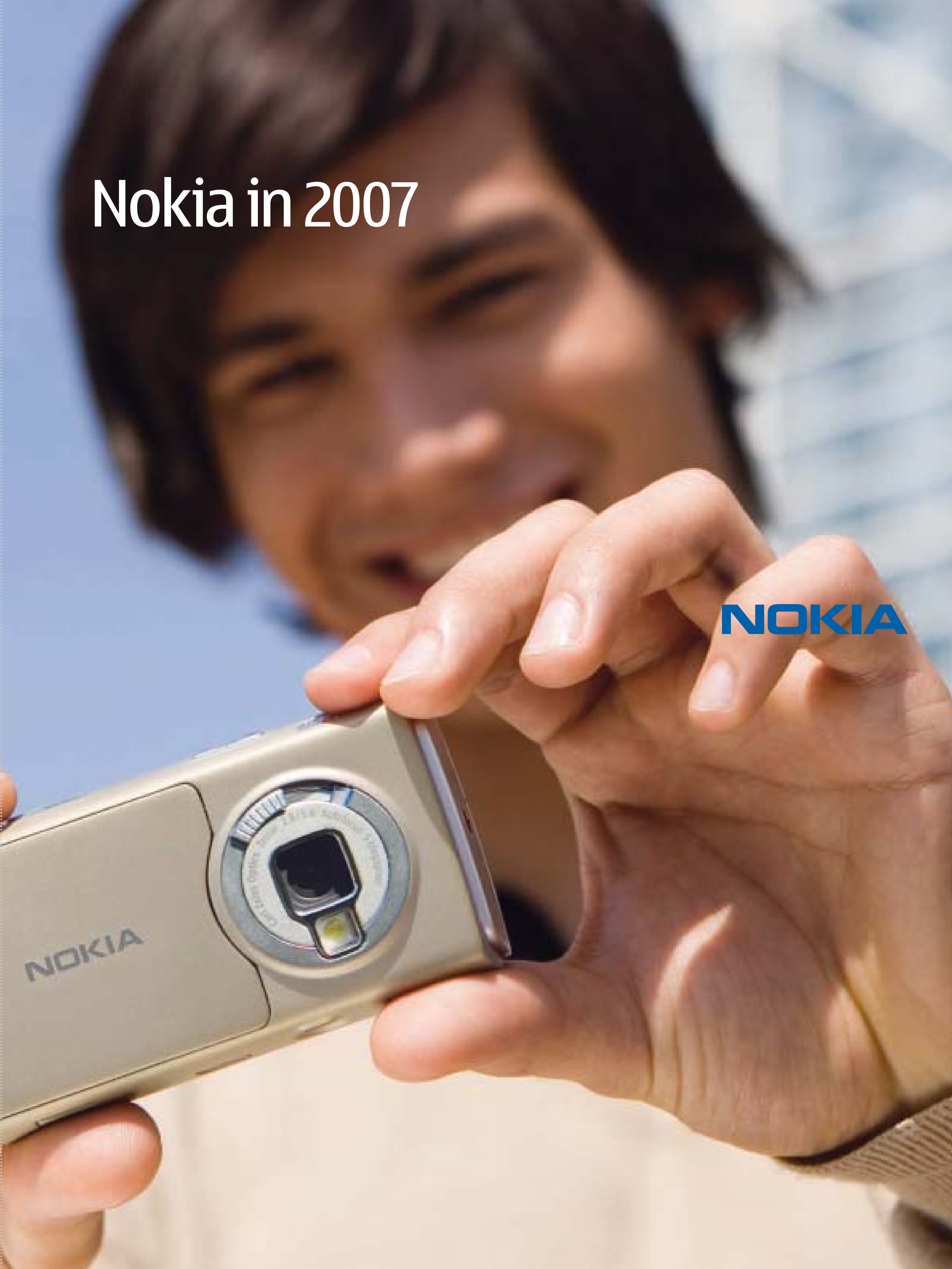
Nokia in 2007



Review by the Board of Directors and Nokia Annual Accounts 2007

Key data 2007 2

Review by the Board of Directors 3

Annual Accounts 2007

Consolidated profit and loss accounts, IFRS 8

Consolidated balance sheets, IFRS 9

Consolidated cash flow statements, IFRS 10

Consolidated statements of changes in shareholders' equity, IFRS 12

Notes to the consolidated financial statements 13

Profit and loss accounts, parent company, FAS 46

Balance sheets, parent company, FAS 46

Cash flow statements, parent company, FAS 47

Notes to the financial statements of the parent company 48

Nokia shares and shareholders 52

Nokia Group 2003–2007, IFRS 56

Calculation of key ratios 58

Proposal by the Board of Directors for distribution of profit 59

Auditors' report 60

Additional information

Critical accounting policies 62

Group Executive Board 66

Board of Directors 68

Corporate governance 70

Investor information 86

Contact information 87

Key data *

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

Nokia, EURm	2007	2006	Change, %
Net sales	51 058	41 121	24
Operating profit	7 985	5 488	45
Profit before taxes	8 268	5 723	44
Profit attributable to equity holders' of the parent	7 205	4 306	67
Research and development	5 647	3 897	45

%	2007	2006
Return on capital employed	54.3	45.8
Net debt to equity (gearing)	−61	−68

EUR	2007	2006	Change, %
Earnings per share, basic	1.85	1.06	75
Dividend per share	0.53 **	0.43	23
Average number of shares (1 000 shares)	3 885 408	4 062 833	

** Board's proposal

Business Groups, EURm	2007	2006	Change, %
Mobile Phones			
Net sales	25 083	24 769	1
Operating profit	5 434	4 100	33
Multimedia			
Net sales	10 538	7 877	34
Operating profit	2 230	1 319	69
Enterprise Solutions			
Net sales	2 070	1 031	101
Operating profit	267	−258	
Nokia Siemens Networks			
Net sales	13 393	7 453	80
Operating profit	−1 308	808	

Personnel, December 31	2007	2006	Change, %
Mobile Phones	3 614	3 409	6
Multimedia	3 923	3 397	15
Enterprise Solutions	2 059	2 308	−11
Nokia Siemens Networks	58 423	21 061	177
Common Group Functions	44 243	38 308	15
Nokia Group	112 262	68 483	64

10 major markets, net sales, EURm	2007	2006
China	5 898	4 913
India	3 684	2 713
Germany	2 641	2 060
UK	2 574	2 425
USA	2 124	2 815
Russia	2 012	1 518
Spain	1 830	1 139
Italy	1 792	1 394
Indonesia	1 754	1 069
Brazil	1 257	1 044

10 major countries, personnel, December 31	2007	2006
Finland	23 015	23 894
Germany	13 926	3 887
China	12 856	7 191
India	11 491	6 494
Brazil	8 527	1 960
Hungary	6 601	4 947
United States	5 269	5 127
Mexico	3 056	2 764
UK	2 618	2 317
Italy	2 129	493

Main currencies, rates at the end of 2007

1 EUR		
	USD	1.4439
	GBP	0.7148
	SEK	9.4397
	JPY	163.52

* 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 year ended December 31, 2007 are not directly comparable with the results of the year ended December 31, 2006. Nokia's 2006 results included Nokia's former Networks business group only.

Review by the Board of Directors 2007 *

Nokia's net sales for 2007 increased 24% to EUR 51 058 million (EUR 41 121 million for 2006). Net sales of Mobile Phones for 2007 increased 1% to EUR 25 083 million (EUR 24 769 million). Net sales of Multimedia for 2007 increased 34% to EUR 10 538 million (EUR 7 877 million). Net sales of Enterprise Solutions for 2007 increased 101% to EUR 2 070 million (EUR 1 031 million). Net sales of Nokia Siemens Networks were EUR 13 393 million.

In 2007, Europe accounted for 39% of Nokia's net sales (38% in 2006), Asia-Pacific 22% (20%), China 12% (13%), North America 5% (7%), Latin America 8% (9%), and Middle East & Africa 14% (13%). The 10 markets in which Nokia generated the greatest net sales in 2007 were, in descending order of magnitude, China, India, Germany, the UK, the US, Russia, Spain, Italy, Indonesia and Brazil, together representing approximately 50% of total net sales in 2007. In comparison, the 10 markets in which Nokia generated the greatest net sales in 2006 were China, the US, India, the UK, Germany, Russia, Italy, Spain, Indonesia and Brazil, together representing approximately 51% of total net sales in 2006.

Nokia's operating profit for 2007 increased 45% to EUR 7 985 million, including net positive special items of EUR 858 million (operating profit of EUR 5 488 million in 2006, including net positive special items of EUR 171 million), representing a 2007 operating margin of 15.6% (13.3%). Operating profit in Mobile Phones increased 33% to EUR 5 434 million (operating profit of EUR 4 100 million in 2006), representing a 2007 operating margin of 21.7% (16.6%). Operating profit in Multimedia increased 69% to EUR 2 230 million (operating profit of EUR 1 319 million in 2006), representing a 2007 operating margin of 21.2% (16.7%). Enterprise Solutions operating profit was EUR 267 million (operating loss of EUR 258 million in 2006), representing a 2007 operating margin of 12.9% (–25.0%) Nokia Siemens Networks had an operating loss of EUR 1 308 million, including net negative special items of EUR 1 069 million, representing an operating margin of –9.8%.

Research and development expenses were EUR 5 647 million in 2007, up 45% from EUR 3 897 million in 2006. The increase in research and development spending was primarily due to the formation of Nokia Siemens Networks, which added Siemens' carrier-related operations and associated research and development expenses. Research and development expenses for 2007 also included special items of EUR 439 million. Research and development expenses have been higher as a percent of sales for both Nokia's former Networks business group and Nokia Siemens Networks than for the Nokia Group. Research and development costs represented 11.1% of Nokia Group net sales in 2007, up from 9.5% in 2006. Research and development expenses for the device business represented 6.6% of its net sales in 2007, down from 7.1% in 2006, reflecting continued efforts to gain efficiencies in our investments. As of December 31, 2007, Nokia employed 30 415 people in research and development, representing approximately 27% of the group's total workforce, and had a strong research and development presence in 10 countries.

In 2007, Nokia's selling and marketing expenses were EUR 4 380 million, up 32% from EUR 3 314 million in 2006, reflecting increased selling and marketing spend in all business groups to support new product introductions and the higher level of overall Nokia net sales. The increased selling and marketing expense also was impacted by the formation of Nokia Siemens Networks, which added Siemens' carrier-related operations and associated selling and marketing expenses. Selling and marketing expenses for 2007 also included special items of EUR 149 million. Selling and marketing expenses have been higher as a percent of sales for both Nokia's former Networks business group and Nokia Siemens Networks than for the Nokia Group. Selling and marketing expenses for the Nokia Group represented 8.6% of its net sales in 2007, up from 8.1% in 2006. Selling and marketing expenses for the device business represented 7.5% of its net sales in 2007, down from 7.9% in 2006, reflecting continued efforts to gain efficiencies in our investments.

Administrative and general expenses were EUR 1 180 million in 2007, compared to EUR 666 million in 2006. Administrative and general expenses were equal to 2.3% of net sales in 2007 (1.6%). Administrative and general expenses for 2007 also included special items of EUR 146 million.

Group Common Functions operating profit totaled EUR 1 362 million in 2007 (Group Common Functions expenses totaled EUR 481 million in 2006), including a EUR 1 879 million non-taxable gain on the formation of Nokia Siemens Networks, EUR 75 million real estate gains and a EUR 53 million gain on a business transfer.

Net financial income was EUR 239 million in 2007 (EUR 207 million in 2006).

Profit before tax and minority interests was EUR 8 268 million (EUR 5 723 million in 2006). Net profit totaled EUR 7 205 million (EUR 4 306 million). Earnings per share increased to EUR 1.85 (basic) and EUR 1.83 (diluted), compared to EUR 1.06 (basic) and EUR 1.05 (diluted) in 2006.

Operating cash flow for the year ended December 31, 2007, was EUR 7 882 million (EUR 4 478 million in 2006) and total combined cash and other liquid assets were EUR 11 753 million as of December 31, 2007 (EUR 8 537 million as of December 31, 2006). As of December 31, 2007, our net debt-to-equity ratio (gearing) was –61% (–68% as of December 31, 2006). In 2007, capital expenditure (excluding acquisitions) amounted to EUR 715 million (EUR 650 million).

The key financial data, including the calculation of key ratios, for the years 2007, 2006 and 2005 may be found in the Annual Accounts.

Operating highlights in 2007

Nokia Group

- On June 20, 2007, Nokia announced that it would introduce a new integrated company structure for its devices business from January 1, 2008. As part of this reorganization, Nokia has replaced its three reportable devices segments with an integrated reportable segment, Devices & Services.
- In August, Nokia introduced Ovi, the company's new Internet services brand name. Ovi will enable people to easily access their existing social network, communities and content, as well as act as a gateway to Nokia services.
- As part of Ovi, Nokia announced the Nokia Music Store and N-Gage, two services that make it easy for people to discover, try and buy music and games respectively, from a range of artists and publishers, including exclusive content only available through Nokia. The Nokia Music Store went live in the UK in November 2007 and the N-Gage games service is expected to go live in early 2008.
- In December, we announced Nokia Comes With Music, a program that will enable people to buy a Nokia device with access to millions of tracks from a range of artists. Nokia Comes With Music is expected to become commercially available in the second half of 2008.

Mobile Phones

- Mobile Phones introduced a broader entry-level portfolio, focusing on thinner design, and adding features such as music playing capability to many devices.
- Shipments of the slim and stylish Nokia 6300 GSM device, announced in late 2006, began in 2007.
- The Nokia 8800 Arte and Nokia 8800 Sapphire Arte were announced, bringing 3G capabilities to the Nokia 8800 series. The Nokia 8800 Arte began shipping during 2007.
- The Nokia 3110 Evolve, a mobile device with bio-covers made from more than 50% renewable material, was announced in December 2007.
- There were also several announcements from Vertu, including the Vertu Ascent Ferrari 1947 Limited Edition; The Vertu Ascent Ti collection; the Vertu Constellation Burgundy; the Vertu Constellation Mixed Metals; and various Vertu Signature phones.

* 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 2007 are not directly comparable to results for 2006 and 2005. Nokia's 2006 and 2005 results included Nokia's former Networks business group only.

In addition, the following devices were announced and began shipping during 2007:

- Seven devices with functions and features specially designed for consumers in emerging markets: Nokia 1200, Nokia 1208, Nokia 1650, Nokia 2505, Nokia 2630, Nokia 2660 and Nokia 2760.
- The Nokia 6110 Navigator, an HSDPA device with GPS and A-GPS.
- The Nokia 6500 classic, a thin 3G phone with a sleek design; and the Nokia 6120 classic, Nokia's smallest 3G device.
- The Nokia 6555, the first phone with a unique smooth-back fold design. In the US, the Nokia 6555 is exclusively available from AT&T.
- The Nokia 6263 device for the US market, complete with e-mail capability and support for attachments, a 1.3 megapixel camera, video recorder and music player.
- A new music range including the Nokia 5610 XpressMusic and The Nokia 5310 XpressMusic.
- A new fashion collection with the Nokia 7900 Prism and the Nokia 7500 Prism, featuring a diamond-cut design with sharp angled lines, geometric patterns and graphic light-refracting colors.
- In CDMA: the Nokia 2505, a sleek fold-style phone; the Nokia 7088, the first CDMA model in the popular L'Amour Collection; and the Nokia 2135, a compact device with a contemporary design and solid basic features.

Multimedia

- Multimedia continued to build the Nokia Nseries sub-brand and multimedia computer product category, and developed and brought to market Nokia's first Internet services, such as Nokia Maps and the Nokia Music Store.
- Key volume devices for 2007 included the Nokia N95, Nokia's flagship product for technology enthusiasts, the Nokia N73 and the Nokia N70.
- Important new products launched and shipping during the year included the Nokia N95 8GB, which follows on from the success of the original Nokia N95 with a larger display, enhanced usage times and 8 gigabytes memory capacity; Nokia N81, an entertainment focused multimedia computer, and the Nokia N82, a multimedia computer optimized for photography, navigation and Internet connectivity.
- Multimedia also announced and started shipments of the Nokia N810 Internet Tablet with slide-out keyboard, built-in GPS, digital audio/video playback and WLAN capability for VoIP calling.

Enterprise Solutions

- Four new Nokia Eseries business devices were announced and started shipping: Nokia E90 Communicator, Nokia E61i, Nokia E65 and Nokia E51. The four dual-mode devices, capable of utilizing both cellular and Wi-Fi networks, are designed to offer faster and better quality access to important business information and processes over wireless technologies.
- The Nokia Eseries became available in the United States through complementary channels, including Ingram Micro and Dell.com, for businesses and consumers.
- Nokia Call Connect for Cisco became commercially available, allowing businesses to route calls through corporate PBXs instead of cellular networks, with the aim of realizing significant cost savings and improved worker flexibility, collaboration and productivity.
- Nokia Intellisync Mobile Suite 8.0 was launched. This comprehensive platform of wireless email, file synchronization and application synchronization features is designed to bring flexibility and cost-control.
- New device management features for Nokia Intellisync Mobile Suite were announced, including wider device support, remote control, improved theft-loss protection and hardware control.
- The Nokia Intellisync Mobile Suite customer base was expanded to include more than 40 operators around the globe by December 31, 2007, with more than 3.7 million user licenses signed.
- Three new IP security appliances were launched: Nokia IP290, Nokia IP690 and Nokia IP2450. The appliances are based on a scalable new hardware platform design aimed at offering better IT investment protection and a greater choice of security software applications to address emerging threats to company networks and data.
- Nokia announced collaboration with Check Point and Intel aimed at improving enterprise security by delivering new security appliances that inspect network traffic in multi-gigabit environments. The Nokia IP2450 security platform was the first product announced as part of this collaboration.
- The first Accelerated Data Path (ADP) Service Modules were delivered, as was the latest version of the Nokia IPSO operating system – IPSO 6.0 – aimed at allowing customers to expand the performance of their Nokia IP Security appliances.
- The new Nokia for Business Channel Program came to market in January and more than 500 accredited partners joined during the year. In October, Nokia announced plans to expand the program to include operators and independent software vendors.

Nokia Siemens Networks

- The new company defined its values and introduced ethics and integrity guidelines, as well as a compliance program, for all its employees.
- Nokia Siemens Networks showed its commitment to emerging markets with the expansion of R&D capacity in Chengdu, China, and the investment of USD 100 million to strengthen operations in India. The company also moved its Services business unit to India.
- Deals signed in India included a USD 500 million network expansion contract with Idea Cellular and a USD 900m end-to-end network expansion with Bharti Airtel; and in China a EUR 180 million GSM/EDGE deal with Henan MCC.
- Nokia Siemens Networks won a deal with Sprint Nextel to become an infrastructure provider for its 4G WiMAX network; won the first commercial deployment for its I-HSPA solution with TerreStar; won a trial deal with Verizon for LTE; and was chosen together with Panasonic by NTT DoCoMo in Japan for its super 3G (LTE) base station project.
- Nokia Siemens Networks demonstrated the world's first multi-user field trial in an urban environment using LTE technology, which delivers data rates up to 10 times the current level. Nokia Siemens Networks also became the first company to successfully deploy hybrid backhaul in a live network, aimed at allowing operators to reduce costs while boosting capacity.
- The company signed a cooperation agreement with Intel in IPTV; and launched a new 3G Femto Home Access solution and then struck Femto cooperation deals with Airvana Inc. and Thomson.
- Nokia Siemens Networks announced an energy efficiency solution designed to lower customers' energy consumption and operating expenses.
- In December, Nokia Siemens Networks reached an agreement on supplying 2G and 3G network equipment to Zain in Saudi Arabia (the USD 935 million deal was announced on January 7, 2008.)

Acquisitions and divestments

On April 1, 2007, Nokia's Networks business group was combined with Siemens' carrier-related operations for fixed and mobile networks to form Nokia Siemens Networks, a company jointly owned by Nokia and Siemens and consolidated by Nokia.

On July 24, 2007, Nokia announced that it had acquired substantially all the assets of Twango, a provider of a comprehensive media sharing solution for organizing and sharing photos, videos and other personal media.

On August 8, 2007, in connection with Nokia's announcement of introducing a licensing and multisourcing model for its chipset strategy, Nokia also announced that it planned to deepen its collaboration with STMicroelectronics on the licensing and supply of integrated circuit designs and modem technologies for 3G and its evolution. This included a transfer of a part of Nokia's integrated circuit operations to STMicroelectronics, the closing of which was announced on November 5, 2007.

On September 17, 2007, Nokia announced the acquisition of Enpocket, a global leader in mobile advertising. The completion of the acquisition was announced on October 8, 2007.

On October 1, 2007, Nokia and NAVTEQ Corporation announced a definitive agreement for Nokia to acquire NAVTEQ, a leading provider of comprehensive digital map information for automotive navigation systems, mobile navigation devices, Internet-based mapping applications, and government and business solutions. Under the terms of the agreement, Nokia agreed to pay USD 78 in cash for each share of NAVTEQ including outstanding options for an aggregate purchase price of USD 8.1 billion, or approximately USD 7.7 billion net of NAVTEQ's existing cash balance. The acquisition has been approved by the board of directors of each company and the shareholders of NAVTEQ and is subject to customary closing conditions, including regulatory approvals.

On October 23, 2007, Nokia Siemens Networks announced that it would assume control of Vivento Technical Services (VTS), a division of Deutsche Telekom's personnel service provider, Vivento. As part of the deal, approximately 2 000 VTS employees transferred to Nokia Siemens Networks in Germany.

On October 25, 2007, Nokia Siemens Networks announced the acquisition of Atrica, which provides a full range of Carrier Ethernet transport solutions to service providers delivering Metro Ethernet services. The completion of the acquisition was announced on January 7, 2008.

On December 5, 2007, Nokia announced the completion of the acquisition of Avvenu, a company providing secure remote access and private sharing technology that allows users to access and view PC files remotely.

Personnel

The average number of employees for 2007 was 100 534 (65 324 for 2006 and 56 896 for 2005). At December 31, 2007, Nokia employed a total of 112 262 people (68 483 people at December 31, 2006). The increase in personnel in 2007 is primarily attributable to the formation of Nokia Siemens Networks. The total amount of wages and salaries paid in 2007 was EUR 4 664 million (EUR 3 457 million in 2006 and EUR 3 127 million in 2005).

Management and Board of Directors

Board of Directors and President

Pursuant to the articles of association, Nokia has a Board of Directors composed of a minimum of seven and a maximum of twelve members. The members of the Board are elected at each Annual General Meeting for a term of one year expiring at the close of the following Annual General Meeting. The Annual General Meeting convenes each year by June 30. A general meeting may also dismiss a member of the Board of Directors. The Board of Directors shall elect and dismiss the President of Nokia.

The current members of the Board of Directors were elected at the Annual General Meeting on May 3, 2007. On December 31, 2007, the Board consisted of the following members: Jorma Ollila (Chair), Marjorie Scardino (Vice Chair), Georg Ehrnrooth, Lalita D. Gupte, Bengt Holmström, Henning Kagermann, Per Karlsson, Olli-Pekka Kallasvuo, Keijo Suila and Vesa Vainio. Also Daniel R. Hesse was re-elected as a Nokia Board member in the Annual General Meeting on May 3, 2007. Due to his resignation from the Board of Directors after being appointed as President and CEO of Sprint Nextel Corporation, Nokia announced on December 28, 2007, that its Board consisted of the above-mentioned ten members.

Information on shares and stock options held by the members of the Board of Directors and the President and CEO of Nokia may be found in the Annual Accounts.

Changes in the Group Executive Board

Timo Ihamuotila was appointed as a new member of the Group Executive Board effective April 1, 2007.

Service contracts

Olli Pekka Kallasvuo's service contract covers his current position as President and CEO and Chairman of the Group Executive Board. As at December 31, 2007, Mr. Kallasvuo's annual total gross base salary, which is subject to an annual review by the Board of Directors and confirmation by the independent members of the Board, is EUR 1 050 000. His incentive targets under the Nokia short-term cash incentive plan are 150% of the annual gross base salary. In case of termination by Nokia for reasons other than cause, including a change of control, Mr. Kallasvuo is entitled to a severance payment of up to 18 months of compensation (both the annual total gross base salary and target incentive). In case of termination by Mr. Kallasvuo, the notice period is 6 months and he is entitled to a payment for such notice period (both annual total gross base salary and target incentive for 6 months). Mr. Kallasvuo is subject to a 12-month non-competition obligation after termination of the contract. Unless the contract is terminated for cause, Mr. Kallasvuo may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual total gross base salary and target incentive for the respective period during which no severance payment is paid.

Provisions on the amendment of articles of association

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

Shares and share capital

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

In 2007, Nokia's shareholders' equity increased by EUR 193 904.82 as a result of the issue of 3 231 747 new shares upon exercise of stock options issued to personnel in 2003 and 2005. Effective April 4, 2007, a total of 169 500 000 shares held by the company were cancelled. The cancellation of shares does not have an effect on the amount of share capital of the company. Neither the aforementioned issuances nor the cancellation of shares had any significant effect on the relative holdings of the other shareholders of the company nor on their voting power.

Nokia repurchased through its share repurchase plan a total of 180.6 million shares on the Helsinki Stock Exchange at an aggregate price of approximately EUR 3 884 million during the period from January 26, 2007, to December 21, 2007. The price paid was based on the market price at the time of repurchase. The shares were repurchased to be used for the purposes specified in the authorizations given by the Annual General Meetings of 2006 and 2007 to the Board. The aggregate amount of shares repurchased in 2007 represented approximately 4.6% of the total number of shares of the company and the total voting rights. These new holdings did not have any significant effect on the relative holdings of the other shareholders of the company nor on their voting power.

As announced on May 21, 2007, Nokia transferred a total of 2.3 million Nokia shares held by it under the Performance Share Plans and 0.9 million shares held by it under its Restricted Share Plans as settlement under the plans to the Plan participants, personnel of Nokia Group. The amount of shares transferred represented approximately 0.08% of the total number of shares of the company and the total voting rights. The transfers did not have a significant effect on the relative holdings of the other shareholders of the company nor on their voting power.

On December 31, 2007, Nokia and its subsidiary companies owned 136 862 005 Nokia shares. The shares represented approximately 3.4% of the total number of the shares of the company and the total voting rights. The total number of shares at December 31, 2007, was 3 982 811 957. On December 31, 2007, Nokia's share capital was EUR 245 896 461.96.

Information on the authorizations held by the Board in 2007 to increase the share capital, transfer shares and repurchase own shares as well as information on the shareholders, stock options, dividend yield, price per earnings ratio, share prices, market capitalization, share turnover and average number of shares may be found in the Annual Accounts.

Industry and Nokia outlook for full year 2008

- Nokia continues to expect industry mobile device volumes in 2008 to grow approximately 10% from the approximately 1.14 billion units Nokia estimates for 2007.
- Nokia continues to expect the device industry to experience value growth in 2008, but expects some decline in industry ASPs, primarily reflecting the increasing impact of the emerging markets and competitive factors in general.
- Nokia continues to target an increase in its market share in mobile devices in 2008.
- Nokia continues to expect very slight growth for the mobile and fixed infrastructure and related services market in euro terms in 2008.
- Nokia and Nokia Siemens Networks continue to target that Nokia Siemens Networks will grow faster than the market in 2008.
- Nokia and Nokia Siemens Networks cost synergy target for Nokia Siemens Networks is to achieve substantially all of the EUR 2.0 billion of targeted annual cost synergies by the end of 2008, as previously announced.

Subsequent events

On December 20, 2007, Nokia announced its decision to transfer the Finnish statutory pension liability of Nokia and Nokia Siemens Networks to the pension insurance companies Ilmarinen and Varma, respectively, as of March 1, 2008.

On January 15, 2008, Nokia announced plans to discontinue the production of mobile devices in Germany and close its Bochum site by mid-2008. Nokia plans to move the production to its other, more cost-competitive European facilities.

On January 2, 2008, Nokia Siemens Networks announced the acquisition of the UK-based subscriber-centric network specialist Apertio Ltd for approximately EUR 140 million. The acquisition closed on February 11, 2008.

On January 28, 2008, Nokia and Norway-based software provider Trolltech ASA announced that they have entered into an agreement that Nokia will make a public voluntary offer to acquire Trolltech. The completion of the acquisition is subject to customary closing conditions, including acceptance by shareholders of Trolltech representing more than 90% of the fully diluted share capital and the necessary regulatory approvals.

Risk factors

Set forth below is a description of factors that may affect our business, results of operations and share price from time to time.

