NOKIA CORP
Form 20-F
March 12, 2010

As filed with the Securities and Exchange Commission on March 12, 2010.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

Commission file number 1-13202

Nokia Corporation
(Exact name of Registrant as specified in its charter)

Republic of Finland
(Jurisdiction of incorporation)

Keilalahdentie 4, P.O. Box 226, FI-00045 NOKIA GROUP, Espoo, Finland
(Address of principal executive offices)

Kaarina Ståhlberg, Vice President, Assistant General Counsel
Telephone: +358 (0)7 1800-8000, Facsimile: +358 (0) 7 1803-8503
Keilalahdentie 4, P.O. Box 226, FI-00045 NOKIA GROUP, Espoo, Finland
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (the Exchange Act):

Title of each class	Name of each exchange on which registered
American Depositary Shares	New York Stock Exchange
Shares	New York Stock Exchange[1]

(1) Not for trading, but only in connection with the registration of American Depositary Shares representing these shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered pursuant to Section 12(g) of the Exchange Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Exchange Act: **5.375% Notes due 2019 and 6.625% Notes due 2039**

Indicate the number of outstanding shares of each of the registrant s classes of capital or common stock as of the close of the period covered by the annual report.

Shares: **3 744 956 052.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.
Yes o No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S.GAAP o

International Financial Reporting Standards as issued by the International Accounting Standards Board x

Other o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

TABLE OF CONTENTS

Table of Contents

INTRODUCTION AND USE OF CERTAIN TERMS

Nokia Corporation is a public limited liability company incorporated under the laws of the Republic of Finland. In this document, any reference to we, us, the Group or Nokia means Nokia Corporation and its subsidiaries on a consolidated basis, except where we make clear that the term means Nokia Corporation or a particular subsidiary or business segment only, and except that references to our shares, matters relating to our shares or matters of corporate governance refer to the shares and corporate governance of Nokia Corporation. Nokia Corporation has published its consolidated financial statements in euro for periods beginning on or after January 1, 1999. In this annual report on Form 20-F, references to EUR, euro or are to the common currency of the European Economic and Monetary Union or EMU, and references to dollars, US dollars, USD or $ are to the currency of the United States. Solely for the convenience of the reader, this annual report contains conversions of selected euro amounts into US dollars at specified rates, or, if not so specified, at the rate of 1.4332 US dollars per euro, which was the noon buying rate in New York City for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2009. No representation is made that the amounts have been, could have been or could be converted into US dollars at the rates indicated or at any other rates.

Our principal executive office is currently located at Keilalahdentie 4, P.O. Box 226, FI-00045 Nokia Group, Espoo, Finland and our telephone number is +358 (0) 7 1800-8000.

Nokia Corporation furnishes Citibank, N.A., as Depositary, with consolidated financial statements and a related audit opinion of our independent auditors annually. These financial statements are prepared on the basis of International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union (IFRS). In accordance with the rules and regulations of the US Securities and Exchange Commission, or SEC, we do not provide a reconciliation of net income and shareholders equity in our consolidated financial statements to accounting principles generally accepted in the United States, or US GAAP. We also furnish the Depositary with quarterly reports containing unaudited financial information prepared on the basis of IFRS, as well as all notices of shareholders meetings and other reports and communications that are made available generally to our shareholders. The Depositary makes these notices, reports and communications available for inspection by record holders of American Depositary Receipts, or ADRs, evidencing American Depositary Shares, or ADSs (one ADS represents one share), and distributes to all record holders of ADRs notices of shareholders meetings received by the Depositary.

In addition to the materials delivered to holders of ADRs by the Depositary, holders can access our consolidated financial statements, and other information included in our annual reports and proxy materials, at *www.nokia.com*. This annual report on Form 20-F is also available at *www.nokia.com* as well as on Citibank s website at *http://citibank.ar.wilink.com* (enter Nokia in the Company Name Search). Holders may also request a hard copy of this annual report by calling the toll-free number 1-877-NOKIA-ADR (1-877-665-4223), or by directing a written request to Citibank, N.A., Shareholder Services, PO Box 43124, Providence, RI 02940-5140, or by calling Nokia Investor Relations US Main Office at 1-914-368-0555. With each annual distribution of our proxy materials, we offer our record holders of ADRs the option of receiving all of these documents electronically in the future.

FORWARD-LOOKING STATEMENTS

It should be noted that certain statements herein which are not historical facts are forward-looking statements, including, without limitation, those regarding:

- the timing of the deliveries of our products and services and their combinations;
- our ability to develop, implement and commercialize new technologies, products and services and their combinations;
- expectations regarding market developments and structural changes;
- expectations and targets regarding our and the industry volumes, market share, prices, net sales and margins of products and services and their combinations;
- expectations and targets regarding our operational priorities and results of operations;
- the outcome of pending and threatened litigation;
- expectations regarding the successful completion of acquisitions or restructurings on a timely basis and our ability to achieve the financial and operational targets set in connection with any such acquisition or restructuring; and
- statements preceded by believe, expect, anticipate, foresee, target, estimate, designed, plans, w expressions.

These statements are based on management s best assumptions and beliefs in light of the information currently available to it. Because they involve risks and uncertainties, actual results may differ materially from the results that we currently expect. Factors that could cause these differences include, but are not limited to:

1. the competitiveness and quality of our portfolio of products and services and their combinations;
2. our ability to timely and successfully develop or otherwise acquire the appropriate technologies and commercialize them as new advanced products and services and their combinations, including our ability to attract application developers and content providers to develop applications and provide content for use in our devices;
3. our ability to effectively, timely and profitably adapt our business and operations to the requirements of the converged mobile device market and the services market;
4. the intensity of competition in the various markets where we do business and our ability to maintain or improve our market position or respond successfully to changes in the competitive environment;
5. the occurrence of any actual or even alleged defects or other quality, safety or security issues in our products and services and their combinations;
6.

the development of the mobile and fixed communications industry and general economic conditions globally and regionally;

7. our ability to successfully manage costs;

8. exchange rate fluctuations, including, in particular, fluctuations between the euro, which is our reporting currency, and the US dollar, the Japanese yen and the Chinese yuan, as well as certain other currencies;

9. the success, financial condition and performance of our suppliers, collaboration partners and customers;

10. our ability to source sufficient amounts of fully functional components, sub-assemblies, software, applications and content without interruption and at acceptable prices and quality;

Table of Contents

11. our success in collaboration arrangements with third parties relating to the development of new technologies, products and services, including applications and content;

12. our ability to manage efficiently our manufacturing and logistics, as well as to ensure the quality, safety, security and timely delivery of our products and services and their combinations;

13. our ability to manage our inventory and timely adapt our supply to meet changing demands for our products;

14. our ability to protect the technologies, which we or others develop or that we license, from claims that we have infringed third parties intellectual property rights, as well as our unrestricted use on commercially acceptable terms of certain technologies in our products and services and their combinations;

15. our ability to protect numerous Nokia, NAVTEQ and Nokia Siemens Networks patented, standardized or proprietary technologies from third-party infringement or actions to invalidate the intellectual property rights of these technologies;

16. the impact of changes in government policies, trade policies, laws or regulations and economic or political turmoil in countries where our assets are located and we do business;

17. any disruption to information technology systems and networks that our operations rely on;

18. our ability to retain, motivate, develop and recruit appropriately skilled employees;

19. unfavorable outcome of litigations;

20. allegations of possible health risks from electromagnetic fields generated by base stations and mobile devices and lawsuits related to them, regardless of merit;

21. our ability to achieve targeted costs reductions and increase profitability in Nokia Siemens Networks and to effectively and timely execute related restructuring measures;

22. developments under large, multi-year contracts or in relation to major customers in the networks infrastructure and related services business;

23. the management of our customer financing exposure, particularly in the networks infrastructure and related services business;

24. whether ongoing or any additional governmental investigations into alleged violations of law by some former employees of Siemens AG (Siemens) may involve and affect the carrier-related assets and employees transferred by Siemens to Nokia Siemens Networks;

25. any impairment of Nokia Siemens Networks customer relationships resulting from ongoing or any additional governmental investigations involving the Siemens carrier-related operations transferred to Nokia Siemens Networks;

as well as the risk factors specified in this annual report under Item 3D. Risk Factors.

Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Nokia does not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Table of Contents

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3A. Selected Financial Data

The financial data set forth below at December 31, 2008 and 2009 and for each of the years in the three-year period ended December 31, 2009 have been derived from our audited consolidated financial statements included in Item 18 of this annual report. Financial data at December 31, 2005, 2006, and 2007 and for each of the years in the two-year period ended December 31, 2006 have been derived from our previously published audited consolidated financial statements not included in this document.

The financial data at December 31, 2008 and 2009 and for each of the years in the three-year period ended December 31, 2009 should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements.

The audited consolidated financial statements from which the selected consolidated financial data set forth below have been derived were prepared in accordance with IFRS.

	Year Ended December 31,					
	2005[(1)] **(EUR)**	**2006**[(1)] **(EUR)**	**2007**[(1)] **(EUR)**	**2008**[(1)] **(EUR)**	**2009**[(1)] **(EUR)**	**2009**[(1)] **(USD)**
	(in millions, except per share data)					
Profit and Loss Account Data						
Net sales	34 191	41 121	51 058	50 710	40 984	58 738
Operating profit	4 639	5 488	7 985	4 966	1 197	1 716
Profit before tax	4 971	5 723	8 268	4 970	962	1 379
Profit attributable to equity holders of the parent	3 616	4 306	7 205	3 988	891	1 277
Earnings per share (for profit attributable to equity holders of the parent)						
Basic earnings per share	0.83	1.06	1.85	1.07	0.24	0.34
Diluted earnings per share	0.83	1.05	1.83	1.05	0.24	0.34
Cash dividends per share	0.37	0.43	0.53	0.40	0.40(2)	0.57(2)
Average number of shares (millions of shares)						

Basic	4 366	4 063	3 885	3 744	3 705	3 705
Diluted	4 371	4 087	3 932	3 780	3 721	3 721

Table of Contents

	Year Ended December 31,					
	2005[1] (EUR)	2006[1] (EUR)	2007[1] (EUR)	2008[1] (EUR)	2009[1] (EUR)	2009[1] (USD)
	(in millions, except per share data)					
Balance Sheet Data						
Fixed assets and other non-current assets	3 501	4 031	8 305	15 112	12 125	17 378
Cash and other liquid assets[3]	9 910	8 537	11 753	6 820	8 873	12 717
Other current assets	9 041	10 049	17 541	17 650	14 740	21 125
Total assets	22 452	22 617	37 599	39 582	35 738	51 220
Capital and reserves attributable to equity holders of the parent	12 309	11 968	14 773	14 208	13 088	18 758
Minority interests	205	92	2 565	2 302	1 661	2 381
Long-term interest-bearing liabilities	21	69	203	861	4 432	6 352
Other long-term liabilities	247	327	1 082	1 856	1 369	1 962
Borrowings due within one year	279	180	887	3 591	771	1 105
Other current liabilities	9 391	9 981	18 089	16 764	14 417	20 662
Total shareholders equity and liabilities	22 452	22 617	37 599	39 582	35 738	51 220
Net interest-bearing debt[4]	(9 610)	(8 288)	(10 663)	(2 368)	(3 670)	(5 260)
Share capital	266	246	246	246	246	353

(1) As from April 1, 2007, our 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 years ended December 31, 2005 and 2006 is not directly comparable to any subsequent years and our consolidated financial data for the year ended December 31, 2007 is not directly comparable to any prior or subsequent years. Our consolidated financial data for the periods prior to April 1, 2007 included our former Networks business group only.

(2) The cash dividend for 2009 is what the Board of Directors will propose for shareholders approval at the Annual General Meeting convening on May 6, 2010.

(3) For the year ended December 31, 2009, cash and other liquid assets consist of the following captions from our consolidated balance sheets: (1) bank and cash, (2) available-for-sale investments, cash equivalents, (3) available-for-sale investments, liquid assets and (4) investments at fair value through profit and loss, liquid assets. For the previous years, cash and other liquid assets consist of the following captions from our consolidated balance sheets: (1) bank and cash, (2) available-for-sale investments, cash equivalents, and (3) available-for-sale investments, liquid assets.

(4) Net interest-bearing debt consists of borrowings due within one year and long-term interest-bearing liabilities, less cash and other liquid assets.

Distribution of Earnings

We distribute retained earnings, if any, within the limits set by the Finnish Companies Act. We make and calculate the distribution, if any, either in the form of cash dividends, share buy-backs, or in some other form or a combination of these. There is no specific formula by which the amount of a distribution is determined, although some limits set by law are discussed below. The timing and amount of future distributions of retained earnings, if any, will depend on our future results and financial condition.

Table of Contents

Under the Finnish Companies Act, we may distribute retained earnings on our shares only upon a shareholders resolution and subject to limited exceptions in the amount proposed by our Board of Directors. The amount of any distribution is limited to the amount of distributable earnings of the parent company pursuant to the last accounts approved by our shareholders, taking into account the material changes in the financial situation of the company after the end of the last financial period and a statutory requirement that the distribution of earnings must not result in insolvency of the company. Subject to exceptions relating to the right of minority shareholders to request for a certain minimum distribution, the distribution may not exceed the amount proposed by the Board of Directors.

