Orgenesis Inc.
Form 10-Q
April 15, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **February 28, 2013**

[ ] Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period __________________to ______________________

Commission File Number: **000-54329**

ORGENESIS INC.

(Exact name of registrant as specified in its charter)

NEVADA	98-0583166
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

21 Sparrow Circle, White Plains, NY, 10605
(Address of principal executive offices)

845.591.3144
(Registrant s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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.

[**X**] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

[**X**] Yes [ ] No

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.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[ ] Yes [**X**] No

State the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: As of April 15, 2013, there were 49,617,903 shares of common stock, par value $0.0001 outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair statement have been included. Operating results for the interim period ended February 28, 2013 are not necessarily indicative of the results that can be expected for the full year.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC.)
(A development stage company)
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF FEBRUARY 28, 2013

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ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC.)
(A development stage company)
CONDENSED CONSOLIDATED BALANCE SHEETS
U.S. dollars

	February 28, 2013 Unaudited	November 30, 2012 Audited
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	$ 50,015	$ 347
Short term deposits	10,002	10,002
Prepaid expenses and Accounts receivable	22,525	28,249
Total current assets	$ 82,542	$ 38,598
FUNDS IN RESPECT OF RETIREMENT BENEFIT OBLIGATIONS	$ 1,925	$ 1,296
PROPERTY AND EQUIPMENT, NET	$ 13,363	$ 8,273
Total assets	$ 97,830	$ 48,167
Liabilities net of Stockholders' deficiency		
CURRENT LIABILITIES:		
Accounts payable	$ 134,844	$ 135,791
Accrued expenses	129,272	73,138
Employees and related payables	49,110	75,879
Related parties	42,362	42,362
Total current liabilities	$ 355,588	$ 327,170
RETIREMENT BENEFIT OBLIGATIONS	$ 2,191	$ 1,553
Commitments (Note 2)		
Total liabilities	$ 357,779	$ 328,723
STOCKHOLDERS' DEFICIENCY:		
Common stock of $0.0001 par value - authorized: 1,750,000,000 shares at February 28, 2013 and November 30, 2012; issued and outstanding: 49,617,903 and 49,117,903 shares at February 28, 2012 and November 30, 2012, respectively	4,962	4,912
Additional paid-in capital	6,200,698	4,850,348
Deficit accumulated during the development stage	(6,465,609)	(5,135,816)
Total Stockholders' deficiency	(259,949)	(280,556)
Total liabilities net of Stockholders' deficiency	$ 97,830	$ 48,167

The accompanying notes are an integral part of these condensed consolidated financial statements.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC.)
(A development stage company)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
U.S. dollars

	Three months ended February 28, 2013	Three months ended February 29, 2012	Period from June 5, 2008 (inception date) through February 28, 2013
RESEARCH AND DEVELOPMENT EXPENSES	$ 485,261	$ 719,671	$ 2,794,072
GENERAL AND ADMINISTRATIVE EXPENSES	835,094	134,091	3,652,515
OPERATING LOSS	$ 1,320,355	$ 853,762	$ 6,446,587
FINANCIAL EXPENSES, NET	9,438	99	19,022
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ 1,329,793	$ 853,861	$ 6,465,609
BASIC AND DILUTED LOSS PER COMMON STOCK	$ 0.03	$ 0.01	
WEIGHTED AVERAGE NUMBER OF SHARES USED IN COMPUTATION OF BASIC AND DILUTED LOSS PER COMMON STOCK:	49,606,667	69,839,301	

The accompanying notes are an integral part of these condensed consolidated financial statements.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC.)
(A development stage company)
CONDENSED CONSOLIDATED STATEMENTS
OF CHANGES IN STOCKHOLDERS' CAPITAL DEFICIENCY
(UNAUDITED)
U.S. dollars

	Common Stock		**Additional paid-in capital**	**Deficit accumulated during the development stage**	**Total stockholders' Deficit**
	Shares	**$**			
Balance at June 5, 2008 (inception)	-	$ -	$ -	$ -	$ -
Changes during the period from June 5, 2008 through November 30, 2010					
Shares issued to founder on June 5, 2008 $0.000357 Per Share	56,000,000	$ 5,600	14,400	-	20,000
Private Placement at 0.00143$ Per Share	24,500,000	2,450	32,550	-	35,000
Net Loss for the period-Comprehensive loss	-	-	-	(65,321)	(65,321)
Balance as of November 30, 2010	80,500,000	8,050	46,950	(65,321)	(10,321)
Net Loss for the year-Comprehensive loss	-	-	-	(72,352)	(72,352)
Balance as of November 30, 2011	80,500,000	8,050	46,950	(137,673)	(82,673)
Shares cancelled	(33,873,049)	(3,387)	3,387	-	-
Warrants and shares issued for cash, net of issuance expenses	1,100,000	110	1,071,551	-	1,071,661
Stock-based compensation expenses related to options granted to employees	-	-	2,976,922	-	2,976,922
Stock-based compensation expenses related to options granted to consultant	-	-	242,055	-	242,055
Shares issued for services	1,390,952	139	509,483	-	509,622
Net loss for the year-Comprehensive loss				(4,998,143)	(4,998,143)
Balance as of November 30, 2012	49,117,903	$ 4,912	$ 4,850,348	$ (5,135,816)	$ (280,556)
Changes during the three month period ended February 28, 2013 (Unaudited)					
Warrants and shares issued for cash	500,000	50	499,950	-	500,000

Stock based compensation related to options granted to employees	-	-	797,584	-	797,584
Stock-based compensation related to options granted to consultants	-	-	52,816	-	52,816
Net loss for the period-Comprehensive loss				(1,329,793)	(1,329,793)
Balance as of February 28, 2013	49,617,903	4,962$	$ 6,200,698	$ (6,465,609)	($ 259,949)

The accompanying notes are an integral part of these condensed consolidated financial statements.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
(A development stage company)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
U.S. dollars

	Three months ended		Period from June 5, 2008 (inception date) through
	February 28, 2013	**February 29, 2012**	**February 28, 2013**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	(1,329,793)	(853,861)	(6,465,609)
Adjustments required to reconcile net loss to net cash used in operating activities:			
Write-off of website development costs	-	-	15,000
Stock-based compensation related to options granted to employees	797,584	149,335	3,774,506
Stock-based compensation related to options granted to consultants	52,816	-	294,871
Changes in retirement benefit obligations	638	-	2,191
Depreciation	810	-	2,216
Shares issued for services rended		509,622	509,622
Changes in operating assets and liabilities:			
Decrease in prepaid expenses and accounts receivable	5,724	1,052	(22,525)
Decrease in accounts payable	(947)	(27,563)	134,844
Increase in accrued expenses	56,134	56,273	129,272
Related parties	-	10,000	42,362
Increase (Decrease) in employees and related payables	(26,769)	35,987	49,110
Net cash used in operating activities	(443,803)	(119,155)	(1,534,140)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	(5,900)	-	(15,579)
Website development costs	-	-	(15,000)
Investment in short term deposits	-	-	(10,002)
Amounts funded in respect of retirement benefit obligations	(629)	-	(1,925)
Net cash used in investing activities	(6,529)	-	(42,506)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Warrants and shares issued for cash	500,000	471,661	1,626,661
Net cash provided by financing activities	500,000	471,661	1,626,661
INCREASE IN CASH AND CASH EQUIVALENTS	49,668	352,506	50,015
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	347	1,275	-
	50,015	353,781	50,015

CASH AND CASH EQUIVALENTS AT END OF PERIOD

The accompanying notes are an integral part of these condensed consolidated financial statements.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

a. General:

Orgenesis Inc. (formerly Business Outsourcing Services, Inc.) (the Company), incorporated in the state of Nevada on June 5, 2008 is currently developing a new technology for regeneration of functional insulin-producing cells, thus, enabling normal glucose regulated insulin secretion, via cell therapy.

On August 31, 2011, the Company changed its name from Business Outsourcing Services, Inc. to Orgenesis Inc. , by way of merger with its wholly-owned subsidiary Orgenesis Inc., which was formed solely for the change of name.

On October 11, 2011, the Company incorporated a wholly-owned subsidiary in Israel, Orgenesis Ltd. (the "Subsidiary"), which is engaged in research and development. Unless the context indicates otherwise, the term Group refers to Orgenesis Inc. and its Israeli subsidiary, Orgenesis Ltd (the Subsidiary).

On February 2, 2012, the Subsidiary entered into an agreement with Tel Hashomer Medical Research, Infrastructure and Services Ltd (the "Licensor"). The Subsidiary was granted a worldwide royalty bearing, exclusive license to certain information regarding a molecular and cellular approach directed at converting liver cells into functional insulin producing cells, as treatment for diabetes.

The Group is engaged in research and development in the biotechnology field and is considered a development stage company in accordance with ASC Topic 915 Development Stage Entities .

b. Basis Of Presentation

The accompanying unaudited interim condensed consolidated financial statements as of February 28, 2013 have been prepared in accordance with accounting principles generally accepted in the United States. Accordingly, they do not include all the information and footnotes required for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included. The accounting principles applied in the preparation of the interim statements are consistent with those applied in the preparation of the annual financial statements; however, the interim statements do not include all the information and explanations required for the annual financial statements. The condensed consolidated balance sheet data as of November 30, 2012 was derived from the Company s audited financial statements, but does not include all disclosures required by generally accepted accounting principles. For additional information, including the Company s significant accounting policies, refer to the consolidated financial statements and related footnotes in the Company s fiscal 2012 Annual Report on Form 10-K. Operating results for the three months ended February 28, 2013, are not necessarily indicative of the results that may be expected for the year ending November 30, 2013.

c. Research and development

Research and development expenses include costs directly attributable to the conduct of research and development programs, including the cost of salaries, payroll taxes and employee benefits, lab expenses, consumable equipment and consulting fees. All costs associated with research and developments are expensed as incurred.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

d. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned Subsidiary. All inter-company transactions and balances have been eliminated in consolidation.

e. Functional currency

The currency of the primary economic environment in which the operations of the Company and Subsidiary are conducted is the US dollar ($ or dollar).

Most of the Group's expenses are incurred in dollars and source of the Group's financing has been provided in dollars. Thus, the functional currency of the Company and the Subsidiary is the dollar.

Transactions and balances originally denominated in dollars are presented at their original amounts. Balances in foreign currencies are translated into dollars using historical and current exchange rates for non-monetary and monetary balances, respectively. For foreign transactions and other items reflected in the statements of operations, the following exchange rates are used: (1) for transactions exchange rates at transaction dates or average rates and (2) for other items (derived from non-monetary balance sheet items such as depreciation) historical exchange rates. The resulting transaction gains or losses are carried to financial income or expenses, as appropriate.

f. Going concern considerations

The accompanying unaudited interim condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has net losses for the period from inception (June 5, 2008) through February 28, 2013, of $6,465,609 as well as a negative cash flow from operating activities. Presently, the Company does not have sufficient cash resources to meet its plans in the twelve months following February 28, 2013. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management is in the process of evaluating various financing alternatives, as the Company will need to finance future research and development activities and general and administrative expenses through fund raising in the public or private equity markets. Although there is no assurance that the Company will be successful with those initiatives, management believes that it will be able to secure the necessary financing as a result of ongoing financing discussions with third party investors and existing shareholders.

These consolidated financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to obtain additional financing as may be required and ultimately to attain profitability.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Income Taxes

1. Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is recognized to the extent that it is more likely than not that the deferred taxes will not be realized in the foreseeable future.. It is the Company s policy to classify interest and penalties on income taxes as interest expense or penalties expense.

2. Uncertainty in income tax

   The Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates that it is more likely than not that the position will be sustained on examination. If this threshold is met, the second step is to measure the tax position as the largest amount that is greater than 50% likely of being realized upon ultimate settlement.

3. Taxes that would apply in the event of disposal of investment in Subsidiary have not been taken into account in computing the deferred income taxes, as it is the Company s intent and ability to hold this investment.

h. Stock-Based Compensation

The Company accounts for employee stock-based compensation in accordance with the guidance of ASC Topic 718, Compensation which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their grant date fair values. The fair value of the equity instrument is charged to compensation expense and credited to additional paid-in capital over the period during which services are rendered.

The Company follows ASC Topic 505-50, formerly EITF 96-18, Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods and Services, for stock options and warrants issued to consultants and other non-employees. In accordance with ASC Topic 505-50, these stock options and warrants issued as compensation for services provided to the Company are accounted for based upon the fair value of the options. The fair value of the options granted is measured on a final basis at the end of the related service period and is recognized over the related service period using the straight-line method.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

i. i. Newly issued and recently adopted Accounting Pronouncements

1. In June 2011, the Financial Accounting Standards Board (the "FASB") issued an update to ASC No. 220, "Presentation of Comprehensive Income," which eliminates the option to present other comprehensive income and its components in the statement of shareholders' equity. The Company can elect to present the items of net income and other comprehensive income in a single continuous statement of comprehensive income or in two separate, but consecutive, statements. Under either method the statement would need to be presented with equal prominence as the other primary financial statements. The amended guidance, which must be applied retroactively, is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with earlier adoption permitted. In December 2011, the FASB issued another update on the topic, which deferred the effective date pertaining only to the presentation of reclassification adjustments on the face of the financial statements. The Company adopted the pronouncement in the annual financail statements as of November 30, 2013.

2. In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). This update requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, ASU 2013-02 requires presentation, either on the face of the income statement or in the notes, of significant amounts reclassified out of accumulated other comprehensive income by respective line items of net income, but only if the amounts reclassified are required to be reclassified in their entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about these amounts. The amendments in ASU 2013-02 will be effective prospectively for annual reporting periods beginning after December 15, 2012, and interim periods within those annual periods. ASU 2013-02 is effective for the Company on November, 30, 2013. The Company does not expect the adoption of ASU 2013-02 to have a material effect on the consolidated financial statement presentation.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2 COMMITMENTS

1. On February 2, 2012 the Subsidiary entered into a licensing agreement with the Licensor. According to the agreement, the Subsidiary was granted a worldwide royalty bearing, exclusive license to certain information regarding a molecular and cellular approach directed at converting liver cells into functional insulin producing cells, as treatment for diabetes.

As consideration for the licensed information, the Subsidiary will pay the following to the Licensor:

a. A royalty of 3.5% of net sales.
b. 16% of all sublicensing fees received.
c. An annual license fee of $15,000, which commenced on January 1, 2012 and shall be paid once every year thereafter (the "Annual Fee").The Annual Fee is non-refundable, but it shall be credited each year due, against the royalty noted above, to the extent that such are payable, during that year.
d. Milestone payments as follows:

1. $50,000 on the date of initiation of phase I clinical trials in human subjects;
2. $50,000 on the date of initiation of phase II clinical trials in human subjects;
3. $150,000 on the date of initiation of phase III clinical trials in human subjects;
4. $750,000 on the date of initiation of issuance of an approval for marketing of the first product by the FDA.
5. $2,000,000, when worldwide net sales of Products have reached the amount of $150,000,000 for the first time, (The "Sales Milestone").

In the event of closing of an acquisition of all of the issued and outstanding share capital of the Subsidiary of the Company and/or consolidation of the Subsidiary or the Company into or with another corporation ("Exit"), the Licensor shall be entitled to choose whether to receive from the Company a one-time payment based, as applicable, on the value of either 5,563,809 shares of Common Stock of the Company at the time of the Exit or the value of 1,000 shares of common stock of the Subsidiary at the time of the Exit.

2. On February 2, 2012 the Company entered into an agreement with Mintz, Levin, Ferris, Glovsky and Popeo, P.c. for professional services related to the patent registration. In addition to an amount of $80,000 paid to this service provider, the Company issued 1,390,952 shares of common stock that will be held in escrow for two years. As a result of the escrow, the fair value of these shares issued for services were $509,622 based on a 34.57% discount calculated, on the price per share on February 2, 2012. The Company will pay an additional $50,000 upon consummation of the earlier of:

1. The purchase of all the Company's common shares and/or amalgamation of the Company or the Subsidiary into or with another corporation.

2. The Company sublicensing the technology to a non-affiliate of the Company.

3. $20,000 upon each of the following milestones (but in any event no more than $50,000 in total):

ORGENESIS INC.
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 COMMITMENTS (continued):

1. Initiation by the Company of phase I clinical trials for the Company's product in human subjects.

2. Initiation by the Company of phase II clinical trials in human subjects.

3. Initiation by the Company of phase III clinical trials in human subjects.

3. On February 2, 2012, the Company entered into a consultancy agreement with Weinberg Dalyo Inc, for financial consulting services for a consideration of $3,000 per month. During the period of this agreement, if the consultant locates an investor, which the Company enters into a binding investment agreement, the consultant is entitled to a bonus of 1.5% from the total investment in cash.

4. On February 2, 2012, we entered into an employment agreement (the Ferber Employment Agreement) with Prof. Sarah Ferber. Pursuant to the Ferber Employment Agreement, Prof. Ferber agrees to serve as our Chief Scientific Officer. Prof. Ferber will be paid a gross salary of NIS (Israeli shekel) 36,000 per month, which is approximately $9,708 based on an exchange rate of 1 NIS equals $0.2696 as of February 28, 2013. In the event we complete a financing of at least $1,000,000 (in addition to the $1.5 million private placement in February 2012), Prof. Ferber s salary will double.

5. On February 2, 2012, we entered into a compensation agreement (the Caplan Compensation Agreement) with Ms. Caplan. Pursuant to the Caplan Compensation Agreement, Ms. Caplan agrees to serve as a director of our company. Ms. Vered will be paid a gross salary of NIS (Israeli shekel) 10,000 per month, which is approximately $2,696 based on an exchange rate of 1 NIS equals $0.2696 as of February 28, 2013. In the event we complete a financing of at least $ 2,000,000, Ms. Vered will be paid a onetime bonus of $100,000.

6. On March 22, 2012 the Subsidiary entered into a research service agreement with the Licensor. According to the agreement, the Licensor will perform a study at the facilities and use the equipment and personnel of the Chaim Sheba Medical Center (the "Hospital"), for the total consideration of approximately $74,000 for a year.

7. On April 2, 2012 the Company entered into an agreement with Guy Yachin to serve as a director in the Company's board of directors for a consideration of $2,500 per month and an additional payment for every board meeting on an hourly basis. See also note 4 (4).

8. On April 6, 2012 the Company entered into an agreement with Etti Hanochi to serve as a director in the Company's board of directors for a consideration of $300 the first hour of attendance in at Board meetings, and $200 per each additional hour. See also note 4(7).

9. On April 17, 2012 the Company entered into an agreement with Yaron Adler to serve as a director in the Company's board of directors for a consideration for every board meeting on an hourly basis. In the event the Company receives an aggregate financing of at least $3,000,000 he will be entitled to a one-time payment in the amount of $15,000. See also note 4(5).

10. On April 24, 2012 the company entered into an agreement with Granzer Regulatory Consulting&services (Granzer) to provide services with regard to regulatory and development aspects in connection with pharmaceutical products in the area of chemistry and pharmacy toxilog, clinical and regulatory.

ORGENESIS INC.
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2 COMMITMENTS (continued):

The company shall pay for services of Granzer range of 125-300 Euro per hour or 2,400 Euro per day.

11. On October 18, 2012 the company entered into an agreement with Fraunhofer IGB to perform experiment and studies on transplants of liver cells in order to develop the manufacturing process in standards that will enable Orgenesis to use it in clinical trials. According to the agreement the company should pay per achieved phase which are defined in the agreement a total consideration of 260,000 Euro for all services. Under the terms of the agreement it's the company's discretion whether to conclude all the phases or only part of them.

12. On January 7, 2013 the Company appointed a new CEO to the Company, whose compensation will consist of an annual gross salary of $180,000 and the eligibility to receive stock options, performance shares and an annual bonus at the discretion of our board of directors upon the performance as follow:

a. 982,358 Performance Shares (2%) will be issued upon the completion of a fundraising;

b. 1,473,537 Performance Shares (3%) will be issued as to 25% on each of the first, second, third and fourth anniversaries of the date of the employment agreement.

OTE 3 STOCKHOLDERS' DEFICIENCY:

1. Share capital

The Company s shares are traded on the Over-The-Counter Bulletin Board.

The share capital is composed of common stock of $0.0001 par value each: 1,750,000,000 shares authorized at February 28, 2013 and November 30, 2012; 49,617,903 and 49,117,903 shares issued and outstanding at February 28, 2013 and November 30, 2012, respectively.

On August 31, 2011, the Company affected a 35 to 1 share split. As a result the issued and outstanding capital of the Company has been increased from 2,300,000 to 80,500,000 shares of common stock with par value of $0.0001per share. Share data and Per share data has been adjusted to reflect the stock split.

On February 2, 2012, two of the Company's shareholders have cancelled 33,873,049 shares of common stock of the Company held by them in connection with the capital raising and other changes in the capital.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

OTE 3 STOCKHOLDERS' DEFICIENCY (continued):

2. Financing:

In February 2012, the Company entered into a subscription agreement with Derby Management LLC ("Derby") for the sale of 500,000 shares of the Company's common stock at a purchase price of $1.00 per share, for total consideration of $500,000. Under the agreement the subscribers committed to purchase additional 1,000,000 shares of the Company's common stock at a purchase price of $1.00 per share (the February Warrants). The terms of the warrants to be issued based on the following criteria. 500,000 shares will be issued for an additional consideration of $500,000, upon the earlier of: (i) the Company or its Subsidiary signing an agreement with a clinical center, and (ii) 6 months following the closing of the placement of shares. The remaining 500,000 shares will be issued for an additional consideration of $500,000 upon the feasibility of enhancement of cell propagation capability if achieved prior to February 2, 2015.

In April 2012, the Company completed a private placement of $100,000 with Derby for 100,000 shares of common stock and 100,000 common stock warrants at a purchase price of $1.00 per share (the “April Warrants”). The fair value of the April Warrants of the total consideration as of the date of grant was $35,315.

In July 2012, the Company entered into a subscription agreement with Derby for an additional 500,000 common stock and 500,000 common stock warrants at a purchase price of $1.00 per share (the July Warrants) for total consideration of $1.00. In connection with this agreement, the February Warrants were cancelled.

In December 2012, the Company entered into a subscription agreement with Derby for the issuance of 500,000 units for a total consideration of $500,000. Each unit is comprised of one share of the Company's Common Stock and two non-transferable Common Stock warrants. Each Common Stock warrant ("December Warrants") can be exercised at a purchase price of $ 0.50 per warrant and is exercisable until December 2, 2014. The fair value of the December Warrants of the total consideration as of the date of grant was $278,036.

In connection with this agreement, the July Warrants were cancelled.

As of February 28, 2013, Derby has common stock warrants of 1,100,000 shares, comprised of the December Warrants and the April Warrants.

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NOTE 4 STOCK BASED COMPENSATION

1. Global Share Incentive Plan:

   On May 23, 2012 the Company's board of directors adopted the global share incentive plan (2012) ("Global Share Incentive Plan (2012)"). Under the Global Share Incentive Plan (2012) 12,000,000 shares of common stock have been reserved for the grant of options, which may be issued at the discretion of the Company's board of directors from time to time. Under this plan, each option is exercisable into one share of common stock of the Company.

   The options may be exercised after vesting and in accordance with the vesting schedule which will be determined by the Company's board of directors for each grant. The maximum contractual life term of the options is 10 years.

   The fair value of each stock option grant is estimated at the date of grant using the Black and Scholes option pricing model. The volatility is based on historical volatilities of companies in comparable stages as well as companies in the industry historical volatility, by statistical analysis of the daily share pricing model. The expected term is equal to the contractual life, based on management estimation for the expected dates of exercising of the options.

2. On February 2, 2012, 2,781,905 options were granted to Prof. Sara Ferber, the Company's Chief Scientific Officer, at an exercise price of $0.0001 per share. The options vest in twelve equal monthly installments from the date of grant and expire on February 2, 2022 .The fair value of these options on the date of grant was $1,557,867 using the Black and Scholes option-pricing model.

3. On February 2, 2012, 2,781,905 options were granted to Mr Jacob BenArie, the CEO of Orgenesis Ltd, at an exercise price of $0.69 per share, the options vest in twelve equal quarterly installments from the date of grant and expire on February 2, 2022. The fair value of these options as of the date of grant was $1,404,819 using the Black and Scholes option-pricing model.

4. On June 4, 2012, 471,200 options were granted to Mr. Guy Yachin, the Company's member of the board of directors, at an exercise price of $0.85 per share, the options vest in five equal annual instalments from the date of grant and expire on June 4, 2022. The fair value of these options as of the date of grant was $363,478 using the Black and Scholes option-pricing model.

5. On July 8, 2012, 706,890 options were granted to Mr. Yaron Adler, the Company's member of the board of directors, at an exercise price of $0.79 per share, the options vest in five equal annual instalments from the date of grant and expire on July 8, 2022. The fair value of these options as of the date of grant was $506,635 using the Black and Scholes option-pricing model.

6. On July 10, 2012, 3,338,285 options were granted to Ms. Caplan, the Company's Chairperson of the Board at an exercise price of $0.001 per share, the options vest in two equal annual instalments from the date of grant and expire on February 2, 2022. The fair value of these options as of the date of grant was $2,935,496 using the Black and Scholes option-pricing model.

7. On July 8, 2012, 235,630 options were granted to Ms. Etti Hanochi, the Company's member of the board of directors, at an exercise price of $0.79 per share, the options vest in five equal annual instalments from the date of grant and expire on July 8, 2022. The fair value of these options as of the date of grant was $ 171,207 using the Black and Scholes option-pricing model.

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NOTE 4 STOCK BASED COMPENSATION (continued):

The fair value of each option grant is estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions:

	For options granted during the year ended November 30, 2012
Expected option life (years)	10.0
Expected stock price volatility (%)	104- 105
Risk free interest rate (%)	1.53-1.86
Expected dividend yield (%)	0.0

A summary of the Company's stock option granted to employees and directors as of February 28, 2013 is presented below:

	Three months ended			
	February 28 2013		February 29 2012	
	Number of options	Weighted Average exercise price $	Number of options	Weighted Average exercise price $
Options outstanding at the beginning of the period	10,315,815	0.297	-	-
Changes during the period:				
Granted - at market price Expired	-	-	5,563,810	0.345
Options outstanding at end of the period	10,315,815	0.297	5,563,810	0.345
Options exercisable at end of the period	3,709,207	0.06	-	-

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NOTE 4 STOCK BASED COMPENSATION (continued):

Costs incurred in respect of stock based compensation for employees and directors, for the three months ended February 28, 2013 and February 29, 2012 was $ 797,584 and 149,335 respectively. The weighted average period of the remaining unearned compensation of $3,164,996 at February 28, 2013 will be recorded over 2.2 years.

The following table presents summary information concerning the options granted to employees and directors outstanding as of February 28, 2013:

Exercise prices	Number of outstanding options	Weighted average remaining contractual Life	Weighted average Exercise price	Aggregate intrinsic value
$		Years	$	$
0.0001	2,781,905	8.93	0.0001	1,947,055
0.001	3,338,285	8.93	0.001	2,333,461
0.69	2,781,905	8.93	0.69	27,819
0.79	942,520	9.36	0.79	-
0.85	471,200	9.26	0.85	-
	10,315,815	8.98	0.297	4,308,335

The following table presents summary of information concerning the options exercisable as of February 28, 2013:

Exercise prices	Number of exercisable options	Total Exercise value
$		$
0.0001	2,781,905	278
0.69	927,302	639,838
	3,709,207	640,116

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NOTE 4 STOCK BASED COMPENSATION (continued):

Options granted to non employees:

1. On April 14, 2012, 471,200 options were granted to Dr. G. Alexander (Zan) Fleming, the Company's advisor, at an exercise price of $1.40 per share, the options vest five equal annual instalments from the date of grant and expire on April 14, 2022. The fair value of these options as of the date of grant is $564,907 using the Black and Scholes option-pricing model.

2. On June 4, 2012, 706,904 options were granted to Mr. Dov Weinberg, the Company's CFO, at an exercise price of $0.69 per share, the options vest in four equal semi - annual installments from the date of grant and expire on February 2, 2022. The fair value of these options as of the date of grant is $500,678 using the Black and Scholes option-pricing model .

3. On November 21, 2012, 100,000 options were granted to Camillo Ricordi, a consultant for the Company, at an exercise price of $0.61 per share, the options vest in five equal annual installments from the date of grant and expire on November 21, 2022. The fair value of these options as of the date of grant is $64,513 using the Black and Scholes option-pricing model.

The fair value of each option grant is estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions:

	For options granted during the year ended November 30, 2012
Expected option life (years)	10.0
Expected stock price volatility (%)	104- 110
Risk free interest rate (%)	1.51-1.62
Expected dividend yield (%)	0.0

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NOTE 4 STOCK BASED COMPENSATION (continued):

A summary of the status of the stock options granted to non employees as of February 28, 2013 and changes for period ended is presented below:

	Three months ended			
	February 28 2013		February 29 2012	
	Number of options	Weighted Average exercise price $	Number of options	Weighted Average exercise price $
Options outstanding at the beginning of the period	1,278,104	0.95	-	-
Changes during the period:				
Granted - at market price Expired	-	-	-	-
Options outstanding at end of the period	1,278,104	0.95	-	-
Options exercisable at end of the period	353,452	0.69	-	-

Costs incurred in respect of stock based compensation for consultants, for the three months ended February 28, 2013 and February 29, 2012 was $52,816 and $0, respectively. The weighted average period of the remaining unearned compensation of $506,364 at February 28, 2013 will be recorded over 2.52 years.

The following table presents summary information concerning the options granted to non employees outstanding as of February 28, 2013:

Exercise prices	Number of outstanding options	Weighted average remaining contractual Life	Weighted average Exercise price	Aggregate intrinsic value
$		Years		$
1.4	471,200	9.12	1.4	-
0.69	706,904	8.93	0.69	7,069
0.61	100,000	9.73	0.61	9,000
	1,278,104	9.06	0.95	16,069

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NOTE 4 STOCK BASED COMPENSATION (continued):

The following table presents summary of information concerning the options exercisable as of February 28, 2013:

Exercise prices	Number of exercisable options	Total Exercise price
$		$
0.69	353,452	243,882
	353,452	243,882

NOTE 5 TAXES ON INCOME

1. **Corporate taxation in the U.S.**

The applicable corporate tax rate for the Company is 34%.

2. **Corporate taxation in Israel:**

The Subsidiary is taxed in accordance with Israeli tax laws. The regular corporate tax rate in Israel for 2013 is 25%.

3. **Deferred income taxes:**

		February 28, 2013		November 30 2012
In respect of:				
Net operating loss carry forward	$	459,234	$	344,307
R&D expenses		76,747		57,344
Holiday and recreation pay		6,115		3,968
Severance pay accruals		547		402
Less Valuation allowance	$	542,643	$	406,021
Net deferred tax assets		-		-

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carry forward losses are expected to be available to reduce taxable income. As the achievement of required future taxable income is uncertain, the Company recorded a full valuation allowance.

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NOTE 6 - SUBSEQUENT EVENTS:

1. On March 22, 2013, we entered into a subscription agreement with Mediapark A.G., a Marshall Islands company, pursuant to which Mediapark purchased an 8% unsecured convertible debenture (the Debenture) in the aggregate principal amount of US $250,000 and we issued to Mediapark 100,000 warrants (the Warrant). Each Warrant carries the right to purchase one share of common stock for a period of 24 months from issuance of the Warrant.

   The Debenture matures 90 days from the date of issuance of the Debenture, but the loan must be repaid earlier if we close a financing of $1,000,000 or more. Interest is calculated on the basis of a 360-day year and accrues daily commencing on the date the Debenture is issued until payment in full of the principal amount, together with all accrued and unpaid interest. We may extend the maturity date for a period of up to 90 days provided we issue an equal number of Warrants to the number issued to the investor on initial closing.

   If the Debenture is not repaid at the maturity date, the holder may convert the loan and any accrued and unpaid interest into shares of our common stock at the lower of $0.75 per share and the 5 day VWAP of our common shares trading price for the 5 days prior to conversion. The investor is under no obligation to convert and may take realization process to recover funds, interest and expenses of collection**.**

2. On April 9, 2013, we executed a consulting agreement with Professor Jay Skyler. Prof. Skyler has agreed to be appointed to our Board of Advisors committee, and we will pay Prof. Skyler an hourly fee for attending in person meetings and meetings via conference call. We granted Prof. Skyler 100,000 stock options at market price exercisable in five equal installments during the next 5 years.

3. On March 27, 2013, we signed an agreement with Mintz Levin, our patent attorneys, in which 16% of the fees will be converted to shares of the Company at market price. As of February 28, 2013 $6,144 will be converted into common shares.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report contains forward-looking statements. Forward-looking statements are projections in respect of future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. Forward-looking statements made in this quarterly report on Form 10-Q includes statements about:

* our plans to identify and acquire products that we believe will be prospective for acquisition and development;
* our intention to develop to the clinical stage a new technology for regeneration of functional insulin- producing cells, thus enabling normal glucose regulated insulin secretion, via cell therapy;
* our belief that our treatment seems to be safer than other options;
* our belief that our major competitive advantage is in our cell transformation technology;
* our marketing plan;
* our plans to hire industry experts and expand our management team;
* our belief that Diabetes Mellitus will be one of the most challenging health problems in the 21st century and will have staggering health, societal and economic impact;
* our beliefs regarding the future of our competitors;
* our expectation that the demand for our products will eventually increase; and
* our expectation that we will be able to raise capital when we need it.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors" and the risks set out below, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, by way of example and not in limitation:

* general economic and business conditions;
* substantial doubt about our ability to continue as a going concern;
* we may need to raise additional funds in the future which may not be available on acceptable terms or at all;
* if we are unable to successfully recruit and retain qualified personnel, we may not be able to continue our operation;
* we may not be able to successfully implement our business plan;
* conditions in Israel and the surrounding Middle East may materially adversely affect our subsidiary's operations and personnel;

* the ability of our subsidiary to pay dividends is subject to limitations under Israeli law and dividends paid and loans extended by our subsidiary may be subject to taxes;

* THM may cancel the License Agreement;

* if we are unable to successfully acquire, develop or commercialize new products, our operating results will suffer;

* our expenditures may not result in commercially successful products;

* third parties may claim that we infringe their proprietary rights and may prevent us from manufacturing and selling some of our products;

* extensive industry regulation has had, and will continue to have, a significant impact on our business, especially our product development, manufacturing and distribution capabilities; and

* other factors discussed under the section entitled "Risk Factors".

These risks may cause our company's or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

As used in this quarterly report on Form 10-Q and unless otherwise indicated, the terms "we", "us", "our", or the “Company” refer to Orgenesis Inc. and our wholly owned subsidiary, Orgenesis Ltd., an Israeli corporation (the "Subsidiary"). Unless otherwise specified, all dollar amounts are expressed in United States dollars.

Corporate Overview

We were incorporated in the state of Nevada on June 5, 2008, under the name Business Outsourcing Services, Inc.

Effective August 31, 2011, we completed a merger with our subsidiary, Orgenesis Inc., a Nevada corporation which was incorporated solely to effect a change in our name. As a result, we changed our name from "Business Outsourcing Services, Inc." to "Orgenesis Inc."

Effective August 31, 2011 we effected a 35 to one forward stock split of our authorized and issued and outstanding common stock. As a result, our authorized capital has increased from 50,000,000 shares of common stock with a par value of $0.0001 to 1,750,000,000 shares of common stock with a par value of $0.0001. Unless otherwise noted, all references in this quarterly report to number of shares, price per share or weighted average number of shares outstanding have been adjusted to reflect the stock split on a retroactive basis.

Our Current Business

On August 5, 2011, we entered into a letter of intent with Prof. Sarah Ferber and Ms. Vered Caplan according to which, inter alia, Prof. Ferber has agreed to use commercially reasonable efforts to cause Tel Hashomer Medical Research, Infrastructure and Services Ltd to license us all of the assets associated with "Methods Of Inducing Regulated Pancreatic Hormone Production" and "Methods Of Inducing Regulated Pancreatic Hormone Production In Non-Pancreatic Islet Tissues".

On October 11, 2011 we incorporated Orgenesis Ltd. as our wholly-owned subsidiary under the laws of Israel. On February 2, 2012, Orgenesis Ltd. signed and closed a definitive agreement (the “License Agreement”) to license patents and knowhow related to the development of AIP (Autologous Insulin Producing) cells.

Based on the licensed know how and patents, our intention is to develop to the clinical stage a new technology for regeneration of functional insulin-producing cells, thus enabling normal glucose regulated insulin secretion, via cell therapy. By using a therapeutic agent (i.e., PDX-1, or additional pancreatic transcription factors in adenovirus-vector) that efficiently converts a sub-population of liver cells into pancreatic islets phenotype and function, this approach allows the diabetic patient to be the donor of his own therapeutic tissue. The development of AIP cells is based on the licensed patents and knowhow. We believe that our major competitive advantage is in our cell transformation technology.

This technology was licensed based on the published work of Prof. Ferber. Prof. Ferber has developed this technology, as a researcher in Tel Hashomer, and has established a proof of concept that demonstrates the capacity to induce a shift in the developmental fate of cells in liver and convert them into `pancreatic beta cell like' cells. Furthermore, those cells were found to be resistant to the autoimmune attack.

We intend to develop our business by further developing the technology to a clinical stage. We intend to dedicate most of our capital to research and development with no expectation of revenue from product sales in the foreseeable future.

Recent Corporate Developments

Since the commencement of our first quarter ended February 28, 2013, we experienced the following corporate developments:

In December 2012, the Company entered into a subscription agreement with Derby for the issuance of 500,000 units for a total consideration of $500,000. Each unit is comprised of one share of the Company's Common Stock and two non-transferable Common Stock warrants. Each Common Stock warrant ("December Warrants") can be exercised at a purchase price of $ 0.50 per warrant and is exercisable until December 2, 2014

On March 22, 2013, we entered into a subscription agreement with Mediapark A.G., a Marshall Islands company, pursuant to which Mediapark purchased an 8% unsecured convertible debenture (the Debenture) in the aggregate principal amount of US $250,000 and we issued to Mediapark 100,000 warrants (the Warrant). Each Warrant carries the right to purchase one share of common stock for a period of 24 months from issuance of the Warrant, on terms set out in the Warrant Certificate attached to this 8-K.

The Debenture matures 90 days from the date of issuance of the Debenture, but the loan must be repaid earlier if we close a financing of $1,000,000 or more. Interest is calculated on the basis of a 360-day year and accrues daily commencing on the date the Debenture is issued until payment in full of the principal amount, together with all accrued and unpaid interest. We may extend the maturity date for a period of up to 90 days provided we issue an equal number of Warrants to the number issued to the investor on initial closing.

If the Debenture is not repaid at the maturity date, the holder may convert the loan and any accrued and unpaid interest into shares of our common stock at the lower of $0.75 per share and the 5 day VWAP of our common shares trading price for the 5 days prior to conversion. The investor is under no obligation to convert and may take realization process to recover funds, interest and expenses of collection.

On April 9, 2013, we executed a consulting agreement with Professor Jay Skyler. Prof. Skyler has agreed to be appointed to our Board of Advisors committee, and we will pay Prof. Skyler an hourly fee for attending in person meetings and meetings via conference call. We granted Prof. Skyler 100,000 stock options exercisable at market price. The options are subject to our stock option plan and will have vesting provisions. Prof. Skyler will also be reimbursed for out of pocket expenses incurred for carrying out consulting business.

The agreement is for an indefinite period unless terminated by either party with 30 days advance written notice to the other party.

Results of Operations

The following summary of our results of operations should be read in conjunction with our condensed financial statements for the three month ended February 28, 2013.

Revenue

We have not earned any revenues since our inception and we do not anticipate earning revenues in the foreseeable future.

Expenses

Our expenses for the three months ended February 28, 2013 are summarized as follows in comparison to our expenses for the three months ended February 29, 2012:

	Three Months Ended	
	February 28, 2013	**February 29, 2012**
Research and development expenses	$ 485,261	$ 719,671
Business Development expenses	$ 394,224	$ -

General and Administration expenses [1]	$	440,870	$	134,091
Net loss including financial expenses	$	1,329,793	$	853,861

[1] This classification is not the same as the classification in the financial statements.

Research and development expenses

	Three Months Ended			
	February 28, 2013		February 29, 2012	
Patents Registrations	$	41,806	$	589,622[1]
Salaries and related expenses	$	319,994	$	127,549
Professional fees and consulting services		23,923		
Research and Lab expenses	$	92,043	$	2,500
Other	$	7,495	$	-
Total	$	485,261	$	719,671

[1] The patent registration cost in the three month ended February 2012 was $80,000 in cash & the rest in stock based as a onetime compensation for filing of all patents worldwide till the end of this period.

The increase in our expenses, excluding stock issued in connection with patent registration, compared to the same period last year is due to the fact that those expenses in the comparison to the same quarter of last year represented only one month of operation unlike a full quarter of operations in 2013.

Business development expenses

	Three Months Ended			
	February 28, 2013		February 29, 2012	
Salaries and related expenses	$	371,260	$	-
Promotions	$	20,943		-
Others	$	2,021		-
Total	$	394,224	$	-

The increase in our expenses compared to the same period last year is due to the fact that we initiated those expenses after Q1 of 2012. These expenses are part of our general and administrative expenses in the Financial Statements.

General and Administrative Expenses

	Three Months Ended			
	February 28, 2013		February 29, 2012	
Salaries and related expenses	$	277,471	$	47,242
Accounting and Legal	$	59,883	$	42,554
CFO services, Directors	$	65,172	$	19,655
Other General and Administrative	$	38,344	$	24,640
Total	$	440,870	$	134,091

The increase in our expenses compared to the same period last year is due to the fact that those expenses in the comparison quarter of last year represented only one month of operation.

Liquidity and Financial Condition

Working Capital

	February 28, 2013	November 30, 2012
Current Assets	$ 82,542	$ 38,598
Current Liabilities	355,588	327,170
Working Capital (Deficiency)	$ (273,046)	$ (288,572)

The decrease in our working capital deficiency at February 28, 2013 as compared to November 30, 2012 is immaterial.

Cash Flows

	Three Months Ended	
	February 28, 2013	February 29, 2012
Net cash used in operations	$ (443,803)	$ (119,155)
Net cash used in investment activities	(6,529)	-
Net cash provided by financing activities	500,000	471,661
Decrease in Cash During the Period	$ 49,668	$ 352,506

The decrease in net cash compared to the same period last year is due to increase in research and development activities.

Going Concern

The accompanying unaudited interim condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has net losses for the period from inception (June 5, 2008) through February 28, 2013, of $6,465,609 as well as a negative cash flow from operating activities. Presently, the Company does not have sufficient cash resources to meet its plans in the twelve months following February 28, 2013. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management is in the process of evaluating various financing alternatives, as the Company will need to finance future research and development activities and general and administrative expenses through fund raising in the public or private equity markets. Although there is no assurance that the Company will be successful with those initiatives, management believes that it will be able to secure the necessary financing as a result of ongoing financing discussions with third party investors and existing shareholders.

These consolidated financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern. Our continuation as a going concern is dependent on our ability to obtain additional financing as may be required and ultimately to attain profitability.

Cash Requirements

Our primary objectives for the next twelve month period are to further develop the technology of producing AIP cells and to advance the technology so that it may be appropriate for clinical safety testing.

Our plan of operation over the next 12 months is to:

- initiate regulatory activities in Asia, Europe and USA;
- locate suitable centers and sign a collaboration agreement;

- collaborate with clinical centers, specifically those performing Pancreatic Islet transplantations, in order to carry out clinical studies;

- Identify optional technologies for scale up of the cells production process (this activity will be carried out at subcontracted facilities of Sheba Medical Center);
- initialize efforts to validate the manufacturing process (in certified labs); and
- raise sufficient capital to perform initial clinical safety testing.

We estimate our operating expenses and working capital requirements for the next 12 months to be as follows:

Expense		**Amount**
Product development	$	1,443,811
Employee compensation		692,024
General and administration		302,067
Regulation and compliance		285,200
Business development		168,502
Total:	$	2,891,604

Future Financing

We will require additional funds to implement our growth strategy for our new business. These funds may be raised through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our shares.

There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis should it be required, or generate significant material revenues from operations, we will not be able to meet our other obligations as they become due and we will be forced to scale down or perhaps even cease our operations.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Significant Accounting Policies

Our significant accounting policies are more fully described in the notes to our consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended November 30, 2012. We believe that the accounting policies below are critical for one to fully understand and evaluate our financial condition and results of operations.

Income Taxes

Deferred taxes are determined utilizing the asset and liability method based on the estimated future tax effects of differences between the financial accounting and tax bases of assets and liabilities under the applicable tax laws. Deferred tax balances are computed using the tax rates expected to be in effect when those differences reverse. A valuation allowance in respect of deferred tax assets is provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We have provided a full valuation allowance with respect to its deferred tax assets.

Stock-Based Compensation

We granted options to purchase shares of our common stock to employees and non-employees.

We account for share-based compensation granted to employees in accordance with the guidance that requires awards classified as equity awards be accounted for using the grant-date fair value method. The fair value of share-based compensation is recognized as an expense over the requisite service period, net of estimated forfeitures.

We elected to recognize compensation cost for an award with only service conditions that has a graded vesting schedule using the straight-line method.

When stock based compensation are granted as consideration for services provided by consultants and other non-employees, the transaction is accounted for based on the fair value of the stock based compensation issued. The fair value of the stock based compensation is measured on each reporting date, and the gains (losses) are recorded to earnings over the related service period using the straight-line method.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the *Securities Exchange Act of 1934, as amended*, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our president and chief executive officer (who is our principal executive officer) and our chief financial officer, treasurer, and secretary (who is our principal financial officer and principal accounting officer) to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the foregoing, we concluded that our disclosure controls and procedures were ineffective as of the end of the period covered by this quarterly report due to the following material weaknesses: (1) inadequate segregation of duties consistent with control objectives; and (2) ineffective controls over period end financial disclosure and reporting processes.

Management's Remediation Initiatives

In an effort to remediate the identified material weaknesses and other deficiencies and enhance our internal controls, we have initiated the following series of measures:

On December 27, 2012, our company's board of directors formed an audit committee and adopted an Audit Committee Charter. According to its charter, the Audit Committee shall consist of at least one member, and a majority of members shall meet the independence requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "**1934 Act**"). Also, one of the members shall qualify as an "audit committee financial expert" as defined by Rule 309 of the 1934 Act. The Audit Committee Charter describes the primary functions of the Audit Committee, including the following:

- the appointment, remuneration and termination of our auditors;
- reviewing and discussing with management our audited financial statements and reviewing with management and our auditors our financial statements;
- reviewing the performance of and fees paid to the auditors; and
- meeting separately and periodically, with our auditors.

The board of directors appointed Etti Hanochi, Guy Yachin and Vered Caplan to act as members on our audit committee.

The Audit Committee member who is a "financial expert" is Etti Hanochi. Ms. Hanochi has been a member of our board of directors since April 2012, and is a Partner at Nextage Ltd. (Israel) a privately held global financial services

organization. Previously she worked as a Senior Manager for Ernst &Young for nearly 11 years, focused mainly on hi-tech companies, both public and private. She has gained vast experience in M&A transactions, accounting and tax consultation which include broad experience in implementing internal procedures and controls with a specialty in US GAAP. She holds a B.A. in Accounting and a Management degree from the Management College and an MBA from Tel-Aviv University, a Master's degree in Law from Bar-Ilan University and is a Certificated Public Accountant.

The appointment of the audit committee remedied one of our previous weaknesses, namely the lack of a functioning audit committee.

Changes in internal control over financial reporting

Besides the changes discussed above under the heading “Management’s Remediation Initiatives”, there were no changes in our internal control over financial reporting during the three months ended February 28, 2013 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We know of no material pending legal proceedings to which our company or our subsidiary is a party or of which any of our properties, or the properties of our subsidiary, is the subject. In addition, we do not know of any such proceedings contemplated by any governmental authorities.

We know of no material proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder is a party adverse to our company or our subsidiary or has a material interest adverse to our company or our subsidiary.

ITEM 1A. RISK FACTORS

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this report in evaluating our company and its business before purchasing shares of our company’s common stock. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. You could lose all or part of your investment due to any of these risks.

Risks Related to Our Company

The worldwide economic downturn may reduce our ability to obtain the financing necessary to continue our business and may reduce the number of viable products and businesses that we may wish to acquire. If we cannot raise the funds that we need or find a suitable product or business to acquire, we may go out of business and investors will lose their entire investment in our company.

Since 2008, there has been a downturn in general worldwide economic conditions due to many factors, including the effects of the subprime lending and general credit market crises, slower economic activity, decreased consumer confidence, reduced corporate profits and capital spending, adverse business conditions, increased unemployment and liquidity concerns. In addition, these economic effects, including the resulting recession in various countries and slowing of the global economy, will likely result in fewer business opportunities as companies face increased financial hardship. Tightening credit and liquidity issues will also result in increased difficulties for our company to raise capital for our continued operations. We may not be able to raise money through the sale of our equity securities or through borrowing funds on terms we find acceptable. If we cannot raise the funds that we need or find a suitable product or business to acquire, we will go out of business. If we go out of business, investors will lose their entire investment in our company.

Substantial doubt about our ability to continue as a going concern.

We have not generated any revenue from operations since our incorporation. We expect that our operating expenses will increase over the next 12 months as we ramp-up our business. We have net losses for the period from inception

(June 5, 2008) through February 28, 2013, of $6,465,609 as well as negative cash flow from operating activities. Presently, we do not have sufficient cash resources to meet our requirements in the twelve months following February 28, 2013. This amount could increase if we encounter difficulties that we cannot anticipate at this time. As we cannot assure a lender that we will be able to successfully acquire and develop pharmaceutical assets, we will almost certainly find it difficult to raise debt financing from traditional lending sources. If we cannot raise the money that we need in order to continue to operate our business, we will be forced to delay, scale back or eliminate some or all of our proposed operations. If any of these were to occur, there is a substantial risk that our business would fail.

If we are unable to meet our debt service obligations and other financial obligations, we could be forced to restructure or refinance, seek additional equity capital or sell our assets. We might then be unable to obtain such financing or capital or sell our assets on satisfactory terms

We may need to raise additional funds in the future which may not be available on acceptable terms or at all.

We may consider issuing additional debt or equity securities in the future to fund potential acquisitions or investments, to refinance existing debt, or for general corporate purposes. If we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization, requiring us to pay additional interest expenses. We may not be able to market such issuances on favorable terms, or at all, in which case, we may not be able to develop or enhance our products, execute our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated customer requirements.

We are an early-stage company with a limited operating history, which may hinder our ability to successfully meet our objectives.

We are an early-stage company with only a limited operating history upon which to base an evaluation of our current business and future prospects. As a result, the revenue and income potential of our business is unproven. In addition, because of our limited operating history, we have limited insight into trends that may emerge and affect our business. Errors may be made in predicting and reacting to relevant business trends and we will be subject to the risks, uncertainties and difficulties frequently encountered by early-stage companies in evolving markets. We may not be able to successfully address any or all of these risks and uncertainties. Failure to adequately do so could cause our business, results of operations and financial condition to suffer.

Because some of our directors and officers are not residents of the United States, investors may find it difficult to enforce, within the United States, any judgments obtained against some of our directors and officers.

Some of our directors and officer are not residents of the United States, and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against some of our directors and officers, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

If we are unable to successfully recruit and retain qualified personnel, we may not be able to continue our operations.

In order to successfully implement and manage our business plan, we will depend upon, among other things, successfully recruiting and retaining qualified personnel having experience in the pharmaceutical industry. Competition for qualified individuals is intense. We may not be able to find, attract and retain qualified personnel on acceptable terms. If we are unable to find, attract and retain qualified personnel with technical expertise, our business operations could suffer.

Future growth could strain our resources, and if we are unable to manage our growth, we may not be able to successfully implement our business plan.

We hope to experience rapid growth in our operations, which will place a significant strain on our management, administrative, operational and financial infrastructure. Our future success will depend in part upon the ability of our executive officers to manage growth effectively. This will require that we hire and train additional personnel to manage our expanding operations. In addition, we must continue to improve our operational, financial and management controls and our reporting systems and procedures. If we fail to successfully manage our growth, we may be unable to execute upon our business plan.

Risks Relating to our Operations in Israel

Conditions in Israel and the surrounding Middle East may materially adversely affect our subsidiaries' operations and personnel.

Our subsidiary has significant operations in Israel, including research and development. Since the establishment of the State of Israel in 1948, a number of armed conflicts and terrorist acts have taken place, which in the past, and may in the future, lead to security and economic problems for Israel. In addition, certain countries in the Middle East adjacent to Israel, including Egypt and Syria, recently experienced and some continue to experience political unrest and instability marked by civil demonstrations and violence, which in some cases resulted in the replacement of governments and regimes. Current and future conflicts and political, economic and/or military conditions in Israel and the Middle East region may affect our operations in Israel. The exacerbation of violence within Israel or the outbreak of violent conflicts involving Israel may impede our subsidiary's ability to engage in research and development, or otherwise adversely affect its business or operations. In addition, our subsidiary's employees in Israel may be required to perform annual mandatory military service and are subject to being called to active duty at any time under emergency circumstances. The absence of these employees may have an adverse effect on our subsidiary's operations. Hostilities involving Israel may also result in the interruption or curtailment of trade between Israel and its trading partners, which could materially adversely affect our results of operations.

The ability of our subsidiary to pay dividends is subject to limitations under Israeli law and dividends paid and loans extended by our subsidiary may be subject to taxes.

The ability of our subsidiary to pay dividends is governed by Israeli law, which provides that dividends may be paid by an Israeli corporation only out of its earnings as defined in accordance with the Israeli Companies Law of 1999, provided that there is no reasonable concern that such payment will cause such subsidiary to fail to meet its current and expected liabilities as they come due. Cash dividends paid by an Israeli corporation to United States resident corporate parents are subject to provisions of the Convention for the Avoidance of Double Taxation between Israel and the United States, which may result in our subsidiary having to pay taxes on any dividends it declares.

Risks Relating to the Pharmaceutical Business

THM may cancel the License Agreement.

Pursuant to the terms of the License Agreement, we are required to submit to THM the Development Plan within 18 months from the date of the License Agreement. We must develop, manufacture, sell and market the Products pursuant to the milestones and time schedule specified in the Development Plan. In the event we fail to fulfill the terms of the Development Plan, THM shall be entitled to terminate the License Agreement by providing us with written notice of such a breach and we do not cure such breach within one year of receiving the notice. If THM cancels the License Agreement, our business may be materially adversely affected. THM may also terminate the License Agreement if we breach an obligation contained in the License Agreement and do not cure it within 180 days of receiving notice of the breach.

If we are unable to successfully acquire, develop or commercialize new products, our operating results will suffer.

Our future results of operations will depend to a significant extent upon our ability to successfully develop and commercialize new products and businesses in a timely manner. There are numerous difficulties in, developing and commercializing new products, including:

- there are still major developmental steps required to bring the product to a clinical testing stage; clinical testing may not be positive;
- developing, testing and manufacturing products in compliance with regulatory standards in a timely manner;

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- failure to receive requisite regulatory approvals for such products in a timely manner or at all;
- developing and commercializing a new product is time consuming, costly and subject to numerous factors, including legal actions brought by our competitors, that may delay or prevent the development and commercialization of new products;
- incomplete, unconvincing or equivocal clinical trials data;
- experiencing delays or unanticipated costs;
- significant and unpredictable changes in the payer landscape, coverage and reimbursement for our products;
- experiencing delays as a result of limited resources at FDA or other regulatory agencies; and
- changing review and approval policies and standards at FDA and other regulatory agencies.

