Information incorporated by reference
to the Listing Prospectus dated October 23, 2015

NOKIA IN 2012

NOKIA IN 2012

KEY DATA

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

Nokia, EURm	2012	2011	Change, %
Net sales	**30 176**	38 659	–22
Operating loss	**–2 303**	–1 073	
Loss before tax	**–2 644**	–1 198	
Loss attributable to equity holders' of the parent	**–3 106**	–1 164	
Research and development expenses	**4 782**	5 584	–14

%	2012	2011
Return on capital employed	**neg.**	neg.
Net debt to equity (gearing)	**–46**	–40

EUR	2012	2011	Change, %
Earnings per share, basic	**–0.84**	–0.31	
Dividend per share	**0.00** *	0.20	–100
Average number of shares (1 000 shares)	**3 710 845**	3 709 947	

* Board's proposal

Nokia businesses, EURm	2012	2011	Change, %
Devices & Services			
Net sales	**15 686**	23 943	–34
Operating loss/profit	**–1 100**	884	
Location & Commerce			
Net sales	**1 103**	1 091	1
Operating loss	**–301**	–1 526	–80
Nokia Siemens Networks			
Net sales	**13 779**	14 041	–2
Operating loss	**–799**	–300	166

Personnel, December 31	2012	2011	Change, %
Devices & Services	**32 986**	49 406	–33
Location & Commerce	**6 186**	6 659	–7
Nokia Siemens Networks	**58 411**	73 686	–21
Corporate Common Functions	**215**	299	–28
Nokia Group	**97 798**	130 050	–25

10 major markets, net sales; EURm	2012	2011
China	**2 509**	6 130
India	**2 227**	2 923
Japan	**2 182**	1 539
USA	**1 880**	1 405
Brazil	**1 753**	1 901
Germany	**1 299**	1 606
Russia	**1 287**	1 843
UK	**900**	996
Indonesia	**799**	904
Italy	**783**	982

10 major countries, personnel, December 31	2012	2011
India	**20 027**	22 279
China	**18 684**	22 165
Finland	**11 767**	16 970
Brazil	**7 348**	11 887
Germany	**7 026**	10 992
United States	**6 692**	7 980
Hungary	**2 772**	5 198
Poland	**2 491**	2 541
UK	**1 740**	3 237
Russia	**1 573**	1 256

Main currencies, rates at the end of 2012

1 EUR	USD	1.3140
	GBP	0.8121
	CNY	8.1963
	INR	71.9280
	RUB	40.5002
	JPY	110.16

REVIEW BY THE BOARD OF DIRECTORS 2012

Before the statutory information and other disclosures of the review by the Board of Directors, the Board of Directors outlines a brief summary of the key developments and actions in 2012 and early 2013.

- **Lumia products**. Since the unveiling of the first Nokia Lumia products in 2011, Nokia has expanded the Lumia experience to new price points and geographies. During the third quarter of 2012, Nokia announced the Nokia Lumia 920 and the Nokia Lumia 820, the first devices in Nokia's Windows Phone 8 range which began to ship in select markets during the fourth quarter of 2012.
- **Asha products**. The Nokia Asha family has expanded rapidly since its debut at Nokia World in October 2011. Nokia Asha products blur the lines between feature phones and smartphones and are designed to offer the best overall experience and value proposition for the next billion mobile device users. Asha signifies Nokia's focus on positive user experiences and connecting millions of people to new opportunities that help them reach their aspirations. In 2012, we continued to strengthen our Asha portfolio of products, including launching the first Asha full touch smartphones, such as the Nokia Asha 308 and Asha 309.
- **Symbian products**. During Nokia's transition to Windows Phone, Nokia continued to ship devices based on its own smartphone operating system called Symbian. However, after a decade-long history as part of Nokia's portfolio, Nokia is not creating any new devices based on Symbian. The Nokia 808 PureView, a device which showcases some of Nokia's imaging capabilities and which came to market during the first half of 2012, was the last Symbian device from Nokia. Nokia does not expect to sell any significant volumes of Symbian devices in 2013.
- **Strategy and restructuring activities**. In June 2012, Nokia outlined a range of actions–planned or since completed–aimed at sharpening its strategy, improving its operating model and returning the company to profitable growth. Nokia announced that it plans to invest in products and experiences that make Lumia smartphones stand out and available to more consumers, invest in location-based services as an area of competitive differentiation for Nokia products and extend its location-based platform to new industries and improve the competitiveness and profitability of its Mobile Phones business. These actions announced in June included also streamlining, reducing and divesting certain operations, as well as headcount reductions in our Devices & Services business. To execute the strategy Nokia also made changes to its senior leadership.
- HERE **(formerly Location & Commerce)**. As of January 1, 2013, HERE is the new name of our former Location & Commerce business and reportable segment. Nokia's HERE business has continued to strengthen both its portfolio of location-based offerings with updates to its signature applications and its customer base through new partnerships and licensing deals. In November 2012, Nokia introduced the brand HERE, the first location cloud aiming to deliver the world's best maps and location experiences across multiple screens and operating systems. The business aims to positively differentiate its digital map data and location-based offerings from those of our competitors and create competitive business models for our customers.
- **Nokia Siemens Networks**. Nokia Siemens Networks executed well during 2012 on the focused strategy and the restructuring program it announced in the end of 2011. Built around both technological and geographic focus, quality and innovation, the strategy guides Nokia Siemens Networks to focus its business solely on mobile broadband and services, for example by divesting a number of businesses and streamlining its portfolio. At the same time as it announced its new strategy, Nokia Siemens Networks also communicated plans to undertake a far-reaching and significant restructuring, aimed at reducing its annualized operating expenses and production overheads.

RESULTS OF OPERATIONS

As of January 1, 2013, Location & Commerce reportable segment is renamed as the HERE reportable segment and the terms "Location & Commerce" and "HERE" can be used as interchangeably in this annual report.

We have three businesses: Devices & Services, HERE (formerly Location & Commerce) and Nokia Siemens Networks, and four operating and reportable segments for financial reporting purposes: Smart Devices and Mobile Phones within our Devices & Services business; HERE; and Nokia Siemens Networks.

Our Devices & Services business includes two operating and reportable segments–Smart Devices, which focuses on our most advanced products, including Lumia smartphones, and Mobile Phones, which focuses on our most affordable products, including Asha full touch smartphones–as well as Devices & Services Other. Devices & Services Other includes intellectual property income, net sales of spare parts and related cost of sales and operating expenses and common research and development expenses. Devices & Services Other also included our luxury phone business Vertu until October 12, 2012, when we sold most of our shareholding in Vertu to the private equity fund EQT VI.

Nokia Group

The following table sets forth selective line items and the percentage of net sales that they represent for the fiscal years 2012 and 2011.

EURm	2012	2011	YoY change
Net sales	**30 176**	38 659	–22%
Cost of sales	**–21 786**	–27 300	–20%
Gross profit	**8 390**	11 359	–26%
Research and development expenses	**–4 782**	–5 584	–14%
Selling and marketing expenses	**–3 205**	–3 769	–15%
Administrative and general expenses	**–959**	–1 085	–12%
Other operating income and expenses	**–1 747**	–1 994	–12%
Operating loss	**–2 303**	–1 073	

NET SALES

Our net sales and profitability were negatively affected by the increasing momentum of competing smartphone platforms relative to our Symbian smartphones in all regions as we continued on our platform transition to Windows Phone, as well as our pricing actions due to the competitive environment in both the smartphone and feature phone markets. In addition, during the first half of 2012 our net sales and profitability were adversely affected by our lack of affordable full touch devices which continued to be a growing part of the market. For Nokia Siemens Networks, net sales decrease was driven primarily by Nokia Siemens Networks' strategy to focus on mobile broadband and services.

The following table sets forth the distribution by geographical area of our net sales for the fiscal years 2012 and 2011.

Distribution of net sales by geographic area

%	2012	2011
Europe	**29**	31
Middle East & Africa	**14**	14
Greater China	**10**	17
Asia-Pacific	**27**	23
North America	**7**	4
Latin America	**13**	11
Total	**100**	100

The 10 markets in which we generated the greatest net sales in 2012 were, in descending order of magnitude, China, India, Japan, the United States, Brazil, Germany, Russia, the United Kingdom, Indonesia and Italy, together representing approximately 52% of total net sales in 2012. In comparison, the 10 markets in which we generated the greatest net sales in 2011 were China, India, Brazil, Russia, Germany, Japan, the United States, the United Kingdom, Italy and Spain, together representing approximately 52% of total net sales in 2011.

GROSS MARGIN

Our gross margin in 2012 was 27.8%, compared to 29.4% in 2011. The lower gross margin in 2012 resulted primarily from the decreased gross margin in Devices & Services compared to 2011, which was partially offset by increased gross margin in Nokia Siemens Networks.

OPERATING EXPENSES

Our research and development ("R&D") expenses were EUR 4 782 million in 2012, compared to EUR 5 584 million in 2011. Research and development costs represented 15.8% of our net sales in 2012 compared to 14.4% in 2011. The increase in research and development expenses as a percentage of net sales largely resulted from a relative decline in net sales in 2012. Research and development expenses included purchase price accounting items of EUR 378 million in 2012 compared to EUR 412 million in 2011. At December 31, 2012, we employed 27 551 people in research and development, representing approximately 28% of our total workforce.

In 2012, our selling and marketing expenses were EUR 3 205 million, compared to EUR 3 769 million in 2011. Selling and marketing expenses represented 10.6% of our net sales in 2012 compared to 9.8% in 2011. The increase in selling and marketing expenses as a percentage of net sales reflected a decline in net sales in 2012. Selling and marketing expenses included purchase price accounting items of EUR 314 million in 2012 compared to EUR 422 million in 2011.

Administrative and general expenses were EUR 959 million in 2012, compared to EUR 1 085 million in 2011. Administrative and general expenses were equal to 3.2% of our net sales in 2012 compared to 2.8% in 2011. The increase in administrative and general expenses as a percentage of net sales reflected a decline in net sales in 2012. Administrative and general expenses included no purchase price accounting items in 2012 compared to EUR 1 million in 2011.

In 2012, other income and expenses included restructuring charges of EUR 1 807 million, including EUR 42 million related to country and contract exits, impairments of assets of EUR 32 million, a negative adjustment of EUR 4 million to purchase price allocations related to the final payment from Motorola, amortization of acquired intangible assets of EUR 23 million, benefit from cartel claim settlements of EUR 56 million, a net gain on sale of Vertu business of EUR 52 million and a net gain on sale of real estate of EUR 79 million. In 2011, other income and expenses included restructuring charges of EUR 626 million, impairment of assets of EUR 90 million, consideration related to the Accenture transaction of EUR 251 million, impairment of shares in an associated company of EUR 41 million and a benefit from a cartel claim settlement of EUR 49 million.

OPERATING MARGIN

Our 2012 operating loss was EUR 2 303 million, compared with an operating loss of EUR 1 073 million in 2011. The increased operating loss resulted primarily from restructuring charges and associated items of EUR 1.8 billion and a decrease in the operating performance of our Devices & Services business, which was partially offset by an increase in the operating performance of Nokia Siemens Networks. Our 2012 operating margin was negative 7.6% compared to negative 2.8% in 2011. Our operating loss in 2012 included purchase price accounting items, restructuring charges and other special items of net negative EUR 2.4 billion compared to net negative EUR 2.9 billion in 2011.

CORPORATE COMMON

Corporate Common Functions' expenses totaled EUR 103 million in 2012, compared to EUR 131 million in 2011.