Share Buy-backs

Under the Finnish Companies Act, Nokia Corporation may repurchase its own shares pursuant to either a shareholders resolution or an authorization to the Board of Directors approved by the company s shareholders. The authorization may amount to a maximum of 10% of all the shares of the company and its maximum duration is 18 months. Our Board of Directors has been regularly authorized by our shareholders at the Annual General Meetings to repurchase Nokia s own shares, and during the past three years the authorization covered 380 million shares in 2007, 370 million shares in 2008 and 360 million shares in 2009. The amount authorized each year has been at or slightly under the maximum limit provided by the Finnish Companies Act. Nokia has not repurchased any of its own shares since September 2008.

The Board will propose that the Annual General Meeting convening on May 6, 2010 authorize the Board to resolve to repurchase a maximum of 360 million Nokia shares. The proposed maximum number of shares that may be repurchased is the same as the Board s current share repurchase authorization and it represents less than 10% of all the shares of the company. The shares may be repurchased in order to develop the capital structure of the Company, finance or carry out acquisitions or other arrangements, settle the company s equity-based incentive plans, be transferred for other purposes, or be cancelled. The shares may be repurchased either through a tender offer made to all shareholders on equal terms, or through public trading from the stock market. The authorization would be effective until June 30, 2011 and terminate the current authorization granted by the Annual General Meeting on April 23, 2009.

The table below sets forth actual share buy-backs by the Group in respect of each fiscal year indicated.

	Number of shares	EUR millions (in total)
2005	315 010 000	4 265
2006	212 340 000	3 412
2007	180 590 000	3 884
2008	157 390 000	3 123
2009		

Cash Dividends

On January 28, 2010, we announced that the Board of Directors will propose for shareholders approval at the Annual General Meeting convening on May 6, 2010 a dividend of EUR 0.40 per share in respect of 2009.

Table of Contents

The table below sets forth the amounts of total cash dividends per share and per ADS paid in respect of each fiscal year indicated. For the purposes of showing the US dollar amounts per ADS for 2005 through 2009, the dividend per share amounts have been translated into US dollars at the noon buying rate in New York City for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York (the noon buying rate) on the respective dividend payment dates.

	EUR per share	USD per ADS	EUR millions (in total)
2005	0.37	0.46	1 641
2006	0.43	0.58	1 761
2007	0.53	0.83	2 111
2008	0.40	0.54	1 520
2009	0.40[(1)]	[(2)]	1 498[(1)]

[(1)] The proposal of the Board of Directors for shareholders approval at the Annual General Meeting convening on May 6, 2010.

[(2)] The final US dollar amount will be determined on the basis of the decision of the Annual General Meeting and the dividend payment date.

We make our cash dividend payments in euro. As a result, exchange rate fluctuations will affect the US dollar amount received by holders of ADSs on conversion of these dividends. Moreover, fluctuations in the exchange rates between the euro and the US dollar will affect the dollar equivalent of the euro price of the shares on NASDAQ OMX Helsinki and, as a result, are likely to affect the market price of the ADSs in the United States. See also Item 3D. Risk Factors Our net sales, costs and results of operations, as well as the US dollar value of our dividends and market price of our ADSs, are affected by exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Japanese yen and the Chinese yuan, as well as certain other currencies.

Exchange Rate Data

The following table sets forth information concerning the noon buying rate for the years 2005 through 2009 and for each of the months in the six-month period ended February 28, 2010, expressed in US dollars per euro. The average rate for a year means the average of the exchange rates on the last day of each month during a year. The average rate for a month means the average of the daily exchange rates during that month.

	Exchange Rates			
For the year ended December 31:	**Rate at period end**	**Average rate**	**Highest rate**	**Lowest rate**
	(USD per EUR)			
2005	1.1842	1.2400	1.3476	1.1667
2006	1.3197	1.2661	1.3327	1.1860

2007	1.4603	1.3797	1.4862	1.2904
2008	1.3919	1.4695	1.6010	1.2446
2009	1.4332	1.3935	1.5100	1.2547
For the month ended:				
September 30, 2009	1.4630	1.4575	1.4795	1.4235
October 31, 2009	1.4755	1.4821	1.5029	1.4532
November 30, 2009	1.4994	1.4908	1.5085	1.4658
December 31, 2009	1.4332	1.4579	1.5100	1.4243
January 31, 2010	1.3870	1.4266	1.4536	1.3870
February 28, 2010	1.3660	1.3680	1.3955	1.3476

On March 5, 2010, the noon buying rate was USD 1.3608 per EUR 1.00.

3B. Capitalization and Indebtedness

Not applicable.

3C. Reasons for the Offer and Use of Proceeds

Not applicable.

3D. Risk Factors

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

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

We serve a diverse range of mobile device and network infrastructure customers across a variety of markets with different characteristics and at different stages of development. In order to meet our customers and consumers evolving needs, we need to have a competitive portfolio of products and services and their combinations that are preferred, purchased and used by our current and potential customers and consumers.

For our mobile devices, a competitive portfolio means a focused, optimally-sized offering of commercially appealing high quality mobile devices with aesthetically-pleasing and well-designed hardware and software, an intuitive user interface and a combination of value-adding functionalities such as Internet access, various means of messaging, media, music, entertainment, navigation, location-based and other services that are easy to discover and use. In addition, we believe that in order to be competitive, the product portfolio needs to target all major consumer segments and price points, be designed, as appropriate, for the local requirements and preferences of different markets and meet our own and our customers and consumers quality, safety and security standards. We are focused on developing and offering unique and compelling combinations of mobile devices and services, including applications and content developed by us and third parties, together with the appropriate technological infrastructure, to create a rich user experience for people using our devices. Further, our mobile devices, especially our converged mobile devices, must have the flexibility to allow people to easily access and use their preferred services, including applications and content. We believe that a competitive device portfolio also needs to include leading flagship products, be innovative and ahead of the expectations of customers and consumers and positively differentiated from those of our competitors. Further, the devices must be competitive not only from the customers and consumers viewpoint, but they also need to be preferred by application developers and content providers who are invited to develop applications and content for our mobile devices. For our network infrastructure and related services business, a competitive portfolio means a high-quality offering of products, services and solutions based on robust technology and designed to meet the requirements of our customers and local markets, supported by a competitive cost structure and cost-effectiveness to our customers. If we fail to achieve or maintain a competitive portfolio and balance successfully our global portfolio with the local requirements of our customers and consumers in the different markets we serve in a cost-effective manner, our business, sales and results of operations may be materially adversely affected.

In order to create a competitive portfolio we need to identify and understand the key market trends and user segments and address our customers and consumers evolving needs in the different markets and consumer segments proactively and on a timely basis. To achieve that, we must constantly obtain and evaluate a complex array of customer feedback, information on consumer

Table of Contents

usage patterns and other personal and consumer data in an efficient manner. The competitiveness of our device portfolio depends on our ability to introduce on a continuous and timely basis, ahead of our competitors, new innovative and appealing products and services and their combinations, as well as related business models, and to create new or address yet unidentified needs among our current and potential customers and consumers. If we fail to analyze correctly or respond timely and appropriately to key market trends, customer feedback, information on consumer usage patterns and other personal and consumer data or to introduce new innovative and commercially appealing products and services and their combinations and to adapt our business accordingly, our ability to retain our current, as well as attract new, customers and consumers may be impaired and our business, sales and results of operations may be materially adversely affected.

The competitiveness of our mobile device portfolio is also dependent on our ability to timely and successfully develop or otherwise acquire the appropriate technologies and commercialize such technologies as new advanced products and services and their combinations that our current and potential customers and consumers prefer over those of our competitors. For example, increasingly the choice of software platform that powers mobile devices, as well as related software developer tools, are important factors in our ability to provide unique and compelling mobile devices and services and their combinations, to create a rich user experience, and to attract third parties to create applications and provide content for our mobile devices. We currently deploy four software platforms for our mobile devices designed to balance usability, features and cost in a flexible manner across our wide range of market segments, price points and user groups. We recognize that the deployment of multiple software platforms can create fragmentation in the market for mobile services, which we endeavor to offset with our cross-platform software development tools that run and facilitate application and content development across different software platforms. The technologies, including but not limited to software platforms, which we choose to focus on may not achieve or retain broad or timely market acceptance or be preferred by application developers, content providers and, ultimately, our customers and consumers. This may result from numerous factors, including the availability of more attractive alternatives; perceived or actual issues related to reliability, stability and ease of use of our chosen technologies; a lack of sufficient compatibility with other existing technologies, products and services; barriers for consumers to transfer previously acquired content and applications to our devices; or regulators decisions. By choosing to focus on certain technologies, we may forego alternatives achieving greater acceptance in our overall market or in certain parts of it. We may also face difficulties accessing certain technologies preferred by our current and potential customers and consumers, or being able to offer those at acceptable prices. Further, if the technologies we invest in do not achieve the success we anticipate, this may result in impairment charges related to those technology assets. Additionally, even if we do select and have access to the technologies that customers and consumers ultimately want, we or the application developers, content providers or other third parties that work with us may not be able to bring our products and services, including applications and content, and their combinations to the market at the right time.

Certain mobile network operators require mobile devices to be customized to their specifications with preferred features, functionalities or design and co-branding with the mobile network operator s brand. Currently, this is particularly the case in North America and in certain individual markets in the Asia-Pacific region where sales to mobile network operators represent the major percentage of our sales. Moreover, the increased concentration among the mobile network operators, particularly in North America, has resulted in fewer customers whose purchase preferences may differ from our current product and services portfolio, and in increased reliance on fewer larger customers. In certain geographic markets the network operators require mobile devices to be based on local technology standards in mobile communications, such as the TD-SCDMA standard in China. As a result, we produce mobile devices for certain operators or geographic markets in smaller lot sizes, which may negatively impact our economies of scale, profitability and after-sales service capabilities. In addition, customization for network operators could possibly erode the Nokia brand.

Table of Contents

The competitiveness of our products and services and their combinations is also influenced by the value of the Nokia brand and our ability to communicate effectively about our mobile devices, particularly our converged mobile devices, to the target audience through consistent and focused marketing messages. Increasingly, we need to position the Nokia brand as representing the same high quality and desirability in our converged mobile devices as in our traditional mobile devices. Further, a number of factors, including actual or even alleged quality issues or defects in our products and services and their combination, may have a negative effect on our reputation and erode the value of the Nokia brand. Insufficient investments in marketing and brand building could also erode the value of the Nokia brand. Any impairment of our reputation or erosion of the value of the Nokia brand or failure to optimize the Nokia brand in the marketing of our mobile devices could have a material adverse effect on our capacity to retain our current customers and consumers and attract new customers and consumers and on our business, sales and results of operations.

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

Our sales and profitability have been, and continue to be, driven to a significant extent by our success in the traditional mobile device market. We believe that our scale and resulting low cost structure, world-class sourcing, manufacturing, logistics and distribution network, supported by one of the strongest intellectual property portfolios and the Nokia brand, provide us with a competitive advantage in the development, production, marketing and sale of traditional mobile devices. Such devices range from basic mobile phones focused on voice capability to mobile devices with a number of additional functionalities such as Internet connectivity. During the past several years, the traditional mobile device market has been characterized by declining average selling prices and increasing pressure on profitability, as well as intense competition and less product differentiation.

The mobile communications industry continues to undergo significant changes in response to the increasing maturity of the traditional mobile device market. Traditional mobile voice communications, the Internet, various means of messaging, media, music, entertainment, navigation, location-based and other services, personal computing and other consumer electronics are converging in many areas into one broader industry. Increasingly, people are using mobile devices to access digital content and web services and share their experiences. Converged mobile devices are based on programmable software platforms, can run applications such as email, web browsing, navigation and enterprise software, and can also have built-in music players, video recorders, mobile TV and other multimedia features. Increasingly, such devices are becoming more affordable for a wider population. The software that powers converged mobile devices has also become increasingly sophisticated, providing greater opportunities for the development of services, including applications and content, that enrich the experiences people have with their mobile device. A consumer s choice of device is increasingly influenced by the quality and compatibility of the software and/or services and the resulting user experience, in addition to the quality of the hardware. During the past several years, the converged mobile device market has been characterized by growing volumes, high average selling prices and attractive profitability, as well as intense competition particularly from new entrants, and heightened media and consumer attention.

We have made significant investments during the past several years to address the developing requirements of the converged mobile device market, particularly in the areas of mobile Internet access, various means of messaging, media, music, entertainment, navigation, location-based and other services, and we are working to deliver those services in an easily accessible manner to our customers and consumers. Going forward, we believe that in order to succeed in the converged mobile device market we need to combine the hardware, software and services elements in our mobile devices in a manner that creates a rich user experience, allows compatibility with other

13

relevant technologies and positively and timely differentiates us from our competitors. Our past performance in the traditional mobile device market does not guarantee our success in the converged mobile device market. In particular, our competitive advantages in the traditional mobile device market are alone not sufficient for success in the converged mobile device market. Additionally, we believe that our success in the converged mobile device market will be driven by, among other factors, our ability to achieve in a timely manner the following priorities:

- improve our converged mobile device user experience, which will depend on how well we integrate the hardware, software and services elements in a seamless, reliable and stable manner; how intuitive the user interface is for consumers, including how easy it is for them to discover and use our applications and content; and how well we develop and manage the appropriate technological infrastructure to support a rich user experience;

- develop and scale up our services offering by expanding geographically, in particular in partnership with more operators;

- become an attractive long-term partner for application developers, content providers and industry-leading technology providers seeking access to mobile consumers, which will depend on whether we can provide the necessary technologies, including software platforms and software developer tools, that they prefer and that are compatible with other relevant technologies;

- create profitable business models where our converged mobile devices, particularly the services sold with them, are preferred by consumers to less expensive or free alternatives, either sold by us independently or in cooperation with operators;

- position the Nokia brand as representing the same high quality and desirability in converged mobile devices as in traditional mobile devices; and

- optimize our competitive strengths in the traditional mobile device market in the development of our converged mobile device business.