As a result of these and other difficulties, products in development by us may or may not receive timely regulatory approvals, or approvals at all, necessary for marketing by us or other third-party partners. If any of our future products are not approved in a timely fashion or, when acquired or developed and approved, cannot be successfully manufactured, commercialized or reimbursed, our operating results could be adversely affected. We cannot guarantee that any investment we make in developing products will be recouped, even if we are successful in commercializing those products.

Our expenditures may not result in commercially successful products.

We cannot be sure our business expenditures will result in the successful acquisition, development or launch of products that will prove to be commercially successful or will improve the long-term profitability of our business. If such business expenditures do not result in successful acquisition, development or launch of commercially successful brand products our results of operations and financial condition could be materially adversely affected.

Third parties may claim that we infringe their proprietary rights and may prevent us from manufacturing and selling some of our future products.

The manufacture, use and sale of new products that are the subject of conflicting patent rights have been the subject of substantial litigation in the pharmaceutical industry. These lawsuits relate to the validity and infringement of patents or proprietary rights of third parties. Litigation may be costly and time-consuming, and could divert the attention of our management and technical personnel. In addition, if we infringe on the rights of others, we could lose our right to develop, manufacture or market products or could be required to pay monetary damages or royalties to license proprietary rights from third parties. Although the parties to patent and intellectual property disputes in the pharmaceutical industry have often settled their disputes through licensing or similar arrangements, the costs associated with these arrangements may be substantial and could include ongoing royalties. Furthermore, we cannot be certain that the necessary licenses would be available to us on commercially reasonable terms, or at all. As a result, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from manufacturing and selling our future products, and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Extensive industry regulation has had, and will continue to have, a significant impact on our business, especially our product development, manufacturing and distribution capabilities.

All pharmaceutical companies are subject to extensive, complex, costly and evolving government regulation. For the U.S., this is principally administered by the FDA and to a lesser extent by the DEA and state government agencies, as well as by varying regulatory agencies in foreign countries where products or product candidates are being manufactured and/or marketed. The Federal Food, Drug and Cosmetic Act, the Controlled Substances Act and other federal statutes and regulations, and similar foreign statutes and regulations, govern or influence the testing, manufacturing, packing, labeling, storing, record keeping, safety, approval, advertising, promotion, sale and distribution of our future products.

Under these regulations, we may become subject to periodic inspection of our facilities, procedures and operations and/or the testing of our future products by the FDA, the DEA and other authorities, which conduct periodic inspections to confirm that we are in compliance with all applicable regulations. In addition, the FDA and foreign regulatory agencies conduct pre-approval and post-approval reviews and plant inspections to determine whether our systems and processes are in compliance with cGMP and other regulations. Following such inspections, the FDA or other agency may issue observations, notices, citations and/or warning letters that could cause us to modify certain activities identified during the inspection. FDA guidelines specify that a warning letter is issued only for violations of "regulatory significance" for which the failure to adequately and promptly achieve correction may be expected to result in an enforcement action. We may also be required to report adverse events associated with our future products to FDA and other regulatory authorities. Unexpected or serious health or safety concerns would result in labeling changes, recalls, market withdrawals or other regulatory actions.

The range of possible sanctions includes, among others, FDA issuance of adverse publicity, product recalls or seizures, fines, total or partial suspension of production and/or distribution, suspension of the FDA's review of product applications, enforcement actions, injunctions, and civil or criminal prosecution. Any such sanctions, if imposed, could have a material adverse effect on our business, operating results, financial condition and cash flows. Under certain circumstances, the FDA also has the authority to revoke previously granted drug approvals. Similar sanctions as detailed above may be available to the FDA under a consent decree, depending upon the actual terms of such decree. If internal compliance programs do not meet regulatory agency standards or if compliance is deemed deficient in any significant way, it could materially harm our business.

For Europe, the European Medicines Agency ("**EMEA**") will regulate our future products. Regulatory approval by the EMEA will be subject to the evaluation of data relating to the quality, efficacy and safety of our future products for its proposed use. The time taken to obtain regulatory approval varies between countries. Different regulators may impose their own requirements and may refuse to grant, or may require additional data before granting, an approval, notwithstanding that regulatory approval may have been granted by other regulators. Regulatory approval may be delayed, limited or denied for a number of reasons, including insufficient clinical data, the product not meeting safety or efficacy requirements or any relevant manufacturing processes or facilities not meeting applicable requirements.

Further trials and other costly and time-consuming assessments of the product may be required to obtain or maintain regulatory approval. Medicinal products are generally subject to lengthy and rigorous pre-clinical and clinical trials and other extensive, costly and time-consuming procedures mandated by regulatory authorities. We may be required to conduct additional trials beyond those currently planned, which could require significant time and expense.

The pharmaceutical industry is highly competitive.

The pharmaceutical industry has an intensely competitive environment that will require an ongoing, extensive search for technological innovations and the ability to market products effectively, including the ability to communicate the effectiveness, safety and value of products to healthcare professionals in private practice, group practices and payers in managed care organizations, group purchasing organizations and Medicare & Medicaid services. We are smaller than almost all of our competitors. Most of our competitors have been in business for a longer period of time than us, have a greater number of products on the market and have greater financial and other resources than we do. Furthermore, recent trends in this industry are toward further market consolidation of large drug companies into a smaller number of very large entities, further concentrating financial, technical and market strength and increasing competitive pressure in the industry. If we directly compete with them for the same markets and/or products, their financial strength could prevent us from capturing a profitable share of those markets. It is possible that developments by our competitors will make any products or technologies that we acquire non-competitive or obsolete.

Risks Relating to Our Common Stock

If we issue additional shares in the future, it will result in the dilution of our existing shareholders.

Our articles of incorporation authorize the issuance of up to 1,750,000,000 shares of our common stock with a par value of $0.0001 per share. Our board of directors may choose to issue some or all of such shares to acquire one or more companies or products and to fund our overhead and general operating requirements. The issuance of any such shares will reduce the book value per share and may contribute to a reduction in the market price of the outstanding shares of our common stock. If we issue any such additional shares, such issuance will reduce the proportionate ownership and voting power of all current shareholders. Further, such issuance may result in a change of control of our corporation.

Trading of our stock is restricted by the Securities Exchange Commission's penny stock regulations, which may limit a stockholder's ability to buy and sell our common stock.

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of $5,000,000 or individuals with a net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the Securities and Exchange Commission, which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

FINRA sales practice requirements may also limit a stockholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, the Financial Industry Regulatory Authority (known as **"FINRA"**) has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Our common stock is illiquid and the price of our common stock may be negatively impacted by factors which are unrelated to our operations.

Although our common stock is currently listed for quotation on the OTC Bulletin Board, there is no market for our common stock. Even when a market is established and trading begins, trading through the OTC Bulletin Board is frequently thin and highly volatile. There is no assurance that a sufficient market will develop in our stock, in which case it could be difficult for shareholders to sell their stock. The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our planned growth, quarterly operating results of our competitors, trading volume in our common stock, changes in general conditions in the economy and the financial markets or other developments affecting our competitors or us. In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

We do not intend to pay dividends on any investment in the shares of stock of our company.

We have never paid any cash dividends and currently do not intend to pay any dividends for the foreseeable future. Because we do not intend to declare dividends, any gain on investment in our company will need to come through an increase in the stock's price. This may never happen and investors may lose all of their investment in our company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

No.	Description
3.1	Articles of Incorporation (incorporated by reference to an exhibit to a registration statement on Form S-1 filed on April 2, 2009)
3.2	Certificate of Change (incorporated by reference to an exhibit to a current report on Form 8-K filed on September 2, 2011)
3.3	Articles of Merger (incorporated by reference to an exhibit to a current report on Form 8-K filed on September 2, 2011)
3.4	Certificate of Amendment to Articles of Incorporation (incorporated by reference to an exhibit to a current report on Form 8-K filed on September 21, 2011)
3.5	Amended and Restated Bylaws (incorporated by reference to an exhibit to a current report on Form 8-K filed on September 21, 2011)
3.6	Certificate of Correction dated February 27, 2012 (incorporated by reference to an exhibit to a current report on Form 8-K/A filed on March 16, 2012)
10.1	Form of Private Placement Subscription Agreement (incorporated by reference to an exhibit to a current report on Form 8-K filed on February 8, 2012)
10.2	Licensing Agreement dated February 2, 2012 with Tel Hashomer - Medical Research, Infrastructure and Services Ltd. (incorporated by reference to an exhibit to a current report on Form 8-K filed on February 8, 2012)
10.3	Employment Agreement dated February 2, 2012 between our company and Prof. Sarah Ferber (incorporated by reference to an exhibit to a current report on Form 8-K filed on February 8, 2012)
10.4	Stock Option Agreement dated February 2, 2012 between our company, Prof. Sarah Ferber and Clark Wilson LLP (incorporated by reference to an exhibit to a current report on Form 8-K filed on February 8, 2012)
10.5	Fee Service Agreement dated February 2, 2012 between our company and Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. (incorporated by reference to an exhibit to a current report on Form 8-K filed on February 8, 2012)
10.6	Compensation Letter dated February 2, 2012 between our company and Vered Caplan (incorporated by reference to an exhibit to a current report on Form 8-K filed on February 8, 2012)
10.7	Personal Employment Agreement with Jacob Ben Arie dated February 2, 2012 (incorporated by reference to our current report on Form 8-K filed on March 15, 2012)
10.8	Consultancy Agreement dated March 2, 2012 with Weinberg Dalyo Inc. (incorporated by reference to our current report on Form 8-K filed on March 15, 2012)
10.9	Investor Relations Agreement dated March 15, 2012 with Crescendo Communications, LLC (incorporated by reference to our current report on Form 8-K filed on March 15, 2012)
10.10	Research Services Agreement dated March 22, 2012 with Tel Hashomer Medical Research, Infrastructure and Services Ltd. (incorporated by reference to our current report on Form 8-K filed on April 13, 2012)
10.11	Director Agreement with Guy Yachin dated April 2, 2012 (incorporated by reference to our current report on Form 8-K filed on April 5, 2012)
10.12	Director Agreement with Yaron Adler dated April 6, 2012 (incorporated by reference to our current report on Form 8-K filed on April 23, 2012)
10.13	Director Agreement with Etti Hanochi dated April 6, 2012 (incorporated by reference to our current report on Form 8-K filed on April 25, 2012)
10.14	Form of subscription agreement (incorporated by reference to our current report on Form 8-K filed on May 2, 2012)
10.15	Form of warrant certificate (incorporated by reference to our current report on Form 8-K filed on May 2, 2012)
10.16	Board of Advisors Consulting Agreement April 14, 2012 (incorporated by reference to our current report on Form 8-K filed on May 31, 2012)
10.17	

	Global Share Incentive Plan (2012) (incorporated by reference to our current report on Form 8-K filed on May 31, 2012)
10.18	Appendix Israeli Taxpayers Global Share Incentive Plan (incorporated by reference to our current report on Form 8-K filed on May 31, 2012)

No.	Description
10.19	Letter agreement with the Investor Relations Group Inc. dated May 2, 2012 (incorporated by reference to our current report on Form 8-K filed on May 31, 2012)
10.20	Form of subscription agreement (incorporated by reference to our current report on Form 8-K filed on August 3, 2012)
10.21	Form of warrant certificate (incorporated by reference to our current report on Form 8-K filed on August 3, 2012)
10.22	Cancellation and Amendment of Warrants Agreement (incorporated by reference to our current report on Form 8-K filed on December 10, 2012)
10.23	Employment Term Sheet with Mr. Sav DiPasquale dated December 17, 2012 (incorporated by reference to our current report on Form 8-K filed on January 7, 2013)
10.24	Form of subscription agreement and loan agreement (incorporated by reference to our current report on Form 8-K filed on March 25, 2013)
10.25	Form of warrant certificate (incorporated by reference to our current report on Form 8-K filed on March 25, 2013)
10.26	Board of Advisors Consulting Agreement with Professor Jay Sklyer (incorporated by reference to our current report on Form 8-K filed on April 9, 2013)
31.1*	Certification Statement of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification Statement of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification Statement of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification Statement of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	Interactive Data Files pursuant to Rule 405 of Regulation S-T.

*Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ORGENESIS INC.

By:

/s/ Sav DiPasquale
Sav DiPasquale
Chief Executive Officer and President
(Principal Executive Officer)
Date: April 15, 2013

/s/ Dov Weinberg
Dov Weinberg
Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer and Principal Accounting Officer
Date: April 15, 2013

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ite-space: nowrap">sub-units: *Sales*, *Marketing* and *Demand Supply Network Management*.

Sales

Our Sales sub-unit is responsible for the sales of Nokia mobile devices from the *Connect*, *Achieve*, *Explore*, *Live* and *Entry* device categories. Most of Nokia s mobile device business derives from sales to operators, distributors, independent retailers, corporate customers and consumers. However, the percentage of our total device volume that goes through each channel varies by region. In 2008, distributors accounted for approximately 95% of our device volumes in the Asia-Pacific region, approximately 91% in the Middle East & Africa and approximately 79% in China. In Europe, distributors accounted for approximately 39% and operators approximately 46% of our volumes. In both Latin America and North America, operators accounted for more than 84% of our 2008 volumes.

Each of our active operator and distributor customers is supported by a Nokia account team. In addition, customer executive teams led by Nokia Group Executive Board members focus on both Devices & Services and Nokia Siemens Networks for the largest operator groups.

Marketing

Our Marketing sub-unit is responsible for our outbound marketing activities, with the aim of developing and enhancing the Nokia brand and increasing traffic to both physical and online sales points. The Interbrand annual rating of 2008 Best Global Brands positioned Nokia as the fifth most-

valued brand in the world, for the second consecutive year. Other highlights from 2008 included the following:

Our move to theme-based marketing, designed to increase the consistency of our marketing messages and further build the Nokia Nseries and Nokia Eseries sub-brands, as well as our Ovi services brand. Important campaigns were those around navigation services and devices, the Nokia Supernova range of style devices, the Nokia E71 device, Nokia Music Store, as well as new additions to our range of multimedia computers: the Nokia N79, Nokia N85 and Nokia N96.

The launch of new Nokia flagship retail stores in central London (February 2008) and at London Heathrow Airport (March 2008) in the United Kingdom, and in São Paulo (October 2008) in Brazil, bringing the number of Nokia flagship stores to ten. The stores sell a wide range of Nokia products and provide a Nokia-branded experience directly to consumers in some of the world s major cities.

The share of digital marketing in our overall marketing mix continued to increase as consumer consumption of media shifted from traditional broadcast media towards the Internet. We continued to grow the global reach of our own, bought and earned (including social) online media. Consumer engagement using digital marketing media has grown exceptionally fast in the emerging markets where Internet web and Wireless Access Protocol (WAP) access over a mobile device allow the new mobile consumers to bypass PC technology, lowering barriers to consumer Internet access.

Demand Supply Network Management

Our Demand Supply Network Management sub-unit is responsible for production and logistics for Nokia mobile devices. It also handles our customer care service.

We operated ten manufacturing facilities in nine countries around the world for the production of mobile devices as of December 31, 2008. 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. Our Vertu business is served by our manufacturing plant 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-sensitive 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.

We continually assess the efficiency and competitiveness of our manufacturing facilities. In February 2008, we started production at our new facility in Cluj, Romania. In June 2008, we discontinued the production of mobile devices in Germany and closed our Bochum site, moving production to our other sites in Europe.

Each of our plants employs state-of-the-art technology and is highly automated. During 2008, in addition to the significant capital investment we made in our new facility in Romania, we made investments in our plants in India and Brazil.

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 involve outsourcing to third parties. During 2008, outsourcing covered approximately 17% of our manufacturing volume of mobile device engines, which include the hardware and software that enable the basic operation of a mobile device. Outsourcing has been utilized to adjust our production to seasonal demand fluctuations.

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

In Devices & Services, we take a human approach to designing mobile devices. Using our understanding of the way people live and their aspirations we create designs that they will want and love to use. This ethos is central to our design work and brand.

Our design process is influenced by consumers and their behavior how they want a mobile device to look, function and fit into their lifestyle. We focus on making devices and services that are beautiful to use sleek design and ease of use, relevance for specific consumers and local tastes and creating a joy of use.

We have a multi-disciplinary design team of approximately 340 designers, psychologists, researchers, anthropologists and technology specialists representing more than 30 different nationalities. Based in China, Europe and the US, the team conducts in-depth research and analysis of consumer trends and behavior, as well as studies new technologies, materials, shapes and styles.

Technology, Research and Development

Component Sourcing

In line with industry practice, Devices & Services sources components for our mobile devices from a global network of suppliers. These 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 also source software and content, including third-party software and content that enable various features and applications to be added into our products.

Chipset Platforms

A chipset platform comprises integrated circuits designed to work as a unit and perform specific functions in a mobile device. A key component of the chipset is the modem, responsible for converting the digital language of a chip to the analog language of radio. This allows one device to communicate with another over radio signals.

We discontinued our own chipset development in 2007 and have since expanded our use of commercially available chipsets. Today, we operate a multi-sourcing model for our chipsets, working with five chipset suppliers: Broadcom, Infineon Technologies, Qualcomm, ST-Ericsson and Texas Instruments.

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 consumer Internet services and enterprise software.

We are continuing to develop our leading modem technology, which includes protocol software and related digital design for multi-protocol modems. Modem technology is an area where we believe we have a competitive advantage through our strong experience, execution capability and intellectual property rights position. We license our modem technology to chipset manufacturers who use it in the chipsets they develop and produce for Nokia and, if they so

decide, in the chipsets they produce for the open market.

Software

Software refers to both the platforms that enable the implementation of radio technologies and applications in mobile devices, and the applications or services that run on a mobile device.

We deploy different software operating systems to allow us to balance usability, features and cost in a flexible manner. These include Series 30, Series 40 and Maemo, all software platforms developed in-house; and S60, software built on Symbian OS, an operating system widely used by the industry. We provide mobile devices for a wide range of market segments, price points and user groups, and by having different software operating systems we are able to choose the right one for each Nokia device. S60, which we use in our own devices and which is licensed to other device manufacturers, is the world s leading smartphone software platform.

In 2008, Nokia and industry partners took the first steps to develop Symbian OS, the market-leading operating system for mobile devices, into an open and unified mobile software platform, which will be licensed royalty-free and eventually move towards open source . In December 2008, Nokia acquired full ownership of Symbian Limited, the company that develops and licenses Symbian OS, and, together with industry partners, initiated plans to establish the Symbian Foundation, an independent, non-profit entity to develop a unified platform with a single user interface framework. The goal is for the Symbian Foundation to build on the appeal of Symbian OS and accelerate the development of compelling web-enabled applications.

The Symbian Foundation initially combines software assets contributed by Fujitsu, Motorola, Nokia, NTT DoCoMo, and Sony Ericsson. By mid-February 2009, more than 70 companies had announced their endorsement of the plans to establish the foundation, including Nokia and the other initial board members: AT&T, LG Electronics, NTT DoCoMo, Samsung Electronics, Sony Ericsson, ST-Ericsson, Texas Instruments and Vodafone. The contributed software is to be made available to all foundation members under a royalty-free license from the foundation s first day of operations, expected before the end of the first half of 2009.

Key to our software strategy are cross-platform development environments, or layers of software that run across different device operating systems. These layers enable developers with experience in a variety of software environments to create applications for the mobile market. Our acquisition of Trolltech in 2008 should enable us to accelerate our cross-platform software strategy for mobile devices and desktop applications and develop our consumer Internet services business. Trolltech now operates as Qt Software, taking its new name from its Qt technology that forms the basis for tens of thousands of commercial and open source applications.

Research and Development

Since January 1, 2008 the bulk of our research and development activity has fallen within *Research & Development*, a sub-unit of our Devices unit. A smaller portion of our research and development efforts falls within our Services unit, while longer-term 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

Looking 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 and

Stanford University in the United States, the University of Cambridge in the United Kingdom, and Tsinghua University in China. Further expanding the scope of our long-term

technology development, in 2008 Nokia Research Center launched joint research programs with the Swiss Federal Institutes of Technology in Lausanne and Zurich (EPFL and ETH Zurich) and with the Helsinki University of Technology in Finland. During the year, we also established a new research laboratory in Los Angeles, California.

Research highlights in 2008 included the successful trial and continued development by Nokia Research Center Palo Alto in conjunction with University of California, Berkeley of a system to provide real-time traffic information based on speed and location data from GPS-enabled mobile devices carried by motorists. Building from the Nokia Maps service, this provides a glimpse into the future with the mobile device as a personal travel assistant. Nokia Research Center also launched 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. The Morph concept was conceived out of a scientific partnership between Nokia Research Center and the Cambridge Nanoscience Centre.

At the beginning of 2009, Nokia Research Center adopted a research agenda focused on four core areas, compared with eight previously. The four areas of research are: rich context modeling; high performance mobile platforms; cognitive radio; and user interface technology. By pursuing a narrower research program, Nokia Research Center is targeting the areas that, besides being the most viable investments financially, we believe offer the best potential for strengthening our position in the converging Internet and communications industries in the long term. In revising its research agenda, Nokia Research Center is also discontinuing research in technology where a certain degree of maturity has already been reached within the business.

Patents and Licenses

A high level of investment by Devices & Services in research and development and rapid technological development has meant that the role of intellectual property rights, or IPR, in our industry has always been important. Digital convergence, multiradio solutions, alternative radio technologies, and differing business models combined with large volumes are further increasing the complexity and importance of IPR.

The detailed designs of our products are based primarily on our own research and development work and design efforts, and generally comply with all relevant and applicable public standards. We seek to safeguard our investments in technology through adequate intellectual property protection, including patents, design registrations, trade secrets, trademark registrations and copyrights. In addition to safeguarding our technology advantage, they protect the unique Nokia features, look and feel, and brand.

We have built our IPR portfolio since the early 1990s, investing approximately EUR 40 billion cumulatively in research and development, and we now own approximately 11 000 patent families. As a leading innovator in the wireless space, we have built what we believe to be one of the strongest and broadest patent portfolios in the industry, extending across all major cellular and mobile communications standards, data applications, user interface features and functions and many other areas. We receive royalties from certain handset and other vendors under our patent portfolio.

We are a world leader in the development of the wireless technologies of GSM/EDGE, 3G/WCDMA, HSPA, OFDM, WiMAX, LTE and TD-SCDMA, and we have a robust patent portfolio in all of those technology areas, as well as for CDMA2000. We believe our standards-related essential patent portfolio is one of the strongest in the industry. In GSM, we have declared close to 300 GSM essential patents with a particular stronghold in codec technologies and in mobile packet data. Our major contribution to WCDMA development is demonstrated by approximately 370 essential patent declarations to date. Our CDMA2000 portfolio is also robust with approximately 150 patents declared essential. The number of essential patents is expected to increase further due to the rapid development of higher data rate technologies, an area where we are a particularly strong contributor.

We are a holder of numerous essential patents for various mobile communications standards. An essential patent covers a feature or function that is incorporated into an open standard which is deployed by manufacturers in order to comply with the standard. In accordance with the declarations we have made and the legal obligations created under the applicable rules of various standardization bodies, such as the European Telecommunication Standardization Institute (ETSI), we are committed to promoting open standards, and to offering and agreeing upon license terms for our essential patents in compliance with the IPR policies of applicable standardization bodies. We believe that a company should be compensated for its IPR based on the fundamentals of reasonable cumulative royalty terms and proportionality: proportionality in terms of the number of essential patents that a company contributes to a technology, and proportionality in terms of how important the technology is to the overall product. Nokia has agreed upon terms of several license agreements with other companies relating to both essential and other patents. Many of these agreements are cross-license agreements with major telecommunications companies that cover broad product areas and provide Nokia with access to relevant technologies.

Our products and solutions include increasingly complex technology involving numerous patented, standardized or proprietary, technologies. A 3G/WCDMA mobile device, for example, may incorporate three times as many components, including substantially more complex software, as our 2G/GSM mobile devices. As the number of entrants in the market grows, as the Nokia product range becomes more diversified, as our products and solutions are increasingly used together with hardware, software or service components that have been developed by third parties, as Nokia enters new businesses, and as the complexity of technology increases, the possibility of alleged infringement and related intellectual property claims against us continues to rise. As new features are added to our products, services and solutions, we are also agreeing upon licensing terms with a number of new companies in the field of new evolving technologies. We believe companies like Nokia with a strong IPR position, cumulative know-how and IPR expertise can have a competitive advantage in the converging industry, and in the increasingly competitive marketplace.

Competition

The mobile device market continues to undergo significant changes, most notably due to the convergence of mobile device technology with the Internet, which are significantly impacting the competitive landscape in the mobile device market.

Mobile device market participants compete with each other on the basis of their product, services and solutions portfolio, user experience, design, price, operational and manufacturing efficiency, technical performance, distribution strategy, quality, customer support, brand and marketing. The critical factors that determine the success of a product or service vary by geographical market and product and services segment. For instance, price, brand and distribution are often the critical factors in entry-level markets. In general, mobile device markets are becoming more segmented and diversified, and we face competition from different mobile device manufacturers in different user segments, price points and geographic markets.

The competition in the market for our products, services and solutions continues to be intense from both our traditional competitors in the mobile device industry, as well as from a number of new competitors. Some of our competitors have used, and we expect will continue to use, more aggressive pricing strategies, different design approaches and alternative technologies. In addition, some competitors have chosen to focus on building products based on commercially available components, which may enable them to introduce these products faster and with lower levels of research and development expenditures than Nokia.

Historically, our principal competitors in mobile devices have been other mobile device manufacturers such as LG, Motorola, Samsung and Sony Ericsson. However, traditional market participants have in recent years been joined by mobile network operators, which are increasingly offering mobile devices under their own brand, which increases

competition from non-branded mobile device manufacturers, and other new market participants, such as manufacturers traditionally active in other segments of

the consumer electronics industry. Our competitors today include, but are not limited to, Apple, Garmin, Google, Hewlett Packard, HTC, Huawei, Palm, Research in Motion, TomTom and ZTE. The mobile device industry may continue to attract new entrants.

As a result of developments in our industry, including the convergence of mobile device technology with the Internet, we also face competition from companies historically focused on related industries, such as Internet-based products and services, consumer electronics manufacturers, network operators and business device and solution providers, some of which have more scale and experience and a stronger market presence in certain market segments, such as Internet services. Many mobile device manufacturers both traditional participants and new entrants have expanded into Internet services and enterprise software in an effort to differentiate themselves from competitors. Mobile network operators are also seeking to provide services to consumers for their own branded devices, including both Nokia devices and devices from other manufacturers. We also face competition from consumer Internet service providers, which may provide competing software and services for free.

Further, as the industry now includes increasing numbers of participants that provide specific hardware and software layers within products and solutions, we face competition at the level of these layers rather than solely at the level of complete products and solutions. An example of such a layer is operating system software, with competitors including, but not limited to, Apple, Google, Microsoft, Palm and Research in Motion. The competition also includes open source software initiatives, such as the Open Handset Alliance, which is developing the Android mobile device software platform and operating system, and LiMo Foundation, which is developing the LiMo mobile device operating system. Mobile devices are, to an increasing extent, based on various technology platforms, which brings the competition to the technology platform layer and changes the barriers of entry for new market entrants.

Also, significant changes in exchange rates may also impact our competitive position through their impact on our competitors. In 2008, the most notable of such impacts was the depreciation of the Korean won by 29% against the US dollar and 27% against the euro, which benefitted our Korea-based competitors.

Due to the intensity, complexity and diversity of the competition overall, the competitive landscape in our industry or in specific industry segments can change very rapidly. As the parameters of competition are less firmly established than in other industries where the competitive landscape does not change greatly from year to year, it is difficult to predict how the competitive landscape of the mobile device industry will develop in the future.

NAVTEQ

Overview

In July 2008, we acquired NAVTEQ Corporation, 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. By acquiring NAVTEQ, we aim to ensure the continued development of our context and geographical services through Nokia Maps as we move from simple navigation to a broader range of location-based services, such as pedestrian navigation and targeted advertising. At the same time, NAVTEQ also continues to develop its expertise in the navigation industry, service its strong customer base and invest in the further development of its industry-leading map data, location-based services and technology platform. As of December 31, 2008, NAVTEQ had 4 028 employees in 35 countries. Highlights in 2008 after the completion of our acquisition of NAVTEQ included the following:

NAVTEQ announced an industry strategy for map-enhanced ADAS (advanced driver assistance systems) using the Map-Enhanced Positioning Engine (MPE).

NAVTEQ started providing both NAVTEQ Traffic RDS delivery service and NAVTEQ interactive advertising services for multiple Garmin devices (the nuvi 755T and 775T and nuvi 2x5 family).

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Together with Garmin, NAVTEQ is the first to bring an advertising-supported, real-time traffic service to market in North America.

NAVTEQ expanded its portfolio of dynamic content, or real-time data, to include flight status and fuel prices, leveraging leading dynamic distribution capabilities from traffic and camera alerts.

NAVTEQ s map database enables its customers to offer dynamic navigation, route planning, location-based services and other geographic information-based products and services to consumer and commercial users. NAVTEQ provides its database to mobile device and handset manufacturers, automobile manufacturers and dealers, navigation systems manufacturers, software developers, Internet portals, parcel and overnight delivery services companies and governmental and quasi-governmental entities, among others. The products and services incorporating NAVTEQ map data include the following:

Dynamic navigation is real-time, detailed turn-by-turn route guidance which can be provided to end-users through vehicle navigation systems, as well as through GPS-enabled handheld navigation devices, and other mobile devices.

Route planning consists of driving directions, route optimization and map display through services provided by Internet portals and through computer software for personal and commercial use.

Location-based services include location-specific information services, providing information about people and places that is tailored to the immediate proximity of the specific user. Current applications using NAVTEQ s map database include points of interest locators, mobile directory assistance services, emergency response systems and vehicle-based telematics services.

Geographic information systems render geographic representations of information and assets for management analysis and decision making. Examples of these applications include infrastructure cataloging and tracking for government agencies and utility companies, asset tracking and fleet management for commercial logistics companies and demographic analysis.

In addition, NAVTEQ has a traffic and logistics data collection network in which it processes traffic incident and event information, along with comprehensive traffic flow data collected through its network of roadside sensors, in order to provide detailed traffic information to radio and television stations, in-vehicle and mobile navigation systems, Internet sites and mobile device users. In January 2009, NAVTEQ expanded its traffic offering in Europe with the completion of its acquisition of T-Traffic, a leading provider of traffic services in Germany.

NAVTEQ s map database is a highly accurate and detailed digital representation of road transportation networks in Europe, North America and other regions around the world. This database offers extensive geographic coverage, including data at various levels of detail for 74 countries on six continents, covering more than 15 million miles of roadway worldwide. Unlike basic road maps, NAVTEQ s map database currently can have over 260 unique attributes for a particular road segment. The most detailed coverage includes extensive road, route and related travel information, including attributes collected by road segment that are essential for routing and navigation, such as road classifications, details regarding ramps, road barriers, sign information, street names and addresses and traffic rules and regulations. In addition, the database currently includes over 30 million points of interest, such as airports, hotels, restaurants, retailers, civic offices and cultural sites. We believe NAVTEQ s digital map has the most extensive navigable geographic coverage of any commercially available today.

Sales and Marketing

Sales

NAVTEQ provides its data to end-users through multiple distribution methods including retail establishments, the Internet, automobile, handset and mobile device manufacturers and their dealers, and other re-distributors. NAVTEQ also offers distribution services to its customers, including the manufacturing and shipping of digital storage media to automobile manufacturers and dealers or directly to end-users, as well as a complete range of services, including inventory management, order processing, on-line credit card processing, multi-currency processing, localized VAT handling and consumer call center support.

NAVTEQ licenses and distributes its database in several ways, including licensing and delivering the database directly and indirectly to its business customers and consumer end-users. In addition to the basic license terms that typically provide for non-exclusive licenses, the license agreements generally include additional terms and conditions relating to the specific use of the data.

The license fees for NAVTEQ s data vary depending on several factors, including the content of the data to be used by the product or service, the use for which the data has been licensed and the geographical scope of the data. The fees paid for the licenses are usually on a per-copy basis or a per-transaction basis. NAVTEQ also produces and delivers database copies to automobile manufacturers pursuant to purchase orders or other agreements.

Marketing

NAVTEQ s marketing efforts include a direct sales force, attendance and exhibition at trade shows and conferences, advertisements in relevant industry periodicals, direct sales mailings and advertisements, electronic mailings, Internet-based marketing and co-marketing with customers.

Technology, Research and Development

NAVTEQ s global technology team focuses on developments and innovations in data gathering, processing, delivery and deployment of its map database and related content. NAVTEQ employs an integrated approach to its database, software support and operations environments and devotes significant resources and expertise to the development of a customized data management software system. NAVTEQ has also built workstation software to enable sophisticated database creation and the performance of updating tasks in a well-controlled and efficient environment with the ability to access the common database from any of its more than 190 satellite offices and edit portions of the data concurrently among several users. NAVTEQ s proprietary software enables its field force to gather data on a real-time basis on portable computers in field vehicles. Once the data has been gathered and stored on portable computers, NAVTEQ s field force performs further data processing at its field offices before integrating the changes into the common database.

Patents and Licenses

NAVTEQ relies primarily on a combination of copyright laws, including, in Europe, database protection laws, trade secrets and patents to establish and protect its intellectual property rights in its database, software and related technology. NAVTEQ holds a total of more than 200 United States patents, which cover a variety of technologies, including technologies relating to the collection and distribution of geographical and other data, data organization and format, and database evaluation and analysis tools. NAVTEQ also protects its database, software and related technology, in part, through the terms of its license agreements and by confidentiality agreements with its employees, consultants, customers and others.

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Competition

The market for map and related location-based information is highly competitive. NAVTEQ currently has several major competitors, including Tele Atlas, which was acquired by TomTom, and numerous governmental and quasi-governmental mapping agencies that license map data for commercial use, as well as many local competitors in geographic areas outside of North America and Europe. Several global and local companies as well as governmental and quasi-governmental agencies are making more map data information with greater coverage and content, and higher quality, available free of charge or at lower prices, which may encourage new market entrants or reduce the demand for fee-based products and services which incorporate our map database. In addition, in recent years, several companies have engaged in map data collection or have announced plans to map various countries around the world. Aerial, satellite and other location-based imagery is also becoming increasingly available. This content may provide NAVTEQ s customers with an alternative to its map data and make it less costly and time-consuming for competitors to build a high quality map database.

Nokia Siemens Networks

Overview

This section describes the business of Nokia Siemens Networks, a company jointly owned by Nokia and Siemens and consolidated by Nokia, which started operations on April 1, 2007. Nokia Siemens Networks combined Nokia s former Networks business with Siemens carrier-related operations for fixed and mobile networks. Its operational headquarters are in Espoo, Finland, along with two of its five business units. Nokia Siemens Networks has a strong regional presence in Munich, Germany, where two of its business units are based. The Services business unit is based in New Delhi, India. The Board of Directors of Nokia Siemens Networks is comprised of seven directors, four appointed by Nokia and three by Siemens, and Nokia appoints the CEO.

Nokia Siemens Networks provides wireless and fixed network infrastructure, communications and networks service platforms, as well as professional services to operators and service providers. Nokia Siemens Networks has a broad product and services portfolio designed to address the converging mobile and fixed infrastructure markets and a global base of customers with a presence in both developed and emerging markets and one of the largest service organizations in the industry. Nokia Siemens Networks focuses primarily on the GSM family of radio technologies and aims at leadership in: GSM, EDGE and WCDMA/HSPA networks; core networks with increasing IP and multi-access capabilities; fixed broadband access, transport, operations and billing support systems; and professional services such as managed services and consulting. Nokia Siemens Networks is also a vendor of mobile WiMAX solutions.

During 2008, the Nokia Siemens Network integration was largely completed and Nokia Siemens Networks delivered on its commitment to achieve substantially all of the EUR 2 billion of targeted annual cost synergies. In the current challenging economic conditions and intensely competitive market Nokia Siemens Networks focus continues to be on profitability and cash flow, which the management believes will allow the company to build a long-term sustainable business.

At December 31, 2008, Nokia Siemens Networks had 60 281 employees, more than 600 operator customers in over 150 countries, and systems serving in excess of 1.5 billion subscribers. Highlights from 2008 included the following:

- At the Mobile World Congress 2008, Nokia Siemens Networks launched its LTE solution for radio and core networks, including the new Flexi Multimode Base Station, and in October announced that it had begun shipping LTE-compatible Flexi base stations.

Nokia Siemens Networks demonstrated its technological leadership throughout the year with a number of industry-leading events: the launch of the industry s first DWDM single optical platform serving Metro to Core; the world s first demonstration of LTE-Advanced technology; a record-breaking 100 Gbps transmission on a single wavelength for more than 1 040 kilometers

over deployed field fiber (with Verizon), and; the worlds fastest IHSPA data call using a mobile device.

Nokia Siemens Networks secured major 3G radio access deals all over the world, from the UK to Mexico and Brazil to Indonesia.

Nokia Siemens Networks Services expanded its global remote delivery capability, delivering more than 200 projects across the world with successes including major event support ensuring network quality and performance, software upgrades and maintenance, and network monitoring and planning services.

Nokia Siemens Networks continued to win major managed services deals including a breakthrough network operations agreement with Embarq Corporation in the United States.

Demonstrating its ongoing commitment to developing innovative solutions for emerging markets, Nokia Siemens Networks launched its eCommerce rural trading platform with Fujian Mobile in China, and added internet capability to its Village Connection solution.

Nokia Siemens Networks acquired Carrier Ethernet specialist Atrica, and Apertio, a leading provider of open real-time subscriber data platforms and applications.

In November, Nokia Siemens Networks announced that it completed the preliminary planning process to identify the proposed remaining headcount reductions necessary to reach its previously announced synergy-related headcount adjustment goal of 9 000 and began the process of sharing those plans with employees and their representatives.

Nokia Siemens Networks Business Units

Nokia Siemens Networks has five business units: Radio Access; Converged Core; Broadband Connectivity Solutions; Operations and Business Software; and Services. These are supported by Operations; Research, Technology & Platforms; and Customer and Market Operations.

Radio Access develops GSM, EDGE and 3G/WCDMA/HSPA radio access networks and cellular transmission for operators and network providers. It also develops new technologies such as I-HSPA, LTE and mobile WiMAX to support the uptake of mobile data services and introduce flat architecture for wireless and mobile broadband applications. The main products offered by Radio Access are base stations, base station controllers and cellular transmission equipment.

Converged Core develops core network solutions for mobile and fixed network operators. The main products are switches, different kinds of network servers, subscriber databases and media gateways. Nokia Siemens Networks circuit-switched network solutions are aimed at helping operators provide high quality voice solutions and reduce the cost of providing voice minutes to subscribers. Nokia Siemens Networks has expanded its portfolio in subscriber data management solutions with the acquisition of Apertio, completed in 2008. Apertio is an innovator of real-time subscriber data platforms and applications. Many of Nokia Siemens Networks core network products are used in both fixed and mobile networks as part of so-called fixed-mobile convergence.

Broadband Connectivity Solutions focuses on transport networks, which are the underlying infrastructure for all fixed and mobile networks. To better meet customer requirements in the converging transport and broadband sectors, the Broadband Access and IP Transport business units were merged from January 1, 2009 into this new business unit. Consumer applications, the needs of large enterprise, the growth of the Internet and new services have increased the demand for bandwidth. Broadband Connectivity Solutions provides the fundamental elements for high-speed

transmission via optical and microwave networks, including packet-oriented technologies such as Ethernet and traditional protocols such as TDM. The business unit also provides a comprehensive portfolio for the wire line connectivity area such as digital subscriber line access multiplexers, and narrowband/multi-service equipment. The business unit aims to provide cost-efficient high bandwidth for access networks, enabling high quality triple play services such as high-speed Internet, VoIP and IPTV.

Operations and Business Software provides network and service management software and charging and billing software. Operations support systems seek to improve the operational efficiency of operators and reduce network complexity, while service management allows operators to speed up the service launch and manage customer experience. Business support systems let operators differentiate themselves from the competition by enabling flexible pricing and charging of services and calling plans.

Services offers operators a broad range of professional services, from consultancy to outsourced operations; systems integration to hosting; and from network design to network care, including a full range of network implementation and turnkey solutions. Services has the capability to integrate software from virtually all vendors, helping operators and service providers to achieve a higher quality of service with lower operating and capital expenditure. The Services portfolio is delivered through a global organization that covers 150 countries, with more than 20 000 experts serving more than 1 500 customers.

Compliance Program

In addition to a strong finance and control organization with internal financial controls designed to ensure high standards of reporting and compliance with all applicable laws, Nokia Siemens Networks is implementing an expanded compliance program. This program includes training programs and defined, specialized approval processes for entering into business transactions with the potential for corruption risks and for engaging third-party consultants in the sales process. Nokia Siemens Networks has zero tolerance for financial or other business misconduct.

Nokia Siemens Networks Code of Conduct, which is identical with the Nokia Code of Conduct, defines boundaries between appropriate and inappropriate business behavior. According to the Code of Conduct, Nokia Siemens Networks employees must not engage in activities that may lead to conflicts of interest, such as any agreement or understanding regarding gifts, hospitality, favors, benefits or bribes, in exchange for gaining or maintaining business. The Code of Conduct is supported by the company s anti-corruption compliance program, which includes, among other things, a detailed handbook, training, and several reporting and helplines available for employees and external workers. The training program has been in place since April 1, 2007 and by the end of 2008, the training was available in 18 languages and more than half of all employees had successfully completed the online Code of Conduct test. It will be replaced by a new mandatory training scheme in 2009.

Sales and Marketing

Sales

The Customer and Market Operations organization oversees and executes sales and marketing at Nokia Siemens Networks. Customer teams and customer business teams, which handle larger, multinational customers, act as the company s main customer interfaces to create and capture sales opportunities by developing solutions together with their customers. Sales of infrastructure equipment, software and services to customers are done predominantly directly or in some cases through approved Nokia Siemens Networks reseller companies.

Nokia Siemens Networks has organized its customer business teams on a regional basis. For the biggest global customers, dedicated account units beyond this regional structure are in place. Each of Nokia Siemens Networks customers is supported by a dedicated account team. In addition, customer executive teams led by Nokia Group Executive Board members focus on both Nokia s Devices & Services and Nokia Siemens Networks for the largest operator groups.

Solution Sales Management supports the sales process by managing bids and pricing for products and services.

Marketing

Nokia Siemens Networks introduced its own brand in 2007, and by leveraging the strong presence of its parent companies, has positioned its global strengths in business and connectivity solutions with customers, media, governments and analysts through opening events, brand engagement activities and customer-focused initiatives throughout 2008.

Marketing has a broad remit to support Nokia Siemens Networks wide portfolio of products, software and solutions across all regions and customer business teams with a wide range of activities including marketing communications, branding, advertising, media campaigns, exhibitions and events, customer marketing activities, testimonials, industry seminar, forums and thought leadership programs, many of which are executed in close collaboration with the company s sales force, solution sales managers, business units as well as strategy, human resources and corporate communication teams.

Nokia Siemens Networks has also strengthened its solutions-driven approach that seeks a deeper partnership with its customers by focusing on the specific business needs of an operator and the day-to-day running of its networks, rather than on solely providing network equipment to meet technology-specific needs.

Production

Operations is responsible for the supply chain management of all Nokia Siemens Networks hardware, software and original equipment manufacturer, or OEM, products. This includes supply planning, manufacturing, distribution, procurement, logistics, demand/supply network design and delivery capability creation in product programs.

At December 31, 2008, Nokia Siemens Networks had production facilities in nine major plants globally: three in China (Beijing, Shanghai and Suzhou), two in Finland (Espoo and Oulu), two in Germany (Berlin and Bruchsal), and two in India (Calcutta and Chennai). The facility in Chennai, where mobile communications infrastructure is manufactured and distributed, was opened in November 2008 to support India s rapid growth in mobile subscribers.

In December 2008, as part of its merger-related cost synergy process, Nokia Siemens Networks completed the sale of its manufacturing site in Durach, Germany in a management buy-out, led by the existing leadership of the facility. The deal included a multi-year agreement for the site to continue production for Nokia Siemens Networks. In November 2008, Nokia Siemens Networks announced that it planned to close its Espoo production facility, and began negotiations with employee representatives to that end.

Nokia Siemens Networks works with best-in-class manufacturing service suppliers to increase its flexibility and optimize costs. Approximately 20% of Nokia Siemens Networks production is outsourced.

Certain components and sub-assemblies for Nokia Siemens Networks products, including company-specific integrated circuits and radio frequency components, servers, sub-assemblies such as printed wire-board assemblies, filters, combiners and power units, and cabinets, are sourced and manufactured by third-party suppliers. Nokia Siemens Networks then assembles components and sub-assemblies into final products and solutions. For selected products and solutions, third-party suppliers deliver final goods directly to our customers. Consistent with industry practice, Nokia Siemens Networks manufactures telecommunications systems on a contract-by-contract basis.

Nokia Siemens Networks generally prefers to have multiple sources for its components, but it sources some components from a single or a small number of selected suppliers. As is the case with suppliers to Nokia Devices & Services, management believes that these business relationships are stable and typically involve a high degree of cooperation in research and development, product design and manufacturing. This is necessary in order to ensure

optimal product interoperability.

Technology, Research and Development

Research, Technology & Platforms of Nokia Siemens Networks focuses on research, standardization, intellectual property rights, innovation, R&D services and platform development. It cooperates with universities, the IT industry, standardization and other industry cooperation bodies worldwide.

Nokia Siemens Networks research and development work focuses on wireless and wireline communication solutions that enable communication services for people and businesses. These include wireless connectivity solutions like GSM/EDGE, 3G/WCDMA, TD-SCDMA, HSPA, WiMAX and LTE and wireline connectivity solutions based on copper (ADSL, VDSL with Fiber to the curb, or FTTC, Fiber to the building, or FTTB, and fiber-based next generation optical access, or NGOA).

In the transport and aggregation domain, Carrier Ethernet, IP Routing, IP traffic analysis and multi-access mobility are among the key focus areas. Within the applications domain, research and development focuses on the service delivery framework (SDF), messaging, browsing, downloading and streaming, common service, subscriber and device profile data storage. It also focuses on peer-to-peer, or person-to-person, IP connectivity session control (IMS) & VoIP, network/service/subscriber/device management, online and offline charging for post- and pre-paid subscribers.

Where appropriate, Nokia Siemens Networks seeks to provide support for technologies that it does not produce itself.

Patents and Licenses

Nokia Siemens Networks seeks to safeguard its investments in technology through adequate intellectual property rights, including patents, patent applications, design patents, trade secrets, trademark registrations and copyrights.

Nokia Siemens Networks owns a significant portfolio comprising IPR that was transferred from its parent companies at time of merger and IPR filed since its start of operations on April 1, 2007 resulting from strong investment in research and development. Nokia Siemens Networks is a world leader in the research and development of wireless technologies, as well as of transport and broadband technologies, and it has robust patent portfolios in a broad range of technology areas. The IPR portfolio includes standards-related essential patents and patent applications that have been declared by Nokia and Siemens. Nokia Siemens Networks will declare its own essential patents and patent applications based on evaluation of pending cases with respect to standards. Nokia Siemens Networks receives and pays certain patent license royalties based on existing agreements with telecommunication vendors.

Competition

In 2007, the competitive environment changed significantly in the market for mobile and fixed networks infrastructure and related services with the emergence of the merged Alcatel-Lucent and the formation of Nokia Siemens Networks. As a result, together with Ericsson and Huawei, there are now four major global players leading the network infrastructure market that offer a portfolio covering both equipment and services. This competitive environment remained broadly unchanged throughout 2008.

Our principal competitors in network infrastructure include Alcatel-Lucent, Cisco, Ericsson, Huawei, Motorola, NEC, Nortel and ZTE. In services, competition is from both traditional as well as non-traditional telecommunications players such as Accenture, HP and IBM. HP is active in the service delivery platform market and IBM is active, for example, in the billing and data center businesses. In addition to these companies, there are many other competitors, such as Fujitsu, Juniper, Samsung and Tellabs, which have a narrower scope in terms of served regions and business areas.

Conditions in the market for mobile and fixed networks infrastructure and related services remained challenging in 2008, as the difficult conditions that emerged in 2007 continued. The market continued to be characterized by equipment price erosion, a maturing of industry technology and

intense price competition and the market was flat in euro terms in 2008 compared to 2007. In addition the financial and economic turmoil that emerged during the latter part of 2008 further intensified the difficulties in the market leading to forecasts of a retraction of the market in 2009.

In addition, consolidation among network operators has increased the need for scale, which is continuing on a regional basis, and placed pressure on vendors in 2008. The increasing demand for data communication has heightened the need for a broader business scope, with companies trying to differentiate themselves through innovations such as reduced energy consumption.

In the fastest-growing part of our business, services, which include managed services (outsourcing), consulting, systems integration and hosting, vendors are judged upon their ability to identify and solve customer problems rather than their ability to supply equipment at a competitive price. Competition comes from both established and non-traditional companies, including Ericsson and IBM.

In businesses such as radio networks, the 2G (GSM) segment is facing intense price competition in emerging countries, where operators need to make large investments in networks but generally receive low revenues per customer. In mature markets, there has been a slowdown in operator investments. Within the 3G segment, leading vendors are competing based on factors including technology innovation, such as lower energy consumption equipment, and less complex network architectures.

The fixed line market continues to be characterized by intense price pressure, both in terms of equipment price erosion due to heavy competition, especially from Asian vendors, and from declining tariffs, which are expected to continue to fall. Decreasing fixed line revenues combined with rising voice and data network traffic are expected to force network operators to invest in new business opportunities and continue their network evolution to converged IP/Ethernet- and wavelength-division multiplexing-based transport architectures. The global trend of subscribers moving to mobile communications from fixed communications is expected to continue, especially with the growth in the number of mobile subscribers in markets where it is not economically feasible to build a fixed network.

Seasonality Devices & Services, NAVTEQ and Nokia Siemens Networks

For information on the seasonality of Devices & Services, NAVTEQ and Nokia Siemens Networks, see Item 5A. Operating Results Overview Certain Other Factors Seasonality.

Sales in sanctioned countries Devices & Services, NAVTEQ and Nokia Siemens Networks

We are a global company and have sales in most countries of the world. We sold mobile devices and services through Devices & Services and network equipment through Nokia Siemens Networks to customers in Iran, Sudan and Syria in 2008. NAVTEQ did not have any sales to customers in these countries from the completion of our acquisition of NAVTEQ on July 10, 2008 to December 31, 2008. Our aggregate sales to customers in these countries in 2008 accounted for approximately 1.6% of Nokia s total net sales, or EUR 791 million. Iran, Sudan and Syria are subject to US economic sanctions that are primarily designed to implement US foreign policy and the US government has designated these countries as state sponsors of terrorism.

Government Regulation Devices & Services, NAVTEQ and Nokia Siemens Networks

Our business is subject to direct and indirect regulation in each of the countries in which we, the companies with which we work or our customers do business. As a result, changes in or uncertainties related to various types of regulations applicable to current or new technologies, products, services or solutions could affect our business adversely. Moreover, the implementation of technological or legal requirements could impact our products, services

and solutions, manufacturing or distribution processes, and could affect the timing of product, services and solution introductions, the cost of our production, products, services or solutions, as well as their commercial success. Also, our business is subject to the impacts of changes in trade policies or regulation favoring the local industry

participants, as well as other measures with potentially protectionist objectives that the host governments in different countries may take. Export control, tariffs or other fees or levies imposed on our products; environmental, product safety and security and other regulations that adversely affect the export, import, pricing or costs of our products, services and solutions; as well as new services related to our products, could adversely affect our net sales and results of operations.

For example, in the United States, our products and solutions are subject to a wide range of government regulations that might have a direct impact on our business, including, but not limited to, regulation related to product certification, standards, spectrum management, access networks, competition and environment. We are in continuous dialogue with relevant United States agencies, regulators and the Congress through our experts, industry associations and our office in Washington, D.C. Also, the European Union (EU) regulation has in many areas a direct effect on our business and customers within the single market of the EU. For example, the European Commission is considering measures that would require the member states of the European Union to levy import duties for high-end mobile devices and their components which, if eventually taken, could potentially result in similar counter-measures by the other countries outside the European Union. These legal requirements influence, for example, the conditions for innovation and investment in fixed and wireless broadband communication infrastructure. We interact continuously with the EU institutions through our experts, industry associations and our office in Brussels.

Corporate Responsibility Nokia Devices & Services and Nokia Siemens Networks

The following discussion includes description of the corporate responsibility activities of our Devices & Services and Nokia Siemens Networks segments only, unless otherwise indicated. In the following discussion, Nokia refers to Nokia excluding NAVTEQ and Nokia Siemens Network.

Customers Corporate Responsibility

Accessibility of Nokia Devices

Accessibility is about making Nokia devices and services usable and accessible to the greatest possible number of people, including customers with disabilities. We have been working on accessibility concerns for more than ten years, and by the end of 2008 we continued to offer more than 60 device features or applications aimed at providing greater accessibility for people with limitations in hearing, speech, vision, mobility and cognition. We work together with representatives from disability organizations, regulators and academia to discuss accessibility priorities and development. During 2008, we offered new functionality for accessibility, including:

- A wireless bluetooth loopset LPS-5, for connecting a mobile phone or other audio device with t-coil equipped hearing aids;
- Improved video call functionality to support online calls using sign language; and
- Support for Hands Free Adapter with a mobility switch that allows users to activate all the voice activated features of a Nokia device.

Nokia Forum third-party developers have also introduced voice feedback, optical scanning and supportive services to the mobile devices that complement the Nokia offering addressing sensorial and physical challenges in mobile communications.

Employees Corporate Responsibility

Values

We have a set of values developed by our employees around the world that reflects and supports our business and changing environment. The values act as a foundation for our evolving business culture and form the basis of how we operate: *achieving together,* to reflect how we reach out to others, encouraging them to work together with us and share risks, responsibilities and successes; *very*

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human, to reflect how we do business and work with each other; *engaging you*, to reflect how we engage our customers, our suppliers, and our own employees in what Nokia stands for; and *passion for innovation,* to reflect our curiosity about the world around us and our desire to improve people s lives through innovation in technology.

We also encourage open discussion and debate within the business. An annual global employee survey is conducted as a way of getting feedback from our employees on a range of important issues, and we act on this feedback when designing our people policies and practices. It is also possible for employees to ask questions about our business, even anonymously, through the company Intranet our internal Internet pages and receive a prompt and openly published response.

Nokia Siemens Networks also has a set of values that reflects and supports its business and the changing environment. The values form the basis of how Nokia Siemens Networks operates: *focus on our customer*, to reflect the importance of helping customers succeed in their business; *communicate openly*, to reflect the importance of speedy, fact-based and transparent communications; *inspire*, to reflect the importance of building excitement within the business, especially about the needs of customers; *innovate*, to reflect the focus on innovation to succeed; and *win together*, to reflect how trust, respect, honesty and openness form the workplace.

Code of Conduct

Efforts at expanding the knowledge among employees of Nokia s Code of Conduct continued in 2008. By the end of the year, approximately 86% of Nokia employees had completed the Nokia Code of Conduct training provided by the company. Upon the completion of our acquisition of NAVTEQ, we have also communicated our Code of Conduct to all NAVTEQ employees to make them aware of our values, ethics and responsibilities both as a business and as individual employees. Information on the Nokia Code of Conduct is available in 34 languages, and a web training tool and online test for employees are used to ensure they understand the issues covered in the Nokia Code of Conduct. Since the beginning of 2009, Nokia has had an Ethics Office, whose role is to support all employees in matters relating to the Code of Conduct.

On January 1, 2009, Nokia Siemens Networks published a revised Code of Conduct which is identical with that of Nokia. See Item 4B. Business Overview Nokia Siemens Networks Compliance Program.

