

# 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 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.

#### 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 account-

ing 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 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.

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.

## 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.

### 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

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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.

#### 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.

### 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.

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 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,

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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. 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 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.

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 ap-

plied 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.

### 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 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-subsiidiary 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 business 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 comparability 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, 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.

## Notes to the consolidated financial statements

2008, EURm	Devices & Services	NAVTEQ	Nokia Siemens Networks <sup>1</sup>	Total reportable segments	Corporate Common Functions and Corporate unallocated <sup>4, 6</sup>	Eliminations	Group
<b>Profit and loss information</b>							
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 <sup>1</sup>	5 816	-153	-301	5 362	-396		4 966
Share of results of associated companies	—	—	-13	-13	19		6
<b>Balance sheet information</b>							
Capital expenditures <sup>2</sup>	578	18	292	888	1		889
Segment assets <sup>3</sup>	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 <sup>5</sup>	8 425	2 726	10 503	21 654	4 606	-3 188	23 072
<b>2007, EURm</b>							
<b>Profit and loss information</b>							
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 <sup>1</sup>	7 584	—	-1 308	6 276	1 709		7 985
Share of results of associated companies	—	—	4	4	40		44
<b>Balance sheet information</b>							
Capital expenditures <sup>2</sup>	533	—	182	715	—		715
Segment assets <sup>3</sup>	9 316	—	15 564	24 880	13 738	-1 019	37 599
of which:							
Investments in associated companies	—	—	58	58	267		325
Segment liabilities <sup>5</sup>	9 512	—	9 869	19 381	1 899	-1 019	20 261
<b>2006, EURm</b>							
<b>Profit and loss information</b>							
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.

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
UK	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
<b>Total</b>	<b>50 710</b>	<b>51 058</b>	<b>41 121</b>

Segment non-current assets by geographic area <sup>1</sup>	2008 EURm	2007 EURm
Finland	1 154	1 114
China	434	364
India	154	134
UK	668	160
Germany	306	465
USA	7 037	523
Other	2 751	3 272
<b>Total</b>	<b>12 504</b>	<b>6 032</b>

<sup>1</sup> 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).

### 4. Personnel expenses

EURm	2008	2007	2006
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
<b>Personnel expenses as per profit and loss account</b>	<b>6 914</b>	<b>5 938</b>	<b>4 398</b>

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.

Average personnel	2008	2007	2006
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
<b>Nokia Group</b>	<b>121 723</b>	<b>100 534</b>	<b>65 324</b>

### 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 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:

## Notes to the consolidated financial statements

EURm	2008		2007	
	Domestic plans	Foreign plans	Domestic plans	Foreign plans
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
Curtailement	—	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
Curtailements	—	-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 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:

EURm	2008	2007	2006
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
Curtailement	-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:

EURm	2008	2007
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 <sup>1</sup>	-120	-36

<sup>1</sup> 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).

EURm	2008	2007	2006	2005	2004
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

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	—	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 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

EURm	2008	2007	2006
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	—	—
<b>Total, net</b>	<b>149</b>	<b>63</b>	<b>51</b>

### 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 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

## Notes to the consolidated financial statements

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.

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.

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

	Carrying amount EURm	Fair value EURm	Useful lives Years
Goodwill	114	3 673	
Intangible assets subject to amortization:			
Map database	5	1 389	5
Customer relationships	22	388	4
Developed technology	8	110	4
License to use trade name and trademark	7	57	6
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	
<b>Total assets acquired</b>	<b>997</b>	<b>6 324</b>	
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	
<b>Total liabilities assumed</b>	<b>230</b>	<b>982</b>	
<b>Net assets acquired</b>	<b>767</b>	<b>5 342</b>	

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

#### Symbian

On December 2, 2008, the Group completed its acquisition of 52.1% of the outstanding common stock of Symbian Ltd. As a result of this acquisition, the Group's total ownership interest 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.