To address these priorities we have made, and are continuing to make, significant changes to the way we do business. We may, however, have less experience, technological and innovative skill in this market segment compared with our established traditional mobile device market segment, or we may fail to reach adequate scale and profitability or fail to generate additional revenue through business models customary in the businesses converging with the mobile communications business such as online advertising. Our success in the converged mobile device market also depends on the acceptance by the market, including our mobile network operator customers, of our expanding services and on the network operators strategies regarding their own offering of services. If we are not successful in achieving our converged mobile device priorities and their desired outcomes in a timely manner, our business will become increasingly focused and dependent on the traditional mobile device market. If that occurs, and if the current trends in that market continue, this could have a material adverse effect on our business, results of operations, particularly our profitability, and financial condition.

Our converged mobile device business has required and continues to require significant investment to innovate and grow successfully. Such investments may include research and development, licensing arrangements, acquiring businesses and technologies, recruiting specialized expertise and partnering with third parties. Those investments may not, however, result in technologies, products and services and their combinations that achieve or retain broad or timely market acceptance or are preferred by application developers, content providers and, ultimately, our customers and consumers. We have also made, and may make in the future, such investments through strategic acquisitions to acquire key technologies, content and expertise to enhance the competitiveness of our converged mobile devices. We may, however, fail to successfully complete business acquisitions or integrate the acquired businesses or retain and motivate their key employees; identifiable intangible asset amortization and the acquisition of businesses that may carry higher earnings multiples than Nokia

Table of Contents

may have a dilutive effect on our profits; the future valuations of acquired businesses may decrease from the purchase price we paid and result in impairment charges related to goodwill or other acquired assets; and if all or a portion of the purchase price is paid in cash, this may have an adverse effect on our cash position. Moreover, due to our financial targets and need to manage costs and prioritize our investments, future investments in our converged mobile devices may be delayed or insufficient to reach or maintain the necessary scale and market position to compete effectively and profitably in the longer term.

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

We experience intense competition in every aspect of our business and across all markets of our products and services and their combinations. The mobile communications industry continues to undergo significant changes due to numerous factors, including the increasing maturity of the traditional mobile device market and the ongoing digital convergence and the resulting growth of the converged mobile device and related services market. Overall, participants in the mobile device market compete with each other on the basis of their product and services portfolio, including design, functionalities, breadth of services, user experience, software, quality, compatibility, technical performance and price; operational and manufacturing efficiency; supply chain efficiency, including sourcing, logistics and distribution; marketing; customer support; and brand. However, mobile device markets are increasingly segmented and diversified, and we face competition from a growing number of participants in different user segments, price points and geographical markets as well as layers of the product using different competitive means in each of them. This may make it more difficult and less cost efficient for us to compete successfully across the whole mobile device market against more specialized competitors and to leverage our scale and other competitive advantages to the fullest extent. The increased segmentation and diversification of the mobile device market may also have a negative impact on our ability to accurately estimate and forecast the global and regional industry volumes and value of the mobile device market and, consequently, the actual industry volumes and value of the mobile device market may from time to time be higher or lower than estimated or forecasted by us.

Traditional Mobile Devices: Competition continues to be intense in the traditional mobile device market from both traditional mobile device manufactures, as well as other participants such as mobile network operators offering devices under their own brand. In this market, participants compete primarily on the basis of the lowest total cost of ownership for basic voice and messaging mobile phones, as well as the ability to offer mobile phones that balance cost of ownership with style and added locally relevant functionality, such as Internet connectivity, applications and content. Some of our competitors, particularly new entrants, have used, and we expect will continue to use, more aggressive pricing and marketing strategies, different design approaches and alternative technologies which consumers may prefer over our offering of mobile phones.

Additionally, some competitors have chosen to focus on building mobile phones based on commercially available components, software and content, in some cases available at very low or no cost, which may enable them, at times, to introduce their products and services faster and at significantly lower cost to them and the consumer than we may be able to do. More recently, we are facing competition from vendors of both legitimate, as well as unlicensed and counterfeit, products with manufacturing facilities primarily centered around certain locations in Asia and other emerging markets. The entry barriers for these new market entrants are relatively low as they are able to take advantage of licensed and unlicensed commercially available free or low cost components, software and content. Some of our competitors may also benefit from governmental support in their home countries and other measures that may have protectionist objectives. These factors could reduce the

price competitiveness of our traditional mobile devices and have a material adverse effect on our sales.

Converged Mobile Devices: The competitive environment, including the competitive means, in the converged mobile device market differs from the traditional mobile device market. Competition in the converged device market is focused on the ability to bring a range of services, including applications and content, and advanced smartphone technologies together to address the market for feature-rich mobile devices offering Internet access, various means of messaging, media, music, entertainment, navigation, location-based and other services. The ability to create a rich user experience for consumers and to attract third parties to develop and provide a wide variety of applications and content are important competitive factors in the converged mobile device market. As a result, we face competition not only from traditional mobile device manufacturers that make converged mobile devices, but also from companies in related industries, such as Internet-based product and service providers, network operators, business device and solution providers and consumer electronics manufacturers, some of whom now manufacture their own mobile devices rather than just certain layers of the devices. Some of those competitors may have more experience, skills, speed of execution and scale in certain segments of the converged mobile device market, such as Internet services; be viewed as more attractive partners for application developers and content providers resulting in more potentially appealing services for consumers; have a stronger market presence and brand recognition for their converged mobile devices; or generally be able to adjust their business models and operations in a more effective and timely manner to the developing requirements of the converged mobile device market. Further, as the industry now includes increasing numbers of participants that provide specific hardware and software layers within our converged mobile devices and services and their combinations, we also face competition at the level of those layers rather than solely at the level of complete products and services and their combinations. In some of those layers, we may have more limited experience and scale than our competitors.

Some competitors may also provide competing software, such as software platforms, and services for free or at substantially lower prices to other competitors of ours, thereby facilitating their entry into the converged mobile device market with potentially lower cost devices. This may negatively impact demand for our converged mobile devices if we are not able to provide similar offerings. We believe our scale and other competitive advantages in the traditional mobile device market are alone not sufficient to compete successfully in the converged mobile device market. If we cannot respond successfully to the competitive requirements in the converged mobile device market, our business and results of operations, particularly our profitability, may be materially adversely affected.

Digital Map Data and Related Location-based Content: In order to be competitive, NAVTEQ s digital map data and related location-based content needs to be positively differentiated from that of its competitors through the quality, accuracy, freshness, relevance and richness of content, and the availability of services to enable the use of, and payment for, such content. With respect to digital map data and related location-based content, several global and local companies, as well as governmental and quasi-governmental agencies, are making more map data with improving coverage and content, and high quality, available free of charge or at lower prices. Aerial, satellite and other location-based imagery is also becoming increasingly available. Those developments may encourage new market entrants, cause business customers to incorporate map data from sources other than NAVTEQ or reduce the demand for fee-based products and services which incorporate NAVTEQ s map database. If we cannot positively differentiate our digital map data and related location-based content from our competitors similar offerings or if we fail in finding competitive business models for our business customers, our business and results of operations, particularly our profitability, may be materially adversely affected.

Mobile and Fixed Network Infrastructure and Related Services: The competitive environment in the mobile and fixed network infrastructure and related services market continues to be intense and is characterized by equipment price erosion, a maturing of industry technology and intense price competition. Moreover, mobile network operators possible saving targets are reducing the amount of

available business resulting in increased competition and pressure on pricing and profitability. Nokia Siemens Networks competes with companies that have larger scale and higher margins affording them more flexibility on pricing, while some competitors may have stronger customer finance possibilities due to internal policies or governmental support, for example in the form of trade guarantees, allowing them to offer products and services at very low prices. The recently announced plan by Nokia Siemens Networks to improve its financial performance and increase its profitability, which includes a reorganization of its business units, may consume significant time, attention and resources of Nokia Siemens Networks management and result in its customers being more intensively targeted by competitors during the plan implementation period. If we cannot respond successfully to the competitive requirements in the fixed network infrastructure and related services market, our business and results of operations, particularly our profitability, may be materially adversely affected.

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

Our products and services and their combinations are highly complex, and defects in their design, manufacture and associated hardware and software have occurred and may occur in the future. Due to the very high production volumes of many of our mobile devices, even a single defect in their design, manufacture or associated hardware, software and content may have a material adverse effect on our business. Our converged mobile devices incorporate numerous functionalities, feature computer-like and consumer electronics-like hardware and are powered by sophisticated software. This complexity and the need for the seamless integration of the hardware, software and services elements and compatibility with other relevant technologies to create a rich user experience may also increase the risk of quality issues in our converged mobile devices. Further, our mobile device portfolio is subject to continuous renewal which, particularly during periods of significant portfolio renewals, may increase the risk of quality issues related to our new devices. In the network infrastructure business, the undisturbed functioning of large mobile and fixed telecommunications networks may depend, among other things, on the proper functioning of our products and services. We make provisions to cover our estimated warranty costs for our products and services. We believe that our provisions are appropriate, although the ultimate outcome may differ from the provided level which could have a positive or negative impact on our results of operations and financial condition.

Defects and other quality issues may result from, among other things, failures in our own product and service creation and manufacturing processes, failures of our suppliers to comply with our supplier requirements or failures in products and services created jointly with collaboration partners or other third parties where the development and manufacturing process is not fully in our control. Prior to shipment, quality issues may cause failures in ramping up the production of our products and shipping them to the customers in a timely manner as well as related additional costs or even cancellation of orders by customers. After shipment, products may fail to meet marketing expectations set for them, may malfunction or may contain security vulnerabilities, and thus cause additional repair, product replacement, recall or warranty costs to us and harm our reputation. In case of issues affecting a product s safety, regulatory compliance or security, we may be subject to damages due to product liability, or defective products or components may need to be replaced or recalled. With respect to our services, quality issues may relate to the challenges in having the services fully operational at the time they are made available to our customers and consumers and maintaining them on an ongoing basis. The use of NAVTEQ s map data in our customers products and services, including Ovi Maps and our mobile devices, involves a possibility of product liability claims and associated adverse publicity. Claims could be made by business customers if errors or defects result in a failure of their products or services, or by end-users of those products or services as a

Table of Contents

result of actual or perceived errors or defects in the map database. In addition, the business customers may require us to correct defective data, which can be costly, or pay penalties if quality requirements or service level agreements are not satisfied.

Our mobile devices and related accessories are also subject to counterfeiting activities in certain markets. Counterfeit products may erode our brand due to poor quality. Such activities may affect us disproportionately due to our leading market position in mobile devices. Furthermore, our products and services are increasingly used together with hardware, software or service components that have been developed by third parties, whether or not we have authorized their use with our products and services. However, such components, such as batteries or software applications and content, may not be compatible with our products and services and may not meet our and our customers and consumers quality, safety, security or other standards. Additionally, certain components or layers that may be used with our products may enable our products and services to be used for objectionable purposes, such as to transfer content that might be illegal, hateful or derogatory. The use of our products and services and their combinations with incompatible or otherwise substandard hardware, software or software components, or for purposes that are inappropriate, is largely outside of our control and could harm the Nokia brand.

Although we endeavor to develop products and services that meet the appropriate security standards, such as data protection, we or our products and services and their combinations may be subject to hacking, viruses, worms and other malicious software, unauthorized modifications or illegal activities that may cause potential security risks and other harm to us, our customers or consumers and other end-users of our products and services. This may affect us disproportionately due to our leading market position in mobile devices, many of which feature industry leading third-party software, solutions and services, as hackers tend to focus their efforts on the most popular products and services. Due to the very high volumes of many of our mobile devices, such events or mere allegations of such events may have a material adverse effect on our business.

In connection with providing our products and services and their combinations to our customers and consumers, in particular with converged mobile devices, certain customer feedback, information on consumer usage patterns and other personal and consumer data is collected and stored through our products and services and their combinations either by the consumers or by us. Loss, improper disclosure or leakage of any personal or consumer data collected by us, made available to us or stored in or through our products and services could result in liability to us and harm our reputation and brand. In addition, governmental authorities may use our products or services and their combinations to access the personal data of individuals without our involvement, for example, through so-called lawful intercept capability of network infrastructure. Even perceptions that our products and services and their combinations do not adequately protect personal or consumer data collected by us, made available to us or stored in or through our products and services or that they are being used by third parties to access personal or consumer data could impair our sales or our reputation and brand value.