Labor Conditions at Manufacturing Facilities

At December 31, 2008, we had 25 576 employees working directly in production, including manufacturing, packaging and shipping, at our ten mobile device manufacturing facilities. During 2008, the injury and illness rate amongst all our employees at our production facilities was 0.6.

In 2008, all nine of our main device manufacturing facilities were assessed against our assessment framework which is based on International Labour Organization conventions and the human rights declarations of the United Nations. The assessments were conducted by a professional external assessment company, STR-CSCC. Results showed these factories have successfully implemented the framework into employment processes, although some areas for improvement related to overtime control and occupational safety, mainly related to fire safety, were detected. All findings have an action plan in place and those facilities with an action plan will receive a reassessment during first half 2009 to ensure full compliance with the framework.

To support the implementation of the framework all manufacturing facility employees undertake training on the principles of the framework as part of their induction.

At December 31, 2008, Nokia Siemens Networks had 2 012 employees working directly in production including manufacturing, packaging and shipping at its production facilities. During 2008, Nokia Siemens Networks started to develop a framework for managing labor conditions. The first step was to define a standard, which is based on International Labour Organization conventions

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and standardized Industry Code of Conduct, benchmarked against international labor laws and standards. This standard will be integrated into Nokia Siemens Networks global employment policies and guidelines, providing information and guidance. Using the standard as performance indicators, Nokia Siemens Networks is also building an effective management system to monitor and assess labor conditions, starting first with manufacturing operations.

Promoting Diversity in the Workplace

Nokia and Nokia Siemens Networks are committed to both promoting diversity and inclusion in the workplace and providing rewarding career development opportunities for all employees. In 2008, on average, 13.7% of senior management positions within Nokia were held by women, while 47.4% of senior management positions were held by people of non-Finnish nationality. At December 31, 2008, 22.7% of senior management positions within Nokia Siemens Networks were held by women. Senior management positions are defined differently in Nokia and Nokia Siemens Networks, and accordingly their related data is not directly comparable.

Voluntary Attrition at Nokia

During 2008, the rate of voluntary attrition was 9.3% at Nokia and 6.2% at Nokia Siemens Networks.

Suppliers Corporate Responsibility

Nokia

During 2008, we continued to promote environmental and social responsibility in the supply chain. From the environmental perspective, we increased the visibility of suppliers environmental performance and target setting, focusing on four key areas: energy consumption, carbon dioxide (CO_2) emissions, water consumption and waste generation. Of our suppliers that together account for 69% of our overall hardware expenditure, 82% have reduction targets for energy, CO_2, water and waste in place and monitored. This monitoring is continuing in 2009 as part of our ongoing cooperation with suppliers.

We also monitored our suppliers site certification to Environmental Management System ISO14001. At December 31, 2008, 91% of our direct suppliers sites serving Nokia were ISO14001 certified. These certified suppliers account for at least 98% of our hardware purchasing expenditure.

Regarding EU REACH, or the European Union Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals, we have been actively surveying and co-operating with all our direct suppliers to generate awareness and ensure that necessary actions are in place.

From a social and environmental perspective we have continued to promote compliance against our requirements. We conducted 62 Nokia Supplier Requirements assessments and eight in-depth labor, health and safety and environmental assessments in 2008. Five of the in-depth assessments were conducted by internal Nokia assessors and three by external third-party assessors, as part of the Global eSustainability Initiative (GeSI) and Electronic Industry Citizenship Coalition (EICC) industry joint audit pilot.

Nokia conducts an annual Supplier Satisfaction Survey. In 2008, the overall satisfaction survey result was 78%, on a scale where 0% represents an unacceptable level and 100% represents an excellent level. Overall satisfaction reflects how Nokia performs on areas such as planning, relationship management and whether other business expectations force suppliers to compromise on their environmental and ethical level of compliance. The overall satisfaction level of suppliers to Nokia s Corporate Responsibility was 90%.

In addition to our own work we have continued to participate at an industry level through the GeSI and World Resources Institute s Greenhouse Gas (GHG) Protocol, and we actively participate in workgroups focusing on learning and capability building, extractives and joint industry audits.

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Nokia Siemens Networks

All Nokia Siemens Networks suppliers must meet Nokia Siemens Networks global supplier requirements, which set standards for the management of ethical, environmental and social issues. This commitment is part of the contractual agreements with the suppliers.

To monitor our suppliers, Nokia Siemens Networks conducts regular audits to identify risks, monitor compliance and raise awareness of its requirements, and shares best practice on CR management. In 2008, Nokia Siemens Networks carried out 103 system audits to assess compliance with its supplier requirements. Nokia Siemens Networks also conducted in-depth labor conditions audits of seven suppliers in China, India and the UK.

The annual Nokia Siemens Networks supplier satisfaction survey was conducted with 290 key suppliers. This survey showed business ethics and environment as the area on which Nokia Siemens Networks scored best, obtaining an overall score of 8.3 (scale 1-10). Based on the feedback of this survey, Nokia Siemens Networks considers that the basic requirements are understood well by the majority of its suppliers, and that suppliers find the requirements to be strict.

In early 2008, Nokia Siemens Networks also conducted a survey on the compliance to its requirement on Environmental Management System (EMS) among its direct suppliers. The survey showed that 91% of suppliers sites had a documented EMS in place, and the majority of these were also certified.

Nokia Siemens Networks also continues to work in collaboration with others in our industry to improve standards in the ICT supply chain through groups such as the GeSI.

Society *Corporate Responsibility*

Nokia

In 2008, Nokia continued to develop mobile data-gathering technology, aimed at helping organizations to collect field data without the use of paper forms. Intended primarily to assist non-profit organizations and government departments, this approach increases the speed of response time, increases efficiency and can reduce costs. In September 2008, the Nokia Data Gathering solution was launched in conjunction with its adoption by the Amazonas State Health Department in Brazil. In that case, the software is being used to monitor outbreaks of disease and the effectiveness of prevention programs in the city of Manaus.

During 2008, we continued to support a variety of youth development initiatives around the world, with activities underway in 57 countries. These projects are tailored to the needs of local communities and address issues such as education, employability and health, and encourage young people to contribute to their local communities. Nokia employees continued to give their time to community projects through the Nokia Helping Hands employee volunteering program. In 2008, more than 5 400 employees in 25 countries volunteered more than 34 000 hours of service.

In March 2008, the success of the Bridgeit youth education project in the Philippines was reflected in its renewal and expansion. Originally launched in 2003, Bridgeit uses mobile networks to bring interactive multimedia learning materials to schools that lack fixed internet connections or ready access to the latest educational materials. Through this partnership with International Youth Foundation, Pearson and the United Nations Development Programme, Nokia estimates that approximately one million elementary school children have benefited from the program to date.

During the year, Nokia continued to provide assistance to people affected by natural disasters. This assistance included the donation of funds and mobile phones to assist relief efforts following an earthquake in the Sichuan province of China and the donation of funds to assist relief efforts in the wake of Cyclone Nargis in Myanmar. Our support for cyclone victims in Myanmar has included a substantial sum raised through a UNICEF greetings card campaign. We have also committed to support the long-term reconstruction of the affected areas in both Myanmar and Sichuan province.

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Additionally, in 2008 we donated funds to assist relief efforts following floods in Ghana and drought in Ethiopia; we donated funds and mobile phones to assist relief efforts following floods in Itajai Valley in Brazil; and we donated funds to support earthquake recovery programs in Chile and Pakistan.

Nokia Siemens Networks

During 2008, Nokia Siemens Networks provided assistance to people affected by natural disasters, actively participating in the relief efforts and restoration of communications systems in the wake of the earthquake in the province of Sichuan in China, and donating funds to international relief organizations.

In 2008, Nokia Siemens Networks launched several educational initiatives for underprivileged children in Ethiopia, Afghanistan, South Africa, China and India as well as initiatives to promote telecommunications skills and the role of women in technology in Indonesia and India. In Germany, Nokia Siemens Networks worked with a special needs center to build a communications network to help promote communication amongst its residents.

Nokia Siemens Network continues developing solutions supporting sustainable development in emerging markets. For example, during 2008 the Nokia Siemens Networks Village Connection was rolled out in India, with trials in Africa, the Asia-Pacific region and Latin America. By the end of the year, some 50 villages were covered by this innovative, cost-efficient solution that enables operators to extend their reach to remote villages and bypass the technology that typically would be required. In 2008, Nokia Siemens Networks also launched Internet Kiosk, an extension to the Village Connection program that lowers Internet costs by sharing access.

In 2008, Nokia Siemens Networks continued its collaboration with London Business School and University of Calgary. The Connectivity Scorecard assesses performance against approximately 30 indicators of connectivity including broadband, fixed-line, mobile and computing technologies that contribute to a country s social and economic prosperity. The study carried out across 25 countries analyzes not only a nation s ICT infrastructure but how well it is being used, and ranks each country s performance on a Connectivity Scorecard.

Environment Corporate Responsibility

Nokia

In 2008, we continued to look for possibilities to reduce the environmental impact of our devices and operations at each stage of the product life cycle. Focus areas include materials used, energy efficiency, the manufacturing process and recycling. We also introduced several new mobile services advocating sustainable lifestyles.

Recycling Nokia Devices

Between 65% and 80% of a Nokia mobile device can be recycled. We participate in collective recycling schemes with other equipment manufacturers in Europe and Australia; have our own collection points for recycling used mobile devices and accessories in approximately 85 countries; and engage in local recycling awareness drives with retailers, operators, other manufacturers and authorities around the world. These drives aim at increasing consumer awareness of recycling and their responsibility for bringing back their used devices for responsible recycling. Additionally, we work with qualified recyclers around the world to ensure proper end-of-life treatment for obsolete devices.

During 2008, Nokia executed voluntary local recycling drivers to raise awareness in 30 countries. One of our most successful voluntary co-operative recycling initiatives is the Green Box campaign in China, which was initiated with China Mobile and Motorola in 2006. During 2008, collection volumes from the Green Box campaign exceeded 42 tons of waste, which equals to approximately 470 000 devices.

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In 2008, Nokia continued to participate in financing the collection and treatment of electronic waste in different EU countries in accordance with requirements as set by National Implementation of the European Union WEEE directive, or directive on Waste Electrical and Electronic Equipment. There are now national collection networks in operation to collect and treat all electronic waste from households. During 2008, the EU Directive 2006/66/EC on Batteries initiated national set-up of similar collection networks for portable batteries. In addition, Nokia has during 2008 increased communication on recycling on local country level with the introduction of localized recycling information on Nokia Internet pages.

Energy Saving in Nokia Devices

Over the last decade, we have reduced the average no-load energy consumption of our chargers by over 80%, and our best-in-class chargers by over 95%. We are making good progress in reaching the target of reducing no-load power used by our chargers by 50% from the 2006 level by the end of 2010.

Nokia was the first mobile manufacturer to put alerts into devices encouraging people to unplug their chargers, and we are rolling these alerts out across our device range. Based on a voluntary agreement, namely EU IPP, or the EU pilot project on Integrated Product Policy, Nokia together with other manufacturers created and took into use a Mobile Device Charger Energy rating. The 0-5 star rating is based on the charger s no-load power consumption and is shown as a specific label that raises awareness and encourages the use of more energy-efficient chargers. All new Nokia chargers are specified to meet the criteria of voluntary agreements such as the EU Code of Conduct and US Environmental Protection Agency s Energy Star and the highest four and five star criteria of EU IPP.

Materials in Nokia Devices and Packaging

All Nokia mobile devices worldwide are fully compliant with EU RoHS, or the EU directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment. We have also phased out PVC from all Nokia s mobile devices and enhancements. We are currently phasing out the use of brominated and chlorinated flame retardants and Antimony Trioxide. The first device leading this phase-out, the Nokia 7100 Supernova, was launched in November 2008.

In early 2008, we started shipping Nokia 3110 Evolve, the first mobile device whose bio-covers use 50% renewable materials, thus reducing the amount of fossil fuels used to manufacture it. Nokia s high efficiency charger AC-8 was launched with the Nokia 3110 Evolve, and is now shipping in volumes with many of our devices. The packaging for the Nokia 3110 Evolve contained 60% recycled materials, doubling the amount of recycled content typically used. Furthermore, due to the smaller size of the overall sales package, substantially less cardboard is used.

We continue to improve our packaging solutions. The use of renewable, paper-based materials has been increased to over 95% of total packaging materials. From August 2008, the sales packages of all new devices have been smaller than their earlier equivalents. From February 2006 to the end of 2008 we reduced the weight of packaging materials and user guides of our most affordable devices by over 60%, which amounts to some 100 000 tons of saved paper. Smaller and lighter packaging has also reduced the need for transportation. The improvements in our packaging solutions have also translated into significant monetary savings.

Promoting Sustainability through Nokia Services and Software

Eco services have been developed to help people to make sustainable choices and to consider environment in everyday life. A variety of eco services are freely downloadable in Nokia devices.

In December 2008, we introduced the beta-version of Green Explorer, a free service designed to promote sustainable travel. The service is a combination of travel guide information and tips about sustainable travel shared by the users themselves.

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We also launched Eco Catalogue, later known as Eco zone as part of the Nokia Download! offering. This service can already be used with 200 million Nokia devices. The Nokia Eco zone is a mobile destination that enables owners of Nokia devices to view and download a range of eco content varying from wallpapers and applications to links. During 2008, we also introduced we:offset, the world s first CO_2 emission offsetting tool for mobile devices.

Nokia Facilities: Energy, Emissions and Environmental Certifications

Nokia facilities consumed in 2008 69 GWh of direct and 592 GWh of indirect energy. This energy consumption caused 14 700 tons of direct and 218 000 tons of indirect greenhouse gas (CO_2e) emissions. Direct energy means usage of gas and oil and indirect energy usage of electricity, district heating and district cooling in Nokia facilities. In addition to CO_2e emissions caused by energy usage, direct greenhouse gas emissions include greenhouse gas warming potential caused by HFC-refrigerants. Without Nokia s purchase of certified green energy, the above mentioned indirect emissions would have been greater by 46 700 tons.

Nokia has the corporate level ISO 14001 certificate in place for all manufacturing sites. Nokia Devices & Services supply chain-related environmental issues are discussed in the *Suppliers* section above.

Nokia Siemens Networks

Nokia Siemens Networks environmental strategy is to achieve a net positive impact on environment. It intends to achieve this through:

Minimizing its environmental footprint.

Combining environmental and business benefits for a sustainable solution.

Maximizing the positive impact of telecommunications on other industries.

Nokia Siemens Networks has set concrete and ambitious targets for improving the environmental performance of its products and its facilities. In June 2008, Nokia Siemens Networks joined the WWF Climate Savers program and committed to improve the energy efficiency of its base station products so that as a result their total annual CO_2 footprint is targeted to be decreased by 28% by 2012, compared to 2007 best product performance, and to reduce energy consumption of its buildings by 6% by 2012. The emissions avoided by these actions would amount to approximately 2 million tons of CO_2 annually.

Nokia Siemens Networks supports the move by the World Health Organization to harmonize global regulations on electromagnetic fields based on the widely recognized guidelines issued by the International Commission on Non-Ionizing Radiation Protection (ICNIRP). Nokia Siemens Networks engages with its customers, including mobile network operators, to make them aware of electromagnetic field issues and provides detailed instructions to ensure they operate equipment appropriately to keep local exposure within safe limits. This includes offering support and training where necessary for customers who need support in this area, particularly in emerging markets. Furthermore, an important part of Nokia Siemens Networks responsibility in this area is to engage openly in the global public debate and monitor the latest scientific studies on radio waves and health. Nokia Siemens Networks electromagnetic field specialists are members of scientific organizations including the Bioelectromagnetics Society and the European Bioelectromagnetics Association, and participate in relevant scientific events.

Nokia Siemens Networks announced in 2008 that renewable energy will be the first choice for installed remote base station sites by 2011. In 2008, Nokia Siemens Networks participated in SMART 2020, the world s first comprehensive global study of the ICT sector s growing potential to reduce the CO_2 emissions of many other industries.

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All of Nokia Siemens Networks production sites are included in the scope of the ISO 14001 certification.

4C. Nokia Organizational Structure

The following is a list of Nokia s significant subsidiaries as of December 31, 2008. See, also, Item 4A. History and Development of the Company Organizational Structure.

Company	Country of Incorporation	Nokia Ownership Interest	Nokia Voting Interest
Nokia Inc.	United States	100%	100%
Nokia GmbH	Germany	100%	100%
Nokia UK Limited	England & Wales	100%	100%
Nokia TMC Limited	South Korea	100%	100%
Nokia Telecommunications Ltd.	China	83.9%	83.9%
Nokia Finance International B.V.	The Netherlands	100%	100%
Nokia Komárom Kft.	Hungary	100%	100%
Nokia India Pvt Ltd.	India	100%	100%
Nokia Spain S.A.U.	Spain	100%	100%
Nokia Italia S.p.A.	Italy	100%	100%
Nokia Romania SRL	Romania	100%	100%
Nokia do Brasil Tecnologia Ltda.	Brazil	100%	100%
NAVTEQ Corporation	United States	100%	100%
Nokia Siemens Networks B.V.	The Netherlands	50%(1)	50%(1)
Nokia Siemens Networks Oy	Finland	50%	50%
Nokia Siemens Networks GmbH & Co KG	Germany	50%	50%
Nokia Siemens Networks Pvt. Ltd.	India	50%	50%

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

4D. Property, Plants and Equipment

At December 31, 2008, Nokia operated ten manufacturing facilities in nine countries for the production of mobile devices, and Nokia Siemens Networks had nine major production facilities in four countries. We continually assess the efficiency and competitiveness of our manufacturing facilities. Nokia s new mobile device manufacturing facility in Romania started production in February 2008. We closed our manufacturing facility in Bochum, Germany in June 2008 and moved its production to our other sites in Europe. In December 2008, as part of its merger-related cost synergy process, Nokia Siemens Networks completed the sale of its manufacturing facility in Durach, Germany in a management buy-out, led by the existing leadership of the facility. The deal included a multi-year agreement for the site to continue production for Nokia Siemens Networks. In November 2008, Nokia Siemens Networks announced that it planned to close its Espoo manufacturing facility, and following negotiations with employee representatives the plan is to close the facility during 2009 and ramp-up production in other Nokia Siemens Networks manufacturing facilities.

We consider the production capacity of our manufacturing facilities to be sufficient to meet the requirements of our devices and networks infrastructure business. The extent of utilization of our manufacturing facilities varies from plant to plant and from time to time during the year. None of these facilities is subject to a material encumbrance. See, also, Item 4B. Business Overview

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Devices & Services Markets Demand Supply Network Management and Nokia Siemens Networks Production.

The following is a list of the location, use and capacity of manufacturing facilities for Nokia devices and Nokia Siemens Networks infrastructure equipment.

Country	Location and Products	Productive Capacity, Net (m^2)[1]
BRAZIL	Manaus: mobile devices	13 028
CHINA	Beijing: mobile devices	24 108
	Dongguan: mobile devices	23 480
	Beijing: base stations, fixed network production	12 000
	Shanghai: base stations, broadband access systems, base stations controllers, transmission systems	13 079
	Suzhou: base stations	7 552
FINLAND	Salo: mobile devices	31 182
	Oulu: base stations	14 000
	Espoo: switching systems, microwave radio products	9 000
GERMANY	Berlin: optical transmission systems	17 800
	Bruchsal: fixed and mobile core systems, broadband access products, transmission systems	24 852
HUNGARY	Komárom: mobile devices	29 831
ROMANIA	Cluj: mobile devices	14 309
INDIA	Chennai: mobile devices	32 873
	Chennai: mobile base station controllers, microwave radio and access line-card products, other telecom equipment	7 800
	Calcutta: broadband access and IP transport production	31 808
MEXICO	Reynosa: mobile devices	21 151
REPUBLIC OF KOREA	Masan: mobile devices	24 237
UNITED KINGDOM	Fleet: mobile devices	2 728

(1) Productive capacity equals the total area allotted to manufacturing and to the storage of manufacturing-related materials.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5A. Operating Results

This section begins with an overview of the principal factors and trends affecting our results of operations. The overview is followed by a discussion of our critical accounting policies and estimates that we believe are important to understanding the assumptions and judgments reflected in our reported financial results. We then present a detailed analysis of our results of operations for the last three fiscal years.

As of January 1, 2008, our three mobile device business groups, Mobile Phones, Multimedia and Enterprise Solutions, and the supporting horizontal groups were replaced by an integrated business segment, Devices & Services. Results for Nokia and its reportable segments for the years ended December 31, 2007 and 2006 have been regrouped for comparability purposes to the results for the year ended December 31, 2008 according to the current reportable segments. For a description of our organizational structure see Item 4A. History and Development of the Company Organizational

Structure. Business segment data in the following discussion is prior to inter-segment eliminations. See Note 2 to our consolidated financial statements included in Item 18 of this annual report.

On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ is a separate reportable segment of Nokia starting from the third quarter 2008. Accordingly, the results of NAVTEQ are available only for the period from July 10, 2008 to December 31, 2008.

As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of the former Nokia Networks and Siemens carrier-related operations for fixed and mobile networks. Accordingly, the results of Nokia Group and Nokia Siemens Networks for the years ended December 31, 2007 and 2008 are not directly comparable between each other or to our results for the prior years. Our results from January 1 to March 31, 2007 and for preceding years include our former Networks business group only.

The following discussion should be read in conjunction with our consolidated financial statements included in Item 18 of this annual report Item 3D. Risk Factors and Forward-Looking Statements. Our financial statements have been prepared in accordance with IFRS.

Principal Factors Affecting our Results of Operations

Devices & Services

The principal source of net sales in our Devices & Services business is the sale of mobile devices. Our customers include mobile network operators, distributors, independent retailers, corporate customers and consumers. Our product and services portfolio covers all major consumer segments and price points from entry-level to mid-range and high-end devices as well as services. Our strategy is to have a focused, optimally-sized offering of commercially appealing mobile devices and services that differentiates us from our competition. Device hardware specifications, attractive design and materials, value-adding functionalities and region-specific local requirements and preferences are important competitive factors in achieving that objective.

Functionalities that improve the mobile device user experience are evolving. We are increasing our offering of consumer Internet services, specifically in music, maps (including navigation and points of interest), media (including the Ovi Store for applications), messaging and games, and working to deliver those services in an easily accessible manner to consumers. Net sales from such services are derived from consumer subscriptions paid in advance, consumer transactions paid when the service is delivered, and advertising or sponsoring fees collected from our business partners. At this early stage of development, we are currently focused on getting those services to consumers quickly through combos where certain mobile devices are offered in combination with one or more services. In the future, we believe that subscription renewals, transaction levels, and advertising or sponsoring revenues will increase as a proportion of overall services net sales.

Our competitive advantages include scale, brand, manufacturing and logistics, distribution and intellectual property.

> *Scale:* Our substantial scale contributes to our lower cost structure and our ability to invest in innovation. In addition to manufacturing and logistics efficiencies that contribute to lower costs of goods sold, we are able to enjoy scale efficiencies in our operating costs. For example, Nokia s distribution and marketing efforts can be spread across a broad portfolio of offerings, in contrast to smaller competitors that focus on a specific geographical market or product segment.

Brand: As the devices business is a consumer business, brand is a major differentiating factor, having broad effects on market share and pricing. The Business Week and Interbrand annual rating of 2008 Best Global Brands positioned Nokia as the fifth most-valued brand in the world.

Manufacturing and logistics: During 2008, we made over 1.25 million devices per day in our

nine main device manufacturing facilities globally. We enjoy a world-class logistics and distribution system and, in 2008, we were ranked the number two company in the world in supply chain management by AMR Research.

Distribution: Nokia has the industry s largest distribution network, with over 300 000 points of sale globally and a substantially larger distribution network particularly in China, India and Middle East and Africa than our competitors in those regions.

Intellectual Property: Competitiveness in our industry requires significant R&D investments, with intellectual property rights filed to protect those investments and related inventions. We believe that we have built one of the strongest and broadest patent portfolios in the industry. Since the early 1990s, we have invested approximately EUR 40 billion cumulatively in research and development, and we now own approximately 11 000 patent families.

Devices & Services net sales and profitability are driven by factors such as the global mobile device market volumes, our market share, the average selling price (ASP) of our devices and our cost level, supported by our competitive advantages.

The global mobile device market volume is driven by (i) the degree to which existing mobile subscribers replace and upgrade their mobile devices with new devices, or the extent to which they own more than one mobile device; and (ii) the number of new subscribers (net additions). The replacement market is driven by the introduction of devices that are attractive to end-users in terms of design, features, aesthetics, and new value-added functionality. We expect the replacement market will be driven by purchases of devices with color screens, cameras, music players, and general design and aesthetic improvements. In addition, we believe the combination of consumer Internet services, including maps, music, media, messaging and games, and the user interface, in terms of ease of discovery and use of such services and other functions, in mobile devices will increase in importance and drive volumes. Therefore, we are investing to create a leadership position in those five consumer Internet service areas and to make the user-experience more personal and instinctive. New subscriber volumes, particularly in emerging markets, are impacted primarily by lower cost of ownership, driven by lower priced tariffs and lower cost mobile devices. The four billion mobile subscriptions mark was reached in the beginning of 2009. However, in 2009, due to the difficult global economic conditions, we believe that compared with 2008 net subscriber additions may decline, the replacement cycle may lengthen and more consumers may replace their handsets with less expensive mobile devices.

Industry volume is also influenced by, among other factors, global and local economic factors, regional political environment, consumer spending patterns, competitive pressures, regulatory environments, the timing and success of product and service introductions by various market participants, including mobile network operators, the commercial acceptance of new mobile devices, technologies and services, the convergence of technologies in mobile devices and operators and distributors financial situations. Industry volumes are also affected by the level of mobile device subsidies that mobile network operators are willing to offer to end-users in the markets where subsidies are prevalent. While the mobile network operators have started to reduce their subsidies as a result of the current difficult economic conditions, we believe we may be less exposed to decreases in such subsidies than many of our competitors due to our lower market share in many of the highly-subsidized geographical markets, such as the US, compared to the less subsidized markets, such as the emerging markets. Recently, we have seen network operators shifting the focus of their subsidy programs to emphasize higher-end products that are sold in conjunction with contracts that include both voice and data usage. We believe that executing on our Internet services strategy is important in order for us to have a broad portfolio of devices that the operators will find financially attractive to subsidize.

The global mobile device market deteriorated significantly in the second half of 2008, with a pronounced weakening in the fourth quarter. We expect that the mobile device market will continue to be negatively impacted in 2009 by the

slowdown in consumer spending. While noting the

extremely limited visibility, we expect industry mobile device volumes in 2009 to decline by approximately 10% from the approximately 1.2 billion units we estimate for 2008.

Our mobile device market share is driven by our ability to have a competitive product portfolio with attractive aesthetics, design and combination of value-adding functionalities and services for all major consumer segments and price points. Market share is also impacted by our brand, manufacturing and logistics, distribution, competitive cost structure, pricing and how we differentiate our products from those of our competitors. We believe that product differentiation will be based increasingly on service innovations and how these services are integrated with devices to improve the user experience. Consequently, we are investing to extend our leadership position in mobile devices and integrated services. Our market share is also impacted by our regional and product mix. In 2008, for example, our global device market share benefited from our strong market share in India, Middle & East Africa, South East Asia-Pacific and the entry-level market. Our global device market share increased in 2008, and we are targeting again to increase our market share in 2009. We believe that our global share may benefit in 2009 from our continuously improving product portfolio and our competitive advantages, which may enable us to navigate through the current difficult global economic conditions in a relatively more stable manner than some of our competitors.

Our device ASPs are impacted by overall industry dynamics, in particular the increasing relative share of emerging markets where lower-priced products predominate, and competitive factors such as pricing activities. Our ASPs are also impacted by our own product mix, as well as the overall competitiveness of our product portfolio. We also respond in a tactical manner in certain product segments and regions to pricing activities by our competitors in order to maximize our earnings in a sustainable way. Also, global or local economic conditions may impact our device ASPs, in particular as some of our customers may trade down to lower-priced devices as a result of the current difficult global economic conditions.

Operational efficiency and cost control have been and are expected to continue to be important factors affecting our profitability and competitiveness. We continuously assess our cost structure and, in the current difficult global economic conditions, we are taking action to reduce our overall costs and prioritize our investments. Our objective in the current environment is to maintain our strong capital structure, focus on profitability and cash flow and invest appropriately to innovate and grow in key strategic areas.

Costs of sales of Devices & Services are comprised of the cost of components, manufacturing labor and overhead, royalties and license fees, the depreciation of product machinery, logistics costs, cost of excess and obsolete inventory, as well as warranty and other quality costs. The unprecedented currency volatility we have recently experienced is impacting our costs, since at the end of 2008 we sourced approximately 25% of our device components based in the Japanese yen, which has appreciated significantly relative to the US dollar and the euro during the fourth quarter of 2008. The positive financial impact of our Japanese yen hedges effective at the end of 2008 will end from mid-2009 onwards. We are taking action to reduce our devices sourcing costs in the Japanese yen, including price negotiations with our suppliers and shifting the sourcing of certain components to non-Japanese suppliers.

In addition, we are taking action to reduce operating expenses. At the beginning of 2009, our annual operating expense run rate in our Devices & Services business was approximately EUR 6.7 billion on a non-IFRS basis which excludes special items and purchase price accounting related items. We will continue to adjust our cost structure through 2009 and 2010, and we are targeting an annualized Devices & Services operating expense run rate of lower than EUR 6 billion, on a non-IFRS basis which excludes special items and purchase price accounting related items, by the end of 2010, with a majority of the targeted reduction in 2009. As a part of the measures needed to reach this target, in the research and development we plan to continue to sharpen our focus on portfolio pruning and prioritization of investment. We plan to invest in consumer Internet services in an increasingly focused way. In sales and marketing, we plan to reduce spending related to specific products, and we will endeavor to leverage theme-based marketing to a much greater extent. In general and

administrative, every shared supporting services unit has already identified and is acting on targeted expense reductions of at least 10% in the first half of 2009.

NAVTEQ

NAVTEQ s objective is to be the leading provider of comprehensive digital map data and related location-based content and services, including traffic information, to corporate customers. NAVTEQ s strategy is to enhance and expand its geographic database and related dynamic content and services, thereby enabling NAVTEQ to grow its presence in applications and services created by automotive manufacturers, navigation system and application vendors, Internet application providers and mobile device manufacturers. By acquiring NAVTEQ, Nokia aims to ensure the continued development of our context and geographical services through Nokia Maps as we move from simple navigation to a broader range of location-based services, such as pedestrian navigation and targeted advertising. At the same time, NAVTEQ continues to develop its expertise in the navigation industry, service its customer base and invest in the further development of its industry-leading map data, location-based content and technology platform.

A substantial majority of NAVTEQ s net sales comes from the licensing of NAVTEQ s digital map data and related location-based content and services for use in mobile devices, in-vehicle navigation systems, Internet applications, geographical information system applications and other location-based products and services. NAVTEQ s success depends upon 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 these products and services. Unfavorable conditions in the automotive and consumer electronics industries have negatively impacted NAVTEQ s net sales and profitability during the six months ended December 31, 2008. We expect this to be mitigated to some extent by the increasing adoption of location based services in the mobile handset industry. NAVTEQ net sales are also impacted by the highly competitive pricing environment. In response to the pricing pressure, NAVTEQ focuses on offering a digital map database with superior quality, detail and coverage; providing value-added services to its customers such as distribution services; and enhancing and extending its product offering by adding additional content to its map database.

In addition to the factors driving net sales discussed above, NAVTEQ s profitability is also driven by NAVTEQ s investments related to the development of its database and expansion of its sales and marketing efforts. Many of these costs are discretionary. NAVTEQ s development costs are comprised primarily of the purchase and licensing of source maps, employee compensation and third-party fees related to the construction, maintenance and delivery of its database. NAVTEQ has responded to the current difficult economic conditions by focusing on controlling costs, including exiting certain non-core business activities related to printed maps, restrictions on recruitments and travelling, and prioritizing database development and maintenance costs based on customer requirements and return on investment.

Nokia Siemens Networks

Nokia Siemens Networks provides mobile and fixed network solutions and services to operators and service providers. Our strategy is focused on two key areas. First, Nokia Siemens Networks seeks to be the industry s most competitive and efficient infrastructure and services vendor. Nokia Siemens Networks intends to do this by building efficient tools and processes and by maintaining a focus on profitability and cash flow. Secondly, by utilizing its scale, competences and global installed customer base Nokia Siemens Networks seeks to offer a portfolio of products and services to address two important areas for its customers: enriched customer experience and network efficiency. The first is focused on helping operators manage their customers experience by improving customer life-time value and helping to reduce customer turnover to competitors. The second area is focused on improving network efficiency for operators as traffic grows by helping them to reduce network investment and operating cost and thereby improve their

profitability.

Nokia Siemens Networks performance in the infrastructure business is determined by its ability to

satisfy the competitive and complex requirements of the market and its current and potential customers. Nokia Siemens Networks will need to continue to leverage and, in some cases, improve its scale, technology and product portfolio to maintain or improve its position in the market.

Nokia Siemens Networks net sales depend on various developments in the mobile and fixed infrastructure market, such as network operator investments, the pricing environment, and product mix. In developed markets, operator investments are primarily driven by capacity upgrades which are driven by greater usage of the networks both for voice calls and increasingly for data usage. Also, in developed markets, the investments of the network operators are driven by evolution of network technologies and an increasing need for efficiency. In the emerging markets, the principal factors influencing the operator investments are the growth in network coverage and the growth in the number of subscribers. Nokia Siemens Networks net sales are also impacted by pricing developments. The products and solutions offered by Nokia Siemens Networks business are subject to price erosion over time, largely as a result of technology maturation and competitive forces in the market. Further, Nokia Siemens Networks net sales are affected by the product mix the mix of hardware sales, software sales and services sales. Net sales are also impacted by regional mix the balance between sales in developed and emerging markets.

We estimate that the mobile infrastructure, fixed infrastructure and related services market will decline 5% or more in euro terms in 2009, from 2008 levels. The decline is expected to result primarily from the overall slowdown in the investments of network operators and service providers in the current difficult global economic conditions. We target for Nokia Siemens Networks market share to remain constant in 2009, compared to 2008. Nokia Siemens Networks market share may be adversely impacted by its focus on profitability and cash flow and deal discipline. However, we believe this impact may be offset as its market share should benefit from a favorable technology mix in its products and services portfolio.

There are several factors that drive the profitability at Nokia Siemens Networks. First, there are the drivers of net sales discussed above. In addition, the scale, operational efficiency and cost control have been and will continue to be important factors affecting Nokia Siemens Networks profitability and competitiveness. Nokia Siemens Networks product costs are comprised of the cost of components, manufacturing, labor and overhead, royalties and license fees, the depreciation of product machinery, logistics costs as well as warranty and other quality costs. Nokia Siemens Networks profitability is also impacted by the pricing environment, product mix and regional mix.

The pricing environment in the markets where Nokia Siemens Networks operates continued to be intense in 2008, and we expect that these general market conditions will continue in 2009. Nokia Siemens Networks delivered on its commitment to achieve substantially all of the EUR 2 billion of targeted annual cost synergies by the end of 2008. In November 2008, Nokia Siemens Networks announced that it had completed the preliminary planning process to identify the proposed remaining headcount reductions necessary to reach its previously announced synergy-related headcount adjustment goal of 9 000 employees and began the process of sharing those plans with employees and their representatives. In order to maintain a competitive cost structure and to achieve further cost reductions, Nokia Siemens Networks will continue to focus on leveraging its cost advantages, which will include strict deal discipline, real estate and factory consolidation, supply chain optimization, global resource balancing and continued IT and process development.

Certain Other Factors

Exchange Rates

Our business and results of operations are from time to time affected by changes in exchange rates, particularly between the euro, our reporting currency, and other currencies such as the US dollar, the Japanese yen, the Chinese yuan and the UK pound sterling. See Item 3.A Selected Financial Data Exchange Rate Data. Foreign currency

denominated assets and liabilities, together with highly probable purchase and sale commitments, give rise to foreign exchange exposure.

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The magnitude of foreign exchange exposures changes over time as a function of our presence in different markets and the prevalent currencies used for transactions in those markets. The majority of our non-euro based sales are denominated in the US dollar, but Nokia s strong presence in emerging markets like China, India, Brazil and in Russia also gives rise to substantial foreign exchange exposure in the Chinese yuan, Indian rupee, Brazilian real and Russian ruble. The majority of our non-euro based purchases are denominated in US dollars and Japanese yen. In general, depreciation of another currency relative to the euro has an adverse effect on our sales and operating profit, while appreciation of another currency relative to the euro has a positive effect, with the exception of the Japanese yen, being the only significant foreign currency in which we have more purchases than sales.

To mitigate the impact of changes in exchange rates on net sales as well as average product cost, we hedge material transaction exposures on a gross basis. Nokia hedges significant forecasted cash flows typically with a 6 to 12 month hedging horizon. For the majority of these hedges hedge accounting is applied to reduce profit and loss volatility. Nokia also hedges significant balance sheet exposures. Our balance sheet is also affected by the translation into euro for financial reporting purposes of the shareholders equity of our foreign subsidiaries that are denominated in currencies other than the euro. In general, this translation increases our shareholders equity when the euro depreciates, and affects shareholders equity adversely when the euro appreciates against the relevant other currencies (year-end rate to previous year-end rate). To mitigate the impact to shareholders equity, Nokia hedges selected net investment exposures from time to time.

During 2008, the volatility of the currency market was significantly higher than in 2007. At the same time, the currency market liquidity was significantly lower in 2008, especially towards the end of the year. This significantly increased our hedging cost and restricted our flexibility in hedging, particularly with respect to certain emerging market currencies, in 2008.

In 2008, until the end of July the US dollar depreciated against the euro by 6%. Since then, the US dollar appreciated strongly and ended 4% higher at the end of 2008 than at the end of 2007. The stronger US dollar towards the end of 2008 had a positive impact on our net sales expressed in euros because approximately 50% of our net sales are generated in US dollars and currencies closely following the US dollar. However, the appreciation of the US dollar also contributed to a higher average product cost as approximately 50% of the components we use are sourced in the US dollar. In total, the movements of the US dollar against the euro had a slightly positive impact on our operating profit in 2008.

During 2008, the Japanese yen appreciated by 30% against the euro. As at the end of 2008 approximately 25% of the devices components we use were sourced in the Japanese yen, the appreciation of the Japanese yen had a negative impact on our operating profit in 2008, which was primarily offset by our currency hedges. The positive financial impact of our Japanese yen hedges effective at the end of 2008 will end from the mid-2009 onwards. We are taking action to reduce our devices sourcing costs in the Japanese yen, including price negotiations with our suppliers and shifting the sourcing of certain components to non-Japanese suppliers.

During 2008, the volatility of emerging market currencies was high especially towards the end of the year when the Chinese yuan, Brazilian real, Indian rupee and Russian ruble depreciated 12%, 20%, 15% and 14%, respectively, against the euro. In general, the depreciation of an emerging market currency has a negative impact on our operating profit due to reduced revenue in euro terms and/or the reduced purchasing power of customers in the emerging market. The appreciation of an emerging market currency generally has a positive impact on our operating profit.

Significant changes in exchange rates may also impact our competitive position and related price pressures through their impact on our competitors. In 2008, the most notable of such impacts was the depreciation of the Korean won by 29% against the US dollar and 27% against the euro which benefitted our Korea-based competitors.

For a discussion on the instruments used by Nokia in connection with our hedging activities, see

Note 35 to our consolidated financial statements included in Item 18 of this annual report. See also Item 11. Quantitative and Qualitative Disclosures About Market Risk and Item 3D. Risk Factors.

Seasonality

Our mobile device sales are somewhat affected by seasonality. Historically, the first quarter of the year was the lowest quarter of the year. The second quarter was up from the first quarter and the third was also up from the second quarter. The fourth quarter was the strongest quarter, mainly due to the effect of fourth quarter holiday sales. Despite the pronounced weakening of the global mobile device market in the fourth quarter of 2008, we still continue to see the fourth quarter as our strongest quarter in volumes. However, over time we have seen a trend towards less seasonality. The difference between the sequential holiday seasonal increase in the Western hemisphere in fourth quarter and subsequent decrease in first quarter sequential volumes has moderated. The moderation in seasonality has been caused by shifts in the regional make-up of the overall market. Specifically, there has been a larger mix of industry volumes coming from markets where the fourth quarter holiday seasonality is much less prevalent.

Currently, services net sales are primarily derived from combos where certain devices are offered in combination with one or more services. Accordingly, our services net sales are affected by the same seasonality as mobile device sales.

NAVTEQ s sales to the automotive industry are not significantly impacted by seasonality. However, NAVTEQ s sales to navigation device and mobile handset manufacturers typically see strong fourth quarter seasonality due to holiday sales. As the relative share of licensing of NAVTEQ s digital map data and related location-based content and services for use in mobile devices compared to in-vehicle navigation systems has increased during the last few years, NAVTEQ s sales have been increasingly affected by the same seasonality as mobile device sales.

Our network infrastructure business has also experienced some seasonality during the last few years. Its sales have been higher in the last quarter of the year compared with the first quarter of the following year due to network operators planning, budgeting and spending cycle.

Accounting Developments

The International Accounting Standards Board, or IASB, has and will continue to critically examine current International Financial Reporting Standards, or IFRS, with a view towards increasing international harmonization of accounting rules. This process of amendment and convergence of worldwide accounting rules continued in 2008 resulting in amendments to the existing rules effective from January 1, 2009 and additional amendments effective the following year. These are discussed in more detail under New accounting pronouncements under IFRS in Note 1 to our consolidated financial statements included in Item 18 of this annual report. There were no IFRS accounting developments adopted in 2008 that have a material impact on our results of operations or financial position.

Subsequent Events

In February 2009, we issued EUR 1 750 million of Eurobonds with maturities of five and ten years under our EUR 3 000 million Euro Medium Term Note, or EMTN program, to repay part of our existing short-term borrowings. We voluntarily cancelled our USD 2 000 million committed credit facility maturing in 2009 due to this repayment. In February, we also signed and fully drew down a EUR 500 million loan from the European Investment Bank. The proceeds of the loan will be used to finance part of our smartphone research and development expenses.

Critical Accounting Policies

Our accounting policies affecting our financial condition and results of operations are more fully described in Note 1 to our consolidated financial statements included in Item 18 of this annual

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

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

Revenue Recognition

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

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

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

Nokia Siemens Networks revenue and cost of sales from contracts involving solutions achieved through modification of complex telecommunications equipment is recognized on the percentage of completion basis when the outcome of the contract can be estimated reliably. This occurs when total

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contract revenue and the cost to complete the contract can be estimated reliably, it is probable that economic benefits associated with the contract will flow to the Group, and the stage of contract completion can be measured. When we are not able to meet those conditions, the policy is to recognize revenues only equal to costs incurred to date, to the extent that such costs are expected to be recovered. Completion is measured by reference to costs incurred to date as a percentage of estimated total project costs using the cost-to-cost method.

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

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

Customer Financing

We have provided a limited amount of customer financing and agreed extended payment terms with selected customers. In establishing credit arrangements, management must assess the creditworthiness of the customer and the timing of cash flows expected to be received under the arrangement. However, should the actual financial position of our customers or general economic conditions differ from our assumptions, we may be required to re-assess the ultimate collectability of such financings and trade credits, which could result in a write-off of these balances in future periods and thus negatively impact our profits in future periods. Our assessment of the net recoverable value considers the collateral and security arrangements of the receivable as well as the likelihood and timing of estimated collections. The Group endeavors to mitigate this risk through the transfer of its rights to the cash collected from these arrangements to third-party financial institutions on a non-recourse basis in exchange for an upfront cash payment. See also Note 35(b) to our consolidated financial statements included in Item 18 of this annual report for a further discussion of long-term loans to customers and other parties.

Allowances for Doubtful Accounts

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

Inventory-related Allowances

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

Warranty Provisions

We provide for the estimated cost of product warranties at the time revenue is recognized. Our products are covered by product warranty plans of varying periods, depending on local practices and regulations. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligations are

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

Provision for Intellectual Property Rights, or IPR, Infringements

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

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

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

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

Legal Contingencies

As discussed in Item 8A7. Litigation and in Note 29 to the consolidated financial statements included in Item 18 of this annual report, legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against the Group. We record provisions for pending litigation when we determine that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

Capitalized Development Costs

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

cycle, we may be required to write off excess development costs in future periods.

Whenever there is an indicator that development costs capitalized for a specific project may be impaired, the recoverable amount of the asset is estimated. An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset s net selling price and value in use. Value in use is the present value of discounted estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For projects still in development, these estimates include the future cash outflows that are expected to occur before the asset is ready for use. See Note 8 to our consolidated financial statements included in Item 18 of this annual report.

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

Business Combinations

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

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity s current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

Valuation of Long-lived and Intangible Assets and Goodwill

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

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

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

This review is based upon our projections of anticipated discounted future cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the number of

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

Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, unlisted equities, currency options and embedded derivatives) are determined using valuation techniques. We use judgment to select an appropriate valuation methodology and underlying assumptions based principally on existing market conditions. If quoted market prices are not available for unlisted shares, fair value is estimated by using various factors, including, but not limited to: (1) the current market value of similar instruments, (2) prices established from a recent arm s length financing transaction of the target companies, (3) analysis of market prospects and operating performance of the target companies taking into consideration of public market comparable companies in similar industry sectors. Changes in these assumptions may cause the Group to recognize impairments or losses in the future periods.

Income Taxes

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

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

Pensions

The determination of our pension benefit obligation and expense for defined benefit pension plans is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 5 to our consolidated financial statements included in Item 18 of this annual report and include, among others, the discount rate, expected long-term rate of return on plan assets and annual rate of increase in future compensation levels. A portion of our plan assets is invested in equity securities. The equity markets have experienced volatility, which has affected the value of our pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Actual results that differ from our assumptions are accumulated and amortized over future periods and therefore generally affect our recognized expense and recorded obligation in such future periods. Our assumptions are based on actual historical experience and external data regarding compensation and discount rate trends. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension obligation and our future expense.

Share-based Compensation

We have various types of equity settled share-based compensation schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments as at the date of grant, excluding the impact of any non-market vesting conditions. Fair value of stock options is estimated by using the Black Scholes model on the date of grant based on certain assumptions. Those assumptions are described in Note 22 to our consolidated financial statements included in Item 18 of this annual report and include, among others, the dividend yield, expected volatility and expected life of stock options. The expected life of stock options is estimated by observing general option holder behavior and actual historical terms of Nokia stock option programs, whereas the assumption of the expected volatility has been set by reference to the implied volatility of stock options available on Nokia shares in the open market and in light of historical patterns of volatility. These variables make estimation of fair value of stock options difficult.

Non-market vesting conditions attached to the performance shares are included in assumptions about the number of shares that the employee will ultimately receive relating to projections of sales and earnings per share. On a regular basis, we review the assumptions made and revise the estimates of the number of performance shares that are expected to be settled, where necessary. At the date of grant, the number of performance shares granted that are expected to be settled is assumed to be two times the amount at threshold. Any subsequent revisions to the estimates of the number of performance shares expected to be settled may increase or decrease total compensation expense. Such increase or decrease adjusts the prior period compensation expense in the period of the review on a cumulative basis for unvested performance shares for which compensation expense has already been recognized in the profit and loss account, and in subsequent periods for unvested performance shares for which the expense has not yet been recognized in the profit and loss account. Significant differences in employee option activity, equity market performance, and our projected and actual net sales and earnings per share performance may materially affect future expense. In addition, the value, if any, an employee ultimately receives from share-based payment awards may not correspond to the expense amounts recorded by the Group.

Results of Operations

2008 compared with 2007

As of January 1, 2008, our three mobile device business groups, Mobile Phones, Multimedia and Enterprise Solutions, and the supporting horizontal groups were replaced by an integrated business segment, Devices & Services. Results for Nokia and its reportable segments for the year ended December 31, 2007 have been regrouped for comparability purposes according to the new reportable segments.

On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ is a separate reportable segment of Nokia starting from the third quarter 2008. Accordingly, the results of NAVTEQ are available only for the period from July 10, 2008 to December 31, 2008.

As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of the former Nokia Networks and Siemens carrier-related operations for fixed and mobile networks. Accordingly, the results of Nokia Group and Nokia Siemens Networks for the full year 2008 are not directly comparable to the results for the year ended December 31, 2007. The results from January 1, 2007 to March 31, 2007 included our former Networks business group only.

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Nokia Group

The following table sets forth selective line items and the percentage of net sales that they represent for the fiscal years 2008 and 2007.

	Year Ended December 31, 2008	Percentage of Net Sales	Year Ended December 31, 2007	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	50 710	100.0%	51 058	100.0%	(1)%
Cost of sales	(33 337)	(65.7)%	(33 781)	(66.2)%	(1)%
Gross profit	17 373	34.3%	17 277	33.8%	1%
Research and development expenses	(5 968)	(11.8)%	(5 636)	(11.0)%	6%
Selling and marketing expenses	(4 380)	(8.6)%	(4 379)	(8.6)%	0%
Administrative and general expenses	(1 284)	(2.5)%	(1 165)	(2.3)%	10%
Other operating income and expenses	(775)	(1.5)%	1 888	3.7%	
Operating profit	4 966	9.8%	7 985	15.6%	(38)%

For 2008, our net sales decreased 1% to EUR 50 710 million compared with EUR 51 058 million in 2007. At constant currency, group net sales would have grown 4% in 2008. The decrease in net sales was driven by the decreased net sales in Devices & Services. The following table sets forth the distribution by geographical area of our net sales for the fiscal years 2008 and 2007.

	Year Ended December 31, 2008	Year Ended December 31, 2007
Europe	37%	39%
Middle East & Africa	14%	14%
Greater China	13%	12%
Asia-Pacific	22%	22%
North America	4%	5%
Latin America	10%	8%
Total	100%	100%

The 10 markets in which we generated the greatest net sales in 2008 were, in descending order of magnitude, China, India, the UK, Germany, Russia, Indonesia, the US, Brazil, Italy and Spain, together representing approximately 50% of our total net sales in 2008. In comparison, the 10 markets in which we generated the greatest net sales in 2007 were China, India, Germany, the UK, the US, Russia, Spain, Italy, Indonesia and Brazil, together representing approximately 50% of our total net sales in 2007.

Our gross margin in 2008 was 34.3% compared with 33.8% in 2007. This improvement in our gross margin reflected an increase in gross margin of Nokia Siemens Networks.

Research and development, or R&D, expenses were EUR 5 968 million, up 6% from EUR 5 636 million in 2007. R&D expenses represented 11.8% of net sales in 2008, up from 11.0% in 2007. The increase in R&D as a percentage of net sales reflected increased R&D expenses in Devices & Services which were partially offset by decreased R&D expenses in Nokia Siemens Networks. In 2008, Nokia R&D expenses included EUR 153 million representing the contribution of the assets to the Symbian Foundation, restructuring charges of EUR 46 million and purchase price accounting related items of

EUR 351 million. In 2007, Nokia R&D expenses included restructuring charges of EUR 439 million and purchase price accounting related items of EUR 136 million.

In 2008, selling and marketing expenses were EUR 4 380 million compared with EUR 4 379 million in 2007. Selling and marketing expenses represented 8.6% of our net sales both in 2008 and 2007. Selling and marketing expenses decreased in Devices & Services and increased in Nokia Siemens Networks. In 2008, selling and marketing expenses included a EUR 14 million reversal of restructuring charges and EUR 343 million of purchase price accounting related items. Selling and marketing expenses for 2007 included restructuring charges of EUR 149 million and purchase price accounting related items of EUR 214 million.

Administrative and general expenses were EUR 1 284 million in 2008 and EUR 1 165 million in 2007. Administrative and general expenses were equal to 2.5% of net sales in 2008 compared to 2.3% in 2007. Administrative and general expenses in 2008 included restructuring charges of EUR 163 million. Administrative and general expenses for 2007 also included restructuring charges of EUR 146 million.

In 2008, other operating income and expenses included a EUR 152 million loss due to transfer of the Finnish pension liabilities to pension insurance companies. In 2007, other operating income and expenses included a EUR 1 879 million non-taxable gain on formation of Nokia Siemens Networks. Other operating income and expenses in 2007 also included gains on sales of real estate of EUR 128 million and a EUR 53 million gain on a business transfer partially offset by restructuring charges of EUR 58 million related to Nokia Siemens Networks, EUR 23 million of Nokia Siemens Networks related other costs, a EUR 12 million charge for Nokia Siemens Networks incremental costs, EUR 32 million of restructuring charges and a EUR 25 million charge related to restructuring of a subsidiary company.

Our operating profit for 2008 decreased 38% to EUR 4 966 million compared with EUR 7 985 million in 2007. The decreased Devices & Services operating profit, driven by lower net sales and higher operating expense, was partially offset by the decreased loss of Nokia Siemens Networks, resulting from higher net sales and lower operating expenses and restructuring costs. Operating profit in 2007 was also impacted by the EUR 1 879 million non-taxable gain on formation of Nokia Siemens Networks. Our operating margin was 9.8% in 2008 compared with 15.6% in 2007.

Results by Segments

Devices & Services

The following table sets forth our estimates for the global mobile device market volumes and year-on-year growth rate by geographic area for the fiscal years 2008 and 2007.

	Year Ended December 31, 2008	**Change (%) 2007 to 2008**	**Year Ended December 31, 2007**
	(Units in millions, except percentage data)		
Europe	281	(1)%	284
Middle East & Africa	149	18%	126
Greater China	183	6%	173
Asia-Pacific	284	12%	254
North America	178	4%	170

Latin America	139	7%	130
Total	1 213	7%	1 137

According to our estimates, in 2008 the global device market volume grew by 7% to 1 213 million units, compared with an estimated 1 137 million units in 2007. This growth was driven primarily by the strong growth in both replacement sales and sales from new subscribers in emerging markets,

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particularly Middle East & Africa and Asia-Pacific. Developed market device volumes were driven primarily by replacement sales. We estimate that Europe market volumes were down in 2008.

We estimate that emerging markets accounted for approximately 63% of industry device volumes in 2008, compared with approximately 59% in 2007. The entry-level device market (devices priced at 50 euros or under) continued to be one of the fastest growing segments for the market. This was particularly the case in 2008 where we estimate this part of the market represented approximately 44% of the total industry volumes and grew almost 30% in volumes compared to 2007. We estimate the converged device (smartphones) market was approximately 161 million units globally in 2008, growing strongly from approximately 117 million units in 2007.

Despite this overall year-on-year growth, the mobile device market deteriorated significantly in the second half of 2008, with a pronounced weakening in the fourth quarter of 2008. The negative impact of the rapidly deteriorating global economic conditions, including weaker consumer and corporate spending, severely constrained credit availability and unprecedented currency market volatility, was apparent in varying degrees across all geographic markets and product ranges.

At the end of 2008, we estimate that there were approximately 3.9 billion mobile subscriptions globally, representing approximately 58% global penetration. This is compared to approximately 3.3 billion mobile subscribers in 2007 and approximately 43% penetration.

The following table sets forth our mobile device volumes and year-on-year growth rate by geographic area for the fiscal years 2008 and 2007.