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

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

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), EURm	2008
Net sales	51 063
Net profit	4 080

During 2008, the Group completed five additional acquisitions. The total purchase consideration paid and goodwill arising from the acquisitions 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 Montreal, Canada, is a leading consumer mobile messaging solution provider delivering access to popular instant messaging and email services on consumer mobile devices. The Group acquired a 100% ownership interest in Oz Communications Inc. on November 4, 2008.
- » Atrica, based in Santa Clara, 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

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.

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

\* 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.

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

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

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

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

During 2007, the Group completed the acquisitions 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 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
<b>Total assets acquired</b>	<b>453</b>
Deferred tax liabilities	23
Other non-current liabilities	1
Non-current liabilities	24
Current liabilities	104
<b>Total liabilities assumed</b>	<b>128</b>
<b>Net assets acquired</b>	<b>325</b>

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.

## 9. Depreciation and amortization

EURm	2008	2007	2006
Depreciation and amortization by function			
Cost of sales	297	303	279
Research and development <sup>1</sup>	778	523	312
Selling and marketing <sup>2</sup>	368	232	9
Administrative and general	174	148	111
Other operating expenses	—	—	1
<b>Total</b>	<b>1 617</b>	<b>1 206</b>	<b>712</b>

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

EURm	2008	2007	2006
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
<b>Total</b>	<b>-2</b>	<b>239</b>	<b>207</b>

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

EURm	2008	2007	2006
Income tax expense			
Current tax	-1 514	-2 209	-1 303
Deferred tax	433	687	-54
<b>Total</b>	<b>-1 081</b>	<b>-1 522</b>	<b>-1 357</b>
Finland	-604	-1 323	-941
Other countries	-477	-199	-416
<b>Total</b>	<b>-1 081</b>	<b>-1 522</b>	<b>-1 357</b>

The differences between income tax expense computed at the statutory rate in Finland of 26% and income taxes recognized in the consolidated income statement is reconciled as follows at December 31, 2008:

EURm	2008	2007	2006
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 <sup>1</sup>	—	-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 <sup>2</sup>	-22	-114	—
Deferred tax liability on undistributed earnings <sup>3</sup>	220	-37	-3
Other	-37	4	-31
<b>Income tax expense</b>	<b>1 081</b>	<b>1 522</b>	<b>1 357</b>

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.

## Notes to the consolidated financial statements

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.

### 12. Intangible assets

EURm	2008	2007
<b>Capitalized development costs</b>		
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
<b>Goodwill</b>		
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
<b>Other intangible assets</b>		
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

### 13. Property, plant and equipment

EURm	2008	2007
<b>Land and water areas</b>		
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
<b>Buildings and constructions</b>		
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
<b>Machinery and equipment</b>		
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
<b>Other tangible assets</b>		
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

EURm	2008	2007
<b>Advance payments and fixed assets under construction</b>		
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
<b>Total property, plant and equipment</b>	<b>2 090</b>	<b>1 912</b>

#### 14. Investments in associated companies

EURm	2008	2007
Net carrying amount January 1	325	224
Translation differences	-19	—
Additions	24	19
Acquisitions	—	67
Deductions <sup>1</sup>	-239	-6
Impairment	-8	-7
Share of results	6	44
Dividends	-6	-12
Other movements	13	-4
Net carrying amount December 31	96	325

<sup>1</sup> 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:

EURm	2008		2007	
	Current	Non-current	Current	Non-current
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
	<b>5 114</b>	<b>512</b>	<b>9 628</b>	<b>341</b>

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.

#### 16. Long-term loans receivable

EURm	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
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

EURm	2008	2007
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.