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

Our sales and profitability depend materially on the development of the mobile and fixed communications industry in numerous diverse markets in terms of the number of new mobile subscribers and the number of existing subscribers who upgrade or replace their existing mobile devices and the growth of the investments made by mobile network operators and service providers. In certain low penetration markets, in order to support a continued increase in mobile subscribers, we continue to be dependent on our own and mobile network operators and distributors ability to increase the sales volumes of lower cost mobile devices and on mobile network operators to offer affordable tariffs and tailored mobile network solutions designed for a low total cost of ownership. In highly penetrated markets, we are more dependent on our own and mobile network operators

18

Table of Contents

ability to successfully introduce value-added products and services, such as converged mobile devices that drive the upgrade and replacement of devices, as well as ownership of multiple devices. NAVTEQ is dependent on the development of a wide variety of products and services that use its data, the availability and functionality of such products and services and the rate at which consumers and businesses purchase those products and services. Nokia Siemens Networks is dependent on the pace of the investments made by mobile network operators and service providers. If we and the mobile network operators and distributors are not successful in our attempts to increase subscriber numbers, stimulate increased usage or drive upgrade and replacement sales of mobile devices and develop and increase demand for value-added services, including content and applications, or if mobile network operators and service providers invest in the related infrastructure less than anticipated, our business and results of operations could be materially adversely affected.

As we are a global company with sales in most countries of the world, our sales and profitability are dependent on general economic conditions globally and regionally. The traditional mobile communications industry has matured to varying degrees in different markets and, consequently, the industry is more vulnerable than before to the negative impacts of deteriorations in global economic conditions. Our net sales and profitability were negatively impacted in 2009 by, among other factors, the deteriorated global economic conditions, including weaker consumer and corporate spending, constrained credit availability and currency market volatility. The demand environment, in particular for mobile devices, improved during the latter part of 2009 as the global economy started to show initial signs of recovery. However, there can be no assurances that a sustainable global recovery is underway and about the impact and the timing of any such recovery in the various markets where Nokia does business. Accordingly, if these initial improvements are only temporary or if there is a continuation of, or further deterioration in, the current global economic conditions, this may result in our current and potential customers and consumers postponing or reducing spending on our products and services and their combinations. In addition, mobile network operators may reduce the device subsidies that they offer to the consumers or attempt to extend the periods of contracts that obligate the consumer to use a certain device and postpone or reduce investments in their network infrastructure and related services. The demand for digital map information and other location-based content by automotive and mobile device manufacturers may decline in relation to any further contraction of sales in the automotive and consumer electronics industry.

In addition, any further deterioration in the current global or regional economic conditions may:

- limit the availability of credit which may have a negative impact on the financial condition, and in particular on the purchasing ability, of some of our distributors, independent retailers and network operator customers and may also result in requests for extended payment terms, credit losses, insolvencies, limited ability to respond to demand or diminished sales channels available to us;

- cause financial difficulties for our suppliers and collaborative partners which may result in their failure to perform as planned and, consequently, in delays in the delivery of our products and services, including applications and content;

- increase volatility in exchange rates which may increase the costs of our products and services that we may not be able to pass on to our customers and result in significant competitive benefit to certain of our competitors that incur a material part of their costs in other currencies than we do; hamper our pricing; and increase our hedging costs and limit our ability to hedge our exchange rate exposure;

- result in inefficiencies due to our deteriorated ability to appropriately forecast developments in our industry and plan our operations accordingly, delayed or insufficient investments in new market segments and failure to adjust our costs appropriately;

cause reductions in the future valuations of our investments and assets and result in impairment charges related to goodwill or other assets due to any significant underperformance relative to historical or projected future results by us or any part of our business or any significant changes in the manner of our use of acquired assets or the strategy for our overall business;

cause lowered credit ratings of our short and long-term debt or their outlook from the credit rating agencies and, consequently, impair our ability to raise new financing or refinance our current borrowings and increase our interest costs associated with any new debt instruments;

result in failures of derivative counterparties or other financial institutions which could have a negative impact on our treasury operations;

result in increased and/or more volatile taxes which could negatively impact our effective tax rate; and

impact our investment portfolio and other assets and result in impairment.

We currently believe our funding position to be sufficient to meet our operating and capital expenditures in the foreseeable future. However, adverse developments in the global financial markets could have a material adverse effect on our financial condition and results of operations. For a more detailed discussion of our liquidity and capital resources, see Item 5B. Liquidity and Capital Resources and Note 33 of our consolidated financial statements included in Item 18 of this annual report.

Our business and results of operations, particularly our profitability, may be materially adversely affected if we are not able to successfully manage costs related to our products and services and their combinations, and to our operations.

We need to introduce cost-efficient products in a timely manner with new or enhanced functionalities and services, manage proactively the costs related to our portfolio of products and services and their combinations, manufacturing, logistics and other operations and mitigate adverse impacts of exchange rate fluctuations related to such costs. If we fail in any of these efforts, this could have a material adverse effect on our business and results of operations, particularly our profitability. We believe that our market position in mobile devices provides economies of scale and, therefore, a cost advantage in many areas of our business compared to our competitors. However, in certain areas of our converged mobile device business, such as software development, applications and content, we do not have a similar scale and cost benefit. Currency fluctuations may also have an adverse impact on our ability to manage our costs and on our cost advantage relative to certain of our competitors who incur a material part of their costs in other currencies than we do. If we fail to maintain or improve our market position and scale compared to our competitors across the range of our products and services, as well as leverage our scale to the fullest extent, or if we are unable to develop or otherwise acquire software, applications and content cost competitively in comparison to our competitors, or if our costs increase relative to those of our competitors due to currency fluctuations, our relative cost advantage may be eroded, which could materially adversely affect our competitive position, business and results of operations, particularly our profitability.

During 2009, we increased our cost-efficiency to adapt to the market situation. We need to continue to manage our operating expenses and other costs to maintain cost efficiency and competitive pricing of our products and services and their combinations. Any failure by us to determine the appropriate prioritization of operating expenses and other costs, to identify and implement on a timely basis the appropriate measures to adjust our operating expenses and other costs accordingly or to maintain reductions could have a material adverse effect on our business, results of operations and financial condition.

The products and services we offer are subject to natural price erosion over their life cycle. In addition, the average selling price of our traditional mobile devices has declined during recent years and it may continue to decline in the future. Factors that adversely impact the average selling price of our mobile devices include the extent to which our customers and consumers do not upgrade their mobile devices, postpone replacement or replace their current device with a lower-priced device, and the extent to which our product mix and sales are weighted towards lower-priced products and our regional mix is weighted towards emerging markets where lower-priced products predominate. Moreover, some of our competitors may continue to reduce their prices resulting in significantly lower profit margins than is customary in this industry, which would lower the average selling price of our devices if we chose for competitive reasons to lower our prices. Our inability to lower our costs at the same rate or faster than the price erosion and declining average selling price of our devices could have a material adverse effect on our business and results of operations, particularly our profitability.

Nokia Siemens Networks also operates in a market that has been and will continue to be subject to price erosion driven by a number of factors including the competitive nature of the market. In 2009, Nokia Siemens Networks achieved savings both in procurement and production costs as well as operating expenses. The inability to continue to lower its costs and expenses however, could have a material adverse effect on Nokia Siemens Networks business and results of operations, particularly profitability. In 2009, Nokia Siemens Networks announced a plan to further lower operating expenses and other costs to improve its financial performance and increase profitability. If Nokia Siemens Networks is unable to execute its plan effectively and timely or if the plan fails to achieve the desired results, that may have a material adverse effect on our business, results of operations and financial condition.

Our net sales, costs and results of operations, as well as the US dollar value of our dividends and market price of our ADSs, are affected by exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Japanese yen and the Chinese yuan, as well as certain other currencies.

We operate globally and are therefore exposed to foreign exchange risks in the form of both transaction risks and translation risks. Our policy is to monitor and hedge exchange rate exposure, and we manage our operations to mitigate, but not to eliminate, the impacts of exchange rate fluctuations. Significant volatility in the exchange rates may increase our hedging costs, as well as limit our ability to hedge our exchange rate exposure in particular against unfavorable movements in the exchange rates of certain emerging market currencies. Further, exchange rate fluctuations may have an adverse affect on our net sales, costs and results of operations, as well as our competitive position. Exchange rate fluctuations may also make our pricing more difficult as our products may be re-routed by the distribution channels for sale to consumers in other geographic areas where sales can be made at more favorable exchange rates by those channels. Further, exchange rate fluctuations may also materially affect the US dollar value of any dividends or other distributions that are paid in euro as well as the market price of our ADSs. For a more detailed discussion of exchange risks, see Item 5A. Operating Results Certain Other Factors Exchange Rates and Note 33 of our consolidated financial statements included in Item 18 of this annual report.

We depend on a limited number of suppliers for the timely delivery of sufficient quantities of fully functional components, sub-assemblies, software, applications and content and for their compliance with our supplier requirements, such as our own and our customers and consumers product quality, safety, security and other standards. Their failure to deliver or meet those requirements could materially adversely affect our ability to deliver our products and services and their combinations successfully and on time.

Our manufacturing operations depend on obtaining sufficient quantities of fully functional components, sub-assemblies, software, applications and content on a timely basis. In mobile devices, our principal supply requirements are for electronic components, mechanical components, software, applications and content, which all have a wide range of applications in our products. Electronic components include chipsets, integrated circuits, microprocessors, standard components, printed wiring boards, sensors, memory devices, cameras, audio components, displays, batteries and chargers, while mechanical components include covers, connectors, key mats, antennas and mechanisms. Software, applications and content include various third-party software, applications and content that enable various functionalities and services to be added into our products, such as Internet access,

21

Table of Contents

various means of messaging, media, music, entertainment, navigation, location-based and other services. Nokia Siemens Networks components and sub-assemblies sourced and manufactured by third-party suppliers include Nokia Siemens Networks-specific integrated circuits and radio frequency components; servers; sub-assemblies such as printed wire board assemblies, filters, combiners and power units; and cabinets.

In some cases, our dependence on third-party suppliers has increased as a result of our strategic decisions to outsource certain activities, for example parts of our own chipset R&D and to expand the use of commercially available chipsets. In addition, a particular component may be available only from a limited number of suppliers. Suppliers may from time to time extend lead times, limit supplies, increase prices or be unable to increase supplies to meet increased demand due to capacity constraints or other factors, which could adversely affect our ability to deliver our products and services and their combinations on a timely basis. Moreover, a supplier may fail to meet our supplier requirements, such as, most notably, our and our customers and consumers product quality, safety, security and other standards, and consequently some of our products and services and their combinations may be unacceptable to us and our customers and consumers, or may fail to meet our quality controls. In case of issues affecting a product s safety or regulatory compliance, we may be subject to damages due to product liability, or defective products, components or services may need to be replaced or recalled. In addition, a component supplier may experience delays or disruption to its manufacturing processes or financial difficulties or even insolvency or closure of its business, in particular due to difficult economic conditions. Due to our high volumes, any of these events could delay our successful and timely delivery of products and services and their combinations that meet our and our customers and consumers quality, safety, security and other requirements, or otherwise materially adversely affect our sales and results of operations or our reputation and brand value. See Item 4B. Business Overview Devices & Services Production and Nokia Siemens Networks Production for a more detailed discussion of our production activities.

Possible consolidation among our suppliers could potentially result in larger suppliers with stronger bargaining power and limit the choice of alternative suppliers, which could lead to an increase in the cost, or limit the availability, of components that may materially adversely affect our sales and results of operations. The intensive competition among our suppliers and the resulting pressure on their profitability, as well as negative effects from shifts in demand for components and sub-assemblies, may result in the exit of certain suppliers from our industry and decrease the ability of some suppliers to invest in the innovation that is vital for our business. Further, our dependence on a limited number of suppliers that require purchases in their home country foreign currency increases our exposure to fluctuations in the exchange rate between the euro, our reporting currency, and such foreign currency and, consequently, may increase our costs which we may not be able to pass on to our customers.

Many of the production sites of our suppliers are geographically concentrated. In the event that any of these geographic areas is generally affected by adverse conditions that disrupt production and/or deliveries from any of our suppliers, this could adversely affect our ability to deliver our products, services, and their combinations on a timely basis, which may materially adversely affect our business and results of operations.

We are developing new technologies, products and services, including applications and content, in collaboration with other companies. We believe that success in the converged mobile device market in particular requires such collaboration and partnering. If any of those companies were to fail to perform as planned or if we fail to achieve the collaboration or partnering arrangements needed to succeed, we may not be able to bring our products and services to market successfully or in a timely way and this could have a material adverse effect on our sales and results of operations.

We are increasingly collaborating and partnering with third parties to develop technologies, products and services, including applications and content. These arrangements involve the commitment by

each party of various resources, including technology, research and development efforts, and personnel. Our ability to collaborate and partner successfully is increasingly important to the success of our converged mobile devices and the Internet and other services we incorporate into our devices. Although the objective of the collaborative and partnering arrangements is a mutually beneficial outcome for each party, our ability to introduce new products and services and their combinations that meet our and our customers and consumers quality, safety, security and other standards successfully and on schedule could be hampered if, for example, any of the following risks were to materialize: we fail to engage the right partners or we are unable to collaborate and partner effectively to reach the targets set for the collaboration; the arrangements with the parties we work with do not develop as expected; the technologies provided by the parties we work with are not sufficiently protected or infringe third parties intellectual property rights in a way that we cannot foresee or prevent; the technologies, products or services supplied by the parties we work with do not meet the required quality, safety, security and other standards or customer needs; our own quality controls fail; or the financial condition of our collaborative partners deteriorates which may result in underperformance by the collaborative partners or insolvency or closure of the business of such partners. Any further deterioration of the global economic conditions may decrease the number of collaborative partners and limit the ability of the remaining collaborative partners to invest in their technologies, products and services. Our increasing reliance on collaborative partnering for Nokia-branded or co-branded products and services and their combinations may result in more variable quality due to our more limited control which may have a negative effect on our reputation and erode the value of the Nokia brand. Any of these events could materially adversely affect our sales and results of operations.