	Year Ended December 31, 2008	Change (%) 2007 to 2008	Year Ended December 31, 2007
	(Units in millions, except percentage data)		
Europe	114.9	(2.0)%	117.2
Middle East & Africa	81.0	7.1%	75.6
Greater China	71.3	0.8%	70.7
Asia-Pacific	134.0	18.7%	112.9
North America	15.7	(19.1)%	19.4
Latin America	51.5	24.7%	41.3
Total	468.4	7.2%	437.1

Our mobile device volumes were up 7% in 2008 compared with 2007, reaching 468 million units. Of those volumes, our converged mobile device (smartphone) volumes were 60.6 million units in 2008, compared with 60.5 million units in 2007. Strong year-on-year volume growth in the first half of 2008 was significantly offset by slowing growth in the third quarter and declining volumes in the fourth quarter of 2008. Based on our market estimate, our volume market share grew to 39% in 2008, compared with 38% in 2007. In 2008, we estimate that Nokia was the market leader in Europe, Asia-Pacific, China and Latin America. We further estimate that we were also the market leader in the fastest growing markets of the world, including Middle East & Africa, South East Asia-Pacific and India, as well as in WCDMA technology. We continued to be the market share leader in the entry-level market with a market share of approximately 50%. Our estimated smartphone market share declined to 38% in 2008 compared to 52% in 2007.

During 2008, according to our estimates we gained device market share in Latin America and Asia-Pacific. Our device market share decreased in Middle East & Africa, North America, Greater China and Europe.

In Latin America, our 2008 market share was up significantly driven by strong share gains in markets such as Colombia, Mexico and Brazil as Nokia continued to benefit from its brand and broad product portfolio. Significant market share gains in Asia-Pacific were primarily driven by our strong position in the fastest growing markets, such as India and Indonesia.

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In Middle East & Africa, our market share declined in 2008 as a result of market share declines in several markets, including South Africa, Nigeria and Iran. Our market share declined in North America in 2008 primarily due to a market share decline in the US.

In Greater China, we continued to benefit from our brand, broad product portfolio and extensive distribution system during 2008, but our market share fell partly due to price competition. In Europe, our market share was slightly down. Nokia s share increased in, for example, Italy, Russia and Poland, but was more than offset by market share declines in Germany, Spain, France, Turkey and some other countries.

Our device ASP in 2008 was EUR 74, a decline of 14% from EUR 86 in 2007. Industry ASPs also declined in 2008. Nokia s lower ASP in 2008 compared to 2007 was primarily the result of a higher proportion of lower-priced entry level device sales where industry growth was strong.

The following table sets forth selective line items and the percentage of net sales that they represent for the Devices & Services group for the fiscal years 2008 and 2007.

	Year Ended December 31, 2008	Percentage of Net Sales	Year Ended December 31, 2007	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	35 099	100.0%	37 705	100.0%	(7)%
Cost of sales	(22 360)	(63.7)%	(23 959)	(63.5)%	(7)%
Gross profit	12 739	36.3%	13 746	36.5%	(7)%
Research and development expenses	(3 127)	(8.9)%	(2 879)	(7.6)%	9%
Selling and marketing expenses	(2 847)	(8.1)%	(2 981)	(7.9)%	(4)%
Administrative and general expenses	(429)	(1.2)%	(303)	(0.8)%	42%
Other operating income and expenses	(520)	(1.5)%	1	0.0%	
Operating profit	5 816	16.6%	7 584	20.1%	(23)%

Devices & Services net sales in 2008 decreased 7% to EUR 35 099 million compared with EUR 37 705 million in 2007. At constant currency, Devices & Services net sales would have decreased by 2%. The net sales decrease was primarily due to strong volume growth in the first half of 2008 being significantly offset by slowing growth in the third quarter and declining volumes in the fourth quarter of 2008. Further, the overall volume growth in 2008 was more than offset by a decline in ASP. Net sales grew in Latin America. Net sales decreased in North America, Europe, Middle East & Africa, Asia-Pacific and Greater China. In 2008, services and software net sales contributed EUR 476 million of our total Device & Services net sales.

Devices & Services gross profit in 2008 was EUR 12 739 million compared with EUR 13 746 million in 2007. This represented a gross margin of 36.3% in 2008 compared with a gross margin of 36.5% in 2007.

Devices & Services R&D expenses in 2008 increased by 9% to EUR 3 127 million compared with EUR 2 879 million in 2007. In 2008, R&D expenses represented 8.9% of Devices & Services net sales compared with 7.6% in 2007. The increase was mainly driven by further investments in software and services. In 2008, Devices & Services R&D expenses included EUR 153 million representing the contribution of the assets to the Symbian Foundation.

In 2008, Devices & Services selling and marketing expenses decreased by 4% to EUR 2 847 million primarily as a result of increased focus on cost-efficiency of its selling and marketing efforts, compared with EUR 2 981 million in 2007. In 2008, selling and marketing expenses represented 8.1% of Devices & Services net sales compared with 7.9% of its net sales in 2007.

Other operating income and expenses were EUR 520 million in 2008 and included EUR 392 million of restructuring charges primarily related to the closure of the Bochum site in Germany. In 2007, other operating income and expenses included EUR 57 million of restructuring charges and a EUR 53 million gain on business transfer.

In 2008, Devices & Services operating profit decreased 23% to EUR 5 816 million compared with EUR 7 584 million in 2007, with a 16.6% operating margin, down from 20.1% in 2007. The decrease in operating profit in 2008 was primarily driven by lower net sales and higher operating expenses compared to 2007.

NAVTEQ

The following table sets forth selective line items and the percentage of net sales that they represent for NAVTEQ for the period from July 10, 2008 to December 31, 2008.

	From July 10 to December 31, 2008	Percentage of Net Sales
	(EUR millions, except percentage data)	
Net sales	361	100.0%
Cost of sales	(43)	(11.9)%
Gross profit	318	88.1%
Research and development expenses	(332)	(92.0)%
Selling and marketing expenses	(109)	(30.2)%
Administrative and general expenses	(30)	(8.3)%
Other operating income and expenses		0.0%
Operating profit	(153)	(42.4)%

NAVTEQ net sales for the period from July 10, 2008 to December 31, 2008 were EUR 361 million. Net sales were driven by the licensing of NAVTEQ s geographic database and related location-based content. The following table sets forth NAVTEQ net sales by geographic area for the period from July 10, 2008 to December 31, 2008.

	From July 10 to December 31, 2008 (EUR millions)
Europe	158
Middle East & Africa	29
China	2
Asia-Pacific	10
North America	155
Latin America	7

Total	361

For the period from July 10, 2008 to December 31, 2008, NAVTEQ gross profit was EUR 318 million. Gross profit reflects net sales, partially offset by costs related to the delivery of NAVTEQ s database information to its customers.

NAVTEQ R&D expenses for the period from July 10, 2008 to December 31, 2008 were EUR 332 million. NAVTEQ R&D expenses included amortization of intangible assets recorded as part of Nokia s acquisition of NAVTEQ totaling EUR 171 million. R&D expenses were also driven by increased investment in NAVTEQ s map database related to geographic expansion and quality improvements. R&D expenses represented 92.0% of NAVTEQ net sales for this period.

For the period from July 10, 2008 to December 31, 2008, NAVTEQ s selling and marketing expenses

were EUR 109 million. NAVTEQ s selling and marketing expenses primarily consisted of amortization of intangible assets recorded as part of Nokia s acquisition of NAVTEQ totaling EUR 57 million. Selling and marketing expenses were also driven by investments to grow NAVTEQ s worldwide sales force and expand the breadth of its product offerings. Selling and marketing expenses represented 30.2% of NAVTEQ net sales for this period.

NAVTEQ operating loss was EUR 153 million for the period from July 10, 2008 to December 31, 2008, with an operating margin of negative 42.4%. The operating loss was primarily the result of the amortization of intangible assets recorded as part of Nokia s acquisition of NAVTEQ, which was partially offset by profits from NAVTEQ s ongoing business.

Nokia Siemens Networks

According to our estimates, the mobile infrastructure market was flat in euro terms in 2008 compared to 2007 with the trend varying, depending on region. Slowed growth in developed markets was due to decreasing investments in mature 2G networks which were not fully offset by the capacity expansions of 3G networks. The mobile infrastructure market still grew in emerging markets such as Middle East & Africa, Latin America and China due to the continued subscriber growth, resulting in traffic and correlating capacity increases as well as new network build-outs. Globally, the volume growth in the networks infrastructure equipment was significantly offset by the price erosion of the equipment, largely as a result of maturing technologies and intense price competition. The fixed infrastructure market continued to be characterized by intense price competition in 2008, both in terms of the equipment price erosion due to heavy competition, especially from Asian vendors, and declining tariffs.

The following table sets forth selective line items and the percentage of net sales that they represent for Nokia Siemens Networks for the fiscal years 2008 and 2007.

	Year Ended December 31, 2008	Percentage of Net Sales	Year Ended December 31, 2007	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	15 309	100.0%	13 393	100.0%	14%
Cost of Sales	(10 993)	(71.8)%	(9 876)	(73.7)%	11%
Gross profit	4 316	28.2%	3 517	26.3%	23%
Research and development expenses	(2 500)	(16.3)%	(2 746)	(20.5)%	(9.0)%
Selling and marketing expenses	(1 421)	(9.3)%	(1 394)	(10.4)%	2%
Administrative and general expenses	(689)	(4.5)%	(701)	(5.2)%	(2)%
Other income and expenses	(7)	(0.0)%	16	0.1%	
Operating profit	(301)	(2.0)%	(1 308)	(9.8)%	77%

Nokia Siemens Networks net sales in 2008 increased 14% to EUR 15 309 million compared with EUR 13 393 million in 2007. The increased net sales were primarily due to the fact that the results of Nokia Siemens Networks from January 1, 2007 to March 31, 2007 included our former Networks business group only and the challenges related to the start of the operations of Nokia Siemens Networks in 2007. At constant currency, Nokia Siemens Networks net sales would have increased by 20%. The following table sets forth Nokia Siemens Networks net sales by geographic area for the fiscal years 2008 and 2007.

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Nokia Siemens Networks Net Sales by Geographic Area

	Year Ended December 31, 2008	Year Ended December 31, 2007
	(EUR millions)	
Europe	5 618	5 359
Middle East & Africa	2 040	1 515
Greater China	1 379	1 350
Asia-Pacific	3 881	3 350
North America	698	616
Latin America	1 693	1 202
Total	15 309	13 393

In Nokia Siemens Networks, gross profit was EUR 4 316 million in 2008 compared with EUR 3 517 million in 2007. This represented a gross margin of 28.2% in 2008 compared with a gross margin of 26.3% in 2007. The increased gross margin was primarily due to achieved purchasing synergies, improved project management and increased software sales. In 2008, the gross margin was impacted by restructuring charges and other items of EUR 402 million and in 2007 by restructuring charges and other expenses arising from the realignment of the product portfolio and related replacement of discontinued products at customer sites of EUR 309 million and purchase price accounting related items of EUR 182 million.

In Nokia Siemens Networks, R&D expenses decreased to EUR 2 500 million in 2008 compared with EUR 2 746 million in 2007. In 2008, R&D expenses represented 16.3% of Nokia Siemens Networks net sales compared with 20.5% in 2007. The decrease in R&D expenses resulted from the elimination of overlapping product lines, the consolidation of R&D sites, an increased proportion of R&D activities performed in lower cost locations and lower restructuring charges. In 2008, R&D expenses included restructuring charges and other items of EUR 46 million and purchase price accounting related items of EUR 180 million. In 2007, R&D expenses included restructuring charges and other items of EUR 439 million and purchase price accounting related items of EUR 136 million.

In 2008, Nokia Siemens Networks selling and marketing expenses increased to EUR 1 421 million compared with EUR 1 394 million in 2007. Nokia Siemens Networks selling and marketing expenses represented 9.3% of its net sales in 2008 compared with 10.4% in 2007. The increase in selling and marketing expenses related to the fact that the results of Nokia Siemens Networks from January 1, 2007 to March 31, 2007 included our former Networks business group only. In 2008, selling and marketing expenses included the reversal of restructuring charges and other items of EUR 14 million and purchase price accounting related items of EUR 286 million. In 2007, selling and marketing expenses included restructuring charges and other items of EUR 149 million and purchase price accounting related items of EUR 214 million.

In 2008, other operating income and expenses included a restructuring charge and other items of EUR 49 million and a gain of EUR 65 million from the transfer of Finnish pension liabilities to pension insurance companies. In 2007, other operating income and expenses included a restructuring charge and other items of EUR 58 million and a gain on sale of real estate EUR 53 million.

Nokia Siemens Networks 2008 operating loss was EUR 301 million compared to an operating loss of EUR 1 308 million in 2007. In 2008, the operating loss included EUR 646 million of restructuring charges and purchase price accounting related items of EUR 477 million. In 2007, the operating loss included a charge of EUR 1 110 million related to Nokia Siemens Networks restructuring costs and other items and a gain on sale of real estate of EUR 53 million. The operating loss in 2007 also included EUR 570 million of intangible asset amortization and other purchase price accounting related items. Nokia Siemens Networks operating margin for 2008 was negative 2.0% compared with negative 9.8% in 2007. The decreased operating loss resulted primarily from higher net sales and

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lower operating expenses and the impact of decreased restructuring charges and intangible asset amortization and other purchase price accounting related items.

Corporate Common Functions

Corporate Common Functions expenses totaled EUR 396 million in 2008 compared with Corporate Common Functions operating profit of EUR 1 709 million in 2007. In 2008, Corporate Common Functions operating profit included a EUR 152 million loss due to transfer of Finnish pension liabilities to pension insurance companies. In 2007, Corporate Common Functions operating profit included a EUR 1 879 million non-taxable gain on the formation of Nokia Siemens Networks, EUR 75 million of real estate gains and a EUR 53 million gain on a business transfer.

Net Financial Income and Expenses

During 2008, Nokia s interest expense was EUR 2 million, compared with net financial income of EUR 239 million in 2007. This change was primarily due to the increased interest expense as a result of an increase in interest-bearing liabilities incurred to finance the NAVTEQ acquisition. Foreign exchange gains and losses increased due to a higher cost of hedging and increased volatility on the foreign exchange market.

The net debt to equity ratio was negative 14% at December 31, 2008 compared with a net debt to equity ratio of negative 62% at December 31, 2007. See Item 5B. Liquidity and Capital Resources below.

Profit Before Taxes

Profit before tax and minority interests decreased 40% to EUR 4 970 million in 2008 compared with EUR 8 268 million in 2007. Taxes amounted to EUR 1 081 million and EUR 1 522 million in 2008 and 2007, respectively. In 2008, taxes included the positive impact of EUR 128 million due to recognition of certain tax benefits from prior years. In 2007, taxes include the positive impact of EUR 122 million due to changes in deferred tax assets resulting from the decrease in the German statutory tax rate. The effective tax rate increased to 21.8% in 2008 compared with 18.4% in 2007, primarily due to the EUR 1 879 million non-taxable gain on formation of Nokia Siemens Networks in 2007.

Minority Interests

Minority shareholders interest in our subsidiaries losses totaled EUR 99 million in 2008 compared with minority shareholders interest in our subsidiaries losses of EUR 459 million in 2007. The change was primarily due to the decrease in the net losses of Nokia Siemens Networks.

Net Profit and Earnings per Share

Net profit in 2008 totaled EUR 3 988 million compared with EUR 7 205 million in 2007, representing a year-on-year decrease in net profit of 44.6% in 2008. Earnings per share in 2008 decreased to EUR 1.07 (basic) and EUR 1.05 (diluted) compared with EUR 1.85 (basic) and EUR 1.83 (diluted) in 2007.

2007 compared with 2006

As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of our former Networks business group and Siemens carrier-related operations for fixed and mobile networks. Accordingly, the results of the Nokia Group and Nokia Siemens Networks for the year ended December 31, 2007 are not directly comparable to the results

for the year ended December 31, 2006. Nokia s 2006 results included our former Networks business group only.

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Nokia Group

The following table sets forth selective line items and the percentage of net sales that they represent for the fiscal years 2007 and 2006.

	Year Ended December 31, 2007	Percentage of Net Sales	Year Ended December 31, 2006	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	51 058	100.0%	41 121	100.0%	24%
Cost of sales	(33 781)	(66.2)%	(27 742)	(67.5)%	22%
Gross profit	17 277	33.8%	13 379	32.5%	29%
Research and development expenses	(5 636)	(11.0)%	(3 897)	(9.5)%	45%
Selling and marketing expenses	(4 379)	(8.6)%	(3 314)	(8.1)%	32%
Administrative and general expenses	(1 165)	(2.3)%	(666)	(1.6)%	75%
Other operating income and expenses	1 888	3.7%	(14)	0.0%	
Operating profit	7 985	15.6%	5 488	13.3%	45%

For 2007, our net sales increased 24% to EUR 51 058 million compared with EUR 41 121 million in 2006. At constant currency, group net sales would have grown 28% in 2007. Our gross margin in 2007 was 33.8% compared with 32.5% in 2006. This improvement in our gross margin primarily reflected an improving device portfolio across the range, especially in the Mobile Phones business group. The improved gross margin from the device business was partly offset by a weaker gross margin in Nokia Siemens Networks, compared to the gross margin in Nokia s Networks business group in 2006. The 2007 results of Nokia Siemens Networks are not directly comparable to 2006, as the first quarter 2007 and full year 2006 included Nokia s former Networks business group only.

Research and development, or R&D, expenses were EUR 5 636 million, up 45% from EUR 3 897 million in 2006. R&D expenses represented 11.0% of net sales in 2007, up from 9.5% in 2006. The increase in R&D as a percentage of net sales was primarily due to the formation of Nokia Siemens Networks, which added Siemens carrier-related operations and associated R&D expenses. Research and development expenses have been higher as a percent of sales for both Nokia s former Networks business group and Nokia Siemens Networks than for the Nokia Group. Research and development expenses for the device business represented 6.6% of its net sales in 2007, down from 7.1% in 2006, reflecting continued efforts to gain efficiencies in our investments. R&D expenses increased in Mobile Phones, Multimedia and Nokia Siemens Networks and decreased in Enterprise Solutions. In 2007, Nokia incurred restructuring charges of EUR 439 million related to R&D activities representing 0.9% of net sales in 2007.

In 2007, selling and marketing expenses were EUR 4 379 million, up 32% from EUR 3 314 million in 2006, reflecting increased selling and marketing spend in all business groups to support new product introductions and the higher level

of our net sales. Selling and marketing expenses represented 8.6% of our net sales in 2007, up from 8.1% in 2006. The increased selling and marketing expense was also impacted by the formation of Nokia Siemens Networks, which added Siemens carrier-related operations and associated selling and marketing expenses. Selling and marketing expenses have been higher as a percent of net sales for both our former Networks business group and Nokia Siemens Networks than for the Nokia Group. Selling and marketing expenses for the device business represented 7.9% of its net sales in 2007, down from 8.2% in 2006, reflecting continued efforts to gain efficiencies in our investments. Nokia selling and marketing expenses for 2007 also included restructuring charges of EUR 149 million representing 0.3% of the net sales in 2007.

Administrative and general expenses were EUR 1 165 million in 2007 and EUR 666 million in 2006.

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Administrative and general expenses were equal to 2.3% of net sales in 2007 compared to 1.6% in 2006. Administrative and general expenses for 2007 also included restructuring charges of EUR 146 million.

In 2007, other operating income and expenses included a EUR 1 879 million non-taxable gain on formation of Nokia Siemens Networks. Other operating income and expenses in 2007 also included gains on sales of real estate of EUR 128 million and a EUR 53 million gain on a business transfer partially offset by restructuring charges of EUR 58 million related to Nokia Siemens Networks, EUR 23 million of Nokia Siemens Networks related other costs, a EUR 12 million charge for Nokia Siemens Networks incremental costs, EUR 32 million of restructuring charges and a EUR 25 million charge related to restructuring of a subsidiary company. In 2006, other operating expenses included EUR 142 million of charges primarily related to the restructuring of the CDMA business and associated asset write-downs and a restructuring charge of EUR 8 million for personnel expenses primarily related to headcount reductions in Enterprise Solutions in 2006 more than offset by a gain of EUR 276 million representing our share of the proceeds from the Telsim sale.

Nokia Group s operating profit for 2007 increased 45% to EUR 7 985 million compared with EUR 5 488 million in 2006. An increase in the operating profit of Mobile Phones, Multimedia, Enterprise Solution and Corporate Common Functions in 2007 more than offset Nokia Siemens Networks operating loss. Our operating margin was 15.6% in 2007 compared with 13.3% in 2006.

Results by Segments

Devices & Services

The following table sets forth selective line items and the percentage of net sales that they represent for the Devices & Services group for the fiscal years 2007 and 2006.

	Year Ended December 31, 2007	**Percentage of Net Sales**	**Year Ended December 31, 2006**	**Percentage of Net Sales**	**Percentage Increase/ (Decrease)**
	(EUR millions, except percentage data)				
Net sales	37 705	100.0%	33 684	100.0%	12%
Cost of sales	(23 959)	(63.5)%	(22 848)	(67.8)%	5%
Gross profit	13 746	36.5%	10 836	32.2%	27%
Research and development expenses	(2 879)	(7.6)%	(2 717)	(8.1)%	6%
Selling and marketing expenses	(2 981)	(7.9)%	(2 770)	(8.2)%	8%
Administrative and general expenses	(303)	(0.8)%	(237)	(0.7)%	28%
Other operating income and expenses	1	0.0%	(247)	(0.7)%	
Operating profit	7 584	20.1%	4 865	14.4%	56%

Devices & Services net sales in 2007 increased 12% to EUR 37 705 million, compared with EUR 33 684 million in 2006. The net sales increase resulted from strong volume growth, driven especially by the robust converged device market. We were also able to capture incremental volumes with our strong logistics execution. Volume growth was partially offset by a decline in ASP.

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The following table sets forth our mobile device volumes and year-on-year growth rate by geographic area for the fiscal years 2007 and 2006.

	Year Ended December 31, 2007	Change (%) 2006 to 2007	Year Ended December 31, 2006
	(Units in millions, except percentage data)		
Europe	117.2	17.7%	99.6
Middle East & Africa	75.6	42.1%	53.2
China	70.7	38.6%	51.0
Asia-Pacific	112.9	41.5%	79.8
North America	19.4	(23.3)%	25.3
Latin America	41.3	7.0%	38.6
Total	437.1	25.8%	347.5

Devices & Services gross profit in 2007 was EUR 13 746 million, compared with EUR 10 836 million in 2006. This represented a gross margin of 36.5% in 2007, compared with a gross margin of 32.2% in 2006. This increase in gross margin was primarily due to newer and more profitable devices shipping in volume.

Devices & Services R&D expenses in 2007 increased by 6% to EUR 2 879 million compared with EUR 2 717 million in 2006. In 2007, R&D expenses represented 7.6% of Devices & Services net sales compared with 8.1% of net sales in 2006. The increase reflected the extensive renewal of the product portfolio and continuous introduction of new features in the products shipping in volumes in 2007.

In 2007, Devices & Services selling and marketing expenses increased by 8% to EUR 2 981 million, compared with EUR 2 770 million in 2006. The increase resulted from increased sales and marketing spend to support launches of new products, increased costs related to further development of the distribution network and the growth of our business. In 2007, selling and marketing expenses represented 7.9% of Devices & Services net sales, compared with 8.2% of its net sales in 2006.

In 2007, other operating income and expenses included EUR 57 million of restructuring charges and a EUR 53 million gain on business transfer. In 2006, other operating expenses included EUR 142 million of charges primarily related to the restructuring of the CDMA business and associated asset write-downs.

In 2007, Devices & Services operating profit increased 56% to 7 584 EUR million compared with EUR 4 865 million in 2006, with a 20.1% operating margin, up from 14.4% in 2006. The increase in operating profit in 2007 was driven by an improved gross margin and growth in net sales of our Multimedia products.

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Nokia Siemens Networks

The following table sets forth selective line items and the percentage of net sales that they represent for Nokia Siemens Networks and our Networks business group for the fiscal years 2007 and 2006.

	Year Ended December 31, 2007	Percentage of Net Sales	Year Ended December 31, 2006	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	13 393	100.0%	7 453	100.0%	80%
Cost of Sales	(9 876)	(73.7)%	(4 910)	(65.9)%	101%
Gross profit	3 517	26.3%	2 543	34.1%	38%
Research and development expenses	(2 746)	(20.5)%	(1 180)	(15.8)%	133%
Selling and marketing expenses	(1 394)	(10.4)%	(544)	(7.3)%	156%
Administrative and general expenses	(701)	(5.2)%	(245)	(3.3)%	186%
Other income and expenses	16	0.01%	234	3.1%	(93)%
Operating profit	(1 308)	(9.8)%	808	10.8%	

Nokia Siemens Networks net sales were EUR 13 393 million in 2007 compared with EUR 7 453 million in 2006.

In Nokia Siemens Networks, gross profit was EUR 3 517 million in 2007 compared with EUR 2 543 million in 2006. This represented a gross margin of 26.3% in 2007 reflecting the impact of restructuring charges and other items of EUR 318 million and purchase price accounting related items of EUR 224 million compared with a gross margin of 34.1% in 2006.

In Nokia Siemens Networks, R&D expenses increased to EUR 2 746 million in 2007 compared with EUR 1 180 million in 2006. In 2007, R&D expenses represented 20.5% of Nokia Siemens Networks net sales reflecting the impact of restructuring charges and other items of EUR 439 million and purchase price accounting related items of EUR 136 million compared with 15.8% in 2006.

In 2007, Nokia Siemens Networks selling and marketing expenses increased to EUR 1 394 million compared with EUR 544 million in 2006. Nokia Siemens Networks selling and marketing expenses represented 10.4% of its net sales in 2007 reflecting the impact of restructuring charges and other one time items of EUR 149 million and purchase price accounting related items of EUR 214 million compared with 7.3% in 2006.

In 2007, other operating income and expenses included a restructuring charge and other items of EUR 58 million and a gain on sale of real estate of EUR 53 million. In 2006, other operating income and expenses included a gain of EUR 276 million representing our share of the proceeds from the Telsim sale.

Nokia Siemens Networks 2007 operating loss was EUR 1 308 million compared to an operating profit of EUR 808 million in 2006. In 2007, the operating loss included a charge of EUR 1 110 million related to Nokia Siemens Networks restructuring costs and other items and a gain on sale of real estate of EUR 53 million. The operating loss in 2007 also included EUR 570 million of intangible asset amortization and other purchase price accounting related items. In 2006, Nokia Siemens Networks operating profit included the negative impact of EUR 39 million incremental costs related to Nokia Siemens Networks. Nokia Siemens Networks operating margin for 2007 was negative 9.8% compared with positive 10.8% in 2006. The lower operating profit primarily reflected the impact of restructuring charges, intangible asset amortization and other purchase price accounting related items as well as pricing pressures, a greater proportion of sales from the emerging markets and a higher share of service sales.

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Corporate Common Functions

Corporate Common Functions operating profit totaled EUR 1 709 million in 2007 compared with Corporate Common Functions expenses of EUR 185 million in 2006. Corporate Common Functions operating profit in 2007 included a EUR 1 879 million non-taxable gain on the formation of Nokia Siemens Networks, EUR 75 million of real estate gains and a EUR 53 million gain on a business transfer.

Net Financial Income

Net financial income totaled EUR 239 million in 2007 compared with EUR 207 million in 2006. The increase in net financial income was primarily due to the increased interest income as a result of a higher level of liquid assets.

The net debt to equity ratio was negative 61% at December 31, 2007 compared with a net debt to equity ratio of negative 69% at December 31, 2006. See Item 5B. Liquidity and Capital Resources below.

Profit Before Taxes

Profit before tax and minority interests increased 44% to EUR 8 268 million in 2007 compared with EUR 5 723 million in 2006. Taxes amounted to EUR 1 522 million and EUR 1 357 million in 2007 and 2006, respectively. In 2007, taxes include the positive impact of EUR 122 million due to changes in deferred tax assets resulting from the decrease in the German statutory tax rate. In 2006, taxes include received and accrued tax refunds from previous years of EUR 84 million. The effective tax rate decreased to 18.4% in 2007 compared with 23.7% in 2006, primarily due to the EUR 1 879 million non-taxable gain on formation of Nokia Siemens Networks in 2007.

Minority Interests

Minority shareholders interest in our subsidiaries losses totaled EUR 459 million in 2007 compared with minority shareholders interest in our subsidiaries profits of EUR 60 million in 2006. The change was primarily due to the formation of Nokia Siemens Networks and Siemens share of the losses of Nokia Siemens Networks.

Net Profit and Earnings per Share

Net profit in 2007 totaled EUR 7 205 million compared with EUR 4 306 million in 2006, representing a year-on-year increase in net profit of 67% in 2007. Earnings per share in 2007 increased to EUR 1.85 (basic) and EUR 1.83 (diluted) compared with EUR 1.06 (basic) and EUR 1.05 (diluted) in 2006.

Related Party Transactions

There have been no material transactions during the last three fiscal years to which any director, executive officer or at least 5% shareholder, or any relative or spouse of any of them, was party. There is no significant outstanding indebtedness owed to Nokia by any director, executive officer or at least 5% shareholder.

There are no material transactions with enterprises controlling, controlled by or under common control with Nokia or associates of Nokia.

See Note 31 to our consolidated financial statements included in Item 18 of this annual report.

5B. Liquidity and Capital Resources

At December 31, 2008, our cash and other liquid assets (bank and cash; available-for-sale investments, cash equivalents; and available-for-sale investments, liquid assets) decreased to EUR 6 820 million, compared with EUR 11 753 million at December 31, 2007, primarily as a result of the EUR 2 772 million cash portion of the purchase price of NAVTEQ, EUR 1.7 billion lump-sum cash

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payment to Qualcomm pursuant to the new license agreement, increase in net working capital and lower operating profitability, partly offset by an increase in short-term and long-term borrowings incurred in addition to the financing of the NAVTEQ acquisition. At December 31, 2006, cash and other liquid assets totaled EUR 8 537 million.

Cash and cash equivalents decreased to EUR 5 548 million compared with EUR 6 850 million at December 31, 2007, primarily as a result of the cash portion of NAVTEQ s purchase price, Qualcomm lump-sum cash payment, increase in net working capital and lower operating profitability, partly offset by sale of investments and liquid assets and the increase in short-term and long-term borrowings incurred in addition to the financing of the NAVTEQ acquisition. We hold our cash and cash equivalents predominantly in euros. Cash and cash equivalents totaled EUR 3 525 million at December 31, 2006.

Net cash from operating activities was EUR 3 197 million in 2008 compared with EUR 7 882 million in 2007, and EUR 4 478 million in 2006. In 2008, net cash from operating activities decreased primarily due to decreased profitability, an increase in net working capital, Qualcomm lump-sum cash payment and an increase in income taxes paid. In 2007, net cash from operating activities increased primarily due to an increase in cash generated from operations partly offset by increased income taxes paid.

Net cash used in investing activities was EUR 2 905 million in 2008 compared with EUR 710 million in 2007, and net cash from investing activities of EUR 1 006 million in 2006. Net cash used in acquisitions of group companies, net of acquired cash, was EUR 5 962 million in 2008 compared with EUR 253 million net cash from acquisitions of group companies due to acquired cash in an otherwise non-cash transaction in 2007 and net cash used in acquisitions of group companies of EUR 517 million in 2006. Cash flow from investing activities in 2008 included purchases of current available-for-sale investments, liquid assets of EUR 669 million, compared with EUR 4 798 million in 2007 and EUR 3 219 million in 2006. Additions to capitalized R&D expenses totaled EUR 131 million, compared with EUR 157 million in 2007 and EUR 127 million in 2006. In 2008, we had no long-term loans made to customers, compared with long-term loans made to customers of EUR 261 million in 2007 and EUR 11 million in 2006. Net cash from investing activities in 2006 included EUR 276 million relating to recovery of impaired long-term loans made to customers. Capital expenditures for 2008 were EUR 889 million compared with EUR 715 million in 2007 and EUR 650 million in 2006. Major items of capital expenditure included production lines, test equipment and computer hardware used primarily in research and development, office and manufacturing facilities as well as services and software related intangible assets. Proceeds from maturities and sale of current available-for-sale investments, liquid assets, decreased to EUR 4 664 million, compared with EUR 4 930 million in 2007, and EUR 5 058 million in 2006.

Net cash used in financing activities decreased to EUR 1 545 million in 2008 compared with EUR 3 832 million in 2007, primarily as a result of an increase in proceeds from short-term borrowings. Net cash used in financing activities decreased to EUR 3 832 million in 2007 compared with EUR 4 966 million in 2006, primarily as a result of an increase in proceeds from stock options exercises of EUR 941 million and in proceeds from short-term borrowings of EUR 798 million offset by an increase in the purchases of treasury shares with EUR 448 million during 2007. Dividends paid increased to EUR 2 048 million in 2008 compared with EUR 1 760 million in 2007 and EUR 1 553 million in 2006.

At December 31, 2008, we had EUR 861 million in long-term interest-bearing liabilities and EUR 3 591 million in short-term borrowings, offset by EUR 6 820 million in cash and other liquid assets, resulting in a net liquid assets balance of EUR 2 368 million, compared with EUR 10 663 million at the end of 2007 and EUR 8 288 million at the end of 2006. The decrease reflected the impact of the cash portion of NAVTEQ s purchase price, Qualcomm lump-sum cash payment, increase in net working capital and lower operating profitability. For further information regarding our long-term liabilities, see Note 23 to our consolidated financial statements included in Item 18 of this annual report. Our ratio of net interest-bearing debt, defined as short-term and long-term debt less cash and other liquid assets, to equity, defined as shareholders equity and minority

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interests, was negative 14%, negative 62% and negative 69% at December 31, 2008, 2007 and 2006, respectively.

Our Board of Directors has proposed a dividend of EUR 0.40 per share for the year ended December 31, 2008, subject to shareholders approval, compared with EUR 0.53 and EUR 0.43 per share paid for the years ended December 31, 2007 and 2006, respectively. See Item 3.A Selected Financial Data Distribution of Earnings.

Our refinancing needs in 2009 will include refinancing of our short-term borrowings incurred in connection with the NAVTEQ acquisition and refinancing of Nokia Siemens Networks bilateral loan arrangements with financial institutions. We also may incur additional indebtedness from time to time as required to finance acquisitions and working capital needs. In February 2009, we issued EUR 1 750 million of Eurobonds EUR 1 250 million bonds due 2014 with a coupon of 5.50% and issue price of 99.855%; and EUR 500 million bonds due 2019 with a coupon of 6.75% and issue price of 99.702% under our EUR 3 000 million Euro Medium Term Note, or EMTN, program to repay part of our existing short-term borrowings. In February 2009, we also signed and fully drew down EUR 500 million loan from the European Investment Bank. The proceeds of the loan will be used to finance part of our smartphone research and development expenses.

At December 31, 2008, Nokia had a USD 4 000 million US Commercial Paper, or USCP, program, USD 4 000 million Euro Commercial Paper, or ECP, program, EUR 3 000 million EMTN program, domestic Finnish commercial paper program totaling EUR 750 million and shelf registration statement for an indeterminate amount of debt securities on file with the US Securities and Exchange Commission. At December 31, 2008, we also had committed credit facilities of USD 2 000 million maturing in 2009, EUR 500 million maturing in 2011, USD 1 923 million maturing in 2012, and a number of short-term uncommitted facilities. In February 2009, we voluntarily cancelled the USD 2 000 million committed credit facility maturing in 2009 due to the above-described repayment of part of our short-term borrowings from the proceeds of the Eurobond issue in February 2009. At February 28, 2009, the total amount available to us under our committed credit facilities was EUR 404 million, excluding the amounts available only for the repayment of our outstanding commercial papers. See Note 35 (c) to our consolidated financial statements included in Item 18 of this annual report for further information relating to our funding programs.

We have historically maintained a high level of liquid assets. Management estimates that the cash and other liquid assets level of EUR 6 820 million at the end of 2008, together with our available credit facilities, cash flow from operations, funds available from long-term and short-term debt financings, as well as the proceeds of future equity or convertible bond offerings, will be sufficient to satisfy our future working capital needs, capital expenditure, research and development, acquisitions and debt service requirements at least through 2009. The ratings of our short and long-term debt from credit rating agencies have not changed during the year. The ratings at December 31, 2008, were:

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

We believe that Nokia will continue to be able to access the capital markets on terms and in amounts that will be satisfactory to us, and that we will be able to obtain bid and performance bonds, to arrange or provide customer financing as necessary to support our business and to engage in hedging transactions on commercially acceptable terms.

We primarily invest in research and development, marketing and building the Nokia brand. However, over the past few years Nokia has increased its investment in services and software by acquiring companies with specific technology assets and expertise. In 2008, capital expenditures totaled EUR 889 million, compared with

EUR 715 million in 2007 and EUR 650 million in 2006. The increase in 2008 resulted from increased amount of capital expenditures in machinery and equipment and

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increased investment in services and software related intangible assets. Principal capital expenditures during the three years included production lines, test equipment and computer hardware used primarily in research and development, office and manufacturing facilities as well as services and software related intangible assets. We expect the amount of capital expenditures (excluding acquisitions) during 2009 to be reduced to approximately EUR 700 million, and to be funded from our cash flow from operations.

Structured Finance

Structured finance includes customer financing and other third-party financing. Network operators in some markets sometimes require their suppliers, including us, to arrange or provide long-term financing as a condition to obtaining or bidding on infrastructure projects.

The current global financial crisis and the related tightening of the credit markets may restrict the access of our customers and suppliers to financing. We do not, however, currently intend to significantly increase financing to our customers which may have an adverse effect on our ability to compete successfully for their business. Rather, as a strategic market requirement, we plan to continue to arrange and facilitate financing to our customers, and provide financing and extended payment terms to a small number of selected customers. Extended payment terms may continue to result in a material aggregate amount of trade credits, but the associated risk is mitigated by the fact that the portfolio relates to a variety of customers.

The following table sets forth our total structured finance, outstanding and committed, for the years indicated.

Structured Finance

	At December 31,		
	2008	2007	2006
	(EUR millions)		
Financing commitments	197	270	164
Outstanding long-term loans (net of allowances and write-offs)	27	10	19
Current portion of outstanding long-term loans (net of allowances and write-offs)	101	156	
Outstanding financial guarantees and securities pledged	2	130	23
Total	327	566	206

In 2008, our total structured financing, outstanding and committed, decreased to EUR 327 million from EUR 566 million in 2007 and primarily consisted of committed financing to network operators. Outstanding financial guarantees given on behalf of third parties decreased to EUR 2 million in 2008 from EUR 130 million in 2007.

In 2007, our total structured financing, outstanding and committed, increased to EUR 566 million from EUR 206 million in 2006 and primarily consisted of committed financing to network operators. Outstanding financial guarantees given on behalf of third parties increased from EUR 23 million in 2006 to EUR 130 million in 2007.

See Note 35 (b) to our consolidated financial statements included in Item 18 of this annual report for further information relating to our committed and outstanding customer financing.

As a strategic market requirement, we plan to continue to provide customer financing and extended payment terms to a small number of selected customers. We continue to make arrangements with financial institutions and investors to sell credit risk we have incurred from the commitments and outstanding loans we have made as well as from the financial guarantees we have given. Should the demand for customer finance increase in the future, we intend to further mitigate our total structured financing exposure, market conditions permitting.

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We expect our structured financing commitments to be financed mainly through the capital markets as well as through cash flow from operations.

The structured financing commitments are available under loan facilities mainly negotiated with customers of Nokia Siemens Networks. Availability of the amounts is dependent upon the borrowers continuing compliance with stated financial and operational covenants and compliance with other administrative terms of the facilities. The customer loans are available to fund capital expenditure relating to purchase of network infrastructure equipment and services from Nokia Siemens Networks.

The following table sets forth the amounts of our contingent commitments for the periods indicated as at December 31, 2008. The amounts represent the maximum principal amount of commitments.

Contingent Commitments Expiration Per Period

	2009	2010-2011	2012-2013	Thereafter	Total
			(EUR millions)		
Guarantees of Nokia s performance	1 445	446	112	679	2 682
Financial guarantees and securities pledged on behalf of third parties	2				2
Total	1 447	446	112	679	2 684

Guarantees of Nokia s performance include EUR 2 682 million of guarantees that are provided to certain Nokia Siemens Networks customers in the form of bank guarantees, standby letters of credit and other similar instruments. These instruments entitle the customer to claim payment as compensation for non-performance by Nokia of its obligations under network infrastructure supply agreements. Depending on the nature of the instrument, compensation is payable either immediately upon request, or subject to independent verification of non-performance by Nokia.

Financial guarantees and securities pledged on behalf of customers represent guarantees relating to payment by certain Nokia Siemens Networks customers and other third parties under specified loan facilities between such a customer or other third parties and their creditors. Nokia s obligations under such guarantees are released upon the earlier of expiration of the guarantee or early payment by the customer or other third party.

See Note 29 to our consolidated financial statements included in Item 18 of this annual report for further information regarding commitments and contingencies.

5C. Research and Development, Patents and Licenses

Success in the mobile communications industry requires continuous introduction of new products and solutions based on the latest available technology. This places considerable demands on our research and development, or R&D activities. Consequently, in order to maintain our competitiveness, we have made substantial R&D expenditures in each of the last three years. Our consolidated R&D expenses for 2008 were EUR 5 968 million, an increase of 6% from EUR 5 636 million in 2007. The increase in R&D expenses was primarily due to increased R&D expenses in Devices & Services which were partly offset by decreased R&D expenses in Nokia Siemens Networks. R&D expenses in 2006 were EUR 3 897 million. These expenses represented 11.8%, 11.0% and 9.5% of Nokia net sales in 2008, 2007 and 2006, respectively. In 2008, Devices & Services R&D expenses included EUR 153 million

representing the contribution of the assets to the Symbian Foundation, EUR 46 million of restructuring charges and EUR 351 million of purchase price accounting related items. In 2007, Nokia Siemens Networks incurred a restructuring charge of EUR 439 million and EUR 136 million purchase price accounting related items related to R&D activities.

To enable our future success, we continued to improve the efficiency of our worldwide R&D network and increased our collaboration with third parties. At December 31, 2008, we employed 39 350 people in R&D, representing approximately 31% of our total workforce, and had a strong

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research and development presence in 16 countries. R&D expenses of Devices & Services as a percentage of its net sales were 8.9% in 2008 compared with 7.6% in 2007 and 8.1% in 2006. NAVTEQ R&D expenses for the six months ended on December 31, 2008 as a percentage of its net sales were 92.0%. In the case of Nokia Siemens Networks, R&D expenses represented 16.3%, 20.5% and 15.8% of its net sales in 2008, 2007 and 2006, respectively.

5D. Trends Information

See Item 5.A Operating Results Principal Factors Affecting our Results of Operations for information on material trends affecting our business and results of operations.

5E. Off-Balance Sheet Arrangements

There are no material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

5F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations for the periods indicated as at December 31, 2008.

Contractual Obligations Payments Due by Period

	2009	2010-2011	2012-2013	Thereafter	Total
			(EUR millions)		
Long-term liabilities	13	525	85	320	943
Operating leases	315	422	225	194	1 156
Inventory purchases	1 896	275	88	92	2 351
Total	2 224	1 222	398	606	4 450

Benefit payments related to the underfunded domestic and foreign defined benefit plan is not expected to be material in any given period in the future. Therefore, these amounts have not been included in the table above for any of the years presented.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6A. Directors and Senior Management

Pursuant to the provisions of the Finnish Companies Act and our Articles of Association, the control and management of Nokia is divided among the shareholders at a general meeting, the Board of Directors (or the Board), the President and the Group Executive Board chaired by the Chief Executive Officer.

Board of Directors

The current members of the Board of Directors were elected at the Annual General Meeting on May 8, 2008, based on the proposal of the Corporate Governance and Nomination Committee of the Board of Directors. On the same date,

the Chairman and Vice Chairman of the Board of Directors, as well as the Chairmen and members of the committees of the Board, were elected among the Board members and among the independent directors of the Board, respectively.

The members of the Board of Directors are annually elected by a simple majority of the shareholders votes represented at the Annual General Meeting for a one-year term ending at close of the next Annual General Meeting.

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

Chairman Jorma Ollila, b. 1950	*Chairman of the Board of Directors of Nokia Corporation. Chairman of the Board of Directors of Royal Dutch Shell Plc. Board member since 1995. Chairman since 1999.* Master of Political Science (University of Helsinki), Master of Science (Econ.) (London School of Economics), Master of Science (Eng.) (Helsinki University of Technology). Chairman and CEO, Chairman of the Group Executive Board of Nokia Corporation 1999-2006, President and CEO, Chairman of the Group Executive Board of Nokia Corporation 1992-1999, President of Nokia Mobile Phones 1990-1992, Senior Vice President, Finance of Nokia 1986-1989. Holder of various managerial positions at Citibank within corporate banking 1978-1985. Vice Chairman of the Board of Directors of Otava Books and Magazines Group Ltd and member of the Board of Directors of Fruugo Inc. Chairman of the Boards of Directors and the Supervisory Boards of The Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA. Chairman of The European Round Table of Industrialists. Vice Chairman of the Independent Reflection Group of the Council of the European Union considering the future of the European Union.
Vice Chairman Dame Marjorie Scardino, b. 1947	*Chief Executive and member of the Board of Directors of Pearson plc. Board member since 2001. Vice Chairman since 2007. Chairman of the Corporate Governance and Nomination Committee and member of the Personnel Committee.* Bachelor of Arts (Baylor University), Juris Doctor (University of San Francisco). Chief Executive of The Economist Group 1993-1997, President of the North American Operations of The Economist Group 1985-1993, lawyer 1976-1985 and publisher of The Georgia Gazette newspaper 1978-1985.
Georg Ehrnrooth, b. 1940	*Board member since 2000. Chairman of the Audit Committee and member of the Corporate Governance and Nomination Committee.* Master of Science (Eng.) (Helsinki University of Technology). President and CEO of Metra Corporation 1991-2000, President and CEO of Lohja Corporation 1979-1991. Holder of various executive positions at Wärtsilä Corporation within production and management 1965-1979. Chairman of the Board of Directors of Sampo plc, member of the Boards of Directors of Oy Karl Fazer Ab and Sandvik AB (publ). Vice Chairman

of the Boards of Directors of The Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA.

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Lalita D. Gupte, b. 1948	*Non-executive Chairman of the ICICI Venture Funds Management Co Ltd.* *Board member since 2007.* *Member of the Audit Committee.* B.A. in Economics (University of Delhi) and Master of Management Studies (University of Bombay). Joint Managing Director member of the Board of Directors of ICICI Bank Limited (formerly ICICI Ltd) 1999-2006, Deputy Managing Director of ICICI Ltd 1996-1999, Executive Director on the Board of Directors of ICICI Limited 1994-1996. Various leadership positions in Corporate and Retail Banking, Strategy and Resources, and International Banking in ICICI Limited and subsequently in ICICI Bank Ltd since 1971. Member of the Boards of Directors of ICICI Venture Funds Management Co Ltd (non-executive Chairman), Bharat Forge Ltd, Kirloskar Brothers Ltd, FirstSource Solutions Ltd, Godrej Properties Ltd, HPCL-Mittal Energy Ltd and Swadhaar FinServe Pvt Ltd. Also member of Board of Governors of educational institutions.
Dr. Bengt Holmström, b. 1949	*Paul A. Samuelson Professor of Economics at MIT, joint appointment at the MIT Sloan School of Management.* *Board member since 1999.* Bachelor of Science (Helsinki University), Master of Science (Stanford University), Doctor of Philosophy (Stanford University). Edwin J. Beinecke Professor of Management Studies at Yale University 1985-1994. Member of the American Academy of Arts and Sciences and Foreign Member of The Royal Swedish Academy of Sciences. Member of the Boards of Directors of The Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA. Member of Aalto University Foundation Board.
Prof. Dr. Henning Kagermann, b. 1947	*Co-CEO and Chairman of the Executive Board of SAP AG.* *Board member since 2007.* *Member of the Personnel Committee.* Ph.D. in Theoretical Physics (Technical University of Brunswick). Co-chairman of the Executive Board of SAP 1998-2003. A number of leadership positions in SAP since 1982. Member of SAP Executive Board since 1991. Taught physics and computer science at the Technical University of Brunswick and the University of Mannheim 1980-1992, became professor in 1985.

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

Olli-Pekka Kallasvuo, b. 1953	*President and CEO of Nokia Corporation.* *Board member since 2007.* LL.M. (University of Helsinki). President and COO of Nokia Corporation 2005-2006, Executive Vice President and General Manager of Nokia Mobile Phones 2004-2005, Executive Vice President, CFO of Nokia 1999-2003, Executive Vice President of Nokia Americas and President of Nokia Inc. 1997-1998, Executive Vice President, CFO of Nokia 1992-1996, Senior Vice President, Finance of Nokia 1990-1991. Chairman of the Board of Directors of Nokia Siemens Networks B.V. Member of the Board of Directors of Confederation of Finnish Industries EK.
Per Karlsson, b. 1955	*Independent Corporate Advisor.* *Board member since 2002.* *Chairman of the Personnel Committee and member of the Corporate Governance and Nomination Committee.* Degree in Economics and Business Administration (Stockholm School of Economics). Executive Director, with mergers and acquisitions advisory responsibilities, at Enskilda M&A, Enskilda Securities (London) 1986-1992. Corporate strategy consultant at the Boston Consulting Group (London) 1979-1986. Member of the Board of Directors of IKANO Holdings S.A.
Risto Siilasmaa, b. 1966	*Board member since May 8, 2008.* *Member of the Audit Committee.* Studies at Helsinki University of Technology, Department of Industrial Engineering and Management. President and CEO of F-Secure Corporation 1988-2006. Chairman of the Boards of Directors of F-Secure Corporation, Elisa Corporation, and Fruugo Inc. Member of the Boards of Directors of Blyk Ltd, Ekahau Inc., Efecte Corp., Nexit Ventures Oy and Valimo Wireless Oy. Vice Chairman of the Boards of Directors of The Federation of Finnish Technology Industries and Finnish-American Chamber of Commerce, member of the Board of Directors of Confederation of Finnish Industries EK, member of the advisory boards of Communications Administration at Ministry of Transport and Communications in Finland, Helsinki University of Economics and Helsinki University of Technology.

Keijo Suila, b. 1945	*Board member since 2006.* *Member of the Audit Committee.* B.Sc. (Economics and Business Administration) (Helsinki University of Economics and Business Administration). President and CEO of Finnair Plc 1999-2005. Chairman of oneworld airline alliance 2003-2004 and member of various

international aviation and air transportation associations 1999-2005. Holder of various executive positions, including Vice Chairman and Executive Vice President, at Huhtamäki Oyj, Leaf Group and Leaf Europe 1985-1998.

Chairman of the Boards of Directors of Solidium Oy and The Finnish Fair Corporation. Vice Chairman of the Board of Directors of Kesko Corporation.

Vesa Vainio, member of the Board since 1993, served as a member of the Board of Directors until the Annual General Meeting on May 8, 2008, but did not stand for re-election.

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

On January 22, 2009, the Corporate Governance and Nomination Committee announced its proposal to the Annual General Meeting convening on April 23, 2009 regarding the composition of the Board of Directors for a one-year term as from the Annual General Meeting in 2009 until the close of the Annual General Meeting in 2010. The Committee will propose to the Annual General Meeting that the number of Board members be 11 and that all current Board members be re-elected: Georg Ehrnrooth, Lalita D. Gupte, Bengt Holmström, Henning Kagermann, Olli-Pekka Kallasvuo, Per Karlsson, Jorma Ollila, Marjorie Scardino, Risto Siilasmaa and Keijo Suila. Moreover, the Committee will propose that Isabel Marey-Semper be elected as a new member of the Board for the same term as from the Annual General Meeting in 2009 until the close of the Annual General Meeting in 2010. Isabel Marey-Semper is Chief Financial Officer, EVP responsible for Strategy at PSA Peugeot Citroën.

Subject to the requirements of Finnish law, the independent directors of the new Board will elect a Chairman and a Vice Chairman from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. The independent directors of the new Board will also confirm the election of the members and Chairmen for the Board s Committees from among the Board s independent directors upon the recommendation of the Corporate Governance and Nomination Committee and based on each committee s member qualification standards. These elections will take place at the Board s assembly meeting following the Annual General Meeting.

On January 22, 2009, the Corporate Governance and Nomination Committee announced that it will propose at the assembly meeting of the new Board of Directors after the Annual General Meeting on April 23, 2009 that Jorma Ollila be elected as Chairman of the Board and Dame Marjorie Scardino as Vice Chairman of the Board.

Group Executive Board

According to our Articles of Association, we have a Group Executive Board that is responsible for the operative management of the Group. The Chairman and members of the Group Executive Board are appointed by the Board of Directors. Only the Chairman of the Group Executive Board can be a member of both the Board of Directors and the Group Executive Board.

Veli Sundbäck, Executive Vice President, Corporate Relations and Responsibility resigned from the Group Executive Board as of December 31, 2008 and Mr. Sundbäck will continue in Nokia as an executive advisor until his retirement on May 31, 2009. Esko Aho, Executive Vice President, Corporate Relations and Responsibility, was appointed as a member of the Group Executive Board as of January 1, 2009.

The current members of our Group Executive Board are set forth below.

Chairman Olli-Pekka Kallasvuo, b. 1953	*President and CEO of Nokia Corporation.* *Group Executive Board member since 1990, Chairman since 2006.* *With Nokia 1980-1981, rejoined 1982.* LL.M. (University of Helsinki).

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	President and COO of Nokia Corporation 2005-2006, Executive Vice President and General Manager of Nokia Mobile Phones 2004-2005, Executive Vice President, CFO of Nokia 1999-2003, Executive Vice President of Nokia Americas and President of Nokia Inc. 1997-1998, Executive Vice President, CFO of Nokia 1992-1996, Senior Vice President, Finance of Nokia 1990-1991. Chairman of the Board of Directors of Nokia Siemens Networks B.V. Member of the Board of Directors of Confederation of Finnish Industries EK.
Esko Aho, b. 1954	*Executive Vice President, Corporate Relations and Responsibility. Group Executive Board member since January 1, 2009.* *Joined Nokia November 1, 2008.* Master of Social Sciences (University of Helsinki). President of the Finnish Innovation Fund, Sitra 2004-2008. Private consultant 2003-2004. Lecturer, Harvard University 2000-2001. Prime Minister of Finland 1991-1995. Chairman of the Centre Party 1990-2002. Member of the Finnish Parliament 1983-2003. Elector in the presidential elections of 1978, 1982 and 1988. Member of the Board of Directors of Fortum Corporation. Member of the Board of Directors of Russian Venture Company. Member of the Club de Madrid. Member of the Science and Technology in Society Forum (STS). Member of the InterAction Council. Vice Chairman of the Board, Technology Industries of Finland.
Robert Andersson, b. 1960	*Executive Vice President, Devices Finance, Strategy and Strategic Sourcing.* *Group Executive Board member since 2005.* *Joined Nokia in 1985.* Master of Business Administration (George Washington University, Washington D.C.), Master of Science (Economics and Business Administration) (Swedish School of Economics and Business Administration, Helsinki). Executive Vice President of Customer and Market Operations 2005-2007, Senior Vice President of Customer and Market Operations, Europe, Middle East and Africa 2004-2005, Senior Vice President of Nokia Mobile Phones in Asia-Pacific 2001-2004, Vice President of Sales for Nokia Mobile Phones in Europe and Africa 1998-2001. Various managerial and executive positions within Nokia Mobile Phones, Nokia Consumer Electronics and Nokia Data 1985-1998.
Simon Beresford-Wylie, b. 1958	

Chief Executive Officer, Nokia Siemens Networks.
Group Executive Board member since 2005.
Joined Nokia 1998.