## 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 <sup>1</sup> EURm	Acquisitions EURm	Balance at end of year EURm
<b>2008</b>					
Allowance for doubtful accounts	332	224	-141		415
Excess and obsolete inventory	417	151	-221	1	348
<b>2007</b>					
Allowance for doubtful accounts	212	38	-72	154	332
Excess and obsolete inventory	218	145	-202	256	417
<b>2006</b>					
Allowance for doubtful accounts	281	70	-139		212
Excess and obsolete inventory	176	353	-311		218

<sup>1</sup> Deductions include utilization and releases of the allowances.

## 20. Fair value and other reserves

	Hedging reserve, EURm			Available-for-sale investments, EURm			Total, EURm		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
<b>Balance at December 31, 2005</b>	-163	42	-121	-56	1	-55	-219	43	-176
<b>Cash flow hedges:</b>									
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 gains (-)/losses (+) to profit and loss account as adjustment to cost of sales	414	-113	301	—	—	—	414	-113	301
<b>Available-for-sale Investments:</b>									
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
<b>Balance at December 31, 2006</b>	69	-19	50	-66	2	-64	3	-17	-14
<b>Cash flow hedges:</b>									
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
<b>Available-for-sale Investments:</b>									
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
<b>Balance at December 31, 2007</b>	54	-15	39	-17	1	-16	37	-14	23
<b>Cash flow hedges:</b>									
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
<b>Available-for-sale investments:</b>									
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
<b>Balance at December 31, 2008</b>	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

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

## 22. Share-based payment

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

The equity-based incentive grants are generally 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 subscription prices are recorded in the fund for invested non-restricted equity as per a resolution by the Annual General Meeting.

There were no stock options outstanding as of December 31, 2008, which upon exercise would result in an increase of the share capital of the parent company.

## Notes to the consolidated financial statements

The table below sets forth certain information relating to the stock options outstanding at December 31, 2008.

Plan (year of launch)	Stock options outstanding	Number of participants (approx.)	Option (sub)category	Vesting status (as percentage of total number of stock options outstanding)	Exercise period			Exercise price/share EUR
					First vest date	Last vest date	Expiry date	
2003 <sup>1</sup>	3 217 206	3 000	2003 2Q	Expired	July 1, 2004	July 2, 2007	December 31, 2008	14.95
			2003 3Q	Expired	October 1, 2004	October 1, 2007	December 31, 2008	12.71
			2003 4Q	Expired	January 3, 2005	January 2, 2008	December 31, 2008	15.05
			2004 2Q	100.00	July 1, 2005	July 1, 2008	December 31, 2009	11.79
			2004 3Q	100.00	October 3, 2005	October 1, 2008	December 31, 2009	9.44
			2004 4Q	93.75	January 2, 2006	January 2, 2009	December 31, 2009	12.35
2005 <sup>1</sup>	13 277 078	8 000	2005 2Q	81.25	July 1, 2006	July 1, 2009	December 31, 2010	12.79
			2005 3Q	75.00	October 1, 2006	October 1, 2009	December 31, 2010	13.09
			2005 4Q	68.75	January 1, 2007	January 1, 2010	December 31, 2010	14.48
			2006 1Q	62.50	April 1, 2007	April 1, 2010	December 31, 2011	14.99
			2006 2Q	56.25	July 1, 2007	July 1, 2010	December 31, 2011	18.02
			2006 3Q	50.00	October 1, 2007	October 1, 2010	December 31, 2011	15.37
			2006 4Q	43.75	January 1, 2008	January 1, 2011	December 31, 2011	15.38
			2007 1Q	37.50	April 1, 2008	April 1, 2011	December 31, 2011	17.00
2007 <sup>1</sup>	6 618 934	6 000	2007 2Q	31.25	July 1, 2008	July 1, 2011	December 31, 2012	18.39
			2007 3Q	25.00	October 1, 2008	October 1, 2011	December 31, 2012	21.86
			2007 4Q	—	January 1, 2009	January 1, 2012	December 31, 2012	27.53
			2008 1Q	—	April 1, 2009	April 1, 2012	December 31, 2013	24.15
			2008 2Q	—	July 1, 2009	July 1, 2012	December 31, 2013	19.16
			2008 3Q	—	October 1, 2009	October 1, 2012	December 31, 2013	17.80
			2008 4Q	—	January 1, 2010	January 1, 2013	December 31, 2013	12.43