- We need to have a competitive portfolio of products, services and solutions that are preferred by our current and potential customers to those of our competitors. If we fail to achieve or maintain a competitive portfolio, our business, market share and results of operations may be materially adversely affected.
- Our sales and profitability depend materially on the continued growth of the mobile communications industry in terms of the number of new mobile subscribers, number of existing subscribers who upgrade and/or replace their devices, and increased usage and demand for value-added services as well as on general economic conditions globally and regionally. If the mobile communications industry does not grow as we expect or general economic conditions deteriorate, our business and results of operations may be materially adversely affected.
- The mobile communications industry continues to undergo significant changes and new market segments within our industry have been introduced and are still being introduced. Our sales and profitability are significantly affected by the growth and profitability of the new market segments that we target and our ability to successfully develop or acquire and market products, services and solutions in those segments. If the new market segments we target and invest in grow less or are less profitable than expected, or if new faster growing market segments emerge in which we have not invested, our business, results of operations and financial condition may be materially adversely affected.
- Our business and results of operations, particularly our profitability, may be materially adversely affected if we are not able to successfully manage costs related to our products, services, solutions and operations.
- Competition in our industry is intense. Our failure to maintain or improve our market position or respond successfully to changes in the competitive landscape may have a material adverse effect on our business and results of operations.
- We must develop or otherwise acquire complex, evolving technologies to use in our business. If we fail to develop or otherwise acquire these complex technologies as required by the market, with full rights needed to use in our business, or to protect them, or to successfully commercialize such technologies as new advanced products, services and solutions that meet customer demand, or fail to do so on a timely basis, this may have a material adverse effect on our business and results of operations.
- Our products, services and solutions include increasingly complex technologies, some of which have been developed by us or licensed to us by certain third parties. As a consequence, evaluating the rights related to the technologies we use or intend to use is more and more challenging, and we expect increasingly to face claims that we have infringed third parties' intellectual property rights. The use of these technologies may also result in increased licensing costs for us, restrictions on our ability to use certain technologies in our products, services and solution offerings, and/or costly and time-consuming litigation, which could have a material adverse effect on our business and results of operations.
- Our products, services and solutions include numerous new Nokia 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.
- Currently expected benefits and synergies from forming Nokia Siemens Networks may not be achieved to the extent or within the time period that is currently anticipated or the currently expected benefits or synergies may not be sufficient to achieve the objectives for the formation of Nokia Siemens Networks. We may also encounter costs and difficulties related to the integration of Nokia Siemens Networks which could reduce or delay the realization of anticipated net sales, cost savings and operational benefits.
- The Siemens carrier-related operations transferred to Nokia Siemens Networks are the subject of various ongoing criminal and other governmental investigations related to whether certain transactions and payments arranged by some former employees of Siemens' Com business group were unlawful. As a result of those investigations, government authorities and others have taken and may take further actions against Siemens and/or its employees that may involve and affect the assets and employees transferred

by Siemens to Nokia Siemens Networks, or there may be undetected additional violations that may have occurred prior to the transfer or violations that may have occurred after the transfer, of such assets and employees that could have a material adverse effect on Nokia Siemens Networks and our reputation, business, results of operations and financial condition.

» Any actual or even alleged defects or other quality issues in our products, services and solutions could materially adversely affect our sales, results of operations, reputation and the value of the Nokia brand.

» Our sales and results of operations could be materially adversely affected if we fail to efficiently manage our manufacturing and logistics without interruption, or fail to ensure that our products, services and solutions meet our and our customers' quality, safety, security and other requirements and are delivered on time and in sufficient volumes.

» We depend on a limited number of suppliers for the timely delivery of sufficient amounts of fully functional components and subassemblies and for their compliance with our supplier requirements, such as our and our customers' product quality, safety, security and other standards. Their failure to do so could materially adversely affect our ability to deliver our products, services and solutions successfully and on time.

» Our operations rely on complex and centralized information technology systems and networks. If any system or network disruption occurs, this could have a material adverse effect on our business and results of operations.

» The global networks business relies on a limited number of customers and large multiyear contracts. Unfavorable developments under such a contract or in relation to a major customer may adversely and materially affect our sales, results of operations and financial position.

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

» We are developing a number of our new products, services and solutions together with other companies. If any of these companies were to fail to perform as planned, we may not be able to bring our products, services and solutions to market successfully or in a timely way and this could have a material adverse effect on our sales and results of operations.

» Our sales, costs and results of operations are affected by exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Chinese yuan, the UK pound sterling and the Japanese yen, as well as certain other currencies.

» Providing customer financing or extending payment terms to customers can be a competitive requirement and could have a material adverse effect on our results of operations and financial condition.

» Allegations of possible health risks from the electromagnetic fields generated by base stations and mobile devices, and the lawsuits and publicity relating to them, regardless of merit, could have a material adverse effect on our sales, results of operations and share price by leading consumers to reduce their use of mobile devices, 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.

» An unfavorable outcome of litigation could have a material adverse effect on our business, results of operations and financial condition.

» If we are unable to recruit, retain and develop appropriately skilled employees, our ability to implement our strategies may be hampered and, consequently, that may have a material adverse effect on our business and results of operations.

» Changes in various types of regulation and trade policies in countries around the world could have a material adverse effect on our business.

» If we are unable to effectively and smoothly implement the new organizational structure effective January 1, 2008, we may experience a material adverse effect on our business, sales and results of operations.

Dividend

Nokia's Board of Directors will propose a dividend of EUR 0.53 per share for 2007.

Nokia Corporation and Subsidiaries

Consolidated profit and loss accounts, IFRS

Financial year ended December 31	Notes	2007 EURm	2006 EURm	2005 EURm
Net sales		**51 058**	41 121	34 191
Cost of sales		**−33 754**	−27 742	−22 209
Gross profit		**17 304**	13 379	11 982
Research and development expenses		**−5 647**	−3 897	−3 825
Selling and marketing expenses		**−4 380**	−3 314	−2 961
Administrative and general expenses		**−1 180**	−666	−609
Other income	6	**2 312**	522	285
Other expenses	6, 7	**−424**	−536	−233
Operating profit	2–9	**7 985**	5 488	4 639
Share of results of associated companies	14, 31	**44**	28	10
Financial income and expenses	10	**239**	207	322
Profit before tax		**8 268**	5 723	4 971
Tax	11	**−1 522**	−1 357	−1 281
Profit before minority interests		**6 746**	4 366	3 690
Minority interests		**459**	−60	−74
Profit attributable to equity holders of the parent		**7 205**	**4 306**	**3 616**

Earnings per share (for profit attributable to the equity holders of the parent)	28	2007 EUR	2006 EUR	2005 EUR
Basic		**1.85**	1.06	0.83
Diluted		**1.83**	1.05	0.83

Average number of shares (1 000 shares)	28	2007	2006	2005
Basic		**3 885 408**	4 062 833	4 365 547
Diluted		**3 932 008**	4 086 529	4 371 239

See Notes to consolidated financial statements.

Nokia Corporation and Subsidiaries

Consolidated balance sheets, IFRS

December 31	Notes	2007 EURm	2006 EURm
ASSETS			
Non-current assets			
Capitalized development costs	12	378	251
Goodwill	12	1 384	532
Other intangible assets	12	2 358	298
Property, plant and equipment	13	1 912	1 602
Investments in associated companies	14	325	224
Available-for-sale investments	15	341	288
Deferred tax assets	24	1 553	809
Long-term loans receivable	16, 25	10	19
Other non-current assets		44	8
		8 305	4 031
Current assets			
Inventories	17, 19	2 876	1 554
Accounts receivable, net of allowances for doubtful accounts (2007: EUR 332 million, 2006: EUR 212 million)	19, 35	11 200	5 888
Prepaid expenses and accrued income	18	3 070	2 496
Current portion of long-term loans receivable	35	156	—
Other financial assets		239	111
Available-for-sale investments, liquid assets	15, 35	4 903	5 012
Available-for-sale investments, cash equivalents	15, 32, 35	4 725	2 046
Bank and cash	32, 35	2 125	1 479
		29 294	18 586
Total assets		37 599	22 617
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent			
Share capital	21	246	246
Share issue premium		644	2 707
Treasury shares, at cost		−3 146	−2 060
Translation differences		−163	−34
Fair value and other reserves	20	23	−14
Reserve for invested non-restricted equity		3 299	—
Retained earnings		13 870	11 123
		14 773	11 968
Minority interests		2 565	92
Total equity		17 338	12 060
Non-current liabilities			
Long-term interest-bearing liabilities	23, 35	203	69
Deferred tax liabilities	24	963	205
Other long-term liabilities		119	122
		1 285	396
Current liabilities			
Current portion of long-term loans	35	173	—
Short-term borrowings	35	898	247
Accounts payable	35	7 074	3 732
Accrued expenses	25	7 114	3 796
Provisions	27	3 717	2 386
		18 976	10 161
Total shareholders' equity and liabilities		37 599	22 617

See Notes to consolidated financial statements.

Nokia Corporation and Subsidiaries

Consolidated cash flow statements, IFRS

Financial year ended December 31	Notes	2007 EURm	2006 EURm	2005 EURm
Cash flow from operating activities				
Profit attributable to equity holders of the parent		**7 205**	4 306	3 616
Adjustments, total	32	**1 269**	1 857	1 774
Profit attributable to equity holders of the parent before change in net working capital		**8 474**	6 163	5 390
Change in net working capital	32	**605**	−793	−366
Cash generated from operations		**9 079**	5 370	5 024
Interest received		**362**	235	353
Interest paid		**−59**	−18	−26
Other financial income and expenses, net		**−43**	54	47
Income taxes paid, net received		**−1 457**	−1 163	−1 254
Net cash from operating activities		**7 882**	4 478	4 144
Cash flow from investing activities				
Acquisition of Group companies, net of acquired cash		**253**	−517	−92
Purchase of current available-for-sale investments, liquid assets		**−4 798**	−3 219	−7 277
Purchase of non-current available-for-sale investments		**−126**	−88	−89
Purchase of shares in associated companies		**−25**	−15	−16
Additions to capitalized development costs		**−157**	−127	−153
Long-term loans made to customers		**−261**	−11	−56
Proceeds from repayment and sale of long-term loans receivable		**163**	56	—
Recovery of impaired long-term loans made to customers		**—**	276	—
Proceeds from (+) /payment of (−) other long-term receivables		**5**	−3	14
Proceeds from (+) /payment of (−) short-term loans receivable		**−119**	199	182
Capital expenditures		**−715**	−650	−607
Proceeds from disposal of shares in Group companies, net of disposed cash		**—**	—	5
Proceeds from disposal of shares in associated companies		**6**	1	18
Proceeds from disposal of businesses		**—**	—	95
Proceeds from maturities and sale of current available-for-sale investments, liquid assets		**4 930**	5 058	9 402
Proceeds from sale of current available-for-sale investments		**—**	—	247
Proceeds from sale of non-current available-for-sale investments		**50**	17	3
Proceeds from sale of fixed assets		**72**	29	167
Dividends received		**12**	—	1
Net cash from (used in) investing activities		**−710**	1 006	1 844
Cash flow from financing activities				
Proceeds from stock option exercises		**987**	46	2
Purchase of treasury shares		**−3 819**	−3 371	−4 258
Proceeds from long-term borrowings		**115**	56	5
Repayment of long-term borrowings		**−16**	−7	—
Proceeds from (+) /repayment of (−) short-term borrowings		**661**	−137	212
Dividends paid		**−1 760**	−1 553	−1 531
Net cash used in financing activities		**−3 832**	−4 966	−5 570
Foreign exchange adjustment		**−15**	−51	183
Net increase (+) /decrease (−) in cash and cash equivalents		**3 325**	467	601
Cash and cash equivalents at beginning of period		**3 525**	3 058	2 457
Cash and cash equivalents at end of period		**6 850**	**3 525**	**3 058**

Consolidated cash flow statements, IFRS (continued)

Financial year ended December 31	Notes	2007 EURm	2006 EURm	2005 EURm
Cash and cash equivalents comprise of:				
Bank and cash		**2 125**	1 479	1 565
Current available-for-sale investments, cash equivalents	15, 35	**4 725**	2 046	1 493
		6 850	3 525	3 058

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

See Notes to consolidated financial statements.

Consolidated statements of changes in shareholders' equity, IFRS

EURm	Number of shares (1 000's)	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restrict equity	Retained earnings	Before minority interests	Minority interests	Total
Balance at December 31, 2004	4 486 941	280	2 366	–2 022	–126	13	—	13 874	14 385	168	14 553
Tax benefit on stock options exercised			–2						–2		–2
Translation differences					406				406	31	437
Net investment hedge losses					–211				–211		–211
Cash flow hedges, net of tax						–132			–132		–132
Available-for-sale investments, net of tax						–57			–57		–57
Other decrease, net								–55	–55	1	–54
Profit								3 616	3 616	74	3 690
Total recognized income and expense		—	–2	—	195	–189	—	3 561	3 565	106	3 671
Stock options exercised	125		2						2		2
Stock options exercised related to acquisitions			–1						–1		–1
Share-based compensation [1]			79						79		79
Acquisition of treasury shares	–315 174			–4 268					–4 268		–4 268
Reissuance of treasury shares	484			10					10		10
Cancellation of treasury shares		–14	14	2 664				–2 664	—		—
Dividend								–1 463	–1 463	–69	–1 532
Total of other equity movements		–14	94	–1 594	—	—	—	–4 127	–5 641	–69	–5 710
Balance at December 31, 2005	4 172 376	266	2 458	–3 616	69	–176	—	13 308	12 309	205	12 514
Tax benefit on stock options exercised			23						23		23
Excess tax benefit on share-based compensation			14						14		14
Translation differences					–141				–141	–13	–154
Net investment hedge gains, net of tax					38				38		38
Cash flow hedges, net of tax						171			171		171
Available-for-sale investments, net of tax						–9			–9		–9
Other decrease, net								–52	–52	–1	–53
Profit								4 306	4 306	60	4 366
Total recognized income and expense		—	37	—	–103	162	—	4 254	4 350	46	4 396
Stock options exercised	3 046	0	43						43		43
Stock options exercised related to acquisitions			–1						–1		–1
Share-based compensation [1]			219						219		219
Settlement of performance and restricted shares	2 236		–69	38					–31		–31
Acquisition of treasury shares	–212 340			–3 413					–3 413		–3 413
Reissuance of treasury shares	412			4					4		4
Cancellation of treasury shares		–20	20	4 927				–4 927	—		—
Dividend								–1 512	–1 512	–40	–1 552
Acquisition of minority interests									—	–119	–119
Total of other equity movements		–20	212	1 556	—	—		–6 439	–4 691	–159	–4 850
Balance at December 31, 2006	3 965 730	246	2 707	–2 060	–34	–14	—	11 123	11 968	92	12 060
Excess tax benefit on share-based compensation			128						128		128
Translation differences					–167				–167	16	–151
Net investment hedge gains, net of tax					38				38		38
Cash flow hedges, net of tax						–11			–11		–11
Available-for-sale investments, net of tax						48			48		48
Other decrease, net								–40	–40		–40
Profit								7 205	7 205	–459	6 746
Total recognized income and expense		—	128	—	–129	37	—	7 165	7 201	–443	6 758
Stock options exercised	57 269	0	46				932		978		978
Stock options exercised related to acquisitions			–3						–3		–3
Share-based compensation			228						228		228
Settlement of performance and restricted shares	3 138		–104	58			9		–37		–37
Acquisition of treasury shares	–180 590			–3 884					–3 884		–3 884
Reissuance of treasury shares	403			7					7		7
Cancellation of treasury shares				2 733				–2 733	—		—
Share premium reduction and transfer			–2 358				2 358		—		—
Dividend								–1 685	–1 685	–75	–1 760
Minority interest on formation of Nokia Siemens Networks									—	2 991	2 991
Total of other equity movements		0	–2 191	–1 086	—	—	3 299	–4 418	–4 396	2 916	–1 480
Balance at December 31, 2007	3 845 950	246	644	–3 146	–163	23	3 299	13 870	14 773	2 565	17 338

1 In 2005 and 2006, share-based compensation is shown net of deferred compensation recorded related to social security costs on share-based payments.

Dividends declared per share were EUR 0.53 for 2007 (EUR 0.43 for 2006 and EUR 0.37 for 2005), subject to shareholders' approval.

Notes to the consolidated financial statements

1. Accounting principles

Basis of presentation

The consolidated financial statements of Nokia Corporation ("Nokia" or "the Group"), a Finnish public limited liability company with domicile in Helsinki, in the Republic of Finland, are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union ("IFRS"). The consolidated financial statements are presented in millions of euros ("EURm"), except as noted, and are prepared under the historical cost convention, except as disclosed in the accounting policies below. The notes to the consolidated financial statements also conform with Finnish Accounting legislation. On March 19, 2008, Nokia's Board of Directors authorized the financial statements for issuance and filing.

As described in Note 8 the Group and Siemens AG ("Siemens") completed a transaction to form Nokia Siemens Networks on April 1, 2007. Nokia and Siemens contributed to Nokia Siemens Networks certain tangible and intangible assets and certain business interests that comprised Nokia's networks business and Siemens' carrier-related operations. This transaction had a material impact on the consolidated financial statements and associated notes.

Adoption of pronouncements under IFRS

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations to existing standards issued by the IASB that are relevant to its operations and effective for accounting periods commencing on or after January 1, 2007.

» IFRS 7 Financial Instruments: Disclosures. The impact of the new standard has been to expand the disclosures provided in the financial statements regarding the Group's financial instruments. The Group's financial instruments include available-for-sale investments, derivatives, loans receivable and payable and accounts receivable and payable.

» IFRIC 8, Scope of IFRS 2 requires consideration of transactions involving the issuance of equity instruments where the identifiable consideration received is less than the fair value of the equity instruments issued to establish whether or not they fall within the scope of IFRS 2.

» IFRIC 9, Reassessment of Embedded Derivatives requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract.

» IAS 1 (Amendment), Presentation of Financial Statements: Capital Disclosures requires qualitative and quantitative disclosures to enable users to evaluate an entity's objectives, policies and processes for managing capital.

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

Principles of consolidation

The consolidated financial statements include the accounts of Nokia's parent company ("Parent Company"), and each of those companies over which the Group exercises control. Control over an entity is presumed to exist when the Group owns, directly or indirectly through subsidiaries, over 50% of the voting rights of the entity, the Group has the power to govern the operating and financial policies of the entity through agreement or the Group has the power to appoint or remove the majority of the members of the board of the entity. The Group's share of profits and losses of associated companies is included in the consolidated profit and loss account in accordance with the equity method of accounting. An associated company is an entity over which the Group exercises significant influence. Significant influence is generally presumed to exist when the Group owns, directly or indirectly through subsidiaries, over 20% of the voting rights of the company.

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

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

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

Business combinations

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

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

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

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

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

Foreign currency translation

Functional and presentation currency

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

Transactions in foreign currencies

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

Foreign Group companies

In the consolidated accounts all income and expenses of foreign subsidiaries are translated into Euro at the average foreign exchange rates for the accounting period. All assets and liabilities of foreign Group companies are translated into Euro at the year-end foreign exchange rates with the exception of goodwill arising on the acquisition of foreign companies prior

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

Revenue recognition

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

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

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

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

Shipping and handling costs

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

Research and development

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

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

Other intangible assets

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

Pensions

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

The Group's contributions to defined contribution plans and to multi-employer and insured plans are recognized in the profit and loss account in the period to which the contributions relate.

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

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

Property, plant and equipment

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

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

Land and water areas are not depreciated.

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

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

Leases

The Group has entered into various operating leases, the payments under which are treated as rentals and recognized in the profit and loss account on a straight-line basis over the lease terms.

Inventories

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

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

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

Financial assets

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

Available-for-sale investments

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

Current fixed income and money-market investments are fair valued by using quoted market rates, discounted cash flow analyses and other appropriate valuation models at the balance sheet date. Investments in publicly quoted equity shares are measured at fair value using exchange quoted bid prices. Other available-for-sale investments carried at fair value include holdings in unlisted shares. Fair value for these unlisted shares 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. The remaining available-for-sale investments are carried at cost less impairment, which are technology related investments in private equity shares and unlisted funds for which the fair value cannot be measured reliably due to non-existence of public markets or reliable valuation methods, against which to value these assets. The investment and disposal decisions on these investments are business driven.

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

The fair value changes of available-for-sale investments are recognized in fair value and other reserves as part of shareholders' equity, with the exception of interest calculated using effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit and loss. Dividends on available-for-sale equity instruments are recognized in profit and loss when the Group's right to receive payment is established. When the investment is disposed of, the related accumulated fair value changes are released from shareholders' equity and recognized in the profit and loss account. The weighted average method is used when determining the cost-basis of publicly listed equities being disposed of. FIFO (First-in First-out) method is used to determine the cost basis of fixed income securities being disposed of. An impairment is recorded when the carrying amount of an available-for-sale investment is greater than the estimated fair value and there is objective evidence that the asset is impaired. The cumulative net loss relating to that investment is removed from equity and recognized in the profit and loss account for the period. If, in a subsequent period, the fair value of the investment in a non-equity instrument increases and the increase can be objectively related to an event occurring after the loss was recognized, the loss is reversed, with the amount of the reversal included in the profit and loss account.

Loans receivable

Loans receivable include loans to customers and suppliers and are measured at amortized cost using the effective interest method less impairment. Loans are subject to regular and thorough review as to their collectibility 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 in the balance sheet under long-term loans receivable and the current portion under current portion of long-term loans receivable.

Bank and cash

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

Accounts receivable

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

Financial liabilities

Loans payable

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

Accounts payable

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

Derivative financial instruments

All derivatives are recorded at fair value according to the same principles but the accounting treatment varies according to whether the derivatives are designated and qualify under hedge accounting.

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

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

Fair values of cash settled equity derivatives are calculated by revaluing the contract at year end quoted market rates. Changes in fair value are recognized in the profit and loss account.

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

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

Hedge accounting

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

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

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

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

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

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

Cash flow hedges: Hedging of highly probable business acquisition

The Group hedges the foreign currency risk in highly probable business acquisition transactions, which creates cash flow variation in the transaction settlement flow and could potentially impact Group's profit and loss through goodwill assessment from the Group's perspective. In order to apply for hedge accounting, the planned business acquisition must be highly probable and the hedges must be effective prospectively and retrospectively.

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

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

Accumulated fair value changes from qualifying hedges are released from shareholders' equity to adjust the EUR equivalent amount of the purchase price upon the completion of the business acquisition.

Cash flow hedges: Foreign currency hedging of net investments

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 (R). The hedge must be effective both prospectively and retrospectively.

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

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

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

Income taxes

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

Deferred tax assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. 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.

The principal temporary differences arise from intercompany profit in inventory, warranty and other provisions, untaxed reserves and tax losses carried forward. 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 can be utilized. Deferred tax liabilities are recognized for temporary differences that arise between the fair value and tax base of identifiable net assets acquired in business combinations.

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 repairs and replacements.

Intellectual property rights (IPR) provisions

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

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

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

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

The Group recognizes a provision for pension and other social costs on unvested equity instruments based upon local statutory law. In accordance with the requirements applying to cash-settled share-based payment transactions, this provision is measured at fair value and remeasurement of the fair value of the provision is recognized in profit or loss for the period.

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

Share-based compensation

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

Treasury shares

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

Dividends

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

Earnings per share

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

Use of estimates

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

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

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

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

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

Customer financing
The Group has provided a limited amount of customer financing and agreed extended payment terms with selected customers. Should the actual financial position of the customers or general economic conditions differ from assumptions, the ultimate collectibility 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.

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 IPR infringements based on the probable outcome of potential infringement. IPR infringement claims can last for varying periods of time, resulting in unpredictable movements in the IPR infringement provision. The ultimate outcome or actual cost of settling an individual infringement may materially vary from estimates.

Legal contingencies

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

Capitalized development costs

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

Business combinations

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

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

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

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

Fair value of derivatives and other financial instruments

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

Income taxes

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

Pensions

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

Share-based compensation

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

New accounting pronouncements under IFRS

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

IFRS 8, Operating Segments requires that segments are identified and reported based on how management views and operates the business. Under IFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker.

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

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

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

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

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

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

Amendment to IAS 27 "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 are accounted for exclusively within equity. If a parent loses control of a subsidiary it shall derecognize the consolidated assets and liabilities and any investment retained in the former subsidiary shall be recognized at fair value at the date when control is lost. Any differences resulting from this shall be recognized in profit or loss. When losses attributed to the minority (non-controlling) interests exceed the minority's interests in the subsidiary's equity, these losses shall be allocated to the non-controlling interests even if this results in a deficit balance.

The Group will adopt IFRS 8 on January 1, 2008, and the amendments to IFRS 2, IFRIC 13, IAS 1, IAS 23 and IAS 32 on January 1, 2009. The Group does not

expect the adoption of revised standards to have a material impact on the financial conditions or result of operations.

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

2. Segment information

Nokia is organized on a worldwide basis into four primary business segments: Mobile Phones; Multimedia; Enterprise Solutions; and Nokia Siemens Networks. Nokia's reportable segments represent the strategic business units that offer different products and services for which monthly financial information is provided to the Board.

Mobile Phones currently offers mobile phones and devices based on the following global cellular technologies: GSM/EDGE, 3G/WCDMA and CDMA.

Multimedia brings connected mobile multimedia experiences to consumers in the form of advanced mobile devices and applications.

Enterprise Solutions works with businesses and institutions to improve their performance through mobility, currently focusing on two key areas of corporate communication expenditure; voice and mobile e-mail.

Nokia Siemens Networks provides wireless and fixed network infrastructure, communications and networks service platforms as well as professional services to operators and service providers.

In addition to the four business groups, the Group's organization has two horizontal units to support the mobile device business groups, increase operational efficiency and competitiveness, and to take advantage of economies of scale: Customer and Market Operations and Technology Platforms. The horizontal groups are not separate reporting entities, but their costs are carried mainly by the mobile device business groups, which comprises of Mobile Phones, Multimedia and Enterprise Solutions, with the balance included in Common Group Functions. The costs and revenues as well as assets and liabilities of the horizontal groups are allocated to the mobile device business groups on a symmetrical basis; with any amounts not so allocated included in Common Group Functions. Common Group Functions consists of common research and general Group 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 net sales.

As of January 1, 2008, the Group's three mobile device business groups and the supporting horizontal groups have been replaced by an integrated business segment, Devices & Services. For financial reporting purposes, the Group will have two reportable segments from January 1, 2008: Devices & Services and Nokia Siemens Networks.

2007, EURm	Mobile Phones	Multimedia	Enterprise Solutions	Nokia Siemens Networks [1]	Total reportable segments	Common Group Functions	Elimina-tions	Group
Profit and loss information								
Net sales to external customers	25 083	10 537	2 048	13 376	51 044	14		51 058
Net sales to other segments	—	1	22	17	40	−14	−26	—
Depreciation and amortization	239	109	32	714	1 094	112		1 206
Impairments	—	—	—	27	27	36		63
Operating profit/loss [2]	5 434	2 230	267	−1 308	6 623	1 362		7 985
Share of results of associated companies	—	—	—	4	4	40		44
Balance sheet information								
Capital expenditures [3]	250	100	16	182	548	167		715
Segment assets [4, 8]	5 234	2 339	777	15 564	23 914	1 713	−365	25 262
of which:								
Investments in associated companies	—	—	—	58	58	267		325
Unallocated assets [5, 8]								12 337
Total assets								37 599
Segment liabilities [6, 9]	6 060	2 309	509	9 700	18 578	592	−418	18 752
Unallocated liabilities [7, 9]								1 509
Total liabilities								20 261
2006, EURm								
Profit and loss information								
Net sales to external customers	24 769	7 877	1 015	7 453	41 114	7		41 121
Net sales to other segments	—	—	16	—	16	−7	−9	—
Depreciation and amortization	279	99	36	203	617	95		712
Impairments	—	—	—	—	—	51		51
Operating profit/loss [2]	4 100	1 319	−258	808	5 969	−481		5 488
Share of results of associated companies	—	—	—	—	—	28		28
Balance sheet information								
Capital expenditures [3]	244	73	30	126	473	177		650
Segment assets [4]	4 921	1 474	604	3 746	10 745	1 190	−31	11 904
of which:								
Investments in associated companies	—	—	—	—	—	224		224
Unallocated assets [5, 8]								10 713
Total assets								22 617
Segment liabilities [6]	5 140	1 622	395	1 703	8 860	337	−333	8 864
Unallocated liabilities [7, 9]								1 693
Total liabilities								10 557
2005, EURm								
Profit and loss information								
Net sales to external customers	20 811	5 979	839	6 556	34 185	6		34 191
Net sales to other segments	—	2	22	1	25	−6	−19	—
Depreciation and amortization	247	83	22	241	593	119		712
Impairment and customer finance charges	—	36	—	—	36	30		66
Operating profit/loss	3 598	836	−258	855	5 031	−392		4 639
Share of results of associated companies	—	—	—	—	—	10		10

1 As from April 1, 2007, Nokia consolidated financial data includes that of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of our former Networks business group and Siemens' carrier-related operations for fixed and mobile networks. Accordingly, our consolidated financial data for the year ended at December 31, 2007, is not directly comparable to our consolidated financial data for the prior years. Our consolidated financial data for the years prior to the year ended at December 31, 2007, included our former Networks business group only.

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

3 Including goodwill and capitalized development costs, capital expenditures in 2007 amount to EUR 1 753 million (EUR 1 240 million in 2006). The goodwill and capitalized development costs consist of EUR 33 million in 2007 (EUR 60 million in 2006) for Mobile Phones, EUR 21 million in 2007 (EUR 171 million in 2006) for Multimedia, EUR 15 million in 2007 (EUR 271 million in 2006) for Enterprise Solutions, EUR 888 million in 2007 (EUR 88 million in 2006) for Nokia Siemens Networks and EUR 81 million in 2007 (EUR 0 million in 2006) for Common Group Functions.

4 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 Mobile Phones, Multimedia and Enterprise Solutions. In addition, 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 Nokia Siemens Networks as it is a separate legal entity.

5 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 Mobile Phones, Multimedia, Enterprise Solutions and Common Group Functions.