NET FINANCIAL INCOME AND EXPENSES

Financial income and expenses, net, was an expense of EUR 340 million in 2012 compared to an expense of EUR 102 million in 2011. The higher net expense in 2012 was primarily driven by foreign exchange losses. Nokia expects financial income and expenses, net, in 2013 to be an expense of approximately EUR 300 million.

Our net debt to equity ratio was negative 46% at December 31, 2012, compared with a net debt to equity ratio of negative 40% at December 31, 2011.

PROFIT BEFORE TAXES

Loss before tax was EUR 2 644 million in 2012, compared to a loss of EUR 1 198 million in 2011. Taxes amounted to EUR 1 145 million in 2012 and EUR 290 million in 2011. Nokia taxes continued to be unfavorably affected by Nokia Siemens Networks taxes as no tax benefits are recognized for certain Nokia Siemens Networks deferred tax items. Additionally, in 2012, Nokia taxes were adversely affected by allowances related to Devices & Services' Finnish deferred tax assets and discontinuation of recognizing tax benefits for Devices & Services' Finnish deferred tax items due to uncertainty of utilization of these items.

NON-CONTROLLING INTERESTS

Loss attributable to non-controlling interests totaled EUR 683 million in 2012, compared with a loss attributable to non-controlling interests of EUR 324 million in 2011. This change was primarily due to an increase in Nokia Siemens Networks' losses.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND EARNINGS PER SHARE

Loss attributable to equity holders of the parent in 2012 totaled EUR 3 106 million, compared with a loss of EUR 1 164 million in 2011. Earnings per share in 2012 decreased to EUR –0.84 (basic) and EUR –0.84 (diluted), compared with EUR –0.31 (basic) and EUR –0.31 (diluted) in 2011.

CASH FLOW AND FINANCIAL POSITION

The following chart sets out Nokia Group's cash flow for the fiscal years 2012 and 2011 and financial position at the end of each of those years, as well as the year-on-year growth rates.

EURm	2012	2011	YoY Change
Net cash from operating activities	**–354**	1 137	
Total cash and other liquid assets	**9 909**	10 902	–9%
Net cash and other liquid assets [1]	**4 360**	5 581	–22%

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

Year-on-year, net cash and other liquid assets decreased by EUR 1.2 billion in 2012, primarily due to cash outflows related to restructuring of approximately EUR 1.5 billion, the payment of the dividend of approximately EUR 750 million in 2012 and cash outflows related to net financial expenses and taxes as well as capital expenditures. This was partially offset by positive overall net cash from operating activities, excluding cash outflows related to restructuring, net financial expenses and taxes, as well as cash flows related to the receipt of quarterly platform support payments from Microsoft (which commenced in the fourth quarter 2011).

In 2012, Nokia Siemens Networks' contribution to net cash from operating activities was approximately EUR 1.6 billion, primarily due to net working capital changes. At the end of 2012, Nokia Siemens Networks' contribution to the Nokia gross cash was EUR 2.4 billion and contribution to Nokia's net cash was EUR 1.3 billion.

Our agreement with Microsoft includes platform support payments from Microsoft to us as well as software royalty payments from us to Microsoft. Under the terms of the agreement governing the platform support payments, the amount of each quarterly platform support payment is USD 250 million. We have a competitive software royalty structure, which includes annual minimum software royalty commitments that vary over the life of the agreement. Software royalty payments, with minimum commitments are paid quarterly. Over the life of the agreement, both the platform support payments and the minimum software royalty commitments are expected to measure in the billions of US dollars. Over the life of the agreement the total amount of the platform support payments is expected to slightly exceed the total amount of the minimum software royalty commitment payments. As of the end of 2012, the amount of platform support payments received by Nokia has exceeded the amount of minimum software royalty commitment payments made to Microsoft, thus the net cash flows have been in our favor. As a result, the remaining minimum software royalty commitment payments are expected to exceed the remaining platform support payments by a total of approximately EUR 0.5 billion over the remaining life of the agreement. However, in 2013 the amount of the platform support payments is expected to slightly exceed the total amount of the minimum software royalty commitment payments, thus the net cash flows are still expected to be slightly in our favor. In accordance with the terms of the agreement, the platform support payments and annual minimum software royalty commitment payments continue for a corresponding period of time. We have recognized a portion of the received platform support payments as a benefit to our Smart Devices cost of goods sold and the remainder as a liability as part of accrued expenses and other liabilities on our balance sheet.

RESULTS BY SEGMENTS

Devices & Services

The following table sets forth selective line items and the percentage of net sales that they represent for Devices & Services for the fiscal years 2012 and 2011.

EURm	2012	2011	YoY change
Net sales [1]	**15 686**	23 943	–34%
Cost of sales	**–12 340**	–17 303	–29%
Gross profit	**3 346**	6 640	–50%
Research and development expenses	**–1 852**	–2 441	–24%
Selling and marketing expenses	**–1 857**	–2 180	–15%
Administrative and general expenses	**–292**	–362	–19%
Other operating income and expenses	**–445**	–773	–42%
Operating profit/loss	**–1 100**	884	

1 Includes IPR income recognized in Devices & Services Other net sales.

NET SALES

The following table sets forth our Devices & Services net sales and year-on-year growth rate by geographic area for the fiscal years 2012 and 2011. The IPR income referred to in the paragraph below has been allocated to the geographic area contained in this chart.

Devices & Services net sales by geographic area

EURm	2012	2011	YoY Change
Europe	**4 643**	7 064	–34%
Middle East & Africa	**2 827**	4 098	–31%
Greater China	**1 610**	5 063	–68%
Asia–Pacific	**3 811**	4 896	–22%
North America	**453**	354	28%
Latin America	**2 342**	2 468	–5%
Total	**15 686**	23 943	–34%

The 34% year-on-year decline in Devices & Services net sales in 2012 resulted from lower volumes in both Smart Devices and Mobile Phones as well as a lower ASP in Mobile Phones, partially offset by a higher ASP in Smart Devices. Devices & Services Other net sales decreased in 2012 due to lower non-recurring IPR income, the divestment of Vertu during the fourth quarter 2012 and lower spare parts sales.

Smart Devices continued to transition as Symbian volumes decreased sequentially every quarter in 2012. Lumia device volumes grew in the first half of 2012 by expanding geographical distribution as well as new product launches, but were negatively affected in the third quarter 2012 by product transitions. In the fourth quarter 2012, Smart Devices net sales grew sequentially as we started shipping new Lumia devices, although volumes were adversely affected by supply constraints as we ramped up our production capacity, particularly related to the Lumia 920. Smart Devices shipped a total of 13.4 million Lumia devices in 2012. During the first half of 2012, Mobile Phones was negatively affected by aggressive price competition and the lack of affordable full touch devices. Towards the end of the second quarter 2012 Mobile Phones introduced affordable Asha full touch smartphones and sold 15.8 million units in the second half 2012.

Our overall Devices & Services net sales in 2012 benefited from the recognition in Devices & Services Other of approximately EUR 50 million (EUR 450 million in 2011) of non-recurring IPR income. The non-recurring IPR income relates to new patent license agreements for the respective years that included settlements of past royalties and accordingly is not expected to have a recurring benefit. Patent license agreements are generally multi-year arrangements and may cover both licensee's past and future sales. Typically, when a patent license agreement is signed it includes an agreement or settlement on past royalties that the licensor is entitled to. Such income for past periods is typically recognized as a non-recurring item. The license payments relating to the future royalties are typically recognized over the remaining contract period based on the contract terms. The future license payments may fluctuate based on the terms of the license.

During the last two decades, we have invested approximately EUR 50 billion in research and development and built one of the wireless industry's strongest and broadest IPR portfolios, with approximately 10 000 patent families. We are a world leader in the development of handheld device and mobile communications technologies, which is also demonstrated by our strong patent position. Within Devices & Services Other, we estimate that our current annual IPR income run-rate is approximately EUR 0.5 billion.

VOLUME

The following chart sets out the mobile device volumes for our Devices & Services business and year-on-year growth rates by geographic area for the fiscal years 2012 and 2011.

Devices & Services mobile device volumes by geographic area

EURm	2012	2011	YoY Change
Europe	**67.3**	87.8	–23%
Middle East & Africa	**81.7**	94.6	–14%
Greater China	**27.5**	65.8	–58%
Asia–Pacific	**113.5**	118.9	–5%
North America	**2.2**	3.9	–44%
Latin America	**43.4**	46.1	–6%
Total	**335.6**	417.1	–20%

On a year-on-year basis, the decline in our total Devices & Services volumes in 2012 was driven by lower volumes in both Smart Devices and Mobile Phones discussed below.

AVERAGE SELLING PRICE

Our total mobile device ASP represents total Devices & Services net sales divided by total Devices & Services volumes. Devices & Services Other net sales includes net sales of Nokia's luxury phone business Vertu through October 12, 2012, spare parts, as well as IPR income. As IPR income is included in Devices & Services Other net sales, we provide our total mobile device ASP both including and excluding IPR income in this Annual Report.

Our total mobile device ASP, including IPR income, in 2012 was EUR 47, down 18% from EUR 57 in 2011. The decrease in our mobile device ASP in 2012 was due to a higher proportion of Mobile Phones volumes and lower Mobile Phones ASPs, partially offset by higher Smart Devices ASPs. Our total mobile device ASP, excluding IPR income, in 2012 was EUR 45, down 18% from EUR 55 in 2011.

GROSS MARGIN

Our Devices & Services gross margin in 2012 was 21.3%, compared to 27.7% in 2011. On a year-on-year basis, the decline in our Devices & Services gross margin in 2012 was due to gross margin declines in Smart Devices and to a lesser degree in Mobile Phones and Devices & Services Other.

OPERATING EXPENSES

Devices & Services operating expenses decreased 20% year-on-year in 2012. On a year-on-year basis, operating expenses related to Smart Devices decreased 32% in 2012, where Mobile Phones remained approximately on the same level. In addition to the factors described below, the year-on-year changes were affected by the proportionate allocation of operating expenses being affected by the relative mix of sales and gross profit performance between Mobile Phones and Smart Devices. This resulted in higher and lower relative allocations to Mobile Phones and Smart Devices, respectively.

Devices & Services research and development expenses decreased 24% year-on-year in 2012 due to declines in Smart Devices and Devices & Services Other research and development expenses. The decreases in research and development expenses were due primarily to a focus on priority projects and cost controls as well as business divestments.

Devices & Services sales and marketing expenses decreased 15% year-on-year in 2012 primarily due to lower overall business activity, improved efficiency in general marketing activities and business divestments.

Devices & Services administrative and general expenses decreased 19% year-on-year in 2012, primarily due structural cost savings as well as business divestments.

In 2012, Devices & Services other income and expense had a negative year-on-year impact on profitability. In 2012, we recognized special items of net EUR 393 million in Devices & Services Other, comprised of restructuring charges of EUR 550 million and related impairments of EUR 30 million, a benefit from cartel claim settlements of EUR 56 million, a net gain from the sale of a real estate of EUR 79 million and a net gain from the divestment of the Vertu business of EUR 52 million. In 2011, we recognized special items of net EUR 287 million in Devices & Services Other, comprised of restructuring charges of EUR 456 million, impairment of assets of EUR 90 million, Accenture deal consideration of EUR 251 million, impairment of shares in an associated company of EUR 41 million and a benefit from a cartel claim settlement of EUR 49 million.