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

Total stock options outstanding as at December 31, 2008<sup>1</sup>

	Number of shares	Weighted average exercise price <sup>2</sup> EUR	Weighted average share price <sup>2</sup> EUR
<b>Shares under option at January 1, 2006</b>	<b>145 731 886</b>	<b>22.97</b>	
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	
<b>Shares under option at December 31, 2006</b>	<b>93 285 229</b>	<b>16.28</b>	
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	
<b>Shares under option at December 31, 2007</b>	<b>35 567 227</b>	<b>15.28</b>	
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	
<b>Shares under option at December 31, 2008</b>	<b>23 813 865</b>	<b>15.89</b>	
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	
<b>Options exercisable at December 31, 2008 (shares)</b>	<b>12 895 057</b>	<b>14.77</b>	

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

<sup>2</sup> 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
	<b>23 813 865</b>		

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.

Plan	Performance shares outstanding at threshold <sup>1, 2</sup>	Number of participants (approx.)	Interim measurement period	Performance period	1st (interim) settlement	2nd (final) settlement
2004	—	10 000	2004–2005	2004–2007	2006	2008
2005	3 604 623	11 000	2005–2006	2005–2008	2007	2009
2006	—	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

<sup>1</sup> Shares under performance share plan 2006 vested on December 31, 2008 and are therefore not included in the outstanding numbers.

<sup>2</sup> Does not include 2 048 outstanding performance shares with deferred delivery due to leave of absence.

## Notes to the consolidated financial statements

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

Plan		Threshold performance		Maximum performance	
		EPS <sup>1</sup> EUR	Average annual net sales growth <sup>1</sup>	EPS <sup>1</sup> EUR	Average annual net sales growth <sup>1</sup>
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%

<sup>1</sup> Both the EPS and average annual net sales growth criteria have an equal weight of 50%.

### Performance shares outstanding as at December 31, 2008 <sup>1</sup>

	Number of performance shares at threshold	Weighted average grant date fair value EUR <sup>2</sup>
<b>Performance shares at January 1, 2006</b>	<b>8 042 817</b>	
Granted	5 140 736	14.83
Forfeited	569 164	
<b>Performance shares at December 31, 2006 <sup>3</sup></b>	<b>12 614 389</b>	
Granted	2 163 901	19.96
Forfeited	1 001 332	
Vested <sup>4</sup>	222 400	
<b>Performance shares at December 31, 2007 <sup>5</sup></b>	<b>13 554 558</b>	
Granted	2 463 033	13.35
Forfeited	690 909	
Vested <sup>3, 4, 6</sup>	7 291 463	
<b>Performance shares at December 31, 2008</b>	<b>8 035 219</b>	

<sup>1</sup> Includes also performance shares granted under other than global equity plans. For further information see "Other equity plans for employees" below.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Includes also performance shares vested under other than global equity plans.

<sup>5</sup> 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.

<sup>6</sup> 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 <sup>1</sup>

	Number of restricted shares	Weighted average grant date fair value EUR <sup>2</sup>
<b>Restricted shares at January 1, 2006</b>	<b>5 185 676</b>	
Granted	1 669 050	14.71
Forfeited	455 100	
Vested	334 750	
<b>Restricted shares at December 31, 2006</b>	<b>6 064 876</b>	
Granted	1 749 433	24.37
Forfeited	297 900	
Vested	1 521 080	
<b>Restricted shares at December 31, 2007</b>	<b>5 995 329</b>	
Granted <sup>3</sup>	4 799 543	13.89
Forfeited	358 747	
Vested	2 386 728	
<b>Restricted shares at December 31, 2008</b>	<b>8 049 397</b>	

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

<sup>2</sup> 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.