6 Comprises accounts payable, accrued expenses and provisions except those related to interest and taxes for Mobile Phones, Multimedia and Enterprise Solutions. In addition, Nokia Siemens Networks' liabilities include non-current liabilities and short-term borrowings as well as interest and tax related prepaid income, accrued expenses and provisions. These are directly attributable to Nokia Siemens Networks as it is a separate legal entity.

7 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 Mobile Phones, Multimedia, Enterprise Solutions and Common Group Functions.

8 Tax related prepaid expenses and accrued income, and deferred tax assets amount to EUR 2 060 million in 2007 (EUR 1 240 million in 2006).

9 Tax related to accrued expenses and deferred tax liabilities amount to EUR 2 099 million in 2007 (EUR 497 million in 2006).

Net sales to external customers by geographic area by location of customer	2007 EURm	2006 EURm	2005 EURm
Finland	**322**	387	331
China	**5 898**	4 913	3 403
India	**3 684**	2 713	2 022
Germany	**2 641**	2 060	1 982
Great Britain	**2 574**	2 425	2 405
USA	**2 124**	2 815	2 743
Other	**33 815**	25 808	21 305
Total	**51 058**	41 121	34 191

Segment assets by geographic area	2007 EURm	2006 EURm
Finland	**5 595**	4 165
China	**2 480**	1 257
India	**1 028**	618
Germany	**2 842**	615
Great Britain	**649**	523
USA	**1 279**	1 270
Other	**11 389**	3 456
Total	**25 262**	11 904

Capital expenditures by market area	2007 EURm	2006 EURm	2005 EURm
Finland	**237**	275	259
China	**125**	125	93
India	**72**	65	31
Germany	**67**	23	26
Great Britain	**26**	11	12
USA	**21**	63	74
Other	**167**	88	112
Total [1]	**715**	650	607

1 Including goodwill and capitalized development costs, capital expenditures amount to EUR 1 753 million in 2007 (EUR 1 240 million in 2006 and EUR 760 million in 2005). The goodwill and capitalized development costs in 2007 consist of EUR 78 million in USA (EUR 268 million in USA in 2006 and EUR 0 million in USA in 2005) and EUR 960 million in other areas (EUR 321 million in 2006 and EUR 153 million in 2005).

3. Percentage of completion

Contract sales recognized under percentage of completion accounting were EUR 10 171 million in 2007 (EUR 6 308 million in 2006 and EUR 5 520 million in 2005).

Advances received related to construction contracts, included under accrued expenses, were EUR 303 million at December 31, 2007 (EUR 220 million in 2006). Contract revenues recorded prior to billings, included in accounts receivable, were EUR 1 587 million at December 31, 2007 (EUR 371 million in 2006 and EUR 0 million in 2005). Billing in excess of costs incurred, included in contract revenues recorded prior to billings, were EUR 482 million at December 31, 2007.

The aggregate amount of costs incurred and recognized profits (net of recognized losses) under construction contracts in progress since inception (for contracts acquired inception refers to April 1, 2007) was EUR 10 173 million at December 31, 2007 (EUR 6 705 million at December 31, 2006).

Retentions related to construction contracts, included in accounts receivable, were EUR 166 million at December 31, 2007 (EUR 131 million at December 31, 2006).

4. Personnel expenses

EURm	2007	2006	2005
Wages and salaries	**4 664**	3 457	3 127
Share-based compensation expense, total	**236**	192	104
Pension expenses, net	**420**	310	252
Other social expenses	**618**	439	394
Personnel expenses as per profit and loss account	**5 938**	4 398	3 877

Share-based compensation expense includes pension and other social costs of EUR 8 million (EUR –4 million in 2006 and EUR 9 million in 2005) based upon the related employee benefit charge recognized during the year. In 2006, a benefit was recognised due to a change in the treatment of pension and other social costs.

Pension expenses, comprised of multi-employer, insured and defined contribution plans were EUR 289 million in 2007 (EUR 198 million in 2006 and EUR 206 million in 2005).

Average personnel	2007	2006	2005
Mobile Phones	**3 475**	3 639	2 647
Multimedia	**3 708**	3 058	2 750
Enterprise Solutions	**2 095**	2 264	2 185
Nokia Siemens Networks	**50 336**	20 277	17 676
Common Group Functions	**40 920**	36 086	31 638
Nokia Group	**100 534**	65 324	56 896

5. Pensions

The Group's most significant pension plans are in Finland and Germany. The Finnish plan is comprised of the Finnish state Employees' Pension Act (TyEL) system with benefits directly linked to employee earnings. These benefits are financed in two distinct portions. Majority of the benefits are financed by contributions to a central pool with the majority of the contributions being used to pay current benefits. The rest is comprised of reserved benefits which are pre-funded through a trustee-administered Nokia Pension Foundation. The pooled portion of the TyEL system is accounted for as a defined contribution plan and the reserved portion as a defined benefit plan. Foreign plans include both defined contribution and defined benefit plans.

In connection with the formation of Nokia Siemens Networks, the Group assumed multiple pension plans reflected as acquisitions in the following tables. The majority of active employees in Germany participate in a pension scheme which is designed according to the Beitragsorientierte Siemens Altersversorgung (BSAV). The funding vehicle for the BSAV is the NSN Pension Trust. In Germany, individual benefits are generally dependent on eligible compensation levels, ranking within the Group and years of service.

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

Effective on January 1, 2005, the former Finnish Employees' Pension Act (TEL) system was reformed. The most significant change that has an impact on the Group's future financial statements is that pensions accumulated after 2005 are calculated on the earnings during the entire working career, not only based on the last few years of employment as provided by the old rules.

As a result of the 2005 changes in the TEL system, which increased the Group's obligation in respect of ex-employees, and reduced the obligation in respect of recent recruits, a change in the liability has been recognised to cover future disability pensions. In 2005, to compensate the Group for the additional liability in respect of

ex-employees, assets of EUR 24 million were transferred from the pooled part of the pension system to cover future disability pensions inside Nokia Pension Foundation. As this transfer of assets is effectively a reduction of the obligation to the pooled premium, it has been accounted for as a credit to the profit and loss account during 2005.

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

	2007		2006	
EURm	Domestic plans	Foreign plans	Domestic plans	Foreign plans
Present value of defined benefit obligations at beginning of year	**–1 031**	**–546**	–890	–495
Foreign exchange	**—**	**27**	—	–3
Current service cost	**–59**	**–66**	–63	–38
Interest cost	**–50**	**–54**	–40	–26
Plan participants' contributions	**—**	**–8**	—	–7
Actuarial gain (+)/loss(–)	**115**	**126**	–51	14
Acquisitions	**—**	**–780**	—	—
Curtailment	**3**	**1**	3	—
Settlements	**—**	**15**	—	—
Benefits paid	**11**	**30**	10	9
Present value of defined benefit obligations at end of year	**–1 011**	**–1 255**	–1 031	–546
Plan assets at fair value at beginning of year	**985**	**424**	904	372
Foreign exchange	**—**	**–27**	—	3
Expected return on plan assets	**49**	**46**	41	21
Actuarial gain (+)/loss(–) on plan assets	**–33**	**–2**	–8	–3
Employer contribution	**73**	**90**	59	32
Plan participants' contributions	**—**	**8**	—	8
Benefits paid	**–11**	**–30**	–11	–9
Settlements	**—**	**–3**	—	—
Acquisitions	**—**	**605**	—	—
Plan assets at fair value at end of year	**1 063**	**1 111**	985	424
Surplus (+)/deficit (–)	**52**	**–144**	–46	–122
Unrecognized net actuarial gains/losses	**97**	**–41**	187	89
Prepaid (+)/accrued (–) pension cost in balance sheet	**149**	**–185**	141	–33

Present value of obligations include EUR 1 799 million (EUR 300 million in 2006) of wholly funded obligations, EUR 333 million of partly funded obligations (EUR 1 244 million in 2006) and EUR 134 million (EUR 33 million in 2006) of unfunded obligations.

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

EURm	2007	2006	2005
Current service cost	**125**	101	69
Interest cost	**104**	66	58
Expected return on plan assets	**–95**	–62	–64
Net actuarial losses recognized in year	**10**	8	9
Past service cost gain (-)/loss (+)	**—**	3	1
Transfer from central pool	**—**	—	–24
Curtailment	**–1**	–4	–3
Settlement	**–12**	—	—
Total, included in personnel expenses	**131**	112	46

Movements in prepaid pension cost recognized in the balance sheet are as follows:

EURm	2007	2006
Prepaid pension cost at beginning of year	**108**	127
Net income (+)/expense (–) recognized in the profit and loss account	**–131**	–112
Contributions paid	**163**	91
Acquisitions	**–175**	—
Foreign currency exchange rate change	**–1**	2
Prepaid (+)/accrued(–) pension cost at end of year [1]	**–36**	108

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

The prepaid pension cost above is made up of a prepayment of EUR 218 million (EUR 206 million in 2006) and an accrual of EUR 254 million (EUR 98 million in 2006).

EURm	2007	2006	2005	2004	2003
Present value of defined benefit obligation	**–2 266**	–1 577	–1 385	–1 125	–1 009
Plan assets at fair value	**2 174**	1 409	1 276	1 071	887
Deficit	**–92**	–168	–109	–54	–122

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

The principal actuarial weighted average assumptions used were as follows:

	2007		2006	
%	Domestic	Foreign	Domestic	Foreign
Discount rate for determining present values	**5.50**	**5.40**	4.60	4.78
Expected long-term rate of return on plan assets	**5.30**	**5.10**	4.60	5.50
Annual rate of increase in future compensation levels	**3.00**	**3.30**	3.50	3.59
Pension increases	**2.70**	**2.30**	2.00	2.69

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

The Group's weighted average pension plan asset allocation as a percentage of plan assets at December 31, 2007, and 2006, by asset category is as follows:

	2007		2006	
%	Domestic	Foreign	Domestic	Foreign
Asset category:				
Equity securities	**12**	**11**	11	27
Debt securities	**78**	**85**	75	61
Insurance contracts	**0**	**3**	—	11
Real estate	**1**	**1**	1	—
Short-term investments	**9**	**—**	13	1
Total	**100**	**100**	100	100

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

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

The domestic pension plans' assets did not include Nokia securities in 2007 or in 2006.

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 2006). See Note 31.

The actual return on plan assets was EUR 61 million in 2007 (EUR 51 million in 2006).

In 2008, the Group expects to make contributions of EUR 70 million and EUR 70 million to its domestic and foreign defined benefit pension plans, respectively.

6. Other operating income and expenses

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

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

Other operating income for 2005 includes a gain of EUR 61 million relating to the divestiture of the Group's Tetra business, a EUR 18 million gain related to the partial sale of a minority investment and a EUR 45 million gain related to qualifying sale and leaseback transactions for real estate. In 2005, Enterprise Solutions recorded a charge of EUR 29 million for personnel expenses and other costs in connection with a restructuring taken in light of general downturn in market conditions, which were fully paid during 2005.

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

7. Impairment

EURm	2007	2006	2005
Available-for-sale investments	29	18	30
Investments in associated companies	7	—	—
Capitalized development costs	27	—	—
Other intangible assets	—	33	—
Total, net	63	51	30

Available-for-sale investments

During 2007, 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 29 million (EUR 18 million in 2006, EUR 30 million in 2005) relating to non-current available-for-sale investments.

Investments in associated companies

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

Capitalized development costs

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

Other intangible assets

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

Goodwill

The recoverable amount of each CGU is determined based on a value-in-use calculation. The pre-tax cash flow projections employed in the value-in-use calculation are based on financial budgets approved by management. These projections are consistent with external source of information. 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 goodwill of EUR 803 million arising from the formation of Nokia Siemens Networks was allocated to that CGU for the purpose of impairment testing. Management expects moderate market share growth in this industry segment will drive moderate revenue growth. Increased volumes and cost savings derived from the business combination are expected to drive operating profit margins to improve to prevailing levels in this industry. Cash flows beyond the explicit forecast period are extrapolated using an estimated residual growth rate of 2.5%. The pre-tax cash flow projections are discounted using a pre-tax discount rate of 16%.

Goodwill amounting to EUR 240 million was allocated to the Intellisync CGU, which is included in the Enterprise Solutions segment. Management expects that moderate market share growth in a high-growth industry segment will drive strong revenue growth. Increased volume is expected to cause operating profit margins to improve to prevailing levels in the industry. Cash flows beyond the explicit forecast period are extrapolated using an estimated terminal growth rate of 5%. The pre-tax cash flow projections are discounted using a pre-tax discount rate of 20%.

The aggregate carrying amount of goodwill allocated across multiple CGUs amounts to EUR 341 million and the amount allocated to each individual CGU is not individually significant.

8. Acquisitions

Acquisitions completed in 2007

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

accounting purposes, Nokia is deemed to have control and thus consolidates the results of Nokia Siemens Networks in its financial statements.

The transfer of Nokia's networks business was treated as a partial sale to the minority shareholders of Nokia Siemens Networks. Accordingly, the Group recognized a non-taxable gain on the partial sale amounting to EUR 1 879 million. The gain was determined as the Group's retained ownership interest in the excess of the fair value over book value of the net assets contributed by the Group to Nokia Siemens Networks.

Nokia Siemens Networks commenced operations on April 1, 2007. The Group's contributed networks business was valued at EUR 5 500 million. In addition, the Group incurred costs directly attributable to the acquisition of EUR 51 million. Upon closing of the transaction, Nokia and Siemens contributed net assets, with book values amounting to EUR 1 742 million and EUR 2 385 million, respectively. The Group's contributed networks business was valued at EUR 5 500 million. In addition, the Group incurred costs directly attributable to the acquisition of EUR 51 million.

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

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

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

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

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

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

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

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

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

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

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

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

Goodwill and aggregate net assets acquired in these transactions has been allocated to Common Group Functions, Enterprise Solutions segment and Multimedia segment.

Acquisitions completed in 2006

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

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

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

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

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

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

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

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

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

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

9. Depreciation and amortization

EURm	2007	2006	2005
Depreciation and amortization by function			
Cost of sales	**303**	279	242
Research and development [1]	**523**	312	349
Selling and marketing [1]	**232**	9	9
Administrative and general	**148**	111	99
Other operating expenses	**—**	1	13
Total	**1 206**	712	712

1 In 2007, depreciation and amortization allocated to research and development and selling and marketing included amortization of acquired intangible assets of EUR 136 million and EUR 214 million, respectively.

10. Financial income and expenses

EURm	2007	2006	2005
Dividend income on available-for-sale financial investments	**—**	—	1
Interest income on available-for-sale financial investments	**338**	225	296
Interest income on loans receivables carried at amortized cost	**1**	—	—
Interest expense on financial liabilities carried at amortized cost	**−43**	−22	−18
Other financial income	**43**	55	77
Other financial expenses	**−24**	−18	−22
Net foreign exchange gains (or net foreign exchange losses)			
From foreign exchange derivatives designated at fair value through profit and loss accounts	**37**	75	−167
From balance sheet items revaluation	**−118**	−106	156
Net gains (net losses) on other derivatives designated at fair value through profit and loss accounts	**5**	−2	−1
Total	**239**	207	322

During 2005, Nokia sold the remaining holdings in the subordinated convertible perpetual bonds issued by France Telecom. As a result, the Group booked a total net gain of EUR 57 million in other financial income, of which EUR 53 million was recycled from fair value and other reserves in shareholders' equity.

11. Income taxes

EURm	2007	2006	2005
Income tax expense			
Current tax	−2 209	−1 303	−1 262
Deferred tax	687	−54	−19
Total	−1 522	−1 357	−1 281
Finland	−1 323	−941	−759
Other countries	−199	−416	−522
Total	−1 522	−1 357	−1 281

The differences between income tax expense computed at the statutory rate in Finland of 26% and income taxes recognized in the consolidated income statement is reconciled as follows at December 31, 2007:

EURm	2007	2006	2005
Income tax expense at statutory rate	2 150	1 488	1 295
Provisions without tax benefit/expense	61	12	11
Non-taxable gain on formation of Nokia Siemens Networks [1]	−489	—	—
Taxes for prior years	20	−24	1
Taxes on foreign subsidiaries' profits in excess of (lower than) income taxes at statutory rates	−138	−73	−30
Operating losses with no current tax benefit	15	—	—
Net increase in provisions	50	−12	22
Change in income tax rate [2]	−114	—	—
Deferred tax liability on undistributed earnings [3]	−37	−3	8
Other	4	−31	−26
Income tax expense	1 522	1 357	1 281

1 See Note 8.

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

3 The change in deferred tax liability on undistributed earnings mainly related to amendment of the FIN-US tax treaty, which abolished the withholding tax under certain conditions.

Income taxes include a tax benefit from received and accrued tax refunds from previous years of EUR 84 million in 2006 and EUR 48 million in 2005.

Certain of the Group companies' income tax returns for periods ranging from 2001 through 2007 are under examination by tax authorities. The Group does not believe that any significant additional taxes in excess of those already provided for will arise as a result of the examinations.

12. Intangible assets

EURm	2007	2006
Capitalized development costs		
Acquisition cost January 1	1 533	1 445
Additions during the period	157	127
Acquisitions	154	—
Impairment losses	−27	—
Disposals during the period	—	−39
Accumulated acquisition cost December 31	1 817	1 533
Accumulated amortization January 1	−1 282	−1 185
Disposals during the period	—	39
Amortization for the period	−157	−136
Accumulated amortization December 31	−1 439	−1 282
Net book value January 1	251	260
Net book value December 31	378	251
Goodwill		
Acquisition cost January 1	532	90
Translation differences	−30	−26
Acquisitions	882	488
Other changes	—	−20
Accumulated acquisition cost December 31	1 384	532
Net book value January 1	532	90
Net book value December 31	1 384	532
Other intangible assets		
Acquisition cost January 1	772	676
Translation differences	−20	−21
Additions during the period	102	99
Acquisitions	2 437	122
Impairment losses	—	−33
Disposals during the period	−73	−71
Accumulated acquisition cost December 31	3 218	772
Accumulated amortization January 1	−474	−465
Translation differences	11	10
Disposals during the period	73	66
Amortization for the period	−470	−85
Accumulated amortization December 31	−860	−474
Net book value January 1	298	211
Net book value December 31	2 358	298

13. Property, plant and equipment

EURm	2007	2006
Land and water areas		
Acquisition cost January 1	78	82
Translation differences	−2	−1
Additions during the period	4	—
Acquisitions	5	—
Disposals during the period	−12	−3
Accumulated acquisition cost December 31	73	78
Net book value January 1	78	82
Net book value December 31	73	78
Buildings and constructions		
Acquisition cost January 1	925	865
Translation differences	−15	−11
Additions during the period	97	123
Acquisitions	58	—
Disposals during the period	−57	−52
Accumulated acquisition cost December 31	1 008	925
Accumulated depreciation January 1	−230	−244
Translation differences	3	4
Disposals during the period	25	40
Depreciation for the period	−37	−30
Accumulated depreciation December 31	−239	−230
Net book value January 1	695	621
Net book value December 31	769	695
Machinery and equipment		
Acquisition cost January 1	3 707	3 735
Translation differences	−42	−62
Additions during the period	448	466
Acquisitions	264	—
Disposals during the period	−365	−432
Accumulated acquisition cost December 31	4 012	3 707
Accumulated depreciation January 1	−2 966	−2 984
Translation differences	34	48
Disposals during the period	364	429
Depreciation for the period	−539	−459
Accumulated depreciation December 31	−3 107	−2 966
Net book value January 1	741	751
Net book value December 31	905	741
Other tangible assets		
Acquisition cost January 1	22	17
Translation differences	−1	−1
Additions during the period	2	6
Disposals during the period	−3	—
Accumulated acquisition cost December 31	20	22
Accumulated depreciation January 1	−7	−6
Translation differences	—	—
Disposals during the period	1	—
Depreciation for the period	−3	−1
Accumulated depreciation December 31	−9	−7
Net book value January 1	15	11
Net book value December 31	11	15

EURm	2007	2006
Advance payments and fixed assets under construction		
Net carrying amount January 1	73	120
Translation differences	—	−2
Additions	123	213
Acquisitions	17	—
Disposals	−2	−1
Transfers to:		
Other intangible assets	−7	−37
Buildings and constructions	−29	−89
Machinery and equipment	−21	−131
Net carrying amount December 31	154	73
Total property, plant and equipment	1 912	1 602

14. Investments in associated companies

EURm	2007	2006
Net carrying amount January 1	224	193
Translation differences	—	−2
Additions	19	19
Acquisitions	67	—
Deductions	−6	−1
Impairments	−7	—
Share of results	44	28
Dividends	−12	—
Other movements	−4	−13
Net carrying amount December 31	325	224

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

15. Available-for-sale investments

Available-for-sale investments included the following:

	2007		2006	
EURm	Current	Non-current	Current	Non-current
Fixed income and money-market investments carried at fair value	9 628	—	7 058	—
Available-for-sale investments in publicly quoted equity shares	—	10	—	8
Other available-for-sale investments carried at fair value	—	184	—	177
Other available-for-sale investments carried at cost less impairment	—	147	—	103
	9 628	341	7 058	288

The current fixed income and money market investments, carried at fair value, included available-for-sale liquid assets of EUR 4 903 million (EUR 5 012 million in 2006) and cash equivalents of EUR 4 725 million (EUR 2 046 million in 2006). See Note 35 for details of fixed income and money market investments.

16. Long-term loans receivable

EURm	2007 Carrying amount	2007 Fair value	2006 Carrying amount	2006 Fair value
Long-term loans receivable carried at amortized cost	**10**	**10**	19	19

The long-term loans receivable mainly consist of loans made to suppliers and to customers principally to support their financing of network infrastructure and services or working capital. Their fair value approximates the carrying value. See Note 35 for long-term and short-term portion and related maturities.

17. Inventories

EURm	2007	2006
Raw materials, supplies and other	**591**	360
Work in progress	**1 060**	600
Finished goods	**1 225**	594
Total	**2 876**	1 554

18. Prepaid expenses and accrued income

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

19. Valuation and qualifying accounts

Allowances on assets to which they apply:	Balance at beginning of year EURm	Charged to cost and expenses EURm	Deductions [1] EURm	Acquisitions EURm	Balance at end of year EURm
2007					
Allowance for doubtful accounts	212	38	−72	154	332
Excess and obsolete inventory	218	145	−202	256	417
2006					
Allowance for doubtful accounts	281	70	−139		212
Excess and obsolete inventory	176	353	−311		218
2005					
Allowance for doubtful accounts	361	80	−160		281
Excess and obsolete inventory	172	376	−372		176

1 Deductions include utilization and releases of the allowances.

20. Fair value and other reserves

	Hedging reserve, EURm			Available-for-sale investments, EURm			Total, EURm		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
Balance at December 31, 2004	**14**	**−3**	**11**	**7**	**−5**	**2**	**21**	**−8**	**13**
Cash flow hedges:									
Net fair value gains (+)/losses (−)	−327	84	−243	—	—	—	−327	84	−243
Transfer to profit and loss account as adjustment to net sales	568	−147	421	—	—	—	568	−147	421
Transfer to profit and loss account as adjustment to cost of sales	−418	108	−310	—	—	—	−418	108	−310
Available-for-sale Investments:									
Net fair value gains (+)/losses (−)	—	—	—	−69	6	−63	−69	6	−63
Transfer to profit and loss account on impairment	—	—	—	9	—	9	9	—	9
Transfer of net fair value gains (−)/losses (+) to profit and loss account on disposal	—	—	—	−3	—	−3	−3	—	−3
Balance at December 31, 2005	**−163**	**42**	**−121**	**−56**	**1**	**−55**	**−219**	**43**	**−176**
Cash flow hedges:									
Net fair value gains (+)/losses (−)	61	−16	45	—	—	—	61	−16	45
Transfer to profit and loss account as adjustment to net sales	−243	68	−175	—	—	—	−243	68	−175
Transfer to profit and loss account as adjustment to cost of sales	414	−113	301	—	—	—	414	−113	301
Available-for-sale Investments:									
Net fair value gains (+)/losses (−)	—	—	—	−42	1	−41	−42	1	−41
Transfer to profit and loss account on impairment	—	—	—	18	—	18	18	—	18
Transfer of net fair value gains (−)/losses (+) to profit and loss account on disposal	—	—	—	14	—	14	14	—	14
Balance at December 31, 2006	**69**	**−19**	**50**	**−66**	**2**	**−64**	**3**	**−17**	**−14**
Cash flow hedges:									
Net fair value gains (+)/losses (−)	29	−7	22	—	—	—	29	−7	22
Transfer to profit and loss account as adjustment to net sales	−687	186	−501	—	—	—	−687	186	−501
Transfer to profit and loss account as adjustment to cost of sales	643	−175	468	—	—	—	643	−175	468
Available-for-sale investments:									
Net fair value gains (+)/losses (−)	—	—	—	32	−1	31	32	−1	31
Transfer to profit and loss account on impairment	—	—	—	29	—	29	29	—	29
Transfer of net fair value gains (−)/losses (+) to profit and loss account on disposal	—	—	—	−12	—	−12	−12	—	−12
Balance at December 31, 2007	**54**	**−15**	**39**	**−17**	**1**	**−16**	**37**	**−14**	**23**

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

The Group continuously reviews the underlying cash flows and the hedges allocated thereto, to ensure that the amounts transferred to the fair value reserves during the year ended December 31, 2007, and 2006 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, 2007, on open forward foreign exchange contracts which hedge anticipated future foreign currency sales or purchases are transferred from the Hedging Reserve to the profit and loss account when the forecasted foreign currency cash flows occur, at various dates up to approximately 1 year from the balance sheet date.

21. The shares of the Parent Company

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

22. Share-based payment

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

The equity-based incentive grants are generally forfeited, if the employment relationship with the Group terminates, and they are conditioned upon the fulfillment of such performance, service and other conditions, as determined in the relevant plan rules.

Share-based compensation expense for all equity-based incentive awards amounted to EUR 228 million in 2007 (EUR 196 million in 2006 and EUR 95 million in 2005).

Stock options

Nokia's global stock option plans in effect for 2007, including their terms and conditions, were approved by the Annual General Meeting in the year when each plan was launched, i.e. in 2001, 2003, 2005 and 2007.

Each stock option entitles the holder to subscribe for one new Nokia share. Under the 2001 stock option plan, the stock options were transferable by the participants. Under the 2003, 2005 and 2007 plans, the stock options are non-transferable. All of the stock options have a vesting schedule with a 25% vesting one year after grant and quarterly vesting thereafter. The stock options granted under the plans generally have a term of five years.

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

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

Pursuant to the stock options issued, an aggregate maximum number of 34 673 312 new Nokia shares may be subscribed for, representing 0.9% of the total number of votes at December 31, 2007. During 2007 the exercise of 57 269 338 options resulted in the issuance of 57 269 338 new shares. The exercises during 2007 resulted in an increase of the share capital of the parent company of EUR 193 905 by the Annual General Meeting on 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 resolved by the Annual General Meeting.

There were no stock options or convertible bonds outstanding as of December 31, 2007, which upon exercise would result in an increase of the share capital of the parent company.

The table below sets forth certain information relating to the stock options outstanding at December 31, 2007.

Plan (year of launch)	Stock options outstanding	Number of participants (approx.)	Option (sub)category	Vesting status (as percentage of total number of stock options outstanding)	Exercise period: First vest date	Exercise period: Last vest date	Exercise period: Expiry date	Exercise price/share EUR
2001 [1, 2]	—	—	2001C1Q/02	Expired	April 1, 2003	April 3, 2006	December 31, 2007	26.06
			2001C3Q/02	Expired	October 1, 2003	October 2, 2006	December 31, 2007	12.99
			2001C4Q/02	Expired	January 2, 2004	January 2, 2007	December 31, 2007	16.86
			2002A+B	Expired	July 1, 2003	July 3, 2006	December 31, 2007	17.89
2003 [2]	17 113 788	14 000	2003 2Q	100.00	July 1, 2004	July 2, 2007	December 31, 2008	14.95
			2003 3Q	100.00	October 1, 2004	October 1, 2007	December 31, 2008	12.71
			2003 4Q	93.75	January 3, 2005	January 2, 2008	December 31, 2008	15.05
			2004 2Q	81.25	July 1, 2005	July 1, 2008	December 31, 2009	11.79
			2004 3Q	75.00	October 3, 2005	October 1, 2008	December 31, 2009	9.44
			2004 4Q	68.75	January 2, 2006	January 2, 2009	December 31, 2009	12.35
2005 [2]	14 498 513	5 000	2005 2Q	56.25	July 1, 2006	July 1, 2009	December 31, 2010	12.79
			2005 3Q	50.00	October 1, 2006	October 1, 2009	December 31, 2010	13.09
			2005 4Q	43.75	January 1, 2007	January 1, 2010	December 31, 2010	14.48
			2006 1Q	37.50	April 1, 2007	April 1, 2010	December 31, 2011	14.99
			2006 2Q	31.25	July 1, 2007	July 1, 2010	December 31, 2011	18.02
			2006 3Q	25.00	October 1, 2007	October 1, 2010	December 31, 2011	15.37
			2006 4Q	—	January 1, 2008	January 1, 2011	December 31, 2011	15.38
			2007 1Q	—	April 1, 2008	April 1, 2011	December 31, 2011	17.00
2007 [2]	3 061 011	3 000	2007 2Q	—	July 1, 2008	July 1, 2011	December 31, 2012	18.39
			2007 3Q	—	October 1, 2008	October 1, 2011	December 31, 2012	21.86
			2007 4Q	—	January 1, 2009	January 1, 2012	December 31, 2012	27.53

1 The stock options under the 2001 plan were listed on the Helsinki Stock Exchange.

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

Total stock options outstanding as at December 31, 2007 [1]

	Number of shares	Weighted average exercise price [2] EUR	Weighted average share price [2] EUR
Shares under option at January 1, 2005	**142 957 316**	**23.29**	
Granted	8 552 160	12.82	
Exercised	724 796	10.94	13.42
Forfeited	5 052 794	17.86	
Shares under option at December 31, 2005	**145 731 886**	**22.97**	
Granted	11 421 939	16.79	
Exercised	3 302 437	13.71	16.70
Forfeited	2 888 474	15.11	
Expired	57 677 685	33.44	
Shares under option at December 31, 2006	**93 285 229**	**16.28**	
Granted	3 211 965	18.48	
Exercised	57 776 205	16.99	21.75
Forfeited	1 992 666	15.13	
Expired	1 161 096	17.83	
Shares under option at December 31, 2007	**35 567 227**	**15.28**	
Options exercisable at December 31, 2004 (shares)	83 667 122	26.18	
Options exercisable at December 31, 2005 (shares)	112 095 407	25.33	
Options exercisable at December 31, 2006 (shares)	69 721 916	16.65	
Options exercisable at December 31, 2007 (shares)	**21 535 000**	**14.66**	

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

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

The weighted average grant date fair value of stock options granted was EUR 3.32 in 2007, EUR 3.65 in 2006 and EUR 2.45 in 2005.