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

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	Executive Vice President and General Manager of Networks 2005-2007. Senior Vice President of Nokia Networks, Asia-Pacific 2003-2004, Senior Vice President, Customer Operations of Nokia Networks 2002-2003, Vice President, Customer Operations of Nokia Networks 2000-2002, Managing Director of Nokia Networks in India and Area General Manager, South Asia 1999-2000, Regional Director of Business Development, Project and Trade Finance of Nokia Networks, Asia-Pacific 1998-1999, Chief Executive Officer of Modi Telstra, India 1995-1998, General Manager, Banking and Finance, Corporate and Government business unit of Telstra Corporation 1993-1995, holder of executive positions in the Corporate and Government business units of Telstra Corporation 1989-1993. Holder of executive, managerial and clerical positions in the Australian Commonwealth Public Service 1982-1989.
	Member of the Board of Directors of The Vitec Group.
Timo Ihamuotila, b. 1966	*Executive Vice President, Sales.* *Group Executive Board member since 2007.* *With Nokia 1993-1996, rejoined 1999.*
	Master of Science (Economics) (Helsinki School of Economics), Licentiate of Science (Finance) (Helsinki School of Economics).
	Executive Vice President, Sales and Portfolio Management, Mobile Phones, 2007. Senior Vice President, CDMA Business Unit, Mobile Phones 2004-2007, Vice President, Finance, Corporate Treasurer of Nokia Corporation 2000-2004, Director of Corporate Finance 1999-2000, Vice President of Nordic Derivates Sales, Citibank plc 1996-1999, Manager of Dealing & Risk Management of Nokia 1993-1996, Analyst, Assets and Liability Management, Kansallis Bank 1990-1993.
Mary T. McDowell, b. 1964	*Executive Vice President, Chief Development Officer.* *Group Executive Board member since 2004.* *Joined Nokia 2004.*
	Bachelor of Science (Computer Science) (College of Engineering at the University of Illinois).
	Executive Vice President and General Manager of Enterprise Solutions 2004-2007. Senior Vice President, Strategy and Corporate Development of Hewlett-Packard Company 2003, Senior Vice President & General Manager, Industry-Standard Servers of Hewlett-Packard Company 2002-2003, Senior Vice President & General Manager, Industry-Standard Servers of Compaq Computer Corporation 1998-2002, Vice President, Marketing, Server Products Division of Compaq Computer Corporation 1996-1998. Holder of executive, managerial and other positions at Compaq Computer Corporation 1986-1996.

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

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	Diplomøkonom (Econ.) (Norwegian School of Management). Holder of various positions at Hewlett-Packard Corporation 1977-1999. Member of the Board of Advisors of Center for HR Strategy, Rutgers University. Fellow of Academy of Human Resources, Class of 2007.
Dr. Tero Ojanperä, b. 1966	*Executive Vice President, Services.* *Group Executive Board member since 2005.* *Joined Nokia 1990.* Master of Science (University of Oulu), Ph.D. (Delft University of Technology, The Netherlands). Executive Vice President, Chief Technology Officer 2006-2007. Executive Vice President & Chief Strategy Officer 2005-2006, Senior Vice President, Head of Nokia Research Center 2003-2004. Vice President, Research, Standardization and Technology of IP Mobility Networks, Nokia Networks 1999-2002. Vice President, Radio Access Systems Research and General Manager of Nokia Networks in Korea 1999. Head of Radio Access Systems Research, Nokia Networks 1998-1999, Principal Engineer, Nokia Research Center, 1997-1998. Member of Young Global Leaders. Member of the Board of Directors of MusiCares.
Niklas Savander, b. 1962	*Executive Vice President, Services.* *Group Executive Board Member 2006.* *Joined Nokia 1997.* Master of Science (Eng.) (Helsinki University of Technology), Master of Science (Economics and Business Administration) (Swedish School of Economics and Business Administration, Helsinki). Executive Vice President, Technology Platforms 2006-2007. Senior Vice President and General Manager of Nokia Enterprise Solutions, Mobile Devices Business Unit 2003-2006, Senior Vice President, Nokia Mobile Software, Market Operations 2002-2003, Vice President, Nokia Mobile Software, Strategy, Marketing & Sales 2001-2002, Vice President and General Manager of Nokia Networks, Mobile Internet Applications 2000-2001, Vice President of Nokia Networks, Systems Marketing 1997-1998. Holder of executive and managerial positions at Hewlett-Packard Company 1987-1997. Member of the Board of Directors of Nokia Siemens Networks B.V. Vice Chairman of the Board of Directors of Tamfelt Corp. Member of the Board of Directors and secretary of Waldemar von Frenckells Stiftelse.

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

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	Bachelor of Science (Mining Eng.) (Colorado School of Mines), Master of Business Administration (Finance) (Wharton School of Business at University of Pennsylvania). Vice President & Head of Customer Finance of Nokia Corporation 2001-2003, Managing Director of Telecom & Media Group of Barclays 2001, Head of Global Project Finance and other various positions at Bank of America Securities 1985-2001. Member of the Board of Directors of Nokia Siemens Networks B.V. Member of the Board of Directors of Electronic Arts, Inc. Member of the Board of Trustees of International House New York. Member of US Treasury Advisory Committee on the Auditing Profession.
Anssi Vanjoki, b. 1956	*Executive Vice President, Markets.* *Group Executive Board member since 1998.* *Joined Nokia 1991.* Master of Science (Econ.) (Helsinki School of Economics and Business Administration). Executive Vice President and General Manager of Multimedia 2004-2007. Executive Vice President of Nokia Mobile Phones 1998-2003, Senior Vice President, Europe & Africa of Nokia Mobile Phones 1994-1998, Vice President, Sales of Nokia Mobile Phones 1991-1994, 3M Corporation 1980-1991. Chairman of the Boards of Directors of Amer Sports Corporation and Koskitukki Oy.
Dr. Kai Öistämö, b. 1964	*Executive Vice President, Devices.* *Group Executive Board Member since 2005.* *Joined Nokia in 1991.* Doctor of Technology (Signal Processing), Master of Science (Engineering) (Tampere University of Technology). Executive Vice President and General Manager of Mobile Phones 2005-2007. Senior Vice President, Business Line Management, Mobile Phones 2004-2005, Senior Vice President, Mobile Phones Business Unit, Nokia Mobile Phones 2002-2003, Vice President, TDMA/GSM 1900 Product Line, Nokia Mobile Phones 1999-2002, Vice President, TDMA Product Line 1997-1999 Various technical and managerial positions in Nokia Consumer Electronics and Nokia Mobile Phones 1991-1997. Member of Board of Directors of Nokian Tyres plc.

Chairman of the Research and Technology Committee of the Confederation of Finnish Industries EK.

6B. Compensation

The following section reports the remuneration to the Board of Directors and describes our compensation policies and actual compensation for the Group Executive Board and other executive officers as well as our use of equity incentives.

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Board of Directors

The following table sets forth the annual remuneration of the members of the Board of Directors based on their positions on the Board and its committees, including the remuneration paid to the President and CEO for his duties as a member of the Board of Directors only, as resolved at the respective Annual General Meetings in 2008, 2007 and 2006.

Position	2008	2007	2006
Chairman	440 000	375 000	375 000
Vice Chairman	150 000	150 000	137 500
Member	130 000	130 000	110 000
Chairman of Audit Committee	25 000	25 000	25 000
Member of Audit Committee	10 000	10 000	10 000
Chairman of Personnel Committee	25 000	25 000	25 000
Total	**1 710 000**	**1 775 000**	**1 472 500**

Non-executive members of the Board of Directors do not receive stock options, performance shares, restricted shares or other variable compensation for their duties as Board members. In addition, no meeting fees are payable. However, it is Nokia policy that a significant portion of director remuneration is paid in the form of Nokia shares, and in alignment therewith, approximately 40% of the annual remuneration payable to the members of Board of Directors has been paid in Nokia shares purchased from the market. The President and CEO receives variable compensation for his executive duties, but not for his duties as a member of the Board of Directors. Total compensation of the President and CEO is described below in Executive Compensation Actual Executive Compensation for 2008 Summary Compensation Table 2008 .

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

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

Remuneration of the Board of Directors in 2008

For the year ended December 31, 2008, the aggregate remuneration paid to the members of the Board of Directors for their services as members of the Board and its committees, was EUR 1 710 000.

The following table sets forth the total annual remuneration paid to the members of the Board of Directors in 2008, as resolved by the shareholders at the Annual General Meeting on May 8, 2008. For

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information with respect to the Nokia shares and equity awards held by the members of the Board of Directors, please see Item 6E. Share Ownership .

	Year	Fees Earned or Paid in Cash (EUR)[1]	Stock Awards (EUR)[2]	Option Awards (EUR)[2]	Non-Equity Incentive Plan Compensation EUR[2]	Change in Pension Value and Nonqualified Deferred Compensation Earnings (EUR)[2]	All Other Compensation (EUR)[2]	Total (EUR)
Jorma Ollila, Chairman[3]	2008	440 000						440 000
Marjorie Scardino, Vice Chairman[4]	2008	150 000						150 000
Georg Ehrnrooth[5]	2008	155 000						155 000
Lalita D. Gupte[6]	2008	140 000						140 000
Bengt Holmström	2008	130 000						130 000
Olli-Pekka Kallasvuo[7]	2008	130 000						130 000
Henning Kagermann	2008	130 000						130 000
Per Karlsson[8]	2008	155 000						155 000
Risto Siilasmaa[9]	2008	140 000						140 000
Keijo Suila[10]	2008	140 000						140 000

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

(2) Not applicable to any non-executive member of the Board of Directors.

(3) The 2008 fee of Mr. Ollila was paid for his services as Chairman of the Board.

(4) The 2008 fee of Ms. Scardino was paid for her services as Vice Chairman of the Board.

(5) The 2008 fee paid to Mr. Ehrnrooth amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee.

(6) The 2008 fee paid to Ms. Gupte amounted to a total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

(7) This table includes remuneration paid to Mr. Kallasvuo, President and CEO, for his services as a member of the Board only. For the compensation paid for his services as the President and CEO, see Executive Compensation Actual Executive Compensation for 2008 Summary Compensation Table 2008 below.

(8) The 2008 fee paid to Mr. Karlsson amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Personnel Committee.

(9) The 2008 fee paid to Mr. Siilasmaa amounted to a total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

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

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

On January 22, 2009, the Corporate Governance and Nomination Committee of the Board announced that it will propose to the Annual General Meeting to be held on April 23, 2009 that the annual remuneration payable to the Board members elected at the same meeting for the term until the close

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of the Annual General Meeting in 2010 be unchanged from 2008 as follows: EUR 440 000 for the Chairman, EUR 150 000 for the Vice Chairman and EUR 130 000 for each member; for the Chairman of the Audit Committee and the Chairman of the Personnel Committee an additional annual fee of EUR 25 000; and for each member of the Audit Committee an additional annual fee of EUR 10 000. Further, the Committee will propose that approximately 40% of the remuneration be paid in Nokia shares purchased from the market.

Executive Compensation

Executive Compensation Philosophy, Programs and Decision-making Process

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

Our compensation program for executive officers includes:

- competitive base pay rates; and
- short- and long-term incentives that are intended to result in a competitive total compensation package.

The objectives of our executive compensation programs are to:

- attract and retain outstanding executive talent;
- deliver a significant amount of performance-related variable compensation for the achievement of both short- and long-term stretch goals;
- appropriately balance rewards between both Nokia s and an individual s performance; and
- align the interests of the executive officers with those of the shareholders through long-term incentives in the form of equity-based awards.

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

The Personnel Committee retains and uses an external consultant from Mercer Human Resources to obtain benchmark data and information on current market trends. The consultant works directly for the Chairman of the Personnel Committee and meets annually with the Personnel Committee, without management present, to provide an assessment of the competitiveness and appropriateness of Nokia s executive pay levels and programs. Management provides the consultant with information with regard to Nokia s programs and compensation levels for preparation in meeting with the Committee. The consultant of Mercer Human Resources that works for the Personnel Committee is independent of Nokia and does not have any other business relationships with Nokia.

The Personnel Committee reviews the executive officers compensation on an annual basis and from time to time during the year, when special needs arise. Without management present, the Personnel Committee reviews and recommends to the Board the corporate goals and objectives relevant to the compensation of the President and CEO, evaluates the performance of the President and CEO in light of those goals and objectives, and proposes to the Board the compensation level of the President and

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CEO, which is confirmed by the independent members of the Board. Management s role is to provide any information requested by the Personnel Committee to assist in their deliberations.

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

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

- The compensation levels for similar positions (in terms of scope of position, revenues, number of employees, global responsibility and reporting relationships) in relevant comparison companies;
- The performance demonstrated by the executive officer during the last year;
- The size and impact of the role on Nokia s overall performance and strategic direction;
- The internal comparison to the compensation levels of the other executive officers of Nokia; and
- Past experience and tenure in role.

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

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

Components of Executive Compensation

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

Annual Cash Compensation

Base salaries are targeted at globally competitive market levels.

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

Measurement criteria for the short-term cash incentive plan include those financial objectives that are considered important measures of Nokia s success in driving increased shareholder value. Financial objectives are established which are based on a number of factors and are intended to be stretch targets that, when achieved, we believe, will result in performance that will exceed that of our key competitors in the high technology, telecommunications and Internet services industries. The target setting, as well as the weighting of each measure, also requires the Personnel Committee s approval. The following table reflects the measurement criteria that are established for the President and CEO and members of the Group Executive Board and the relative weighting of each objective for the year 2008.

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Incentive as a % of Annual Base Salary in 2008

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

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

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

The incentive payout is based on performance relative to targets set for each measurement criteria listed in the table above and includes: (1) a comparison of Nokia s actual performance to pre-established targets for net sales, operating profit and operating cash flow and (2) a comparison of each executive officer s individual performance to his/her predefined individual strategic objectives and targets. Individual strategic objectives include market share, quality, technology innovation, new product revenue, customer retention rates, environmental achievements and other objectives of key strategic importance which require a discretionary assessment of performance by the Personnel Committee.

When determining the final incentive payout, the Personnel Committee determines an overall score for each executive based on the degree to which (a) Nokia s financial objectives have been achieved together with (b) qualitative scores assigned to the individual strategic objectives. The final incentive

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

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

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

For more information on the actual cash compensation paid in 2008 to our executive officers, see Actual Executive Compensation for 2008 Summary Compensation Table 2008 below.

Long-Term Equity-Based Incentives

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

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

Information on the actual equity-based incentives granted to the members of our Group Executive Board is included in Item 6E. Share Ownership.

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Actual Executive Compensation for 2008

At December 31, 2008, Nokia had a Group Executive Board consisting of 12 members. The only changes in the membership of our Group Executive Board during 2008 were due to the retirement of Veli Sundbäck, Executive Vice President, Corporate Relations and Responsibility, from the Group Executive Board as of December 31, 2008 and the appointment of Esko Aho as a new member of our Group Executive Board, effective January 1, 2009.

The following tables summarize the aggregate cash compensation paid and the long-term equity-based incentives granted to the members of the Group Executive Board under our equity plans in 2008.

Gains realized upon exercise of stock options and share-based incentive grants vested for the members of the Group Executive Board during 2008 are included in Item 6.E. Share Ownership.

Aggregate Cash Compensation to the Group Executive Board for 2008

Year	Number of Members December 31, 2008	Base Salaries EUR	Cash Incentive Payments[(1)(2)] EUR
2008	12	6 146 393	2 713 174

(1) Includes base salary and cash incentives for the 2008 calendar year paid or payable by Nokia for the respective fiscal year. The cash incentives are paid as a percentage of annual base salary based on Nokia s short-term cash incentives.

(2) Excluding any gains realized upon exercise of stock options, which are described in Item 6E. Share Ownership.

Long-Term Equity-Based Incentives Granted in 2008[(1)]

	Group Executive Board	Total	Total number of participants
Performance Shares at Threshold [(2)]	173 500	2 463 033	6 300
Stock Options	347 000	3 767 163	3 500
Restricted Shares	230 000	1 746 500	300

(1) The equity-based incentive grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting. The settlement is conditional upon performance and service conditions, as determined in the relevant plan rules. For a description of our equity plans, see Note 22 to our consolidated financial statements included in Item 18 of this annual report.

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

Summary Compensation Table 2008

	Year(**)	Salary EUR	Bonus[2] EUR	Stock Awards[3] EUR	Option Awards[3] EUR	Non-Equity Incentive Plan Compensation EUR	Change in Pension Value and Nonqualified Deferred Compensation Earnings EUR	All Other Compensation EUR	
Kallasvuo	2008	1 144 800	721 733	644 805	641 565	(*)	469 060(4)(5)	175 164(7)	3
nd CEO	2007	1 037 619	2 348 877	4 112 581	693 141	(*)	956 333	183 603	9
	2006	898 413	664 227	1 529 732	578 465	(*)	1 496 883	38 960	5
monson	2008(8)	630 263	293 477	204 952	204 045			106 632(9)	1
hief									
Officer	2007(8)	488 422	827 333	1 576 376	234 310	(*)		46 699	3
	2006(8)	460 070	292 673	958 993	194 119	(*)		84 652	1
esford-Wylie									
a Siemens									
	2008	600 000	462 871	221 407	74 500	(*)	108 658(4)	728 778(10)	2
joki	2008	615 143	260 314	208 880	204 343	(*)	(6)	33 552(11)	1
l of Markets	2007	556 381	900 499	1 602 605	239 829	(*)	18 521	49 244	3
	2006	505 343	353 674	938 582	222 213	(*)	215 143	29 394	2
owell	2008(8)	493 798	196 138	203 123	197 726	(*)		33 462(12)	1
f									
ent Officer	2007(8)	444 139	769 773	1 551 482	396 169	(*)		32 463	3
	2006(8)	466 676	249 625	786 783	213 412	(*)		45 806	1

(1) The positions set forth in this table are the current positions of the named executive. Mr. Kallasvuo was President and COO until June 1, 2006. Until December 31, 2007, Mr. Vanjoki served as Executive Vice President and General Manager of Multimedia; Ms. McDowell, Executive Vice President and General Manager of Enterprise Solutions. Mr. Beresford-Wylie served as Executive Vice President and General Manager Networks until April 1, 2007.

(2) Bonus payments are part of Nokia s short-term cash incentives. The amount consists of the bonus awarded and paid or payable by Nokia for the respective fiscal year and in the case of Mr. Beresford-Wylie payable by Nokia Siemens Networks on the basis of Nokia Siemens Networks short-term cash incentive program.

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

(4) The change in pension value represents the proportionate change in the liability related to the individual executive. These executives are covered by the Finnish State employees pension act (TyEL) that provides for a

retirement benefit based on years of service and earnings according to the prescribed statutory system. The TyEL system is a partly funded and a partly pooled pay as you go system. Effective March 1, 2008, Nokia transferred its TyEL pension liability and assets to an external Finnish insurance company and no longer carries the liability on its financial statements. The figures shown represent only the change in liability for the funded portion. The method used to derive the actuarial IFRS valuation is based upon salary information at the respective year-end. Actuarial assumptions including salary increases and inflation have been determined to arrive at the valuation at the respective year-end.

(5) The change in pension value for Mr. Kallasvuo includes EUR 4 811 for the proportionate change in the liability related to the individual under the funded part of the Finnish TyEL pension (see footnote 4 above). In addition, it includes EUR 464 249 for the change in liability in the early retirement benefit at the age of 60 provided under his service contract. Nokia still carries the liability on its books for the early retirement benefit.

(6) Mr. Vanjoki s proportionate change in the liability related to the individual under the funded part of the Finnish TyEL pension (see footnote 4 above) was negative.

(7) All other compensation for Mr. Kallasvuo in 2008 includes: EUR 130 000 for his services as member of the Board or Directors, see Board of Directors Remuneration of the Board of Directors in 2008 above; EUR 20 645 for car allowance, EUR 10 000 for financial counseling,

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EUR 11 103 for taxable benefit for premiums paid under supplemental medical and disability insurance, EUR 3 416 for driver and for mobile phone.

(8) Salaries, benefits and perquisites of Ms. McDowell and Mr. Simonson are paid and denominated in USD. Amounts were converted to euro using year-end 2008 USD/EUR exchange rate of 1.40. For year 2007 disclosure, amounts were converted to euro using year-end 2007 USD/EUR exchange rate of 1.47.

(9) All other compensation for Mr. Simonson in 2008 includes: EUR 64 405 company contributions to the Restoration & Deferral plan, EUR 11 083 company contributions to the 401(k) plan, EUR 12 156 for car allowance, EUR 11 621 for financial counseling, EUR 7 365 imputed income under the Employee Stock Purchase Plan.

(10) All other compensation for Mr. Beresford-Wylie in 2008 includes: EUR 600 000 for a special one-time bonus for the successful retention and integration of Nokia Siemens Networks, EUR 105 158 provided as a benefit under Nokia Siemens Networks relocation policy, EUR 13 380 for car allowance, EUR 10 000 for financial counseling, and the remainder for mobile phone.

(11) All other compensation for Mr. Vanjoki in 2008 includes: EUR 22 200 for car allowance, EUR 10 000 for financial counseling, EUR 1 112 taxable benefit for premiums paid under supplemental medical and disability insurance and the remainder for mobile phone.

(12) All other compensation for Ms. McDowell in 2008 includes: EUR 12 156 for car allowance, EUR 11 438 for financial counseling and EUR 9 868 company contributions to the 401(k) plan.

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

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

Equity Grants in 2008[1]

			Option Awards			Stock Awards			
Name and Principal Position	**Year**	**Grant Date**	**Number of Shares underlying Options**	**Grant Price (EUR)**	**Grant Date Fair Value[2] (EUR)**	**Performance Shares at Threshold (Number)**	**Performance Shares at Maximum (Number)**	**Restricted Shares (Number)**	**Grant Date Fair Value[3] (EUR)**
Olli-Pekka Kallasvuo President and CEO	2008	May 9	115 000	19.16	548 153	57 500	230 000	75 000	2 470 858
Richard Simonson EVP and Chief Financial Officer	2008	May 9	32 000	19.16	152 529	16 000	64 000	22 000	699 952
Simon Beresford-Wylie[4]	2008								

CEO, Nokia Siemens Networks									
Anssi Vanjoki EVP, Head of Markets	2008	May 9	32 000	19.16	152 529	16 000	64 000	22 000	699 952
Mary McDowell EVP, Chief Development Officer	2008	May 9	28 000	19.16	133 463	14 000	56 000	20 000	620 690

(1) Including all equity awards made during 2008. Awards were made under the Nokia Stock Option Plan 2007, the Nokia Performance Share Plan 2008 and the Nokia Restricted Share Plan 2008, respectively.

(2) The fair values of stock options equal the estimated fair value on the grant date, calculated using the Black-Scholes model. The stock option exercise price is EUR 19.16. NASDAQ OMX Helsinki closing market price at the grant date was EUR 18.69.

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

(4) Mr. Beresford-Wylie does not participate in the equity plans of Nokia. Mr. Beresford-Wylie participates in a long-term cash incentive plan sponsored by Nokia Siemens Networks. His target incentive covering 2008-2010 is EUR 1.5 million.

For information with respect to the Nokia shares and equity awards held by the members of the Group Executive Board, please see Item 6E. Share Ownership .

Pension Arrangements for the Members of the Group Executive Board

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

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

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

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

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

Service Contracts

Olli-Pekka Kallasvuo s service contract covers his current position as President and CEO and Chairman of the Group Executive Board. As at December 31, 2008, Mr. Kallasvuo s annual total gross base salary, which is subject to an annual review by the Board of Directors and confirmation by the independent members of the Board, is EUR 1 176 000. His incentive targets under the Nokia short-term cash incentive plan are 150% of annual gross base salary. In case of termination by Nokia for reasons other than cause, including a change of control, Mr. Kallasvuo is entitled to a severance payment of up to 18 months of compensation (both annual total gross base salary and target incentive). In case of termination by Mr. Kallasvuo, the notice period is six months and he is entitled to a payment for such notice

period (both annual total gross base salary and target incentive for six months). Mr. Kallasvuo is subject to a 12-month non-competition obligation after termination of the contract. Unless the contract is terminated for cause, Mr. Kallasvuo may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual total gross base salary and target incentive for the respective period during which no severance payment is paid.

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Equity-Based Compensation Programs

General

During the year ended December 31, 2008, we sponsored three global stock option plans, five global performance share plans and four global restricted share plans. Both executives and employees participate in these plans. In 2004, we introduced performance shares as the main element to the company s broad-based equity compensation program to further emphasize the performance element in employees long-term incentives. Thereafter, the number of stock options granted has been significantly reduced. The rationale for using both performance shares and stock options for employees in higher job grades is to build an optimal and balanced combination of long-term equity-based incentives. The equity-based compensation programs intend to align the potential value received by participants directly with the performance of Nokia. Since 2003, we also have granted restricted shares to a small selected number of employees each year.

The equity-based incentive grants are generally conditioned upon continued employment with Nokia, as well as the fulfillment of performance and other conditions, as determined in the relevant plan rules.

The broad-based equity compensation program for 2008, which was approved by the Board of Directors, followed the structure of the program in 2007. The participant group for the 2008 equity-based incentive program continued to be broad, with a wide number of employees in many levels of the organization eligible to participate. As at December 31, 2008, the aggregate number of participants in all of our equity-based programs was approximately 18 000 compared with approximately 22 000 as at December 31, 2007 reflecting changes in our grant guidelines.

The employees of Nokia Siemens Networks have not participated in any new Nokia equity-based incentive plans since the formation of Nokia Siemens Networks on April 1, 2007.

For a more detailed description of all of our equity-based incentive plans, see Note 22 to our consolidated financial statements included in Item 18 of this annual report.

Performance Shares

We have granted performance shares under the global 2004, 2005, 2006, 2007 and 2008 plans, each of which, including its terms and conditions, has been approved by the Board of Directors.

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

The 2004 and 2005 Performance Share Plans had a four-year performance period and a two-year interim measurement period. The 2006, 2007 and 2008 Performance Share Plans have a three-year performance period with no interim measurement period. The below table summarizes the relevant periods and settlements under the plans.

Plan	Performance period	Interim measurement period	1st (interim) settlement	2nd (final) settlement

2004	2004-2007	2004-2005	2006	2008
2005	2005-2008	2005-2006	2007	2009
2006	2006-2008	N/A	N/A	2009
2007	2007-2009	N/A	N/A	2010
2008	2008-2010	N/A	N/A	2011

Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as

voting or dividend rights, associated with the performance shares. The performance share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Performance share grants are approved by the CEO at the end of the respective calendar quarter on the basis of an authorization given by the Board of Directors. Approvals for performance share grants to the CEO are confirmed by the independent members of the Board subject to the requirements of Finnish law. Approvals for performance share grants to the other Group Executive Board members and other direct reports of the CEO are made by the Personnel Committee.

Stock Options

Nokia s global stock option plans in effect for 2008, including their terms and conditions, were approved by the Annual General Meetings in the year when each plan was launched, i.e., in 2003, 2005 and 2007.

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

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

Stock option grants are approved by the CEO at the time of stock option pricing on the basis of an authorization given by the Board of Directors. Approvals for stock option grants to the CEO are confirmed by the independent members of the Board subject to the requirements of Finnish law. Approvals for stock option grants to the other Group Executive Board members and for other direct reports of the CEO are made by the Personnel Committee.

Restricted Shares

Since 2003, we have granted restricted shares to recruit, retain, reward and motivate selected high potential employees, who are critical to the future success of Nokia. It is Nokia s philosophy that restricted shares will be used only for key management positions and other critical resources. The outstanding global restricted share plans, including their terms and conditions, have been approved by the Board of Directors.

All of our restricted share plans have a restriction period of three years after grant. Once the shares vest, they are transferred and delivered to the participants. The restricted share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting. Until the Nokia shares are delivered, the participants do not have any shareholder rights, such as voting or dividend rights, associated with the restricted shares. Restricted share grants are approved by the CEO at the end of the respective calendar quarter on the basis of an authorization given by the Board of Directors. Approvals of restricted share grants to the CEO are confirmed by the independent directors of the Board subject to the requirements of Finnish law. Approvals for restricted share grants to the other Group Executive Board members and other direct reports of the CEO are made by the Personnel Committee.

Other Equity Plans for Employees

In addition to our global equity plans described above, we have equity plans for Nokia-acquired

businesses or employees in the United States and Canada under which participants can receive Nokia ADSs or ordinary shares. These equity plans do not result in an increase in the share capital of Nokia.

In connection with our July 10, 2008 acquisition of NAVTEQ, we assumed NAVTEQ s 2001 Stock Incentive Plan (NAVTEQ Plan). All unvested NAVTEQ restricted stock units under the NAVTEQ Plan were converted to an equivalent number of restricted stock units entitling their holders to Nokia shares. The maximum number of Nokia shares to be delivered to NAVTEQ employees during the years 2008 2012 in connection with the NAVTEQ restricted stock units that were converted into Nokia restricted stock units upon closing of the acquisition is approximately 3 million. We do not intend to make further awards under the NAVTEQ Plan.

We have also an Employee Share Purchase Plan in the United States, which permits all full-time Nokia employees located in the United States to acquire Nokia ADSs at a 15% discount. The purchase of the ADSs is funded through monthly payroll deductions from the salary of the participants, and the ADSs are purchased on a monthly basis. As at December 31, 2008, a total of 11 700 044 ADSs had been purchased under this plan since its inception, and there were a total of approximately 1 000 participants.

For more information on these plans, see Note 22 to our consolidated financial statements included in Item 18 of this annual report.

Equity-Based Compensation Program 2009

The Board of Directors announced the proposed scope and design for the Equity Program 2009 on January 22, 2009. The main equity instrument continues to be performance shares. In addition, stock options will be used on a limited basis for senior managers, and restricted shares will be used for a small number of high potential and critical employees. These equity-based incentive awards are generally forfeited if the employee leaves Nokia prior to vesting.

Performance Shares

The Performance Share Plan 2009 approved by the Board of Directors will cover a performance period of three years (2009-2011) with no interim measurement period. No performance shares will vest unless Nokia s performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria:

(1) *Average Annual Net Sales Growth*: -5% (threshold) and 10% (maximum) during the performance period 2009-2011, and

(2) *EPS (diluted, non-IFRS)*: EUR 1.01 (threshold) and EUR 1.53 (maximum) at the end of the performance period in 2011.

Average Annual Net Sales Growth is calculated as an average of the net sales growth rates for the years 2009 through 2011. EPS is the diluted, non-IFRS earnings per share in 2011. Both the EPS and Average Annual Net Sales Growth criteria are equally weighted and performance under each of the two performance criteria is calculated independent of each other.

Achievement of the maximum performance for both criteria would result in the vesting of a maximum of 18 million Nokia shares. Performance exceeding the maximum criteria does not increase the number of performance shares that will vest. Achievement of the threshold performance for both criteria will result in the vesting of approximately 4.5 million shares. If only one of the threshold levels of performance is achieved, only approximately 2.25 million of the performance shares will vest. If none of the threshold levels is achieved, then none of the performance shares will vest. For performance between the threshold and maximum performance levels, the vesting follows a linear scale. If

the required performance levels are achieved, the vesting will occur December 31, 2011. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with these performance shares.

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Stock Options

The stock options to be granted in 2009 are out of the Stock Option Plan 2007 approved by the Annual General Meeting in 2007. For more information on Stock Option Plan 2007 see Equity-Based Compensation Programs Stock options above.

Restricted Shares

The restricted shares to be granted under the Restricted Share Plan 2009 will have a three-year restriction period. The restricted shares will vest and the payable Nokia shares be delivered mainly in 2012, subject to fulfillment of the service period criteria. Participants will not have any shareholder rights or voting rights during the restriction period, until the Nokia shares are transferred and delivered to plan participants at the end of the restriction period.

Maximum Planned Grants in 2009

The maximum number of planned grants under the 2009 Equity Program (i.e., performance shares, stock options and restricted shares) in 2009 are set forth in the table below.

Plan type	Maximum Number of Planned Grants under the 2009 Equity Program in 2009
Stock Options	7 million
Restricted Shares	5 million
Performance Shares at Threshold[1]	4.5 million

[1] The maximum number of Nokia shares to be delivered at maximum performance is four times the number at threshold, i.e., a total of 18 million Nokia shares.

As at December 31, 2008, the total dilutive effect of Nokia s stock options, performance shares and restricted shares outstanding, assuming full dilution, was approximately 2% in the aggregate. The potential maximum effect of the proposed equity program 2009 would be approximately another 0.6%.

6C. Board Practices

The Board of Directors

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

The Board represents and is accountable to the shareholders of the company. The Board s responsibilities are active, not passive, and include the responsibility regularly to evaluate the strategic direction of the company, management policies and the effectiveness with which management implements them. The Board s responsibilities further include overseeing the structure and composition of the company s top management and monitoring legal compliance and the management of risks related to the company s operations. In doing so the Board may set annual ranges and/or individual limits for capital expenditures, investments and divestitures and financial commitments not to be exceeded

without Board approval.

The Board has the responsibility for appointing and discharging the Chief Executive Officer and the other members of the Group Executive Board. The Chief Executive Officer also acts as President, and his rights and responsibilities include those allotted to the President under Finnish law. Subject to the requirements of Finnish law, the independent directors of the Board confirm the compensation and the employment conditions of the Chief Executive Officer upon the recommendation of the Personnel Committee. The compensation and employment conditions of the other members of the Group

Executive Board are approved by the Personnel Committee upon the recommendation of the Chief Executive Officer.

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

The Board conducts annual performance self-evaluations, which also include evaluations of the Board Committees work, the results of which are discussed by the Board. In 2008, the self-evaluation process consisted of a questionnaire and a one-to-one discussion between the Chairman and each director, followed by a discussion by the entire Board of the outcome of the evaluation, possible measures to be taken, as well as measures taken based on the Board s self-evaluation of the previous year.

Pursuant to the Articles of Association, Nokia Corporation has a Board of Directors composed of a minimum of seven and a maximum of 12 members. The members of the Board are elected for a term of one year at each Annual General Meeting, i.e., as from the close of that Annual General Meeting until the close of the following Annual General Meeting, which convenes each year by June 30. The Annual General Meeting held on May 8, 2008 elected ten members to the Board of Directors. The members of the Board of Directors elected by the Annual General Meeting in 2008 are Georg Ehrnrooth, Lalita D. Gupte, Dr. Bengt Holmström, Dr. Henning Kagermann, Olli-Pekka Kallasvuo, Per Karlsson, Jorma Ollila, Dame Marjorie Scardino, Risto Siilasmaa and Keijo Suila.

Subject to the requirements of Finnish law, the independent directors of the Board elect the Chairman and the Vice Chairman from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. On May 8, 2008, the independent directors of the Board elected that Jorma Ollila should continue to act as Chairman and that Marjorie Scardino should continue to act as Vice Chairman of the Board. The independent directors of the Board also confirm the election of the members and Chairmen for the Board s Committees from among the Board s independent directors upon the recommendation of the Corporate Governance and Nomination Committee and based on each committee s member qualification standards. For information about the members and the Chairmen for the Board of Directors and its Committees, see 6A. Directors and Senior Management Board of Directors above and Committees of the Board of Directors below.

The current members of the Board are all non-executive, except the President and CEO who is also a member of the Board. In January 2009, the Board determined that the non-executive Board members are all independent as defined under Finnish rules, except the Chairman of the Board, Jorma Ollila. Also, the Board determined that seven of the Board s ten members are independent directors , as defined in the New York Stock Exchange s Listed Company Manual. In addition to the Chairman of the Board and the President and CEO, Bengt Holmström was determined not to be independent under the NYSE standards due to a family relationship with an executive officer of a Nokia supplier of whose consolidated gross revenue from Nokia accounts for an amount that exceeds the limit provided in the NYSE standards, but that is less than 4%. The executive member of the Board, Olli-Pekka Kallasvuo, President and CEO, was determined not independent under both Finnish rules and the NYSE standards. The Chairman of the Board, Jorma Ollila, who was the Chairman and CEO until June 1, 2006, will be independent as from June 1, 2009, in accordance with both Finnish rules and the NYSE standards.

The Board has determined that the majority of the members of the Audit Committee, including its Chairman, Georg Ehrnrooth, are audit committee financial experts as defined in Item 16A of Form 20-F.

The Board held 11 meetings during 2008. The average ratio of attendance at the meetings was 98% and all directors attended more than 90% of the meetings of the Board. The non-executive directors meet without management at

regularly scheduled sessions twice a year and at such other times as

they deem appropriate, in practice in connection with each regularly scheduled meeting in 2008. Such sessions were chaired by the non-executive Chairman of the Board or, in his absence, the non-executive Vice Chairman of the Board. In addition, the independent directors meet separately at least once annually, and did so in 2008.

The Corporate Governance Guidelines concerning the directors responsibilities, the composition and selection of the Board, Board Committees and certain other matters relating to corporate governance are available on our website, *www.nokia.com.* We also have a Code of Conduct which is equally applicable to all of our employees, directors and management and is accessible on our website, *www.nokia.com.* In addition, we have a Code of Ethics for the Principal Executive Officers and the Senior Financial Officers. For more information about our Code of Ethics, see Item 16B. Code of Ethics.

At December 31, 2008, Mr. Kallasvuo, the President and CEO, was the only Board member who had a service contract with Nokia. For a discussion of the service contract of Mr. Kallasvuo, see Item 6B. Compensation Service Contracts.

Committees of the Board of Directors

The Audit Committee consists of a minimum of three members of the Board who meet all applicable independence, financial literacy and other requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 8, 2008, the Audit Committee consists of the following four members of the Board: Georg Ehrnrooth (Chairman), Lalita D. Gupte, Risto Siilasmaa and Keijo Suila.

The Audit Committee is established by the Board primarily for the purpose of overseeing the accounting and financial reporting processes of the company and audits of the financial statements of the company. The Committee is responsible for assisting the Board s oversight of (1) the quality and integrity of the company s financial statements and related disclosure, (2) the statutory audit of the company s financial statements, (3) the external auditor s qualifications and independence, (4) the performance of the external auditor subject to the requirements of Finnish law, (5) the performance of the company s internal controls and risk management and assurance function, (6) the performance of the internal audit function, and (7) the company s compliance with legal and regulatory requirements. The Committee also maintains procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal controls, or auditing matters and for the confidential, anonymous submission by employees of the company of concerns regarding accounting or auditing matters. Our disclosure controls and procedures, which are reviewed by the Audit Committee and approved by the Chief Executive Officer and the Chief Financial Officer, as well as our internal controls over financial reporting are designed to provide reasonable assurance regarding the quality and integrity of the company s financial statements and related disclosures. The Disclosure Committee chaired by Chief Financial Officer is responsible for preparation of the quarterly and annual results announcements, and the process includes involvement by business managers, business controllers and other functions, like internal audit, as well as a final review and confirmation by the Audit Committee and the Board. For further information on internal control over financial reporting, see Item 15. Controls and Procedures .

Under Finnish law, our external auditor is elected by our shareholders by a simple majority vote at the Annual General Meeting for one fiscal year at a time. The Audit Committee makes a proposal to the shareholders in respect of the appointment of the external auditor based upon its evaluation of the qualifications and independence of the auditor to be proposed for election or re-election. Also under Finnish law, the fees of the external auditor are approved by our shareholders by a simple majority vote at the Annual General Meeting. The Committee makes a proposal to the shareholders in respect of the fees of the external auditor, and approves the external auditor s annual audit fees under the guidance given by the shareholders at the Annual General Meeting. For information about the fees paid to our external auditor, PricewaterhouseCoopers, during 2008 see Item 16C. Principal Accountant Fees and Services Auditor

Fees and Services.

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The Audit Committee meets at least four times a year based upon a schedule established at the first meeting following the appointment of the Committee. The Committee meets separately with the representatives of Nokia s management, head of the internal audit function, and the external auditor in connection with each regularly scheduled meeting. The head of the internal audit function has at all time direct access to the Audit Committee, without involvement of management. The Audit Committee had seven meetings in 2008. The average ratio of attendance at the meetings was 96%. Three members of the Committee attended 100% of the Committee meetings and one member attended 85% of the meetings.

The Personnel Committee consists of a minimum of three members of the Board who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 8, 2008, the Personnel Committee consists of the following three members of the Board: Per Karlsson (Chairman), Henning Kagermann and Marjorie Scardino.

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

The Personnel Committee had three meetings in 2008. The attendance ratio at the meetings was 100%.

For further information on the activities of the Personnel Committee, see Item 6B. Compensation Executive Compensation.

The Corporate Governance and Nomination Committee consists of three to five members of the Board who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 8, 2008, the Corporate Governance and Nomination Committee consists of the following three members of the Board: Marjorie Scardino (Chairman), Georg Ehrnrooth and Per Karlsson.

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

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

The Corporate Governance and Nomination Committee had four meetings in 2008. The attendance ratio at the meetings was 100%.

The charters of each of the committees are available on our website, *www.nokia.com.*

6D. Employees

At December 31, 2008, Nokia employed 125 829 people, compared with 112 262 people at December 31, 2007, and 68 483 at December 31, 2006. The increase in the number of personnel on December 31, 2008 compared to December 31, 2007 was primarily attributable to acquisitions completed in 2008 and the fact that the number of employees of Nokia Siemens Networks from January 1, 2007 to March 31, 2007 included the employees of our former Networks business group only. The average number of personnel for 2008, 2007 and 2006 was 121 723, 100 534 and 65 324 respectively, divided according to their activity and geographical location as follows:

	2008	2007	2006
Devices & Services	57 443	49 887	44 716
NAVTEQ[1]	3 969		
Nokia Siemens Networks[2]	59 965	50 336	20 277
Corporate Common Functions	346	311	331
Nokia Group	**121 723**	**100 534**	**65 324**
Finland	23 478	24 698	24 091
Other European countries	37 714	30 488	14 490
Middle-East & Africa	5 032	3 384	724
China	14 099	11 410	6 893
Asia-Pacific	20 359	14 873	7 915
North America	8 427	5 674	6 050
Latin America	12 614	10 007	5 161
Nokia Group	**121 723**	**100 534**	**65 324**

(1) On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ is a separate reportable segment of Nokia starting from the third quarter 2008. Accordingly, the average number of NAVTEQ personnel is for the period from July 10, 2008 to December 31, 2008.

(2) As of April 1, 2007, our consolidated financial data include 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, the average numbers of personnel for 2008 and 2007 are not directly comparable between each other or to the average numbers of personnel for 2006.

Management believes that we have a good relationship with our employees and with the labor unions.

6E. Share Ownership

General

The following section describes the ownership or potential ownership interest in the company of the members of our Board of Directors and the Group Executive Board, either through share ownership or through holding of equity-based incentives, which may lead to share ownership in the future.

In line with the Company policy, approximately 40% of the remuneration paid to the Board of Directors has been paid in Nokia shares purchased from the market. Non-executive members of the Board of Directors do not receive stock options, performance shares, restricted shares or other variable compensation.

For a description of our equity-based compensation programs for employees and executives, see Item 6B. Compensation Equity-Based Compensation Programs.

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Share Ownership of the Board of Directors

At December 31, 2008, the members of our Board of Directors held the aggregate of 1 235 024 shares and ADSs in Nokia (not including stock options or other equity awards that are deemed as being beneficially owned under applicable SEC rules), which represented 0.03% of our outstanding share capital and total voting rights excluding shares held by Nokia Group at that date.

The following table sets forth the number of shares and ADSs held by members of the Board of Directors as at December 31, 2008.

	Shares[1]	ADSs
Jorma Ollila[2]	558 043	
Marjorie Scardino		20 501
Georg Ehrnrooth[3]	321 693	
Lalita D. Gupte		6 049
Bengt Holmström	22 222	
Henning Kagermann	5 616	
Olli-Pekka-Kallasvuo[4]	223 024	
Per Karlsson[3]	26 235	
Risto Siilasmaa	43 022	
Keijo Suila	8 619	

(1) The number of shares includes not only shares acquired as compensation for services rendered as a member of the Board of Directors, but also shares acquired by any other means.

(2) For Mr. Ollila, this table includes his share ownership only. Mr. Ollila was entitled to retain all vested and unvested stock options, performance shares and restricted shares granted to him in respect of his services as the CEO of Nokia prior to June 1, 2006 as approved by the Board of Directors. Therefore, in addition to the above-presented share ownership, Mr. Ollila held, as at December 31, 2008, a total of 1 700 000 stock options, 200 000 performance shares (at threshold), and 100 000 restricted shares. The information relating to stock options held by Mr. Ollila as at December 31, 2008 is represented in the table below.

Stock Option Category	Expiration Date	Exercise Price per Share (EUR)	Number of Stock Options		Total Intrinsic Value of Stock Options, December 31, 2008 (EUR)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
2003 2Q	December 31, 2008	14.95	500 000		0	0
2004 2Q	December 31, 2009	11.79	400 000		0	0
2005 2Q	December 31, 2010	12.79	325 000	75 000	0	0
2006 2Q	December 31, 2011	18.02	225 000	175 000	0	0

The number of stock options in the above table equals the number of underlying shares represented by the option entitlement. Stock options vest over four years: 25% after one year and 6.25% each quarter thereafter. The intrinsic value of the stock options in the above table is based on the difference between the exercise price of the options and the closing market price of Nokia shares on NASDAQ OMX Helsinki as at December 31, 2008 of EUR 11.10.

(3) Mr. Ehrnrooth s and Mr. Karlsson s holdings include both shares held personally and shares held through a company.

(4) For Mr. Kallasvuo, this table includes his share ownership only. Mr. Kallasvuo s holdings of long-term equity-based incentives are outlined below in Stock Option Ownership of the Group Executive Board and Performance Shares and Restricted Shares.

Share Ownership of the Group Executive Board

The following table sets forth the share ownership, as well as potential ownership interest through holding of equity-based incentives, of the members of the Group Executive Board as at December 31, 2008.

	Shares	Shares Receivable Through Stock Options[3]	Shares Receivable Through Performance Shares at Threshold[4]	Shares Receivable Through Performance Shares at Maximum[5]	Shares Receivable Through Restricted Shares
Number of Equity Instruments Held by Group Executive Board	917 451	2 951 337	743 100	2 650 324	964 500
% of the Share Capital[1]	0.0248	0.0798	0.0201	0.0717	0.0261
% of the Total Outstanding Equity Incentives (per Instrument)[2]		12.769	8.644	7.886	11.982

(1) The percentage is calculated in relation to the outstanding share capital and total voting rights of the company, excluding shares held by Nokia Group.

(2) The percentage is calculated in relation to the total outstanding equity incentives per instrument, i.e., stock options, performance shares and restricted shares, as applicable.

(3) Includes unexercised 2003 2Q Stock Options which expired December 31, 2008.

(4) Due to the interim payout, the participants have already received the threshold number of shares under the 2005 performance share plan. Therefore, the shares receivable at threshold under the 2005 performance share plan equals to zero.

(5) Due to the interim payout (at threshold) in 2007 and based on the actual level of the performance criteria for the performance period, the number of Nokia shares deliverable under the performance share plan 2005 equals 2.12 times the number of performance shares at threshold. The number of Nokia shares deliverable under the performance share plan 2006 equals 1.98 times the number of performance shares at threshold, based on the actual level of performance criteria for the relevant performance period. At maximum performance under the performance share plans 2007 and 2008, the number of Nokia shares deliverable equals four times the number of performance shares at threshold.

The following table sets forth the number of shares and ADSs in Nokia (not including stock options or other equity awards that are deemed as being beneficially owned under the applicable SEC rules) held by members of the Group Executive Board as at December 31, 2008.

	Shares	ADSs
Olli-Pekka Kallasvuo	223 024	
Robert Andersson	47 244	
Simon Beresford-Wylie	45 685	
Timo Ihamuotila	41 445	
Mary McDowell	63 325	5 000
Hallstein Moerk	38 400	4 315
Tero Ojanperä	33 665	
Niklas Savander	45 523	
Richard Simonson	90 760	28 196
Veli Sundbäck	148 047	
Anssi Vanjoki	74 262	
Kai Öistämö	28 560	

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Stock Option Ownership of the Group Executive Board

The following table provides certain information relating to stock options held by members of the Group Executive Board as at December 31, 2008. These stock options were issued pursuant to Nokia Stock Option Plans 2003, 2005 and 2007. For a description of our stock option plans, see Note 22 to our consolidated financial statements in Item 18 of this annual report.

	Stock Option Category	Expiration Date	Exercise Price per Share (EUR)	Number of Stock Options[1]		Total Intrinsic Value of Stock Options, December 31, 2008 (EUR)[2]	
				Exercisable	Unexercisable	Exercisable	Unexercisable[3]
Olli-Pekka Kallasvuo	2003 2Q	December 31, 2008	14.95	120 000	0	0	0
	2004 2Q	December 31, 2009	11.79	60 000	0	0	0
	2005 2Q	December 31, 2010	12.79	48 750	11 250	0	0
	2005 4Q	December 31, 2010	14.48	68 750	31 250	0	0
	2006 2Q	December 31, 2011	18.02	168 750	131 250	0	0
	2007 2Q	December 31, 2012	18.39	50 000	110 000	0	0
	2008 2Q	December 31, 2013	19.16	0	115 000	0	0
Robert Andersson	2004 2Q	December 31, 2009	11.79	10 400	0	0	0
	2005 2Q	December 31, 2010	12.79	9 750	2 250	0	0
	2005 4Q	December 31, 2010	14.48	19 250	8 750	0	0
	2006 2Q	December 31, 2011	18.02	20 000	35 000	0	0
	2007 2Q	December 31, 2012	18.39	10 000	22 000	0	0
	2008 2Q	December 31, 2013	19.16	0	20 000	0	0
Simon Beresford-Wylie[4]	2003 2Q	December 31, 2008	14.95	13 000	0	0	0
	2004 2Q	December 31, 2009	11.79	10 000	0	0	0
	2005 2Q	December 31, 2010	12.79	42 750	11 250	0	0
	2006 2Q	December 31, 2011	18.02	56 250	43 750	0	0
Timo Ihamuotila	2004 2Q	December 31, 2009	11.79	1 500	0	0	0
	2005 2Q	December 31, 2010	12.79	3 600	2 700	0	0
	2006 2Q	December 31, 2011	18.02	3 600	6 300	0	0
	2007 2Q	December 31, 2012	18.39	10 000	22 000	0	0
	2008 2Q	December 31, 2013	19.16	0	20 000	0	0
Mary McDowell	2004 2Q	December 31, 2009	11.79	50 000	0	0	0
	2005 2Q	December 31, 2010	12.79	48 750	11 250	0	0
	2006 2Q	December 31, 2011	18.02	56 250	43 750	0	0
	2007 2Q	December 31, 2012	18.39	17 187	37 813	0	0
	2008 2Q	December 31, 2013	19.16	0	28 000	0	0
Hallstein Moerk	2004 2Q	December 31, 2009	11.79	5 625	0	0	0
	2005 2Q	December 31, 2010	12.79	10 000	7 500	0	0
	2006 2Q	December 31, 2011	18.02	33 750	26 250	0	0

	2007 2Q	December 31, 2012	18.39	10 000	22 000	0	0
	2008 2Q	December 31, 2013	19.16	0	20 000	0	0
Tero Ojanperä	2003 2Q	December 31, 2008	14.95	8 000	0	0	0
	2004 2Q	December 31, 2009	11.79	10 000	0	0	0
	2005 2Q	December 31, 2010	12.79	32 500	7 500	0	0
	2006 2Q	December 31, 2011	18.02	33 750	26 250	0	0
	2007 2Q	December 31, 2012	18.39	10 000	22 000	0	0
	2008 2Q	December 31, 2013	19.16	0	20 000	0	0
Niklas Savander	2004 2Q	December 31, 2009	11.79	2 560	0	0	0
	2005 2Q	December 31, 2010	12.79	4 375	2 625	0	0
	2006 2Q	December 31, 2011	18.02	18 750	26 250	0	0
	2007 2Q	December 31, 2012	18.39	10 000	22 000	0	0
	2008 2Q	December 31, 2013	19.16	0	28 000	0	0
Richard Simonson	2004 2Q	December 31, 2009	11.79	50 000	0	0	0
	2005 2Q	December 31, 2010	12.79	48 750	11 250	0	0
	2006 2Q	December 31, 2011	18.02	56 250	43 750	0	0
	2007 2Q	December 31, 2012	18.39	17 187	37 813	0	0
	2008 2Q	December 31, 2013	19.16	0	32 000	0	0
Veli Sundbäck	2003 2Q	December 31, 2008	14.95	50 000	0	0	0
	2004 2Q	December 31, 2009	11.79	30 000	0	0	0
	2005 2Q	December 31, 2010	12.79	32 500	7 500	0	0
	2006 2Q	December 31, 2011	18.02	33 750	26 250	0	0
	2007 2Q	December 31, 2012	18.39	10 000	22 000	0	0
Anssi Vanjoki	2004 2Q	December 31, 2009	11.79	11 250	0	0	0
	2005 2Q	December 31, 2010	12.79	15 000	11 250	0	0
	2006 2Q	December 31, 2011	18.02	25 000	43 750	0	0
	2007 2Q	December 31, 2012	18.39	17 187	37 813	0	0
	2008 2Q	December 31, 2013	19.16	0	32 000	0	0

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	Stock Option Category	Expiration Date	Exercise Price per Share (EUR)	Number of Stock Options[1] Exercisable	Unexercisable	Total Intrinsic Value of Stock Options, December 31, 2008 (EUR)[2] Exercisable[3]	Unexercisable
Kai Öistämö	2003 2Q	December 31, 2008	14.95	727	0	0	0
	2004 2Q	December 31, 2009	11.79	3 125	0	0	0
	2005 2Q	December 31, 2010	12.79	4 800	2 400	0	0
	2005 4Q	December 31, 2010	14.48	10 500	8 750	0	0
	2006 2Q	December 31, 2011	18.02	56 250	43 750	0	0
	2007 2Q	December 31, 2012	18.39	17 187	37 813	0	0
	2008 2Q	December 31, 2013	19.16	0	32 000	0	0
Stock options held by the members of the Group Executive Board on December 31, 2008, Total				1 577 310	1 374 027	0	0
All outstanding stock option plans (global plans), Total				12 244 569	10 868 649	66 760	4 851

(1) Number of stock options equals the number of underlying shares represented by the option entitlement. Stock options vest over four years: 25% after one year and 6.25% each quarter thereafter.

(2) The intrinsic value of the stock options is based on the difference between the exercise price of the options and the closing market price of Nokia shares on NASDAQ OMX Helsinki as at December 31, 2008 of EUR 11.10.

(3) For gains realized upon exercise of stock options for the members of the Group Executive Board, see the table in Stock Option Exercises and Settlement of Shares below.

(4) From April 1, 2007, Mr. Beresford-Wylie has participated in a long-term cash incentive plan sponsored by Nokia Siemens Networks, instead of the long-term equity-based plans of Nokia.

Performance Shares and Restricted Shares

The following table provides certain information relating to performance shares and restricted shares held by members of the Group Executive Board as at December 31, 2008. These entitlements were granted pursuant to our performance share plans 2005, 2006, 2007 and 2008 and restricted share plans 2005, 2006, 2007 and 2008. For a description of our performance share and restricted share plans, please see Note 22 to the consolidated financial statements in Item 18 of

this annual report.

