.

3 Delivery of Nokia shares vested from the Restricted Share Plan 2007. Value is based on the closing market price of the Nokia share on NASDAQ OMX Helsinki on October 27, 2010 of EUR 7.86.

4 During 2010, the following executives stepped down from the Group Executive Board: Olli-Pekka Kallasvuo, Richard Simonson, Hallstein Moerk and Anssi Vanjoki. 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 Group Executive Board and is represented in the table below.

		Stock options awards [1]		Performance shares awards [2]		Restricted shares awards [3]	
Name	Year	Number of shares acquired on exercise	Value realized on exercise EUR	Number of shares delivered on vesting	Value realized on vesting EUR	Number of shares delivered on vesting	Value realized on vesting EUR
Olli-Pekka Kallasvuo as per September 20, 2010	2010	0	0	0	0	0	0
Richard Simonson as per June 30, 2010	2010	0	0	0	0	0	0
Anssi Vanjoki as per October 12, 2010	2010	0	0	0	0	35 000	275 100
Hallstein Moerk as per March 31, 2010	2010	0	0	0	0	0	0

Stock ownership guidelines for executive management

One of the goals of Nokia's 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, Nokia also encourages stock ownership by its 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 Nokia's website. Both primary insiders and secondary insiders (as defined in the policy) are subject to a number of trading restrictions and rules, including, among other things, prohibitions on trading in Nokia securities during the three-week "closed-window" period immediately preceding the release of our quarterly results including the day of the release and the four-week "closed-window" period immediately preceding the release of Nokia's annual results including the day of the release. In addition, Nokia may set trading restrictions based on participation in projects. Nokia updates its insider trading policy from time to time and closely monitors compliance with the policy. Nokia's insider policy is in line with the NASDAQ OMX Helsinki Guidelines for Insiders and also sets requirements beyond those guidelines.

Auditors 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, 2010. 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 2010 and 2009 in total with a separate presentation of those fees related to Nokia and Nokia Siemens Networks.

	2010			2009		
EURm	Nokia	Nokia Siemens Networks	Total	Nokia	Nokia Siemens Networks	Total
Audit fees [1]	6.8	9.6	16.4	6.2	9.8	16.0
Audit-related fees [2]	1.3	1.2	2.5	1.2	1.6	2.8
Tax fees [3]	4.4	1.2	5.6	3.6	2.0	5.6
All other fees [4]	0.1	—	0.1	0.3	—	0.3
Total	**12.6**	**12.0**	**24.6**	**11.3**	**13.4**	**24.7**

1 Audit fees consist of fees billed for the annual audit of the company's consolidated financial statements and the statutory financial statements of the company's subsidiaries. They also include fees billed for other audit services, which are those services that only the independent auditor reasonably can provide, and include the provision of comfort letters and consents in connection with statutory and regulatory filings and the review of documents filed with the SEC and other capital markets or local financial reporting regulatory bodies.

2 Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the company's financial statements or that are traditionally performed by the independent auditor, and include consultations concerning financial accounting and reporting standards; SAS 70 audit of internal controls; advice on tax accounting matters; advice and assistance in connection with local statutory accounting requirements; due diligence related to acquisitions; financial due diligence in connection with provision of funding to customers, reports in relation to covenants in loan agreements; employee benefit plan audits and reviews; and audit procedures in connection with investigations and compliance programs.

3 Tax fees include fees billed for (i) corporate and indirect compliance including preparation and/or review of tax returns, preparation, review and/or filing of various certificates and forms and consultation regarding tax returns and assistance with revenue authority queries; (ii) transfer pricing advice and assistance with tax clearances; (iii) customs duties reviews and advise; (iv) consultations and tax audits (assistance with technical tax queries and tax audits and appeals and advise on mergers, acquisitions and restructurings); (v) personal compliance (preparation of individual tax returns and registrations for employees (non-executives), assistance with applying visa, residency, work permits and tax status for expatriates); and (vi) consultation and planning (advice on stock based remuneration, local employer tax laws, social security laws, employment laws and compensation programs, tax implications on short-term international transfers).

4 All other fees include fees billed for company establishment, forensic accounting, data security, investigations and reviews of licensing arrangements with customers and occasional training or reference materials and services.

Audit Committee pre-approval policies and procedures

The Audit Committee of our Board of Directors is responsible, among other matters, for the oversight of the external auditor subject to the requirements of Finnish law. The Audit Committee has adopted a policy regarding pre-approval of audit and permissible non-audit services provided by our independent auditors (the "Policy").

Under the Policy, proposed services either (i) may be pre-approved by the Audit Committee without a specific case-by-case services approvals ("general pre-approval"); or (ii) require the specific pre-approval of the Audit Committee ("specific pre-approval"). The Audit Committee may delegate either type of pre-approval authority to one or more of its members. The appendices to the Policy set out the audit, audit-related, tax and other services that have received the general pre-approval of the Audit Committee. All other audit, audit-related (including services related to internal controls and significant M&A projects), tax and other services are subject to a specific pre-approval from the Audit Committee. All service requests concerning generally pre-approved services will be submitted to the Corporate Controller who will determine whether the services are within the services generally pre-approved. The Policy and its appendices are subject to annual review by the Audit Committee.

The Audit Committee establishes budgeted fee levels annually for each of the four categories of audit and non-audit services that are pre-approved under the Policy, namely, audit, audit-related, tax and other services. Requests or applications to provide services that require specific approval by the Audit Committee are submitted to the Audit Committee by both the independent auditor and the Corporate Controller. At each regular meeting of the Audit Committee, the independent auditor provides a report in order for the Audit Committee to review the services that the auditor is providing, as well as the status and cost of those services.