The options outstanding by range of exercise price at December 31, 2007, are as follows:

	Options outstanding		
Exercise prices , EUR	Number of shares	Weighted average remaining contractual life in years	Weighted average exercise price, EUR
0.75–11.96	4 140 394	2.60	11.10
12.06–14.48	5 939 886	2.99	12.84
14.95–17.61	13 805 227	1.10	14.97
18.02–38.34	11 681 720	4.21	18.36
	35 567 227		

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:

	2007	2006	2005
Weighted average expected dividend yield	**2.30%**	2.08%	2.50%
Weighted average expected volatility	**25.24%**	24.09%	25.92%
Risk-free interest rate	**3.79%–4.19%**	2.86%–3.75%	2.16%–3.09%
Weighted average risk-free interest rate	**4.09%**	3.62%	2.60%
Expected life (years)	**3.59**	3.60	3.59
Weighted average share price, EUR	**18.49**	17.84	13.20

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

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

Performance shares

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

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

The 2004 and 2005 plans have a four-year performance period with a two-year interim measurement period, and the 2006 and 2007 plans have a three-year performance period without an interim payout. The shares vest after the respective interim measurement period and/or the performance period. Once the shares vest, they will be delivered to the participants. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with the performance shares.

The following table summarizes our global performance share plans.

Plan	Performance shares outstanding at threshold	Number of participants (approx.)	Interim measurement period	Performance period	1st (interim) settlement	2nd (final) settlement
2004	3 195 197	10 000	2004–2005	2004–2007	2006	2008
2005	3 819 347	11 000	2005–2006	2005–2008	2007	2009
2006	4 432 655	12 000	N/A	2006–2008	N/A	2009
2007	2 107 359	5 000	N/A	2007–2009	N/A	2010

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

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

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

Performance shares outstanding as at December 31, 2007 [1]

	Number of performance shares at threshold	Weighted average grant date fair value EUR [2]
Performance shares at January 1, 2005	**3 910 840**	
Granted	4 469 219	11.86
Forfeited	337 242	
Performance shares at December 31, 2005	**8 042 817**	
Granted	5 140 736	14.83
Forfeited	569 164	
Performance shares at December 31, 2006 [3]	**12 614 389**	
Granted	2 163 901	19.96
Forfeited	1 001 332	
Vested [4]	222 400	
Performance shares at December 31, 2007 [5]	**13 554 558**	

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

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

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

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

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

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

Based on the performance of the Group during the Performance Period 2004–2007, under the 2004 Performance Share Plan, both threshold performance criteria were exceeded. Hence 7.6 million Nokia shares are expected to vest in 2008. The shares will vest as of the date of the Annual General Meeting on May 8, 2008.

Restricted shares

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

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

Restricted shares outstanding as at December 31, 2007 [1]

	Number of restricted shares	Weighted average grant date fair value EUR [2]
Restricted shares at January 1, 2005	**2 319 430**	
Granted	3 016 746	12.14
Forfeited	150 500	
Restricted shares at December 31, 2005	**5 185 676**	
Granted	1 669 050	14.71
Forfeited	455 100	
Vested	334 750	
Restricted shares at December 31, 2006	**6 064 876**	
Granted	1 749 433	24.37
Forfeited	297 900	
Vested	1 521 080	
Restricted shares at December 31, 2007	**5 995 329**	

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

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

Other equity plans for employees

In addition to the global equity plans described above, the Group has minor equity plans for Nokia acquired businesses or employees in the United States or Canada, which do not result in an increase in the share capital of Nokia.

These plans are settled by using Nokia shares or ADSs acquired from the market. When these 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 0.9 million stock options and minor number of restricted shares outstanding on December 31, 2007. For stock options, the average exercise price is USD 20.53.

23. Long-term interest-bearing liabilities

	2007		2006	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Long-term interest-bearing liabilities carried at amortized cost	203	203	69	69

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

24. Deferred taxes

EURm	2007	2006
Deferred tax assets:		
Intercompany profit in inventory	87	34
Tax losses carried forward	314	41
Warranty provision	132	134
Other provisions	292	253
Depreciation differences and untaxed reserves	367	104
Share-based compensation	227	70
Other temporary differences	134	173
Total deferred tax assets	1 553	809
Deferred tax liabilities:		
Depreciation differences and untaxed reserves	−165	−23
Fair value gains/losses	−40	−16
Undistributed earnings	−31	−65
Other temporary differences [1]	−727	−101
Total deferred tax liabilities	−963	−205
Net deferred tax asset	590	604
The tax charged to shareholders' equity is as follows:		
Fair value and other reserves, fair value gains/losses and excess tax benefit on share-based compensation	133	−43

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

Deferred taxes include deferred tax assets and liabilities arising from the formation of Nokia Siemens Networks at April 1, 2007. See Note 8.

At December 31, 2007, the Group had loss carry forwards, primarily attributable to foreign subsidiaries of EUR 1 403 million (EUR 143 million in 2006), most of which do not have an expiry date.

At December 31, 2007, the Group had loss carry forwards of EUR 242 million (EUR 24 million in 2006) for which no deferred tax asset was recognized due to uncertainty of utilization of these loss carry forwards. Part of these losses do not have an expiry date.

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

25. Accrued expenses

EURm	2007	2006
Social security, VAT and other taxes	2 024	966
Wages and salaries	865	250
Advance payments	503	303
Other	3 722	2 277
Total	7 114	3 796

Other operating expense accruals include various amounts which are individually insignificant.

26. Derivative financial instruments

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

EURm	2006 Assets		2006 Liabilities	
	Fair value [1]	Notional [2]	Fair value [1]	Notional [2]
Hedges of net investment in foreign subsidiaries:				
Forward foreign exchange contracts	27	1 561	–6	686
Currency options bought	—	186	—	—
Cash flow hedges:				
Forward foreign exchange contracts	27	1 783	–51	11 641
Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss:				
Forward foreign exchange contracts	11	12 090	–7	2 098
Currency options bought	2	218	–1	50
Currency options sold	—	—	–2	143
Cash settled equity options bought [3]	7	63	—	—
Cash settled equity options sold [3]	—	—	–2	18
	74	15 901	–69	14 636

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 Short term borrowings.

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

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

27. Provisions

EURm	Warranty	Restructuring	IPR infringements	Tax	Other	Total
At January 1, 2007	1 198	65	284	402	437	2 386
Exchange differences	–10	—	—	—	—	–10
Acquisitions	263	—	—		134	397
Additional provisions	1 127	744	345	59	548	2 823
Change in fair value					16	16
Changes in estimates	–126	–53	–47	–9	–216	–451
Charged to profit and loss account	1 001	691	298	50	348	2 388
Utilized during year	–963	–139	–37	—	–305	–1 444
At December 31, 2007	**1 489**	**617**	**545**	**452**	**614**	**3 717**

EURm	2007	2006
Analysis of total provisions at December 31:		
Non-current	1 323	690
Current	2 394	1 696

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

The restructuring provision is mainly related to restructuring activities in Nokia Siemens Networks. The majority of outflows related to the restructuring is expected to occur during 2008.

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

The Group provides for the estimated future settlements related to asserted and unasserted past IPR infringements based on the probable outcome of potential infringement. Final resolution of IPR claims generally occurs over several periods.

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

28. Earnings per share

	2007	2006	2005
Numerator/EURm			
Basic/Diluted:			
Profit attributable to equity holders of the parent	**7 205**	4 306	3 616
Denominator/1 000 shares			
Basic:			
Weighted average shares	**3 885 408**	4 062 833	4 365 547
Effect of dilutive securities: stock options, restricted shares and performance shares	**46 600**	23 696	5 692
Diluted:			
Adjusted weighted average shares and assumed conversions	**3 932 008**	4 086 529	4 371 239

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.

29. Commitments and contingencies

EURm	2007	2006
Collateral for our own commitments		
Property under mortgages	**18**	18
Assets pledged	**29**	27
Contingent liabilities on behalf of Group companies		
Other guarantees	**2 563**	358
Collateral given on behalf of other companies		
Securities pledged [1]	**—**	—
Contingent liabilities on behalf of other companies		
Financial guarantees on behalf of third parties [1]	**130**	23
Other guarantees	**1**	2
Financing commitments		
Customer finance commitments [1]	**270**	164
Venture fund commitments [2]	**251**	208

1 See also Note 35 b).

2 See also Note 35 a).

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

Property under mortgages given as collateral for our own commitments include mortgages given to the Finnish National Board of Customs as a general indemnity of EUR 18 million in 2007 (EUR 18 million in 2006).

Assets pledged for the Group's own commitments include available-for-sale investments of EUR 10 million in 2007 (EUR 10 million of available-for-sale investments in 2006).

Other guarantees include guarantees of EUR 2 429 million in 2007 (EUR 259 million in 2006) provided to certain Nokia Siemens Networks' customers (Nokia's network customers in 2006) in the form of bank guarantees, standby letters of credit and other similar instruments. These instruments entitle the customer to claim payment as compensation for non-performance by Nokia of its obligations under network infrastructure supply agreements. Depending on the nature of the instrument, compensation is payable either immediately upon request, or subject to independent verification of non-performance by Nokia.

Guarantees for loans and other financial commitments on behalf of other companies of EUR 130 million in 2007 (EUR 23 million in 2006) represent guarantees relating to payment by certain Nokia Siemens Networks' customers and other third parties under specified loan facilities between such a customer and other third parties and their creditors. Nokia's obligations under such guarantees are released upon the earlier of expiration of the guarantee or early payment by the customer.

Financing commitments of EUR 270 million in 2007 (EUR 164 million in 2006) are available under loan facilities negotiated 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 251 million in 2007 (EUR 208 million in 2006) are financing commitments to a number of funds making technology related investments. As a limited partner in these funds Nokia is committed to capital contributions and also entitled to cash distributions according to respective partnership agreements.

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

As of December 31, 2007, the Group had purchase commitments of EUR 2 610 million (EUR 1 630 million in 2006) relating to inventory purchase obligations, primarily for purchases in 2008.

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:

EURm		Operating leases
Leasing payments	2008	281
	2009	218
	2010	157
	2011	117
	2012	96
	Thereafter	129
	Total	998

Rental expense amounted to EUR 328 million in 2007 (EUR 285 million in 2006 and EUR 262 million in 2005).

31. Related party transactions

Nokia Pension Foundation is a separate legal entity that manages and holds in trust the assets for the Group's Finnish employee benefit plans. These assets do not include Nokia shares. The Group recorded net rental expense of EUR 0 million in 2007 (EUR 2 million in 2006 and EUR 2 million in 2005) pertaining to a sale-leaseback transaction with the Nokia Pension Foundation involving certain buildings and a lease of the underlying land.

At December 31, 2007, the Group had borrowings amounting to EUR 69 million (EUR 69 million in 2006) from Nokia Unterstützungskasse GmbH, the Group's German pension fund, which is a separate legal entity. The loan bears interest at 6% annum and its duration is pending until further notice by the loan counterparts who have the right to terminate the loan with a 90-day notice period.

There were no loans granted to the members of the Group Executive Board and Board of Directors at December 31, 2007, 2006 or 2005.

Transactions with associated companies

EURm	2007	2006	2005
Share of results of associated companies	44	28	10
Dividend income	12	1	1
Share of shareholders' equity of associated companies	158	61	33
Sales to associated companies	82	—	—
Purchases from associated companies	125	—	—
Receivables from associated companies	61	—	—
Liabilities to associated companies	69	14	14

Management compensation

The following table sets forth the salary and cash incentive information awarded and paid or payable by the company to the Chief Executive Officer and President of Nokia Corporation for fiscal years 2005–2007 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

	2007			2006			2005		
EUR	Base salary	Cash incentive payments	Share-based compensation expense	Base salary	Cash incentive payments	Share-based compensation expense	Base salary	Cash incentive payments	Share-based compensation expense
Olli-Pekka Kallasvuo President and CEO [1]	1 037 619	2 348 877	4 805 722	898 413	664 227	2 108 197	623 524	947 742	666 313

1 President and CEO as of June 1, 2006; and President and COO until June 1, 2006; Executive Vice President and General Manager and President of Mobile Phones January 1, 2004–October 1, 2005.

Total remuneration of the Group Executive Board awarded for the fiscal years 2005–2007 was EUR 13 634 791 in 2007 (EUR 8 574 443 in 2006 and EUR 14 684 602 in 2005), 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 19 837 583 in 2007 (EUR 15 349 337 in 2006 and EUR 8 295 227 in 2005).

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.

	2007		2006		2005	
Board of Directors	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received
Chairman Jorma Ollila [2]	**375 000**	**8 110**	375 000	8 035	165 000	5 011
Vice Chairman Dame Marjorie Scardino [3]	**150 000**	**3 245**	110 000	2 356	110 000	3 340
Georg Ehrnrooth [4]	**155 000**	**3 351**	120 000	2 570	120 000	3 644
Lalita D. Gupte [5]	**140 000**	**3 027**	—	—	—	—
Dr. Bengt Holmström [6]	**130 000**	**2 810**	110 000	2 356	110 000	3 340
Dr. Henning Kagermann	**130 000**	**2 810**	—	—	—	—
Olli-Pekka Kallasvuo [7]	**130 000**	**2 810**	—	—	—	—
Per Karlsson [8]	**155 000**	**3 351**	135 000	2 892	135 000	4 100
Keijo Suila [9]	**140 000**	**3 027**	120 000	2 570	—	—
Vesa Vainio [10]	**140 000**	**3 027**	120 000	2 570	120 000	3 644
11						

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

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

3 The 2007 fee of Ms. Scardino amounted to a total of EUR 150 000 for services as Vice Chairman. The 2005 and 2006 fees of Ms. Scardino amounted to EUR 110 000 for services as a member of the Board.

4 The 2007 fee of Mr. Ehrnrooth amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee. The 2005 and 2006 fees of Mr. Ehrnrooth consisted of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

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

6 The 2007 fee of Mr. Holmström amounted to EUR 130 000 for services as a member of the Board. The 2005 and 2006 fees of Mr. Holmström amounted to EUR 110 000 for services as a member of the Board.

7 This table includes fees paid for Mr. Kallasvuo for his services as a member of the Board, only.

8 The 2007 fee of Mr. Karlsson amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Personnel Committee. The 2006 and 2005 fees of Mr. Karlsson amounted to a total of EUR 135 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee.

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

10 The 2007 fee of Mr. Vainio amounted to a total of EUR 140 000 consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee. The 2005 and 2006 fees of Mr. Vainio amounted to a total of EUR 120 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

11 Daniel R. Hesse, who was re-elected as a Nokia Board member in the Annual General Meeting on May 3, 2007, was paid the annual fee of EUR 130 000 for services as a member of the Board, prior to his resignation announced on December 28, 2007. This amount included 2 810 shares. The 2005 and 2006 fees of Mr. Hesse amounted to EUR 110 000 for services as a member of the Board, which amounts included 2 356 shares in 2006 and 3 340 shares in 2005.

Pension arrangements of certain Group Executive Board Members

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

32. Notes to cash flow statement

EURm	2007	2006	2005
Adjustments for:			
Depreciation and amortization (Note 9,13)	1 206	712	712
Profit on sale of property, plant and equipment and available-for-sale investments	−1 864	−4	−131
Income taxes (Note 11)	1 522	1 357	1 281
Share of results of associated companies (Note 14)	−44	−28	−10
Minority interest	−459	60	74
Financial income and expenses (Note 10)	−239	−207	−322
Impairment charges (Note 7)	63	51	66
Share-based compensation (Note 22)	228	192	104
Restructuring charges	856	—	—
Customer financing impairment charges and reversals	—	−276	—
Adjustments, total	1 269	1 857	1 774
Change in net working capital			
Increase in short-term receivable	−2 146	−1 770	−896
Increase (–)/decrease (+) in inventories	−245	84	−301
Increase in interest-free short-term borrowings	2 996	893	831
Change in net working capital	605	−793	−366

The formation of Nokia Siemens Networks was completed through the contribution of certain tangible and intangible assets and certain business interests that comprised Nokia's networks business and Siemens' carrier-related operations. See Note 8.

33. Subsequent events

Transfer of statutory pension liability in Finland to Ilmarinen and Varma

On December 20, 2007, the Group announced its decision to transfer the Finnish statutory pension liability of Nokia and Nokia Siemens Networks to the pension insurance companies Ilmarinen and Varma, respectively, as of March 1, 2008. The transfer did not affect the number of employees covered by the plan nor will it affect the current employees' entitlement to pension benefits. At the transfer date, the Group has retained no direct or indirect obligation to pay employee benefits relating to employee service in current, prior or future periods.

The Group is currently evaluating the accounting impact of the transfer including the recognition of unrecognized actuarial gains and losses.

Closure of Bochum site in Germany

On January 15, 2008, the Group announced plans to discontinue the production of mobile devices in Germany and close its Bochum site by mid-2008. The company plans to move manufacturing to its other more cost-competitive sites in Europe. The Group also intends to discontinue other non-production activities at the Bochum site. The Group also announced plans to sell its Bochum-based line fit automotive business and it is in negotiations to sell the adaptation software R&D entity also located in Bochum. The planned closure of the site in Bochum is estimated to affect approximately 2 300 Nokia employees.

The Group is currently evaluating the accounting impact of the closure of the Bochum site and expects to recognize restructuring and other charges in 2008.

Acquisitions

The Group announced the following acquisitions and expects them to close during 2008.

NAVTEQ

On October 1, 2007, the Nokia and US-based digital map provider NAVTEQ announced a definitive agreement for Nokia to acquire a 100% ownership interest in NAVTEQ for approximately USD 8.1 billion (EUR 5.7 billion). 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. NAVTEQ also owns Traffic.com, a web and interactive service that provides traffic information and content to consumers. Completion of the acquisition is subject to customary closing conditions including regulatory approvals.

NAVTEQ's results of operations will be included in the Group's consolidated financial statements from the acquisition date and NAVTEQ's current map data business will form a separate reportable segment. The value of the synergies between NAVTEQ and the Group and the value of NAVTEQ's assembled workforce will form the principal items expected to result in the recognition of goodwill. None of the goodwill is expected to be deductible for tax purposes. Nokia plans to finance the acquisition with a combination of cash and debt, and has secured a commitment on the debt.

For its recently completed fiscal year ended December 31, 2007, NAVTEQ reported revenues, net profit, total assets and shareholders' equity of USD 853 million (EUR 591 million), USD 173 million (EUR 120 million), USD 1 322 million (EUR 916 million) and USD 1 007 million (EUR 697 million), respectively.

Trolltech

On January 28, 2008, Nokia and Norway-based software provider Trolltech ASA announced that they have entered into an agreement that Nokia will make a public voluntary offer to acquire a 100% ownership interest in Trolltech which offer has thereafter commenced. Trolltech is a recognized software provider with world-class software development platforms and frameworks. Completion of the acquisition is subject to customary closing conditions, including acceptance by shareholders representing more than 90% of the fully diluted share capital and the necessary regulatory approvals.

For its recently completed fiscal year ended December 31, 2007, Trolltech reported unaudited revenues, net loss, total assets and shareholders' equity of NOK 218 million (EUR 27 million), NOK 38 million (EUR 5 million), NOK 210 million (EUR 26 million) and NOK 120 million (EUR 15 million), respectively.

Apertio Ltd.

On January 2, 2008, Nokia Siemens Networks announced the acquisition of a 100% ownership interest in the UK-based subscriber-centric network specialist Apertio Ltd for approximately EUR 140 million. Apertio is a leading provider of open real-time subscriber data platforms and applications built specifically for mobile, fixed, and converged telecommunications operators. The acquisition of Apertio closed on February 11, 2008. The Group is in the process of evaluating the Apertio acquisition and expects to finalize the PPA during 2008.

34. Principal Nokia Group companies at December 31, 2007

%		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	100.0	100.0
IT	Nokia Italia S.pA.	100.0	100.0
ES	Nokia Spain S.A.U	100.0	100.0
BR	Nokia do Brazil Technologia Ltda	100.0	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
Associated companies			
Symbian Limited		—	47.9

1 Nokia Siemens Networks B.V., the ultimate parent of the Nokia Siemens Networks 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 consolidates 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's overall risk management concept is based on visibility of the key risks preventing Nokia from reaching its business objectives. This covers all risk areas: strategic, operational, financial and hazard risks. Risk management at Nokia is a systematic and pro-active way to analyze, review and manage opportunities, threats and risks related to Nokia's objectives rather than to solely eliminate risks.

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

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

Financial risks

The objective for Treasury activities in Nokia is twofold: to guarantee cost-efficient funding for the Group at all times, and to identify, evaluate and hedge financial risks in close co-operation with the business groups. There is a strong focus in Nokia on creating shareholder value. The Treasury activities supports this aim by minimizing the adverse effects caused by fluctuations in the financial markets on the profitability of the underlying businesses and by managing the balance sheet structure of the Group.

Nokia has Treasury Centers in Geneva, Singapore/Beijing and New York/Sao Paolo, and a Corporate Treasury unit in Espoo. This international organization enables Nokia to provide the Group companies with financial services according to local needs and requirements.

Treasury activities is 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 currency combinations. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures. 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 stays the same as in the previous year, material transaction foreign exchange exposures are hedged. Exposures are mainly hedged with derivative financial instruments such as forward foreign exchange contracts and foreign exchange options. The majority of financial instruments hedging foreign exchange risk have duration of less than a year. The Group does not hedge forecasted foreign currency cash flows beyond two years.

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

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

At the end of year 2007 and 2006, following currencies represent a significant portion of the currency mix in the outstanding financial instruments:

2007, EURm	USD	JPY	GBP	INR
FX derivatives used as cash flow hedges (net amount) [1]	803	1 274	–656	—
FX derivatives used as net investment hedges (net amount) [2]	—	—	—	–216
FX exposure from balance sheet items (net amount) [3]	2 204	–739	89	33
FX derivatives not designated in a hedge relationship and carried at fair value through profit anc loss accounts (net amount) [3]	–2 361	847	–127	–51

2006, EURm	USD	JPY	GBP	INR
FX derivatives used as cash flow hedges (net amount) [1]	–2 439	1 626	–526	—
FX derivatives used as net investment hedges (net amount) [2]	–457	—	—	–785
FX exposure from balance sheet items (net amount) [3]	617	–488	196	—
FX derivatives not designated in a hedge relationship and carried at fair value through profit anc loss accounts (net amount) [3]	–1 442	564	–235	—

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

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

Interest rate risk

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

The objective of interest rate risk management is to support Nokia in maximizing its shareholder value by optimizing the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the consolidated net interest income and expense within risk limits.

The interest rate exposure of the Group is monitored and managed centrally. Due to the current balance sheet structure of Nokia, primary emphasis is placed on managing the interest rate risk of investments. Nokia uses the Value-at-Risk (VaR) methodology to assess and measure the interest rate risk in the investment portfolio and related derivatives in managing material exposure from the investment portfolio.

At the reporting date, the interest rate profile of the Group's interest-bearing available-for-sale investment is presented in the table below:

EURm	2007	2006
Fixed rate instruments in available-for-sale investment	7 716	5 853
Floating rate instruments in available-for-sale investment	1 912	1 205
	9 628	7 058

Equity price risk

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

Nokia has certain strategic minority investments in publicly quoted equity shares. The fair value of the equity investments which are subject to market price risk at December 31, 2007 was EUR 10 million (EUR 8 million in 2006). In addition, Nokia invests in private equity through Nokia Venture Funds, which, from time to time, could have holdings in equity instruments which are listed in stock exchanges. These investments are classified as available-for-sale carried at fair value. See Note 15 for more details on available-for-sale investments.

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

Nokia is exposed to equity price risk on social security costs relating to stock compensation plans. Nokia hedges this risk by entering into cash settled equity swap and 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. VaR is a statistical risk measurement of a potential fair value loss in market risk sensitive instruments, as the result of adverse changes in specified market factors, at a specified probability level, over a defined holding period.

In Nokia FX VaR is calculated by Monte Carlo simulation with a sufficient amount of random market rate scenarios to take 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.

VaR is measured based upon volatilities and correlations of rates and prices calculated from a one-year set of historical market data, at 95% confidence level, over a one-month period. To reflect the most recent market conditions, the data is weighted by exponential moving averages 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 the possible outcomes. In the remaining 5% of the possible outcomes, the potential loss will be at minimum equal to the VaR figure, and on average substantially higher.

The VaR methodology uses a number of assumptions, such as, a) risks are measured under average market conditions, assuming normal distribution of market risk factors; 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 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 position Value-at-Risk

	VaR from financial instruments [1]	
	2007	2006
At December 31	246	77
Average for the year	96	92
Range for the year	57–246	67–134

1 The increase in the VaR in year-over-year comparison is mainly attributable to increased hedging of forecasted cash flows due to a business acquisition.

Interest rate risk

The VaR for the Group interest rate exposure in the investment portfolio is presented in Table 2 below.

Table 2 Treasury investment portfolio Value-at-Risk

	2007	2006
At December 31	8	11
Average for the year	12	15
Range for the year	5–27	10–21

Equity price risk

The VaR for the Group equity investment in publicly traded companies is presented in Table 3 below.

Table 3 Equity investment Value-at-Risk

	2007	2006
At December 31	0.8	0.3
Average for the year	0.5	0.3
Range for the year	0.2–0.8	0.2–0.5

b) Credit risk

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

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

EURm	2007	2006
Financial guarantees given on behalf of customers or suppliers	130	23
Loan commitments given but not used	270	164
	400	187

Business related credit risk

The Company aims to ensure highest possible quality in accounts receivable and loans due from customers and suppliers. 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 and affiliates.

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 rating. Group Rating Policy defines the rating principles. Ratings are approved by Nokia Group Rating Committee. Credit risks are approved and monitored according to the credit policy of each business entity. These policies are based on the Group Credit Policy. Concentrations of customer or country risks are monitored at the Nokia Group level. When appropriate, assumed credit risks are mitigated with the use of approved instruments, such as collateral or insurance and sale of selected receivables. Bad debt provisions are made if recovery of a credit becomes uncertain.

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

Three customers account for approximately 4.9%, 2.9% and 2.5% (2006: 4.2%, 4.0%, 3.2%) of Group accounts receivables and loans due from customers and other third parties as at December 31, 2007 while the top three credit exposures by country amounted to 8.7%, 6.9% and 6.5% (2006: 8.7%, 7.6%, 7.1%) respectively.

As at December 31, 2007, the carrying amount before deducting any impairment allowance of accounts receivables related to customers other third parties for which impairment was provided amounted to EUR 3 011 million (2006: EUR 1 368 million). The amount of provision taken against that portion of these receivables considered to be impaired was EUR 332 million (2006: EUR 212 million) (see also Note 19 Valuation and qualifying accounts).

An amount of EUR 478 million (2006: EUR 518 million) relates to past due receivables for which no impairment loss was recognized. The aging of these receivables is as follows:

	2007	2006
Past due 1–30 days	411	394
Past due 31–180 days	66	101
More than 180 days	1	23
	478	518

As at December 31, 2007, the carrying amount before deducting any impairment allowance of loans due from customers and other third parties for which impairment was provided amounted to EUR 161 million (2006: none). The amount of provision taken for these loans was EUR 19 million (2006: none).