	Plan Name[(1)]	Number of Performance Shares at Threshold[(2)]	Number of Performance Shares at Maximum[(2)]	Intrinsic Value December 31, 2008[(3)](EUR)	Plan Name[(4)]	Number of Restricted Shares	Intrinsic Value December 31, 2008[(5)](EUR)
Olli-Pekka Kallasvuo	2005	15 000	31 800	352 980	2005	35 000	388 500
	2006	75 000	148 500	1 648 350	2006	100 000	1 110 000
	2007	80 000	320 000	0	2007	100 000	1 110 000
	2008	57 500	230 000	0	2008	75 000	832 500
Robert Andersson	2005	3 000	6 360	70 596	2005		
	2006	20 000	39 600	439 560	2006	20 000	222 000
	2007	16 000	64 000	0	2007	25 000	277 500
	2008	10 000	40 000	0	2008	7 000	77 700
Simon Beresford-Wylie	2005	15 000	31 800	352 980	2005		
	2006	25 000	49 500	549 450	2006	25 000	277 500
Timo Ihamuotila	2005	3 600	7 632	84 715	2005		
	2006	3 600	7 128	79 121	2006	4 500	49 950
	2007	16 000	64 000	0	2007	25 000	277 500
	2008	10 000	40 000	0	2008	14 000	155 400
Mary McDowell	2005	15 000	31 800	352 980	2005		
	2006	25 000	49 500	549 450	2006	25 000	277 500
	2007	27 500	110 000	0	2007	35 000	388 500
	2008	14 000	56 000	0	2008	20 000	222 000
Hallstein Moerk	2005	10 000	21 200	235 320	2005		
	2006	15 000	29 700	329 670	2006	15 000	166 500
	2007	16 000	64 000	0	2007	25 000	277 500
	2008	10 000	40 000	0	2008	14 000	155 400

	Plan Name[1]	Number of Performance Shares at Threshold[2]	Number of Performance Shares at Maximum[2]	Intrinsic Value December 31, 2008[3](EUR)	Plan Name[4]	Number of Restricted Shares	Intrinsic Value December 31, 2008 [5](EUR)
Tero Ojanperä	2005	10 000	21 200	235 320	2005		
	2006	15 000	29 700	329 670	2006	15 000	166 500
	2007	16 000	64 000	0	2007	25 000	277 500
	2008	10 000	40 000	0	2008	14 000	155 400
Niklas Savander	2005	3 500	7 420	82 362	2005		
	2006	15 000	29 700	329 670	2006	15 000	166 500
	2007	16 000	64 000	0	2007	25 000	277 500
	2008	14 000	56 000	0	2008	20 000	222 000
Rick Simonson	2005	15 000	31 800	352 980	2005		
	2006	25 000	49 500	549 450	2006	25 000	277 500
	2007	27 500	110 000	0	2007	35 000	388 500
	2008	16 000	64 000	0	2008	22 000	244 200
Veli Sundbäck	2005	10 000	21 200	235 320	2005		
	2006	15 000	29 700	329 670	2006	15 000	166 500
	2007	16 000	64 000	0	2007	25 000	277 500
Anssi Vanjoki	2005	15 000	31 800	352 980	2005		
	2006	25 000	49 500	549 450	2006	25 000	277 500
	2007	27 500	110 000	0	2007	35 000	388 500
	2008	16 000	64 000	0	2008	22 000	244 200
Kai Öistämö	2005	3 200	6 784	75 302	2005		
	2006	25 000	49 500	549 450	2006	25 000	277 500
	2007	27 500	110 000	0	2007	35 000	388 500
	2008	16 000	64 000	0	2008	22 000	244 200
Performance Shares and Restricted Shares held by the Group Executive Board, Total[6]		861 400	2 650 324	9 016 796		964 500	10 705 950
All outstanding Performance Shares and Restricted Shares (Global plans), Total		8 596 496	33 607 752	176 418 521		8 049 397	89 348 307

(1) The performance period for the 2005 plan is 2005-2008, with one interim measurement period for fiscal years 2005-2006. The performance period for the 2006 plan is 2006-2008, 2007 plan 2007-2009 and 2008 plan 2008-2010, respectively.

(2) The threshold number will vest as Nokia shares should the pre-determined threshold performance levels of Nokia be met. Under the 2005 performance share plan, the participants have already received the threshold number of Nokia shares in connection with the interim payout. The maximum number of Nokia shares will vest should the pre-determined maximum performance levels be met. The maximum number of performance shares equals four times the number at threshold. The number of Nokia shares deliverable under the performance share plan 2005 equals 2.12 times the number of performance shares at threshold due to the interim payout (at threshold) in 2007 and based on the actual level of the performance criteria for the performance period. Under the performance share plan 2006 the maximum number of Nokia shares deliverable equals 1.98 times the number of performance shares at threshold.

(3) The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 31, 2008 of EUR 11.10. For performance share plans 2007 and 2008, the value of performance shares is presented on the basis of Nokia s estimation of the number of shares expected to vest. For performance share plans 2005 and 2006, the value of performance shares is presented on the basis of actual number of shares to vest.

(4) Under the restricted share plans 2005, 2006, 2007 and 2008, awards have been granted quarterly. For the major part of the awards made under these plans, the restriction period ended for the 2005 plan on October 1, 2008; and will end for the 2006 plan on October 1, 2009; for the 2007 plan, on October 1, 2010; and for the 2008 plan, on October 1, 2011.

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(5) The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 31, 2008 of EUR 11.10.

(6) From April 1, 2007, Mr. Beresford-Wylie has participated in a long-term cash incentive plan sponsored by Nokia Siemens Networks instead of the long-term equity-based plans of Nokia.

For gains realized upon exercise of stock options or delivery of Nokia shares on the basis of performance shares and restricted shares granted to the members of the Group Executive Board, see the table in Stock Option Exercises and Settlement of Shares below.

Stock Option Exercises and Settlement of Shares

The following table provides certain information relating to stock option exercises and share deliveries upon settlement during the year 2008 for our Group Executive Board members.

		Stock Options Awards[1]		Performance Shares Awards[2]		Restricted Shares Awards[3]	
Name and Principal Position	**Year**	**Number of Shares Acquired on Exercise**	**Value Realized on Exercise (EUR)**	**Number of Shares Delivered on Vesting**	**Value Realized on Vesting(EUR)**	**Number of Shares Delivered on Vesting**	**Value Realized on Vesting (EUR)**
Olli-Pekka Kallasvuo	2008	0	0	35 850	648 885	35 000	434 700
Robert Andersson	2008	0	0	6 214	112 473	28 000	347 760
Simon Beresford-Wylie	2008	0	0	5 975	108 148	35 000	434 700
Timo Ihamuotila	2008	0	0	4 780	86 518	25 000	310 500
Mary McDowell	2008	70 000	679 000	29 875	540 738	35 000	434 700
Hallstein Moerk	2008	0	0	17 925	324 443	25 000	310 500
Tero Ojanperä	2008	8 000	55 120	5 975	108 148	25 000	310 500
Niklas Savander	2008	0	0	6 118	110 736	25 000	310 500
Rick Simonson	2008	11 500	110 170	29 875	540 738	35 000	434 700
Veli Sundbäck	2008	0	0	17 925	324 443	25 000	310 500
Anssi Vanjoki	2008	0	0	35 850	648 885	35 000	434 700
Kai Öistämö	2008	0	0	5 975	108 148	25 000	310 500

(1) Value realized on exercise is based on the difference between the Nokia share price and exercise price of options (non-transferable stock options).

(2) Represents the final payout in gross shares for the 2004 performance share grant. Value is based on the market price of the Nokia share on NASDAQ OMX Helsinki as at June 2, 2008 of EUR 18.10 .

(3)

Delivery of Nokia shares vested from the 2005 restricted share grant to all members of the Group Executive Board. Value is based on the market price of the Nokia share on NASDAQ OMX Helsinki on October 22, 2008 of EUR 12.42.

Stock Ownership Guidelines for Executive Management

One of the goals of our long-term equity-based incentive program is to focus executives on building value for shareholders. In addition to granting the stock options, performance shares and restricted shares, we also encourage stock ownership by our top executives. Since January 2001, we have had stock ownership commitment guidelines with minimum recommendations tied to annual base salaries. For the President and CEO, the recommended minimum investment in Nokia shares corresponds to three times his annual base salary, for Simon Beresford-Wylie, Chief Executive Officer of Nokia Siemens Networks one time his annual base salary and for the other members of the Group Executive Board two times the member s annual base salary, respectively. To meet this requirement, all members are expected to retain 50% of any after-tax gains from equity programs in shares until the minimum investment level is met.

Insider Trading in Securities

The Board of Directors has established and regularly updates a policy in respect of insiders trading in Nokia securities. The members of the Board and the Group Executive Board are considered as primary insiders. Under the policy, the holdings of Nokia securities by the primary insiders are public

information, which is available in the Finnish Central Securities Depositary and on our website. Both primary insiders and secondary insiders (as defined in the policy) are subject to a number of trading restrictions and rules, including, among other things, prohibitions on trading in Nokia securities during the three-week closed-window period immediately preceding the release of our quarterly results and the four-week closed-window period immediately preceding the release of our annual results. In addition, Nokia may set trading restrictions based on participation in projects. We update our insider trading policy from time to time and monitor our insiders compliance with the policy on a regular basis. Nokia s insider policy is in line with the NASDAQ OMX Helsinki Guidelines for Insiders and also sets requirements beyond those guidelines.

ITEM 7. *MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS*

7A. Major Shareholders

At December 31, 2008, 1 003 941 454 ADSs (equivalent to the same number of shares or approximately 26.41% of the total outstanding shares) were outstanding and held of record by 16 098 registered holders in the United States. We are aware that many ADSs are held of record by brokers and other nominees, and accordingly the above numbers are not necessarily representative of the actual number of persons who are beneficial holders of ADSs or the number of ADSs beneficially held by such persons. Based on information available from Automatic Data Processing, Inc., or ADP, the number of beneficial owners of ADSs as at December 31, 2008 was 818 232.

At December 31, 2008, there were 122 713 holders of record of our shares. Of these holders, around 515 had registered addresses in the United States and held a total of some 1 653 382 of our shares, approximately 0.04% of the total outstanding shares. In addition, certain accounts of record with registered addresses other than in the United States hold our shares, in whole or in part, beneficially for United States persons.

Based on information known to us as of February 17, 2009, as at December 31, 2008, Capital World Investors, a division of Capital Research and Management Company, beneficially owned 280 009 790 Nokia shares, Morgan Stanley 300 430 718 Nokia shares and its wholly-owned subsidiary Morgan Stanley & Co. International plc 211 064 691 Nokia shares, and FMR LLC 124 025 661 Nokia shares, which at that time corresponded to approximately 7.4%, 7.9%, 5.6% and 3.3% of the share capital of Nokia, respectively.

As far as we know, Nokia is not directly or indirectly owned or controlled by any other corporation or any government, and there are no arrangements that may result in a change of control of Nokia.

7B. Related Party Transactions

There have been no material transactions during the last three fiscal years to which any director, executive officer or 5% shareholder, or any relative or spouse of any of them, was a party. There is no significant outstanding indebtedness owed to Nokia by any director, executive officer or 5% shareholder.

There are no material transactions with enterprises controlling, controlled by or under common control with Nokia or associates of Nokia.

See Note 33 to our consolidated financial statements included in Item 18 of this annual report.

7C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8A. Consolidated Statements and Other Financial Information

8A1. See Item 18 for our consolidated financial statements.

8A2. See Item 18 for our consolidated financial statements, which cover the last three financial years.

8A3. See page F-1 for the audit report of our accountants, entitled Report of Independent Registered Public Accounting Firm.

8A4. Not applicable.

8A5. Not applicable.

8A6. See Note 2 to our audited consolidated financial statements included in Item 18 of this annual report for the amount of our export sales.

8A7. Litigation

Intellectual Property Rights Litigation

InterDigital

In 1999, we entered into a license agreement with InterDigital Technology Corporation and Interdigital Communications Corporation (together IDT) for certain technology. The license provided for a fixed royalty payment through 2001 and most favored licensee treatment from 2002 through 2006.

In April 2006, Nokia and IDT resolved their contract dispute over the patent license terms originally agreed to in 1999 and the impact on Nokia of IDT s licenses with Ericsson and Sony-Ericsson. The agreed settlement terms resolved the legal disputes related to 2G products, with Nokia obtaining a fully paid-up, perpetual, irrevocable, worldwide license to all of IDT s current patent portfolio, and any patents IDT may later acquire, for purposes of making or selling 2G products, including handsets and infrastructure. The settlement terms also resolved disputes related to all our products up to the agreement date. The IDT settlement terms did not address any prospective 3G license terms; however, our sale of 3G products was fully released through the date of the settlement agreements.

Nokia and IDT currently have pending legal disputes in the United States regarding IDT s alleged 3G patents. In August 2007, IDT filed a complaint against us in the US International Trade Commission (ITC) alleging infringement of two declared essential WCDMA patents. In October 2007, the ITC announced that it was consolidating the IDT action against us with an action IDT had brought against Samsung. IDT then amended the complaint to add two additional declared essential WCDMA patents. The consolidated action includes four patents, also asserted against us in Delaware. Through its ITC action, IDT is seeking to exclude certain of our WCDMA handsets from importation and sale in the US. In this situation, IDT has committed itself to grant a license on fair, reasonable, and nondiscriminatory terms with regard to the patents in suit. Nokia also filed a motion in the Southern District of New York court on February 13, 2008 to prevent IDT from proceeding with its claim in the ITC because we believe the patents at issue are also licensed to us as part of an R&D agreement signed in 1999. Nokia s motion was granted by the district court on March 20, 2008, and the ITC case against Nokia was deconsolidated from the Samsung case and stayed pending IDT s appeal of the district court s decision. After the injunction was entered by the New York Southern District Court, Nokia initiated an arbitration proceeding on April 1, 2008 to determine its rights under the 1999 R&D Agreement. On appeal, the Second Circuit reversed the injunction entered by the New York Southern District Court on July 31, 2008 and remanded the case to that court for further proceedings. Nokia has requested a status conference before the New York Southern District Court to determine how the case should proceed. Nokia s arbitration is stayed pending a decision by the New York Southern District Court on further proceedings.

Following the Second Circuit s decision reversing the injunction, a hearing on the merits of the ITC case was scheduled to begin on May 26, 2009 with an initial determination currently scheduled for August 14, 2009 and a final determination currently scheduled for December 14, 2009.

IPCom

In December 2006, we filed an action in Mannheim, Germany for a declaration that Robert Bosch GmbH was obligated to honor its agreement to grant Nokia a license on fair, reasonable and non-discriminatory terms. Bosch s patent portfolio was sold to IPCom, and IPCom was joined to the action. Bosch and IPCom counterclaimed against us demanding payment of royalties. We are further seeking a declaration that Bosch is liable for damages caused by the sale of the portfolio in breach of the agreement. Argument was heard in December 2007 and October 2008. Judgment is expected in April 2009.

In December 2007, IPCom filed an action against Nokia in Mannheim, Germany claiming infringement of eight patents. Five of the eight patents are alleged to be essential to standards relating to multimedia messaging services. In April 2008, IPCom filed infringement proceedings in Mannheim on a further three patents. Nokia responded by filing nullity actions in the German Patents Court in relation to these 11 patents along with other IPCom patents which it had included in its proud list of patents. The trials of the infringement actions have commenced and the last trials are expected to be heard in the second quarter of 2009. On December 5, 2008 the Mannheim Court handed down its judgment on the first of the 11 patents that found Nokia not to be infringing. IPCom has also withdrawn one other patent action and two others are stayed pending invalidity proceedings.

In March 2008, IPCom sued Nokia in Bologna, Italy on 44 European patents, seeking declarations of infringement in relation to the relevant Italian and UK designations along with declarations of validity of both the Italian and UK designations. In November 2008, IPCom withdrew the case in its entirety.

In September 2008, in response to the Italian action on IPCom s UK patents, Nokia commenced revocation proceedings in England against 15 of those patents. IPCom responded by bringing infringement actions in relation to three of the patents in issue. The trials for infringement and revocation actions are due to take place between November 2009 and October 2010.

In January 2009, IPCom brought a claim in Dusseldorf against certain members of Nokia s Group Executive Board in their personal capacities (but not any company in the Nokia Group) asserting one of the patents in suit in Mannheim. No trial date has yet been set.

Qualcomm

Our payment obligations under the subscriber unit cross-license agreements signed in 1992 and 2001 with Qualcomm Incorporated (Qualcomm) expired on April 9, 2007. The parties entered into negotiations for a new license agreement with the intention of reaching a mutually acceptable agreement on a timely basis. The wireless industry landscape had changed significantly since the terms of the previous agreements were set, and Nokia s intention was to negotiate a new license agreement based on today s business realities, including the current value of Qualcomm s newer patent portfolio and Nokia s IPR position in relevant technology standards. Prior to the commencement of negotiations and as negotiations proceeded, Nokia and Qualcomm were engaged in numerous legal disputes in the United States, Europe and China. See our Annual Report on Form 20-F 2007, Item 8A7. Litigation Qualcomm for details of those disputes.

On July 24, 2008, Nokia and Qualcomm entered into a new license agreement covering various current and future standards and other technologies, and resulted in the settlement of all outstanding litigation between the companies. Under the terms of the 15 year agreement covering various standards, including GSM, EDGE, CDMA, WCDMA, HSDPA, OFDM, WiMax, LTE and other technologies, Nokia has been granted a license under all Qualcomm s patents for use in Nokia s mobile devices and Nokia Siemens Networks infrastructure equipment, and Nokia has agreed not to use any of its patents directly against Qualcomm. The financial terms included a one-time lump-sum cash payment of EUR 1.7 billion made by Nokia to Qualcomm in the fourth quarter of 2008 and ongoing royalty payments to

Qualcomm. The lump-sum payment made to Qualcomm will be expensed quarterly over the term of the agreement. Nokia also agreed to assign ownership of a number of patents to Qualcomm.

Product Related Litigation

Nokia and several other mobile device manufacturers, distributors and network operators were named as defendants in a series of class action suits filed in various US jurisdictions. The actions were brought on behalf of a purported class of persons in the United States as a whole consisting of all individuals that purchased mobile phones without a headset. In general, the complaints allege that handheld cellular telephone use causes and creates a risk of cell level injury and claim the defendants should have included a headset with every hand-held mobile telephone as a means of reducing any potential health risk associated with the telephone s use. All but one of the cases have been withdrawn or dismissed. Of the dismissed cases, one matter is currently on appeal. The remaining active case is currently subject to a motion to dismiss.

We have also been named as a defendant along with other mobile device manufacturers and network operators in five lawsuits by individual plaintiffs who allege that the radio emissions from mobile phones caused or contributed to each plaintiff s brain tumor. Each of the cases was dismissed on the basis of Federal preemption. The plaintiffs appealed the dismissals and the appeal is currently pending.

We believe that the allegations described above are without merit, and intend to defend these actions vigorously. Other courts that have reviewed similar matters to date have found that there is no reliable scientific basis for the plaintiffs claims.

Antitrust Litigation

On April 22, 2005, Tele Atlas N.V. and Tele Atlas North America (Tele Atlas) filed a complaint against NAVTEQ in the United States District Court for the Northern District of California. The complaint, as amended on February 19, 2007, alleged that NAVTEQ violated Sections 1 and 2 of the Sherman Act, Section 3 of the Clayton Act, and Sections 16720, 16727 and 17200 of the California Business and Professions Code, and that NAVTEQ intentionally interfered with Tele Atlas contractual relations and prospective economic advantage with third parties, by allegedly excluding Tele Atlas from the market for digital map data for use in navigation system applications in the United States through exclusionary and predatory practices. Tele Atlas was seeking preliminary and permanent injunctive relief, monetary, exemplary and treble damages, and costs and attorneys fees of suit. The parties entered into an agreement settling this matter in December 2008. The settlement resolves the entirety of the dispute pending before the United States District Court for the Northern District of California. The terms of the settlement are confidential.

Agreement Related Litigation

We are also involved in two arbitrations and several lawsuits with Basari Elektronik Sanayi ve Ticaret A.S. (Basari Elektronik) and Basari Teknik Servis Hizmetleri Ticaret A.S. (Basari Teknik) regarding claims associated with the expiration of a product distribution agreement and the termination of a product service agreement. Those matters are currently before various courts and arbitral tribunals in Turkey and Finland. Basari Elektronik claims that it is entitled to compensation for goodwill it generated on behalf of Nokia during the term of the agreement and for Nokia s alleged actions in connection with the termination of the agreement. The compensation claim has been dismissed by the Turkish courts and referred to arbitration. Basari Teknik has filed several suits related to alleged unpaid invoices and a suit that claims that the product service agreement between the parties was improperly terminated. Nokia will continue to vigorously defend itself against these claims.

Securities Litigation

In August 2006, we entered into a merger agreement with Loudeye Corporation (Loudeye), a company in the business of facilitating and providing digital media services. Loudeye was acquired by Nokia in October 2006 and is a

wholly-owned subsidiary of Nokia. On October 4, 2006, a securities class action lawsuit was filed against Loudeye alleging that Loudeye management had materially misled the investing public between May 19, 2003 and November 9, 2005. Two nearly identical complaints were subsequently filed. The suits generally claimed that the Loudeye executives made

overly optimistic statements about the success of a reorganization, provided overly optimistic business projections, issued incomplete and misleading financial statements and were in possession of material adverse information that was not disclosed to the investing public. The cases were consolidated and dismissed. The plaintiffs appealed the dismissal. On May 22, 2008 the Washington State Court of Appeals affirmed the dismissal. No additional appeal was taken and the cases were concluded.

On October 6, 2006, we were named as a defendant in a Washington state court securities case involving activities associated with the acquisition of Loudeye. The suit claims that Loudeye directors breached their fiduciary duties to shareholders by not obtaining maximum value for the company. Nokia is alleged to have aided and abetted the directors by limiting their ability to seek a higher sales price after the Nokia merger agreement was executed. The case was dismissed by plaintiffs with prejudice on May 22, 2008, thereby preventing the plaintiffs from raising such claims again.

Based upon the information currently available, management does not expect the resolution of any of the matters discussed in this section 8A7. Litigation to have a material adverse effect on our financial condition or results of operations.

We are also party to routine litigation incidental to the normal conduct of our business. Based upon the information currently available, our management does not believe that liabilities related to these proceedings, in the aggregate, are likely to be material to our financial condition or results of operations.

8A8. See Item 3A. Selected Financial Data Distribution of Earnings for a discussion of our dividend policy.

8B. Significant Changes

No significant changes have occurred since the date of our consolidated financial statements included in this annual report. See Item 5A. Operating Results Principal Factors Affecting our Results of Operations for information on material trends affecting our business and results of operations.

ITEM 9. THE OFFER AND LISTING

9A. Offer and Listing Details

Our capital consists of shares traded on NASDAQ OMX Helsinki under the symbol NOK1V. American Depositary Shares, or ADSs, each representing one of our shares, are traded on the New York Stock Exchange under the symbol NOK. The ADSs are evidenced by American Depositary Receipts, or ADRs, issued by Citibank, N.A., as Depositary under the Amended and Restated Deposit Agreement dated as of March 28, 2000 (as amended), among Nokia, Citibank, N.A. and registered holders from time to time of ADRs.

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The table below sets forth, for the periods indicated, the reported high and low quoted prices for our shares on NASDAQ OMX Helsinki and the high and low quoted prices for the shares, in the form of ADSs, on the New York Stock Exchange.

	NASDAQ OMX Helsinki Price per share		New York Stock Exchange Price per ADS	
	High	Low	High	Low
	(EUR)		(USD)	
2004	18.79	8.97	23.22	11.03
2005	15.75	10.75	18.62	13.92
2006	18.65	14.61	23.10	17.72
2007				
First Quarter	17.69	14.63	23.14	19.08
Second Quarter	21.78	16.98	29.01	22.70
Third Quarter	26.73	20.01	37.94	27.71
Fourth Quarter	28.60	24.80	41.10	35.31
Full Year	28.60	14.63	41.10	19.08
2008				
First Quarter	25.78	18.49	38.25	29.30
Second Quarter	21.81	15.38	34.02	24.03
Third Quarter	18.06	12.65	28.13	17.60
Fourth Quarter	13.15	9.95	18.50	12.35
Full Year	25.78	9.95	38.25	12.35
Most recent six months				
September 2008	17.05	12.65	24.45	17.60
October 2008	13.15	11.30	18.50	14.74
November 2008	13.05	9.95	16.74	12.35
December 2008	11.77	10.28	16.51	13.08
January 2009	11.83	9.29	16.21	11.90
February 2009	10.46	7.52	13.33	9.36

9B. Plan of Distribution

Not applicable.

9C. Markets

The principal trading markets for the shares are the New York Stock Exchange, in the form of ADSs, and NASDAQ OMX Helsinki, in the form of shares. In addition, the shares are listed on the Frankfurt Stock Exchange.

9D. Selling Shareholders

Not applicable.

9E. Dilution

Not applicable.

9F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10A. Share Capital

Not applicable.

10B. Memorandum and Articles of Association

Registration

Nokia is organized under the laws of the Republic of Finland and registered under the business identity code 0112 038 9. Nokia s corporate purpose is to engage in the telecommunications industry and other sectors of the electronics industry, including the manufacture and marketing of telecommunications systems and equipment, mobile phones, consumer electronics and industrial electronic products. We also may engage in other industrial and commercial operations, as well as securities trading and other investment activities.

Director s Voting Powers

Under Finnish law and our Articles of Association, resolutions of the Board of Directors shall be made by a majority vote. A director shall refrain from taking any part in the consideration of a contract between the director and the company or third party, or any other issue that may provide any material benefit to him, which may be contradictory to the interests of the company. Under Finnish law, there is no age limit requirement for directors, and there are no requirements under Finnish law that a director must own a minimum number of shares in order to qualify to act as a director. However, our Corporate Governance Guidelines include a guideline retirement age of 70 years for the Board members and since 1999, approximately 40% of the annual remuneration payable to the members of Board of Directors has been paid in Nokia shares purchased from the market.

Share Rights, Preferences and Restrictions

Each share confers the right to one vote at general meetings. According to Finnish law, a company generally must hold an Annual General Meeting called by the Board within six months from the end of the fiscal year. In addition, the Board is obliged to call an extraordinary general meeting at the request of the auditor or shareholders representing a minimum of one-tenth of all outstanding shares. Under our Articles of Association, the members of the board are elected for a term of one year from the respective Annual General Meeting to the end of the next Annual General Meeting.

Under Finnish law, shareholders may attend and vote at general meetings in person or by proxy. It is not customary in Finland for a company to issue forms of proxy to its shareholders. Accordingly, Nokia does not do so. However, registered holders and beneficial owners of ADSs are issued forms of proxy by the Depositary.

To attend and vote at a general meeting, a shareholder must be registered in the register of shareholders in the Finnish book-entry system on or prior to the record date set forth in the notice of the Annual General Meeting. A registered holder or a beneficial owner of the ADSs, like other beneficial owners whose shares are registered in the company s register of shareholders in the name of a nominee, may vote his shares provided that he arranges to have his name entered in the temporary register of shareholders as of the record date of the meeting.

The record date is the tenth calendar day preceding the meeting. To be entered in the temporary register of shareholders as of the record date of the meeting, a holder of ADSs must provide the Depositary, or have his broker or

other custodian provide the Depositary, on or before the voting deadline, as defined in the proxy material issued by the Depositary, a proxy with the following information: the name, address, and social security number or another corresponding personal identification number of the holder of the ADSs, the number of shares to be voted by the holder of the ADSs and the voting instructions. The register of shareholders as of the record date of each general meeting is public until the end of the respective meeting. Other nominee registered shareholders can attend and vote at the Annual General Meeting by instructing their broker or other

custodian to register the shareholder in Nokia s temporary register of shareholders and give the voting instructions in accordance with the broker s or custodian s instructions.

Under our Articles of Association, as a further prerequisite for attending and voting at a general meeting, shareholders must give notice to Nokia of their intention to attend no later than the date and time specified by the Board of Directors in the notice of the meeting. By completing and returning the form of proxy provided by the Depositary, a holder of ADSs authorizes the Depositary to give this notice.

Each of our shares confers equal rights to share in our profits, and in any surplus in the event of liquidation. For a description of dividend rights attaching to our shares, see Item 3A. Selected Financial Data Distribution of Earnings. Dividend entitlement lapses after three years if a dividend remains unclaimed for that period, in which case the unclaimed dividend will be retained by Nokia.

Under Finnish law, the rights of shareholders related to shares are as stated by law and in our Articles of Association. Amendment of the Articles of Association requires a decision of the general meeting, supported by two-thirds of the votes cast and two-thirds of the shares represented at the meeting.

Disclosure of Shareholder Ownership

According to the Finnish Securities Market Act of 1989, as amended, a shareholder shall disclose his ownership to the company and the Finnish Financial Supervisory Authority when it reaches, exceeds or goes below 1/20, 1/10, 3/20, 1/5, 1/4, 3/10, 1/2 or 2/3 of all the shares outstanding. The term ownership includes ownership by the shareholder, as well as selected related parties. Upon receiving such notice, the company shall disclose it by a stock exchange release without undue delay.

Purchase Obligation

Our Articles of Association require a shareholder that holds one-third or one-half of all of our shares to purchase the shares of all other shareholders that so request, at a price generally based on the historical weighted average trading price of the shares. A shareholder of this magnitude also is obligated to purchase any subscription rights, stock options or convertible bonds issued by the company if so requested by the holder. The purchase price of the shares under our Articles of Association is the higher of (a) the weighted average trading price of the shares on NASDAQ OMX Helsinki during the 10 business days prior to the day on which we have been notified by the purchaser that its holding has reached or exceeded the threshold referred to above or, in the absence of such notification or its failure to arrive within the specified period, the day on which our Board of Directors otherwise becomes aware of this; or (b) the average price, weighted by the number of shares, which the purchaser has paid for the shares it has acquired during the last 12 months preceding the date referred to in (a).

Under the Finnish Securities Market Act of 1989, as amended, a shareholder whose holding exceeds 3/10 of the total voting rights in a company shall, within one month, offer to purchase the remaining shares of the company, as well as any other rights entitling to the shares issued by the company, such as subscription rights, convertible bonds or stock options issued by the company. The purchase price shall be the market price of the securities in question. The market price is determined on the basis of the highest price paid for the security during the preceding six months by the shareholder or any party in close connection to the shareholder. This price can be deviated from for a specific reason. If the shareholder or any related party has not during the six months preceding the offer acquired any securities that are the target for the offer, the market price is determined based on the average of the prices paid for the security in public trading during the preceding three months weighted by the volume of trade.

Under the Finnish Companies Act of 2006, as amended, a shareholder whose holding exceeds nine-tenths of the total number of shares or voting rights in Nokia has both the right and, upon a request from the minority shareholders, the obligation to purchase all the shares of the minority shareholders for the current market price. The market price is determined, among other things, on the basis of the recent market price of the shares. The purchase procedure under the Companies Act differs, and the

purchase price may differ, from the purchase procedure and price under the Securities Market Act, as discussed above. However, if the threshold of nine-tenths has been exceeded through either a mandatory or a voluntary public offer pursuant to the Securities Market Act, the market price under the Companies Act is deemed to be the price offered in the public offer, unless there are specific reasons to deviate from it.

Pre-Emptive Rights

In connection with any offering of shares, the existing shareholders have a pre-emptive right to subscribe for shares offered in proportion to the amount of shares in their possession. However, a general meeting of shareholders may vote, by a majority of two-thirds of the votes cast and two-thirds of the shares represented at the meeting, to waive this pre-emptive right provided that, from the company s perspective, important financial grounds exist.

Under the Act on the Control of Foreigners Acquisition of Finnish Companies of 1992, clearance by the Ministry of Trade and Industry is required for a non-resident of Finland, directly or indirectly, to acquire one-third or more of the voting power of a company. The Ministry of Employment and the Economy may refuse clearance where the acquisition would jeopardize important national interests, in which case the matter is referred to the Council of State. These clearance requirements are not applicable if, for instance, the voting power is acquired in a share issue that is proportional to the holder s ownership of the shares. Moreover, the clearance requirements do not apply to residents of countries in the European Economic Area or countries that have ratified the Convention on the Organization for Economic Cooperation and Development.

10C. Material Contracts

Acquisition of NAVTEQ

On October 1, 2007, NAVTEQ Corporation, Nokia Inc., a wholly-owned subsidiary of Nokia, North Acquisition Corp., a wholly-owned subsidiary of Nokia Inc., and, for certain purposes set forth in the Merger Agreement, Nokia entered into an Agreement and Plan of Merger. The merger was completed on July 10, 2008. Subject to the terms and conditions of the Merger Agreement, North Acquisition Corp. was merged with and into NAVTEQ, each outstanding share of the common stock of NAVTEQ was converted into the right to receive cash, and NAVTEQ survived the merger as a wholly-owned subsidiary of Nokia Inc. The aggregate purchase price was approximately EUR 5.3 billion.

10D. Exchange Controls

There are currently no Finnish laws which may affect the import or export of capital, or the remittance of dividends, interest or other payments.

10E. Taxation

General

The taxation discussion set forth below is intended only as a descriptive summary and does not purport to be a complete analysis or listing of all potential tax effects relevant to ownership of our shares represented by ADSs.

The statements of United States and Finnish tax laws set out below are based on the laws in force as of the date of this annual report and may be subject to any changes in US or Finnish law, and in any double taxation convention or treaty between the United States and Finland, occurring after that date, possibly with retroactive effect.

For purposes of this summary, beneficial owners of ADSs that hold the ADSs as capital assets and that are considered residents of the United States for purposes of the current income tax convention between the United States and Finland, signed September 21, 1989 (as amended by a protocol signed May 31, 2006), referred to as the Treaty, and that are entitled to the benefits of the Treaty under the Limitation on Benefits provisions contained in the Treaty, are referred to as US Holders. Beneficial owners that are citizens or residents of the United States, corporations created in or organized under

US law, and estates or trusts (to the extent their income is subject to US tax either directly or in the hands of beneficiaries) generally will be considered to be residents of the United States under the Treaty. Special rules apply to US Holders that are also residents of Finland and to citizens or residents of the United States that do not maintain a substantial presence, permanent home or habitual abode in the United States. For purposes of this discussion, it is assumed that the Depositary and its custodian will perform all actions as required by the deposit agreement with the Depositary and other related agreements between the Depositary and Nokia.

If a partnership holds ADSs (including for this purpose any entity treated as a partnership for US federal income tax purposes), the tax treatment of a partner will depend upon the status of the partner and activities of the partnership. If a US holder is a partner in a partnership that holds ADSs, the holder is urged to consult its own tax advisor regarding the specific tax consequences of owning and disposing of its ADSs.

Because this summary is not exhaustive of all possible tax considerations such as situations involving financial institutions, banks, tax-exempt entities, pension funds, US expatriates, real estate investment trusts, persons that are dealers in securities, persons who own (directly, indirectly or by attribution) 10% or more of the share capital or voting stock of Nokia, persons who acquired their ADSs pursuant to the exercise of employee stock options or otherwise as compensation, or whose functional currency is not the US dollar, who may be subject to special rules that are not discussed herein holders of shares or ADSs that are US Holders are advised to satisfy themselves as to the overall US federal, state and local tax consequences, as well as to the overall Finnish and other applicable non-US tax consequences, of their ownership of ADSs and the underlying shares by consulting their own tax advisors. This summary does not discuss the treatment of ADSs that are held in connection with a permanent establishment or fixed base in Finland.

For the purposes of both the Treaty and the US Internal Revenue Code of 1986, as amended, referred to as the Code, US Holders of ADSs will be treated as the owners of the underlying shares that are represented by those ADSs. Accordingly, the following discussion, except where otherwise expressly noted, applies equally to US Holders of ADSs, on the one hand, and of shares on the other.

The holders of ADSs will, for Finnish tax purposes, be treated as the owners of the shares that are represented by the ADSs. The Finnish tax consequences to the holders of shares, as discussed below, also apply to the holders of ADSs.

US and Finnish Taxation of Cash Dividends

For US federal income tax purposes, the gross amount of dividends paid to US Holders of shares or ADSs, including any related Finnish withholding tax, generally will be included in gross income as foreign source dividend income. Dividends will not be eligible for the dividends received deduction allowed to corporations under Section 243 of the Code. The amount includible in income (including any Finnish withholding tax) will equal the US dollar value of the payment, determined at the time such payment is received by the Depositary (in the case of ADSs) or by the US Holder (in the case of shares), regardless of whether the payment is in fact converted into US dollars. Generally, any gain or loss resulting from currency exchange rate fluctuations during the period between the time such payment is received and the date the dividend payment is converted into US dollars will be treated as ordinary income or loss to a US Holder.

Special rules govern and specific elections are available to accrual method taxpayers to determine the US dollar amount includible in income in the case of a dividend paid (and taxes withheld) in foreign currency. Accrual basis taxpayers are urged to consult their own tax advisors regarding the requirements and elections applicable in this regard.

Under the Finnish Income Tax Act and Act on Taxation of Non-residents Income, non-residents of Finland are generally subject to a withholding tax at a rate of 28% payable on dividends paid by a Finnish resident company. However, pursuant to the Treaty, dividends paid to US Holders generally will be subject to Finnish withholding tax at a reduced rate of 15% of the gross amount of the

dividend. Qualifying pension funds are, however, pursuant to the Treaty exempt from Finnish withholding tax. See also Finnish Withholding Taxes on Nominee Registered Shares below.

Subject to conditions and limitations, Finnish withholding taxes will be treated as foreign taxes eligible for credit against a US Holder s US federal income tax liability. Dividends received generally will constitute foreign source passive income for foreign tax credit purposes or, for taxable years beginning January 1, 2007, passive category income. In lieu of a credit, a US Holder may elect to deduct all of its foreign taxes provided the deduction is claimed for all of the foreign taxes paid by the US Holder in a particular year. A deduction does not reduce US tax on a dollar-for-dollar basis like a tax credit. The deduction, however, is not subject to the limitations applicable to foreign tax credits.

Certain US Holders (including individuals and some trusts and estates) are eligible for reduced rates of US federal income tax at a maximum rate of 15% in respect of qualified dividend income received in taxable years beginning before January 1, 2011, provided that certain holding period and other requirements are met. Dividends that Nokia pays with respect to its shares and ADSs generally will be qualified dividend income if Nokia was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company. Nokia currently believes that dividends paid with respect to its shares and ADSs will constitute qualified dividend income for US federal income tax purposes, however, this is a factual matter and is subject to change. Nokia anticipates that its dividends will be reported as qualified dividends on Forms 1099-DIV delivered to US Holders. US Holders of shares or ADSs are urged to consult their own tax advisors regarding the availability to them of the reduced dividend tax rate in light of their own particular situation and the computations of their foreign tax credit limitation with respect to any qualified dividends paid to them, as applicable.

The US Treasury has expressed concern that parties to whom ADSs are released may be taking actions inconsistent with the claiming of foreign tax credits or reduced rates in respect of qualified dividends by US Holders of ADSs. Accordingly, the analysis of the creditability of Finnish withholding taxes or the availability of qualified dividend treatment could be affected by future actions that may be taken by the US Treasury with respect to ADSs.

Finnish Withholding Taxes on Nominee Registered Shares

Generally, for US Holders, the reduced 15% withholding tax rate of the Treaty (instead of 28%) is applicable to dividends paid to nominee registered shares only when the conditions of the provisions applied to dividends are met (Section 10b of the Finnish Act on Taxation of Non-residents Income).

According to the provisions, the Finnish account operator and a foreign custodian are required to have a custody agreement, according to which the custodian undertakes to (a) declare the country of residence of the beneficial owner of the dividend, (b) confirm the applicability of the Treaty to the dividend, (c) inform the account operator of any changes to the country of residence or the applicability of the Treaty, and d) provide the legal identification and address of the beneficial owner of the dividend and a certificate of residence issued by the local tax authorities upon request. It is further required that the foreign custodian is domiciled in a country with which Finland has entered into a treaty for the avoidance of double taxation and that the custodian is entered into the register of foreign custodians maintained by the Finnish tax authorities.

In general, if based on an applicable treaty for the avoidance of double taxation the withholding tax rate for dividends is 15% or higher, the treaty rate may be applied when the above-described conditions of the new provisions are met (Section 10b of the Finnish Act on Taxation of Non-residents Income). A lower rate than 15% may be applied based on the applicable treaty for the avoidance of double taxation only when the following information on the beneficial owner of the dividend is provided to the payer prior to the dividend payment: name, date of birth or business ID (if applicable) and address in the country of residence.

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US and Finnish Tax on Sale or Other Disposition

A US Holder generally will recognize taxable capital gain or loss on the sale or other disposition of ADSs in an amount equal to the difference between the US dollar value of the amount realized and the adjusted tax basis (determined in US dollars) in the ADSs. If the ADSs are held as a capital asset, this gain or loss generally will be long-term capital gain or loss if, at the time of the sale, the ADSs have been held for more than one year. Any capital gain or loss, for foreign tax credit purposes, generally will constitute US source gain or loss. In the case of a US Holder that is an individual, any capital gain generally will be subject to US federal income tax at preferential rates if specified minimum holding periods are met. The deductibility of capital losses is subject to significant limitations.

The deposit or withdrawal by a US Holder of shares in exchange for ADSs or of ADSs for shares under the deposit agreement generally will not be subject to US federal income tax or Finnish income tax.

The sale by a US Holder of the ADSs or the underlying shares, other than an individual that, by reason of his residence in Finland for a period exceeding six months, is or becomes liable for Finnish income tax according to the relevant provisions of Finnish tax law, generally will not be subject to income tax in Finland, in accordance with Finnish tax law and the Treaty.

Finnish Capital Taxes

The Finnish capital tax regime was abolished in the beginning of 2006.

Finnish Transfer Tax

Transfers of shares and ADSs could be subject to the Finnish transfer tax only when one of the parties to the transfer is subject to Finnish taxation under the Finnish Income Tax Act by virtue of being a resident of Finland or a Finnish branch of a non-Finnish credit institution. In accordance with the amendments in the Finnish Transfer Tax Act (applicable as of November 9, 2007) no transfer tax is payable on the transfer of shares or ADSs (irrespective of whether the transfer is carried out on stock exchange or not). However, there are certain conditions for the exemption. Prior to the said amendments, transfer tax was not payable on stock exchange transfers. In cases where the transfer tax would be payable, the transfer tax would be 1.6% of the transfer value of the security traded.

Finnish Inheritance and Gift Taxes

A transfer of an underlying share by gift or by reason of the death of a US Holder and the transfer of an ADS are not subject to Finnish gift or inheritance tax provided that none of the deceased person, the donor, the beneficiary of the deceased person or the recipient of the gift is resident in Finland.

Non-Residents of the United States

Beneficial owners of ADSs that are not US Holders will not be subject to US federal income tax on dividends received with respect to ADSs unless this dividend income is effectively connected with the conduct of a trade or business within the United States. Similarly, non-US Holders generally will not be subject to US federal income tax on the gain realized on the sale or other disposition of ADSs, unless (a) the gain is effectively connected with the conduct of a trade or business in the United States or (b) in the case of an individual, that individual is present in the United States for 183 days or more in the taxable year of the disposition and other conditions are met.

US Information Reporting and Backup Withholding

Dividend payments with respect to shares or ADSs and proceeds from the sale or other disposition of shares or ADSs may be subject to information reporting to the IRS and possible US backup withholding at the current rate of 28%. Backup withholding will not apply to a Holder; however, if the Holder furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification or if it is a recipient otherwise exempt from backup withholding (such as a corporation). Any US person required to establish its exempt status generally must furnish a duly completed IRS Form W-9 (Request for Taxpayer Identification Number and

Certification). Non-US Holders generally are not subject to US information reporting or backup withholding. However, such Holders may be required to provide certification of non-US status (generally on IRS Form W-8BEN) in connection with payments received in the United States or through certain US-related financial intermediaries. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a Holder s US federal income tax liability, and the Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

10F. Dividends and Paying Agents

Not applicable.

10G. Statement by Experts

Not applicable.

10H. Documents on Display

The documents referred to in this report can be read at the Securities and Exchange Commission s public reference facilities at 100 F Street, N.E., Room 1580, Washington, D.C. 20549.

10I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Note 35 to our consolidated financial statements included in Item 18 of this annual report for information on market risk.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) **Disclosure Controls and Procedures.** Our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer, after evaluating the effectiveness of Nokia s disclosure controls and procedures (as

defined in US Exchange Act Rule 13a-15(e)) as of the end of the period covered by this annual report, have concluded that, as of such date, Nokia s disclosure controls and procedures were effective.

(b) **Management s Annual Report on Internal Control Over Financial Reporting.** Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the company. Our internal control over financial reporting is designed to provide reasonable assurance to our management and the Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may decline.

Management evaluated the effectiveness of our internal control over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, framework. Management has excluded Symbian Limited from the assessment of internal control over financial reporting as at December 31, 2008 because Symbian Limited was acquired by Nokia in a purchase business combination during 2008. See Item 15 (d) below. Symbian Limited is a component of the Devices & Services reporting segment. The total assets and total net sales of Symbian Limited represent approximately 2% and less than 1%, respectively, of our related consolidated financial statement amounts as at and for the year ended December 31, 2008. Based on this evaluation, management has assessed the effectiveness of Nokia s internal control over financial reporting, as at December 31, 2008, and concluded that such internal control over financial reporting is effective.

PricewaterhouseCoopers Oy, which has audited our consolidated financial statements for the year ended December 31, 2008, has issued an attestation report on the effectiveness of the company s internal control over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States of America).

(c) **Attestation Report of the Registered Public Accounting Firm.** See the Auditors report on page F-1.

(d) **Changes in Internal Control Over Financial Reporting.** There were no changes in Nokia s internal control over financial reporting that occurred during the year ended December 31, 2008
that have materially affected, or are reasonably likely to materially affect, the Group s internal control over financial reporting during 2008. On December 2, 2008, Nokia completed the acquisition of Symbian Limited.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that the majority of the members of the Audit Committee, including its Chairman, Georg Ehrnrooth, are audit committee financial experts as defined in Item 16A of Form 20-F. Mr. Ehrnrooth and each of the other members of the Audit Committee is an independent director as defined in Section 303A.02 of the New York Stock Exchange s Listed Company Manual.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to our Chief Executive Officer, President, Chief Financial Officer and Corporate Controller. This code of ethics is posted on our website, *www.nokia.com/board*, under the heading Company codes Code of Ethics.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Auditor Fees and Services

PricewaterhouseCoopers Oy has served as our independent auditor for each of the fiscal years in the three-year period ended December 31, 2008. The independent auditor is elected annually by our shareholders at the Annual General Meeting for the fiscal year in question. The Audit Committee of the Board of Directors makes a proposal to the shareholders in respect of the appointment of the auditor based upon its evaluation of the qualifications and independence of the auditor to be proposed for election or re-election on an annual basis.

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The following table sets forth the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers to Nokia in 2008 and 2007 in total with a separate presentation of those fees related to Nokia and Nokia Siemens Networks.

	2008			2007		
	Nokia	Nokia Siemens Networks	Total	Nokia	Nokia Siemens Networks	Total
			(EUR millions)			
Audit Fees[1]	6.4	13.1	19.5	5.3	12.7	18.0
Audit-Related Fees[2]	2.4	5.0	7.4	3.6	24.3	27.9
Tax Fees[3]	3.8	3.0	6.8	5.0	2.3	7.3
All Other Fees[4]	0.7		0.7	0.2		0.2
Total	**13.3**	**21.1**	**34.4**	**14.1**	**39.3**	**53.4**

(1) Audit Fees consist of fees billed for the annual audit of the company s consolidated financial statements and the statutory financial statements of the company s subsidiaries. They also include fees billed for other audit services, which are those services that only the independent auditor reasonably can provide, and include the provision of comfort letters and consents in connection with statutory and regulatory filings and the review of documents filed with the SEC and other capital markets or local financial reporting regulatory bodies.

(2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the company s financial statements or that are traditionally performed by the independent auditor, and include consultations concerning financial accounting and reporting standards; advice on tax accounting matters; advice and assistance in connection with local statutory accounting requirements; due diligence related to acquisitions; financial due diligence in connection with provision of funding to customers, reports in relation to covenants in loan agreements; employee benefit plan audits and reviews; and audit procedures in connection with investigations and the compliance program implemented at Nokia Siemens Networks related to the Siemens carrier-related operations transferred to Nokia Siemens Networks. The amounts paid by Nokia to PricewaterhouseCoopers include EUR 2.5 million and EUR 23.9 million that Nokia has recovered or will be able to recover from a third party for 2008 and 2007, respectively.

(3) Tax fees include fees billed for (i) corporate and indirect compliance including preparation and/or review of tax returns, preparation, review and/or filing of various certificates and forms and consultation regarding tax returns and assistance with revenue authority queries; (ii) transfer pricing advice and assistance with tax clearances; (iii) customs duties reviews and advise; (iii) consultations and tax audits (assistance with technical tax queries and tax audits and appeals and advise on mergers, acquisitions and restructurings); (iv) personal compliance (preparation of individual tax returns and registrations for employees (non-executives), assistance with applying visa, residency, work permits and tax status for expatriates); and (v) consultation and planning (advice on stock based remuneration, local employer tax laws, social security laws, employment laws and compensation programs, tax implications on short-term international transfers).

(4) All Other Fees include fees billed for company establishment, forensic accounting, data security, investigations and reviews of licensing arrangements with customers and occasional training or reference materials and services.

Audit Committee Pre-approval Policies and Procedures

The Audit Committee of our Board of Directors is responsible, among other matters, for the oversight of the external auditor subject to the requirements of Finnish law. The Audit Committee has adopted a policy regarding pre-approval of audit and permissible non-audit services provided by our independent auditors (the Policy).

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Under the Policy, proposed services either (i) may be pre-approved by the Audit Committee without a specific case-by-case services approvals (general pre-approval); or (ii) require the specific pre-approval of the Audit Committee (specific pre-approval). The Audit Committee may delegate either type of pre-approval authority to one or more of its members. The appendices to the Policy set out the audit, audit-related, tax and other services that have received the general pre-approval of the Audit Committee. All other audit, audit-related (including services related to internal controls and significant M&A projects), tax and other services are subject to a specific pre-approval from the Audit Committee. All service requests concerning generally pre-approved services will be submitted to the Corporate Controller who will determine whether the services are within the services generally pre-approved. The Policy and its appendices are subject to annual review by the Audit Committee.

The Audit Committee establishes budgeted fee levels annually for each of the four categories of audit and non-audit services that are pre-approved under the Policy, namely, audit, audit-related, tax and other services. Requests or applications to provide services that require specific approval by the Audit Committee are submitted to the Audit Committee by both the independent auditor and the Corporate Controller. At each regular meeting of the Audit Committee, the independent auditor provides a report in order for the Audit Committee to review the services that the auditor is providing, as well as the status and cost of those services.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table sets out certain information concerning purchases of Nokia shares and ADRs by Nokia Corporation and its affiliates during 2008.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share (EUR)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1/1/08-1/31/08	7 240 000	23.72	7 240 000	237 390 000(1)
February 2/1/08-2/29/08	29 100 000	24.74	29 100 000	208 290 000(1)
March 3/1/08-3/31/08	23 000 000	20.97	23 000 000	185 290 000(1)
April 4/1/08-4/30/08	19 300 000	18.29	19 300 000	165 990 000(1)
May 5/1/08-5/31/08	31 570 000	18.60	31 570 000	346 090 000(2)
June 6/1/08-6/30/08	32 920 000	16.97	32 920 000	313 170 000(2)
July 7/1/08-7/31/08	10 840 000	17.44	10 840 000	302 330 000(2)
August 8/1/08-8/31/08	3 420 000	17.75	3 420 000	298 910 000(2)
September 9/1/08-9/30/08				298 910 000(2)
October 10/1/08-10/31/08				298 910 000(2)
November 11/1/08-11/30/08				298 910 000(2)

December 12/1/08-12/31/08			298 910 000(2)
Total	**157 390 000**	**157 390 000**	

(1) On May 3, 2007, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 380 million Nokia shares by using funds available for distribution of profits. The authorization was effective until June 30, 2008.

(2) On May 8, 2008, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 370 million Nokia shares by using funds available for distribution of

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profits. The authorization is effective until June 30, 2009. Nokia has not repurchased any of its own shares since September 2008. The Board of Directors will propose to the Annual General Meeting to be held on April 23, 2009 that the current repurchase authorization will be terminated and that the Board of Directors would be authorized to repurchase a maximum of 360 million Nokia shares, effective until June 30, 2010.

ITEM 16G. CORPORATE GOVERNANCE

The following is a summary of any significant ways in which our corporate governance practices differ from those followed by US domestic companies under the New York Stock Exchange s corporate governance listing standards. There are no significant differences in the corporate governance practices followed by Nokia as compared to those followed by US domestic companies under the NYSE listing standards, except that Nokia follows the requirements of Finnish law with respect to the approval of equity compensation plans. Under Finnish law, stock option plans require shareholder approval at the time of their launch. All other plans that include the delivery of company stock in the form of newly-issued shares or treasury shares require shareholder approval at the time of the delivery of the shares or, if shareholder approval is granted through an authorization to the Board of Directors, no more than a maximum of five years earlier. The NYSE listing standards require that equity compensation plans be approved by a company s shareholders.

Nokia s corporate governance practices comply with the Finnish Corporate Governance Code approved by the boards of the Finnish Securities Market Association and NASDAQ OMX Helsinki effective as of January 1, 2009. The Finnish Corporate Governance Code is accessible, among others, at *www.cgfinland.fi*.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements are filed as part of this annual report:

Consolidated Financial Statements Report of Independent Registered Public Accounting Firm	F-1
Consolidated Profit and Loss Accounts	F-3
Consolidated Balance Sheets	F-4
Consolidated Cash Flow Statements	F-5
Consolidated Statements of Changes in Shareholders Equity	F-7
Notes to the Consolidated Financial Statements	F-9

ITEM 19. EXHIBITS

*1	Articles of Association of Nokia Corporation.
*4.1	Agreement and Plan of Merger by and among Nokia Inc., North Acquisition Corp. and NAVTEQ Corporation dated as of October 1, 2007.
6.	See Note 28 to our consolidated financial statements included in Item 18 of this annual report for information on how earnings per share information was calculated.

8.	List of significant subsidiaries.
12.1	Certification of Olli-Pekka Kallasvuo, Chief Executive Officer of Nokia Corporation, pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.
12.2	Certification of Richard A. Simonson, Chief Financial Officer of Nokia Corporation, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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13.	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.(a)	Consent of Independent Registered Public Accounting Firm.

* Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2007.

GLOSSARY OF TERMS

2G (second generation mobile communications): A digital cellular system such as GSM 900, 1800 and 1900.

3G (third generation mobile communications): A digital system for mobile communications that provides increased bandwidth and lets a mobile device user access a wide variety of services, such as multimedia.

3GPP (Third Generation Partnership Project) and 3GPP2 (Third Generation Partnership Project 2): Projects in which standards organizations and other related bodies have agreed to co-operate on the production of globally applicable technical specifications for a third generation mobile system.

Access network: A telecommunications network between a local exchange and the subscriber station.

ADSL (asymmetric digital subscriber line): A technology that enables high-speed data communication over existing twisted pair telephone lines and supports a downstream data rate of 1.5 8 Mbps and an upstream data rate of 16 kbps 1 Mbps.

Analog: A signaling technique in which signals are conveyed by continuously varying the frequency, amplitude or phase of the transmission.

Bandwidth: The width of a communication channel, which affects transmission speeds over that channel.

Base station: A network element in a mobile network responsible for radio transmission and reception to or from the mobile station.

Base station controller: A network element in a mobile network for controlling one or more base transceiver stations in the call set-up functions, in signaling, in the use of radio channels, and in various maintenance tasks.

Bluetooth: A technology that provides short-range radio links to allow mobile computers, mobile phones, digital cameras and other portable devices to communicate with each other without cables.

Broadband: The delivery of higher bandwidth by using transmission channels capable of supporting data rates greater than the primary rate of 9.6 Kbps.

CDMA (Code Division Multiple Access): A technique in which radio transmissions using the same frequency band are coded in a way that a signal from a certain transmitter can be received only by certain receivers.

CDMA 2000: A 3G wireless technology that is based on the CDMA platform and has the capability to provide speeds of up to 144 Kbps.

Cellular network: A mobile telephone network consisting of switching centers, radio base stations and transmission equipment.

Converged device: A generic category of mobile device that can run computer-like applications such as email, web browsing and enterprise software, and can also have built-in music players, video recorders, mobile TV and other multimedia features.