Investor information

Information on the Internet

www.nokia.com/investors

Available on the Internet: financial reports, Nokia management's presentations, conference call and other investor related materials, press releases as well as environmental and social information.

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Annual General Meeting

Date: Tuesday, May 3, 2011 at 3.00 pm
Address: Helsinki Fair Centre, Amfi-hall, Messuaukio 1, Helsinki, Finland

Dividend

Dividend proposed by the Board of Directors for the fiscal year 2010 is EUR 0.40. The dividend record date is proposed to be May 6, 2011 and the pay date on or about May 20, 2011.

Financial reporting

Nokia's interim reports in 2011 are planned for April 21, July 21, and October 20. The 2011 results are planned to be published in January 2012.

Information published in 2010

All Nokia's press releases published in 2010 are available on the Internet at investors.nokia.com.

Stock exchanges

The shares of Nokia Corporation are quoted on the following stock exchanges:

	Symbol	Trading currency
NASDAQ OMX Helsinki (quoted since 1915)	NOK1V	EUR
Frankfurter Wertpapierbörse (1988)	NOA3	EUR
New York Stock Exchange (1994)	NOK	USD

List of indices

NOK1V	NOK
OMXN40 OMX Nordic 40	**NYA** NYSE Composite
OMXH OMX Helsinki	**NYL.ID** NYSE World Leaders
OMXH25 OMX Helsinki 25	**NYYID** NYSE TMT
HX45 OMX Helsinki Information Technology	**CTN** CSFB Technology
BE500 Bloomberg European 500	**MLO** Merrill Lynch 10
BETECH Bloomberg Telecommunication Equipment	
SX5E DJ Euro STOXX 50	
SX5P DJ STOXX 50	
E3X FTSE Eurofirst 300	

It should be noted that certain statements herein which are not historical facts are forward-looking statements, including, without limitation, those regarding: A) the intention to form a strategic partnership with Microsoft to combine complementary assets and expertise to form a global mobile ecosystem and to adopt Windows Phone as our primary smartphone platform, including the expected plans and benefits of such partnership; B) the timing and expected benefits of our new strategy, 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 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," "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) whether definitive agreements can be entered into with Microsoft for the proposed partnership in a timely manner, or at all, and on terms beneficial to us; 2) our ability to succeed in creating a competitive smartphone platform for high-quality differentiated winning smartphones or in creating new sources of revenue through the proposed partnership with Microsoft; 3) the expected timing of the planned transition to Windows Phone as our primary smartphone platform and the introduction of mobile products based on that platform; 4) our ability to maintain the viability of our current Symbian smartphone platform during the transition to Windows Phone as our primary smartphone platform; 5) our ability to realize a return on our investment in MeeGo and next generation devices, platforms and user experiences; 6) our ability to build a competitive and profitable global ecosystem of sufficient scale, attractiveness and value to all participants and to bring winning smartphones to the market in a timely manner; 7) our ability to produce mobile phones in a timely and cost efficient manner with differentiated hardware, localized services and applications; 8) our ability to increase our speed of innovation, product development and execution to bring new competitive smartphones and mobile phones to the market in a timely manner; 9) our ability to retain, motivate, develop and recruit appropriately skilled employees; 10) our ability to implement our strategies, particularly our new mobile product strategy; 11) 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; 12) 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 new strategy or other factors; 13) our success in collaboration and partnering arrangements with third parties, including Microsoft; 14) the success, financial condition and performance of our suppliers, collaboration partners and customers; 15) 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; 16) our ability to source sufficient amounts of fully functional quality components, subassemblies and software on a timely basis without interruption and on favorable terms; 17) our ability to manage our inventory and timely adapt our supply to meet changing demands for our products; 18) our ability to successfully manage costs; 19) our ability to effectively and smoothly implement the new operational structure for our devices and services business effective April 1, 2011; 20) the development of the mobile and fixed communications industry and general economic conditions globally and regionally; 21) 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; 22) 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; 23) our ability to protect numerous Nokia, NAVTEQ and Nokia Siemens Networks patented, standardized or proprietary technologies from third-party infringement or actions to invalidate the intellectual property rights of these technologies; 24) the impact of changes in government policies, trade policies, laws or regulations and economic or political turmoil in countries where our assets are located and we do business; 25) any disruption to information technology systems and networks that our operations rely on; 26) unfavorable outcome of litigations; 27) allegations of possible health risks from electromagnetic fields generated by base stations and mobile products and lawsuits related to them, regardless of merit; 28) our ability to achieve targeted costs reductions and increase profitability in Nokia Siemens Networks and to effectively and timely execute related restructuring measures; 29) Nokia Siemens Networks' ability to maintain or improve its market position or respond successfully to changes in the competitive environment; 30) Nokia Siemens Networks' liquidity and its ability to meet its working capital requirements; 31) whether Nokia Siemens Networks' acquisition of the majority of Motorola's wireless network infrastructure assets will be completed in a timely manner, or at all, and, if completed, whether Nokia Siemens Networks is able to successfully integrate the acquired business, cross-sell its existing products and services to customers of the acquired business and realize the expected synergies and benefits of the planned acquisition; 32) Nokia Siemens Networks' ability to timely introduce new products, services, upgrades and technologies; 33) 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; 34) developments under large, multi-year contracts or in relation to major customers in the networks infrastructure and related services business; 35) the management of our customer financing exposure, particularly in the networks infrastructure and related services business; 36) whether ongoing or any additional governmental investigations into alleged violations of law by some former employees of Siemens AG may involve and affect the carrier-related assets and employees transferred by Siemens AG to Nokia Siemens Networks; 37) 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 12-39 of Nokia's annual report Form 20-F for the year ended December 31, 2010 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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