COST REDUCTION ACTIVITIES AND PLANNED OPERATIONAL ADJUSTMENTS

We continue to target to reduce our Devices & Services operating expenses to an annualized run rate of approximately EUR 3.0 billion, excluding special items and purchase price accounting related items, by the end of 2013.

In June, 2012, we announced additional restructuring measures to those announced in 2011, including targeted investments in key growth areas, operational changes, divestment of non-core assets and significantly increased our cost reduction target. The measures included the closure of our manufacturing facility in Salo, Finland as well as the closure of our research and development facilities in Ulm, Germany and Burnaby, Canada. We also focused our sales and marketing activities and streamlined our information technology, corporate and support functions to align with the sharpened strategy. In addition, we completed the divestment of Vertu and our headquarters building in Finland.

As of December 31, 2012, we had recognized cumulative net charges in Devices & Services in 2011 and 2012 of approximately EUR 1.4 billion related to restructuring activities, which included restructuring charges and associated impairments. While the total extent of the restructuring activities is still to be determined, we currently anticipate cumulative charges in Devices & Services of approximately EUR 1.6 billion before the end of 2013. We also expect the total cash outflows related to our Devices & Services restructuring activities to be approximately EUR 1.4 billion of which approximately EUR 1.1 billion had been incurred as of December 31, 2012.

OPERATING MARGIN

Devices & Services reported an operating loss of EUR 1 100 million in 2012, compared with an operating profit of EUR 884 million in 2011. Devices & Services operating margin in 2012 was negative 7.0%, compared with positive 3.7% in 2011. The year-on-year decrease in operating margin in 2012 was driven primarily by the lower net sales and gross margin compared to 2011 in both Smart Devices and Mobile Phones.

Smart Devices

The following table sets forth selective line items for Smart Devices for the fiscal years 2012 and 2011.

Smart Devices results summary

EURm	2012	2011	YoY Change
Net sales (EURm) [1]	**5 446**	10 820	–50%
Smart Devices volume (millions units)	**35.1**	77.3	–55%
Smart Devices ASP (EUR)	**155**	140	11%
Gross margin (%)	**8.8%**	23.7%	
Operating expenses (EURm)	**2 018**	2 974	–32%
Contribution margin (%)	**–28.6%**	–3.8%	

1 Does not include IPR income. IPR income is recognized in Devices & Services Other net sales.

NET SALES

Smart Devices net sales decreased 50% to EUR 5 446 million in 2012, compared to EUR 10 820 million in 2011. The year-on-year decline in our Smart Devices net sales in 2012 was primarily due to significantly lower volumes, partially offset by higher ASPs.

VOLUME

Smart Devices volume decreased 55% to 35.1 million units in 2012, compared to 77.3 million units in 2011. The year-on-year decrease in our Smart Device volumes in 2012 was driven by the strong momentum of competing smartphone platforms relative to our Symbian devices. On a geographical basis, the decrease in volumes was due to lower volumes in Greater China, Europe, Asia Pacific, Middle East & Africa and Latin America, partially offset by slightly higher volumes in North America.

AVERAGE SELLING PRICE

Smart Devices ASP represents Smart Devices net sales divided by Smart Devices volumes. IPR income is not recognized at the Smart Devices and Mobile Phone business unit levels.

Smart Devices ASP increased 11% to EUR 155 in 2012, compared to EUR 140 in 2011. The year-on-year increase in our Smart Devices ASP in 2012 was primarily due to a positive mix shift towards sales of our Lumia devices, which had a higher ASP, a positive impact related to deferred revenue on services sold in combination with our devices as well as the net positive impact related to foreign currency fluctuations, partially offset by general price erosion and our pricing actions.

GROSS MARGIN

Smart Devices gross margin was 8.8% in 2012, down from 23.7% in 2011. The year-on-year decline in our Smart Devices gross margin in 2012 was primarily due to greater price erosion than cost erosion due to the competitive environment, inventory related allowances of EUR 220 million in the second quarter 2012 and EUR 120 million in the third quarter 2012, higher fixed costs per unit because of lower sales volumes, and a negative product mix shift towards lower gross margin devices.

Mobile Phones

The following table sets forth selective line items for Mobile Phones for the fiscal years 2012 and 2011.

Mobile Phones results summary

EURm	2012	2011	YoY Change
Net sales (EURm) [1]	**9 436**	11 930	–21%
Mobile Phones volume (millions units)	**300**	340	–12%
Mobile Phones ASP (EUR)	**31**	35	–11%
Gross margin (%)	**23.4%**	26.1%	
Operating expenses (EURm)	**1 661**	1 640	1%
Contribution margin (%)	**5.6%**	12.4%	

1 Does not include IPR income. IPR income is recognized in Devices & Services Other net sales.

NET SALES

Mobile Phones net sales decreased 21% to EUR 9 436 million in 2012, compared to EUR 11 930 million in 2011. On a year-on-year basis, our Mobile Phones net sales decreased in 2012 due to lower volumes and ASPs.

VOLUME

Mobile Phones volume decreased 12% to 300 million units in 2012, compared to 340 million units in 2011. The year-on-year decline in our Mobile Phones volumes in 2012 was due to the challenging competitive environment and market environment, which negatively affected our volumes across the Mobile Phones portfolio. In particular, low-end smartphones powered by the Android operating system proliferated at lower price points throughout 2012. During the second half of 2012, Mobile Phones started shipping Asha full touch smartphones, which improved the competitiveness of our higher end Mobile Phones product portfolio. During the second half of 2012, Mobile Phones shipped 15.8 million Asha full touch smartphones.

AVERAGE SELLING PRICE

Mobile Phones ASP represents Mobile Phones net sales divided by Mobile Phones volumes. IPR income is not recognized at the Smart Devices and Mobile Phone business unit levels.

Mobile Phones ASP decreased 11% to EUR 31 in 2012, compared to EUR 35 in 2011. The year-on-year decline in our Mobile Phones ASP in 2012 was primarily due to a higher proportion of sales of lower priced devices and general price erosion.

GROSS MARGIN

Mobile Phones gross margin was 23.4% in 2012, down from 26.1% in 2011. The year-on-year decline in our Mobile Phones gross margin in 2012 was primarily due to a higher proportion of sales of lower gross margin devices as well as the net negative impact related to foreign currency fluctuations.

Location & Commerce

As of January 1, 2013 our Location & Commerce business and reportable segment was renamed HERE. The name Location & Commerce is used in the following discussion of the operating results for this segment for the fiscal years 2012 and 2011.

The following table sets forth selective line items and the percentage of net sales that they represent for Location & Commerce for the fiscal years 2012 and 2011.

EURm	2012	2011	YoY change
Net sales	**1 103**	1 091	1%
Cost of sales	**–228**	–214	7%
Gross profit	**875**	877	0%
Research and development expenses	**–883**	–958	–8%
Selling and marketing expenses	**–186**	–259	–28%
Administrative and general expenses	**–77**	–68	13%
Other operating income and expenses	**–30**	–1 118	
Operating loss	**–301**	–1 526	

NET SALES

The following table sets forth Location & Commerce net sales and year-on-year growth rate by geographic area for the fiscal years 2012 and 2011.

Location & Commerce net sales by geographic area

EURm	2012	2011	YoY Change
Europe	**477**	488	-2%
Middle East & Africa	**74**	74	0%
Greater China	**63**	128	-51%
Asia-Pacific	**82**	74	11%
North America	**335**	284	18%
Latin America	**72**	43	67%
Total	**1 103**	1 091	1%

Location & Commerce net sales increased 1% to EUR 1 103 million in 2012, compared to EUR 1 091 million in 2011. The year-on-year increase in Location & Commerce external net sales in 2012 was primarily driven by higher sales of map content licenses to vehicle customers, partially offset by lower sales to personal navigation devices customers. The year-on-year decline in Location & Commerce internal net sales was primarily due to lower sales related to the large decline in our Symbian device volumes experienced since 2010.

GROSS MARGIN

On a year-on-year basis, the decrease in Location & Commerce gross margin in 2012 was primarily due to lower personal navigation device sales which carry a higher gross margin, partially offset by a higher gross margin in the vehicle segment.

OPERATING EXPENSES

Location & Commerce research and development expenses decreased 8% primarily driven by a focus on cost controls, lower project spending and a shift of research and development operating expenses to cost of sales as a result of the divestiture of the media advertising business.

Location & Commerce sales and marketing expenses decreased 28% primarily driven by a focus on cost controls and lower marketing spending.

Location & Commerce administrative and general expenses increased 13% primarily driven by higher use of services provided by shared support functions.

In 2012, Location & Commerce other income and expense had a positive year-on-year impact on profitability. In 2012, we recognized special items of EUR 31 million in Location & Commerce, comprised of restructuring charges of EUR 31 million. In 2011, we recognized special items of EUR 1.1 billion in Location & Commerce, comprised of restructuring charges of EUR 25 million and impairment of goodwill of EUR 1.1 billion.

OPERATING MARGIN

Location & Commerce operating loss decreased to EUR 301 million in 2012, compared with a loss of EUR 1 526 million in 2011. Location & Commerce operating margin in 2012 was negative 27.3%, compared with negative 139.9% in 2011. The year-on-year improvement in operating margin in 2012 was driven primarily by the lower other operating expenses due to the impairment of Location & Commerce's goodwill of EUR 1.1 billion in 2011.

Nokia Siemens Networks

Nokia Siemens Networks completed the acquisition of the majority of Motorola Solutions' wireless network infrastructure assets on April 30, 2011. Accordingly, the results of Nokia Siemens Networks for 2012 are not directly comparable to 2011.

The following table sets forth selective line items and the percentage of net sales that they represent for Nokia Siemens Networks for the fiscal years 2012 and 2011.

EURm	2012	2011	YoY change
Net sales	**13 779**	14 041	–2%
Cost of sales	**–9 610**	–10 199	–6%
Gross profit	**4 169**	3 842	9%
Research and development expenses	**–2 046**	–2 185	–6%
Selling and marketing expenses	**–1 158**	–1 328	–13%
Administrative and general expenses	**–474**	–517	–8%
Other operating income and expenses	**–1 290**	–112	
Operating loss	**–799**	–300	–166%

NET SALES

The following table sets forth Nokia Siemens Networks' net sales and year-on-year growth rate by geographic area for the fiscal years 2012 and 2011.

Nokia Siemens Networks net sales by geographic area

EURm	2012	2011	YoY Change
Europe	**3 896**	4 469	–13%
Middle East & Africa	**1 287**	1 391	–7%
Greater China	**1 278**	1 465	–13%
Asia–Pacific	**4 347**	3 848	13%
North America	**1 294**	1 077	20%
Latin America	**1 677**	1 791	–6%
Total	**13 779**	14 041	–2%

Nokia Siemens Networks' net sales decreased 2% to EUR 13 779 million in 2012, compared to EUR 14 041 million in 2011. The year-on-year decline in Nokia Siemens Networks' net sales was primarily due to the decline in sales of business areas not consistent with Nokia Siemens Networks' strategic focus and lower infrastructure equipment sales, partially offset by higher services net sales. On a full year basis, services represented slightly more than 50% of Nokia Siemens Networks' net sales in 2012 and 2011.

GROSS MARGIN

Nokia Siemens Networks' gross margin was 30.3% in 2012, compared to 27.4% 2011. The increase in Nokia Siemens Networks gross margin in 2012 was primarily due to the better gross margin in both infrastructure equipment and services. Within infrastructure equipment, the increase was primarily due to favorable region and product mix consistent with Nokia Siemens Networks' strategy to focus on mobile broadband. Within services, the increase was primarily due to structural cost actions and efforts to align the services business with the focused strategy.