Convergence: The coming together of two or more disparate disciplines or technologies. Convergence types are, for example, IP convergence, fixed-mobile convergence and device convergence.

Core network: A combination of exchanges and the basic transmission equipment that together form the basis for network services.

Dense wavelength division multiplexing: The implementation of wavelength-division multiplexing using more than two optical channels in the same wavelength window (See also *wavelength-division multiplexing*.).

Digital: A signaling technique in which a signal is encoded into digits for transmission.

DVB-H (Digital Video Broadcast Handheld): A digital TV broadcasting technology based on traditional terrestrial antenna broadcast technology that enables service reception in handheld devices.

EDGE (Enhanced Data Rates for Global Evolution): A technology to boost cellular network capacity and increase data rates of existing GSM networks to as high as 473 Kbit/s.

Engine: Hardware and software that perform essential core functions for telecommunication or application tasks. A mobile device engine includes, for example, the printed circuit boards, radio frequency components, basic electronics and basic software.

Ethernet: A type of local area network (LAN).

ETSI (European Telecommunications Standards Institute): Standards produced by the ETSI contain technical specifications laying down the characteristics required for a telecommunications product.

FTTB (*Fiber to the building*): refers to a telecommunications system in which fiber optic cable is run directly to a specific building such as a business or apartment house.

FTTC (*Fiber to the curb):* refers to a telecommunications system based on the use of optical fiber cable directly to the curbs near homes or any business environment.

Firewall Gateways: Network points that act as an entrance to another network.

GPRS (General Packet Radio Services): A service that provides packet switched data, primarily for second generation GSM networks.

GPS (Global Positioning System): Satellite-based positioning system that is used for reading geographical position and as a source of the accurate coordinated universal time.

GSM (Global System for Mobile Communications): A digital system for mobile communications that is based on a widely accepted standard and typically operates in the 900 MHz, 1800 MHz and 1900 MHz frequency bands.

HSPA (High-Speed Packet Access): A wideband code division multiple access feature that refers to both 3GPP high-speed downlink packet access and high-speed uplink packet access (see also HSDPA and HSUPA).

HSDPA (High-Speed Downlink Packet Access): A wideband code division multiple access feature that provides high data rate transmission in a WCDMA downlink to support multimedia services.

I-HSPA (Internet-HSPA): A 3GPP standards-based simplified network architecture innovation from Nokia implemented as a data overlay radio access layer that can be built with already deployed WCDMA base stations.

IMS (IP Multimedia Subsystem): A subsystem providing IP multimedia services that complement the services provided by the circuit switched core network domain.

IP (Internet Protocol): A network layer protocol that offers a connectionless Internet work service and forms part of the TCP/IP protocol.

IP Centrex: Voice over IP service that provides centrex services for customers who transmit voice calls to the network as packet streams across broadband access. Centrex refers to a service implemented in public telecommunications exchange that enables the subscriber lines connected to

the exchange to use the facilities typical for private branch exchanges or key telephone system extensions.

IPR (Intellectual Property Rights): Laws protecting the economic exploitation of intellectual property, a generic term used to describe products of human intellect, for example, patents, that have an economic value.

IPSO operating system: A software platform designed for firewall and routing appliances.

Java: An object-oriented programming language that is intended to be hardware and software independent.

LTE (Long-Term Evolution): 3GPP radio technology evolution architecture.

Maemo: An application development platform for Nokia Internet Tablet products.

Mobile device: A generic term for all device products made by our Mobile Phones, Multimedia and Enterprise Solutions business groups, and a generic term for all device products made by the industry in which we operate.

Multimedia Computer: The name given to all Nokia Nseries devices produced by our Multimedia business group in order to distinguish them from the generic category of converged devices.

Multiplexing: A process of combining a number of signals so that they can share a common transmission facility.

Multiradio: Able to support several different radio access technologies.

NGOA (Next Generation Optical Access): NGOA (Next Generation Optical Access): Future telecommunications system based on fiber optic cables capable of achieving bandwidth data rates greater than 100 Mbps.

NG-PON: Next generation passive optical network (See PON).

OFDM (Orthogonal Frequency-Division Multiplexing): A technique for transmitting large amounts of digital data over a radio wave. OFDM works by splitting the radio signal into multiple smaller sub-signals that are then transmitted simultaneously at different frequencies to the receiver.

Open source: Refers to a program in which the source code is available to the general public for use and modification from its original design free of charge.

OS: Operating System.

Packet: Part of a message transmitted over a packet switched network.

PBX (Private Branch Exchange): A local exchange serving extensions in a business complex and providing access to the public network.

Platform: A basic system on which different applications can be developed. A platform consists of physical hardware entities and basic software elements such as the operating system.

PON (passive optical network): A high bandwidth point to multipoint optical fiber network.

Presence: The ability to detect whether other users are online and whether they are available.

S60: A feature rich software platform for smartphones with advanced data capabilities that is optimized for the Symbian OS.

Smartphone: (See *converged device*).

Streaming: The simultaneous transfer of digital media, such as video, voice and data, which is received as a continuous stream.

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Symbian OS: An operating system, application framework and application suite optimized for the needs of wireless information devices such as smartphones and communicators, and for handheld, battery-powered computers.

Synchronization: A process that causes something to occur or recur at the same time or in unison. Synchronization can be used to make the contents of specific files identical on different devices.

Synchronous digital hierarchy (SDH): A transfer mode in which there are specified limits to the timing relationship of the corresponding significant instants of a signal.

TD-SCDMA (time division synchronous code division multiple access): An alternative 3G standard.

Transmission: The action of conveying signals from one point to one or more other points.

Unix: An open standard operating system.

VAR (Value Added Reseller): A reseller that adds something to a product, thus creating a complete customer solution which it then sells under its own name.

VDSL (very high bit rate digital subscriber line): A form of digital subscriber line similar to asymmetric digital subscriber line (ADSL) but providing higher speeds at reduced lengths.

VoIP (Voice over Internet Protocol): Use of the Internet protocol to carry and route two-way voice communications.

Wavelength-division multiplexing: Multiplexing in which several independent signals are allotted separate wavelengths for transmission over a shared optical transmission medium.

WCDMA (Wideband Code Division Multiple Access): A third-generation mobile wireless technology that offers high data speeds to mobile and portable wireless devices.

WiMAX (Worldwide Interoperability for Microwave Access): A technology of wireless networks that operates according to the 802.16 standard of the Institute of Electrical and Electronics Engineers (IEEE).

WLAN (wireless local area network): A local area network using wireless connections, such as radio, microwave or infrared links, in place of physical cables.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Nokia Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated profit and loss accounts, consolidated statements of changes in shareholders equity and consolidated cash flow statements present fairly, in all material respects, the financial position of Nokia Corporation and its subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with IFRS as adopted by the European Union. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31,

2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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As described in Management s Annual Report on Internal Control Over Financial Reporting appearing under Item 15(b), management has excluded the activities of Symbian Limited from its assessment of internal control over financial reporting as of December 31, 2008 because it was acquired by the Company in a purchase business combination during 2008. Therefore, we have also excluded Symbian from our audit of internal control over financial reporting. Symbian Limited is a wholly owned subsidiary whose total assets and total revenues represent 2% and less than 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2008.

/s/ PricewaterhouseCoopers Oy

PricewaterhouseCoopers Oy
Helsinki, Finland
March 5, 2009

Nokia Corporation and Subsidiaries

Consolidated Profit and Loss Accounts

	Notes	Financial Year Ended December 31 2008 EURm	2007 EURm	2006 EURm
Net sales		**50 710**	51 058	41 121
Cost of sales		**(33 337)**	(33 781)	(27 742)
Gross profit		**17 373**	17 277	13 379
Research and development expenses		**(5 968)**	(5 636)	(3 897)
Selling and marketing expenses		**(4 380)**	(4 379)	(3 314)
Administrative and general expenses		**(1 284)**	(1 165)	(666)
Other income	**6**	**420**	2 312	522
Other expenses	**6,7**	**(1 195)**	(424)	(536)
Operating profit	**2-9,22**	**4 966**	7 985	5 488
Share of results of associated companies	**14,31**	**6**	44	28
Financial income and expenses	**10**	**(2)**	239	207
Profit before tax		**4 970**	8 268	5 723
Tax	**11**	**(1 081)**	(1 522)	(1 357)
Profit before minority interests		**3 889**	6 746	4 366
Minority interests		**99**	459	(60)
Profit attributable to equity holders of the parent		**3 988**	7 205	4 306

		2008 EUR	2007 EUR	2006 EUR
Earnings per share (for profit attributable to the equity holders of the parent)	**28**			
Basic		**1.07**	1.85	1.06
Diluted		**1.05**	1.83	1.05

		2008	2007	2006
Average number of shares (000 s shares)	**28**			
Basic		**3 743 622**	3 885 408	4 062 833
Diluted		**3 780 363**	3 932 008	4 086 529

See Notes to Consolidated Financial Statements.

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Nokia Corporation and Subsidiaries

Consolidated Balance Sheets

	Notes	December 31 2008 EURm	2007 EURm
ASSETS			
Non-current assets			
Capitalized development costs	**12**	**244**	378
Goodwill	**12**	**6 257**	1 384
Other intangible assets	**12**	**3 913**	2 358
Property, plant and equipment	**13**	**2 090**	1 912
Investments in associated companies	**14**	**96**	325
Available-for-sale investments	**15**	**512**	341
Deferred tax assets	**24**	**1 963**	1 553
Long-term loans receivable	**16,35**	**27**	10
Other non-current assets		**10**	44
		15 112	8 305
Current assets			
Inventories	**17,19**	**2 533**	2 876
Accounts receivable, net of allowances for doubtful accounts (2008: EUR 415 million, 2007: EUR 332 million)	**19,35**	**9 444**	11 200
Prepaid expenses and accrued income	**18**	**4 538**	3 070
Current portion of long-term loans receivable	**35**	**101**	156
Other financial assets	**26,35**	**1 034**	239
Available-for-sale investments, liquid assets	**15,35**	**1 272**	4 903
Available-for-sale investments, cash equivalents	**15,32,35**	**3 842**	4 725
Bank and cash	**32,35**	**1 706**	2 125
		24 470	29 294
Total assets		**39 582**	37 599
SHAREHOLDERS EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent			
Share capital	**21**	**246**	246
Share issue premium		**442**	644
Treasury shares, at cost		**(1 881)**	(3 146)
Translation differences		**341**	(163)
Fair value and other reserves	**20**	**62**	23
Reserve for invested non-restricted equity		**3 306**	3 299
Retained earnings		**11 692**	13 870
		14 208	14 773
Minority interests		**2 302**	2 565

Total equity		**16 510**	17 338
Non-current liabilities			
Long-term interest-bearing liabilities	**23,35**	**861**	203
Deferred tax liabilities	**24**	**1 787**	963
Other long-term liabilities		**69**	119
		2 717	1 285
Current liabilities			
Current portion of long-term loans	**35**	**13**	173
Short-term borrowings	**35**	**3 578**	714
Other financial liabilities	**26,35**	**924**	184
Accounts payable	**35**	**5 225**	7 074
Accrued expenses	**25**	**7 023**	7 114
Provisions	**27**	**3 592**	3 717
		20 355	18 976
Total shareholders equity and liabilities		**39 582**	37 599

See Notes to Consolidated Financial Statements.

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Nokia Corporation and Subsidiaries

Consolidated Cash Flow Statements

	Notes	Financial Year Ended December 31		
		2008 EURm	**2007 EURm**	**2006 EURm**
Cash flow from operating activities				
Profit attributable to equity holders of the parent		**3 988**	7 205	4 306
Adjustments, total	**32**	**3 469**	1 269	1 857
Change in net working capital	**32**	**(2 546)**	605	(793)
Cash generated from operations		**4 911**	9 079	5 370
Interest received		**416**	362	235
Interest paid		**(155)**	(59)	(18)
Other financial income and expenses, net received		**(195)**	(43)	54
Income taxes paid, net received		**(1 780)**	(1 457)	(1 163)
Net cash from operating activities		**3 197**	7 882	4 478
Cash flow from investing activities				
Acquisition of Group companies, net of acquired cash		**(5 962)**	253	(517)
Purchase of current available-for-sale investments, liquid assets		**(669)**	(4 798)	(3 219)
Purchase of non-current available-for-sale investments		**(121)**	(126)	(88)
Purchase of shares in associated companies		**(24)**	(25)	(15)
Additions to capitalized development costs		**(131)**	(157)	(127)
Long-term loans made to customers			(261)	(11)
Proceeds from repayment and sale of long-term loans receivable		**129**	163	56
Recovery of impaired long-term loans made to customers				276
Proceeds from (+) / payment of (-) other long-term receivables		**(1)**	5	(3)
Proceeds from (+) / payment of (-) short-term loans receivable		**(15)**	(119)	199
Capital expenditures		**(889)**	(715)	(650)
Proceeds from disposal of shares in associated companies		**3**	6	1
Proceeds from disposal of businesses		**41**		
Proceeds from maturities and sale of current available-for-sale investments, liquid assets		**4 664**	4 930	5 058
Proceeds from sale of non-current available-for-sale investments		**10**	50	17
Proceeds from sale of fixed assets		**54**	72	29
Dividends received		**6**	12	
Net cash from (used in) investing activities		**(2 905)**	(710)	1 006

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Nokia Corporation and Subsidiaries

Consolidated Cash Flow Statements (Continued)

	Notes	Financial Year Ended December 31 2008 EURm	2007 EURm	2006 EURm
Cash flow from financing activities				
Proceeds from stock option exercises		**53**	987	46
Purchase of treasury shares		**(3 121)**	(3 819)	(3 371)
Proceeds from long-term borrowings		**714**	115	56
Repayment of long-term borrowings		**(34)**	(16)	(7)
Proceeds from (+) / repayment of (-) short-term borrowings		**2 891**	661	(137)
Dividends paid		**(2 048)**	(1 760)	(1 553)
Net cash used in financing activities		**(1 545)**	(3 832)	(4 966)
Foreign exchange adjustment		**(49)**	(15)	(51)
Net increase (+) / decrease (-) in cash and cash equivalents		**(1 302)**	3 325	467
Cash and cash equivalents at beginning of period		**6 850**	3 525	3 058
Cash and cash equivalents at end of period		**5 548**	6 850	3 525
Cash and cash equivalents comprise of:				
Bank and cash		**1 706**	2 125	1 479
Current available-for-sale investments, cash equivalents	**15,35**	**3 842**	4 725	2 046
		5 548	6 850	3 525

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

See Notes to Consolidated Financial Statements.

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Nokia Corporation and Subsidiaries

Consolidated Statements of Changes in Shareholders Equity

	Number of shares (000 s)	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restrict. equity	Retained earnings	Before minority interests	Minority interests
December 31,	**4 172 376**	**266**	**2 458**	**(3 616)**	**69**	**(176)**		**13 308**	**12 309**	**205**
on stock options			23						23	
benefit on compsensation			14						14	
differences					(141)				(141)	(13)
nent hedge gains,					38				38	
hedges, net of tax						171			171	
or-sale s, net of tax						(9)			(9)	
ase, net								(52)	(52)	(1)
								4 306	4 306	60
gnized income se			**37**		**(103)**	**162**		**4 254**	**4 350**	**46**
ns exercised	3 046		43						43	
ns exercised cquisitions			(1)						(1)	
d compensation[1]			219						219	
of performance	2 236		(69)	38					(31)	
of treasury shares	(212 340)			(3 413)					(3 413)	
of treasury shares	412			4					4	
n of treasury		(20)	20	4 927				(4 927)		
								(1 512)	(1 512)	(40)
of minority										(119)
ner equity s		**(20)**	**212**	**1 556**				**(6 439)**	**(4 691)**	**(159)**
December 31,	**3 965 730**	**246**	**2 707**	**(2 060)**	**(34)**	**(14)**		**11 123**	**11 968**	**92**

benefit on compsensation			128						128	
differences					(167)				(167)	16
nent hedge gains,					38				38	
hedges, net of tax						(11)			(11)	
or-sale s, net of tax						48			48	
ase, net								(40)	(40)	
								7 205	7 205	(459)
gnized income se			**128**		**(129)**	**37**		**7 165**	**7 201**	**(443)**
ns exercised	57 269		46				932		978	
ns exercised cquisitions			(3)						(3)	
d compensation			228						228	
of performance	3 138		(104)	58			9		(37)	
of treasury shares	(180 590)			(3 884)					(3 884)	
of treasury shares	403			7					7	
n of treasury				2 733				(2 733)		
ium reduction and			(2 358)				2 358			
								(1 685)	(1 685)	(75)
terest on f Nokia Siemens										2 991
her equity s			**(2 191)**	**(1 086)**			**3 299**	**(4 418)**	**(4 396)**	**2 916**
December 31,	**3 845 950**	**246**	**644**	**(3 146)**	**(163)**	**23**	**3 299**	**13 870**	**14 773**	**2 565**

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Nokia Corporation and Subsidiaries

Consolidated Statements of Changes in Shareholders Equity (Continued)

	Number of shares (000 s)	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restrict. equity	Retained earnings	Before minority interests	Minority interests	T
e at December 31,	**3 845 950**	**246**	**644**	**(3 146)**	**(163)**	**23**	**3 299**	**13 870**	**14 773**	**2 565**	
efit on stock exercised			4						4		
ax benefit on sed compsensation			(121)						(121)		
ion differences					595				595		
estment hedge et of tax					(91)				(91)		
w hedges, net of						42			42		
le-for-sale ents, net of tax						(3)			(3)		
crease, net								46	46		
								3 988	3 988	(99)	
ecognized income ense			**(117)**		**504**	**39**		**4 034**	**4 460**	**(99)**	
tions exercised	3 547						51		51		
tions exercised o acquisitions			1						1		
ased compensation			74						74		
ent of performance	5 622		(179)	154			(44)		(69)		
tion of treasury	(157 390)			(3 123)					(3 123)		
nce of treasury	143			2					2		
ation of treasury				4 232				(4 232)			
d								(1 992)	(1 992)	(35)	
tions and other in minority										(129)	
			19						19		

portion of ased payment related to ions tion of Symbian								12	12	
f other equity ents			**(85)**	**1 265**			**7**	**(6 212)**	**(5 025)**	**(164)**
e at December 31,	**3 697 872**	**246**	**442**	**(1 881)**	**341**	**62**	**3 306**	**11 692**	**14 208**	**2 302**

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

Dividends declared per share were EUR 0.40 for 2008 (EUR 0.53 for 2007 and EUR 0.43 for 2006), subject to shareholders approval.

See Notes to Consolidated Financial Statements.

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Notes to the Consolidated Financial Statements

1. Accounting principles

Basis of presentation

The consolidated financial statements of Nokia Corporation (Nokia or the Group), a Finnish public limited liability company with domicile in Helsinki, in the Republic of Finland, are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and in conformity with IFRS as adopted by the European Union (collectively IFRS). The consolidated financial statements are presented in millions of euros (EURm), except as noted, and are prepared under the historical cost convention, except as disclosed in the accounting policies below. The notes to the consolidated financial statements also conform to Finnish Accounting legislation. On March 5, 2009, Nokia s Board of Directors authorized the financial statements for issuance and filing.

As described in Note 8 the Group completed the acquisition of all of the outstanding equity of NAVTEQ Corporation (NAVTEQ) on July 10, 2008 and a transaction to form Nokia Siemens Networks on April 1, 2007. The NAVTEQ and the Nokia Siemens Networks business combinations have had a material impact on the consolidated financial statements and associated notes.

Adoption of pronouncements under IFRS

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations to existing standards issued by the IASB that are relevant to its operations and effective for accounting periods commencing on or after January 1, 2008.

IFRS 8, Operating Segments requires the segment information to be presented on the same basis as that used for internal reporting purposes. Under IFRS 8, segments are components of the entity that are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to evaluate its performance.

IFRIC 11, IFRS 2 Group and Treasury Share Transactions clarifies how IFRS 2 should be applied to share-based payment arrangements involving treasury shares, and arrangements involving grant of the entity s own equity instruments or equity instruments of another entity within the same group.

IFRIC 14 and IAS 19, The Limit on a Defined benefit Asset, Minimum Funding Requirements and their Interaction addresses when refunds or reductions in future contributions should be regarded as available when measuring a pension asset and how a minimum funding requirement might affect the availability of reductions in future contributions.

IAS 39 and IFRS 7 (Amendments), Reclassification of Financial Instruments allow an entity to reclassify non-derivative financial assets out of the fair value through profit or loss and available-for-sale categories in particular circumstances and require additional disclosures for the reclassifications.

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

Principles of consolidation

The consolidated financial statements include the accounts of Nokia s parent company (Parent Company), and each of those companies over which the Group exercises control. Control over an entity is presumed to exist when the Group owns, directly or indirectly through subsidiaries, over 50% of the voting rights of the entity, the Group has the power to govern the operating and financial policies of the entity through agreement or the Group has the power to appoint or remove the majority of the members of the board of the entity.

The Group s share of profits and losses of associated companies is included in the consolidated profit and loss account in accordance with the equity method of accounting. An associated company is an entity over which the Group exercises significant influence. Significant influence is generally presumed

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Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

to exist when the Group owns, directly or indirectly through subsidiaries, over 20% of the voting rights of the company.

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

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

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

Business Combinations

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

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

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

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

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

Foreign currency translation

Functional and presentation currency

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

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Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

Transactions in foreign currencies

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

Foreign Group companies

In the consolidated accounts all income and expenses of foreign subsidiaries are translated into Euro at the average foreign exchange rates for the accounting period. All assets and liabilities of foreign Group companies are translated into Euro at the year-end foreign exchange rates with the exception of goodwill arising on the acquisition of foreign companies prior to the adoption of IAS 21 (revised 2004) on January 1, 2005, which is translated to Euro at historical rates. Differences resulting from the translation of income and expenses at the average rate and assets and liabilities at the closing rate are treated as an adjustment affecting consolidated shareholders equity. On the disposal of all or part of a foreign Group company by sale, liquidation, repayment of share capital or abandonment, the cumulative amount or proportionate share of the translation difference is recognized as income or as expense in the same period in which the gain or loss on disposal is recognized.

Revenue recognition

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

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

In addition, sales and cost of sales from contracts involving solutions achieved through modification of complex telecommunications equipment are recognized using the percentage of completion method when the outcome of the contract can be estimated reliably. A contract s outcome can be estimated reliably when total contract revenue and the costs to complete the contract can be

Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

estimated reliably, it is probable that the economic benefits associated with the contract will flow to the Group and the stage of contract completion can be measured reliably. When the Group is not able to meet those conditions, the policy is to recognize revenues only equal to costs incurred to date, to the extent that such costs are expected to be recovered.

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

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

Shipping and handling costs

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

Research and development

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

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

Other intangible assets

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

Pensions

The Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The schemes are generally funded through payments to insurance companies or to

trustee-administered funds as determined by periodic actuarial calculations.

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

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

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Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

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

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

The liability (or asset) recognized in the balance sheet is pension obligation at the closing date less the fair value of plan assets, the share of unrecognized actuarial gains and losses, and past service costs.

Property, plant and equipment

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

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

Land and water areas are not depreciated.

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

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

Leases

The Group has entered into various operating leases, the payments under which are treated as rentals and recognized in the profit and loss account on a straight-line basis over the lease terms unless another systematic approach is more representative of the pattern of the user s benefit.

Inventories

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

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

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

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Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

Financial assets

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

Available-for-sale investments

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

Current fixed income and money-market investments are fair valued by using quoted market rates, discounted cash flow analyses and other appropriate valuation models at the balance sheet date. Investments in publicly quoted equity shares are measured at fair value using exchange quoted bid prices. Other available for sale investments carried at fair value include holdings in unlisted shares. Fair value is estimated by using various factors, including, but not limited to: (1) the current market value of similar instruments, (2) prices established from a recent arm s length financing transaction of the target companies, (3) analysis of market prospects and operating performance of the target companies taking into consideration the public market of comparable companies in similar industry sectors. The remaining available for sale investments are carried at cost less impairment, which are technology related investments in private equity shares and unlisted funds for which the fair value cannot be measured reliably due to non-existence of public markets or reliable valuation methods against which to value these assets. The investment and disposal decisions on these investments are business driven.

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

The fair value changes of available-for-sale investments are recognized in fair value and other reserves as part of shareholders equity, with the exception of interest calculated using effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit and loss. Dividends on available for sale equity instruments are recognized in profit and loss when the Group s right to receive payment is established. When the investment is disposed of, the related accumulated fair value changes are released from shareholders equity and recognized in the profit and loss account. The weighted average method is used when determining the cost-basis of publicly listed equities being disposed of. FIFO (First-in First-out) method is used to determine the cost basis of fixed income securities being disposed of. An impairment is recorded when the carrying amount of an available-for-sale investment is greater than the estimated fair value and there is objective evidence that the asset is impaired including but not limited to counterparty default and other factors causing a reduction in value that can be considered permanent. The cumulative net loss relating to that investment is removed from equity and recognized in the profit

and loss account for the period. If, in a subsequent period, the fair value of the investment in a non-equity instrument increases and the increase can be objectively related to an event occurring after the loss was recognized, the loss is reversed, with the amount of the reversal included in the profit and loss account.

Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

Loans receivable

Loans receivable include loans to customers and suppliers and are measured at amortized cost using the effective interest method less impairment. Loans are subject to regular and thorough review as to their collectability and as to available collateral; in the event that any loan is deemed not fully recoverable, a provision is made to reflect the shortfall between the carrying amount and the present value of the expected cash flows. Interest income on loans receivable is recognized by applying the effective interest rate. The long term portion of loans receivable is included on the balance sheet under long-term loans receivable and the current portion under current portion of long-term loans receivable.

Bank and cash

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

Accounts receivable

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

Financial liabilities

Loans payable

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

Accounts payable

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

Derivative financial instruments

All derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss varies according to whether the derivatives are designated and qualify under hedge accounting or not.

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

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

Fair values of cash settled equity derivatives are calculated by revaluing the contract at each balance

Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

sheet date end quoted market rates. Changes in fair value are recognized in the profit and loss account.

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

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

Hedge accounting

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

Cash flow hedges: Hedging of foreign currency risk of highly probable business acquisitions and other transactions

The Group hedges the cash flow variability due to foreign currency risk inherent in highly probable business acquisitions and other future transactions that result in the recognition of non-financial assets. When those non-financial assets are recognized in the balance sheet the gains and losses previously deferred in equity are transferred from equity and included in the initial acquisition cost of the asset. The deferred amounts are ultimately recognized in the profit and loss as a result of goodwill assessments in case of business acquisitions and through depreciation in case of other assets. In order to apply for hedge accounting, the forecasted transactions must be highly probable and the hedges must be highly effective prospectively and retrospectively.

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

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

Hedges of net investments in foreign operations

The Group also applies hedge accounting for its foreign currency hedging on net investments.

Qualifying hedges are those properly documented hedges of the foreign exchange rate risk of foreign currency denominated net investments that meet the requirements set out in IAS 39. The hedge must be effective both prospectively and retrospectively.

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

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

profit and loss account as financial income and expenses.

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

Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

Income taxes

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

Deferred tax assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses or deductible temporary differences can be utilized. Deferred tax liabilities are recognized for temporary differences that arise between the fair value and tax base of identifiable net assets acquired in business combinations.

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

Deferred taxes are recognized directly in equity, when temporary differences arise on items that are not recognized in the profit and loss.

Provisions

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

Warranty provisions

The Group provides for the estimated liability to repair or replace products under warranty at the time revenue is recognized. The provision is an estimate calculated based on historical experience of the level of repairs and replacements.

Intellectual property rights (IPR) provisions

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

Tax provisions

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

Restructuring provisions

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

Other provisions

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

Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

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

Share-based compensation

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

Treasury shares

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

Dividends

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

Earnings per share

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

Use of estimates

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

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

Revenue recognition

Sales from the majority of the Group are recognized when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is

Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

probable that economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Sales may materially change if management s assessment of such criteria was determined to be inaccurate.

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

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

Customer financing

The Group has provided a limited amount of customer financing and agreed extended payment terms with selected customers. Should the actual financial position of the customers or general economic conditions differ from assumptions, the ultimate collectability of such financings and trade credits may be required to be re-assessed, which could result in a write-off of these balances and thus negatively impact profits in future periods. The Group endeavors to mitigate this risk through the transfer of its rights to the cash collected from these arrangements to third party financial institutions on a non-recourse basis in exchange for an upfront cash payment.

Allowances for doubtful accounts

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

Inventory-related allowances

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

Warranty provisions

The Group provides for the estimated cost of product warranties at the time revenue is recognized. The Group s warranty provision is established based upon best estimates of the amounts necessary to settle future and existing

claims on products sold as of each balance sheet date. As new products incorporating complex technologies are continuously introduced, and as local laws, regulations and practices may change, changes in these estimates could result in additional allowances or changes to recorded allowances being required in future periods.

Provision for intellectual property rights, or IPR, infringements

The Group provides for the estimated future settlements related to asserted and unasserted IPR infringements based on the probable outcome of potential infringement. IPR infringement claims can last for varying periods of time, resulting in irregular movements in the IPR infringement provision.

Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

The ultimate outcome or actual cost of settling an individual infringement may materially vary from estimates.

Legal contingencies

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

Capitalized development costs

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

Business combinations

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

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

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

The recoverable amounts for long-lived assets, intangible assets and goodwill have been determined based on value in use calculations. Value in use is calculated based on the expected future cash flows attributable to the asset or cash-generating unit discounted to present value. The key assumptions applied in the determination of the value in use include the discount rate, length of the explicit forecast period and estimated growth rates, profit margins and level of operational and capital investment. Amounts estimated could differ materially from what will actually occur in the future.

Fair value of derivatives and other financial instruments

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

Income taxes

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

Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

Pensions

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

Share-based compensation

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

New accounting pronouncements under IFRS

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

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

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

Amendment to IAS 20, Accounting for government grants and disclosure of government assistance, requires that the benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39 and the proceeds received, with the benefit accounted for in accordance with IAS 20.

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

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

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

IFRIC 16, Hedges of a Net Investment in a Foreign Operation clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to

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Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles (Continued)

differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group.

IFRIC 18 Transfers of Assets from Customers clarifies the requirements for agreements in which an entity receives an item of property, plant and equipment or cash it is required to use to construct or acquire an item of property, plant and equipment that must be used to provide access to a supply of goods or services.

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

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

In addition, there are a number of other amendments that form part of the IASB s annual improvement project, which will be adopted by the Group on January 1, 2009.

The Group will adopt the amendments to IFRS 2, IAS 1, IAS 20, IAS 23, IAS 32, IFRIC 13, IFRIC 16 and IFRIC 18 as well as the additional amendments that form part of the IASB s annual improvement project on January 1, 2009. The Group does not expect that the adoption of these revised standards, interpretations and amendments will have a material impact on the financial condition and results of operations.

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

2. Segment information

As of January 1, 2008, the Group s three mobile device business groups and the supporting horizontal groups have been replaced by an integrated business segment, Devices & Services. Devices & Services and Nokia Siemens Networks are each reportable segments for financial reporting purposes. Commencing with the third quarter 2008, NAVTEQ is also a reportable segment. Prior period results for Nokia and its reportable segments have been regrouped for comparabality purposes according to the new reportable segments effective in 2008.

Nokia is organized on a worldwide basis into three reportable segments: Devices & Services, NAVTEQ, and Networks. Nokia s reportable segments represent the strategic business units that offer different products and services

for which monthly financial information is provided to the chief operating decision-maker.

Devices & Services segment is responsible for developing and managing the Group s portfolio of mobile devices and consumer Internet services, as well as the management of our supply chains, sales channels, brand and marketing activities.

NAVTEQ is a leading provider of comprehensive digital map information for automotive systems,

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Notes to the Consolidated Financial Statements (Continued)

2. Segment information (Continued)

mobile navigation devices, Internet-based mapping applications, and government and business solutions.

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

Corporate Common Functions consists of company wide functions.

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

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

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

2007	Devices & Services	NAVTEQ	Nokia Siemens Networks	Total reportable segments	Corporate Common Functions and Corporate unallocated(4),(6)	Eliminations	Group
	EURm	EURm	EURm	EURm	EURm	EURm	EURm
Profit and Loss Information							
Net sales to external customers	37 682		13 376	51 058			51 058
Net sales to other segments	23		17	40	41	(81)	
Depreciation and amortization	489		714	1 203	3		1 206
Impairment			27	27	36		63
Operating profit / (loss)(1)	7 584		(1 308)	6 276	1 709		7 985
Share of results of associated companies			4	4	40		44
Balance Sheet Information							
Capital expenditures(2)	533		182	715			715
Segment assets(3)	9 316		15 564	24 880	13 738	(1 019)	37 599
of which:							
Investments in associated companies			58	58	267		325
Segment liabilities(5)	9 512		9 869	19 381	1 899	(1 019)	20 261

Notes to the Consolidated Financial Statements (Continued)

2. Segment information (Continued)

2006	**Devices & Services**	**NAVTEQ**	**Networks**	**Total reportable segments**	**Corporate Common Functions and Corporate unallocated**	**Eliminations**	**Group**
	EURm	EURm	EURm	EURm	EURm	EURm	EURm
Profit and Loss Information							
Net sales to external customers	33 668		7 453	41 121			41 121
Net sales to other segments	16			16		(16)	
Depreciation and amortization	509		203	712			712
Impairment and customer finance charges					51		51
Operating profit / (loss)	4 865		808	5 673	(185)		5 488
Share of results of associated companies					28		28

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

(2) Including goodwill and capitalized development costs, capital expenditures in 2008 amount to EUR 5 502 million (EUR 1 753 million in 2007). The goodwill and capitalized development costs consist of EUR 752 million in 2008 (EUR 150 million in 2007) for Devices & Services, EUR 3 673 million in 2008 (EUR 0 million in 2007) for NAVTEQ, EUR 188 million in 2008 (EUR 888 million in 2007) for Nokia Siemens Networks, and EUR 0 million in 2008 (EUR 0 million in 2007) for Corporate Common Functions.

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

2. Segment information (Continued)

Net sales to external customers by geographic area by location of customer	2008 EURm	2007 EURm	2006 EURm
Finland	**362**	322	387
China	**5 916**	5 898	4 913
India	**3 719**	3 684	2 713
Great Britain	**2 382**	2 574	2 425
Germany	**2 294**	2 641	2 060
Russia	**2 083**	2 012	1 518
Indonesia	**2 046**	1 754	1 069
USA	**1 907**	2 124	2 815
Other	**30 001**	30 049	23 221
Total	**50 710**	51 058	41 121

Segment non-current assets by geographic area[7]	2008 EURm	2007 EURm
Finland	**1 154**	1 114
China	**434**	364
India	**154**	134
Great Britain	**668**	160
Germany	**306**	465
USA	**7 037**	523
Other	**2 751**	3 272
Total	**12 504**	6 032

[7] Comprises intangible assets and property, plant and equipment.

3. Percentage of completion

Contract sales recognized under percentage of completion accounting were EUR 11 750 million in 2008 (EUR 10 171 million in 2007 and EUR 6 308 million in 2006).

Advances received related to construction contracts, included under accrued expenses, were EUR 261 million at December 31, 2008 (EUR 303 million in 2007). Contract revenues recorded prior to billings, included in accounts receivable, were EUR 1 423 million at December 31, 2008 (EUR 1 587 million in 2007). Billing in excess of costs incurred, included in contract revenues recorded prior to billings, were EUR 677 million at December 31, 2008 (EUR 482 million in 2007).

The aggregate amount of costs incurred and recognized profits (net of recognized losses) under open construction contracts in progress since inception (for contracts acquired inception refers to April 1, 2007) was EUR 11 707 million at December 31, 2008 (EUR 10 173 million at December 31, 2007).

Retentions related to construction contracts, included in accounts receivable, were EUR 211 million at December 31, 2008 (EUR 166 million at December 31, 2007).

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Notes to the Consolidated Financial Statements (Continued)

3. Percentage of completion (Continued)

4. Personnel expenses

	2008 EURm	2007 EURm	2006 EURm
Wages and salaries	**5 615**	4 664	3 457
Share-based compensation expense, total	**67**	236	192
Pension expenses, net	**478**	420	310
Other social expenses	**754**	618	439
Personnel expenses as per profit and loss account	**6 914**	5 938	4 398

Share-based compensation expense includes pension and other social costs of EUR -7 million in 2008 (EUR 8 million in 2007 and EUR -4 million in 2006) based upon the related employee benefit charge recognized during the year. In 2006, a benefit was recognized due to a change in the treatment of pension and other social costs.

Pension expenses, comprised of multi-employer, insured and defined contribution plans were EUR 394 million in 2008 (EUR 289 million in 2007 and EUR 198 million in 2006). Expenses related to defined benefit plans comprise the remainder.

	2008	2007	2006
Average personnel			
Devices & Services	**57 443**	49 887	44 716
NAVTEQ	**3 969**		
Nokia Siemens Networks	**59 965**	50 336	20 277
Corporate Common Functions	**346**	311	331
Nokia Group	**121 723**	100 534	65 324

5. Pensions

The Finnish plan comprises of the Finnish state Employees Pension Act (TyEL) system with benefits directly linked to employee earnings. These benefits are financed in two distinct portions. The majority of the benefits are financed by contributions to a central pool with the majority of the contributions being used to pay current benefits. The rest is comprised of reserved benefits, which prior to March 1, 2008 were pre-funded through a trustee-administered Nokia Pension Foundation and accounted for as a defined benefit plan.

As of March 1, 2008 the Finnish statutory pension liability and plan related assets of Nokia and Nokia Siemens Networks were transferred to two pension insurance companies. The transfer did not affect the number of employees covered by the plan nor did it affect the current employees entitlement to pension benefits.

At the transfer date, the Group has not retained any direct or indirect obligation to pay employee benefits relating to employee service in current, prior or future periods. Thus, the Group has treated the transfer of the Finnish statutory pension liability and plan assets as a settlement of the Group s TyEL defined benefit plan. From the date of transfer onwards, the Group has accounted for the TYEL plans as a defined contribution plan. The transfer resulted in a EUR 152 million loss consisting of a EUR 217 million loss impacting Corporate Common Functions and a EUR 65 million gain impacting Nokia Siemens Networks operating profit. These are included in other operating income and expense, see Note 6.

Foreign plans include both defined contribution and defined benefit plans. After the settlement of TyEL liabilities, the Group s most significant pension plans are in Germany and in the UK. The majority of active employees in Germany participate in a pension scheme which is designed according to the Beitragsorientierte Siemens Altersversorgung (BSAV). The funding vehicle for the BSAV is the NSN

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Notes to the Consolidated Financial Statements (Continued)

5. Pensions (Continued)

Pension Trust. In Germany, individual benefits are generally dependent on eligible compensation levels, ranking within the Group and years of service. The majority of active employees in Nokia UK participate in a pension scheme which is designed according to the Scheme Trust Deeds and Rules and is compliant with the Guidelines of the UK Pension Regulator. The funding vehicle for the pension scheme is the Nokia Group (UK) Pension Scheme Ltd which is run on a Trust basis. In the UK, individual benefits are generally dependent on eligible compensation levels and years of service for the defined benefit section of the scheme and on individual investment choices for the defined contribution section of the scheme.

In connection with the formation of Nokia Siemens Networks in 2007, the Group assumed multiple pension plans reflected as acquisitions in the following tables.

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

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

	2008		**2007**	
	Domestic Plans EURm	**Foreign Plans EURm**	**Domestic Plans EURm**	**Foreign Plans EURm**
Present value of defined benefit obligations at beginning of year	**(1 011)**	**(1 255)**	(1 031)	(546)
Foreign exchange		**56**		27
Current service cost	**(10)**	**(69)**	(59)	(66)
Interest cost	**(9)**	**(69)**	(50)	(54)
Plan participants contributions		**(10)**		(8)
Past service cost		**(2)**		
Actuarial gain (loss)	**3**	**102**	115	126
Acquisitions		**(2)**		(780)
Curtailment		**10**	3	1
Settlements	**1 018**	**7**		15
Benefits paid	**2**	**34**	11	30
Present value of defined benefit obligations at end of year	**(7)**	**(1 198)**	(1 011)	(1 255)
Plan assets at fair value at beginning of year	**1 063**	**1 111**	985	424
Foreign exchange		**(58)**		(27)
Expected return on plan assets	**9**	**62**	49	46
Actuarial gain (loss) on plan assets	**(1)**	**(38)**	(33)	(2)
Employer contribution	**7**	**134**	73	90

Plan participants contributions		**10**		8
Benefits paid	**(2)**	**(22)**	(11)	(30)
Curtailments		**(5)**		
Settlements	**(1 076)**	**(2)**		(3)
Acquisitions		**5**		605
Plan assets at fair value at end of year		**1 197**	1 063	1 111
Surplus/(Deficit)	**(7)**	**(1)**	52	(144)
Unrecognized net actuarial (gains) losses	**(2)**	**(111)**	97	(41)
Unrecognized past service cost		**1**		
Prepaid/(Accrued) pension cost in balance sheet	**(9)**	**(111)**	149	(185)

Present value of obligations include EUR 707 million (EUR 1 799 million in 2007) of wholly funded

Notes to the Consolidated Financial Statements (Continued)

5. Pensions (Continued)

obligations, EUR 416 million of partly funded obligations (EUR 333 million in 2007) and EUR 82 million (EUR 134 million in 2007) of unfunded obligations.

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

	2008 EURm	**2007 EURm**	**2006 EURm**
Current service cost	**79**	125	101
Interest cost	**78**	104	66
Expected return on plan assets	**(71)**	(95)	(62)
Net actuarial losses recognized in year		10	8
Past service cost (gain) loss	**2**		3
Curtailment	**(12)**	(1)	(4)
Settlement	**152**	(12)	
Total, included in personnel expenses	**228**	131	112

Movements in prepaid (accrued) pension costs recognized in the balance sheet are as follows:

	2008 EURm	**2007 EURm**
Prepaid (accrued) pension costs at beginning of year	**(36)**	108
Net income (expense) recognized in the profit and loss account	**(228)**	(131)
Contributions paid	**141**	163
Benefits paid	**12**	
Acquisitions	**3**	(175)
Foreign exchange	**(12)**	(1)
Prepaid (accrued) pension costs at end of year[1]	**(120)**	(36)

[1] included within prepaid expenses and accrued income / accrued expenses

The prepaid (accrued) pension cost above is made up of a prepayment of EUR 55 million (EUR 218 million in 2007) and an accrual of EUR 175 million (EUR 254 million in 2007).

	2008	**2007**	**2006**	**2005**	**2004**

	EURm	EURm	EURm	EURm	EURm
Present value of defined benefit obligation	**(1 205)**	(2 266)	(1 577)	(1 385)	(1 125)
Plan assets at fair value	**1 197**	2 174	1 409	1 276	1 071
Surplus/(Deficit)	**(8)**	(92)	(168)	(109)	(54)

Experience adjustments arising on plan obligations amount to a gain of EUR 50 million in 2008 (a loss of EUR 31 million in 2007 and EUR 25 million in 2006). Experience adjustments arising on plan assets amount to a loss of EUR 22 million in 2008 (EUR 3 million in 2007 and EUR 11 million in 2006).

The principal actuarial weighted average assumptions used were as follows:

	2008		**2007**	
	Domestic	**Foreign**	**Domestic**	**Foreign**
	%	%	%	%
Discount rate for determining present values	**5.90**	**5.80**	5.50	5.40
Expected long-term rate of return on plan assets		**5.70**	5.30	5.10
Annual rate of increase in future compensation levels	**4.00**	**2.70**	3.00	3.30
Pension increases	**2.10**	**1.90**	2.70	2.30

Notes to the Consolidated Financial Statements (Continued)

5. Pensions (Continued)

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

The Groups s pension plan weighted average asset allocation as a percentage of Plan Assets at December 31, 2008, and 2007, by asset category are as follows:

	2008		**2007**	
	Domestic %	**Foreign %**	**Domestic %**	**Foreign %**
Asset category:				
Equity securities		**12**	12	11
Debt securities		**72**	78	85
Insurance contracts		**8**	0	3
Real estate		**1**	1	1
Short-term investments		**7**	9	
Total		**100**	100	100

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

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

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

The foreign pension plan assets include a self investment through a loan provided to Nokia by the Group s German pension fund of EUR 69 million (EUR 69 million in 2007). See Note 31.

The actual return on plan assets was EUR 31 million in 2008 (EUR 61 million in 2007).

In 2009, the Group expects to make contributions of EUR 64 million and EUR 0 million to its foreign and domestic defined benefit pension plans, respectively.

6. Other operating income and expenses

In 2008, other operating expenses include EUR 152 million net loss on transfer of Finnish pension liabilities, of which a gain of EUR 65 million is included in Nokia Siemens Networks operating profit and a loss of EUR 217 million in

Corporate Common expenses. Devices & Services recorded EUR 259 million of restructuring charges and EUR 81 million of impairment and other charges related to closure of the Bochum site in Germany. Other operating expenses also include a charge of EUR 52 million related to other restructuring activities in Devices & Services and EUR 49 million in charges related to restructuring and other costs in Nokia Siemens Networks.

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

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Notes to the Consolidated Financial Statements (Continued)

6. Other operating income and expenses (Continued)

recorded restructuring costs of EUR 35 million primarily related to restructuring of a subsidiary company.

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

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

7. Impairment

	2008 EURm	**2007 EURm**	**2006 EURm**
Property, plant and equipment	**77**		
Inventories	**13**		
Available-for-sale investments	**43**	29	18
Investments in associated companies	**8**	7	
Capitalized development costs		27	
Other intangible assets			33
Other non-current assets	**8**		
Total, net	**149**	63	51

Property, plant and equipment and inventories

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

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

Available-for-sale investments

The Group s investment in certain equity securities held as non-current available-for-sale suffered a permanent decline in fair value resulting in an impairment charge of EUR 43 million (EUR 29 million in 2007, EUR 18 million in 2006).

Investments in associated companies

After application of the equity method, including recognition of the associate s losses, the Group

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Notes to the Consolidated Financial Statements (Continued)

7. Impairment (Continued)

determined that recognition of an impairment loss of EUR 8 million in 2008 (EUR 7 million in 2007) was necessary to adjust the Group s net investment in the associate to its recoverable amount.

Capitalized development costs

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

Other intangible assets

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

Goodwill

Goodwill is allocated to the Group s cash-generating units (CGU) for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the synergies of the business combination from which the goodwill arose.

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

Rapid deterioration in the macroeconomic environment during 2008 has negatively affected cash flow expectations for all of the Group s CGUs. The global slowdown in consumer spending, unprecedented currency volatility and reductions in the availability of credit have dampened growth and profitability expectations during the short to medium term.

Goodwill of EUR 1 106 million has been allocated to the Devices & Services CGU for the purpose of impairment testing. The impairment testing has been carried out based on Management s expectation of moderate market share growth and stable profit margins in the medium to long term.

Goodwill amounting to EUR 905 million has been allocated to the NSN CGU. The impairment testing has been carried out based on Management s expectation of a constant market share, and a declining total market value in the shorter term, stabilizing on the longer term. Tight focus on profitability and cash collection is expected to improve operating cash flow.

Goodwill amounting to EUR 4 119 million has been allocated to the NAVTEQ CGU. The impairment testing has been carried out based on Management s expectation of longer term strong growth in mobile device navigation

services with increased volumes driving profitability. The recoverable amount of the NAVTEQ CGU is less than 1% higher than its carrying amount. A reasonably possible change of 1% in the valuation assumptions for long-term growth rate and pre-tax discount rate would give rise to an impairment loss.

The aggregate carrying amount of goodwill allocated across multiple CGUs amounts to EUR 127 million and the amount allocated to each individual CGU is not individually significant.

Notes to the Consolidated Financial Statements (Continued)

7. Impairment (Continued)

The key assumptions applied in the value-in-use calculation for each CGU are presented in the table below:

	Cash-generating unit		
	Devices & Services %	NSN %	NAVTEQ %
Terminal growth rate	2.28	1.00	5.00
Pre-tax discount rate	12.35	14.86	10.92

The goodwill impairment testing analyses conducted for each of the Group s CGUs for the years ended December 31, 2008, 2007 and 2006 have not resulted in any impairment charges.

8. Acquisitions

Acquisitions completed in 2008

NAVTEQ

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

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

Notes to the Consolidated Financial Statements (Continued)

8. Acquisitions (Continued)

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

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

Accrued expenses	96	120
Provisions	5	8
Current liabilities	130	157
Total liabilities assumed	**230**	**982**
Net assets acquired	**767**	**5 342**

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

Notes to the Consolidated Financial Statements (Continued)

8. Acquisitions (Continued)

Symbian

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

The Group will contribute the Symbian OS and S60 software to the Symbian Foundation for the purpose of creating a unified mobile software platform with a common UI framework. The goal of Symbian Foundation will be to extend the appeal of the platform among all partners, including developers, mobile operators, content and service providers and device manufacturers. The unified platform will promote innovation and accelerate the availability of new services and experiences for consumers and business users around the world. A full platform will be available for all Foundation members under a royalty-free license, from the Foundation s first day of operations.

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

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

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Notes to the Consolidated Financial Statements (Continued)

8. Acquisitions (Continued)

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

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

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

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

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

Pro forma (unaudited)	**2008** **EURm**
Net sales	51 063
Net profit	4 080

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Notes to the Consolidated Financial Statements (Continued)

8. Acquisitions (Continued)

During 2008, the Group completed five additional acquisitions. The total purchase consideration paid and goodwill arising from the acquisition amounted to EUR 514 million and EUR 339 million, respectively:

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

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

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

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

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

Acquisitions completed in 2007

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

The transfer of Nokia s networks business was treated as a partial sale to the minority shareholders of Nokia Siemens Networks. Accordingly, the Group recognized a non-taxable gain on the partial sale amounting to EUR 1 879 million. The gain was determined as the Group s ownership interest relinquished for the difference between the fair value contributed, representing the consideration received, and book value of the net assets contributed by the Group to Nokia Siemens Networks. Upon closing of the transaction, Nokia and Siemens contributed net assets with book values amounting to EUR 1 742 million and EUR 2 385 million, respectively. The Group s contributed networks business was valued at EUR 5 500 million. In addition, the Group incurred costs directly attributable to the acquisition of EUR 51 million.

Notes to the Consolidated Financial Statements (Continued)

8. Acquisitions (Continued)

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

Net sales, EUR million	2007 January - March	2007 April - December	2007 Total	2006 January - March	2006 April - December	2006 Total
Nokia Networks	1,697	*	1 697	1 699	5 754	7 453
Nokia Siemens Networks	*	11 696	11 696	N/A	N/A	N/A
Total	1 697	11 696	13 393	1 699	5 754	7 453

Operating profit, EUR million	2007 January - March	2007 April - December	2007 Total	2006 January - March	2006 April - December	2006 Total
Nokia Networks	78	*	78	149	659	808
Nokia Siemens Networks	*	(1 386)	(1 386)	N/A	N/A	N/A
Total	78	(1 386)	(1 308)	149	659	808

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

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

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Notes to the Consolidated Financial Statements (Continued)

8. Acquisitions (Continued)

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

	Carrying Amount EURm	**Fair Value EURm**	**Useful lives**
Intangible assets subject to amortization:			
Customer relationships		1 290	6 years
Developed technology		710	4 years
License to use trade name and trademark		350	5 years
Capitalized development costs	143	154	3 years
Other intangible assets	47	47	3-5 years
	190	2 551	
Property, plant & equipment	371	344	
Deferred tax assets	111	181	
Other non-current assets	153	153	
Non-current assets	825	3 229	
Inventories	1 010	1 138	
Accounts receivable	3 135	3 087	
Prepaid expenses and accrued income	870	846	
Other financial assets	55	55	
Bank and cash	382	382	
Current Assets	5 452	5 508	
Total assets acquired	**6 277**	**8 737**	
Deferred tax liabilities	171	997	
Long-term interest-bearing liabilities	34	34	
Non-current liabilities	205	1 031	
Short-term borrowings	231	213	
Accounts payable	1 539	1 491	
Accrued expenses	1 344	1 502	
Provisions	463	397	

Current liabilities	3 577	3 603
Total liabilities assumed	**3 782**	**4 634**
Minority interest	110	108
Net assets acquired	**2 385**	**3 995**
Cost of Acquisition		**5 500**
Goodwill		**1 505**
Less non-controlling interest in goodwill		753
Plus costs directly attributable to the acquisition		51
Goodwill arising on formation of Nokia Siemens Networks		**803**

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

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Notes to the Consolidated Financial Statements (Continued)

8. Acquisitions (Continued)

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

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

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

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

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

Acquisitions completed in 2006

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

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

The following table summarises the estimated fair values of the assets acquired and liabilities

Notes to the Consolidated Financial Statements (Continued)

8. Acquisitions (Continued)

assumed at the date of acquisition. The carrying amount of Intellisync net assets immediately before the acquisition amounted to EUR 50 million.

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

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

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

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

June 30, 2006.

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

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

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

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Notes to the Consolidated Financial Statements (Continued)

9. Depreciation and amortization

	2008 EURm	2007 EURm	2006 EURm
Depreciation and amortization by function			
Cost of sales	**297**	303	279
Research and development[1]	**778**	523	312
Selling and marketing[2]	**368**	232	9
Administrative and general	**174**	148	111
Other operating expenses			1
Total	**1 617**	1 206	712

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

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

10. Financial income and expenses

	2008 EURm	2007 EURm	2006 EURm
Dividend income on available-for-sale financial investments	**1**		
Interest income on available-for-sale financial investments	**353**	338	225
Interest income on loans receivables carried at amortized cost		1	
Interest expense on financial liabilities carried at amortized cost	**(185)**	(43)	(22)
Other financial income	**17**	43	55
Other financial expenses	**(31)**	(24)	(18)
Net foreign exchange gains (or losses)			
From foreign exchange derivatives designated at fair value through profit and loss account	**432**	37	75
From balance sheet items revaluation	**(595)**	(118)	(106)
Net gains (net losses) on other derivatives designated at fair value through profit and loss account	**6**	5	(2)
Total	**(2)**	239	207

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

11. Income taxes

	2008 EURm	**2007 EURm**	**2006 EURm**
Income tax expense			
Current tax	**(1 514)**	(2 209)	(1 303)
Deferred tax	**433**	687	(54)
Total	**(1 081)**	(1 522)	(1 357)
Finland	**(604)**	(1 323)	(941)
Other countries	**(477)**	(199)	(416)
Total	**(1 081)**	(1 522)	(1 357)

The differences between income tax expense computed at the statutory rate in Finland of 26% and

Notes to the Consolidated Financial Statements (Continued)

11. Income taxes (Continued)

income taxes recognized in the consolidated income statement is reconciled as follows at December 31, 2008:

	2008 EURm	2007 EURm	2006 EURm
Income tax expense at statutory rate	**1 292**	2 150	1 488
Items without tax benefit/expense	**(65)**	61	12
Non-taxable gain on formation of Nokia Siemens Networks[(1)]		(489)	
Taxes for prior years	**(128)**	20	(24)
Taxes on foreign subsidiaries profits in excess of (lower than) income taxes at statutory rates	**(181)**	(138)	(73)
Operating losses with no current tax benefit		15	
Net increase in tax provisions	**2**	50	(12)
Change in income tax rate[(2)]	**(22)**	(114)	
Deferred tax liability on undistributed earnings[(3)]	**220**	(37)	(3)
Other	**(37)**	4	(31)
Income tax expense	**1 081**	1 522	1 357

(1) See Note 8.

(2) In 2007, the change in income tax rate decreased Group tax expense primarily due to the impact of a decrease in the German statutory tax rate on deferred tax asset balances.

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

Certain of the Group companies income tax returns for periods ranging from 2002 through 2008 are under examination by tax authorities. The Group does not believe that any significant additional taxes in excess of those already provided for will arise as a result of the examinations.