Our sales and results of operations could be materially adversely affected if we fail to efficiently manage our manufacturing, service creation and delivery as well as logistics without interruption or make timely and appropriate adjustments, or fail to ensure that our products and services meet our and our customers and consumers requirements and are delivered on time and in sufficient volumes.

Our product manufacturing, service creation and delivery as well as logistics are complex, require advanced and costly equipment and include outsourcing to third parties. These operations are continuously modified in an effort to improve efficiency and flexibility of our manufacturing, service creation and delivery as well as logistics and to produce, create and distribute continuously changing volumes. We may experience difficulties in adapting our supply to meet the changing demand for our products, both ramping up and down production at our facilities as needed on a timely basis; maintaining an optimal inventory level; adopting new manufacturing processes; finding the most timely way to develop the best technical solutions for new products; managing the increasingly complex manufacturing process for our high-end products, particularly the software for those products; or achieving manufacturing efficiency and flexibility, whether we manufacture our products and create our services ourselves or outsource to third parties. We may also face challenges in retooling our manufacturing processes to accommodate the production of devices in smaller lot sizes to customize devices to the specifications of certain mobile networks operators or to comply with regional technical standards. Further, we may experience challenges in having our services fully operational at the time they are made available to customers and consumers, including issues related to localization of the services to numerous markets and to the integration of our services with, for example, billing systems of network operators.

We may also experience challenges caused by third parties or other external difficulties in connection with our efforts to modify our operations to improve the efficiency and flexibility of our manufacturing, service creation and delivery as well as logistics, including, but not limited to, strikes, purchasing boycotts, public harm to the Nokia brand and claims for compensation resulting from our decisions on where to locate our manufacturing facilities and business. Such difficulties may have a material adverse effect on our business and results of operations and may result from, among other things, delays in adjusting or upgrading production at our facilities, delays in expanding production capacity, failure in our manufacturing, service creation and delivery as well as logistics processes, failures in the activities we have outsourced, and interruptions in the data communication systems that run our operations. Such failures or interruptions could result in our products and services not meeting our and our customers and consumers quality, safety, security and other requirements, or being delivered late or in insufficient or excess volumes compared to our own estimates or customer requirements, which could have a material adverse effect on our sales, results of operations, reputation and the value of the Nokia brand.

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

Our products and services and their combination include increasingly complex technologies, some of which have been developed by us or licensed to us by third parties. As the amount of such proprietary technologies and the number of parties claiming intellectual property rights continues to increase, even within individual products, as the range of our products and services and their combination becomes more diversified and we enter new businesses, and as the complexity of the technology increases, the possibility of alleged infringement and related intellectual property claims against us continues to rise. The holders of patents and other intellectual property rights potentially relevant to our products and services and their combination may be unknown to us, may have different business models, may refuse to grant licenses to their proprietary rights, or may otherwise make it difficult for us to acquire a license on commercially acceptable terms. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by others which could impair our ability to rely on such technologies. In addition, although we endeavor to ensure that companies that work with us possess appropriate intellectual property rights or licenses, we cannot fully avoid the risks of intellectual property rights infringement created by suppliers of components and various layers in our products and services and their combinations, or by companies with which we work in cooperative research and development activities. Similarly, we and our customers may face claims of infringement in connection with our customers use of our products and services, and such claims may also influence consumer behavior.

In many aspects, the business models for mobile services have not yet been established. The lack of availability of licenses for copyrighted content, delayed negotiations, or restrictive copyright licensing terms may have a material adverse effect on the cost or timing of content-related services offered by us, mobile network operators or third-party service providers, and may also indirectly affect the sales of our mobile devices.

Since all technology standards, including those used and relied on by us, include some intellectual property rights, we cannot fully avoid risks of a claim for infringement of such rights due to our reliance on such standards. We believe that the number of third parties declaring their intellectual property to be relevant to these standards, for example, the standards related to so-called 3G mobile communication technologies, including 3GPP and 3GPP2, as well as other advanced mobile communications standards, is increasing, which may increase the likelihood that we will be subject to such claims in the future. While we believe that any such intellectual property rights declared and found to be essential to a given standard carry with them an obligation to be licensed on fair, reasonable and non-discriminatory terms, not all intellectual property owners agree on the meaning of that obligation and thus costly and time-consuming litigation over such issues has resulted and may continue to result in the future. While the rules of many standard setting bodies, such as the European Telecommunication Standardization Institute, or ETSI, often apply on a global basis, the enforcement of those rules may involve national courts, which means that there may be a risk of different interpretation of those rules.

Table of Contents

From time to time, some existing patent licenses may expire or otherwise become subject to renegotiation. The inability to renew or finalize such arrangements with acceptable commercial terms may result in costly and time-consuming litigation, and any adverse result in any such litigation may lead to restrictions on our ability to sell certain products and services, including applications and content, and could result in payments that potentially could have a material adverse effect on our operating results and financial condition. These legal proceedings may continue to be expensive and time-consuming and divert the efforts of our management and technical personnel from our business, and, if decided against us, could result in restrictions on our ability to sell our products and services, including applications and content, require us to pay increased licensing fees, substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on our business, results of operations and financial condition.

Our patent license agreements may not cover all the future businesses that we may enter; our existing businesses may not necessarily be covered by our patent license agreements if there are changes in Nokia s corporate structure or in companies under Nokia s control; or our newly-acquired businesses may already have patent license agreements with the terms that differ from similar terms in our patent license agreements. This may result in increased costs, restrictions to use certain technologies or time-consuming and costly disputes whenever there are changes in our corporate structure or in companies under our control, or whenever we enter new businesses or acquire new businesses.

We make accruals and provisions to cover our estimated total direct IPR costs for our products and services and their combinations. The total direct IPR cost consists of actual payments to licensors, accrued expenses under existing agreements and provisions for potential liabilities. We believe that our accruals and provisions are appropriate for all technologies owned by others. The ultimate outcome, however, may differ from the provided level which could have a positive or negative impact on our results of operations and financial condition.

Any restrictions on our ability to sell our products and services and their combinations due to expected or alleged infringements of third-party intellectual property rights and any intellectual property rights claims, regardless of merit, could result in material losses of profits, costly litigation, the payment of damages and other compensation, the diversion of the attention of our personnel, product shipment delays or the need for us to develop non-infringing technology or to enter into a licensing agreement. If licensing agreements were not available or available on commercially acceptable terms, we could be precluded from making and selling the affected products and services, or could face increased licensing costs. As new features are added to our products and services and their combinations, we may need to acquire further licenses, including from new and sometimes unidentified owners of intellectual property. The cumulative costs of obtaining any necessary licenses are difficult to predict and may over time have a negative effect on our operating results. See Item 4B. Business Overview Devices & Services Patents and Licenses , NAVTEQ Patents and Licenses and Nokia Siemens Networks Patents and Licenses for a more detailed discussion of our intellectual property activities.

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

Our products and services and their combination include numerous Nokia, NAVTEQ and Nokia Siemens Networks patented, standardized or proprietary technologies on which we depend. Despite the steps that we have taken to protect our technology investment with intellectual property rights, we cannot be certain that any rights or pending applications will be granted or that the rights granted in connection with any future patents or other intellectual property rights will be sufficiently broad to

protect our technology. Third parties may infringe our intellectual property relating to our non-licensable proprietary features or by ignoring their obligation to seek a license.

Any patents or other intellectual property rights that are granted to us may be challenged, invalidated or circumvented, and any right granted under our patents may not provide competitive advantages for us. Other companies have commenced and may continue to commence actions seeking to establish the invalidity of our intellectual property, for example, patent rights. In the event that one or more of our patents are challenged, a court may invalidate the patent or determine that the patent is not enforceable, which could harm our competitive position. Also, if any of our key patents are invalidated, or if the scope of the claims in any of these patents is limited by a court decision, we could be prevented from using such patent as a basis for product differentiation or from licensing the invalidated or limited portion of our intellectual property rights, or we could lose part of the leverage we have in terms of our own intellectual property rights portfolio. Even if such a patent challenge is not successful, it could be expensive and time-consuming, divert attention of our management and technical personnel from our business and harm our reputation. Any diminution of the protection that our own intellectual property rights enjoy could cause us to lose some of the benefits of our investments in research and development, which may have a negative effect on our business and results of operations. See Item 4B. Business Overview Devices & Services Patents and Licenses , NAVTEQ Patents and Licenses and Nokia Siemens Networks Patents and Licenses for a more detailed discussion of our intellectual property activities.

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

We generate sales from and have manufacturing facilities located in various emerging market countries. Sales from those countries represent a significant portion of our total sales and those countries represent a significant portion of any expected industry growth. Accordingly, economic or political turmoil in those countries could materially adversely affect our sales and results of operations and the supply of devices and network infrastructure equipment manufactured in those countries. Further, the economic conditions in emerging market countries may be more volatile than in developed countries and the purchasing power of our customers and consumers in those countries depends to a greater extent on the price development of basic commodities and currency fluctuations which may render imported products too expensive to afford. Our business and investments in emerging market countries may also be subject to risks and uncertainties, including unfavorable or unpredictable taxation treatment, exchange controls, challenges in protecting our intellectual property rights, nationalization, inflation, currency fluctuations, or the absence of, or unexpected changes in, regulation as well as other unforeseeable operational risks. See Note 2 to our consolidated financial statements included in Item 18 of this annual report for more detailed information on geographic location of net sales to external customers, segment assets and capital expenditures.

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

Our business is subject to direct and indirect regulation in each of the countries in which we, the companies with which we work and our customers do business. As a result, changes in various types of regulations, their application and trade policies applicable to current or new technologies, products and services including applications and content may adversely affect our business and results of operations. For example, changes in regulation affecting the construction of base stations and other network infrastructure could adversely affect the timing and costs of new network construction or expansion and the commercial launch and ultimate commercial success of those networks. Export

control, tariffs or other fees or levies imposed on our products and services and environmental, product safety and security and other regulations that adversely affect the export, import, pricing or costs of our products and services, as well as new services including applications and content related to our products, could also adversely affect our sales and results of operations. For example, copyright collecting societies in several member states of the European Union claim that due to their capability to play and store copyrighted content, mobile devices should be subject to similar copyright levies that are charged for products such as compact disc, digital video disc or digital audio players. Any new or increased levies and duties could result in costs which we may not be able to pass on to our customers or in higher prices for our products and services and their combinations, which may impair their demand. In addition, changes in various types of regulations or their application with respect to taxation or other fees collected by governments or governmental agencies may result in unexpected payments to be made by us.

The impact of changes in or uncertainties related to regulation and trade policies could affect our business and results of operations adversely even though the specific regulations do not always directly apply to us or our products and services, including applications and content. In addition to changes in regulation and trade policies, our business may be adversely affected by local business culture and general practices in some regions that are contrary to our code of conduct. Further, our business and results of operations may be adversely affected by regulation and trade policies favoring the local industry participants as well as other measures with potentially protectionist objectives which host governments in different countries may take, particularly in response to difficult global economic conditions.

Our operations rely on the efficient and uninterrupted operation of complex and centralized information technology systems and networks. If a system or network inefficiency, malfunction or disruption occurs, this could have a material adverse effect on our business and results of operations.

Our operations rely to a significant degree on the efficient and uninterrupted operation of complex and centralized information technology systems and networks, which are integrated with those of third parties. All information technology systems are potentially vulnerable to damage, malfunction or interruption from a variety of sources. We pursue various measures in order to manage our risks related to system and network malfunction and disruptions, including the use of multiple suppliers and available information technology security. However, despite precautions taken by us, any malfunction or disruption of our current or future systems or networks such as an outage in a telecommunications network utilized by any of our information technology systems, attack by a virus or other event that leads to an unanticipated interruption or malfunction of our information technology systems or networks could have a material adverse effect on our business and results of operations. Furthermore, any data leakages resulting from information technology security breaches could also materially adversely affect us. Also, failures to successfully utilize information technology systems and networks in our operations may impair our operational efficiency or competitiveness which could have a material adverse effect on our business and results of operations.

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

We must continue to retain, motivate, develop through constant competence training, and recruit appropriately skilled employees with a comprehensive understanding of our current and future businesses, technologies, software, products and services. This is particularly the case in our converged mobile devices business where we need highly-skilled, innovative and solutions-oriented personnel. While we have reduced our personnel through various targeted measures due to difficult global economic conditions and may need to do so further in the future, we seek to create a corporate culture that is motivating, encourages creativity and continuous learning as competition for skilled personnel remains keen. We are also continuously developing our compensation and benefits

Table of Contents

policies and taking other measures to attract and motivate skilled personnel. Nevertheless, we have encountered in the past, and may encounter in the future, shortages of appropriately skilled personnel, which may hamper our ability to implement our strategies and materially harm our business and results of operations.

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

We are a party to lawsuits in the normal course of our business. Litigation can be expensive, lengthy, disruptive to normal business operations and divert the efforts of our management. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular lawsuit could have a material adverse effect on our business, results of operations and financial condition.

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 vary materially from estimates. We believe that our provisions for pending litigation are appropriate. The ultimate outcome, however, may differ from the provided level which could have a positive or negative impact on our results of operations and financial condition.

See Item 8A7. Litigation for a more detailed discussion about litigation that we are party to.