OPERATING EXPENSES

Nokia Siemens Networks' research and development expenses decreased 6% year-on-year in 2012 primarily due to structural cost saving actions and overall research and development efficiency.

Nokia Siemens Networks' sales and marketing expenses decreased 13% year-on-year in 2012 primarily due to structural cost saving actions.

Nokia Siemens Networks' administrative and general expenses decreased 8% year-on-year in 2012 primarily due to structural cost saving actions.

In 2012, Nokia Siemens Networks other and income and expense had a negative year-on-year impact on profitability. In 2012, we recognized special items of EUR 1.2 billion in Nokia Siemens Networks, comprised of net restructuring charges and associated items of EUR 1.2 billion. In 2011, we recognized special items of EUR 145 million in Nokia Siemens Networks, comprised of restructuring charges of EUR 145 million.

OPERATING MARGIN

Nokia Siemens Networks' operating loss in 2012 was EUR 799 million, compared with an operating loss of EUR 300 million in 2011. Nokia Siemens Networks' operating margin in 2012 was negative 5.8%, compared with negative 2.1% in 2011 primarily due to restructuring charges of EUR 1.2 billion in 2012.

STRATEGY AND RESTRUCTURING PROGRAM

In November 2011, Nokia Siemens Networks announced its strategy to focus on mobile broadband and services and the launch of an extensive global restructuring program. Nokia Siemens Networks continues to target to reduce its annualized operating expenses and production overheads, excluding special items and purchase price accounting related items, by more than EUR 1 billion by the end of 2013, compared to the end of 2011. While these savings are expected to come largely from organizational streamlining, it has also targeted areas such as real estate, information technology, product and service procurement costs, overall general and administrative expenses, and a significant reduction of suppliers in order to further lower costs and improve quality.

During 2012, Nokia Siemens Networks recognized restructuring charges and other associated items of EUR 1.3 billion related to this restructuring program, resulting in cumulative charges of approximately EUR 1.3 billion. In total we now expect cumulative Nokia Siemens Networks restructuring charges of approximately EUR 1.3 billion by the end of 2013, virtually all of which have now been recognized. By the end of 2012, Nokia Siemens Networks had cumulative restructuring related cash outflows of approximately EUR 650 million related to this restructuring program. Nokia Siemens Networks expects restructuring-related cash outflows to be approximately EUR 450 million for the full year 2013, and approximately EUR 200 million for the full year 2014 related to this restructuring program.

The key financial data, including the calculations of key ratios, for the years 2012, 2011 and 2010 are available in the Annual Accounts section.

MAIN EVENTS IN 2012

Nokia

- Nokia outlined a range of actions–planned or since completed–aimed at sharpening its strategy, improving its operating model and returning the company to profitable growth. The measures included:
    - Reductions within certain research and development projects, resulting in the closure of Nokia's facilities in Ulm, Germany and Burnaby, Canada;
    - The transfer of device assembly from our production facilities in Komarom in Hungary and Reynosa in Mexico to Nokia facilities in Asia, where the majority of component suppliers are based. The Komarom and Reynosa facilities are now focusing on smartphone product customization;
    - The consolidation of certain manufacturing operations, resulting in the closure of Nokia's manufacturing facility in Salo, Finland;
    - Nokia, and De' Longhi SpA, a global leader in household appliances, agreed terms for De' Longhi to acquire Nokia's production facility in Cluj, Romania during the first quarter in 2012;
    - Focusing of marketing and sales activities, including prioritizing key markets; and
    - Streamlining of corporate and support functions.
- In April 2012, to unify the financial mode of operation of Nokia, Nokia Corporation transferred its mobile device sales related business operations, including sales agreements, to Nokia Sales International Oy, a wholly owned subsidiary of Nokia Corporation. The transfer had no effect on mobile device sales that has been carried out by other Nokia subsidiaries.
- Nokia completed an offering of EUR 750 million of senior unsecured convertible bonds due 2017 convertible into ordinary shares of Nokia Corporation. Nokia intends to use the net proceeds of the offering to prudently manage its capital structure, proactively address upcoming maturities while preserving existing pools of liquidity and for general corporate purposes.
- Nokia entered into a new patent license agreement with BlackBerry (formerly Research In Motion). The agreement results in settlement of all existing patent litigation between the companies and withdrawal of pending actions in the US, UK and Canada related to a recent arbitration tribunal decision.
- Nokia sold its head office building in Espoo, Finland, to Finland-based Exilion and has leased it back from Exilion on a long-term lease. The selling price was EUR 170 million.
- Since the end of 2012, Nokia has outlined a range of planned changes to streamline its IT organization. As part of the planned changes, Nokia transferred certain activities and approximately 740 employees to HCL Technologies and TATA Consultancy Services. In addition, Nokia plans to reduce its global IT organization by approximately 260 employees. Nokia believes these changes will increase operational efficiency and reduce operating costs, creating an IT organization appropriate for Nokia's current size and scope.
- Nokia started development of a new manufacturing facility in Vietnam to serve the feature phone market. The targeted opening of the facility is the second half of 2013.
- During the third quarter, Nokia was again selected as a component of the Dow Jones Sustainability World Index (DJSI) and Dow Jones Sustainability Europe Index in the DJSI 2012 Review.
- In the third quarter, Nokia was included by the Carbon Disclosure Project (CDP) in the Carbon Disclosure Leadership Index and the Carbon Performance Leadership Index, receiving recognition both for its disclosure of climate change information and the action it is taking to reduce its emissions.

Devices & Services

SMART DEVICES

- Nokia continued to expand the breadth and depth of its Nokia Lumia range of Windows Phone 7-based smartphones and brought the range to new markets, including China and the United States.

- In September 2012, Nokia launched its first products on Windows Phone 8, the latest generation of the Windows Phone platform. Nokia started selling the first products running Windows Phone 8–the flagship Nokia Lumia 920 and the mid-range Nokia Lumia 820–in select markets including China, Germany, the United Kingdom and the United States. Nokia has also launched in markets such as India as well as introduced the Nokia 620 in select markets, with Lumia smartphones now available in more than 90 markets around the world. Nokia's first Windows Phone 8 products showcase the best of Windows Phone 8, which for the first time shares many core technologies with the wider Windows ecosystem. Windows Phone 8 also introduced multi-core processor support, NFC (near field communication) technology, and support for higher screen resolutions, as well as increased language support and new capabilities in imaging and application.

- Nokia continued to support the growth of the Windows Phone ecosystem. The number of applications in the Windows Phone Marketplace grew to more than 125 000 by the end of 2012, up from approximately 50 000 at the start of the year.

- During Nokia's transition to Windows Phone through 2012, Nokia continued to ship devices based on Symbian. The Nokia 808 PureView, a device which showcases our imaging capabilities and which came to market in mid-2012, was the last Symbian device from Nokia.

- Nokia announced a range of wireless charging accessories and partnerships. The Fatboy Recharge Pillow provides an alternative way to charge the Lumia 920 and Lumia 820 wirelessly, while HARMAN'S JBL brand introduced the JBL PowerUP, a wireless charging docking station with high quality audio in retro styling and the JBL PlayUp for high quality portable audio. Nokia also agreed with Virgin Atlantic to put wireless charging stations in its London Heathrow Clubhouse lounge and with Coffee Bean & Tea Leaf to put charging plates on tables in some of their cafés.

- Nokia announced the launch of Nokia Music in the United States, further expanding the number of markets in which the free music streaming service is now available. Nokia Music is a free mobile experience exclusive to Nokia Lumia handsets, providing consumers with a simple and delightful way to discover and enjoy music.

MOBILE PHONES

- Mobile Phones continued to expand Nokia's Asha range of products with technological and design innovations, including launching full touch models such as the Asha 308 and Asha 309. These two models offer a fluid 'swipe' user interface and an open environment for third-party application development–characteristics which helped earn the complete Asha touch range full smartphone classification from global market research companies and analysts such as GfK.

- In the fourth quarter, Nokia introduced the Nokia 206 in both a single and dual SIM version. The Nokia 206 includes Nokia's exclusive Slam feature, which enables consumers to share multimedia content like photos and videos with nearby friends almost instantly. Slam works with most Bluetooth-enabled mobile phones without the need to pair devices, and without the recipient needing to also have Slam.

- Nokia unveiled Nokia Life+, the latest evolution of its widely-used Nokia Life service. Nokia Life+ is a Web application, which will provide millions of people with valuable information on education, health and "infotainment" topics. Nokia Life+ will be supported by the Nokia Asha 308 and Nokia Asha 309 smartphones alongside a wide range of Nokia mobile phones.

- In the first quarter 2012, the Nokia Xpress browser, Nokia's cloud-accelerated browser for Series 40 devices, continued to grow rapidly with support for 38 devices in 87 languages and more than 200 countries. The Nokia Xpress browser is the first of its kind to support web apps, and since the release of the SDK in 2011, developer support has continued to grow.

HERE (formerly Location & Commerce)

- Nokia introduced a new brand–HERE–for our location-based products and services and has begun adopting the HERE brand in the portfolio. HERE is the first location cloud to deliver the world's best maps and location experiences across multiple screens and operating systems.

- To further extend its location services, Nokia launched a maps application for iOS under the HERE brand.

- Nokia announced a strategic partnership with Mozilla to bring new location experiences to the Firefox OS.

- Nokia introduced LiveSight, a technology based on a highly accurate, 3D map of the world. LiveSight provides a precise and intuitive augmented reality experience.

- HERE continued to grow the Nokia Location Platform (NLP), an advanced location platform which offers numerous opportunities upon which third parties can build. During the year, among others, Amazon became an NLP licensee for maps and geocoding and Ford's research organization selected the NLP to leverage Nokia's high-quality global location content as well as scalable cloud services and APIs.

- As part of its commitment to strengthen the Windows Phone ecosystem, Nokia integrated the NLP into Windows Phone 8 OS to power location-based experiences built for Windows Phone 8, including access to offline maps.

- HERE agreed a partnership with Groupon to bring local and national deals to Nokia customer and released a new version of HERE Maps for the Lumia range that integrates Groupon Now! deals into the app.

- HERE introduced My Commute, a new feature of HERE Drive that learns people's driving preferences and uses information about the latest traffic conditions to help people choose between the different routes they usually take to get to the places they travel most.

- HERE brought HERE City Lens, an augmented reality application, to the Nokia Lumia smartphone range and continued to update it throughout the year.

- In the first quarter, Location & Commerce released HERE Transport, a mobile application for the Lumia range providing underground, tram, suburban train and bus directions for more than 500 cities in 46 countries in a convenient way, and further updated the application during the year.

- HERE continued to build partnerships with a number of major industry players, particularly in the area of automotive-grade maps content and solutions. We are providing content to partners including Audi, BMW Chrysler, Dacia, ESRI, Ford, Garmin, Hyundai, Kia, Mercedes, Nikon, Pioneer, Scania, Toyota and Volkswagen.

- In indoor mapping, HERE continued to steadily increase its coverage of venues and buildings around the world and now covers 5 100 venues and altogether 18 000 buildings in 40 countries.