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Notes to the Consolidated Financial Statements (Continued)

12. Intangible assets

	2008 EURm	2007 EURm
Capitalized development costs		
Acquisition cost January 1	**1 817**	1 533
Additions during the period	**131**	157
Acquisitions		154
Impairment losses		(27)
Retirements	**(124)**	
Disposals during the period	**(13)**	
Accumulated acquisition cost December 31	**1 811**	1 817
Accumulated amortization January 1	**(1 439)**	(1 282)
Retirements during the period	**14**	
Disposals during the period	**11**	
Amortization for the period	**(153)**	(157)
Accumulated amortization December 31	**(1 567)**	(1 439)
Net book value January 1	**378**	251
Net book value December 31	**244**	378

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Notes to the Consolidated Financial Statements (Continued)

12. Intangible assets (Continued)

	2008 EURm	2007 EURm
Goodwill		
Acquisition cost January 1	**1 384**	532
Translation differences	**431**	(30)
Acquisitions	**4 482**	882
Disposals during the period	**(35)**	
Other changes	**(5)**	
Accumulated acquisition cost December 31	**6 257**	1 384
Net book value January 1	**1 384**	532
Net book value December 31	**6 257**	1 384
Other intangible assets		
Acquisition cost January 1	**3 218**	772
Translation differences	**265**	(20)
Additions during the period	**95**	102
Acquisitions	**2 189**	2 437
Retirements during the period	**(55)**	
Disposals during the period	**(214)**	(73)
Accumulated acquisition cost December 31	**5 498**	3 218
Accumulated amortization January 1	**(860)**	(474)
Translation differences	**(32)**	11
Disposals during the period	**48**	73
Amortization for the period	**(741)**	(470)
Accumulated amortization December 31	**(1 585)**	(860)
Net book value January 1	**2 358**	298
Net book value December 31	**3 913**	2 358

Notes to the Consolidated Financial Statements (Continued)

12. Intangible assets (Continued)

13. Property, plant and equipment

	2008 EURm	2007 EURm
Land and water areas		
Acquisition cost January 1	**73**	78
Translation differences	**(4)**	(2)
Additions during the period	**3**	4
Acquisitions		5
Impairments during the period	**(4)**	
Disposals during the period	**(8)**	(12)
Accumulated acquisition cost December 31	**60**	73
Net book value January 1	**73**	78
Net book value December 31	**60**	73
Buildings and constructions		
Acquisition cost January 1	**1 008**	925
Translation differences	**(9)**	(15)
Additions during the period	**382**	97
Acquisitions	**28**	58
Impairments during the period	**(90)**	
Disposals during the period	**(45)**	(57)
Accumulated acquisition cost December 31	**1 274**	1 008
Accumulated depreciation January 1	**(239)**	(230)
Translation differences	**1**	3
Impairments during the period	**30**	
Disposals during the period	**17**	25
Depreciation for the period	**(159)**	(37)
Accumulated depreciation December 31	**(350)**	(239)
Net book value January 1	**769**	695
Net book value December 31	**924**	769
Machinery and equipment		
Acquisition cost January 1	**4 012**	3 707
Translation differences	**10**	(42)
Additions during the period	**613**	448

Acquisitions	**68**	264
Impairments during the period	**(21)**	
Disposals during the period	**(499)**	(365)
Accumulated acquisition cost December 31	**4 183**	4 012
Accumulated depreciation January 1	**(3 107)**	(2 966)
Translation differences	**(8)**	34
Impairments during the period	**8**	
Disposals during the period	**466**	364
Depreciation for the period	**(556)**	(539)
Accumulated depreciation December 31	**(3 197)**	(3 107)
Net book value January 1	**905**	741
Net book value December 31	**986**	905

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Notes to the Consolidated Financial Statements (Continued)

13. Property, plant and equipment (Continued)

	2008 EURm	2007 EURm
Other tangible assets		
Acquisition cost January 1	**20**	22
Translation differences	**2**	(1)
Additions during the period	**8**	2
Disposals during the period		(3)
Accumulated acquisition cost December 31	**30**	20
Accumulated depreciation January 1	**(9)**	(7)
Translation differences		
Disposals during the period		1
Depreciation for the period	**(6)**	(3)
Accumulated depreciation December 31	**(15)**	(9)
Net book value January 1	**11**	15
Net book value December 31	**15**	11

	2008 EURm	2007 EURm
Advance payments and fixed assets under construction		
Net carrying amount January 1	**154**	73
Translation differences		
Additions	**67**	123
Acquisitions	**26**	17
Disposals	**(13)**	(2)
Transfers to:		
Other intangible assets	**(12)**	(7)
Buildings and constructions	**(76)**	(29)
Machinery and equipment	**(41)**	(21)
Net carrying amount December 31	**105**	154
Total property, plant and equipment	**2 090**	1 912

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Notes to the Consolidated Financial Statements (Continued)

14. Investments in associated companies

	2008 EURm	2007 EURm
Net carrying amount January 1	**325**	224
Translation differences	**(19)**	
Additions	**24**	19
Acquisitions		67
Deductions[1]	**(239)**	(6)
Impairment	**(8)**	(7)
Share of results	**6**	44
Dividends	**(6)**	(12)
Other movements	**13**	(4)
Net carrying amount December 31	**96**	325

[1] On December 2, 2008, the Group completed its acquisition of 52.1% of the outstanding common stock of Symbian Ltd, a UK-based software licensing company. As a result of this acquisition, the Group s total ownership interest has increased from 47.9% to 100% of the outstanding common stock of Symbian. See Note 8.

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

15. Available-for-sale investments

Available-for-sale investments included the following:

	2008		2007	
	Current EURm	Non-current EURm	Current EURm	Non-current EURm
Fixed income and money-market investments carried at fair value	**5 114**	**38**	9 628	
Available for sale investments in publicly quoted equity shares		**8**		10
Other available for sale investments carried at fair value		**225**		184
Other available for sale investments carried at cost less impairment		**241**		147
	5 114	**512**	9 628	341

The current fixed income and money market investments, carried at fair value, included available for sale liquid assets of EUR 1 272 million (EUR 4 903 million in 2007) and cash equivalents of EUR 3 842 million (EUR 4 725 million in 2007). See Note 35 for details of fixed income and money market investments.

Notes to the Consolidated Financial Statements (Continued)

16. Long-term loans receivable

	2008		2007	
	Carrying amount EURm	Fair value EURm	Carrying amount EURm	Fair value EURm
Long-term loans receivables carried at amortized cost	**27**	**24**	10	10

The long-term loans receivable mainly consist of loans made to suppliers and to customers principally to support their financing of network infrastructure and services or working capital. Fair value is estimated based on the current market values of similar instruments. See Note 35 for long-term and short-term portion and related maturities.

17. Inventories

	2008 EURm	2007 EURm
Raw materials, supplies and other	**519**	591
Work in progress	**744**	1 060
Finished goods	**1 270**	1 225
Total	**2 533**	2 876

18. Prepaid expenses and accrued income

Prepaid expenses and accrued income totalled EUR 4 538 million in 2008 (EUR 3 070 million in 2007). In 2008, Nokia and Qualcomm entered into a new 15-year-agreement, under the terms of which Nokia has been granted a license to all Qualcomm s patents for use in Nokia mobile devices and Nokia Siemens Networks infrastructure equipment. The financial structure of the agreement included an up-front payment of EUR 1.7 billion, which is to be amortized over the contract period and on-going royalties payable to Qualcomm. The remaining balance of EUR 1.3 billion of the up-front payment is included in Prepaid expenses. As part of the licence agreement Nokia also assigned ownership of a number of patents to Qualcomm. These patents were valued using the income approach based on projected cash flows, on a discounted basis, over the assigned patents estimated useful life. Based on the valuation and underlying assumptions Nokia determined that the fair value of these patents was not material.

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

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Notes to the Consolidated Financial Statements (Continued)

19. Valuation and qualifying accounts

Allowances on assets to which they apply:	Balance at beginning of year EURm	Charged to cost and expenses EURm	Deductions[1] EURm	Acquisitions EURm	Balance at end of year EURm
2008					
Allowance for doubtful accounts	332	224	(141)		415
Excess and obsolete inventory	417	151	(221)	1	348
2007					
Allowance for doubtful accounts	212	38	(72)	154	332
Excess and obsolete inventory	218	145	(202)	256	417
2006					
Allowance for doubtful accounts	281	70	(139)		212
Excess and obsolete inventory	176	353	(311)		218

(1) Deductions include utilization and releases of the allowances.

Notes to the Consolidated Financial Statements (Continued)

20. Fair value and other reserves

	Hedging reserve, EURm			Available-for-sale investments, EURm			Total, EURm		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
Balance at December 31, 2005	**(163)**	**42**	**(121)**	**(56)**	**1**	**(55)**	**(219)**	**43**	**(176)**
Cash flow hedges:									
Net fair value gains/(losses)	61	(16)	45				61	(16)	45
Transfer of (gains)/losses to profit and loss account as adjustment to Net Sales	(243)	68	(175)				(243)	68	(175)
Transfer of (gains)/losses to profit and loss account as adjustment to Cost of Sales	414	(113)	301				414	(113)	301
Available-for-sale Investments:									
Net fair value gains/(losses)				(42)	1	(41)	(42)	1	(41)
Transfer to profit and loss account on impairment				18		18	18		18
Transfer of net fair value (gains)/losses to profit and loss account on disposal				14		14	14		14
Balance at December 31, 2006	**69**	**(19)**	**50**	**(66)**	**2**	**(64)**	**3**	**(17)**	**(14)**
Cash flow hedges:									
Net fair value gains/(losses)	29	(7)	22				29	(7)	22
Transfer of (gains)/losses to profit and loss account as adjustment to Net Sales	(687)	186	(501)				(687)	186	(501)
Transfer of (gains)/losses to profit and loss account as adjustment to Cost of Sales	643	(175)	468				643	(175)	468
Available-for-sale Investments:									
Net fair value gains/(losses)				32	(1)	31	32	(1)	31
Transfer to profit and loss account on impairment				29		29	29		29
Transfer of net fair value (gains)/losses to profit and loss account on disposal				(12)		(12)	(12)		(12)

Balance at December 31, 2007	**54**	**(15)**	**39**	**(17)**	**1**	**(16)**	**37**	**(14)**	**23**

Notes to the Consolidated Financial Statements (Continued)

20. Fair value and other reserves (Continued)

	Hedging reserve, EURm			Available-for-sale investments, EURm			Total, EURm		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
Cash flow hedges:									
Net fair value gains/(losses)	**312**	(73)	239				312	(73)	239
Transfer of (gains)/losses to profit and loss account as adjustment to Net Sales	**(507)**	144	(363)				(507)	144	(363)
Transfer of (gains)/losses to profit and loss account as adjustment to Cost of Sales	**118**	(44)	74				118	(44)	74
Transfer of (gains)/losses as a basis adjustment to assets and liabilities	**124**	(32)	92				124	(32)	92
Available-for-sale Investments:									
Net fair value gains/(losses)				(26)	8	(18)	(26)	8	(18)
Transfer to profit and loss account on impairment				1		1	1		1
Transfer of net fair value (gains)/losses to profit and loss account on disposal				13	1	14	13	1	14
Balance at December 31, 2008	**101**	**(20)**	**81**	**(29)**	**10**	**(19)**	**72**	**(10)**	**62**

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

The Group continuously reviews the underlying cash flows and the hedges to ensure that the amounts transferred to the fair value reserves during the year ended December 31, 2008 and 2007 do not include gains/losses on forward exchange contracts that have been designated to hedge forecasted sales or purchases that are no longer expected to occur.

All of the net fair value gains or losses recorded in the fair value and other reserve at December 31, 2008 on open forward foreign exchange contracts which hedge anticipated future foreign currency sales or purchases are transferred from the Hedging Reserve to the profit and loss account when the forecasted foreign currency cash flows occur, at various dates up to approximately 1 year from the balance sheet date.

21. The shares of the Parent Company

Nokia shares and shareholders

Shares and share capital

Nokia has one class of shares. Each Nokia share entitles the holder to one vote at General Meetings of Nokia.

On December 31, 2008, the share capital of Nokia Corporation was EUR 245 896 461.96 and the total number of shares issued was 3 800 948 552.

Notes to the Consolidated Financial Statements (Continued)

21. The shares of the Parent Company (Continued)

On December 31, 2008, the total number of shares included 103 076 379 shares owned by Group companies representing approximately 2.7% of the share capital and the total voting rights.

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

Authorizations

Authorization to increase the share capital

At the Annual General Meeting held on May 3, 2007, Nokia shareholders authorized the Board of Directors to issue a maximum of 800 000 000 new shares through one or more issues of shares or special rights entitling to shares, including stock options. The Board of Directors may issue either new shares or shares held by the Company. The authorization includes the right for the Board to resolve on all the terms and conditions of such issuances of shares and special rights, including to whom the shares and the special rights may be issued. The authorization is effective until June 30, 2010.

At the end of 2008, the Board of Directors had no other authorizations to issue shares, convertible bonds, warrants or stock options.

Other authorizations

At the Annual General Meeting held on May 3, 2007, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 380 million Nokia shares. In 2008, Nokia repurchased 86 300 000 Nokia shares on the basis of this authorization. The authorization expired on May 8, 2008.

At the Annual General Meeting held on May 8, 2008, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 370 million Nokia shares by using funds in the unrestricted shareholders equity. The amount of shares corresponds to less than 10% of all shares of the company. In 2008, Nokia repurchased a total of 71 090 000 shares under this buy-back authorization, as a result of which the unused authorization amounted to 298 910 000 shares on December 31, 2008. The shares may be repurchased under the buy-back authorization in order to develop the capital structure of the company, which includes carrying out the company s stock repurchase plan. In addition, shares may be repurchased in order, to finance or carry out acquisitions or other arrangements, to settle the company s equity-based incentive plans, to be transferred for other purposes, or to be cancelled. This authorization is effective until June 30, 2009.

Authorizations proposed to the Annual General Meeting 2009

The Board of Directors will propose to the Annual General Meeting to be held on April 23, 2009 that the Annual General Meeting would authorize the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted shareholders equity. The proposed amount of shares corresponds to less than 10% of all shares of the company. The authorization is effective until June 30, 2010 and it is proposed to terminate the corresponding authorization resolved by the Annual General Meeting on May 8, 2008.

22. Share-based payment

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

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Notes to the Consolidated Financial Statements (Continued)

22. Share-based payment (Continued)

The equity-based incentive grants are generally conditional upon continued employment as well as fulfillment of such performance, service and other conditions, as determined in the relevant plan rules.

The share-based compensation expense for all equity-based incentive awards amounted to EUR 74 million in 2008 (EUR 228 million in 2007 and EUR 196 million in 2006).

Stock options

Nokia s global stock option plans in effect for 2008, including their terms and conditions, were approved by the Annual General Meeting in the year when each plan was launched, i.e. in 2003, 2005 and 2007.

Each stock option entitles the holder to subscribe for one new Nokia share. The stock options are non-transferable. All of the stock options have a vesting schedule with 25% of the options vesting one year after grant and 6.25% each quarter thereafter. The stock options granted under the plans generally have a term of five years.

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

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

Pursuant to the stock options issued, an aggregate maximum number of 23 113 218 new Nokia shares may be subscribed for, representing 0.6% of the total number of votes at December 31, 2008. During 2008 exercise of 3 546 508 options resulted in issuance of 3 546 508 new shares. The exercises of stock options have resulted in an increase of the share capital of the parent company until May 3, 2007. After that date the exercises of stock options have no longer resulted in an increase of the share capital as thereafter all share subsctiption prices are recorded in the fund for invested non-restricted equity as per a resolution by the Annual General Meeting.

There were no stock options outstanding as of December 31, 2008, which upon exercise would result in an increase of the share capital of the parent company.

Notes to the Consolidated Financial Statements (Continued)

22. Share-based payment (Continued)

The table below sets forth certain information relating to the stock options outstanding at December 31, 2008.

launch)	Stock options outstanding 2008	Number of participants (approx.)	Option (sub) category	Vesting status (as percentage of total number of stock options outstanding)	First vest date	Exercise period Last vest date	Expiry date	F
	3 217 206	3 000	2003 2Q	Expired	July 1, 2004	July 2, 2007	December 31, 2008	
			2003 3Q	Expired	October 1, 2004	October 1, 2007	December 31, 2008	
			2003 4Q	Expired	January 3, 2005	January 2, 2008	December 31, 2008	
			2004 2Q	100.00	July 1, 2005	July 1, 2008	December 31, 2009	
			2004 3Q	100.00	October 3, 2005	October 1, 2008	December 31, 2009	
			2004 4Q	93.75	January 2, 2006	January 2, 2009	December 31, 2009	
	13 277 078	8 000	2005 2Q	81.25	July 1, 2006	July 1, 2009	December 31, 2010	
			2005 3Q	75.00	October 1, 2006	October 1, 2009	December 31, 2010	
			2005 4Q	68.75	January 1, 2007	January 1, 2010	December 31, 2010	
			2006 1Q	62.50	April 1, 2007	April 1, 2010	December 31, 2011	
			2006 2Q	56.25	July 1, 2007	July 1, 2010	December 31, 2011	
			2006 3Q	50.00	October 1, 2007	October 1, 2010	December 31, 2011	
			2006 4Q	43.75	January 1, 2008	January 1, 2011	December 31, 2011	
			2007 1Q	37.50	April 1, 2008	April 1, 2011	December 31, 2011	

6 618 934	6 000	2007 2Q	31.25	July 1, 2008	July 1, 2011	December 31, 2012
		2007 3Q	25.00	October 1, 2008	October 1, 2011	December 31, 2012
		2007 4Q		January 1, 2009	January 1, 2012	December 31, 2012
		2008 1Q		April 1, 2009	April 1, 2012	December 31, 2013
		2008 2Q		July 1, 2009	July 1, 2012	December 31, 2013
		2008 3Q		October 1, 2009	October 1, 2012	December 31, 2013
		2008 4Q		January 1, 2010	January 1, 2013	December 31, 2013

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

Notes to the Consolidated Financial Statements (Continued)

22. Share-based payment (Continued)

Total stock options outstanding as at December 31, 2008[1]

	Number of shares	Weighted average exercise price EUR[2]	Weighted average share price EUR[2]
Shares under option at January 1, 2006	**145 731 886**	**22.97**	
Granted	11 421 939	16.79	
Exercised	3 302 437	13.71	16.70
Forfeited	2 888 474	15.11	
Expired	57 677 685	33.44	
Shares under option at December 31, 2006	**93 285 229**	**16.28**	
Granted	3 211 965	18.48	
Exercised	57 776 205	16.99	21.75
Forfeited	1 992 666	15.13	
Expired	1 161 096	17.83	
Shares under option at December 31, 2007	**35 567 227**	**15.28**	
Granted	3 767 163	17.44	
Exercised	3 657 985	14.21	22.15
Forfeited	783 557	16.31	
Expired	11 078 983	14.96	
Shares under option at December 31, 2008	**23 813 865**	**15.89**	
Options exercisable at December 31, 2005 (shares)	112 095 407	25.33	
Options exercisable at December 31, 2006 (shares)	69 721 916	16.65	
Options exercisable at December 31, 2007 (shares)	21 535 000	14.66	
Options exercisable at December 31, 2008 (shares)	**12 895 057**	**14.77**	

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

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

The weighted average grant date fair value of stock options granted was EUR 3.92 in 2008, EUR 3.24 in 2007, and EUR 3.31 in 2006.

The options outstanding by range of exercise price at December 31, 2008 are as follows:

	Options outstanding		
Exercise prices EUR	Number of shares	Weighted average remaining contractual life in years	Weighted average exercise price EUR
2.15-12.43	4 555 378	1.78	11.50
12.79-15.38	5 556 538	2.06	13.00
17.00-18.39	10 605 500	3.28	18.11
19.16-31.03	3 096 449	4.43	19.93
	23 813 865		

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Notes to the Consolidated Financial Statements (Continued)

22. Share-based payment (Continued)

Nokia calculates the fair value of stock options using the Black Scholes model. The fair value of the stock options is estimated at the grant date using the following assumptions:

	2008	2007	2006
Weighted average expected dividend yield	3.20%	2.30%	2.08%
Weighted average expected volatility	39.92%	25.24%	24.09%
Risk-free interest rate	3.15% - 4.58%	3.79% - 4.19%	2.86% - 3.75%
Weighted average risk-free interest rate	3.65%	4.09%	3.62%
Expected life (years)	3.55	3.59	3.60
Weighted average share price, EUR	16.97	18.49	17.84

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

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

Performance shares

The Group has granted performance shares under the global 2004, 2005, 2006, 2007 and 2008 plans, each of which, including its terms and conditions, has been approved by the Board of Directors. A valid authorization from the Annual General Meeting is required, when the plans are settled by using the Nokia newly issued shares or treasury shares. The Group may also settle the plans by using cash instead of shares.

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

The 2004 and 2005 plans have a four-year performance period with a two-year interim measurement period. The 2006, 2007 and 2008 plans have a three-year performance period with no interim payout. The shares vest after the respective interim measurement period and/or the performance period. The shares will be delivered to the participants as soon as practicable after they vest. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with the performance shares.

The following table summarizes our global performance share plans.

	Performance shares outstanding	Number of participants	Interim measurement	Performance	1st (interim)	2nd (final)

Plan	at threshold[1][2]	(approx.)	period	period	settlement	settlement
2004	0	10 000	2004-2005	2004-2007	2006	2008
2005	3 604 623	11 000	2005-2006	2005-2008	2007	2009
2006	0	12 000	N/A	2006-2008	N/A	2009
2007	1 997 416	5 000	N/A	2007-2009	N/A	2010
2008	2 431 132	6 000	N/A	2008-2010	N/A	2011

(1) Shares under performance share plan 2006 vested on December 31, 2008 and are therefore not included in the outstanding numbers.

Notes to the Consolidated Financial Statements (Continued)

22. Share-based payment (Continued)

(2) Does not include 2 048 outstanding performance shares with deferred delivery due to leave of absence.

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

Plan		Threshold Performance		Maximum Performance	
		EPS[1]	Average Annual Net Sales Growth[1]	EPS[1]	Average Annual Net Sales Growth[1]
		EUR		EUR	
2004	Interim measurement	0.80	4%	0.94	16%
	Performance period	0.84	8%	1.18	20%
2005	Interim measurement	0.75	3%	0.96	12%
	Performance period	0.82	8%	1.33	17%
2006	Performance period	0.96	11%	1.41	26%
2007	Performance period	1.26	9.5%	1.86	20%
2008	Performance period	1.72	4%	2.76	16%

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

Performance Shares Outstanding as at December 31, 2008[1]

	Number of performance shares at threshold	Weighted average grant date fair value EUR[2]
Performance shares at January 1, 2006	**8 042 817**	
Granted	5 140 736	14.83
Forfeited	569 164	
Performance shares at December 31, 2006[3]	**12 614 389**	
Granted	2 163 901	19.96
Forfeited	1 001 332	
Vested[4]	222 400	
Performance shares at December 31, 2007[5]	**13 554 558**	
Granted	2 463 033	13.35
Forfeited	690 909	
Vested[3][4][6]	7 291 463	
Performance shares at December 31, 2008	**8 035 219**	

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

22. Share-based payment (Continued)

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

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

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

Based on the performance of the Group during the Performance Period 2005-2008, under the 2005 Performance Share Plan and during the Performance Period 2006-2008 under the Performance Share Plan 2006, both threshold performance criteria were exceeded. The shares under Performance Share Plan 2005 will vest as of the date of the Annual General Meeting on April 23, 2009 and the shares under Performance Share Plan 2006 have vested December 31, 2008. Hence 16 million Nokia shares are expected to be delivered in 2009.

Restricted shares

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

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

Restricted Shares Outstanding as at December 31, 2008[1]

	Number of Restricted Shares	Weighted average grant date fair value EUR[2]
Restricted Shares at January 1, 2006	**5 185 676**	
Granted	1 669 050	14.71
Forfeited	455 100	
Vested	334 750	

Restricted Shares at December 31, 2006	**6 064 876**	
Granted	1 749 433	24.37
Forfeited	297 900	
Vested	1 521 080	
Restricted Shares at December 31, 2007	**5 995 329**	
Granted[3]	4 799 543	13.89
Forfeited	358 747	
Vested	2 386 728	
Restricted Shares at December 31, 2008	**8 049 397**	

Notes to the Consolidated Financial Statements (Continued)

22. Share-based payment (Continued)

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

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

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

Other equity plans for employees

In addition to the global equity plans described above, the Group has minor equity plans for Nokia acquired businesses or employees in the United States or Canada which do not result in an increase in the share capital of Nokia. These plans are settled by using Nokia shares or ADSs acquired from the market. When treasury shares are issued on exercise of stock options any gain or loss is recognized in share issue premium.

On basis of these plans the Group had 0.7 million stock options outstanding on December 31, 2008. The average exercise price is USD 22.89.

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

23. Long-term interest-bearing liabilities

	2008		2007	
	Carrying amount EURm	Fair value EURm	Carrying amount EURm	Fair value EURm
Long-term interest-bearing liabilities carried at amortized cost	861	855	203	203

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

Notes to the Consolidated Financial Statements (Continued)

24. Deferred taxes

	2008 EURm	2007 EURm
Deferred tax assets:		
Intercompany profit in inventory	**144**	87
Tax losses carried forward	**293**	314
Warranty provision	**117**	132
Other provisions	**371**	292
Depreciation differences and untaxed reserves	**691**	367
Share-based compensation	**68**	227
Other temporary differences	**279**	134
Total deferred tax assets	**1 963**	1 553
Deferred tax liabilities:		
Depreciation differences and untaxed reserves	**(286)**	(165)
Fair value gains/losses	**(62)**	(40)
Undistributed earnings	**(242)**	(31)
Other temporary differences[1]	**(1 197)**	(727)
Total deferred tax liabilities	**(1 787)**	(963)
Net deferred tax asset	**176**	590
The tax charged to shareholders equity is as follows:		
Fair value and other reserves, fair value gains/losses and excess tax benefit on share-based compensation	**(106)**	133

(1) In 2008, other temporary differences included a deferred tax liability of EUR 1 140 million arising from purchase price allocation related to Nokia Siemens Networks and NAVTEQ. In 2007, other temporary differences included a deferred tax liability of EUR 563 million arising from purchase price allocation related to Nokia Siemens Networks.

At December 31, 2008 the Group had loss carry forwards, primarily attributable to foreign subsidiaries of EUR 1 013 million (EUR 1 403 million in 2007), most of which will expire within 20 years.

At December 31, 2008 the Group had loss carry forwards of EUR 102 million (EUR 242 million in 2007) for which no deferred tax asset was recognized due to uncertainty of utilization of these loss carry forwards. These loss carry forwards will expire in years ranging from 2009 through 2013.

At December 31, 2008 the Group had undistributed earnings of EUR 274 million (EUR 315 million in 2007), for which no deferred tax liability was recognized as these earnings are considered permanently invested.

25. Accrued expenses

	2008 EURm	2007 EURm
Social security, VAT and other taxes	**1 700**	2 024
Wages and salaries	**665**	865
Advance payments	**532**	503
Other	**4 126**	3 722
Total	**7 023**	7 114

Notes to the Consolidated Financial Statements (Continued)

25. Accrued expenses (Continued)

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

26. Derivative financial instruments

	2008 Assets		**2008 Liabilities**	
	Fair value[1] EURm	**Notional[2] EURm**	**Fair value[1] EURm**	**Notional[2] EURm**
Hedges of net investment in foreign subsidiaries:				
Forward foreign exchange contracts	**80**	**1 045**	(14)	472
Currency options bought	**30**	**724**		
Currency options sold			(44)	768
Cash flow hedges:				
Forward foreign exchange contracts	**562**	**14 577**	(445)	11 792
Currency options bought				
Currency options sold				
Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss:				
Forward foreign exchange contracts	**322**	**7 817**	(416)	7 370
Currency options bought	**6**	**201**		
Currency options sold			(5)	186
Interest rate futures	**6**	**21**		
Interest rate swaps	**7**	**618**		
Cash settled equity options bought[3]	**1**	**25**		
Cash settled equity options sold[3]				(13)
	1 014	**25 028**	(924)	20 575

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Notes to the Consolidated Financial Statements (Continued)

26. Derivative financial instruments (Continued)

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

(1) The fair value of derivative financial instruments is included on the asset side under heading Other financial assets and on the liability side under Other financial liabilities.

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

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

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Notes to the Consolidated Financial Statements (Continued)

27. Provisions

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

	Warranty EURm	Restructuring EURm	IPR infringements EURm	Tax EURm	Other EURm	Total EURm
At January 1, 2008	1 489	617	545	452	614	3 717
Exchange differences	(16)					(16)
Acquisitions	1		3	6	2	12
Additional provisions	1 211	533	266	47	1 136	3 193
Change in fair value					(7)	(7)
Changes in estimates	(240)	(211)	(92)	(45)	(185)	(773)
Charged to profit and loss account	971	322	174	2	944	2 413
Utilized during year	(1 070)	(583)	(379)		(502)	(2 534)
At December 31, 2008	1 375	356	343	460	1 058	3 592

	2008 EURm	2007 EURm
Analysis of total provisions at December 31:		

Non-current	**978**	1 323
Current	**2 614**	2 394

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

The restructuring provision is mainly related to restructuring activities in Devices & Services and Nokia Siemens Networks segments. The majority of outflows related to the restructuring is expected to occur during 2009.

In conjunction with the Group s decision to discontinue the production of mobile devices in Germany, a restructuring provision of EUR 259 million was recognized. Devices & Services also recognized EUR 52 million charges related to other restructuring activities.

Restructuring and other associated expenses incurred in Nokia Siemens Networks in 2008 totaled EUR 646 million (EUR 1 110 million in 2007) including mainly personnel related expenses as well as expenses arising from the elimination of overlapping functions, and the realignment of product portfolio and related replacement of discontinued products in customer sites. These expenses

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Notes to the Consolidated Financial Statements (Continued)

27. Provisions (Continued)

included EUR 402 million (EUR 318 million in 2007) impacting gross profit, EUR 46 million (EUR 439 million in 2007) research and development expenses, EUR 14 million of reversal of provision (EUR 149 million expenses in 2007) in selling and marketing expenses, EUR 163 million (EUR 146 million in 2007) administrative expenses and EUR 49 million (EUR 58 million in 2007) other operating expenses. EUR 790 million was paid during 2008 (EUR 254 million during 2007).

The IPR provision is based on estimated future settlements for asserted and unasserted past IPR infringements. Final resolution of IPR claims generally occurs over several periods. In 2008, EUR 379 million usage of the provisions mainly relates to the settlements with Qualcomm, Eastman Kodak, Intertrust Technologies and ContentGuard.

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

28. Earnings per share

	2008	**2007**	**2006**
Numerator/EURm			
Basic/Diluted:			
Profit attributable to equity holders of the parent	**3 988**	7 205	4 306
Denominator/1000 shares			
Basic:			
Weighted average shares	**3 743 622**	3 885 408	4 062 833
Effect of dilutive securities:			
Performance shares	**25 997**	26 304	17 264
Restricted shares	**6 543**	3 693	3 601
Stock options	**4 201**	16 603	2 831
	36 741	46 600	23 696
Diluted:			
Adjusted weighted average shares and assumed conversions	**3 780 363**	3 932 008	4 086 529

Under IAS 33, basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of stock options, restricted shares and performance shares outstanding during the period.

Performance shares, restricted shares and stock options equivalent to 11 million shares were excluded from the calculation of diluted earnings per share in 2008 as they were determined to be anti-dilutive. In 2007 and 2006, no shares were considered anti-dilutive.

Notes to the Consolidated Financial Statements (Continued)

29. Commitments and contingencies

	2008 EURm	2007 EURm
Collateral for our own commitments		
Property under mortgages	**18**	18
Assets pledged	**11**	29
Contingent liabilities on behalf of Group companies		
Other guarantees	**2 896**	2 563
Contingent liabilities on behalf of other companies		
Financial guarantees on behalf of third parties	**2**	130
Other guarantees	**1**	1
Financing commitments		
Customer finance commitments[1]	**197**	270
Venture fund commitments[2]	**467**	251

(1) See also note 35 b).

(2) See also note 35 a).

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

Property under mortgages given as collateral for our own commitments include mortgages given to the Finnish National Board of Customs as a general indemnity of EUR 18 million in 2008 (EUR 18 million in 2007).

Assets pledged for the Group s own commitments include available-for-sale investments of EUR 10 million in 2008 (EUR 10 million in 2007).

Other guarantees include guarantees of EUR 2 682 million in 2008 (EUR 2 429 million in 2007) provided to certain Nokia Siemens Networks customers in the form of bank guarantees, standby letters of credit and other similar instruments. These instruments entitle the customer to claim payment as compensation for non-performance by Nokia of its obligations under network infrastructure supply agreements. Depending on the nature of the instrument, compensation is payable either immediately upon request, or subject to independent verification of non-performance by Nokia.

Guarantees for loans and other financial commitments on behalf of other companies were EUR 2 million in 2008 (EUR 130 million in 2007). The amount of 2007 represents guarantees relating to payment by certain Nokia Siemens Networks customers and other third parties under specified loan facilities between such a customer and other third parties and their creditors. Nokia s obligations under such guarantees are released upon the earlier of expiration of the guarantee or early payment by the customer.

Financing commitments of EUR 197 million in 2008 (EUR 270 million in 2007) are available under loan facilities negotiated mainly with Nokia Siemens Networks customers. Availability of the amounts is dependent upon the

borrower s continuing compliance with stated financial and operational covenants and compliance with other administrative terms of the facility. The loan facilities are primarily available to fund capital expenditure relating to purchases of network infrastructure equipment and services.

Venture fund commitments of EUR 467 million in 2008 (EUR 251 million in 2007) are financing commitments to a number of funds making technology related investments. As a limited partner in these funds Nokia is committed to capital contributions and also entitled to cash distributions according to respective partnership agreements.

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Notes to the Consolidated Financial Statements (Continued)

29. Commitments and contingencies (Continued)

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

Nokia s payment obligations under the subscriber unit cross-license agreements signed in 1992 and 2001 with Qualcomm Incorporated (Qualcomm) expired on April 9, 2007. The parties entered into negotiations for a new license agreement with the intention of reaching a mutually acceptable agreement on a timely basis. Prior to the commencement of negotiations and as negotiations proceeded, Nokia and Qualcomm were engaged in numerous legal disputes in the United States, Europe and China. On July 24, 2008, Nokia and Qualcomm entered into a new license agreement covering various current and future standards and other technologies, and resulting in a settlement of all litigation between the companies. Under the terms of the 15 year agreement covering various standards and other technologies, Nokia has been granted a license under all Qualcomm s patents for use in Nokia s mobile devices and Nokia Siemens Networks infrastructure equipment, and Nokia has agreed not to use any of its patents directly against Qualcomm. The financial terms included a one-time lump-sum cash payment of EUR 1.7 billion made by Nokia to Qualcomm in the fourth quarter of 2008 and on-going royalty payments to Qualcomm. The lump-sum payment made to Qualcomm will be expensed over the term of the agreement. Nokia also agreed to assign ownership of a number of patents to Qualcomm.

As of December 31, 2008, the Group had purchase commitments of EUR 2 351 million (EUR 2 610 million in 2007) relating to inventory purchase obligations, service agreements and outsourcing arrangements, primarily for purchases in 2009.

30. Leasing contracts

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

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

	Operating leases
Leasing payments, EURm	
2009	315
2010	243
2011	179
2012	127
2013	98
Thereafter	194

Total	1 156

Rental expense amounted to EUR 418 million in 2008 (EUR 328 million in 2007 and EUR 285 million in 2006).

31. Related party transactions

Nokia Pension Foundation is a separate legal entity that managed and held in trust the assets for the

Notes to the Consolidated Financial Statements (Continued)

31. Related party transactions (Continued)

Group s Finnish employee benefit plans before the assets were transferred to two third-party insurance companies. Foundation s assets do not include Nokia shares. The Group recorded net rental expense of EUR 0 million in 2008 (EUR 0 million in 2007 and EUR 2 million in 2006) pertaining to a sale-leaseback transaction with the Nokia Pension Foundation involving certain buildings and a lease of the underlying land.

At December 31, 2008, the Group had borrowings amounting to EUR 69 million (EUR 69 million in 2007) from Nokia Unterstützungskasse GmbH, the Group s German pension fund, which is a separate legal entity. The loan bears interest at 6% annum and its duration is pending until further notice by the loan counterparts who have the right to terminate the loan with a 90 day notice period.

There were no loans granted to the members of the Group Executive Board and Board of Directors at December 31, 2008, 2007 or 2006.

	2008 EURm	2007 EURm	2006 EURm
Transactions with associated companies			
Share of results of associated companies	**6**	44	28
Dividend income	**6**	12	1
Share of shareholders equity of associated companies	**21**	158	61
Sales to associated companies	**59**	82	
Purchases from associated companies	**162**	125	
Receivables from associated companies	**29**	61	
Liabilities to associated companies	**8**	69	14

Management compensation

The following table sets forth the salary and cash incentive information awarded and paid or payable by the company to the Chief Executive Officer and President of Nokia Corporation for fiscal years 2006-2008 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

	2008 Base salary EUR	2008 Cash incentive payments EUR	2008 Share-based compensation Expense EUR	2007 Base salary EUR	2007 Cash incentive payments EUR	2007 Share-based compensation expense EUR	2006 Base salary EUR	2006 Cash incentive payments EUR	2006 Share-b compens exper EUI
ekka svuo lent EO[1]	1 144 800	721 733	1 286 370	1 037 619	2 348 877	4 805 722	898 413	664 227	2 108

(1) President and CEO as of June 1, 2006; and President and COO until June 1, 2006.

Total remuneration of the Group Executive Board awarded for the fiscal years 2006-2008 was EUR 8 859 567 in 2008 (EUR 13 634 791 in 2007 and EUR 8 574 443 in 2006), which consisted of base salaries and cash incentive payments. Total share-based compensation expense relating to equity-based awards, expensed by the company was EUR 4 850 204 in 2008 (EUR 19 837 583 in 2007 and EUR 15 349 337 in 2006).

Notes to the Consolidated Financial Statements (Continued)

31. Related party transactions (Continued)

Board of Directors

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

	2008 Gross Annual Fee EUR[1]	2008 Shares Received	2007 Gross Annual Fee EUR[1]	2007 Shares Received	2006 Gross Annual Fee EUR[1]	2006 Shares Received
Board of Directors						
Chairman Jorma Ollila[2]	440 000	9 499	375 000	8 110	375 000	8 035
Vice Chairman						
Dame Marjorie Scardino[3]	150 000	3 238	150 000	3 245	110 000	2 356
Georg Ehrnrooth[4]	155 000	3 346	155 000	3 351	120 000	2 570
Lalita D. Gupte[5]	140 000	3 022	140 000	3 027		
Dr. Bengt Holmström	130 000	2 806	130 000	2 810	110 000	2 356
Dr. Henning Kagermann	130 000	2 806	130 000	2 810		
Olli-Pekka Kallasvuo[6]	130 000	2 806	130 000	2 810		
Per Karlsson[7]	155 000	3 346	155 000	3 351	135 000	2 892
Risto Siilasmaa[8]	140 000	3 022				
Keijo Suila[9]	140 000	3 022	140 000	3 027	120 000	2 570
Vesa Vainio[10]			140 000	3 027	120 000	2 570

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

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

(3) The 2008 and 2007 fees of Ms. Scardino amounted to EUR 150 000 for services as Vice Chairman. The 2006 fee amounted to EUR 110 000 for services as a member of the Board.

(4) The 2008 and 2007 fees of Mr. Ehrnrooth amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee. The 2006 fee of Mr. Ehrnrooth consisted of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

(5) The 2008 and 2007 fees of Ms. Gupte amounted to a total of EUR 140 000, consisting of fee of 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

(6) This table includes fees paid to Mr. Kallasvuo, President and CEO, for his services as a member of the Board, only.

(7) The 2008 and 2007 fees of Mr. Karlsson amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Personnel Committee. The 2006 fee of Mr. Karlsson amounted to a total of EUR 135 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee.

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

(9) The 2008 and 2007 fees of Mr. Suila amounted to a total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of

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Notes to the Consolidated Financial Statements (Continued)

31. Related party transactions (Continued)

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

(10) Mr. Vainio was a member of the Board of Directors and the Audit Committee until the end of the Annual General Meeting on May 8, 2008. Mr. Vainio received his fees for services as a member of the Board and as a member of the Audit Committee, as resolved by the shareholders at the Annual General Meeting on May 3, 2007, already in 2007 and thus no fees were paid to him for the services rendered during 2008. The 2007 fee of Mr.Vainio amounted to a total of EUR 140 000 consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee. The 2006 fee of Mr. Vainio amounted to a total of EUR 120 000, consisting of a fee of EUR 110 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

Pension arrangements of certain Group Executive Board Members

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

Notes to the Consolidated Financial Statements (Continued)

32. Notes to cash flow statement

	2008 EURm	2007 EURm	2006 EURm
Adjustments for:			
Depreciation and amortization (Note 9)	**1 617**	1 206	712
(Profit)/loss on sale of property, plant and equipment and available-for-sale investments	**(11)**	(1 864)	(4)
Income taxes (Note 11)	**1 081**	1 522	1 357
Share of results of associated companies (Note 14)	**(6)**	(44)	(28)
Minority interest	**(99)**	(459)	60
Financial income and expenses (Note 10)	**2**	(239)	(207)
Impairment charges (Note 7)	**149**	63	51
Retirements (Note 8, 12)	**186**		
Share-based compensation (Note 22)	**74**	228	192
Restructuring charges	**448**	856	
Customer financing impairment charges and reversals			(276)
Finnish pension settlement (Note 5)	**152**		
Other income and expenses	**(124)**		
Adjustments, total	**3 469**	1 269	1 857
Change in net working capital (Increase) in short-term receivables	**(534)**	(2 146)	(1 770)
Decrease (Increase) in inventories	**321**	(245)	84
(Decrease) Increase in interest-free short-term liabilities	**(2 333)**	2 996	893
Change in net working capital	**(2 546)**	605	(793)

The Group did not engage in any material non-cash investing activities in 2008 and 2006. In 2007 the formation of Nokia Siemens Networks was completed through the contribution of certain tangible and intangible assets and certain business interests that comprised Nokia s networks business and Siemens carrier-related operations. See Note 8.

33. Subsequent events

Eurobond issuance under Euro Medium Term Note program and European Investment Bank loan

In February 2009, the Group issued EUR 1 750 million of Eurobonds with maturities of five and ten years under its EUR 3 000 million Euro Medium Term Note, or EMTN program, to repay part of the Group s existing short-term borrowings. The Group voluntarily cancelled its USD 2 000 million committed credit facility maturing in 2009 due to this repayment. In February, the Group also signed and fully drew down a EUR 500 million loan from the European Investment Bank to finance part of its smartphone research and development expenses.

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Notes to the Consolidated Financial Statements (Continued)

34. Principal Nokia Group companies at December 31, 2008

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

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

35. Risk Management

General risk management principles

Nokia s overall risk management concept is based on visibility of the key risks preventing Nokia from reaching its business objectives. This covers all risk areas; strategic, operational, financial and hazard risks. Risk management at Nokia refers to systematic and pro-active way to analyze, review and manage opportunities, threats and risks related to Nokia s objectives rather than being solely focused on eliminating risks.

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

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

Financial risks

The objective for Treasury activities in Nokia is twofold: to guarantee cost-efficient funding for the Group at all times, and to identify, evaluate and hedge financial risks. There is a strong focus in Nokia

Notes to the Consolidated Financial Statements (Continued)

35. Risk Management (Continued)

on creating shareholder value. Treasury activities support this aim by: i) minimizing the adverse effects caused by fluctuations in the financial markets on the profitability of the underlying businesses; and ii) managing the capital structure of the Group by prudently balancing the levels of liquid assets and financial borrowings.

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

(a) Market Risk

Foreign exchange risk

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

According to the foreign exchange policy guidelines of the Group, which remain the same as in the previous year, material transaction foreign exchange exposures are hedged. Exposures are mainly hedged with derivative financial instruments such as forward foreign exchange contracts and foreign exchange options. The majority of financial instruments hedging foreign exchange risk have duration of less than a year. The Group does not hedge forecasted foreign currency cash flows beyond two years.

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

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

At the end of year 2008 and 2007, following currencies represent significant portion of the currency mix in the outstanding financial instruments:

2008	USD EURm	JPY EURm	CNY EURm	INR EURm
FX derivatives used as cashflow hedges (net amount)[1]	(3 359)	2 674		(122)
FX derivatives used as net investment hedges (net amount)[2]	(232)		(699)	(179)
FX exposure from balance sheet items (net amount)[3]	729	(494)	(579)	236
FX derivatives not designated in a hedge relationship and carried at fair value through the profit and loss statement (net amount)[3]	(615)	480	527	(443)

2007	USD EURm	JPY EURm	GBP EURm	INR[4] EURm
FX derivatives used as cashflow hedges (net amount)(1)	803	1 274	(656)	(83)
FX derivatives used as net investment hedges (net amount)(2)				(216)
FX exposure from balance sheet items (net amount)(3)	2 204	(739)	89	320
FX derivatives not designated in a hedge relationship and carried at fair value through the profit and loss statement (net amount)(3)	(2 361)	847	(127)	(399)

Notes to the Consolidated Financial Statements (Continued)

35. Risk Management (Continued)

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

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

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

(4) The INR amounts for 2007 have been revised as compared to previously published financial statements due to a change in the way Nokia defines foreign exchange exposures.

Interest rate risk

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

The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the consolidated net interest income and expense.

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

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

	2008 EURm	2007 EURm
Fixed rate assets	2 946	7 750
Floating rate assets	4 007	4 205
Fixed rate liabilities	3 604	712
Floating rate liabilities	785	375

Equity price risk

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

Nokia has certain strategic minority investments in publicly listed equity shares. The fair value of the equity investments which are subject to equity price risk at December 31, 2008 was EUR 8 million (EUR 10 million in 2007). In addition, Nokia invests in private equity through venture funds, which, from time to time, may have holdings in equity instruments which are listed in stock exchanges. These investments are classified as available-for-sale carried at fair value. See Note 15 for more details on available for sale investments.

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

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Notes to the Consolidated Financial Statements (Continued)

35. Risk Management (Continued)

Nokia is exposed to equity price risk on social security costs relating to its equity compensation plans. Nokia mitigates this risk by entering into cash settled equity option contracts.

Value-at-Risk

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

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

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

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

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

FX Risk

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

FX exposures from outstanding balance sheet items and other FX derivatives carried at fair value through profit and loss which are not in a hedge relationship and are mostly used for hedging balance sheet FX exposure.

FX derivatives designated as forecasted cashflow hedges and net investment hedges. Most of the VaR is caused by these derivatives as forecasted cashflow and net investment exposures are not financial instruments as defined under IFRS 7 and thus not included in the VaR calculation.

Table 1 Foreign exchange position Value-at-Risk

	VaR from financial instruments	
	2008	2007
	EURm	EURm
At December 31	442	246
Average for the year	337	96
Range for the year	191-730	57-246

Notes to the Consolidated Financial Statements (Continued)

35. Risk Management (Continued)

Interest rate risk

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

Table 2 Fixed income investment and debt portfolios Value-at-Risk

	2008 EURm	2007 EURm
At December 31	6	8
Average for the year	10	12
Range for the year	4-25	5-27

Equity price risk

The VaR for the Group equity investment in publicly traded companies is insignificant.

(b) Credit Risk

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

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

	2008 EURm	2007 EURm
Financial guarantees given on behalf of customers and other third parties	2	130
Loan commitments given but not used	197	270
	199	400

Business Related Credit Risk

The Company aims to ensure highest possible quality in accounts receivable and loans due from customers and other third parties. The Group Credit Policy, approved by the Group Executive Board, lays out the framework for the

management of the business related credit risks in all Nokia group companies.

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

The Group Credit Policy provides that credit decisions are based on credit evaluation of third parties including credit rating for our customers. The Group Rating Policy defines the rating principles. Ratings are approved by the Group Rating Committee. Credit risks are approved and monitored according to the credit policy of each business segment. These policies are based on the Group Credit Policy. Concentrations of customer or country risks are monitored at the Nokia Group level. When appropriate, assumed credit risks are mitigated with the use of approved instruments, such as collateral or insurance and sale of selected receivables.

The Group has provided impairment allowances as needed including on accounts receivable and loans due from customers and other third parties not past due, based on the analysis of debtors credit quality and credit history. The Group establishes an allowance for impairment that represents an

Notes to the Consolidated Financial Statements (Continued)

35. Risk Management (Continued)

estimate of incurred losses. All receivables and loans due from customers and other third parties are considered on an individual basis for impairment testing.

Top three customers account for approximately 4.0%, 3.8% and 3.5% (2007: 4.9%, 2.9% and 2.5%) of Group accounts receivable and loans due from customers and other third parties as at December 31, 2008 while the top three credit exposures by country amounted to 8.5%, 7.2% and 7.2% (2007: 8.7%, 6.9% and 6.5%) respectively.

As at December 31, 2008, the carrying amount before deducting any impairment allowance of accounts receivable relating to customers for which an impairment was provided amounted to EUR 3 042 million (2007: EUR 3 011 million). The amount of provision taken against that portion of these receivables considered to be impaired was EUR 415 million (2007: EUR 332 million) (see also note 19 Valuation and qualifying accounts).

An amount of EUR 729 million (2007: EUR 478 million) relates to past due receivables from customers for which no impairment loss was recognized. The aging of these receivables is as follows:

	2008 EURm	2007 EURm
Past due 1-30 days	453	411
Past due 31-180 days	240	66
More than 180 days	36	1
	729	478

As at December 31, 2008, the carrying amount before deducting any impairment allowance of loans due from customers and other third parties for which impairment was provided amounted to EUR 4 million (2007: EUR 161 million). The amount of provision taken for these loans was EUR 4 million (2007: EUR 19 million).

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

Financial Credit Risk

Financial instruments contain an element of risk of loss resulting from counterparties being unable to meet their obligations. This risk is measured and monitored centrally. Nokia manages financial credit risk actively by limiting its counterparties to a sufficient number of major banks and financial institutions and monitoring the credit worthiness and exposure sizes continuously as well as through entering into netting arrangements (which gives Nokia the right to offset in the event that the counterparty would not be able to fulfill the obligations) with all major counterparties and collateral agreements (which require counterparties to post collateral against derivative receivables) with certain counterparties.

Nokia s investment decisions are based on strict creditworthiness and maturity criteria as defined in the Treasury Policy and Operating Procedure. Due to global banking crisis and the freezing of the credit markets in 2008, Nokia

applied an even more defensive approach than usual within Treasury Policy towards investments and counterparty quality and maturities, focusing on capital preservation and liquidity. As result of this investment policy approach and active management of outstanding investments exposures, Nokia has not been subject to any material credit losses in its financial investments.

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

Notes to the Consolidated Financial Statements (Continued)

35. Risk Management (Continued)

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

EUR million

[1] Fixed income and money-market investments include term deposits, investments in liquidity funds and investments in fixed income instruments classified as Available-for-sale. Available-for-sale investments are carried at fair value in 2008 and 2007. Liquidity funds invested solely in government securities are included under Governments. Other liquidity funds are included under Banks.

[2] Included within fixed income and money-market investments is EUR 114 million of restricted investment at December 31, 2008 (EUR 169 million at December 31, 2007). They are restricted financial assets under various contractual or legal obligations.

78% of Nokia s bank and cash is held with banks of credit rating A2 or above (76% for 2007).

(c) Liquidity Risk

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

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

Nokia guarantees a sufficient liquidity at all times by efficient cash management and by investing in liquid interest bearing securities. The transactional liquidity risk is minimized by only entering transactions where proper two-way quotes can be obtained from the market . Due to the dynamic nature of the underlying business, Nokia also aims at maintaining flexibility in funding by keeping committed and uncommitted credit lines available. At the end of December 31, 2008 the committed facilities totaled EUR 3 369 million. The committed revolving credit facilities are used primarily for US and Euro Commercial Paper Programs back-up purposes. The credit facility of EUR 500 million has been utilized for general funding purposes. The average commitment fee on the facilities is 0.082% per annum.

The most significant existing Committed Facilities include:

Revolving Credit Facility of USD 2 000 million, maturing in 2009

Credit Facility of EUR 500 million, maturing in 2011

Revolving Credit Facility of USD 1 923 million, maturing in 2012

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Notes to the Consolidated Financial Statements (Continued)

35. Risk Management (Continued)

The most significant existing funding programs include:

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

Shelf registration statement for an indeterminate amount of debt securities on file with the US Securities and Exchange Commission

Local commercial paper program in Finland, totaling EUR 750 million

Euro Commercial Paper (ECP) program, totaling USD 4 000 million

US Commercial Paper (USCP) program, totaling USD 4 000 million

Of the above funding programs, only the US Commercial Paper program has been utilized to a significant degree in 2008. On December 31, 2008 a total of USD 3 419 million was outstanding under this program. The remaining four funding programs have not been used to a significant degree in 2008.

Nokia s international creditworthiness facilitates the efficient use of international capital and loan markets. The ratings of Nokia from credit rating agencies have not changed during the year. The ratings as of December 31, 2008 were:

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

The following table below is an undiscounted cashflow analysis for both financial liabilities and financial assets that are presented on the balance sheet, and off-balance sheet instruments such as

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Notes to the Consolidated Financial Statements (Continued)

35. Risk Management (Continued)

loan commitments according to their remaining contractual maturity. Line-by-line reconciliation with the balance sheet is not possible.

At December 31, 2008	Due within 3 months EURm	Due between 3 and 12 months EURm	Due between 1 and 3 years EURm	Due between 3 and 5 years EURm	Due beyond 5 years EURm
Non-current financial assets					
Long-term loans receivable			19	6	8
Other non-current assets	1	1	3		1
Loan commitments obtained undrawn			50	362	
Current financial assets					
Current portion of long-term loans receivable	5	101			
Short-term loans receivable	8	2			
Available-for-sale investment	3 932	483	583	120	254
Cash	1 706				
Cash flows related to derivative financial assets net settled :					
Derivative contracts receipts	5	3	1		
Cash flows related to derivative financial assets gross settled:					
Derivative contracts receipts	19 180	5 184			
Derivative contracts payments	(18 322)	(5 090)			
Accounts receivable(1)(2)	6 702	1 144	70		
Non-current financial liabilities					
Long-term liabilities	(1)	(46)	(741)	(64)	(159)
Loan commitments given undrawn	(16)	(151)		(30)	
Current financial liabilities					
Currrent portion of long-term loans		(14)			
Short-term liabilities	(3 207)	(388)			
Cash flows related to derivative financial liabilities net settled:					
Derivative contracts payments					
Cash flows related to derivative financial liabilities gross settled:					

Derivative contracts receipts	15 729	4 859	
Derivative contracts payments	(16 599)	(4 931)	
Accounts payable[(1)]	(5 152)	(67)	(5)

Notes to the Consolidated Financial Statements (Continued)

35. Risk Management (Continued)

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

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

(2) Accounts receivable maturity analysis does not include accrued receivables and receivables accounted based on the percentage of completion method of EUR 1 528 million (2007: EUR 1 700 million).

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Notes to the Consolidated Financial Statements (Continued)

35. Risk Management (Continued)

Hazard risk

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

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

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

NOKIA CORPORATION

By: /s/ ANJA KORHONEN

Name: Anja Korhonen

Title: Senior Vice President, Corporate Controller

By:
/s/ KAARINA STÅHLBERG
Name: Kaarina Ståhlberg

Title: Vice President, Assistant General Counsel

March 5, 2009