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

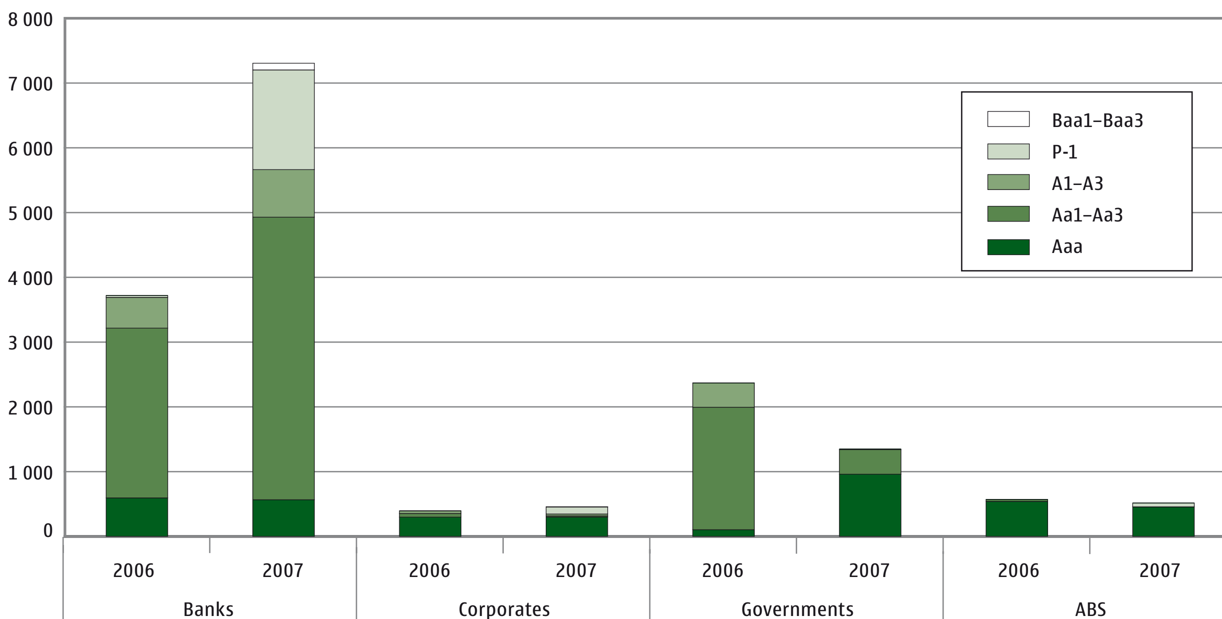
Financial credit risk

Financial instruments contain an element of risk of loss resulting from counterparties being unable to meet their obligations. This risk is measured and monitored centrally. Nokia minimizes financial credit risk by limiting its counterparties to a sufficient number of major banks and financial institutions, as well as through entering into netting arrangements, which gives Nokia the right to offset in the case that the counterparty would not be able to fulfill the obligations.

Nokia's investment decisions are based on strict creditworthiness criteria as defined in the Treasury Policy and Operating Procedure. As a result of the constant monitoring of its outstanding investments, Nokia does not have exposure of any significance to subprime loans via its investment portfolio.

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

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



1 Fixed income and money-market investments include term deposits, investments in liquidity funds and investments in fixed income instruments classified as Available-for-sale. Available-for-sale investments are carried at fair value in 2007 and 2006.

2 Included within fixed income and money-market investments is EUR 169 million of restricted investment at December 31, 2007 (EUR 10 million at December 31, 2006). They are restricted financial assets under various contractual or legal obligations.

73% of Nokia's Bank and cash is held with banks of credit rating Aa2 or above (70% for 2006).

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 into transactions where proper two-way quotes can be obtained from the market. Due to the dynamic nature of the underlying business, Treasury also aims at maintaining flexibility in funding by keeping committed and uncommitted credit lines available. At the end of December 31, 2007, the committed facilities totaled EUR 3 270 million. The committed credit facilities are intended to be used primarily for US and Euro Commercial Paper Programs back up purposes. The average commitment fee on the facilities is 0.041% per annum.

The most significant existing funding programs include:

» Revolving Credit Facility of USD 2 000 million, maturing 2008

» Credit Facility of EUR 500 million, maturing 2011

» Revolving Credit Facility of USD 2 000 million, maturing in 2012

» Euro Medium Term Note (EMTN) program, totaling EUR 3 000 million

» Local commercial paper program in Finland, totaling EUR 750 million

» Euro Commercial Paper (ECP) program, totaling USD 500 million

» US Commercial Paper (USCP) program, totaling USD 500 million

None of the above programs have been used to a significant degree in 2007.

Nokia's international creditworthiness facilitates the efficient use of international capital and loan markets. The ratings of Nokia from credit rating agencies have not changed during the year. The ratings as at December 31, 2007, were:

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

The following table below is an undiscounted 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 as such is not possible.

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

At December 31, 2006, 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 receivables	—	1	11	14	—
Other non-current financial assets	—	1	7	—	—
Loan commitments obtained	—	—	—	—	1 524
Current financial assets					
Short-term loans receivables	23	4	—	—	—
Current portion of long-term loans receivable	—	—	—	—	—
Available-for-sale investments	2 454	801	3 396	547	374
Cash	1 479	—	0	—	—
Cash flows related to derivative financial assets net settled :					
Derivative contracts-receipts	—	2	4	1	—
Cash flows related to derivative financial assets gross settled:					
Derivative contracts-receipts	15 032	408	—	—	—
Derivative contracts-payments	–14 986	–393	—	—	—
Accounts receivables [1, 2]	4 456	950	115	—	—
Non-current financial liabilities					
Long-term liabilities	1	3	8	8	69
Loan commitments given			164		
Current financial liabilities					
Current portion of long-term loans	—	—	—	—	—
Short-term liabilities	–160	–2	—	—	—
Cash flows related to derivative financial liabilities net settled:					
Derivative contracts-payments	—	–1	–1	—	—
Cash flows related to derivative financial liabilities gross settled:					
Derivative contracts-receipts	14 242	236	—	—	—
Derivative contracts-payments	–14 301	–244	—	—	—
Accounts payable	–3 706	–22	-4	—	—

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

2 Accounts receivable maturity analysis does not include accrued receivables and receivables accounted based on the percentage of completion method of EUR 1 700 million (2006: EUR 367 million).

Hazard risk

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

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

Parent company financial statements according to Finnish Accounting Standards

Profit and loss accounts, parent company, FAS

Financial year ended December 31	Notes	2007 EURm	2006 EURm
Net sales		**30 907**	32 213
Cost of sales		**−20 995**	−23 165
Gross margin		**9 912**	9 048
Selling and marketing expenses		**−1 328**	−1 446
Research and development expenses		**−2 894**	−3 777
Administrative expenses		**−566**	−820
Other operating expenses		**−195**	−506
Other operating income		**139**	438
Operating profit	2, 3	**5 068**	2 937
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		**2 585**	4 447
Dividend income from other companies		**3**	1
Interest income from Group companies		**3**	1
Other interest and financial income			
Interest income from Group companies		**250**	355
Interest income from other companies		**7**	2
Other financial income from other companies		**1**	—
Exchange gains and losses		**−22**	53
Interest expenses and other financial expenses			
Interest expenses to Group companies		**−168**	−385
Interest expenses to other companies		**−19**	−4
Other financial expenses		**−2**	−3
Financial income and expenses, total		**2 638**	4 467
Profit before extraordinary items and taxes		**7 706**	7 404
Extraordinary items			
Group contributions		**—**	33
Extraordinary items, total		**—**	33
Profit before taxes		**7 706**	7 437
Income taxes			
for the year		**−1 314**	−759
from previous years		**−34**	5
Net profit		**6 358**	6 683

See Notes to the financial statements of the parent company.

Balance sheets, parent company, FAS

December 31	Notes	2007 EURm	2006 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	4		
Capitalized development costs		**106**	250
Intangible rights		**48**	61
Other long-term expenses		**4**	5
		158	316
Tangible assets	5	**—**	—
Investments			
Investments in subsidiaries	6	**6 564**	3 682
Investments in associated companies	6	**9**	6
Long-term loan receivables from Group companies		**9**	35
Long-term loan receivables from other companies		**—**	12
Other non-current assets	6	**4**	5
		6 586	3 740
Current assets			
Inventories and work in progress			
Raw materials and supplies		**72**	149
Work in progress		**294**	141
Finished goods		**72**	251
		438	541
Receivables			
Trade debtors from Group companies		**958**	1 369
Trade debtors from other companies		**1 405**	1 885
Short-term loan receivables from Group companies		**8 219**	4 897
Short-term loan receivables from other companies		**40**	7
Prepaid expenses and accrued income from Group companies		**1 942**	2 495
Prepaid expenses and accrued income from other companies		**1 372**	965
		13 936	11 618
Bank and cash		**212**	204
Total		**21 330**	16 419

See Notes to the financial statements of the parent company.

December 31	Notes	2007 EURm	2006 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7		
Share capital		246	246
Share issue premium		—	2 312
Treasury shares	7	–3 147	–2 054
Reserve for invested non-restricted equity	7, 8	3 299	—
Retained earnings	7, 8	4 354	2 090
Net profit for the year	7, 8	6 358	6 683
		11 110	9 277
Provisions			
Other provisions		—	121
Liabilities			
Short-term liabilities			
Current finance liabilities from Group companies		5 332	2 810
Current finance liabilities from other companies		24	2
Advance payments from other companies		7	72
Trade creditors to Group companies		1 222	1 127
Trade creditors to other companies		881	1 154
Accrued expenses and prepaid income to Group companies		122	94
Accrued expenses and prepaid income to other companies		2 632	1 762
		10 220	7 021
Total		21 330	16 419

See Notes to the financial statements of the parent company.

Cash flow statements, parent company, FAS

Financial year ended December 31	Notes	2007 EURm	2006 EURm
Cash flow from operating activities			
Net profit		6 358	6 683
Adjustments, total	12	–925	–3 293
Net profit before change in net working capital		5 433	3 390
Change in net working capital	12	150	32
Cash generated from operations		5 583	3 422
Interest received		256	359
Interest paid		–182	–388
Other financial income and expenses		–40	22
Income taxes paid		–822	–628
Cash flow before extraordinary items		4 795	2 787
Extraordinary income and expenses		33	–16
Net cash from operating activities		4 828	2 771
Cash flow from investing activities			
Investments in shares		–50	–135
Additions to capitalized development costs		–90	–127
Capital expenditures		–28	–38
Proceeds from sale of shares		37	1
Long-term loans made to customers		–11	–11
Proceeds from repayment and sale of long-term loans receivable		11	56
Proceeds from other long-term receivables		28	14
Proceeds from short-term receivables		–3 372	6 911
Dividends received		672	2 013
Net cash used in investing activities		–2 803	8 684
Cash flow from financing activities			
Proceeds from share issue		987	46
Proceeds from borrowings		2 508	—
Repayment of borrowings		—	–6 451
Purchase of treasury shares		–3 826	–3 366
Dividends paid		–1 686	–1 512
Net cash used in financing activities		–2 017	–11 283
Net decrease in cash and cash equivalents		8	172
Cash and cash equivalents at beginning of period		204	32
Cash and cash equivalents at end of period		212	204

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	2007	2006
Wages and salaries	**1 059**	1 395
Pension expenses	**165**	218
Other social expenses	**41**	97
Personnel expenses as per profit and loss account	**1 265**	1 710

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 2005–2007 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

	2007			2006			2005		
EUR	**Base salary**	**Cash incentive payments**	**Share-based compensation expense**	Base salary	Cash incentive payments	Share-based compensation expense	Base salary	Cash incentive payments	Share-based compensation expense
Olli-Pekka Kallasvuo President and CEO [1]	**1 037 619**	**2 348 877**	**4 805 722**	898 413	664 227	2 108 197	623 524	947 742	666 313

1 President and CEO as of June 1, 2006; and President and COO October 1, 2005–June 1, 2006; Executive Vice President and General Manager and President of Mobile Phones January 1, 2004–October 1, 2005.

Total remuneration of the Group Executive Board awarded for the fiscal years 2005–2007 was EUR 13 634 791 in 2007 (EUR 8 574 443 in 2006 and EUR 14 684 602 in 2005), 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 19 837 583 in 2007 (EUR 15 349 337 in 2006 and EUR 8 295 227 in 2005).

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.

	2007		2006		2005	
Board of Directors	**Gross annual fee EUR [1]**	**Shares received**	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received
Chairman Jorma Ollila [2]	**375 000**	**8 110**	375 000	8 035	165 000	5 011
Vice Chairman Dame Marjorie Scardino [3]	**150 000**	**3 245**	110 000	2 356	110 000	3 340
Georg Ehrnrooth [4]	**155 000**	**3 351**	120 000	2 570	120 000	3 644
Lalita D. Gupte [5]	**140 000**	**3 027**	—	—	—	—
Dr. Bengt Holmström [6]	**130 000**	**2 810**	110 000	2 356	110 000	3 340
Dr. Henning Kagermann	**130 000**	**2 810**	—	—	—	—
Olli-Pekka Kallasvuo [7]	**130 000**	**2 810**	—	—	—	—
Per Karlsson [8]	**155 000**	**3 351**	135 000	2 892	135 000	4 100
Keijo Suila [9]	**140 000**	**3 027**	120 000	2 570	—	—
Vesa Vainio [10]	**140 000**	**3 027**	120 000	2 570	120 000	3 644
11						

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

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

3 The 2007 fee of Ms. Scardino amounted to a total of EUR 150 000 for services as Vice Chairman. The 2006 and 2005 fees of Ms. Scardino amounted to EUR 110 000 for services as a member of the Board.

4 The 2007 fee of Mr. Ehrnrooth amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee. The 2006 and 2005 fees of Mr. Ehrnrooth consisted of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

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

6 The 2007 fee of Mr. Holmström amounted to EUR 130 000 for services as a member of the Board. The 2005 and 2006 fees of Mr. Holmström amounted to EUR 110 000 for services as a member of the Board.

7 This table includes fees paid for Mr. Kallasvuo for his services as a member of the Board, only.

8 The 2007 fee of Mr. Karlsson amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Personnel Committee. The 2006 and 2005 fees of Mr. Karlsson amounted to a total of EUR 135 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee.

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

10 The 2007 fee of Mr. Vainio amounted to a total of EUR 140 000 consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee. The 2006 and 2005 fees of Mr. Vainio amounted to a total of EUR 120 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

11 Daniel R. Hesse, who was re-elected as a Nokia Board member in the Annual General Meeting on May 3, 2007, was paid the annual fee of EUR 130 000 for services as a member of the Board, prior to his resignation announced on December 28, 2007. This amount included 2 810 shares. The 2006 and 2005 fees of Mr. Hesse amounted to EUR 110 000 for services as a member of the Board, which amounts included 2 356 shares in 2006 and 2 340 shares in 2005.

Retirement benefits of certain Group Executive Board Members

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

Personnel average	2007	2006
Production	3 965	6 194
Marketing	1 187	1 444
R&D	9 732	13 544
Administration	2 580	3 121
	17 464	24 303
Personnel, December 31	15 070	24 333

3. Depreciation and amortization

EURm	2007	2006
Depreciation and amortization by asset class category		
Intangible assets		
Capitalized development costs	55	137
Intangible rights	28	31
Tangible assets	2	—
Total	85	168
Depreciation and amortization by function		
R&D	67	149
Production	1	2
Selling, marketing and administration	17	17
Total	85	168

4. Intangible assets

EURm	2007	2006
Capitalized development costs		
Acquisition cost January 1	1 605	1 517
Additions	90	127
Accumulated amortization relating to additions December 31	−1	−5
Disposals	−1 336	−39
Accumulated amortization relating to deductions December 31	1 158	39
Accumulated amortiza tion December 31	−1 410	−1 389
Net carrying amount December 31	106	250
Intangible rights		
Acquisition cost January 1	310	311
Additions	25	37
Accumulated amortization relating to additions December 31	−4	−5
Disposals	−75	−38
Accumulated amortization relating to deductions December 31	66	38
Accumulated amortization December 31	−274	−282
Net carrying amount December 31	48	61
Other intangible assets		
Acquisition cost January 1	8	7
Additions	4	3
Accumulated amortization relating to additions December 31	−2	—
Disposals	−6	−2
Accumulated amortization relating to deductions December 31	3	—
Accumulated amortization December 31	−3	−3
Net carrying amount December 31	4	5

5. Tangible assets

At the end of 2007 and 2006 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	2007	2006
Investments in subsidiaries		
Acquisition cost January 1	3 682	3 565
Additions	5 454	148
Disposals	−2 572	−31
Net carrying amount December 31	6 564	3 682
Investments in associated companies		
Acquisition cost January 1	6	7
Additions	3	4
Disposals	—	−5
Net carrying amount December 31	9	6
Investments in other shares		
Acquisition cost January 1	5	5
Additions	—	—
Disposals	−1	—
Net carrying amount December 31	4	5

7. Shareholders' equity

Parent company, EURm	Share capital	Share issue premium	Treasury shares	Reserve for invested non-restricted equity	Retained earnings	Total
Balance at January 1, 2005	280	2 230	–2 012	—	10 163	10 661
Share issue		2				2
Cancellation of treasury shares	–14	14	2 664		–2 664	—
Acquisitions of treasury shares			–4 266			–4 266
Dividend					–1 463	–1 463
Adoption of IAS 39(R)					71	71
Net profit					2 422	2 422
Balance at December 31, 2005	266	2 246	–3 614	—	8 529	7 427
Share issue		46				46
Cancellation of treasury shares	–20	20	4 927		–4 927	—
Acquisitions of treasury shares			–3 404			–3 404
Settlement of performance shares			37			37
Dividend					–1 512	–1 512
Net profit					6 683	6 683
Balance at December 31, 2006	246	2 312	–2 054	—	8 773	9 277
Share issue		46				46
Cancellation of treasury shares			2 733		–2 733	—
Acquisitions of treasury shares			–3 884			–3 884
Settlement of performance shares			58			58
Reserve for invested non-restricted equity		–2 358		3 299		941
Dividend					–1 686	–1 686
Net profit					6 358	6 358
Balance at December 31, 2007	**246**	**—**	**–3 147**	**3 299**	**10 712**	**11 110**

8. Distributable earnings

EURm	2007	2006
Reserve for invested non-restricted equity	**3 299**	—
Retained earnings from previous years	**4 354**	2 090
Net profit for the year	**6 358**	6 683
Retained earnings, total	**14 011**	8 773
Treasury shares	**–3 147**	–2 054
Distributable earnings, December 31	**10 864**	6 719

9. Commitments and contingencies

EURm	2007	2006
Contingent liabilities on behalf of Group companies		
Guarantees for loans	**104**	151
Leasing guarantees	**213**	291
Other guarantees	**89**	343
Contingent liabilities on behalf of other companies		
Guarantees for loans	**3**	23
Other guarantees	**—**	1

10. Leasing contracts

At December 31, 2007 the leasing contracts of the Parent Company amounted to EUR 25 million (EUR 428 million in 2006). EUR 12 million will expire in 2008 (EUR 408 million in 2006).

11. Loans granted to the management of the company

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

12. Notes to cash flow statements

EURm	2007	2006
Adjustments for:		
Depreciation	85	168
Income taxes	1 348	754
Financial income and expenses	−2 638	−4 467
Impairment of intangible assets	177	—
Impairment of non-current available-for-sale investments	1	34
Other operating income and expenses	102	218
Adjustments, total	−925	−3 293
Change in net working capital		
Short-term trade receivables, increase (–), decrease (+)	2 856	−361
Inventories, increase (–), decrease (+)	102	143
Interest-free short-term liabilities, increase (+), decrease (–)	−2 808	250
Change in net working capital	150	32

13. Principal Nokia Group companies on December 31, 2007

See Note 34 to Notes to the consolidated financial statements.

14. Nokia Shares and Shareholders

See Nokia Shares and Shareholders p. 52–55.

15. Accrued income

EURm	2007	2006
Taxes	—	188
Other	3 314	3 272
Total	3 314	3 460

16. Accrued expenses

EURm	2007	2006
Personnel expenses	207	297
Taxes	338	—
Other	2 209	1 680
Total	2 754	1 977

17. Income tax

EURm	2007	2006
Income tax from operations	1 314	750
Other income tax	—	9
Total	1 314	759

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, 2007, the share capital of Nokia Corporation was EUR 245 896 461.96 and the total number of shares issued was 3 982 811 957.

On December 31, 2007, the total number of shares included 136 862 005 shares owned by Group companies representing approximately 3.4% of the share capital and the total voting rights.

To align the Articles of Association of Nokia with the new Finnish Companies Act, effective as of September 1, 2006, the Annual General Meeting held on May 3, 2007, amended the Articles of Association to the effect that the provisions on minimum and maximum share capital as well as on the par value of a share were removed.

Share capital and shares December 31, 2007	2007	2006	2005	2004	2003
Share capital, EURm	**246**	246	266	280	288
Shares (1 000)	**3 982 812**	4 095 043	4 433 887	4 663 761	4 796 292
Shares owned by the Group (1 000)	**136 862**	129 312	261 511	176 820	96 024
Number of shares excluding shares owned by the Group (1 000)	**3 845 950**	3 965 730	4 172 376	4 486 941	4 700 268
Average number of shares excluding shares owned by the Group during the year (1 000), basic	**3 885 408**	4 062 833	4 365 547	4 593 196	4 761 121
Average number of shares excluding shares owned by the Group during the year (1 000), diluted	**3 932 008**	4 086 529	4 371 239	4 600 337	4 761 160
Number of registered shareholders [1]	**103 226**	119 143	126 352	142 095	133 991

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

Key ratios December 31, 2007 IFRS (calculation see page 58)	2007	2006	2005	2004	2003
Earnings per share from net profit, EUR					
Earnings per share, basic	**1.85**	1.06	0.83	0.69	0.74
Earnings per share, diluted	**1.83**	1.05	0.83	0.69	0.74
P/E ratio	**14.34**	14.60	18.61	16.84	18.53
(Nominal) dividend per share, EUR	**0.53** *	0.43	0.37	0.33	0.30
Total dividends paid, EURm [1]	**2 111** *	1 761	1 641	1 539	1 439
Payout ratio	**0.29** *	0.41	0.45	0.48	0.41
Dividend yield, %	**2.0**	2.8	2.4	2.8	2.2
Shareholders' equity per share, EUR	**3.84**	3.02	2.95	3.21	3.26
Market capitalization, EURm [2]	**101 995**	61 390	64 463	52 138	65 757

* Board's proposal.

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

2 Shares owned by the Group companies are not included.

Authorizations

Authorization to increase the share capital

The Board of Directors had been authorized by Nokia shareholders at the Annual General Meeting held on March 30, 2006, to decide on an increase of the share capital by a maximum of EUR 48 540 000 offering a maximum of 809 000 000 new shares. In 2007, the Board of Directors did not increase the share capital on the basis of this authorization. The authorization expired on March 30, 2007.

At the Annual General Meeting held on May 3, 2007, Nokia shareholders authorized the Board of Directors to issue a maximum of 800 000 000 new shares through one or more issues of shares or special rights entitling to shares, including stock options. The Board of Directors may issue either new shares or shares held by the Company. The authorization includes the right for the Board to resolve on all the terms and conditions of such issuances of shares and special rights, including to whom the shares and the special rights may be issued. In 2007, the Board of Directors did not increase the share capital on the basis of this authorization. The authorization is effective until June 30, 2010.

At the end of 2007, 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 March 30, 2006, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 405 000 000 Nokia shares. In 2007, Nokia repurchased 45 220 000 Nokia shares on the basis of this authorization. The authorization expired on March 30, 2007.

At the Annual General Meeting held on May 3, 2007, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 380 000 000 Nokia shares by using funds in the unrestricted shareholders' equity. The amount of shares corresponds to less than 10% of all shares of the company. In 2007, Nokia repurchased a total of 135 370 000 shares under this buy-back authorization, as a result of which the unused authorization amounted to 244 630 000 shares on December 31, 2007. The shares may be repurchased under the buy-back authorization in order to carry out the company's stock repurchase plan. In addition, shares may be repurchased in order to develop the capital structure of the company, to finance or carry out acquisitions or other arrangements, to settle the company's equity-based incentive plans, to be transferred for other purposes, or to be cancelled. This authorization is effective until June 30, 2008.

Authorizations proposed to the Annual General Meeting 2008

The Board of Directors will propose to the Annual General Meeting that the Annual General Meeting authorize the Board of Directors to repurchase a maximum of 370 000 000 Nokia shares by using funds in the unrestricted shareholders' equity. The proposed amount of shares corresponds to less than 10% of all shares of the company. It is proposed that the authorization be effective until June 30, 2009.

Share and bonus issues 2003–2007

Year	Type of Issue	Subscription price or amount of bonus issue EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
2003	Nokia Stock Option Plan 1997	3.23	7 160	2003	23.11	0.43
	Share issue to stockholders of Eizel Technologies Inc.	14.76	1 225	2003	18.08	0.07
	Total		**8 385**		**41.19**	**0.50**
2004	Nokia Stock Option Plan 1999 (A)	16.89	5	2004	0.09	0.00
	Total		**5**		**0.09**	**0.00**
2005	Nokia Stock Option Plan 2003 2Q	14.95	61	2005	0.91	0.00
	Nokia Stock Option Plan 2003 3Q	12.71	6	2005	0.08	0.00
	Nokia Stock Option Plan 2004 2Q	11.79	55	2005	0.65	0.00
	Nokia Stock Option Plan 2004 3Q	9.44	3	2005	0.02	0.00
	Total		**125**		**1.66**	**0.01**
2006	Nokia Stock Option Plan 2003 2Q	14.95	2 287	2006	34.19	0.14
	Nokia Stock Option Plan 2003 3Q	12.71	32	2006	0.41	0.00
	Nokia Stock Option Plan 2003 4Q	15.05	3	2006	0.05	0.00
	Nokia Stock Option Plan 2004 2Q	11.79	523	2006	6.16	0.03
	Nokia Stock Option Plan 2004 3Q	9.44	9	2006	0.08	0.00
	Nokia Stock Option Plan 2004 4Q	12.35	17	2006	0.21	0.00
	Nokia Stock Option Plan 2005 2Q	12.79	174	2006	2.22	0.01
	Nokia Stock Option Plan 2005 3Q	13.09	2	2006	0.03	0.00
	Total		**3 047**		**43.34**	**0.18**
2007	Nokia Stock Option Plan 2002 A/B	17.89	43 513	2007	778	
	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	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**

Reductions of share capital

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

Share turnover (all stock exchanges)

	2007	2006	2005	2004	2003
Share turnover (1 000)	**12 695 999**	12 480 730	12 977 232	14 091 430	11 788 172
Total number of shares (1 000)	**3 982 812**	4 095 043	4 433 887	4 663 761	4 796 282
% of total number of shares	**319**	305	293	302	246

Share prices, EUR (Helsinki Stock Exchange)

	2007	2006	2005	2004	2003
Low/high	**14.63/28.60**	14.61/18.65	10.75/15.75	8.97/18.79	11.44/16.16
Average [1]	**20.82**	15.97	13.20	12.84	14.12
Year-end	**26.52**	15.48	15.45	11.62	13.71

1 Calculated by weighting average price with daily volumes.

Share prices, USD (New York Stock Exchange)

ADS	2007	2006	2005	2004	2003
Low/high	**19.08/41.10**	17.72/23.10	13.92/18.62	11.03/23.22	12.67/18.45
Average [1]	**29.28**	19.98	16.39	15.96	15.99
Year-end	**38.39**	20.32	18.30	15.67	17.00

1 Calculated by weighting average price with daily volumes.

Nokia share prices on the Helsinki Stock Exchange EUR

Nokia ADS prices on the New York Stock Exchange USD

Shareholders, December 31, 2007

Shareholders registered in Finland represented 11.05% and shareholders registered in the name of a nominee represented 88.95% of the total number of shares of Nokia Corporation. The number of registered shareholders was 103 226 on December 31, 2007. Each account operator (26) is included in this figure as only one registered shareholder.

Nominee registered shareholders include holders of American Depositary Receipts (ADR). As of December 31, 2007, ADRs represented 25.44% of the total number of shares in Nokia.

Largest shareholders registered in Finland, December 31, 2007

(excluding nominee registered shares and shares owned by Nokia Corporation) [1]	Total number of shares (1 000)	% of all shares	% of all voting rights [2]
Ilmarinen Mutual Pension Insurance Company	15 807 989	0.40	0.41
Svenska Litteratursällskapet i Finland rf	14 220 000	0.36	0.37
Varma Mutual Pension Insurance Company	11 257 946	0.28	0.29
Sigrid Jusélius Foundation	10 000 000	0.25	0.26
BNP Arbitrage	8 074 889	0.20	0.21
The State Pension Fund	5 700 000	0.14	0.15
The Social Insurance Institution of Finland	4 288 896	0.11	0.11
Mutual Insurance Company Pension Fennia	3 850 000	0.10	0.10
The Finnish Cultural Foundation	3 551 100	0.09	0.09
The Finnish Innovation Fund (Sitra)	2 785 424	0.07	0.07

1 Nokia Corporation owned 136 687 253 shares as of December 31, 2007.

2 174 752 shares owned by the Group companies as of December 31, 2006 do not carry voting rights.

Breakdown of share ownership, December 31, 2007 [1]

By number of shares owned	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1–100	36 873	35.72	2 191 042	0.06
101–1 000	47 395	45.91	18 046 785	0.45
1 001–10 000	15 683	15.19	50 129 126	1.26
10 001–100 000	2 989	2.90	77 120 899	1.94
100 001–500 000	229	0.22	47 717 133	1.20
500 001–1 000 000	22	0.02	15 025 177	0.38
1 000 001–5 000 000	22	0.02	44 884 766	1.13
Over 5 000 000	13	0.01	3 727 697 029	93.59
Total	103 226	100.00	3 982 811 957	100.00

By nationality, %	Shares
Non-Finnish shareholders	88.95
Finnish shareholders	11.05
Total	**100.00**

By shareholder category (Finnish shareholders), %	Shares
Corporations	3.85
Households	3.73
Financial and insurance institutions	0.54
Non-profit organizations	1.58
General government	1.35
Total	**11.05**

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

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

Members of the Board of Directors and the Group Executive Board owned on December 31, 2007, an aggregate of 1 452 167 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 4 493 844 shares representing approximately 0.11% of the total number of shares and voting rights on December 31, 2007.