Nokia Siemens Networks

- Nokia Siemens Networks added significant commercial LTE deals during 2012, including; a major contract with SOFTBANK MOBILE Corp. in Japan to upgrade its mobile broadband capacity across the country, supplying, deploying and integrating its HSPA+ (3G) and FDD LTE (4G) networks; deploying the world's first multi-technology, multi-vendor self-organizing 3G and 4G mobile networks for KDDI, also in Japan; and supporting T-Mobile's 4G network evolution plan with the modernization of its GSM, HSPA+ core and radio access infrastructure in key markets in the USA to improve existing voice and data coverage.

- Nokia Siemens Networks had a total of 77 LTE deals by the 2012 year end, with other mobile broadband deals including with: Bharti Airtel in India; Telkomsel in Indonesia; KT in Korea; Singapore's StarHub; Tele2 in Estonia, Latvia and Lithuania; Hrvatski Telekom in Croatia; T-Mobile and Orange in Poland; Polkomtel in Poland; Si.mobil in Slovenia; COTA and Wimax Online in Spain; Zain KSA in Saudi Arabia; TOT in Thailand; Optus in Australia; Mobile TeleSystems in Russia; O2 in the UK; Vodacom in South Africa; Saudi Telecom Company; and China Mobile.

- Nokia Siemens Networks demonstrated its commitment to staying at the forefront of mobile broadband innovation with the opening of a mobile broadband testing and development facility which opened in Silicon Valley in the United States. In other LTE technology developments, Nokia Siemens Networks: launched its "FlexiZone" approach to mobile broadband coverage, which will deliver faster and more flexible 4G across areas with a very high user density more efficiently and cost effectively; and expanded its portfolio, to enable smooth 4G rollouts using the 'Digital Dividend' in the Asia Pacific region, Latin America and other parts of the world.

- Nokia Siemens Networks also launched a new CDMA base station, bringing the benefits of its globally recognized Flexi Multiradio Base Station platform to CDMA operators whilst reducing base station operating costs by up to 70%, and with 4G upgrade capability underlining Nokia Siemens Networks' commitment to mobile broadband technology evolution.

- Nokia Siemens Networks unveiled its 'Intelligent IP Edge', the world's most advanced network gateway that enables operators to deliver a better mobile broadband experience and reduce running costs using Nokia Siemens Networks' Liquid Net approach. Nokia Siemens Networks and Juniper Networks announced the launch of the "Integrated Packet Transport Network", addressing the need for service providers to simplify network architecture and giving operators more flexibility in their transport networks in a cost effective way, reflecting Nokia Siemens Networks Liquid Net approach to transforming networks to cope with unpredictability and increasing network demand.

- Nokia Siemens Networks extended its comprehensive small cells portfolio with the launch of an enhanced range of picocell base stations and 3G Femto access points, and announced a US-based trial of its Hot Zone approach for increasing network capacity in the Chicago area.

- The launch of the Customer Experience Management (CEM) on Demand portal in the first quarter allowed Nokia Siemens Networks to showcase a new way of handling relationships with the world's six billion mobile users. Nokia Siemens Networks was recognized for its advances in CEM at the Global Telecoms Business (GTB) Innovation Awards 2012 in the wireless infrastructure category where it won a joint award with Telkomsel for its use of Nokia Siemens Networks' CEM on Demand portfolio. Guangdong MCC in China has signed up to Nokia Siemens Networks' CEM software and services, enabling it to improve customer experience by providing a unified view of its customer data and continuous reporting of usage trends.

SIGNIFICANT ACQUISITIONS AND DIVESTMENTS IN 2012

- Nokia completed the acquisition of all technologies and intellectual property from Scalado AB to strengthen Nokia's leading position in mobile imaging. As part of the transaction, approximately 50 world-class imaging specialists transferred to Nokia.

- During the fourth quarter in 2012, Nokia completed the divestment of Vertu, its luxury mobile phones business to EQT VI, a European private equity firm.

- Nokia acquired earthmine inc. Earthmine's reality capture and processing technologies will become integral parts of the 3D map making capabilities of HERE.

- During the year, Nokia Siemens Networks completed the sale of its microwave transport business to DragonWave, the sale of its fixed line Broadband Access business to ADTRAN and the divestment of the assets of the non-core IPTV business to Belgacom and Accenture. It also announced it had reached an agreement to sell its Optical Networks business to Marlin Equity Partners and its Business Support Systems business to Redknee.

PERSONNEL

The average number of employees of Nokia Group for 2012 was 112 256 (134 171 for 2011 and 129 355 for 2010). At December 31, 2012, Nokia Group employed a total of 97 798 people (130 050 people at December 31, 2011 and 132 427 people at December 31, 2010). The total amount of wages and salaries paid in 2012 was EUR 6 080 million (EUR 6 284 million in 2011 and EUR 5 808 million in 2010).

SUSTAINABILITY AT NOKIA

With over 1.3 billion customers using Nokia devices, Nokia is in a unique position to effect positive environmental and social change around the world. Nokia aims to maximize its positive impact on the world and its people, reduce any negative environmental impact, and aims to offer people products and solutions that help them make sustainable choices. Also, by closely collaborating with Nokia's suppliers, Nokia hopes to improve the social and environmental performance of its supply chain. Nokia strives to be a responsible company in all areas, for example aiming to reduce the emissions of its own facilities and those of its suppliers, to increase energy efficiency and use green energy where possible, to save resources through simple initiatives such as cutting down on packaging, and to use sustainable, ethically sourced materials in Nokia's products. Nokia believes that its approach in considering its environmental and social impact not only reflects ethical and legal responsibilities, but also makes good business sense and actually goes beyond legal requirements. We also work to ensure world-class working conditions for our own employees as well as at our suppliers' operations. Furthermore, we invest in social projects which impact particularly education and livelihoods.

Some of the 2012 sustainability highlights include:

- **In products:** we introduced environmental innovations, such as bio-plastics and recycled metals, and reached 97% level in renewable, paper-based materials use in Nokia device and accessories packaging.
- **In sustainability related services:** our focus on mobile learning is bearing fruit, with 90 million people having experienced the Nokia Life information service at the end of 2012, Nokia Mobile Mathematics reaching 50 000 students, 700 teachers, 200 schools in South Africa, and Nokia Education Delivery showing promising results in the quality of teaching and classroom environment in India and Indonesia. We also expanded HERE Transport application further, offering people options to reduce their environmental footprint by helping them plan their journeys on public transport.
- **In our own operations:** we delivered progress in increasing the waste utilization rate at our factories and in the level of renewable electricity usage.

MANAGEMENT AND BOARD OF DIRECTORS

Board of Directors, Nokia Leadership Team and President

Pursuant to the Articles of Association, Nokia Corporation has a Board of Directors composed of a minimum of seven and a maximum of 12 members. The members of the Board are elected for a one-year term at each Annual General Meeting, i.e. from the close of that Annual General Meeting until the close of the following Annual General Meeting, which convenes each year by June 30. The Board has the responsibility for appointing and discharging the Chief Executive Officer, the Chief Financial Officer and the other members of the Nokia Leadership Team. The Chief Executive Officer also acts as President and his rights and responsibilities include those allotted to the President under Finnish law.

The Annual General Meeting held on May 3, 2012 elected the following 11 members to the Board of Directors: Bruce Brown, Stephen Elop, Henning Kagermann, Jouko Karvinen, Helge Lund, Isabel Marey-Semper, Mårten Mickos, Elizabeth Nelson, Dame Marjorie Scardino, Risto Siilasmaa and Kari Stadigh.

For information on shares and stock options held by the members of the Board of Directors, the President and CEO and the other members of the Nokia Leadership Team, please see the section "Compensation of the Board of Directors and the Nokia Leadership Team" available in the Additional information section of this 'Nokia in 2012' publication.

For more information regarding Corporate Governance, please see the Corporate Governance Statement in the Additional information section of this 'Nokia in 2012' publication or Nokia's website, www.nokia.com/global/about-nokia.

Changes in the Nokia Leadership Team

During 2012, the following appointments were made to the Nokia Leadership Team:

- Marko Ahtisaari was appointed Executive Vice President of Design and member of the Nokia Leadership Team as from February 1, 2012.
- Juha Putkiranta was appointed Executive Vice President of Operations and member of the Nokia Leadership Team as from July 1, 2012.
- Timo Toikkanen was appointed Executive Vice President of Mobile Phones and member of the Nokia Leadership Team as from July 1, 2012.
- Chris Weber was appointed Executive Vice President of Sales and Marketing and member of the Nokia Leadership Team as from July 1, 2012.

Further, during 2012, the following Nokia Leadership Team members resigned:

- Jerri DeVard, formerly Executive Vice President and Chief Marketing Officer, stepped down from the Nokia Leadership Team effective June 30, 2012.

- Colin Giles, formerly Executive Vice President of Sales, stepped down from the Nokia Leadership Team effective June 30, 2012.

- Mary T. McDowell, formerly Executive Vice President of Mobile Phones stepped down from the Nokia Leadership Team effective June 30, 2012.
- Niklas Savander, formerly Executive Vice President of Markets stepped down from the Nokia Leadership Team effective June 30, 2012.
- Esko Aho, formerly Executive Vice President of Corporate Relations and Responsibility stepped down from the Nokia Leadership Team effective August 31, 2012.

ARTICLES OF ASSOCIATION

Nokia's Articles of Association include a provision on obligation to purchase shares.

Amendment of the Articles of Association requires a decision of the general meeting, supported by two-thirds of the votes cast and two-thirds of the shares represented at the meeting. Amendment of the provisions of Article 13 of the Articles of Association, "Obligation to purchase shares", requires a resolution supported by three-quarters of the votes cast and three-quarters of the shares represented at the meeting.

SHARES AND SHARE CAPITAL

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

In 2012, Nokia did not cancel or repurchase any shares nor did Nokia issue any new shares.

In 2012, Nokia transferred a total of 795 918 Nokia shares held by it as settlement under Nokia equity plans to the plan participants, personnel of Nokia Group, including certain Nokia Leadership Team members. The shares were transferred free of charge and the amount of shares transferred represented approximately 0.02% of the total number of shares and the total voting rights. The transfers did not have a significant effect on the relative holdings of the other shareholders of the company nor on their voting power.

On December 31, 2012, Nokia and its subsidiary companies owned 33 971 118 Nokia shares. The shares represented approximately 0.9% of the total number of the shares of the company and the total voting rights. The total number of shares at December 31, 2012, was 3 744 956 052. On December 31, 2012, Nokia's share capital was EUR 245 896 461.96.

Information on the authorizations held by the Board in 2012 to issue shares and special rights entitling to shares, transfer shares and repurchase own shares, as well as information on related party transactions, the shareholders, stock options, shareholders' equity per share, dividend yield, price per earnings ratio, share prices, market capitalization, share turnover and average number of shares are available in the Annual Accounts section.

NOKIA OUTLOOK

Our Devices & Services business is expected to continue to be subject to risks and uncertainties, as our Smart Devices business unit continues to broaden its portfolio of Windows Phone 8 based products and our Mobile Phones business unit continues to bring more smartphone features and design to our Mobile Phones portfolio. Those risks and uncertainties include, among others, the timing, ramp-up, quality and demand for our new products, including our Lumia and Asha devices; further pressure on margins as competitors endeavor to capitalize on our transition; and uncertainty in the macroeconomic environment.

Nokia Siemens Networks plans to continue to prioritize the improvement of its profitability and cash generation over growth in revenue. In addition, it plans to target increasing its market share in certain growth areas such as 4G (LTE), in particular in priority countries, Japan, Korea and the United States.

Longer-term, Nokia continues to target:

- Devices & Services net sales to grow faster than the market, and
- Devices & Services operating margin to be 10% or more, excluding special items and purchase price accounting related items.