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

There has been public speculation about possible health risks to individuals from exposure to electromagnetic fields from base stations and from the use of mobile devices. A substantial amount of scientific research conducted to date by various independent research bodies has indicated that these radio signals, at levels within the limits prescribed by safety standards set by, and recommendations of, public health authorities, present no adverse effect on human health. We cannot, however, be certain that future studies, irrespective of their scientific basis, will not suggest a link between electromagnetic fields and adverse health effects that could have a material adverse effect on our sales, results of operations and share price. Research into these issues is ongoing by government agencies, international health organizations and other scientific bodies in order to develop a better scientific and public understanding of these issues.

Over the past nine years Nokia has been involved in several class action matters alleging that Nokia and other manufacturers and cellular service providers failed to properly warn consumers of alleged potential adverse health effects and failed to include headsets with every handset to reduce the potential for alleged adverse health effects. All but one of these cases have been withdrawn or dismissed, with one dismissal currently on appeal. In addition, Nokia and other mobile device manufacturers and cellular service providers were named in five lawsuits by individual plaintiffs who allege that radio emissions from mobile phones caused or contributed to each plaintiff s brain tumor.

Although Nokia products and services and their combinations are designed to meet all relevant safety standards and recommendations globally, even a perceived risk of adverse health effects of mobile devices or base stations could have a material adverse effect on us through a reduction in sales of mobile devices or increased difficulty in obtaining sites for base stations, and could have a material adverse effect on our reputation and brand value, results of operations as well as share price.

Table of Contents

Nokia Siemens Networks

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

In response to its declined market share and deteriorated financial performance, Nokia Siemens Networks announced in 2009 a plan to improve its financial performance by reducing operating expenses and other costs and increasing profitability. If Nokia Siemens Networks is unable to execute its plan effectively and timely or if the plan fails to achieve the desired results, that may have a material adverse effect on our business, results of operations and financial condition.

The market share and financial performance of Nokia Siemens Networks deteriorated in 2009 and the competitive environment in the mobile and fixed network infrastructure and related services market continued to be intense. In response to this, Nokia Siemens Networks announced in November 2009 a plan to improve its financial performance and increase its profitability. The plan includes a reorganization of the company s business units to provide a more customer-focused structure, as well as extensive operating expense, production overhead and procurement cost reductions. The plan also includes a global personnel review with possible reductions.

Executing this plan may consume significant time, attention and resources of Nokia Siemens Networks management which could harm its business. Nokia Siemens Networks customers may be more intensively targeted by competitors during the plan implementation period. Further, the possible personnel reductions may result in reduced productivity and dissatisfaction among employees and lead to loss of key personnel. These factors may have a more pronounced adverse impact due to Nokia Siemens Networks having been subject to various restructuring measures in the past. If Nokia Siemens Networks fails to execute its plan successfully, its market share may decline further which could result in the loss of scale benefits and reduce its competitiveness and its financial performance may deteriorate further. See Item 4B. Business Overview Nokia Siemens Networks Overview and Item 5A. Operating and Financial Review and Prospects Operating Results Principal Factors and Trends Affecting our Results of Operations Nokia Siemens Networks for more details.

As part of its strategy to increase its competitiveness Nokia Siemens Networks has expanded its enterprise mobility infrastructure as well as its managed services, systems integration and consulting businesses through acquisitions and collaborative arrangements, such as partnering with third parties. Nokia Siemens Networks expects to make further investments in these areas in a focused manner. If Nokia Siemens Networks fails to increase its competitiveness through these and other measures or if there is a further deterioration of Nokia Siemens Networks financial performance, this may have a material adverse effect on our business, results of operations and financial condition, and we may need to make further impairment charges.

Nokia Siemens Networks is a company jointly owned by Nokia and Siemens and consolidated by Nokia. Accordingly, the financial performance of Nokia Siemens Networks, including the announced measures targeted to improve it, may also require further support from the shareholders of Nokia Siemens Networks in the form of additional financing, guarantees, consents or agreements by the shareholders regarding measures planned by its management, or through other means. If Nokia Siemens Networks fails to achieve such support from its shareholders, our business, results of operations and financial condition could be materially adversely affected.

The networks infrastructure and related services business relies on a limited number of customers and large multi-year contracts. Unfavorable developments under such a contract or in relation to a major customer may have a material adverse effect on our business, results of operations and financial condition.

Large multi-year contracts, which are typical in the networks infrastructure and related services business, include a risk that the timing of sales and results of operations associated with those contracts will differ from what was expected when the contracts were entered into. Moreover, such contracts often require the dedication of substantial amounts of working capital and other resources, which affects our cash flow negatively, or may require Nokia Siemens Networks to sell products, services and solutions in the future that would otherwise be discontinued, thereby diverting resources from developing more profitable or strategically important products. Any non-performance by Nokia Siemens Networks under those contracts may have significant adverse consequences for us because network operators have demanded and may continue to demand stringent contract undertakings, such as penalties for contract violations.

Providing customer financing or extending payment terms to customers can be a competitive requirement in the network infrastructure and related services business and may have a material adverse effect on our business, results of operations and financial condition.

Customers in some markets sometimes require their suppliers, including Nokia Siemens Networks, to arrange, facilitate or provide financing in order to obtain sales or business. They may also require extended payment terms. In some cases, the amounts and duration of these financings and trade credits, and the associated impact on our working capital, may be significant. In response to the tightening of the credit markets in 2009, requests for customer financing have increased in volume and scope. However, during 2009, Nokia Siemens Networks reduced the amount of financing it provided directly to its customers. Rather, as a strategic market requirement Nokia Siemens Networks has primarily arranged and facilitated, and plans to continue to arrange and facilitate, financing to a number of customers, typically supported by Export Credit or Guarantee Agencies (ECA s). In the event that those agencies face future constraints in their ability or willingness to provide financing to Nokia Siemens Networks customers, it could have a material adverse affect on our business. Nokia Siemens Networks has agreed to extend payment terms to a number of customers, and it will continue to do so. Extended payment terms may continue to result in a material aggregate amount of trade credits. Even when the associated risk is mitigated by the fact that the portfolio relates to a variety of customers, defaults in the aggregate could have a significant adverse effect on us.

We cannot guarantee that Nokia Siemens Networks will be successful in arranging, facilitating or providing needed financing, including extending payment terms to customers, particularly in difficult financial market conditions. In addition, certain of Nokia Siemens Networks competitors may have greater access to credit financing than Nokia Siemens Networks does that could adversely affect its ability to compete successfully for business in the network infrastructure sector. Nokia Siemens Networks ability to manage its total customer finance and trade credit exposure depends on a number of factors, including its capital structure, market conditions affecting its customers, the level and terms of credit available to Nokia Siemens Networks and to its customers, the cooperation of the ECA s and its ability to mitigate exposure on acceptable terms. Nokia Siemens Networks may not be successful in managing the challenges connected with the total customer financing and trade credit exposure that it may have from time to time. While defaults under financings and trade credits to Nokia Siemens Networks customers resulting in impairment charges and credit losses have not been a significant factor for us, these may increase in the future. See Item 5B. Liquidity and Capital Resources Structured Finance, and Note 33(b) to our consolidated financial statements included in Item 18 of this annual report for a more detailed discussion of issues relating to customer financing, trade credits and related commercial credit risk.

Table of Contents

Some of the Siemens carrier-related operations transferred to Nokia Siemens Networks have been and continue to be the subject of various criminal and other governmental investigations related to whether certain transactions and payments arranged by some former employees of Siemens were unlawful. As a result of those investigations, government authorities and others have taken and may take further actions against Siemens and/or its employees that may involve and affect the assets and employees transferred by Siemens to Nokia Siemens Networks, or there may be undetected additional violations that may have occurred prior to the transfer or violations that may have occurred after the transfer of such assets and employees that could have a material adverse effect on Nokia Siemens Networks and our reputation, business, results of operations and financial condition.

Public prosecutors and other government authorities in several jurisdictions have been conducting and in some jurisdictions are continuing to conduct criminal and other investigations with respect to whether certain transactions and payments arranged by some current or former employees of Siemens relating to the carrier-related operations for fixed and mobile networks that were transferred to Nokia Siemens Networks were unlawful. These investigations are part of substantial transactions and payments involving Siemens former Com business and other Siemens business groups which were and are still under investigation.

The internal review by Nokia Siemens Networks and Nokia is complete. Siemens has informed us that its own investigation is also complete. Although the government investigations of Siemens by German and United States authorities have been concluded and resolved, investigations in other countries continue, as well as investigations of Siemens employees and other individuals. Accordingly, until these investigations are complete and the matter resolved, it is not possible to ensure that Siemens employees who may have been involved in the alleged violations of law were not transferred to Nokia Siemens Networks. Nor is it possible to predict the extent to which there may be undetected additional violations of law that may have occurred prior to the transfer that could result in additional investigations or actions by government authorities. Such actions have, and could include criminal and civil fines, tax liability, as well as other penalties and sanctions. To date, none of the substantial fines imposed on Siemens by regulators in Germany and the United States has applied to Nokia Siemens Networks or Nokia. It is also not possible to predict whether there have been any ongoing violations of law after the formation of Nokia Siemens Networks involving the assets and employees of the Siemens carrier-related operations that could result in additional actions by government authorities. The development of any of these situations could have a material adverse effect on Nokia Siemens Networks and our reputation, business, results of operations and financial condition. In addition, detecting, investigating and resolving such situations have been, and might continue to be, expensive and consume significant time, attention and resources of Nokia Siemens Networks and our management, which could harm our business and that of Nokia Siemens Networks.

The government investigations may also harm Nokia Siemens Networks relationships with existing customers, impair its ability to obtain new customers, business partners and public procurement contracts, affect its ability to pursue strategic projects and transactions or result in the cancellation or renegotiation of existing contracts on terms less favorable than those currently existing or affect its reputation. Nokia Siemens Networks has terminated relationships, originated in the Siemens carrier-related operations, with certain business consultants and other third-party intermediaries in some countries as their business terms and practices were contrary to Nokia Siemens Networks Code of Conduct, thus foregoing business opportunities. It is not possible to predict the extent to which other customer relationships and potential business may be affected by Nokia Siemens Networks legally compliant business terms and practices. Third-party civil litigation may also be instigated against the Siemens carrier-related operations and/or employees transferred to Nokia Siemens Networks.

Siemens has agreed to indemnify Nokia and Nokia Siemens Networks for any government fines or penalties and damages from civil law suits incurred by either, as well as in certain instances for loss of business through terminated or renegotiated contracts, based on violations of law in the Siemens carrier-related operations that occurred prior to the transfer to Nokia Siemens Networks.

We cannot predict with any certainty the final outcome of the ongoing investigations related to this matter, when and the terms upon which such investigations will be resolved, which could be a number of years, or the consequences of the actual or alleged violations of law on the business of Nokia Siemens Networks, including its relationships with customers.

ITEM 4. INFORMATION ON THE COMPANY

4A. History and Development of the Company

At Nokia, we are committed to connecting people, combining advanced technology with personalized services that enable people to stay close to what matters to them. Every day, more than 1.2 billion people connect to one another with a Nokia device from mobile phones to advanced smartphones and high performance mobile computers. Nokia is a pioneer in advancing mobile technology to enrich people s lives and helping to drive sustainability. Today, Nokia is integrating its devices with innovative services through Ovi, our Internet services brand, including music, navigation, media and messaging. Nokia s NAVTEQ is a leader in comprehensive digital mapping and navigation services, while Nokia Siemens Networks provides equipment, services and solutions for communications networks globally.

For 2009, our net sales totaled EUR 41.0 billion (USD 58.7 billion) and operating profit was EUR 1.2 billion (USD 1.7 billion). At the end of 2009, we employed 123 553 people; had production facilities for mobile devices and network infrastructure in nine countries; sales in more than 160 countries; and a global network of sales, customer service and other operational units.

History

During our 145 year history, Nokia has evolved from its origins in the paper industry to become the world leader in mobile communications. Today, Nokia brings mobile devices and services to more than one billion people from virtually every demographic segment of the population.

The key milestones in our history are as follows:

In 1967, we took our current form as Nokia Corporation under the laws of the Republic of Finland. This was the result of the merger of three Finnish companies: Nokia AB, a wood-pulp mill founded in 1865; Finnish Rubber Works Ltd, a manufacturer of rubber boots, tires and other rubber products founded in 1898; and Finnish Cable Works Ltd, a manufacturer of telephone and power cables founded in 1912.

We entered the telecommunications equipment market in 1960 when an electronics department was established at Finnish Cable Works to concentrate on the production of radio-transmission equipment.

Regulatory and technological reforms have played a role in our success. Deregulation of the European telecommunications industries since the late 1980s stimulated competition and boosted customer demand.

In 1982, we introduced the first fully-digital local telephone exchange in Europe, and in that same year we introduced the world s first car phone for the Nordic Mobile Telephone analog standard.

The technological breakthrough of GSM, which made more efficient use of frequencies and had greater capacity in addition to high-quality sound, was followed by the European resolution in 1987 to adopt GSM as the European digital standard by July 1, 1991.

The first GSM call was made with a Nokia phone over the Nokia-built network of a Finnish operator called Radiolinja in 1991, and in the same year Nokia won contracts to supply GSM networks in other European countries.

In the early 1990s, we made a strategic decision to make telecommunications our core business, with the goal of establishing leadership in every major global market. Basic industry and non-telecommunications operations including paper, personal computer, rubber, footwear, chemicals, power plant, cable, aluminum and television businesses were divested during the period from 1989 to 1996.