<sup>3</sup> 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

EURm	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
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.

## 24. Deferred taxes

EURm	2008	2007
<b>Deferred tax assets:</b>		
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
<b>Total deferred tax assets</b>	<b>1 963</b>	<b>1 553</b>
<b>Deferred tax liabilities:</b>		
Depreciation differences and untaxed reserves	-286	-165
Fair value gains/losses	-62	-40
Undistributed earnings	-242	-31
Other temporary differences <sup>1</sup>	-1 197	-727
<b>Total deferred tax liabilities</b>	<b>-1 787</b>	<b>-963</b>
<b>Net deferred tax asset</b>	<b>176</b>	<b>590</b>

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
-----------------------------------------------------------------------------------------------------------	------	-----

<sup>1</sup> 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

EURm	2008	2007
Social security, VAT and other taxes	1 700	2 024
Wages and salaries	665	865
Advance payments	532	503
Other	4 126	3 722
<b>Total</b>	<b>7 023</b>	<b>7 114</b>

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

EURm	2008 Assets		2008 Liabilities	
	Fair value <sup>1</sup>	Notional <sup>2</sup>	Fair value <sup>1</sup>	Notional <sup>2</sup>
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 <sup>3</sup>	1	25	—	—
Cash settled equity options sold <sup>3</sup>	—	—	—	-13
	<b>1 014</b>	<b>25 028</b>	<b>-924</b>	<b>20 575</b>

EURm	2007 Assets		2007 Liabilities	
	Fair value <sup>1</sup>	Notional <sup>2</sup>	Fair value <sup>1</sup>	Notional <sup>2</sup>
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 <sup>3</sup>	41	63	—	—
Cash settled equity options sold <sup>3</sup>	—	—	-23	40
	<b>204</b>	<b>29 157</b>	<b>-167</b>	<b>23 823</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

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

## 27. Provisions

EURm	Warranty	Restructuring	IPR infringements	Tax	Other	Total
<b>At January 1, 2007</b>	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
<b>At December 31, 2007</b>	<b>1 489</b>	<b>617</b>	<b>545</b>	<b>452</b>	<b>614</b>	<b>3 717</b>
<b>At January 1, 2008</b>	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
<b>At December 31, 2008</b>	<b>1 375</b>	<b>356</b>	<b>343</b>	<b>460</b>	<b>1 058</b>	<b>3 592</b>

EURm	2008	2007
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 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/1 000 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.

## 29. Commitments and contingencies

EURm	2008	2007
<b>Collateral for our own commitments</b>		
Property under mortgages	18	18
Assets pledged	11	29
<b>Contingent liabilities on behalf of Group companies</b>		
Other guarantees	2 896	2 563
<b>Contingent liabilities on behalf of other companies</b>		
Financial guarantees on behalf of third parties	2	130
Other guarantees	1	1
<b>Financing commitments</b>		
Customer finance commitments <sup>1</sup>	197	270
Venture fund commitments <sup>2</sup>	467	251

<sup>1</sup> See also note 35 b).

<sup>2</sup> 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.

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:

Leasing payments, EURm	Operating leases
2009	315
2010	243
2011	179
2012	127
2013	98
Thereafter	194
<b>Total</b>	<b>1 156</b>

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 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.

#### Transactions with associated companies

EURm	2008	2007	2006
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.

EUR	2008			2007			2006		
	Base salary	Cash incentive payments	Share-based compensation expense	Base salary	Cash incentive payments	Share-based compensation expense	Base salary	Cash incentive payments	Share-based compensation expense
Olli-Pekka Kallasvuo President and CEO <sup>1</sup>	1 144 800	721 733	1 286 370	1 037 619	2 348 877	4 805 722	898 413	664 227	2 108 197

<sup>1</sup> 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).