Longer-term, Nokia Siemens Networks continues to target:

- Nokia Siemens Networks' operating margin to be between 5% and 10%, excluding special items and purchase price accounting related items.

In 2012, we announced additional restructuring measures to those announced during 2011 as a result of our Devices & Services strategy. We announced in June 2012 that Nokia targets to reduce its Devices & Services operating expenses, excluding special items and purchase price accounting related items, to an annualized run rate of approximately EUR 3.0 billion by the end of 2013.

Nokia Siemens Networks continues to target to reduce its annualized operating expenses and production overheads, excluding special items and purchase price accounting related items, by more than EUR 1 billion by the end of 2013, compared to the end of 2011. While these savings are expected to come largely from organizational streamlining, it has also targeted areas such as real estate, information technology, product and service procurement costs, overall general and administrative expenses and a significant reduction of suppliers in order to further lower costs and improve quality.

RISK FACTORS

Set forth below is a description of risk factors that could affect Nokia, starting with the risks which are mainly related to our primary revenue generating areas. There may be, however, additional risks unknown to Nokia and other risks currently believed to be immaterial that could turn out to be material. These risks, either individually or together, could adversely affect our business, sales, profitability, results of operations, financial condition, liquidity, market share, brand, reputation and share price from time to time. Unless otherwise indicated or the context otherwise provides, references in these risk factors to "Nokia", "we", "us" and "our" mean Nokia's consolidated operating segments. Additional risks primarily related to Nokia Siemens Networks that could affect Nokia are detailed under the heading "Nokia Siemens Networks" below.

- We may not be able to make Nokia products with Windows Phone a competitive choice for consumers unless the Windows Phone ecosystem becomes a competitive and profitable global ecosystem that achieves sufficient scale, value and attractiveness to relevant market participants.
- Our success in the smartphone market depends on our ability to introduce and bring to market quantities of attractive, competitively priced Nokia products with Windows Phone that are positively differentiated from our competitors' products, both outside and within the Windows Phone ecosystem, and receive broad market acceptance.
- We may not be able to produce attractive and competitive devices in our Mobile Phones business unit, including feature phones and devices with features such as full touch that can be categorized as smartphones, in a timely and cost efficient manner with differentiated hardware, software, localized services and applications.
- Our strategy for our HERE business includes various risks and uncertainties and may not succeed if we are unable to establish a successful location-based platform, extend our location-based services across devices and operating systems, maintain current sources of revenue, provide support for our HERE business and create new sources of revenue from our location-based services and commerce assets.
- Our products include numerous patented standardized or proprietary technologies on which we depend and utilize for revenue generation. Third parties may use without a license and unlawfully infringe our intellectual property or commence actions seeking to establish the invalidity of the intellectual property rights of these technologies, or we may not be able to maintain the existing sources of intellectual property related revenue or establish new such sources.
- We face intense competition in mobile products and in the digital map data and related location-based content and services markets.
- Our failure to keep momentum and increase our speed of innovation, product development and execution will impair our ability to bring new innovative and competitive mobile products and location-based or other services to the market in a timely manner.
- Our partnership with Microsoft is subject to risks and uncertainties.
- We may not be able to effectively and smoothly implement the planned changes in operational structure or achieve targeted efficiencies and reductions in operating expenses.
- We may not be able to retain, motivate, develop and recruit appropriately skilled employees, which may hamper our ability to implement our strategies.
- Our sales and profitability are dependent on the development of the mobile and communications industry, including location-based and other services industries, in numerous diverse markets, as well as on general economic conditions globally and regionally.
- Our ability to maintain and leverage our traditional strengths in the mobile products market may be impaired if we are unable to retain the loyalty of our mobile operator and distributor customers and consumers as a result of the implementation of our strategies or other factors.
- If any of the companies we partner and collaborate with, including Microsoft, were to fail to perform as planned or if we fail to achieve the collaboration or partnering arrangements needed to succeed, we may not be able to bring our mobile products or location-based or other services to market successfully or in a timely way.
- If the limited number of suppliers we depend on fail to deliver sufficient quantities of fully functional products, components, sub-assemblies, software and services on favorable terms and in compliance with our supplier requirements, our ability to deliver our mobile products profitably, in line with quality requirements and on time could be materially adversely affected.
- We may fail to manage our manufacturing, service creation and delivery as well as our logistics efficiently and without interruption, or fail to make timely and appropriate adjustments, or fail to ensure that our products meet our and our customers' and consumers' requirements and are delivered on time and in sufficient volumes.
- Any actual or even alleged defects or other quality, safety and security issues in our products, including the hardware, software and content used in our products, could have a material adverse effect on our sales, results of operations, reputation and the value of the Nokia brand.
- Our operations rely on the efficient and uninterrupted operation of complex and centralized information technology systems and networks. If a system or network inefficiency, malfunction or disruption occurs, this could have a material adverse effect on our business and results of operations.
- Any cybersecurity breach or other factors leading to an actual or alleged loss, improper disclosure or leakage of any personal or consumer data collected by us or our partners or subcontractors, made available to us or stored in or through our products could have a material adverse effect on our sales, results of operations, reputation and value of the Nokia brand.
- Our business and results of operations, particularly our profitability, may be materially adversely affected if we are not able to successfully manage the pricing of our products and costs related to our products and our operations.
- We have operations in a number of countries and, as a result, face complex tax issues and could be obligated to pay additional taxes in various jurisdictions and our actual or anticipated performance, among other factors, could result in allowances related to deferred tax assets.

- Our net sales, costs and results of operations, as well as the US dollar value of our dividends and market price of our ADSs, are affected by exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Japanese yen and the Chinese yuan, as well as certain other currencies.
- Our products include increasingly complex technologies, some of which have been developed by us or licensed to us by certain third parties. As a result, evaluating the rights related to the technologies we use or intend to use is more and more challenging, and we expect increasingly to face claims that we could have allegedly infringed third parties' intellectual property rights. The use of these technologies may also result in increased licensing costs for us, restrictions on our ability to use certain technologies in our products and/or costly and time-consuming litigation.
- Our sales derived from, and manufacturing facilities and assets located in, emerging market countries may be materially adversely affected by economic, regulatory, political or other developments in those countries or by other countries imposing regulations against imports to such countries.
- Changes in various types of regulation, technical standards and trade policies as well as enforcement of such regulation and policies in countries around the world could have a material adverse effect on our business and results of operations.
- An unfavorable outcome of litigation could have a material adverse effect on our business, results of operations, financial condition and reputation.
- Allegations of possible health risks from the electromagnetic fields generated by base stations and mobile devices, and the lawsuits and publicity relating to this matter, regardless of merit, could have a material adverse effect on our sales, results of operations, share price, reputation and brand value by leading consumers to reduce their use of mobile devices, by increasing difficulty in obtaining sites for base stations, by leading regulatory bodies to set arbitrary use restrictions and exposure limits, or by causing us to allocate additional monetary and personnel resources to these issues.

Nokia Siemens Networks

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

- Nokia Siemens Networks' sales and profitability depend on its success in the mobile broadband infrastructure and related services market. Nokia Siemens Networks may fail to effectively and profitably adapt its business and operations in a timely manner to the increasingly diverse service needs of its customers in that market.
- Competition in the mobile broadband infrastructure and related services market is intense. Nokia Siemens Networks' may be unable to maintain or improve its market position or respond successfully to changes in the competitive environment.
- Nokia Siemens Networks' restructuring plan to improve financial performance and competitiveness may not lead to sustainable improvements in Nokia Siemens Networks' overall competitiveness and profitability, and it may be unable to otherwise continue to reduce operating expenses and other costs. Additionally, changes in the ownership structure of Nokia Siemens Networks could have an adverse effect on Nokia Siemens Networks or us.
- Nokia Siemens Networks may fail to effectively and profitably invest in new competitive products, services, upgrades and technologies and bring them to market in a timely manner.
- Nokia Siemens Networks' business is dependent on a limited number of customers.
- Nokia Siemens Networks' mobile broadband infrastructure and related services business is dependent on large multi-year contracts.
- Nokia Siemens Networks' liquidity and its ability to meet its working capital requirements depend on access to available credit under its financing arrangements and other credit lines as well as cash at hand. If those sources of liquidity were to be unavailable, or cannot be refinanced when they mature, this could have a material adverse effect on our business, results of operations and financial condition.
- Nokia Siemens Networks may be adversely affected by customer financing or extending payment terms it provides to customers.
- Some of the Siemens carrier-related operations transferred to Nokia Siemens Networks have been and continue to be the subject of various criminal and other governmental investigations related to whether certain transactions and payments arranged by some current or former employees of Siemens were unlawful. As a result of those investigations, government authorities and others have taken and may take further actions against Siemens and/or its employees that may involve and affect the assets and employees transferred by Siemens to Nokia Siemens Networks, or there may be undetected additional violations that may have occurred prior to the transfer or violations that may have occurred after the transfer of such assets and employees.

DIVIDEND

The Board will propose that no dividend be paid for the fiscal year 2012.

Board of Directors, Nokia Corporation
March 7, 2013

ANNUAL ACCOUNTS 2012

CONSOLIDATED INCOME STATEMENTS, IFRS

Financial year ended December 31	Notes	2012 EURm	2011 EURm	2010 EURm
Net sales		**30 176**	38 659	42 446
Cost of sales		**−21 786**	−27 300	−29 456
Gross profit		**8 390**	11 359	12 990
Research and development expenses		**−4 782**	−5 584	−5 844
Selling and marketing expenses		**−3 205**	−3 769	−3 856
Administrative and general expenses		**−959**	−1 085	−1 039
Impairment of goodwill	8	**—**	−1 090	—
Other income	7	**403**	221	476
Other expenses	7, 8	**−2 150**	−1 125	−657
Operating loss (–)/profit (+)	2–10, 24	**−2 303**	−1 073	2 070
Share of results of associated companies	15, 31	**−1**	−23	1
Financial income and expenses	8, 11	**−340**	−102	−285
Loss (–)/profit (+) before tax		**−2 644**	−1 198	1 786
Tax	12	**−1 145**	−290	−443
Loss (–)/profit (+)		**−3 789**	−1 488	1 343
Loss (–)/profit (+) attributable to equity holders of the parent		**−3 106**	−1 164	1 850
Loss attributable to non-controlling interests		**−683**	−324	−507
		−3 789	−1 488	1 343

Earnings per share (for loss (–)/profit (+) attributable to the equity holders of the parent)	28	**2012 EUR**	2011 EUR	2010 EUR
Basic		**−0.84**	−0.31	0.50
Diluted		**−0.84**	−0.31	0.50

Average number of shares (1 000's shares)	28	**2012**	2011	2010
Basic		**3 710 845**	3 709 947	3 708 816
Diluted		**3 710 845**	3 709 947	3 713 250

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME, IFRS

Financial year ended December 31	Notes	2012 EURm	2011 EURm	2010 EURm
Loss (–)/profit (+)		**–3 789**	–1 488	1 343
Other comprehensive income (+)/expense (–)				
Items that may be reclassified subsequently to profit or loss				
Translation differences	22	**39**	9	1 302
Net investment hedges	22	**–58**	–37	–389
Cash flow hedges	21	**–41**	116	–141
Available-for-sale investments	21	**35**	70	9
Other increase (+)/decrease (–), net		**10**	–16	45
Income tax related to components of other comprehensive income/expense	21, 22	**12**	–16	126
Other comprehensive income (+)/expense (–), net of tax		**–3**	126	952
Total comprehensive income (+)/expense (–)		**–3 792**	–1 362	2 295
Total comprehensive income (+)/expense (–), attributable to				
equity holders of the parent		**–3 157**	–1 083	2 776
non-controlling interests		**–635**	–279	–481
		–3 792	–1 362	2 295