Mobile communications evolved rapidly during the 1990s and early 2000s, creating new opportunities for devices in entertainment and enterprise use. This trend where mobile devices increasingly support the features of single-purposed product categories such as music players, cameras, pocketable computers and gaming consoles is often referred to as digital convergence.

Nokia Siemens Networks began operations on April 1, 2007. The company, jointly owned by Nokia and Siemens and consolidated by Nokia, combined Nokia s networks business and Siemens carrier-related operations for fixed and mobile networks.

Since 2007, we have continued to develop our services offering with acquisitions of key technologies, content and expertise. For example, in 2008 we acquired NAVTEQ, a leading provider of comprehensive digital map information and related location-based content and services. In 2009, we acquired certain assets of cellity, a mobile software company that has developed a solution for aggregating address book data, as well as certain assets of Plum Ventures, Inc that develops and operates a cloud-based social media sharing and messaging service for private groups. We also acquired Dopplr Oy, a mobile service provider for international travelers. These acquisitions along with others have brought us additional Internet services expertise and are enabling us to accelerate the delivery of services we offer through Ovi, our Internet services brand.

In 2008, we completed the acquisition of Symbian Limited, the company that developed and licensed Symbian operating system, the market-leading smartphone software platform. The acquisition was an important step by Nokia and industry partners to develop Symbian operating system into an open and unified mobile software platform. Symbian Foundation, a non-profit organization, now manages the platform which has been fully open source and available royalty-free since February 2010.

As part of our efforts to concentrate on services that we have identified as core to Nokia s offering, we have also made disposals, including, most recently, the sale of Identity Systems, an enterprise software development business; the sale of our security appliance business; and the sale of Symbian Professional Services.

Organizational Structure

We have three operating and reportable segments for financial reporting purposes: Devices & Services; NAVTEQ; and Nokia Siemens Networks.

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

NAVTEQ is a leading provider of comprehensive digital map information and related location-based content and services for automotive navigation systems, mobile navigation devices, Internet-based mapping applications, and government and business solutions. NAVTEQ became a wholly-owned subsidiary of Nokia following the acquisition of NAVTEQ Corporation by Nokia in July 2008.

Nokia Siemens Networks, jointly owned by Nokia and Siemens and consolidated by Nokia, provides mobile and fixed network infrastructure, communications and networks service platforms, as well as professional services, to operators and service providers. Effective January 1, 2010, Nokia Siemens Networks has three business units: Business Solutions; Global Services; and Network Systems.

For a breakdown of our net sales and other operating results by category of activity and geographical location, see Item 5 and Note 2 to our consolidated financial statements included in Item 18 of this annual report.

Other

We primarily invest in research and development, sales and marketing, and building the Nokia brand. However, over the past few years we have increased our investment in services, including acquiring a number of companies with specific technology assets and expertise. During 2010, we currently expect the amount of capital expenditure, excluding acquisitions, to be approximately EUR 650 million, and to be funded from our cash flow from operations. During 2009, our capital expenditures, excluding acquisitions, totaled EUR 531 million, compared with EUR 889 million in 2008. For further information regarding capital expenditures see Item 5A. Operating Results and for a description of capital expenditures by our reportable segments see Note 2 to our consolidated financial statements included in Item 18 of this annual report.

We maintain listings on three major securities exchanges. The principal listing venues for our shares are NASDAQ OMX Helsinki, in the form of shares, and the New York Stock Exchange, in the form of American Depositary Shares. In addition, our shares are listed on the Frankfurt Stock Exchange.

Our principal executive office is located at Keilalahdentie 4, P.O. Box 226, FI-00045 Nokia Group, Espoo, Finland and our telephone number is +358 (0) 7 1800-8000.

4B. Business Overview

Devices & Services

The following discussion should be read in conjunction with Item 3D. Risk Factors and Forward-Looking Statements.

Overview

Since the early 1990s, mobile telecommunications penetration has grown rapidly. Today, the majority of the world s population uses a mobile device for voice and text message communication. Increasingly, people are using multi-functional or converged mobile devices to access digital content and web services and share their experiences. Converged mobile devices are based on programmable software platforms, can run applications such as email, web browsing, navigation and enterprise software, and can also have built-in music players, video recorders, mobile TV and other multimedia features. Increasingly, such devices are becoming more affordable for a wider population. The software that powers converged mobile devices has also become increasingly sophisticated, providing greater opportunities for the development of services, including applications and content, that enrich the experiences people have with their mobile device.

With a broad range of mobile devices, an offering of services, including applications and content developed by Nokia and/or third parties, and a global production and sales network, Nokia addresses virtually every demographic and geographic segment worldwide. Increasingly, our resources are targeted at developing and offering unique and compelling combinations of mobile devices and services, together with the appropriate technological infrastructure, to create a rich user experience. We do, however, continue to offer both mobile devices and services on a stand-alone basis. More and more mobile devices, including many of our most affordable models sold predominantly in emerging markets, offer Internet connectivity and are equipped with GPS, and we believe that these features, especially in combination, will play a pivotal role in the future development of the market for mobile devices and services across different geographies. An important part of our services strategy is Ovi, our Internet services brand, under which we integrate many of our individual services to simplify as well as enrich the experience people have with their Nokia mobile device. For example, the latest version of Ovi Maps for our smartphones includes high-end car and pedestrian navigation at no extra cost to the user. Another service is Ovi Mail, a free email service designed especially for users in emerging markets with Internet-enabled devices. Most of the world s population will access the Internet and send an email for the first time using a mobile device rather than a PC, and it is Nokia s aim to bring consumers around the world the tools they need to do that.

We currently address the needs of our customers in three categories mobile phones, smartphones and mobile computers which represent target segments for Nokia s portfolio of mobile devices and services. In each of these categories, we deploy different software platforms for our mobile devices designed to balance usability, features and cost in a flexible manner. Our mobile phones are based on the Series 30 or Series 40 software platforms, our smartphones on the Symbian software platform, and our mobile computers on the Maemo software platform which, during 2010, will be merged with Intel s Moblin software platform to create MeeGo, a unified software platform for future computing devices. By deploying different software platforms, Nokia is able to address a wide range of market segments, price points and user groups in virtually every geography worldwide, which we would not be able to do if we limited ourselves to deploying one software platform on our mobile devices. We describe our software platforms in more detail in the discussion of our Mobile Phones, Smartphones and Mobile Computers sub-units below. In addition to our Nokia-branded mobile devices, we also manufacture and sell luxury mobile devices under the Vertu brand. Vertu sells products through 70 Vertu stores and over 600 points of sale in over 60 countries.

A key part of our software strategy consist of cross-platform development technologies, or layers of software, such as Qt and Web Runtime, that run across different software platforms. Such technologies enable developers to create applications for a variety of software platforms in the mobile market. Qt technology is developed by Qt Development Frameworks, formerly Trolltech, which Nokia acquired in 2008, and Nokia has since brought Qt technology to Symbian and Maemo to simplify application development on those software platforms. By using Qt s programming interface, developers are able to build their applications once and simultaneously deploy them on Symbian and Maemo as well as other mobile and desktop computing platforms without having to rewrite the source code. Over the past few years we have increased our research and development in services and supporting software and have made a number of strategic acquisitions, like Trolltech, to bring us the knowledge and technology that we believe we need to compete effectively in the design, development and deployment of our services.

Mobile Phones

Our Mobile Phones sub-unit addresses markets where there has been, and we believe there continues to be, significant potential for growth in mobile devices, as well as where we believe there is significant potential for growth in services. Mobile Phones covers our portfolio of mobile devices powered by the Series 30 and Series 40 software platforms, as well as the services and accessories we sell with them.

Our Series 30 software platform powers our most cost-effective voice and messaging phones. Those devices have voice capability, basic messaging and calendar features, and, increasingly, color displays, radios, basic cameras and Bluetooth functionality. They are targeted at consumers for whom a low total cost of ownership is most important. Series 30 does not offer opportunities for application development by third parties.

Our Series 40 software platform currently powers the majority of our mobile phone models and supports more functionalities and applications, such as Internet connectivity. Those devices are targeted at consumers for whom a balance between cost of ownership, functionality and style is most important. Series 40 is open to third-party developers to build Java and Adobe Flash Lite applications and content, which they can make available through Ovi Store, Nokia s one-stop shop for applications and content. Applications and content for Series 40-based devices include games, video, wallpapers, ringtones and social networking applications.

Table of Contents

New additions to our portfolio of mobile phones in 2009 included the following.

Nokia 2323 classic, an affordable mobile device offering an FM radio with recording and an Internet browser.

Nokia 2330 classic, an affordable mobile device equipped with an integrated camera.

Nokia 3720 classic, a rugged handset designed to resist water, dust and shock.

Nokia 5130 XpressMusic, an affordable handset optimized for music and equipped with a 2 megapixel camera.

Nokia 6303 classic, featuring a 3.2 megapixel camera, an Internet browser and long battery life.

Nokia 6700 classic, equipped with a 5 megapixel camera, assisted GPS navigation and high speed data access.

Nokia X3, an affordable music device with stereo speakers, built-in FM radio and a 3.2 megapixel camera.

To create additional value for users of our Series 30 and Series 40-based mobile phones, we also offer a range of services that can be accessed with them. One such service is Nokia Life Tools, which enables consumers to access timely and relevant agricultural information, as well as education and entertainment services, without requiring the use of GPRS or Internet connectivity. During 2009, we launched the service in India and Indonesia, and we plan to introduce the service to additional emerging markets during 2010.

Nokia has also developed Ovi Mail, a free email service designed especially for users in emerging markets with Internet-enabled devices. The service can be set up and accessed without ever needing a PC. Ovi Mail launched in late 2008, and by March 2010 more than 6 million accounts had been activated. Ovi Mail is one of a number of Ovi-branded services that users of Nokia Series 40-powered mobile phones can access. More information about these Ovi-branded services can be found in the description of our Smartphones sub-unit below.

During 2009, Nokia introduced Nokia Money, a new mobile financial service. The service is targeted to be rolled out gradually to selected markets in 2010 and will be operated in cooperation with Obopay, a leading developer of mobile payment solutions, in which Nokia has invested. Through the service, people will be able to use their mobile device to manage their personal finances, pay for products or services, as well as add credit to their mobile account. In February 2010, Nokia commenced a commercial pilot in Pune, one of the largest metropolitan areas in India, in partnership with YES BANK.

Smartphones

Our Smartphones sub-unit brings a range of services and advanced smartphone technologies to a broad group of consumers, addressing the market for feature-rich mobile devices offering Internet access, entertainment, location-based and other services, applications and content. Our smartphones are advanced mobile devices optimized for creating, accessing, experiencing and sharing multimedia as well as business use. They are powered by Symbian, a software platform which supports a wide array of functionalities, and provides opportunities for the development of sophisticated applications and content by third parties. Symbian OS, used by Nokia and others in the industry, is the market-leading software platform for smartphones and has been developed by the Symbian Foundation, a non-profit entity, into an open and unified platform. Symbian OS became fully open source and royalty-free in February 2010. In other words, Symbian s source code is available at no cost, and any individual or organization can now take, use and modify the code for any purpose, whether for a mobile device or for something else entirely.

With smartphones, we capture value from traditional single-purpose product categories, including music players, cameras, pocketable computers, gaming consoles and navigation devices, by bringing combinations of their various functionalities into a single device. While we continue to develop the

Table of Contents

hardware components of our smartphones, our current focus is on software elements, such as developing the user interface and building the software components that enable the deployment by Nokia and third parties of services, including applications and content, on our smartphones. An equally important focus for us is the successful combination of the hardware, software and services elements to create a rich user experience that positively differentiates us from our competitors.

Smartphones are becoming more affordable for a broader range of consumer groups and geographic markets, as the cost of the relevant technology and hardware decreases. Nokia is increasingly targeting to design and offer lower-priced smartphones in order to cover a much broader range of price points.

Our smartphones category consists of our portfolio of mobile devices powered by Symbian, as well as the services and accessories we sell with them. New additions to our portfolio of smartphones in 2009 included the following.

Nokia N97, featuring a tilting 3.5 inch touch display with a full QWERTY keyboard, a 5 megapixel camera, integrated A-GPS sensors and an electronic compass, and 32 GB of on-board memory.

Nokia N97 mini, a smaller companion to the Nokia N97, featuring a tilting 3.2 inch touch display, QWERTY keyboard and fully customizable homescreen.

Nokia 5230, an affordable touch smartphone that, in select markets, will also be available with Comes With Music, Nokia s all-you-can-eat music offering.

Nokia 5800 Navigation Edition, a touch handset preloaded with a lifetime of voice-guided Drive and Walk navigation licenses for the user s region.

Nokia E72, a device designed especially for business use and messaging, and featuring a full QWERTY keyboard, a 5 megapixel camera and assisted GPS.

Nokia E75, featuring a slide out QWERTY keyboard, 3.2 megapixel camera and assisted GPS.

Nokia X6, a powerful, touch entertainment device with 32 GB of on-board memory that, in select markets, is available in combination with Comes With Music.

We continue to develop Ovi, our Internet services brand, under which we integrate many of our individual services to simplify the user experience and differentiate ourselves from our competitors. With Ovi, our focus is on music, navigation, media and messaging, as well as on the tools that enable developers to create applications. All of our smartphones can access the full range of Ovi services, which users can combine as they want, as well as customize their view and experience with Ovi. Certain Ovi services can also be accessed by users of Nokia mobile devices powered by Series 40 and Maemo, as well as by users of certain devices offered by our competitors.