Nokia Group 2003 – 2007, IFRS *

	2007	2006	2005	2004	2003
Profit and loss account, EURm					
Net sales	**51 058**	41 121	34 191	29 371	29 533
Cost and expenses	**−43 073**	−35 633	−29 552	−25 045	−24 573
Operating profit	**7 985**	5 488	4 639	4 326	4 960
Share of results of associated companies	**44**	28	10	−26	−18
Financial income and expenses	**239**	207	322	405	352
Profit before tax	**8 268**	5 723	4 971	4 705	5 294
Tax	**−1 522**	−1 357	−1 281	−1 446	−1 697
Profit before minority interests	**6 746**	4 366	3 690	3 259	3 597
Minority interests	**459**	−60	−74	−67	−54
Profit attributable to equity holders of the parent	**7 205**	4 306	3 616	3 192	3 543
Balance sheet items, EURm					
Fixed assets and other non-current assets	**8 305**	4 031	3 501	3 315	3 991
Current assets	**29 294**	18 586	18 951	19 508	20 083
Inventories	**2 876**	1 554	1 668	1 305	1 169
Accounts receivable and prepaid expenses	**14 665**	8 495	7 373	6 406	6 802
Available-for-sale investments	**—**	—	—	255	816
Total cash and other liquid assets	**11 753**	8 537	9 910	11 542	11 296
Total equity	**17 338**	12 060	12 514	14 553	15 466
Capital and reserves attributable to the Company’s equity holders	**14 773**	11 968	12 309	14 385	15 302
Minority interests	**2 565**	92	205	168	164
Long-term liabilities	**1 285**	396	268	294	328
Long-term interest-bearing liabilities	**203**	69	21	19	20
Deferred tax liabilities	**963**	205	151	179	241
Other long-term liabilities	**119**	122	96	96	67
Current liabilities	**18 976**	10 161	9 670	7 976	8 280
Short-term borrowings	**898**	247	377	215	387
Current portion of long-term loans	**173**	—	—	—	84
Accounts payable	**7 074**	3 732	3 494	2 669	2 919
Accrued expenses	**7 114**	3 796	3 320	2 604	2 468
Provisions	**3 717**	2 386	2 479	2 488	2 422
Total assets	**37 599**	22 617	22 452	22 823	24 074

* 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 year ended December 31, 2007 are not directly comparable to the results for the year ended December 31, 2006. Nokia’s 2003-2006 results included Nokia’s former Networks business group only.

Key ratios and economic indicators [1]	2007	2006	2005	2004	2003
Net sales, EURm	**51 058**	41 121	34 191	29 371	29 533
Change, %	**24.2**	20.3	16.4	–0.5	–1.6
Exports and foreign subsidiaries, EURm	**50 736**	40 734	33 860	29 020	29 186
Salaries and social expenses, EURm	**5 702**	4 206	3 773	3 430	3 026
Operating profit, EURm	**7 985**	5 488	4 639	4 326	4 960
% of net sales	**15.6**	13.3	13.6	14.7	16.8
Financial income and expenses, EURm	**239**	207	322	405	352
% of net sales	**0.5**	0.5	0.9	1.4	1.2
Profit before tax, EURm	**8 268**	5 723	4 971	4 705	5 294
% of net sales	**16.2**	13.9	14.5	16.0	17.9
Profit from continuing operations, EURm	**7 205**	4 306	3 616	3 192	3 543
% of net sales	**14.1**	10.5	10.6	10.9	12.0
Taxes, EURm	**1 522**	1 357	1 281	1 446	1 699
Dividends, EURm	**2 111** [2]	1 761	1 641	1 539	1 439
Capital expenditure, EURm	**715**	650	607	548	432
% of net sales	**1.4**	1.6	1.8	1.9	1.5
Gross investments [3], EURm	**1 017**	897	870	1 197	1 013
% of net sales	**2.0**	2.2	3.1	4.1	3.4
R&D expenditure, EURm	**5 647**	3 897	3 825	3 776	3 788
% of net sales	**11.1**	9.5	11.2	12.9	12.8
Average personnel	**100 534**	65 324	56 896	53 511	51 605
Non-interest bearing liabilities, EURm	**18 024**	10 036	9 389	7 857	8 117
Interest-bearing liabilities, EURm	**1 274**	316	398	234	491
Return on capital employed, %	**54.3**	45.8	36.3	31.2	34.0
Return on equity, %	**53.9**	35.5	27.1	21.5	23.8
Equity ratio, %	**45.5**	52.6	56.4	64.6	65.0
Net debt to equity, %	**–61**	–68	–76	–78	–70

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 year ended December 31, 2007 are not directly comparable to the results for the year ended December 31, 2006. Nokia's 2003-2006 results included Nokia's former Networks business group only.

2 Board's proposal

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

Calculation of Key Ratios, see page 58.

Calculation of key ratios

Key ratios under IFRS

Operating profit
Profit after depreciation

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

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

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

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

Payout ratio
Dividend per share
Earnings per share

Dividend yield, %
Nominal dividend per share
Share price

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

Market capitalization
Number of shares x share price per share class

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

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

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

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

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

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

Year-end currency rates 2007

	1 EUR =
USD	1.4439
GBP	0.7148
SEK	9.4397
JPY	163.52

Proposal by the Board of Directors for distribution of profit

The distributable funds in the balance sheet of the Company as per December 31, 2007 amount to EUR 10 864 million.

The Board proposes that from the retained earnings a dividend of EUR 0.53 per share is to be paid out on the shares of the Company. As per December 31, 2007 the number of shares of the Company amounted to 3 982 811 957, based on which the maximum amount to be distributed as dividend is EUR 2 111 million.

The proposed dividend is in line with the Company's distribution policy, considering also the distribution of funds through share repurchases, and it significantly exceeds the minority dividend required by law. The proposed dividend is 23 per cent higher than the dividend resolved to be distributed by the Annual General Meeting in 2007, which was EUR 0.43 per share.

Espoo, March 19, 2008

Jorma Ollila
Chairman

Marjorie Scardino

Georg Ehrnrooth

Lalita D. Gupte

Bengt Holmström

Henning Kagermann

Per Karlsson

Keijo Suila

Vesa Vainio

Olli-Pekka Kallasvuo
President and CEO

Auditors' report
Translation from the Finnish original

To the shareholders of Nokia Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Nokia Oyj for the period 1.1.–31.12.2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with the Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

Helsinki, 19 March 2008

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Account

Additional information

Critical accounting policies **62**
Group Executive Board **66**
Board of Directors **68**
Corporate governance **70**
Investor information **86**
Contact information **87**

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

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

Revenue recognition

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

Mobile Phones, Multimedia and certain Enterprise Solutions and Nokia Siemens Networks revenue is generally recognized when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This requires us to assess at the point of delivery whether these criteria have been met. When management determines that such criteria have been met, revenue is recognized. We record estimated reductions to revenue for special pricing agreements, price protection and other volume based discounts at the time of sale, mainly in the mobile device business. Sales adjustments for volume based discount programs are estimated based largely on historical activity under similar programs. Price protection adjustments are based on estimates of future price reductions and certain agreed customer inventories at the date of the price adjustment. An immaterial part of the revenue from products sold through distribution channels is recognized when the reseller or distributor sells the product to the end-user. Mobile Phones, Multimedia and certain Enterprise Solutions and 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.

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

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

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

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

Customer financing

We have provided a limited amount of customer financing and agreed extended payment terms with selected customers. In establishing credit arrangements, management must assess the creditworthiness of the customer and the timing of cash flows expected to be received under the arrangement. However, should the actual financial position of our customers or general

economic conditions differ from our assumptions, we may be required to re-assess the ultimate collectibility 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. See also Note 35(b) to our consolidated financial statements for a further discussion of long-term loans to customers and other parties.

Allowances for doubtful accounts

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

Inventory-related allowances

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

Warranty provisions

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

Provision for intellectual property rights, or IPR, infringements

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

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

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

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

Legal contingencies

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

Capitalized development costs

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

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

Whenever there is an indicator that development costs capitalized for a specific project may be impaired, the recoverable amount of the asset is estimated. An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset's net selling price and value in use. Value in use is the present value of discounted estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For projects still in development, these estimates include the future cash outflows that are expected to occur before the asset is ready for use. See Note 7 to our consolidated financial statements.

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

Business combinations

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

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

Valuation of long-lived and intangible assets and goodwill

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

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

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

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

Fair value of derivatives and other financial instruments

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

Income taxes

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

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

Pensions

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

Share-based compensation

We have various types of equity settled share-based compensation schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments as at the date of grant, excluding the impact of any non-market vesting conditions. Fair value of stock options is estimated by using the Black Scholes model on the date of grant based on certain assumptions. Those assumptions are described in Note 22 to the 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 to employees that are expected to be settled is assumed to be the target amount. 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 sales and earnings per share performance may materially affect future expense. In addition, the value, if any, an employee ultimately receives from share-based payment awards may not correspond to the expense amounts recorded by the Group.

Group Executive Board

March 31, 2008

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

According to Nokia's articles of association, Nokia has a Group Executive Board, which is responsible for the operative management of the Group. The Chairman and members of the Group Executive Board are appointed by the Board of Directors. Only the Chairman of the Group Executive Board can be a member of both the Board of Directors and the Group Executive Board.

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

LL.M. (University of Helsinki).

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

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

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

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

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

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

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

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

Member of the Board of Directors of the Vitec Group.

Timo Ihamuotila, b. 1966
Executive Vice President, Sales.
Group Executive Board member since April 1, 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 and Portfolio Management, Mobile Phones, 2007, Senior Vice President, CDMA Business Unit, Mobile Phones 2004–2007, Vice President, Finance, Corporate Treasurer of Nokia Corporation 2000–2004, Director of Corporate Finance 1999–2000, Vice President of Nordic Derivates Sales, Citibank plc 1996–1999, Manager of Dealing & Risk Management of Nokia 1993–1996, Analyst, Assets and Liability Management, Kansallis Bank 1990–1993.

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

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

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

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

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

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

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

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

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

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

A member of Young Global Leaders.

Niklas Savander, b. 1962
Executive Vice President, Services & Software.
Group Executive Board Member 2006.
Joined Nokia 1997.

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

Executive Vice President, Technology Platforms 2006–2007, Senior Vice President and General Manager of Nokia Enterprise Solutions, Mobile Devices Business Unit 2003–2006, Senior Vice President, Nokia Mobile Software, Market Operations 2002–2003, Vice President, Nokia Mobile Software, Strategy, Marketing & Sales 2001–2002, Vice President and General Manager of Nokia Networks, Mobile Internet Applications 2000–2001, Vice President of Nokia 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. Vice Chairman of the Board of Directors of Tamfelt Oyj. Member of the Board of Directors and secretary of Waldemar von Frenckells Stiftelse.

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

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

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

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

Veli Sundbäck, b. 1946
Executive Vice President,
Corporate Relations and Responsibility.
Group Executive Board member since 1996.
Joined Nokia 1996.

LL.M. (University of Helsinki).

Secretary of State at the Ministry for Foreign Affairs 1993–1995, Under-Secretary of State for External Economic Relations at the Ministry for Foreign Affairs 1990–1993.

Member of the Board of Directors of Finnair Oyj. Member of the Board and its executive committee, Confederation of Finnish Industries (EK), Vice Chairman of the Board, Technology Industries of Finland, Vice Chairman of the Board of the International Chamber of Commerce, Finnish Section, Chairman of the Board of the Finland-China Trade Association.

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

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

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

Chairman of the Board of Directors of Amer Sports Corporation.

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

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

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

Member of the Board of Directors of the Finnish Funding Agency for Technology and Innovation (Tekes). Chairman of the Research and Technology Committee of the Confederation of Finnish Industries (EK).

Board of Directors

March 31, 2008

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

The current members of the Board of Directors were elected at the Annual General Meeting on May 3, 2007, in accordance with the proposal of the Corporate Governance and Nomination Committee of the Board of Directors. On the same date, the Chair and Vice Chair of the Board of Directors, as well as the Chairs and members of the committees of the Board, were elected by the members of the Board of Directors.

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.

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

Vice Chair Dame Marjorie Scardino, b. 1947
Chief Executive and member of the Board of Directors of Pearson plc.
Board member since 2001.

B.A. (Baylor University), J.D. (University of San Francisco).

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

Georg Ehrnrooth, b. 1940
Board member since 2000.

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

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

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

Lalita D. Gupte, b. 1948
Non-executive Chairman of the ICICI Venture Funds Management Co Ltd.
Board member since May 3, 2007.

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

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

Member of the Board of Directors of Bharat Forge Ltd, Kirloskar Brothers Ltd, FirstSource Solutions Ltd, Godrej Properties Ltd, HPCL-Mittal Energy Ltd. and a-non-profit micro-finance institution. Member of the Board of Management of SVKM's NMIMS University.

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 Board of Directors of Kuusakoski Oy. Member of the American Academy of Arts and Sciences and Foreign Member of The Royal Swedish Academy of Sciences.

Prof. Dr. Henning Kagermann, b. 1947
CEO and Chairman of the Executive Board of SAP AG.
Board member since May 3, 2007.

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

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

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

Olli-Pekka Kallasvuo, b. 1953
President and CEO of Nokia Corporation.
Board member since May 3, 2007.

LL.M. (University of Helsinki).

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

Member of the Board of Directors of EMC Corporation. Chairman of the Board of Directors of Nokia Siemens Networks B.V.

Per Karlsson, b. 1955
Independent Corporate Advisor.
Board member since 2002.

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.

Keijo Suila, b. 1945
Board member since 2006.

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

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

Vice Chairman of the Board of Directors of Kesko Corporation. Member of the Board of Directors of The Finnish Fair Corporation.

Vesa Vainio, b. 1942
Board member since 1993.

LL.M. (University of Helsinki).

Member 1996–2001 and 2001–2008 Chairman of the Board of Directors of UPM-Kymmene Corporation. Chairman 1998–1999 and 2000–2002 and Vice Chairman 1999–2000 of the Board of Directors of Nordea AB (publ). Chairman of the Executive Board and CEO of Union Bank of Finland 1992–1995 and Merita Bank Ltd and CEO of Merita Ltd 1995–1997. President of Kymmene Corporation 1991–1992. Holder of various other executive positions in Finnish industry 1972–1991.

Daniel R. Hesse was re-elected as a Nokia Board member in the Annual General Meeting on May 3, 2007. Due to his resignation from the Board of Directors after being appointed as President and CEO of Sprint Nextel Corporation, Nokia announced on December 28, 2007 that its Board consisted of the above-mentioned ten members.

Proposal of the Corporate Governance and Nomination Committee of the Board

On January 24, 2008, the Corporate Governance and Nomination Committee announced its proposal to the Annual General Meeting convening on May 8, 2008 regarding the composition of the members of the Board of Directors for a one-year term ending at the next Annual General Meeting. The Corporate Governance and Nomination Committee will propose to the Annual General Meeting that the number of Board members be ten and that the following persons be re-elected for a one-year term until the close of the Annual General Meeting in 2009: Georg Ehrnrooth, Lalita D. Gupte, Dr. Bengt Holmström, Dr. Henning Kagermann, Olli-Pekka Kallasvuo, Per Karlsson, Jorma Ollila, Dame Marjorie Scardino and Keijo Suila. Vesa Vainio, member of the Board since 1993, will not stand for re-election to the Board of Directors. Moreover, the Committee will propose that Risto Siilasmaa would be elected as a new member of the Board for the term from the Annual General Meeting in 2008 until the close of the Annual General Meeting in 2009. Mr. Siilasmaa is a founder of F-Secure Corporation, which provides security services protecting consumers and businesses against computer viruses and other threats from the Internet and mobile networks. Mr. Siilasmaa is the Chairman of the Board of Directors of F-Secure Corporation, a member of the Board of Directors of Elisa Corporation and a Chairman or member of the Board of Directors of various private companies. He is also Vice Chairman of the Board of the Technology Industries of Finland.

Corporate governance

Pursuant to the provisions of the Finnish Companies Act and Nokia's Articles of Association, the control and management of Nokia is divided among the shareholders at a general meeting, the Board of Directors, the President and the Group Executive Board chaired by the Chief Executive Officer. Under the Articles of Association, in addition to the Board of Directors, Nokia has a Group Executive Board, which is responsible for the operative management of the Group. The Chairman and members of the Group Executive Board are appointed by the Board of Directors. Only the Chairman of the Group Executive Board can be a member of both the Board of Directors and the Group Executive Board.

The Board of Directors

The operations of the company are managed under the direction of the Board of Directors, within the framework set by the Finnish Companies Act and Nokia's Articles of Association and the complementary Corporate Governance Guidelines and related charters adopted by the Board.

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, and assesses the overall risk of the company. The Board's responsibilities further include overseeing the structure and composition of the company's top management and monitoring legal compliance and the management of risks related to the company's operations. In doing so the Board may set annual ranges and/or individual limits for capital expenditures, investments and divestitures and financial commitments not to be exceeded without Board approval.

The Board has the responsibility for appointing and discharging the Chief Executive Officer and the other members of the Group Executive Board. 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 Group Executive Board are approved by the Personnel Committee upon the recommendation of the Chief Executive Officer.

The basic responsibility of the members of the Board is to act in good faith and with due care so as to exercise their business judgment on an informed basis in what they reasonably and honestly believe to be 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 Committee also have the power to hire independent legal, financial or other advisors as they deem necessary. The Board conducts annual performance self-evaluations, which also include evaluations of the Committees' work, the results of which are discussed by the Board.

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 twelve members. The members of the Board are elected for a term of one year at each Annual General Meeting, i.e., from the close of that Annual General Meeting until the close of the following Annual General Meeting, which convenes each year by June 30. The Annual General Meeting held on May 3, 2007 elected eleven members to the Board of Directors. One member, Daniel R. Hesse, resigned from the Board in December 2007 as a result of which the Board consisted of ten members on December 31, 2007.

The Board elects a Chair and a Vice Chair from among its members for a one-year term. On May 3, 2007, the Board resolved that Jorma Ollila should continue to act as Chair and that Marjorie Scardino shall act as Vice Chair of the Board. The Board also appoints the members and the chairpersons for its Committees from among its non-executive, independent members for a one-year term. For information about the members and the chairpersons for Board's Committees, see "Committees of the Board of Directors" on page 71.

The current members of the Board are all non-executive, except the President and Chief Executive Officer who is also a member of the Board. The non-executive Board members are all independent as defined under Finnish rules and regulations, except the Chairman of the Board who acted as Chairman and Chief Executive Officer until June 1, 2006. In January 2008, the Board determined that seven of the Board's ten members are independent, as defined in the New York Stock Exchange's corporate governance listing standards, as amended in November 2004. In addition to the Chairman of the Board and the President and Chief Executive Officer, Bengt Holmström was determined not to be independent under the NYSE standards due to a family relationship with an executive officer of a Nokia supplier of whose consolidated gross revenue from Nokia accounts for an amount that exceeds the limit provided in the NYSE listing standards, but that is less than 5%. Also in January 2008, the Board determined that Georg Ehrnrooth, Chairman of the Audit Committee, was a financial expert within the meaning of the Sarbanes-Oxley Act of 2002 and the subsequent regulations by the US Securities and Exchange Commission.

The Board convened twelve times during 2007. Six of the meetings were held through technical equipment. The average ratio of attendance at the meetings was 94%. The non-executive directors meet without management at regularly scheduled sessions twice a year and at such other times as they deem appropriate, in practice in connection with each regularly scheduled meeting in 2007. Such sessions were chaired by the non-executive Chairman of the Board or, in his absence, the non-executive Vice Chair of the Board. In addition, the independent directors meet separately at least once annually.

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

Committees of the Board of Directors

The Audit Committee consists of a minimum of three members of the Board who meet all applicable independence, financial literacy and other requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including the Helsinki Stock Exchange and the New York Stock Exchange. Since May 3, 2007, the Committee has consisted of the following four members of the Board: Georg Ehrnrooth (Chair), Lalita D. Gupte, Keijo Suila and Vesa Vainio.

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 external auditor's qualifications and independence, (3) the performance of the external auditor subject to the requirements of Finnish law, (4) the performance of the company's internal controls and risk management and assurance function, (5) the performance of the internal audit function, and (6) 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.

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 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.

The 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 direct access to the Audit Committee, without involvement of management.

The Audit Committee convened seven times in 2007. One of the meetings was held through technical equipment.

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 the Helsinki Stock Exchange and the New York Stock Exchange. Since May 3, 2007, the Personnel Committee has consisted of the following members of the Board: Per Karlsson (Chair), Daniel R. Hesse (until December 2007), Henning Kagermann and Marjorie Scardino.

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

The Personnel Committee convened three times in 2007.

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 the Helsinki Stock Exchange and the New York Stock Exchange. Since May 3, 2007, the Corporate Governance and Nomination Committee has consisted of the following three members of the Board: Marjorie Scardino (Chair), Georg Ehrnrooth and Per Karlsson.

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

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

The Corporate Governance and Nomination Committee convened four times in 2007. One of the meetings was held through technical equipment.

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

Management and corporate governance practices

Nokia has a company 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. As well, Nokia has a Code of Ethics for the Principal Executive Officers and the Senior Financial Officers. For more information about Nokia's Code of Ethics, please see www.nokia.com.

Nokia's corporate governance practices comply with the Corporate Governance Recommendation for Listed Companies approved by the Helsinki Stock Exchange in December 2003 effective as of July 1, 2004.

Internal audit function

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

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

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

Board of Directors

The following table sets forth the annual remuneration of the members of the Board of Directors based on their positions on the Board and its committees, including the remuneration paid to the President and CEO for his duties as the member of the Board of Directors only, as resolved by the respective Annual General Meetings, in 2007, 2006 and 2005.

Position, EUR	2007	2006	2005
Chair	**375 000**	375 000	165 000
Vice Chair	**150 000**	137 500	137 500
Member	**130 000**	110 000	110 000
Chair of Audit Committee	**25 000**	25 000	25 000
Member of Audit Committee	**10 000**	10 000	10 000
Chair of Personnel Committee	**25 000**	25 000	25 000
Total	1 775 000	1 472 500	1 262 500

Non-executive members of the Board of Directors do not receive stock options, performance shares, restricted shares or other variable compensation for their duties as Board members. In addition, no meeting fees are payable. However, it is Nokia policy that a significant portion of director remuneration is paid in the form of Nokia shares. Since 1999, approximately 40% of the annual remuneration payable to the members of Board of Directors has been paid in Nokia shares purchased from the market. The President and CEO receives variable compensation for his executive duties, but not for his duties as a member of the Board of Directors, see "Actual Executive Compensation for 2007" on page 75.

When preparing the Board of Directors' remuneration proposal, it is the policy of the Corporate Governance and Nomination Committee of the Board to review and compare the level of board remuneration paid in other global companies with net sales and business complexity comparable to that of Nokia. The Committee's aim is that Nokia has an effective Board consisting of world-class professionals representing an appropriate and diverse mix of skills and experience. A competitive Board remuneration contributes to Nokia's achievement of this target.

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

Remuneration of the Board of Directors

For the year ended December 31, 2007, the aggregate renumeration paid to the members of the Board of Directors for their services as the members of the Board and its committees was EUR 1 775 000.

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

	2007		2006		2005	
Board of Directors	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received	Gross annual fee EUR [1]	Shares received
Chairman Jorma Ollila [2]	375 000	8 110	375 000	8 035	165 000	5 011
Vice Chairman Dame Marjorie Scardino [3]	150 000	3 245	110 000	2 356	110 000	3 340
Georg Ehrnrooth [4]	155 000	3 351	120 000	2 570	120 000	3 644
Lalita D.Gupte [5]	140 000	3 027	—	—	—	—
Dr. Bengt Holmström [6]	130 000	2 810	110 000	2 356	110 000	3 340
Prof. Dr. Henning Kagermann	130 000	2 810	—	—	—	—
Olli-Pekka Kallasvuo [7]	130 000	2 810	—	—	—	—
Per Karlsson [8]	155 000	3 351	135 000	2 892	135 000	4 100
Keijo Suila [9]	140 000	3 027	120 000	2 570	—	—
Vesa Vainio [10]	140 000	3 027	120 000	2 570	120 000	3 644
11						

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

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

3 The 2007 fee of Ms. Scardino amounted to a total of EUR 150 000 for services as Vice Chairman. The 2006 and 2005 fees of Ms. Scardino amounted to EUR 110 000 for services as a member of the Board.

4 The 2007 fee of Mr. Ehrnrooth amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee. The 2006 and 2005 fees of Mr. Ehrnrooth consisted of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

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

6 The 2007 fee of Mr. Holmström amounted to EUR 130 000 for services as a member of the Board. The 2006 and 2005 fees of Mr. Holmström amounted to EUR 110 000 for services as a member of the Board.

7 This table includes fees paid for Mr. Kallasvuo for his services as a member of the Board, only.

8 The 2007 fee of Mr. Karlsson amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Personnel Committee. The 2006 and 2005 fees of Mr. Karlsson amounted to a total of EUR 135 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee.

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

10 The 2007 fee of Mr. Vainio amounted to a total of EUR 140 000 consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee. The 2006 and 2005 fees of Mr. Vainio amounted to a total of EUR 120 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

11 Daniel R. Hesse, who was re-elected as a Nokia Board member in the Annual General Meeting on May 3, 2007, was paid the annual fee of EUR 130 000 for services as a member of the Board, prior to his resignation announced on December 28, 2007. This amount included 2 810 shares. The 2006 and 2005 fees of Mr. Hesse amounted to EUR 110 000 for services as a member of the Board, which amounts included 2 356 shares in 2006 and 3 340 in 2005.

Proposal of the Corporate Governance and Nomination Committee of the Board

On January 24, 2008, the Corporate Governance and Nomination Committee of the Board announced that it will propose to the Annual General Meeting to be held on May 8, 2008 that the annual remuneration payable to the Board members to be elected at the same meeting for the term until the close of the Annual General Meeting in 2009 be as follows: EUR 440 000 for the Chairman, EUR 150 000 for the Vice Chairman and EUR 130 000 for each member. In addition, the Corporate Governance and Nomination Committee will propose that the Chairman of the Audit Committee and the Chairman of the Personnel Committee will each receive an additional annual fee of EUR 25 000 and each member of the Audit Committee an additional annual fee of EUR 10 000. Further, the Committee will propose that approximately 40% of the remuneration be paid in Nokia Corporation shares purchased from the market. The proposed remuneration is at the same level as in 2007 except for the Chairman's fee, which would increase to EUR 440 000 from the fee of EUR 375 000 paid in both 2006 and 2007.

Group Executive Board

Executive Compensation Philosophy, Programs and Decision-making Process

Our executive compensation philosophy and programs have been developed to enable Nokia to effectively compete in an extremely complex and rapidly evolving mobile communications industry. Nokia is a leading company in its industry and conduct business globally. Nokia's executive compensation programs have been designed to attract, retain and motivate talented executive officers that drive Nokia's success and industry leadership worldwide.

Our compensation program for executive officers includes:

» competitive base pay rates; and

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

The objectives of Nokia's executive compensation programs are to:

» attract and retain outstanding executive talent;

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

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

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

The competitiveness of Nokia's executive compensation levels and practices is one of several key factors the Personnel Committee of the Board (the "Personnel Committee") considers in its determination of compensation for Nokia executives. The Personnel Committee compares, on an annual basis, Nokia's compensation practices, base salaries and total compensation, including short- and long-term incentives against those of other relevant companies in the same or similar industries and of the same or similar size that Nokia believes it competes against for executive talent. The relevant companies include high technology and telecommunications companies that are headquartered in Europe and the United States.

The Personnel Committee retains and uses external consultants, Mercer Human Resources, to obtain benchmark data and information on current market trends. Mercer Human Resources 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 Mercer Human Resources with information with regard to Nokia's programs and compensation levels for their preparation in meeting with the Committee. The consultant of Mercer Human Resources that works for the Personnel Committee is independent of Nokia and does not have any other business relationships with Nokia.

The Personnel Committee reviews the executive officers' compensation on an annual basis and from time to time during the year, when special needs arise. Without management present, the Committee reviews and recommends to the Board the corporate goals and objectives relevant to the compensation of the President and CEO, evaluates the performance of the President and CEO in light of those goals and objectives, and proposes to the Board the compensation level of the President and CEO, which is confirmed by the independent members of the Board. Management's role is to provide any information requested by the Personnel Committee to assist in their deliberations.

In addition, upon recommendation of the President and CEO, the Personnel Committee approves all compensation for all the members of the Group Executive Board (excluding that of the President and CEO of Nokia and Simon Beresford-Wylie, Chief Executive Officer of Nokia Siemens Networks) and other direct reports to the President and CEO, including long-term equity incentives and goals and objectives relevant to compensation. The Personnel Committee also reviews the results of the evaluation of the performance of the Group Executive Board members (excluding the President and CEO and Mr. Beresford-Wylie) and other direct reports to the President and CEO and approves their incentive compensation based on such evaluation. Mr. Beresford-Wylie's compensation as CEO of Nokia Siemens Networks is evaluated and approved by the Board of Directors of Nokia Siemens Networks. The Personnel Committee is apprised annually on actions taken with respect to Mr. Beresford-Wylie's compensation.