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, IFRS

December 31	Notes	2012 EURm	2011 EURm
ASSETS			
Non-current assets			
Goodwill	13	**4 876**	4 838
Other intangible assets	13	**647**	1 412
Property, plant and equipment	14	**1 431**	1 842
Investments in associated companies	15	**58**	67
Available-for-sale investments	16	**689**	641
Deferred tax assets	25	**1 254**	1 848
Long-term loans receivable	16, 34	**112**	99
Other non-current assets		**4**	3
		9 071	10 750
Current assets			
Inventories	18, 20	**1 538**	2 330
Accounts receivable, net of allowances for doubtful accounts (2012: EUR 248 million, 2011: EUR 284 million)	16, 20, 34	**5 551**	7 181
Prepaid expenses and accrued income	19	**3 381**	4 488
Current portion of long-term loans receivable	16, 34	**35**	54
Other financial assets	16, 17, 35	**464**	500
Investments at fair value through profit and loss, liquid assets	16, 34	**415**	433
Available-for-sale investments, liquid assets	16, 34	**542**	1 233
Available-for-sale investments, cash equivalents	16, 34	**5 448**	7 279
Bank and cash	34	**3 504**	1 957
		20 878	25 455
Total assets		**29 949**	36 205
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent			
Share capital	23	**246**	246
Share issue premium		**446**	362
Treasury shares, at cost		**−629**	−644
Translation differences	22	**744**	771
Fair value and other reserves	21	**123**	154
Reserve for invested non-restricted equity		**3 136**	3 148
Retained earnings		**3 995**	7 836
		8 061	11 873
Non-controlling interests		**1 386**	2 043
Total equity		**9 447**	13 916
Non-current liabilities			
Long-term interest-bearing liabilities	16, 34	**5 087**	3 969
Deferred tax liabilities	25	**700**	800
Other long-term liabilities		**69**	76
		5 856	4 845
Current liabilities			
Current portion of long-term loans	16, 34	**201**	357
Short-term borrowings	16, 34	**261**	995
Other financial liabilities	16, 17, 34	**90**	483
Accounts payable	16, 34	**4 394**	5 532
Accrued expenses and other liabilities	26	**7 081**	7 450
Provisions	27	**2 619**	2 627
		14 646	17 444
Total shareholders' equity and liabilities		**29 949**	36 205

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS, IFRS

Financial year ended December 31	Notes	2012 EURm	2011 EURm	2010 EURm
Cash flow from operating activities				
Loss (–)/profit (+) attributable to equity holders of the parent		**–3 106**	–1 164	1 850
Adjustments, total	32	**3 838**	3 486	2 112
Change in net working capital	32	**123**	–638	2 349
Cash generated from operations		**855**	1 684	6 311
Interest received		**130**	190	110
Interest paid		**–277**	–283	–235
Other financial income and expenses, net		**–584**	264	–507
Income taxes paid, net		**–478**	–718	–905
Net cash used in / from operating activities		**–354**	1 137	4 774
Cash flow from investing activities				
Acquisition of businesses, net of acquired cash		**13**	–817	–110
Purchase of current available-for-sale investments, liquid assets		**–1 668**	–3 676	–8 573
Purchase of investments at fair value through profit and loss, liquid assets		**–40**	–607	–646
Purchase of non-current available-for-sale investments		**–55**	–111	–124
Purchase of shares in associated companies		**–1**	–2	–33
Proceeds from (+) / payment of (–) other long-term receivables		**—**	–14	2
Proceeds from (+) / payment of (–) short-term loans receivable		**24**	–31	–2
Capital expenditures		**–461**	–597	–679
Proceeds from disposal of businesses, net of disposed cash		**–15**	–2	120
Proceeds from disposal of shares in associated companies		**5**	4	5
Proceeds from maturities and sale of current available-for-sale investments, liquid assets		**2 355**	6 090	7 181
Proceeds from maturities and sale of investments at fair value through profit and loss, liquid assets		**86**	1 156	333
Proceeds from sale of non-current available-for-sale investments		**37**	57	83
Proceeds from sale of fixed assets		**279**	48	21
Dividends received		**3**	1	1
Net cash from/used in investing activities		**562**	1 499	–2 421
Cash flow from financing activities				
Other contributions from shareholders		**—**	546	—
Purchase of treasury shares		**—**	—	1
Proceeds from long-term borrowings		**752**	1	482
Repayment of long-term borrowings		**–266**	–51	–6
Proceeds from (+) / repayment of (–) short-term borrowings		**–196**	–59	131
Dividends paid		**–755**	–1 536	–1 519
Net cash used in financing activities		**–465**	–1 099	–911
Foreign exchange adjustment		**–27**	107	224
Net increase (+) / decrease (–) in cash and cash equivalents		**–284**	1 644	1 666
Cash and cash equivalents at beginning of period		**9 236**	7 592	5 926
Cash and cash equivalents at end of period		**8 952**	9 236	7 592
Cash and cash equivalents comprise of:				
Bank and cash		**3 504**	1 957	1 951
Current available-for-sale investments, cash equivalents	16, 34	**5 448**	7 279	5 641
		8 952	9 236	7 592

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

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

	Number of shares (1 000's)	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restrict. equity	Retained earnings	Before non-controlling interests	Non-controlling interests	Total
Balance at December 31, 2009	**3 708 262**	**246**	**279**	**−681**	**−127**	**69**	**3 170**	**10 132**	**13 088**	**1 661**	**14 749**
Translation differences					1 240				1 240	64	1 304
Net investment hedges, net of tax					−288				−288		−288
Cash flow hedges, net of tax						−73			−73	−43	−116
Available-for-sale investments, net of tax						7			7		7
Other increase, net								40	40	5	45
Profit								1 850	1 850	−507	1 343
Total comprehensive income		**—**	**—**	**—**	**952**	**−66**	**—**	**1 890**	**2 776**	**−481**	**2 295**
Stock options exercised related to acquisitions			−1						−1		−1
Share-based compensation			47						47		47
Excess tax benefit on share-based compensation			−1						−1		−1
Settlement of performance and restricted shares	868		−12	17			−9		−4		−4
Reissuance of treasury shares				1					1		1
Conversion of debt to equity									—	766	766
Dividend								−1 483	−1 483	−56	−1 539
Acquisitions and other change in non-controlling interests								−39	−39	−43	−82
Total of other equity movements	**868**	**—**	**33**	**18**	**—**	**—**	**−9**	**−1 522**	**−1 480**	**667**	**−813**
Balance at December 31, 2010	**3 709 130**	**246**	**312**	**−663**	**825**	**3**	**3 161**	**10 500**	**14 384**	**1 847**	**16 231**
Translation differences					−26				−26	35	9
Net investment hedges net of tax					−28				−28		−28
Cash flow hedges, net of tax						84			84	10	94
Available-for-sale investments, net of tax						67			67		67
Other decrease, net								−16	−16		−16
Loss								−1 164	−1 164	−324	−1 488
Total comprehensive income		**—**	**—**	**—**	**−54**	**151**	**—**	**−1 180**	**−1 083**	**−279**	**−1 362**
Share-based compensation			18						18		18
Excess tax benefit on share-based compensation			−3						−3	−1	−4
Settlement of performance and restricted shares	1 059		−11	19			−13		−5		−5
Contributions from shareholders			46						46	500	546
Dividend								−1 484	−1 484	−39	−1 523
Acquisitions and other change in non-controlling interests									—	15	15
Total of other equity movements	**1 059**	**—**	**50**	**19**	**—**	**—**	**−13**	**−1 484**	**−1 428**	**475**	**−953**
Balance at December 31, 2011	**3 710 189**	**246**	**362**	**−644**	**771**	**154**	**3 148**	**7 836**	**11 873**	**2 043**	**13 916**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS (continued)

	Number of shares (1 000's)	Share capital	Share issue premium	Treasury shares	Trans–lation differ-ences	Fair value and other reserves	Reserve for invested non-restrict. equity	Retained earnings	Before non-controlling interests	Non-controlling interests	Total
Balance at December 31, 2011	**3 710 189**	**246**	**362**	**−644**	**771**	**154**	**3 148**	**7 836**	**11 873**	**2 043**	**13 916**
Translation differences					40				40	−2	38
Net investment hedges, net of tax					−67				−67		−67
Cash flow hedges, net of tax						−67			−67	47	−20
Available-for-sale investments, net of tax						36			36		36
Other increase, net								7	7	3	10
Loss								−3 106	−3 106	−683	−3 789
Total comprehensive income		**—**	**—**	**—**	**−27**	**−31**	**—**	**−3 099**	**−3 157**	**−635**	**−3 792**
Share-based compensation			1						1		1
Excess tax benefit on share-based compensation			3						3		3
Settlement of performance and restricted shares	796		−5	15			−12		−2		−2
Dividend								−742	−742	−22	−764
Convertible bond – equity component			85						85		85
Total of other equity movements	**796**	**—**	**84**	**15**	**—**	**—**	**−12**	**−742**	**−655**	**−22**	**−677**
Balance at December 31, 2012	**3 710 985**	**246**	**446**	**−629**	**744**	**123**	**3 136**	**3 995**	**8 061**	**1 386**	**9 447**

Dividends declared per share were EUR 0.00 for 2012 (EUR 0.20 for 2011 and EUR 0.40 for 2010), subject to shareholders' approval.

See Notes to Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

Basis of presentation

The consolidated financial statements of Nokia Corporation ("Nokia" or "the Group"), a Finnish public limited liability company with domicile in Helsinki, in the Republic of Finland, are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union ("IFRS"). The consolidated financial statements are presented in millions of euros ("EURm"), except as noted, and are prepared under the historical cost convention, except as disclosed in the accounting policies below. The notes to the consolidated financial statements also conform to Finnish accounting legislation. Nokia's Board of Directors authorized the financial statements for 2012 for issuance and filing on March 7, 2013.

As of April 1, 2011, the Group's operational structure featured two new operating and reportable segments: Smart Devices and Mobile Phones, which combined with Devices & Services Other and unallocated items form Devices & Services business.

As of October 1, 2011, the Group formed a Location & Commerce business which combines NAVTEQ and Nokia's social location services operations from Devices & Services. Location & Commerce business is an operating and reportable segment. From the third quarter 2008 until the end of the third quarter 2011, NAVTEQ was a separate reportable segment of Nokia. As a result of this structure, Nokia currently has four operating and reportable segments: Smart Devices and Mobile Phones within Devices & Services, Location & Commerce and Nokia Siemens Networks.

As of January 1, 2013, Location & Commerce business and reportable segment has been renamed as the HERE business and reportable segment.

The presentation of Nokia Siemens Networks' restructuring and other associated expenses has been aligned with other Nokia businesses and included within other expenses instead of impacting functions. Accordingly, included in other expenses in 2011 is EUR 126 million restructuring charges, previously reflected within cost of sales (EUR 40 million), R&D (EUR 28 million), selling and marketing (EUR 22 million) and administrative expenses (EUR 36 million). Included in other expenses in 2010 is EUR 289 million restructuring charges previously reflected within cost of sales (EUR 173 million), R&D (EUR 19 million), selling and marketing (EUR 21 million) and administrative expenses (EUR 76 million).