Highlights in the development of Ovi during 2009 included the following.

We launched Ovi Store, a one-stop shop for applications and content for millions of Nokia device users. Since the launch of the global store in English, Nokia has rolled out several localized stores featuring local content in multiple languages. Nokia is also partnering with operators around the world to offer mobile billing, enabling users to add purchases made in the store directly to their mobile phone bill. For developers, Ovi Store represents an increasingly important channel through which they can make their applications and content available to Nokia users for free or for a fee. Visitors to the store can choose from a growing assortment, ranging from newspaper applications and games to video and city guides.

We continued to develop Ovi Maps, a service that gives consumers access to mapping and, for those with GPS-enabled Nokia mobile devices, navigation. Ovi Maps utilizes NAVTEQ s digital maps database and is evolving from a static map to a dynamic platform upon which users can add their own content and access location-based services as well as content placed on the map by third parties, such as Lonely Planet, Michelin and WCities. During January 2010, Nokia introduced a new version of Ovi Maps for its smartphones that includes navigation at no extra cost for consumers available for download on Nokia s web site. This new version of Ovi Maps includes high-end car and pedestrian navigation features, such as turn-by-turn voice guidance for 74 countries, in 46 languages, and traffic information for more than 10 countries, as well as detailed maps for more than 180 countries.

In Russia, we launched Ovi Music, representing the first step to bring Nokia Music Store our chain of digital music stores into the Ovi stable of services. During 2010, we plan to migrate our existing Nokia Music Stores in different countries to Ovi Music, bringing a number of benefits such as a single account and a sleek and simple Ovi look and feel and other user experience improvements. The Ovi Music catalog has more than 9 million tracks available for download.

For application developers and content providers, we made available the Ovi SDK (software development kit), the Ovi Maps Player API (application programming interface) and Ovi Navigation API, enabling the creation of sophisticated applications for the web as well as the Symbian and Maemo platforms. Ovi developer tools are a key area of focus as we continue to expand our services offering for consumers and create opportunities for developers and content providers.

In addition, we continued to develop additional services for our smartphones. We also work closely with third-party companies, application developers and content providers in areas that we believe could positively differentiate our smartphones from those of our competitors. Highlights in 2009 included the following.

We continued to grow Nokia Messaging, our consumer push email and instant messaging service which pushes email from all of the world s major consumer email services providers including Gmail, Yahoo! Mail and Windows Live Hotmail directly to the user s device. By March 2010, Nokia Messaging was available in more than 100 countries, with agreements in place with more than 70 operators.

We continued to expand Comes With Music, where following the purchase of a Comes With Music-edition mobile device, such as the Nokia X6, users can download freely from a catalog of millions of tracks for a pre-defined period of time typically one year or longer and keep the music once that period is up. By March 2010, Comes With Music was available in 27 markets, including Brazil and Russia, across a range of Nokia mobile devices.

We formed a global alliance with Microsoft to design and market a suite of productivity applications for Nokia s smartphones, starting with Nokia s business-optimized Eseries range of devices.

We launched Ovi lifecasting, an application developed together with Facebook that enables people to publish their location and status updates directly to their Facebook account from the home screen of a mobile device.

Mobile Computers

Our Mobile Computers sub-unit addresses the market for high-performance, high-end compact computing devices, as well as the services and accessories we sell with them. During 2009, we began shipments of the Nokia N900, based on Maemo 5, the latest version of the Linux-based Maemo software platform which Nokia has previously deployed on its Internet tablets and which, for the first time, supports cellular functionality. Maemo is software that has been developed for computers and its architecture is like that of PC software.

Following an agreement between Nokia and Intel in early 2010, Maemo is being merged with Intel s Moblin software platform to form a single Linux-based and fully open source platform, MeeGo, for a wide range of computing devices, including pocketable mobile computers, netbooks, tablets, mediaphones, connected TVs and in-vehicle infotainment systems. By creating MeeGo, Nokia and Intel plan to accelerate industry innovation and reduce time-to-market for a range of new Internet-based applications and services and exciting user experiences. MeeGo-based devices from Nokia and other manufacturers are expected to be launched later in 2010. As MeeGo will use Qt as its application framework, developers will be able to write applications using Qt that will be portable across Nokia s devices based on MeeGo as well as our smartphones based on Symbian, increasing the opportunity for them to bring their creations to a larger audience. The plan to merge Maemo and Moblin follows Nokia and Intel s initial announcement during June 2009 that they are working on developing a new class of device and chipset architectures for future mobile computing devices.

During 2009, Nokia widened its portfolio to include Nokia Booklet 3G, a new Windows 7-based mini-laptop, built for all-day mobility and connectivity. Encased in an ultra-portable aluminum chassis, the Nokia Booklet 3G runs for up to 12 hours on a single charge and has a broad range of connectivity options.

Sales and Marketing

Sales

Nokia has the industry s largest distribution network, with over 650 000 points of sale globally alongside our own online retailing presence. Compared to our competitors, we have a substantially larger distribution and care network, particularly in China, India and the Middle East and Africa.

Nokia derives its Devices & Services net sales primarily from sales to mobile network operators, distributors, independent retailers, corporate customers and consumers. However, the total device volume that goes through each channel varies by region. In 2009, sales in North America and Latin America were predominantly to operator customers, sales in Asia-Pacific, China and Middle East and Africa were predominantly to distributors, and sales in Europe were more evenly distributed between operators and distributors.

Marketing

Devices & Services marketing activities are designed to develop and enhance the Nokia brand and increase sales. The Interbrand annual rating of 2009 Best Global Brands positioned Nokia as the fifth most-valued brand in the world, for the third consecutive year.

Our marketing activities are evolving in different ways. First, an increasing portion of our overall marketing spend is aimed at boosting revenues beyond the initial point of purchase, for instance by advertising the additional value consumers can derive from their Nokia mobile device such as services, including applications and content. We do this by, for instance, generating increased direct dialogue with consumers to encourage them to activate their services, subscribe to new services and use new features and accessories. Secondly, digital marketing is accounting for a larger share of our overall marketing mix as consumption of media has shifted from traditional broadcast media towards the Internet. As part of this shift, we are also increasingly engaging consumers through our own media web-based channels. Thirdly, to drive marketing efficiency, we are focusing on fewer but bigger campaigns, organized around key themes, such as messaging and navigation, as opposed to single products.

Production

We operated ten manufacturing facilities for the production of mobile devices in nine countries around the world for the production of mobile devices as of December 31, 2009. Production at our plant in Salo, Finland, our plant in Beijing, China and our plant in Masan, South Korea is geared towards high-value, low-to-medium volume mobile devices. Vertu, our line of luxury mobile devices, is served by our manufacturing facility in the United Kingdom. Our six other production facilities Komárom in Hungary, Cluj in Romania, Dongguan in China, Chennai in India, Manaus in Brazil and Reynosa in Mexico concentrate on the production of high volume, cost-focused mobile devices. Our manufacturing facilities form an integrated global production network, giving us flexibility to adjust our production volumes to fluctuations in market demand in different regions.

Each of our plants employs state-of-the-art technology and is highly automated. In 2009, we made significant capital investments in our plant in Chennai to expand its production capabilities.

Our mobile device manufacturing and logistics which we consider to be a core competence and competitive advantage are complex, require advanced and costly equipment and typically require outsourcing to third parties. Outsourcing has typically been utilized to adjust our production to seasonal demand fluctuations. During 2009, we had sufficient production to handle in-house the manufacturing volume of mobile device engines, which include the hardware and software that enable the basic operation of a mobile device, and as a result, we outsourced less than 1% of our manufacturing volume. This compared to 2008, during which outsourcing covered approximately 17% of our manufacturing volume of mobile device engines.

Overall, we aim to manage our inventories to ensure that production meets demand for our products, while minimizing inventory-carrying costs. The inventory level we maintain is a function of a number of factors, including estimates of demand for each product category, product price levels, the availability of raw materials, supply-chain integration with suppliers and the rate of technological change. From time to time, our inventory levels may differ from actual requirements.

Design and user experience

At Devices & Services, we endeavor to take a human approach to designing mobile devices, services and software. Using the customer feedback, information on consumer usage patterns and other consumer data collected by us, we are focusing on creating designs that consumers will want and love to use. This ethos is central to our design work and brand.

At the heart of our design approach is people we are focusing our efforts on designing products and services and their combinations that are delightful and exciting to use. Our approach is to design the whole experience from the packaging to the product, to the icons and the whole digital interface. We understand that through thorough research, understanding of consumer trends, local studies, rapid prototyping of styles, shapes and interactions we would have key tools needed to create a portfolio of products and services and their combinations that are relevant to billions of people.

Based in China, Europe and the United States, our multi-disciplinary design team comprising more than 300 people includes psychologists, researchers, anthropologists, user experience experts and technology specialists representing over 30 different nationalities.

Research and Development

Devices & Services research and development (R&D) expenses amounted to EUR 3.0 billion in 2009. At the end of the year, Devices & Services employed 17 196 people in R&D.

Nokia s portfolio of mobile devices, services and their combinations is centered around mobile phones, smartphones and mobile computers. Reflecting this approach to market, we have dedicated R&D teams addressing our short to medium-term needs in these areas. This set-up ensures that the teams have visibility of and accountability for the creation process from start to finish. It is also designed to support a better consumer experience as well as better time to market and R&D productivity. Horizontal teams address common elements across the portfolio, such as application and service frameworks, quality and delivery, and architecture and technology development. We have a strong

Devices & Services R&D presence in Beijing in China; Copenhagen in Denmark; Greater Helsinki, Salo, Tampere and Oulu in Finland; Ulm in Germany; Bangalore in India; London and Farnborough in the United Kingdom; and San Diego in the United States.

Longer-term, more exploratory technology development comes under the scope of Nokia Research Center, a global network of research centers and laboratories Nokia maintains, in many cases in collaboration with outside partners. Nokia Research Center looks beyond the development of current products, services, platforms and technologies, our corporate research center creates assets and competencies in technology areas that we believe will be vital to our future success. In recent years, Nokia Research Center has been a contributor to almost half of Nokia s standard essential patents.

The center works closely with Nokia Devices & Services and Nokia Siemens Networks and collaborates with several universities and research institutes around the globe. These include the Massachusetts Institute of Technology (MIT), Stanford University, the University of California, Berkeley and the University Southern California (USC) in the United States; Cambridge University in the United Kingdom; Ecole Polytechnique Federale de Lausanne (EPFL) and Eidgenössische Technische Hochschule Zürich (ETHZ) in Switzerland; Aalto University, Tampere University of Technology and University of Tampere in Finland; and Tsinghua University and the Beijing University of Post and Telecommunication (BUPT) in China.

Nokia Research Center s research agenda is focused on four core areas:

Rich Context Modeling Interactions between people and their surroundings, location, and social environment provide the basis for new classes of services in areas such as traffic, health and entertainment, enabling new business models to emerge.

New User Interface Future user interfaces will utilize intelligence and context-awareness to enhance user experiences, integrating the personalized and adaptive aspects of devices with data-sharing capabilities.

High Performance Mobile Platforms Research focuses on improving the performance-to-power ratio, delivering new sensing capabilities as well as extending platform architecture to enable interoperability and facilitate application development.

Cognitive Radio Research in this area examines ways to utilize wireless spectrum dynamically to improve connectivity and capacity and enable large-scale sensing.

One research project at Nokia Research Center is Morph , a concept that demonstrates the functionality that nano-technology might be capable of delivering: fully flexible materials, a revolutionary self-cleaning shell and transparent electronics. Every element of the Morph concept represents individual areas already being researched by Nokia Research Center, together with the Cambridge Nanoscience Centre.

Another research project at Nokia Research Center is Community-Enhanced Traffic . This project, formerly known as Traffic Works , has seen Nokia Research Center s Palo Alto laboratory in California combine its research efforts with the University of California, Berkeley s California Center for Innovative Transportation, to study how best to collect real-time traffic flow data from GPS-enabled mobile devices while protecting the users privacy. Building on the Ovi Maps service available today, this provides a glimpse into the future with the mobile device as a personal travel assistant.

Strategic Sourcing and Partnering

In line with industry practice, Devices & Services sources components for our mobile devices from a global network of suppliers. Those components include electronic components, such as chipsets, integrated circuits, microprocessors, standard components, printed wiring boards, sensors, memory devices, cameras, audio components, displays, batteries and chargers, and mechanical components, such as covers, connectors, key mats, antennas and mechanisms. Such hardware components account for the majority of our overall spending on sourcing.

We source chipsets from four different commercial suppliers: Broadcom, Infineon Technologies, Qualcomm and ST-Ericsson. We discontinued our own chipset development in 2007. Our multi-vendor strategy is aimed at increasing the efficiency of our research and development efforts by allowing Nokia to leverage external innovation through working with the best partner in a specific chipset development area, and by freeing our own R&D resources to focus on our core competencies in modem development and other areas central to Nokia s growth strategy, such as services.

Table of Contents

We also source software, applications and content from a global network of third-party companies, application developers, content providers and industry-leading technology providers. For instance, we obtain content from commercial partners in the music industry to offer an extensive catalog of digital music through Nokia Music Store and content from travel guide publishers to expand and enhance Ovi Maps. We have also formed a partnership wit