The Personnel Committee considers the following factors, among others, in its review when determining the compensation of Nokia's executive officers:

» The compensation levels for similar positions (in terms of scope of position, revenues, number of employees, global responsibility and reporting relationships) in relevant comparison companies;

» The performance demonstrated by the executive officer during the last year;

» The size and impact of the role on Nokia's overall performance and strategic direction;

» The internal comparison to the compensation levels of the other executive officers of Nokia; and

» Past experience and tenure in role.

The above factors are assessed in totality.

The compensation for Mr. Beresford-Wylie is determined by the Board of Directors of Nokia Siemens Networks based on the same factors as for the other members of the Group Executive Board of Nokia and determined in a similar process.

Components of Executive Compensation

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

Annual Cash Compensation

Base salaries are targeted at globally competitive market levels.

Short-term cash incentives are tied directly to performance and represent a significant portion of an executive officer's total annual cash compensation. The short-term cash incentive opportunity is expressed as a percentage of the executive officer's annual base salary. These award opportunities and measurement criteria are presented in the table on page 74.

Measurement criteria for the short-term cash incentive plan include those financial objectives that are considered important measures of Nokia's success in driving increased shareholder value. Financial objectives are established which are based on a number of factors and are intended to be stretch targets that, when achieved, Nokia believes, will result in performance that will exceed that of Nokia's key competitors in the high technology and telecommunications industries. The target setting, as well as the weighting of each measure, also requires the Personnel Committee's approval. The following table reflects the measurement criteria that are established for the President and CEO and members of the Group Executive Board and the relative weighting of each objective for the year 2007.

Incentive as a % of Annual Base Salary in 2007

Position	Minimum performance, %	Target performance, %	Maximum performance, %	Measurement criteria
President and CEO	0	100	225	(a) Financial Objectives (includes targets for net sales, operating profit and operating cash flow measures)
	0	25	37.5	(c) Total Shareholder Return [1] (comparison made with key competitors in the high technology and telecommunications industries over one, three and five year periods)
	0	25	37.5	(d) Strategic Objectives
Total	**0**	**150**	**300**	
Group Executive Board	0	75	168.75	(a) Financial Objectives (includes targets for net sales, operating profit and operating cash flow); and (b) Individual Strategic Objectives (as described below)
	0	25	37.5	(c) Total Shareholder Return [1, 2]
Total	**0**	**100**	**206.25**	

1 Total shareholder return reflects the change in Nokia's share price during a respective time period added with the value of dividends per share paid during the said period, divided by Nokia's share price at the beginning of the period. The calculation is the same also for each company in the said peer group.

2 Only some members of the Group Executive Board are eligible for the additional 25% total shareholder return element.

The incentive payout is based on performance relative to targets set for each measurement criteria listed in the table above: (a) a comparison of Nokia's actual performance to pre-established targets for net sales, operating profit and operating cash flow and (b) a comparison of each executive officer's individual performance to his/her predefined individual strategic objectives and targets. Individual strategic objectives include market share, quality, technology innovation, new product revenue, customer retention rates, environmental achievements and other objectives of key strategic importance which require a discretionary assessment of performance by the Personnel Committee.

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

The portion of the short-term cash incentives that is tied to (a) Nokia's financial objectives and (b) individual strategic objectives and targets is paid twice each year based on the performance for each of Nokia's short-term plans that end on June 30 and December 31 of each year. Another portion of the short-term cash incentives is paid annually at the end of the year, based on the Personnel Committee's assessment of (c) Nokia's total shareholder return compared to key competitors in the high technology and telecommunications industries and relevant market indices over one-, three- and five-year periods. In the case of the President and CEO, the annual incentive award is also partly based on his performance compared against (d) strategic leadership objectives, including entry into new markets and services and executive development.

Instead of Nokia's short-term cash incentive plan, Simon Beresford-Wylie participates in a short-term cash incentive plan sponsored by Nokia Siemens Networks, which is similar to Nokia's plan.

Fore more information on the actual cash compensation paid in 2007 to Nokia's executive officers, see "Actual Executive Compensation for 2007" on page 75.

Long-term equity-based incentives

Long-term equity-based incentive awards in the form of performance shares, stock options and restricted shares are used to align executive officers interests with shareholders' interests, reward performance and encourage retention. These awards are determined on the basis of the factors discussed above in "Executive Compensation Philosophy and Decision-making Process", including a comparison of the executive officer's overall compensation with that of other executives in the relevant market and the impact on the competitiveness of the executive's compensation package in that market. Performance shares are Nokia's main vehicle for long-term equity-based incentives and reward the achievement of both Nokia's long-term financial results and an increase in share price. Performance shares vest as shares, if at least one of the pre-determined threshold performance levels, tied to Nokia's financial performance, is achieved by the end of the performance period and their value increases with Nokia's share price. Stock options are granted to fewer employees that are in more senior and executive positions. Stock options create value for the executive officer, once vested, if the Nokia share price is higher than the exercise price of the stock option established at grant, thereby aligning the interests of the executives with those of the shareholders. Restricted shares are used primarily for retention purposes and they vest fully after the close of a pre-determined restriction period. These equity-based incentive awards are generally forfeited, if the executive leaves Nokia prior to vesting.

Instead of the long-term equity-based incentive plans of Nokia, Simon Beresford-Wylie participates in a long-term cash incentive plan sponsored by Nokia Siemens Networks. The long-term cash incentive plan of Nokia Siemens Networks is designed to align the interests of Nokia Siemens Networks executives with increased shareholder value of Nokia Siemens Networks and, ultimately, with increased shareholder value for that of its owners, including Nokia and its shareholders. The plan provides Nokia Siemens Networks executives an opportunity to earn cash incentives based on the achievement of pre-determined financial goals, including net sales and operating margin. These long-term cash incentive awards of Nokia Siemens Networks are generally forfeited if the executive leaves employment prior to the end of the plan period.

Information on the actual equity-based incentives granted to the members of Nokia's Group Executive Board is included in "Share Ownership" on page 78.

Actual Executive Compensation for 2007

At December 31, 2007, Nokia had a Group Executive Board consisting of 12 members. The only change in the membership of Nokia's Group Executive Board during 2007 was the appointment of Timo Ihamuotila as a new member of the Group Executive Board, effective April 1, 2007.

The following tables summarize the aggregate cash compensation paid and the long-term equity-based incentives granted to the members of the Group Executive Board under Nokia's equity plans in 2007.

Gains realized upon exercise of stock options and share-based incentive grants vested for the members of the Group Executive Board during 2007 are included in "Stock option exercise and settlement of shares" on page 84.

Aggregate cash compensation to the Group Executive Board for 2007

Year	Number of members December 31, 2007	Base salaries [3] EUR	Cash incentive payments [1, 2, 3] EUR
2007	12	5 354 176	8 280 615

1 Includes payments pursuant to cash incentive arrangements for the 2007 calendar year paid or payable by Nokia for the respective fiscal year. The cash incentives are paid as a percentage of annual base salary based on Nokia's short-term cash incentives.

2 Excluding any gains realized upon exercise of stock options, which are described in "Stock option exercises and settlement of shares" on page 84.

3 Includes base salary and bonuses to Simon Beresford-Wylie, EVP and General Manager Networks of Nokia for the period until March 31, 2007 and Chief Executive Officer of Nokia Siemens Networks for the remainder of 2007 and to Timo Ihamuotila from April 1, 2007.

Long-Term Equity-Based Incentives Granted in 2007 [1]

	Group Executive Board [3]	Total	Total number of participants
Performance shares at threshold [2]	286 000	2 163 901	5 300
Stock options	572 000	3 211 965	2 800
Restricted shares	390 000	1 749 433	300

1 The equity-based incentive grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting. The settlement is conditional upon performance and service conditions, as determined in the relevant plan rules. For a description of Nokia's equity plans, see Note 22 "Share-based payment" to Nokia's consolidated financial statements on page 30.

2 At maximum performance, the settlement amounts to four times the number of performance shares originally granted at threshold.

3 Including Timo Ihamuotila from April 1, 2007.

Summary compensation table 2007

Name and principal position [1]	Year *	Salary EUR	Bonus [2] EUR	Stock awards [3] EUR	Option awards [3] EUR	Non-equity incentive plan compensation ** EUR	Change in pension value and nonqualified deferred compensation earnings EUR	All other compensation EUR	Total EUR
Olli-Pekka Kallasvuo	2007	1 037 619	2 348 877	4 112 581	693 141	—	956 333 [4, 5]	183 603 [6]	9 332 153
President and CEO	2006	898 413	664 227	1 529 732	578 465	—	1 496 883 [4]	38 960	5 206 680
	2005	623 524	947 742						
Richard Simonson	2007	488 422	827 333	1 576 376	234 310	—		46 699 [8]	3 173 141
EVP and Chief Financial	2006	460 070	292 673	958 993	194 119	—		84 652	1 990 507
Officer [7]	2005	461 526	634 516						
Anssi Vanjoki	2007	556 381	900 499	1 602 605	239 829	—	18 521 [4]	49 244 [9]	3 367 078
EVP, Markets	2006	505 343	353 674	938 582	222 213	—	215 143 [4]	29 394	2 264 349
	2005	476 000	718 896						
Mary McDowell	2007	444 139	769 773	1 551 482	396 169	—		32 463 [10]	3 194 027
EVP, Chief Development Officer [7]	2006	466 676	249 625	786 783	213 412	—		45 806	1 762 302
Kai Öistämö	2007	382 667	605 520	1 412 371	223 284	—	41 465 [4]	32 086 [11]	2 697 393
EVP, Devices									

1 The positions set forth in this table are the current positions of the named executives. Mr. Kallasvuo was President and COO until June 1, 2006. Until December 31, 2007, Mr. Vanjoki was Executive Vice President and General Manager of Multimedia; Ms. McDowell, Executive Vice President and General Manager of Enterprise Solutions; and Mr. Öistämö, Executive Vice President and General Manager of Mobile Phones.

2 Bonus payments are part of Nokia's short-term cash incentives. The amount consists of the bonus awarded and paid or payable by Nokia for the respective fiscal year.

3 Amounts shown represent share-based compensation expense recognized in the respective fiscal year for all outstanding equity grants in accordance with IFRS 2, Share-based payment.

4 The change in pension value represents the proportionate change in Nokia's liability related to the individual executive. These executives participate in the Finnish TyEL pension system 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. The figures shown represent only the change in liability for the funded portion. The method used to derive the actuarial IFRS valuation is based upon salary information at the respective year-end. Actuarial assumptions including salary increases and inflation have been determined to arrive at the valuation at the respective year end

5 The change in pension value for Mr. Kallasvuo includes EUR 148 333 for the proportionate change in the company's liability related to the individual under the funded part of the Finnish TyEL pension (see footnote 4 above). In addition, it includes EUR 808 000 for the change in liability in the early retirement benefit at the age of 60 provided under his service contract.

6 All other compensation for Mr. Kallasvuo in 2007 includes: EUR 130 000 for his services as member of the Board of Directors, see also "Board of Directors" above; EUR 21 300 for car allowance; EUR 10 000 for financial counseling; EUR 17 383 for a taxable benefit concerning payment of the Finnish transfer tax and related gross-up in respect of settlements under performance and restricted share plans made to all participants of those plans who were Finnish tax residents; and EUR 4 920 for driver and for mobile phone.

7 Salaries, benefits and perquisites of Ms. McDowell and Mr. Simonson are paid and denominated in USD. Amounts were converted to EUR using year-end 2007 USD/EUR exchange rate of 1.47. For year 2006, amounts were converted to EUR using year-end 2006 USD/EUR exchange rate of 1.31.

8 All other compensation for Mr. Simonson in 2007 includes: EUR 10 544 company contributions to the 401(k) plan, EUR 11 565 for car allowance, EUR 10 548 for financial counseling, EUR 9 691 provided as benefit under Nokia's relocation policy and EUR 4 351 Employee Stock Purchase Plan benefit.

9 All other compensation for Mr. Vanjoki in 2007 includes: EUR 22 020 for car allowance, EUR 16 984 taxable benefit concerning payment of the Finnish transfer tax and related gross-up in respect of settlements under performance and restricted share plans made to all participants of those plans who were Finnish tax residents; EUR 10 000 for financial counseling and the remainder for mobile phone.

10 All other compensation for Ms. McDowell in 2007 includes: EUR 9 184 company contributions to the 401(k) plan, EUR 11 565 for car allowance, EUR 10 531 for financial counseling and the remainder for benefit provided under Nokia's relocation policy.

11 All other compensation for Mr. Öistämö in 2007 includes: EUR 13 777 for car allowance, EUR 8 069 taxable benefit concerning payment of the Finnish transfer tax and related gross-up in respect of settlements under performance and restricted share plans made to all participants of those plans who were Finnish tax residents; EUR 10 000 for financial counseling and the remainder for mobile phone.

* History has been provided for those data elements previously disclosed.

** 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 2007 [1]

	Option awards				Stock awards			
Name and principal position	Grant date	Number of shares underlying options	Grant price (EUR)	Grant date fair value [2] (EUR)	Performance shares at threshold (number)	Performance shares at maximum (number)	Restricted shares (number)	Grant date fair value [3] (EUR)
Olli-Pekka Kallasvuo President and CEO	May 11	160 000	18.39	581 690	80 000	320 000	100 000	5 709 382
Richard Simonson EVP and Chief Financial Officer	May 11	55 000	18.39	199 956	27 500	110 000	35 000	1 978 385
Anssi Vanjoki EVP, Markets	May 11	55 000	18.39	199 956	27 500	110 000	35 000	1 978 385
Mary McDowell EVP, Chief Development Officer	May 11	55 000	18.39	199 956	27 500	110 000	35 000	1 978 385
Kai Öistämö EVP, Devices	May 11	55 000	18.39	199 956	27 500	110 000	35 000	1 978 385

1 Including all grants made during 2007. Grants were made under the Nokia Stock Option Plan 2007, the Nokia Performance Share Plan 2007 and the Nokia Restricted Share Plan 2007, respectively.

2 The fair values of stock options equal the estimated fair value on the grant date, calculated using the Black-Scholes model. The stock option exercise price is EUR 18.39. The Helsinki Stock Exchange closing market price at the grant date was EUR 18.42.

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

For information with respect to the Nokia shares and equity awards held by the members of the Group Executive Board, please see "Share Ownership" on page 78.

Pension arrangements for the members of the Group Executive Board

The members of the Group Executive Board participated in the local retirement programs applicable to employees in the country where they reside. Executives in Finland participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings according to a prescribed statutory system. Under the Finnish TyEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, although gains realized from equity are not. The Finnish TyEL pension scheme provides for early retirement benefits at age 62 with a reduction in the amount of retirement benefits. Standard retirement benefits are available from age 63 to 68, according to an increasing scale.

Executives in the United States participate in Nokia's Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings. 25% of the employer match vests for the participants for each year of their employment. Participants earning in excess of the Internal Revenue Service (IRS) eligible earning limits may participate in the Nokia Restoration and Deferral Plan which allows employees to defer up to 50% of their salary and 100% of their bonus into this non-qualified plan. Contributions to the Restoration and Deferral Plan in excess of IRS deferral limits will be matched 100% up to 8% of eligible earnings less contributions made to the 401(k) plan.

Olli-Pekka Kallasvuo can, as part of his service contract, retire at the age of 60 with full retirement benefits should he be employed by Nokia at the time. The full retirement benefit is calculated as if Mr. Kallasvuo had continued his service with Nokia through the retirement age of 65.

Simon Beresford-Wylie participates in the Nokia International Employee Benefit Plan (NIEBP). The NIEBP is a defined contribution retirement arrangement provided to some Nokia employees on international assignments. The contributions to NIEBP are funded two-thirds by Nokia and one-third by the employee. Because Mr. Beresford-Wylie also participates in the Finnish TyEL system, the company contribution to NIEBP is 1.3% of annual earnings.

Hallstein Moerk, following his arrangement with a previous employer, has also in his current position at Nokia a retirement benefit of 65% of his pensionable salary beginning at the age of 62. Early retirement is possible at the age of 55 with reduced benefits.

Service contracts

Olli-Pekka Kallasvuo's service contract covers his current position as President and CEO and Chairman of the Group Executive Board. As at December 31, 2007, Mr. Kallasvuo's annual total gross base salary, which is subject to an annual review by the Board of Directors and confirmation by the independent members of the Board, is EUR 1 050 000. His incentive targets under the Nokia short-term cash incentive plan are 150% of annual gross base salary. In case of termination by Nokia for reasons other than cause, including a change of control, Mr. Kallasvuo is entitled to a severance payment of up to 18 months of compensation (both annual total gross base salary and target incentive). In

case of termination by Mr. Kallasvuo, the notice period is 6 months and he is entitled to a payment for such notice period (both annual total gross base salary and target incentive for 6 months). Mr. Kallasvuo is subject to a 12-month non-competition obligation after termination of the contract. Unless the contract is terminated for cause, Mr. Kallasvuo may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual total gross base salary and target incentive for the respective period during which no severance payment is paid.

Equity-Based Compensation Programs

General

During the year ended December 31, 2007, Nokia sponsored four global stock option plans, four global performance share plans and four global restricted share plans. Both executives and employees participate in these plans. In 2004, Nokia introduced performance shares as the main element to the company's broad-based equity compensation program to further emphasize the performance element in employees' long-term incentives. Thereafter, the number of stock options granted has been significantly reduced. The rationale for using both performance shares and stock options for employees in higher job grades is to build an optimal and balanced combination of long-term equity-based incentives. The equity-based compensation programs intend to align the potential value received by participants directly with the performance of Nokia. Since 2003, Nokia also have granted restricted shares to a small selected number of employees each year.

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

The broad-based equity compensation program for 2007, which was approved by the Board of Directors, followed the structure of the program in 2006. The participant group for the 2007 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, 2007, the aggregate number of participants in all of Nokia's equity-based programs was approximately 22 000 compared with approximately 30 000 as at December 31, 2006 reflecting changes in Nokia's grant guidelines.

The employees of Nokia Siemens Networks have not participated in any new Nokia equity-based incentive plans since the formation of Nokia Siemens Networks on April 1, 2007.

For a more detailed description of all of Nokia's equity-based incentive plans, see Note 22 "Share-based payment" to Nokia's consolidated financial statements on page 30.

Performance Shares

We have granted performance shares under the global 2004, 2005, 2006 and 2007 plans, each of which, including its terms and conditions, has been approved by the Board of Directors.

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

The 2004 and 2005 Performance Share Plans have a four-year performance period and a two-year interim measurement period. The 2006 and 2007 Performance Share Plans have a three-year performance period with no interim measurement period. The below table summarizes the relevant periods and settlements under the plans.

Performance Share Plan	Performance period	Interim measurement period	1st (interim) settlement	2nd (final) settlement
2004	2004–2007	2004–2005	2006	2008
2005	2005–2008	2005–2006	2007	2009
2006	2006–2008	N/A	N/A	2009
2007	2007–2009	N/A	N/A	2010

Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights, associated with the performance shares. The performance share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Performance share grants are approved by the CEO at the end of the respective calendar quarter on the basis of an authorization given by the Board of Directors. Approvals for performance share grants to the CEO are made by the independent members of the Board of Directors. Approvals for performance share grants to the other Group Executive Board members and other direct reports of the CEO are made by the Personnel Committee.

Stock Options

Nokia's global stock option plans in effect for 2007, including their terms and conditions, were approved by the Annual General Meetings in the year when each plan was launched, i.e., in 2001, 2003, 2005 and 2007.

Each stock option entitles the holder to subscribe for one new Nokia share. Under the 2001 stock option plan, the stock options were transferable by the participants. Under the 2003, 2005 and 2007 plans, the stock options are non-transferable. All of the stock options have a vesting schedule with a 25% vesting one year after grant, and quarterly vesting thereafter. The stock options granted under the plans generally have a term of five years.

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

Stock option grants are approved by the CEO at the time of stock option pricing on the basis of an authorization given by the Board of Directors. Approvals for stock option grants to the CEO are made by the independent members of the Board of Directors. Approvals for stock option grants to the other Group Executive Board members and for other direct reports of the CEO are made by the Personnel Committee.

Restricted Shares

Since 2003, Nokia has granted restricted shares to recruit, retain, reward and motivate selected high potential employees, who are critical to the future success of Nokia. It is Nokia's philosophy that restricted shares will be used only for key management positions and other critical resources. The outstanding global restricted share plans, including their terms and conditions, have been approved by the Board of Directors.

All of Nokia's restricted share plans have a restriction period of three years after grant. Once the shares vest, they are transferred and delivered to the participants. The restricted share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting. Until the Nokia shares are delivered, the participants do not have any shareholder rights, such as voting or dividend rights, associated with the restricted shares. Restricted share grants are approved by the CEO at the end of the respective calendar quarter on the basis of an authorization given by the Board of Directors. Approvals of restricted share grants to the CEO are made by the independent

members of the Board of Directors. Approvals for restricted share grants to the other Group Executive Board members and other direct reports of the CEO are made by the Personnel Committee.

Other equity plans for employees
In addition to Nokia's global equity plans described above, Nokia has equity plans for Nokia-acquired businesses or employees in the United States and Canada under which participants can receive Nokia ADSs or ordinary shares. These equity plans do not result in an increase in the share capital of Nokia.

We have also an Employee Share Purchase Plan in the United States, which permits all full-time Nokia employees located in the United States to acquire Nokia ADSs at a 15% discount. The purchase of the ADSs is funded through monthly payroll deductions from the salary of the participants, and the ADSs are purchased on a monthly basis. As at December 31, 2007, a total of 11 339 333 ADSs had been purchased under this plan since its inception, and there were a total of approximately 600 participants.

For more information on these plans, see Note 22 "Share-based payment" to Nokia's consolidated financial statements on page 30.

Equity-based compensation program 2008

The Board of Directors announced the proposed scope and design for the Equity Program 2008 on January 24, 2008. The main equity instrument will be performance shares. In addition, stock options will be used on a limited basis for senior managers, and restricted shares will be used for a small number of high potential and critical employees. These equity-based incentive awards are generally forfeited, if the employee leaves Nokia prior to vesting.

Performance shares
The Performance Share Plan 2008 approved by the Board of Directors will cover a performance period of three years (2008–2010) with no interim measurement period. No performance shares will vest unless Nokia's performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria:

1. Average Annual Net Sales Growth: 4% (threshold) and 16% (maximum) during the performance period 2008–2010, and
2. EPS (diluted, excluding special items): EUR 1.72 (threshold) and EUR 2.76 (maximum) at the end of the performance period in 2010.

Average Annual Net Sales Growth is calculated as an average of the net sales growth rates for the years 2007 through 2010. EPS is the diluted earnings per share in 2010 excluding special items. Both the EPS and Average Annual Net Sales Growth criteria are equally weighted and performance under each of the two performance criteria is calculated independent of each other.

Achievement of the maximum performance for both criteria would result in the vesting of a maximum of 12 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 3 million shares. If only one of the threshold levels of performance is achieved, only approximately 1.5 million of the performance shares will vest. If none of the threshold levels is achieved, then none of the performance shares will vest. For performance between the threshold and maximum performance levels, the vesting follows a linear scale. If the required performance levels are achieved, the vesting will take place in 2010. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with these performance shares.

Stock options
The stock options to be granted in 2008 are out of the Stock Option Plan 2007 approved by the Annual General Meeting in 2007. For more information on Stock Option Plan 2007, see "Equity Based Compensation Programs" on page 77.

Restricted shares
The restricted shares to be granted under the Restricted Share Plan 2008 will have a three-year restriction period. The restricted shares will vest and the payable Nokia shares will be delivered mainly in 2011, subject to fulfillment of the service period criteria. Participants will not have any shareholder rights or voting rights during the restriction period, until the Nokia shares are transferred and delivered to plan participants at the end of the restriction period.

Maximum planned grants in 2008
The maximum number of planned grants under the 2008 Equity Program (i.e., performance shares, stock options and restricted shares) in 2008 are set forth in the table below.

Plan type	Maximum number of planned grants under the 2008 equityprogram in 2008
Stock options	5 million
Restricted shares	4 million
Performance shares at threshold [1]	3 million

1 The maximum number of shares to be delivered at maximum performance is four times the number at threshold, i.e., a total of 12 million Nokia shares.

As at December 31, 2007, the total dilutive effect of Nokia's stock options, performance shares and restricted shares outstanding, assuming full dilution, was approximately 2.3% in the aggregate. The potential maximum effect of the proposed equity program 2008 would be approximately another 0.6%.

Share ownership

General

The following section describes the ownership or potential ownership interest in the company of the members of Nokia's Board of Directors and the Group Executive Board, either through share ownership or through holding of equity based incentives, which may lead to share ownership in the future.

Since 1999, approximately 40% of the remuneration paid to the Board of Directors has been paid in Nokia shares purchased from the market. Non-executive members of the Board of Directors do not receive stock options, performance shares, restricted shares or other variable pay compensation.

For a description of Nokia's equity-based compensation programs for employees and executives, see "Equity-Based Compensation Programs" on page 77.

Share ownership of the Board of Directors

At December 31, 2007, the members of Nokia's Board of Directors held the aggregate of 975 797 shares and ADSs in Nokia which represented 0.03% of Nokia's outstanding share capital and total voting rights excluding shares held by Nokia Group at that date.

The following table sets forth the number of shares and ADSs held by members of the Board of Directors as at December 31, 2007.

	Shares [1]	ADSs
Jorma Ollila [2]	389 578	—
Marjorie Scardino	—	17 263
Georg Ehrnrooth [3]	318 347	—
Lalita D. Gupte	—	3 027
Bengt Holmström	19 416	—
Henning Kagermann	2 810	—
Olli-Pekka Kallasvuo [4]	166 059	—
Per Karlsson [3]	22 889	—
Keijo Suila	5 597	—
Vesa Vainio	30 811	—
Total	**955 507**	**20 290**

1 The number of shares includes not only shares acquired as compensation for services rendered as a member of the Board of Directors, but also shares acquired by any other means.

2 For Mr. Ollila, this table includes his share ownership, only. Mr. Ollila was entitled to retain all vested and unvested stock options, performance shares and restricted shares granted to him in respect of his services as the CEO of Nokia prior to June 1, 2006 as approved by the Board of Directors. Therefore, in addition to the above-presented share ownership, Mr. Ollila held, as of December 31, 2007, a total of 1 800 000 stock options, 300 000 performance shares (at threshold) and 200 000 restricted shares. The information relating to stock options held by Mr. Ollila as at December 31, 2007 is represented in the table below.

Number of stock options in the below table equals the number of underlying shares represented by the option entitlement. Stock options vest over four years: 25% after one year and 6.25% each quarter thereafter. The intrinsic value of the stock options in the above table is based on the difference between the exercise price of the options and the closing market price of Nokia shares on the Helsinki Stock Exchange as at December 28, 2007 of EUR 26.52.

3 Mr. Ehrnrooth's and Mr. Karlsson's holdings include both shares held personally and shares held through a company.

4 For Mr. Kallasvuo, this table includes his share ownership only. Mr. Kallasvuo's holdings of long-term equity-based incentives are outlined under "Stock Option Ownership of the Group Executive Board" on page 80 and "Performance Shares and Restricted Shares" on page 82.

				Number of stock options		Total intrinsic value of stock options, December 31, 2007 EUR	
	Stock option category	Expiration date	Exercise price per share EUR	Exercisable	Unexercisable	Exercisable	Unexercisable
Jorma Ollila	2002 A/B	December 31, 2007	17.89	—	—	—	—
	2003 2Q	December 31, 2008	14.95	600 000	—	6 942 000	—
	2004 2Q	December 31, 2009	11.79	325 000	75 000	4 787 250	1 104 750
	2005 2Q	December 31, 2010	12.79	225 000	175 000	3 089 250	2 402 750
	2006 2Q	December 31, 2011	18.02	125 000	275 000	1 062 500	2 337 500

Share Ownership of the Group Executive Board

The following table sets forth the share ownership, as well as potential ownership interest through holding of equity-based incentives, of the members of the Group Executive Board as at December 31, 2007.

	Shares	Shares receivable through stock options	Shares receivable through performance shares at threshold [3]	Shares receivable through performance shares at maximum [4]	Shares receivable through restricted shares
Number of equity instruments held by Group Executive Board	642 429	2 693 844	569 600	2 835 637	1 087 500
% of the share capital [1]	0.017	0.070	0.015	0.074	0.028
% of the total outstanding equity incentives (per instrument) [2]	—	7.769	8.709	6.266	18.139

1 The percentage is calculated in relation to the outstanding share capital and total voting rights of the company, excluding shares held by Nokia Group.

2 The percentage is calculated in relation to the total outstanding equity incentives per instrument, i.e., stock options, performance shares and restricted shares, as applicable.

3 Performance shares at threshold represent the original grant. Due to the interim payouts, the participants have already received threshold number of Nokia shares under 2004 and 2005 plans. Therefore, the shares receivable under the 2004 and 2005 performance share plans equal to zero.