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### Board of Directors

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

Board of Directors	2008		2007		2006	
	Gross annual fee EUR <sup>1</sup>	Shares received	Gross annual fee EUR <sup>1</sup>	Shares received	Gross annual fee EUR <sup>1</sup>	Shares received
Chairman Jorma Ollila <sup>2</sup>	440 000	9 499	375 000	8 110	375 000	8 035
Vice Chairman Dame Marjorie Scardino <sup>3</sup>	150 000	3 238	150 000	3 245	110 000	2 356
Georg Ehrnrooth <sup>4</sup>	155 000	3 346	155 000	3 351	120 000	2 570
Lalita D. Gupte <sup>5</sup>	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 <sup>6</sup>	130 000	2 806	130 000	2 810	—	—
Per Karlsson <sup>7</sup>	155 000	3 346	155 000	3 351	135 000	2 892
Risto Siilasmaa <sup>8</sup>	140 000	3 022	—	—	—	—
Keijo Suila <sup>9</sup>	140 000	3 022	140 000	3 027	120 000	2 570
Vesa Vainio <sup>10</sup>	—	—	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 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.

### 32. Notes to cash flow statement

EURm	2008	2007	2006
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	—	—
<b>Adjustments, total</b>	<b>3 469</b>	<b>1 269</b>	<b>1 857</b>
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
<b>Change in net working capital</b>	<b>-2 546</b>	<b>605</b>	<b>-793</b>

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.

### 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 <sup>1</sup>
FI	Nokia Siemens Networks Oy	—	50.0
DE	Nokia Siemens Networks GmbH & Co KG	—	50.0
IN	Nokia Siemens Networks Pvt. Ltd.	—	50.0

<sup>1</sup> 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 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

## Notes to the consolidated financial statements

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, EURm	USD	JPY	CNY	INR
FX derivatives used as cashflow hedges (net amount) <sup>1</sup>	-3 359	2 674	—	-122
FX derivatives used as net investment hedges (net amount) <sup>2</sup>	-232	—	-699	-179
FX exposure from balance sheet items (net amount) <sup>3</sup>	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) <sup>3</sup>	-615	480	527	-443

2007, EURm	USD	JPY	GBP	INR <sup>4</sup>
FX derivatives used as cashflow hedges (net amount) <sup>1</sup>	803	1 274	-656	-83
FX derivatives used as net investment hedges (net amount) <sup>2</sup>	—	—	—	-216
FX exposure from balance sheet items (net amount) <sup>3</sup>	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) <sup>3</sup>	-2 361	847	-127	-399

- 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:

EURm	2008	2007
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.

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
At December 31	442	246
Average for the year	337	96
Range for the year	191–730	57–246

## 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	2007
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:

EURm	2008	2007
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 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:

## Notes to the consolidated financial statements

EURm	2008	2007
Past due 1–30 days	453	411
Past due 31–180 days	240	66
More than 180 days	36	1
	<b>729</b>	<b>478</b>