4 At maximum performance under the performance share plans 2006 and 2007, the number of Nokia shares deliverable equals four times the number of performance shares originally granted (at threshold). Due to the interim payout (at threshold) in 2006 and based on the actual level of the performance criteria for the performance period, the number of Nokia shares deliverable under the performance share plan 2004 equals 2.39 times the number of performance shares originally granted (at threshold). Due to the interim payout (at threshold) in 2007, the maximum number of Nokia shares deliverable under the performance share plan 2005 equals three times the number of performance shares originally granted (at threshold).

The following table sets forth the number of shares and ADSs in Nokia held by members of the Group Executive Board as at December 31, 2007.

	Shares	ADSs
Olli-Pekka Kallasvuo	166 059	—
Robert Andersson	28 580	—
Simon Beresford-Wylie	25 436	—
Timo Ihamuotila	31 637	—
Mary McDowell	31 029	5 000
Hallstein Moerk	37 209	3 213
Tero Ojanperä	16 135	—
Niklas Savander	30 367	—
Richard Simonson	53 746	21 514
Veli Sundbäck	117 774	—
Anssi Vanjoki	60 799	—
Kai Öistämö	13 931	—
Total	**612 702**	**29 727**

Stock Option Ownership of the Group Executive Board

The following table provides certain information relating to stock options held by members of the Group Executive Board as at December 31, 2007. These stock options were issued pursuant to Nokia Stock Option Plans 2001, 2003, 2005 and 2007. For a description of Nokia's stock option plans, please see Note 22 to Nokia's consolidated financial statements on page 30.

				Number of stock options [1]		Total intrinsic value of stock options, December 31, 2007 EUR [2]	
	Stock option category	Expiration date	Exercise price per share EUR	Exercisable	Unexercisable	Exercisable [3]	Unexercisable
Olli-Pekka Kallasvuo	2002 A/B	December 31, 2007	17.89	—	—	—	—
	2003 2Q	December 31, 2008	14.95	120 000	—	1 388 400	—
	2004 2Q	December 31, 2009	11.79	48 750	11 250	718 088	165 713
	2005 2Q	December 31, 2010	12.79	33 750	26 250	463 388	360 413
	2005 4Q	December 31, 2010	14.48	43 750	56 250	526 750	677 250
	2006 2Q	December 31, 2011	18.02	93 750	206 250	796 875	1 753 125
	2007 2Q	December 31, 2012	18.39	—	160 000	—	1 300 800
Robert Andersson	2002 A/B	December 31, 2007	17.89	—	—	—	—
	2003 2Q	December 31, 2008	14.95	—	—	—	—
	2004 2Q	December 31, 2009	11.79	8 450	1 950	124 469	28 724
	2005 2Q	December 31, 2010	12.79	6 750	5 250	92 678	72 083
	2005 4Q	December 31, 2010	14.48	12 250	15 750	147 490	189 630
	2006 2Q	December 31, 2011	18.02	—	55 000	—	467 500
	2007 2Q	December 31, 2012	18.39	—	32 000	—	260 160
Simon Beresford-Wylie [4]	2002 A/B	December 31, 2007	17.89	—	—	—	—
	2003 2Q	December 31, 2008	14.95	13 000	—	150 410	—
	2004 2Q	December 31, 2009	11.79	8 125	1 875	119 681	27 619
	2005 2Q	December 31, 2010	12.79	27 750	26 250	381 008	360 413
	2006 2Q	December 31, 2011	18.02	31 250	68 750	265 625	584 375
Timo Ihamuotila	2002 A/B	December 31, 2007	17.89	7	—	60	—
	2003 2Q	December 31, 2008	14.95	—	—	—	—
	2004 2Q	December 31, 2009	11.79	—	1 500	—	22 095
	2005 2Q	December 31, 2010	12.79	—	6 300	—	86 499
	2006 2Q	December 31, 2011	18.02	—	9 900	—	84 150
	2007 2Q	December 31, 2012	18.39	—	32 000	—	260 160
Mary McDowell	2003 4Q	December 31, 2008	15.05	65 625	4 375	752 719	50 181
	2004 2Q	December 31, 2009	11.79	40 625	9 375	598 406	138 094
	2005 2Q	December 31, 2010	12.79	33 750	26 250	463 388	360 413
	2006 2Q	December 31, 2011	18.02	31 250	68 750	265 625	584 375
	2007 2Q	December 31, 2012	18.39	—	55 000	—	447 150
Hallstein Moerk	2002 A/B	December 31, 2007	17.89	—	—	—	—
	2003 2Q	December 31, 2008	14.95	—	—	—	—
	2004 2Q	December 31, 2009	11.79	—	5 625	—	82 856
	2005 2Q	December 31, 2010	12.79	—	17 500	—	240 275
	2006 2Q	December 31, 2011	18.02	18 750	41 250	159 375	350 625
	2007 2Q	December 31, 2012	18.39	—	32 000	—	260 160

Stock option ownership of the Group Executive Board, continued

	Stock option category	Expiration date	Exercise price per share EUR	Number of stock options [1] Exercisable	Number of stock options [1] Unexercisable	Total intrinsic value of stock options, December 31, 2007 EUR [2] Exercisable [3]	Total intrinsic value of stock options, December 31, 2007 EUR [2] Unexercisable
Tero Ojanperä	2002 A/B	December 31, 2007	17.89	—	—	—	—
	2003 2Q	December 31, 2008	14.95	16 000	—	185 120	—
	2004 2Q	December 31, 2009	11.79	8 125	1 875	119 681	27 619
	2005 2Q	December 31, 2010	12.79	22 500	17 500	308 925	240 275
	2006 2Q	December 31, 2011	18.02	18 750	41 250	159 375	350 625
	2007 2Q	December 31, 2012	18.39	—	32 000	—	260 160
Niklas Savander	2002 A/B	December 31, 2007	17.89	—	—	—	—
	2003 2Q	December 31, 2008	14.95	—	—	—	—
	2004 2Q	December 31, 2009	11.79	640	1 920	9 427	28 282
	2005 2Q	December 31, 2010	12.79	875	6 125	12 014	84 096
	2006 2Q	December 31, 2011	18.02	3 750	41 250	31 875	350 625
	2007 2Q	December 31, 2012	18.39	—	32 000	—	260 160
Richard Simonson	2002 A/B	December 31, 2007	17.89	—	—	—	—
	2003 2Q	December 31, 2008	14.95	11 500	—	133 055	—
	2004 2Q	December 31, 2009	11.79	40 625	9 375	598 406	138 094
	2005 2Q	December 31, 2010	12.79	33 750	26 250	463 388	360 413
	2006 2Q	December 31, 2011	18.02	31 250	68 750	265 625	584 375
	2007 2Q	December 31, 2012	18.39	—	55 000	—	447 150
Veli Sundbäck	2002 A/B	December 31, 2007	17.89	—	—	—	—
	2003 2Q	December 31, 2008	14.95	50 000	—	578 500	—
	2004 2Q	December 31, 2009	11.79	24 375	5 625	359 044	82 856
	2005 2Q	December 31, 2010	12.79	22 500	17 500	308 925	240 275
	2006 2Q	December 31, 2011	18.02	18 750	41 250	159 375	350 625
	2007 2Q	December 31, 2012	18.39	—	32 000	—	260 160
Anssi Vanjoki	2002 A/B	December 31, 2007	17.89	—	—	—	—
	2003 2Q	December 31, 2008	14.95	—	—	—	—
	2004 2Q	December 31, 2009	11.79	—	11 250	—	165 713
	2005 2Q	December 31, 2010	12.79	—	26 250	—	360 413
	2006 2Q	December 31, 2011	18.02	—	68 750	—	584 375
	2007 2Q	December 31, 2012	18.39	—	55 000	—	447 150
Kai Öistämö	2002 A/B	December 31, 2007	17.89	—	—	—	—
	2003 2Q	December 31, 2008	14.95	727	—	8 411	—
	2004 2Q	December 31, 2009	11.79	1 250	1 875	18 413	27 619
	2005 2Q	December 31, 2010	12.79	1 600	5 600	21 968	76 888
	2005 4Q	December 31, 2010	14.48	3 500	15 750	42 140	189 630
	2006 2Q	December 31, 2011	18.02	31 250	68 750	265 625	584 375
	2007 2Q	December 31, 2012	18.39	—	55 000	—	447 150
Stock options held by the members of the Group Executive Board on December 31, 2007, Total				979 299	1 714 545	11 463 724	16 163 936
All outstanding stock option plans (global plans), Total				20 869 758	13 803 554	248 800 175	139 926 235

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 the Helsinki Stock Exchange as at December 28, 2007 of EUR 26.52.

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 84.

4 From April 1, 2007, Mr. Beresford-Wylie has participated in a long-term cash incentive plan sponsored by Nokia Siemens Networks instead of the long-term equity-based plans of Nokia.

Performance shares and restricted shares

The following table provides certain information relating to performance shares and restricted shares held by members of the Group Executive Board as at December 31, 2007. These entitlements were granted pursuant to Nokia's performance share plans 2004, 2005, 2006 and 2007 and restricted share plans 2005, 2006 and 2007. For a description of Nokia's performance share and restricted share plans, please see Note 22 to the consolidated financial statements on page 30.

		Performance shares				Restricted shares	
	Plan name [1]	Number of performance shares at threshold [2]	Number of performance shares at maximum [2]	Intrinsic value [3] EUR	Plan name [4]	Number of restricted shares	Intrinsic value [5] EUR
Olli-Pekka Kallasvuo	2004	15 000	35 850	950 742			
	2005	15 000	45 000	1 193 400	2005	70 000	1 856 400
	2006	75 000	300 000	6 552 786	2006	100 000	2 652 000
	2007	80 000	320 000	6 571 490	2007	100 000	2 652 000
Robert Andersson	2004	2 600	6 214	164 795			
	2005	3 000	9 000	238 680	2005	28 000	742 560
	2006	20 000	80 000	1 747 410	2006	20 000	530 400
	2007	16 000	64 000	1 314 298	2007	25 000	663 000
Simon Beresford-Wylie [6]	2004	2 500	5 975	158 457			
	2005	15 000	45 000	1 193 400	2005	35 000	928 200
	2006	25 000	100 000	2 184 262	2006	25 000	663 000
Timo Ihamuotila	2004	2 000	4 780	126 766			
	2005	3 600	10 800	286 416	2005	25 000	663 000
	2006	3 600	14 400	314 534	2006	4 500	119 340
	2007	16 000	64 000	1 314 298	2007	25 000	663 000
Mary McDowell	2004	12 500	29 875	792 285			
	2005	15 000	45 000	1 193 400	2005	35 000	928 200
	2006	25 000	100 000	2 184 262	2006	25 000	663 000
	2007	27 500	110 000	2 258 950	2007	35 000	928 200
Hallstein Moerk	2004	7 500	17 925	475 371			
	2005	10 000	30 000	795 600	2005	25 000	663 000
	2006	15 000	60 000	1 310 557	2006	15 000	397 800
	2007	16 000	64 000	1 314 298	2007	25 000	663 000
Tero Ojanperä	2004	2 500	5 975	158 457			
	2005	10 000	30 000	795 600	2005	25 000	663 000
	2006	15 000	60 000	1 310 557	2006	15 000	397 800
	2007	16 000	64 000	1 314 298	2007	25 000	663 000
Niklas Savander	2004	2 560	6 118	162 260			
	2005	3 500	10 500	278 460	2005	25 000	663 000
	2006	15 000	60 000	1 310 557	2006	15 000	397 800
	2007	16 000	64 000	1 314 298	2007	25 000	663 000
Richard Simonson	2004	12 500	29 875	792 285			
	2005	15 000	45 000	1 193 400	2005	35 000	928 200
	2006	25 000	100 000	2 184 262	2006	25 000	663 000
	2007	27 500	110 000	2 258 950	2007	35 000	928 200

	Plan name [1]	Performance shares: Number of performance shares at threshold [2]	Performance shares: Number of performance shares at maximum [2]	Intrinsic value [3] EUR	Plan name [4]	Restricted shares: Number of restricted shares	Intrinsic value [5] EUR
Veli Sundbäck	2004	7 500	17 925	475 371			
	2005	10 000	30 000	795 600	2005	25 000	663 000
	2006	15 000	60 000	1 310 557	2006	15 000	397 800
	2007	16 000	64 000	1 314 298	2007	25 000	663 000
Anssi Vanjoki	2004	15 000	35 850	950 742			
	2005	15 000	45 000	1 193 400	2005	35 000	928 200
	2006	25 000	100 000	2 184 262	2006	25 000	663 000
	2007	27 500	110 000	2 258 950	2007	35 000	928 200
Kai Öistämö	2004	2 500	5 975	158 457			
	2005	3 200	9 600	254 592	2005	25 000	663 000
	2006	25 000	100 000	2 184 262	2006	25 000	663 000
	2007	27 500	110 000	2 258 950	2007	35 000	928 200
Performance shares and restricted shares held by the Group Executive Board, Total		772 560	2 835 637	63 049 281		1 087 500	28 840 500
All outstanding performance shares and restricted shares (global plans), Total		13 544 558	45 254 618	1 066 777 076		5 915 929	156 890 437

1 The performance period for the 2004 plan was 2004–2007, with one interim measurement period for fiscal years 2004–2005. The performance period for the 2005 plan is 2005–2008, with one interim measurement period for fiscal years 2005–2006. The performance period for the 2006 plan is 2006–2008, without any interim measurement period. The performance period for the 2007 plan is 2007–2009, without any interim measurement period.

2 For the performance share plans 2004, 2005, 2006 and 2007, the number of performance shares at threshold represents the number of performance shares granted. This number will vest as Nokia shares should the pre-determined threshold performance levels of Nokia be met. Under 2004 and 2005 performance share plans, the participants have already received threshold number of Nokia shares in connection with interim payout. The maximum number of Nokia shares will vest should the predetermined maximum performance levels be met. The maximum number of performance shares equals four times the number originally granted (at threshold). Due to the interim payout (at threshold) in 2006 and based on the actual level of the performance criteria for the performance period, the number of Nokia shares deliverable under the performance share plan 2004 equals 2.39 times the number of performance shares originally granted (at threshold). Due to the interim payout (at threshold) in 2007, the maximum number of Nokia shares deliverable under the performance share plan 2005 equals three times the number of performance shares originally granted (at threshold).

3 The intrinsic value is based on the closing market price of a Nokia share on the Helsinki Stock Exchange as at December 28, 2007 of EUR 26.52. The value of performance shares is presented on the basis of Nokia's estimation of the number of shares expected to vest. For performance share plan 2004 the value of performance shares is presented on the basis of actual number of shares expected to vest.

4 Under the restricted share plans 2004, 2005, 2006 and 2007 awards are granted quarterly. For the major part of the awards made under these plans the restriction period ended for the 2004 plan on October 1, 2007; and will end for the 2005 plan, on October 1, 2008; for the 2006 plan, on October 1, 2009; for the 2007 plan, on October 1, 2010.

5 The intrinsic value is based on the closing market price of a Nokia share on the Helsinki Stock Exchange as at December 28, 2007 of EUR 26.52.

6 From April 1, 2007, Mr. Beresford-Wylie has participated in a long-term cash incentive plan sponsored by Nokia Siemens Networks instead of the long-term equity-based plans of Nokia.

For gains realized upon exercise of stock options or delivery of Nokia shares on the basis of performance shares and restricted shares granted to the members of the Group Executive Board, see the table in "Stock Option Exercises and Settlement of Shares" on page 84.

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 2007 for Nokia's Group Executive Board members.

		Stock option awards [1]		Performance shares awards [2]		Restricted shares awards [3]	
Name	Year	Options exercised (number)	Value realized (EUR)	Shares delivered (number)	Value realized (EUR)	Shares delivered (number)	Value realized (EUR)
Olli-Pekka Kallasvuo	2007	175 000	150 518	15 000	301 500	35 000	651 000
Robert Andersson	2007	73 000	381 620	3 000	60 300	15 000	388 200
Simon Beresford-Wylie	2007	6 000	87 300	15 000	301 500	—	—
Timo Ihamuotila	2007	30 223	218 849	3 600	72 360	15 000	388 200
Mary McDowell	2007	—	—	15 000	301 500	20 000	331 600
Hallstein Moerk	2007	83 750	707 937	10 000	201 000	20 000	372 000
Tero Ojanperä	2007	14 500	151 380	10 000	201 000	15 000	388 200
Niklas Savander	2007	64 180	427 001	3 500	70 350	16 500	427 020
Richard Simonson	2007	15 000	42 750	15 000	301 500	25 000	465 000
Veli Sundbäck	2007	40 000	209 350	10 000	201 000	20 000	372 000
Anssi Vanjoki	2007	156 250	1 461 900	15 000	301 500	35 000	651 000
Kai Öistämö	2007	23 989	121 392	3 200	64 320	15 000	388 200

1 Value realized on exercise is based on the total gross value received in 2007 in respect of stock options sold on the Helsinki Stock Exchange (transferable stock options) and on the difference between the Nokia share price and exercise price of options (non-transferable stock options).

2 Represents interim payout at threshold for the 2005 performance share grant. Value is based on the market price of the Nokia share on the Helsinki Stock Exchange as at May 21, 2007 of EUR 20.10.

3 Delivery of Nokia shares vested from the 2003 grant to Ms. McDowell and from the 2004 grant to the other members of the Group Executive Board. Value is based on the market price of the Nokia share on the Helsinki Stock Exchange for the grant of Ms. McDowell on January 29, 2007 of EUR 16.58; Mr. Kallasvuo, Mr. Moerk, Mr. Simonson, Mr. Sundbäck and Mr. Vanjoki as at May 7, 2007 of EUR 18.60; and Mr. Andersson, Mr. Ihamuotila, Mr. Ojanperä, Mr. Savander and Mr. Öistämö on October 22, 2007 of EUR 25.88.

Stock ownership guidelines for executive management

One of the goals of Nokia's long-term equity-based incentive program is to focus executives on building value for shareholders. In addition to granting the stock options, performance shares and restricted shares, Nokia also encourages stock ownership by Nokia's top executives. Since January 2001, Nokia has had stock ownership commitment guidelines with minimum recommendations tied to annual base salaries. For the President and CEO, the recommended minimum investment in Nokia shares corresponds to three times his annual base salary, for Simon Beresford-Wylie, Chief Executive Officer of Nokia Siemens Networks, one time his annual base salary and for the other members of the Group Executive Board, two times the member's annual base salary, respectively. To meet this requirement, all members are expected to retain after-tax equity gains in shares until the minimum investment level is met.

Insider trading in securities

The Board of Directors has established and regularly updates a policy in respect of insiders' trading in Nokia securities. The members of the Board and the Group Executive Board are considered as primary insiders. Under the policy, the holdings of Nokia securities by the primary insiders are public information, which is available in the Finnish Central Securities Depositary and on Nokia's website. Both primary insiders and secondary insiders (as defined in the policy) are subject to a number of trading restrictions and rules, including, among other things, prohibitions on trading in Nokia securities during the three-week "closed-window" period immediately preceding the release of Nokia's quarterly results and the four-week "closed-window" period immediately preceding the release of Nokia's annual results. In addition, Nokia may set trading restrictions based on participation in projects. Nokia updates its insider trading policy from time to time and monitors Nokia's insiders' compliance with the policy on a regular basis. Nokia's insider policy is in line with the Helsinki Stock Exchange Guidelines for Insiders and also sets requirements beyond those guidelines.

Auditor fees and services

PricewaterhouseCoopers Oy has served as Nokia's independent auditor for each of the fiscal years in the three-year period ended December 31, 2007. The independent auditor is elected annually by Nokia's shareholders at the Annual General Meeting for the fiscal year in question. The Audit Committee of the Board of Directors makes a proposal to the shareholders in respect of the appointment of the auditor based upon its evaluation of the qualifications and independence of the auditor to be proposed for election or re-election on an annual basis.

The following table sets forth the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers to Nokia in 2007 and 2006. The aggregate fees for 2007 are set forth in total with a separate presentation of those fees related to Nokia and Nokia Siemens Networks.

	2007			2006
EURm	Nokia	Nokia Siemens Networks	Total	Total
Audit fees [1]	5.3	12.7	18.0	5.2
Audit-related fees [2]	3.6	24.3	27.9	7.1
Tax fees [3]	5.0	2.3	7.3	6.8
All other fees [4]	0.2	—	0.2	0.4
Total	14.1	39.3	53.4	19.5

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. The fees for 2007 include EUR 2.9 million of accrued audit fees for the 2007 year-end audit that were not billed until 2008. There were no unbilled audit fees at year-end 2006.

2 Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the company's financial statements or that are traditionally performed by the independent auditor, and include consultations concerning financial accounting and reporting standards; advice on tax accounting matters; advice and assistance in connection with local statutory accounting requirements; due diligence related to acquisitions; financial due diligence in connection with provision of funding to customers, reports in relation to covenants in loan agreements; employee benefit plan audits and reviews; and audit procedures in connection with investigations and the compliance program implemented at Nokia Siemens Networks related to the Siemens' carrier-related operations transferred to Nokia Siemens Networks. The fees for 2007 include EUR 1.0 million of accrued audit related fees that were not billed until 2008. The fees for 2006 include EUR 1.5 million of accrued audit related fees that were not billed until 2007. The amounts paid by Nokia to PricewaterhouseCoopers include EUR 23.9 million and EUR 0.3 million that Nokia has recovered or will be able to recover from a third party for 2007 and 2006, respectively.

3 Tax fees include fees billed for (i) corporate and indirect compliance including preparation and/or review of tax returns, preparation, review and/or filing of various certificates and forms and consultation regarding tax returns and assistance with revenue authority queries; (ii) transfer pricing advice and assistance with tax clearances; (iii) customs duties reviews and advice; (iv) consultations and tax audits (assistance with technical tax queries and tax audits and appeals and advice on mergers, acquisitions and restructurings) and (v) personal compliance (preparation of individual tax returns and registrations for employees (non-executives), assistance with applying for 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). The tax fees for 2007 include EUR 2.1 million of accrued tax fees that were not billed until 2008. The tax fees for 2006 include EUR 0.4 million of accrued tax fees that were not billed until 2007.

4 All other fees include fees billed for company establishment, forensic accounting, data security and occasional training or reference materials and services.

Audit committee pre-approval policies and procedures

The Audit Committee of Nokia's Board of Directors is responsible, among other matters, for the oversight of the external auditor subject to the requirements of Finnish law. The Audit Committee has adopted a policy regarding pre-approval of audit and permissible non-audit services provided by Nokia's independent auditors (the "Policy").

Under the Policy, proposed services either (i) may be pre-approved by the Audit Committee without a specific case-by-case service approval ("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 Chief Financial Officer. 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 material, press releases as well as environmental and social information.

Investor relations contacts

investor.relations@nokia.com

Nokia Investor Relations
102 Corporate Park Drive
White Plains, NY 10604
USA
Tel. +1 914 368 0555
Fax +1 914 368 0600

Nokia Investor Relations
P.O. Box 226
FI-00045 NOKIA GROUP
Finland
Tel. +358 7180 34927
Fax +358 7180 38787

Annual General Meeting

Date: Thursday, May 8, 2008 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 2007 is EUR 0.53.
The dividend record date is proposed to be May 13, 2008 and the pay date on or about May 27, 2008.

Financial reporting

Nokia's quarterly reports in 2008 are planned for April 17, July 17, and October 16. The 2008 results are planned to be published in January 2009.

Information published in 2007

All Nokia's press releases as well as quartely results announcements and financial statements published in 2007 are available on the Internet at www.nokia.com.

Stock exchanges

The shares of Nokia Corporation are quoted on the following stock exchanges:

	Symbol	Trading currency
HEX, Helsinki (quoted since 1915)	NOK1V	EUR
Frankfurter Wertpapierbörse (1988)	NOA3	EUR
New York Stock Exchange (1994)	NOK	USD

List of indices

NOK1V	NOK
OMXN40 OMX Nordic 40	**NYA** NYSE Composite
OMXH OMX Helsinki	**NYL.ID** NYSE World Leaders
OMXH25 OMX Helsinki 25	**NYYID** NYSE TMT
HX45 OMX Helsinki Information Technology	**CTN** CSFB Technology
BE500 Bloomberg European 500	**MLO** Merrill Lynch 10
BETECH Bloomberg Telecommunication Equipment	
SX5E DJ Euro STOXX 50	
SX5P DJ STOXX 50	
E3X FTSE Eurofirst 300	

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding: A) the timing of product, services and solution deliveries; B) our ability to develop, implement and commercialize new products, services, solutions and technologies; C) expectations regarding market growth, developments and structural changes; D) expectations regarding our mobile device volume growth, market share, prices and margins; E) expectations and targets for our results of operations; F) the outcome of pending and threatened litigation; G) expectations regarding the successful completion of contemplated acquisitions on a timely basis and our ability to achieve the set targets upon the completion of such acquisitions; and H) statements preceded by "believe," "expect," "anticipate," "foresee," "target," "estimate," "designed," "plans," "will" or similar expressions are forward-looking statements. These statements are based on management's best assumptions and beliefs in light of the information currently available to it. Because they involve risks and uncertainties, actual results may differ materially from the results that we currently expect. Factors that could cause these differences include, but are not limited to: 1) competitiveness of our product, service and solutions portfolio; 2) the extent of the growth of the mobile communications industry and general economic conditions globally; 3) the growth and profitability of the new market segments that we target and our ability to successfully develop or acquire and market products, services and solutions in those segments; 4) our ability to successfully manage costs; 5) the intensity of competition in the mobile communications industry and our ability to maintain or improve our market position or respond successfully to changes in the competitive landscape; 6) the impact of changes in technology and our ability to develop or otherwise acquire complex technologies as required by the market, with full rights needed to use; 7) timely and successful commercialization of complex technologies as new advanced products, services and solutions; 8) our ability to protect the complex technologies, which we or others develop or that we license, from claims that we have infringed third parties' intellectual property rights, as well as our unrestricted use on commercially acceptable terms of certain technologies in our products, services and solution offerings; 9) our ability to protect numerous Nokia and Nokia Siemens Networks patented, standardized or proprietary technologies from third-party infringement or actions to invalidate the intellectual property rights of these technologies; 10) Nokia Siemens Networks' ability to achieve the expected benefits and synergies from its formation to the extent and within the time period anticipated and to successfully integrate its operations, personnel and supporting activities; 11) whether, as a result of investigations into alleged violations of law by some current or former employees of Siemens AG ("Siemens"), government authorities or others take further actions against Siemens and/or its employees that may involve and affect the carrier-related assets and employees transferred by Siemens to Nokia Siemens Networks, or there may be undetected additional violations that may have occurred prior to the transfer, or ongoing violations that may have occurred after the transfer, of such assets and employees that could result in additional actions by government authorities; 12) any impairment of Nokia Siemens Networks customer relationships resulting from the ongoing government investigations involving the Siemens carrier-related operations transferred to Nokia Siemens Networks; 13) occurrence of any actual or even alleged defects or other quality issues in our products, services and solutions; 14) our ability to manage efficiently our manufacturing and logistics, as well as to ensure the quality, safety, security and timely delivery of our products, services and solutions; 15) inventory management risks resulting from shifts in market demand; 16) our ability to source sufficient amounts of fully functional components and sub-assemblies without interruption and at acceptable prices; 17) any disruption to information technology systems and networks that our operations rely on; 18) developments under large, multi-year contracts or in relation to major customers; 19) economic or political turmoil in emerging market countries where we do business; 20) our success in collaboration arrangements relating to development of technologies or new products, services and solutions; 21) the success, financial condition and performance of our collaboration partners, suppliers and customers; 22) exchange rate fluctuations, including, in particular, fluctuations between the euro, which is our reporting currency, and the US dollar, the Chinese yuan, the UK pound sterling and the Japanese yen, as well as certain other currencies; 23) the management of our customer financing exposure; 24) allegations of possible health risks from electromagnetic fields generated by base stations and mobile devices and lawsuits related to them, regardless of merit; 25) unfavorable outcome of litigations; 26) our ability to recruit, retain and develop appropriately skilled employees; 27) the impact of changes in government policies, laws or regulations; and 28) our ability to effectively and smoothly implement our new organizational structure; as well as the risk factors specified on pages 10-25 of Nokia's annual report on Form 20-F for the year ended December 31, 2007 under "Item 3.D 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 update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Contact information

Nokia Head Office

Keilalahdentie 2–4
02150 Espoo
P.O. Box 226, FI-00045 Nokia Group
FINLAND
Tel. +358 7180 08000
Fax +358 7180 38226

Nokia Corporate Office–New York

102 Corporate Park Drive
White Plains, New York 10604
USA
Tel. +1 914 368 0400
Fax +1 914 368 0501

Nokia Corporate Office–Texas

6000 Connection Drive
Irving, Texas 75039
USA
Tel. +1 972 894 5000
Fax +1 972 894 5106

Nokia Asia-Pacific

438B Alexandra Road
#07-00 Alexandra Technopark
SINGAPORE 119968
Tel. +65 6723 2323
Fax +65 6723 2324

Nokia Middle East & North Africa

Al Thuraya Tower II, 27th floor,
Dubai Internet City
Dubai, UAE
Tel. +971 4 3697600
Fax +971 4 3697606

Paper: Munken Lynx 100 g/m²
Cover: Munken Lynx 240 g/m²
Design: HardWorkingHouse Oy, cover: Louise Boström Oy.
F.G. Lönnberg ISO 9001, 2008.

Copyright © 2008. Nokia Corporation. All rights reserved.
Nokia and Nokia Connecting People are registered trademarks of Nokia Corporation.