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

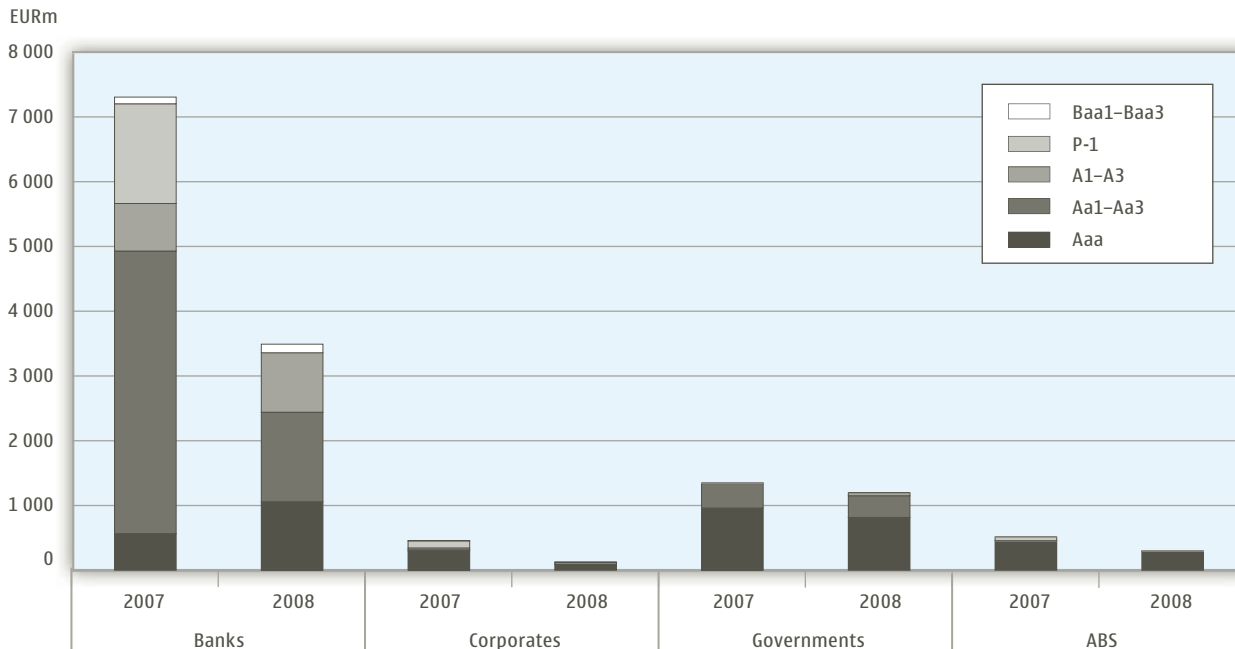
Financial instruments contain an element of risk of loss resulting from counterparties being unable to meet their obligations. This risk is measured and monitored centrally. Nokia manages financial credit risk actively by limiting its counterparties to a sufficient number of major banks and financial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

### Fixed income and money-market investments <sup>1, 2</sup>



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

#### 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 loan commitments according to their remaining contractual maturity. Line-by-line reconciliation with the balance sheet is not possible.

Notes to the consolidated financial statements

At December 31, 2008, EURm	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due beyond 5 years
<b>Non-current financial assets</b>					
Long-term loans receivable	—	—	19	6	8
Other non-current assets	1	1	3	—	1
Loan commitments obtained undrawn	—	—	50	362	—
<b>Current financial assets</b>					
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 <sup>1, 2</sup>	6 702	1 144	70	—	—
<b>Non-current financial liabilities</b>					
Long-term liabilities	-1	-46	-741	-64	-159
Loan commitments given undrawn	-16	-151	—	-30	—
<b>Current financial liabilities</b>					
Current 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 <sup>1</sup>	-5 152	-67	-5	—	—

At December 31, 2007, EURm	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due beyond 5 years
<b>Non-current financial assets</b>					
Long-term loans receivable	—	—	7	3	1
Other non-current assets	—	—	6	—	—
Loan commitments obtained undrawn	—	1 385	500	1 385	—
<b>Current financial assets</b>					
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 <sup>1, 2</sup>	7 398	1 720	381	—	—
<b>Non-current financial liabilities</b>					
Long-term liabilities	-10	-3	-53	-130	-70
Loan commitments given	-178	-39	-21	-18	-14
<b>Current financial liabilities</b>					
Current portion of long-term loans	-115	-61	—	—	—
Short-term liabilities	-617	-105	—	—	—
Cash flows related to derivative financial liabilities net settled:					
Derivative contracts—payments	-13	-10	—	—	—
Cash flows related to derivative financial liabilities gross settled:					
Derivative contracts—receipts	16 207	635	70	—	—
Derivative contracts—payments	-16 317	-633	-65	—	—
Accounts payable <sup>1</sup>	-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).

## 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.