Certain notes to the financial statements include changes in presentation format. To allow meaningful comparison between years, comparative information have been aligned with current presentation format.

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, 2012.

- Amendments to IAS 1 Presentation of Financial Statements retains the 'one or two statement' approach at the option of the entity and only revises the way other comprehensive income is presented: Requiring separate subtotals for those elements which may be 'recycled' and those elements that will not.
- Amendment to IAS 12 Income Taxes provides clarification for measurement of deferred taxes in situations where an asset is measured using the fair value model in IAS 40 Investment Property by introducing a presumption that the carrying amount of the underlying asset will be recovered through sale.

In addition, a number of other amendments that form part of the IASB's annual improvement project were adopted by the Group.

The adoption of each of the above mentioned amendments did not have a material impact to the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of Nokia's parent company ("Parent Company"), and each of those companies over which the Group exercises control. Control over an entity is presumed to exist when the Group owns, directly or indirectly through subsidiaries, over 50% of the voting rights of the entity, the Group has the power to govern the operating and financial policies of the entity through agreement or the Group has the power to appoint or remove the majority of the members of the board of the entity.

The Group's share of profits and losses of associates is included in the consolidated income statement in accordance with the equity method of accounting. An associate is an entity over which the Group exercises significant influence. Significant influence is generally presumed to exist when the Group owns, directly or indirectly through subsidiaries, over 20% of the voting rights of the company.

All inter-company transactions are eliminated as part of the consolidation process. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. In the consolidated statement of financial position, non-controlling interests are presented within equity, separately from the equity of the owners of the parent.

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

Business combinations

The acquisition method of accounting is used to account for acquisitions of separate entities or businesses by the Group. The consideration transferred in a business combination is measured as the aggregate of the fair values of the assets transferred, liabilities incurred towards the former owners of the acquired business and equity instruments issued. Acquisition-related costs are recognized as expense in profit and loss in the periods when the costs are incurred and the related services are received. Identifiable assets acquired and liabilities assumed by the Group are measured separately at their fair value as of the acquisition date. Non-controlling interests in the acquired business are measured separately based on their proportionate share of the identifiable net assets of the acquired business. The excess of the cost of the acquisition over the interest in the fair value of the identifiable net assets acquired and attributable to the owners of the parent, is recorded as goodwill.

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

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

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

The Group conducts its impairment testing by determining the recoverable amount for the asset or cash-generating unit. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If there is no reason to believe that cash-generating unit's value in use materially exceeds its fair value less costs to sell, the Group may use fair value less costs to sell as its recoverable amount.

Cash-generating unit, as determined for the purposes of the Group's goodwill impairment testing, is the smallest group of assets (including goodwill) generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In testing a cash-generating unit for impairment, the Group identifies all corporate assets that relate to the cash-generating unit under review and those assets are allocated, on a reasonable and consistent basis, to the relevant units. The aggregate total carrying amount of the unit, including the portion of the carrying amount of the corporate assets allocated to the unit, is compared with its recoverable amount. An impairment loss is recognized if the recoverable amount is less than the carrying amount. Impairment losses are recognized immediately in the income statement.

Disposals of separate entities or businesses

When a disposal transaction causes the Group to relinquish control over a separate entity or business, the Group records a gain or loss on disposal at the disposal date. The gain or loss on disposal is calculated as the difference between the fair value of the consideration received and the carrying amounts of derecognized net assets attributable to the equity holders of the parent and non-controlling interests of the disposed entity or business, adjusted by amounts previously recognized in other comprehensive income in relation to that entity or business.

Foreign currency translation

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements of all Group companies are measured using functional currency, which is the currency of the primary economic environment in which each of the companies operate. The consolidated financial statements are presented in euro, which is the functional and presentation currency of the Parent Company.

TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual transactions. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used. At the end of the accounting period, the unsettled balances on foreign currency assets and liabilities are valued at the rates of exchange prevailing at the end of the accounting period. Foreign exchange gains and losses arising from statement of financial position items are reported in financial income and expenses. Unrealized foreign exchange gains and losses related to non-current available-for-sale investments are recognized in other comprehensive income.

FOREIGN GROUP COMPANIES

In the consolidated accounts, all income and expenses of foreign Group companies, where the functional currency is other than euro, are translated into euro at the average monthly foreign exchange rates. All assets and liabilities of foreign Group companies are translated into euro at the year-end foreign exchange rates. Differences resulting from the translation of income and expenses at the average rate and assets and liabilities at the closing rate are recognized in other comprehensive income as translation differences within consolidated shareholder's equity. On the disposal of all or part of a foreign Group company by sale, liquidation, repayment of share capital or abandonment, the cumulative amount or proportionate share of the translation differences is recognized as income or as expense when the gain or loss on disposal is recognized.

Revenue recognition

Majority of the Group's sales are recognized as revenue 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 with respect to the transaction can be measured reliably. The Group records reductions to revenue for special pricing agreements, price protection and other volume-based discounts. Service revenue is generally recognized on a straight line basis over the service period unless there is evidence that some other method better represents the stage of completion. License fees from usage are recognized in the period when they are reliably measurable, which is normally when the customer reports them to the Group.

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

In addition, sales and cost of sales from contracts involving solutions achieved through modification of complex telecommunications equipment are recognized using the percentage of completion method when the outcome of the contract can be estimated reliably. A contract's outcome can be estimated reliably when total contract revenue and the costs to complete the contract can be estimated reliably, it is probable that the economic benefits associated with the contract will flow to the Group and the stage of contract completion can be measured reliably. When the Group is not able to meet one or more of the 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 where such revisions become probable and can be estimated reliably. Losses on projects in progress are recognized in the period they become probable and can be estimated reliably.

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 as they do not meet the criteria for capitalization.

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 7 years. Where an indication of impairment exists, the carrying amount of the related intangible asset is assessed for recoverability. Any resulting impairment losses are recognized immediately in the income statement.

Employee benefits

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 contributions 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 even if the party receiving the contributions is unable to pay the pension obligations in question. The Group's contributions to defined contribution plans, multi-employer and insured plans are recognized in the income statement in a period which the contributions relate to.

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

For defined benefit plans, pension costs are assessed using the projected unit credit method: Pension cost is recognized in the income statement so as to spread the service cost over the service lives of employees. 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 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. Actuarial gains and losses within the corridor limits are not recognized.

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

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

Actuarial valuations for the Group's defined benefit pension plans are performed annually. In addition, actuarial valuations are performed when a curtailment or settlement of a defined benefit plan occurs in the Group.

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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
Light buildings and constructions	3–20 years
Production machinery, measuring and test equipment	1–5 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 lease contracts. The related payments are treated as rentals and recognized in the income statement on a straight-line basis over the lease terms unless another systematic approach is more representative of the pattern of the user's benefit.

Inventories

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

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

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

Financial assets

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

AVAILABLE-FOR-SALE INVESTMENTS

The Group invests a portion of cash needed to cover projected cash needs of its on-going operations in highly liquid, interest-bearing investments and certain equity instruments. The following investments are classified as available-for-sale based on the purpose for acquiring the investments as well as ongoing intentions: (1) Highly liquid fixed income and money-market investments that are readily convertible to known amounts of cash with maturities at acquisition of 3 months or less, which are classified in the balance sheet as current available-for-sale investments, cash equivalents. Due to the high credit quality and short-term nature of these investments, there is an insignificant risk of changes in value. (2) Similar types of investments as in category (1), but with maturities at acquisition of longer than 3 months, are classified in the balance sheet as current available-for-sale investments, liquid assets. (3) Investments in technology related publicly quoted equity shares, or unlisted private equity shares and unlisted funds, are classified in the balance sheet as non-current available-for-sale investments.

Current fixed income and money-market investments are fair valued by using quoted market rates, discounted cash flow analyses and other appropriate valuation models at the balance sheet date. Investments in publicly quoted equity shares are measured at fair value using exchange quoted bid prices. Other available-for-sale investments carried at fair value include holdings in unlisted shares. Fair value is estimated by using various factors, including, but not limited to: (1) the current market value of similar instruments, (2) prices established from a recent arm's length financing transaction of the target companies, (3) analysis of market prospects and operating performance of the target companies taking into consideration the public market of comparable companies in similar industry sectors. The remaining available-for-sale investments, 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, are carried at cost less impairment.

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

The changes in fair value of available-for-sale investments are recognized in fair value and other reserves as part of shareholders' equity, with the exception of interest calculated using the effective interest method as well as foreign exchange gains and losses on monetary assets, which are recognized directly in profit and loss. Dividends on available-for-sale equity instruments are recognized in profit and loss when the Group's right to receive payment is established. When the investment is disposed of, the related accumulated changes in fair value are released from shareholders' equity and recognized in profit and loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of by the Group. FIFO (First-in First-out) method is used to determine the cost basis of fixed income securities being disposed of by the Group.

An impairment is recorded when the carrying amount of an available-for-sale investment is greater than the estimated fair value and there is objective evidence that the asset is impaired including, but not limited to, counterparty default and other factors causing a reduction in value that can be considered other than temporary. The cumulative net loss relating to that investment is removed from equity and recognized in profit and loss. 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 profit and loss.

INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS, LIQUID ASSETS

Certain highly liquid financial assets are designated as investments at fair value through profit and loss, liquid assets, at inception. For these investments the following criteria must be met: (1) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or (2) the assets are part of a group of financial assets, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recognized and subsequently remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in profit and loss.

LOANS RECEIVABLE

Loans receivable include loans to customers and suppliers. Loans receivable are initially measured at fair value and subsequently at amortized cost less impairment using the effective interest method. Loans are subject to regular and thorough review as to their collectability and available collateral. In the event that a 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. Loan interest is recognized in interest income. The long-term portion of loans receivable is included on the statement of financial position under long-term loans receivable and the current portion under current portion of long-term loans receivable.

BANK AND CASH

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

ACCOUNTS RECEIVABLE

Accounts receivable are carried at the original amount due from customers, which is considered to be fair value, less allowances for doubtful accounts. Allowance for doubtful accounts is based on a monthly review of all outstanding amounts where significant doubt about collectability exists. Monthly review includes an analysis of historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms. Allowance for doubtful accounts is included in profit and loss within other operating expenses.

Financial liabilities

COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments have both a financial liability and an equity component from the issuers' perspective. The components are defined based on the terms of the financial instrument and presented and measured separately according to their substance. At initial recognition of a compound financial instrument, the financial liability component is recognized at fair value and residual amount is allocated to the equity component. This allocation is not revised subsequently. The Group has issued a convertible bond, which is a compound financial instrument, and its financial liability component is accounted for as a loan payable.

LOANS PAYABLE

Loans payable are recognized initially at fair value, net of transaction costs incurred. In subsequent periods loans payable are measured at amortized cost using the effective interest method. Transaction costs and loan interest are recognized in interest expenses over the life of the instrument. The long-term portion of loans payable is included on the statement of financial position under long-term interest-bearing liabilities and the current portion under current portion of long-term loans.

ACCOUNTS PAYABLE

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

Derivative financial instruments

All derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss varies according to whether the derivatives are designated under and qualify for hedge accounting or not.

Generally, the cash flows of a hedge are classified as cash flows from operating activities in the consolidated statement of cash flows as the underlying hedged items relate to the company's operating activities. When a derivative contract is accounted for as a hedge of an identifiable position relating to financing or investing activities, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

DERIVATIVES NOT DESIGNATED IN HEDGE ACCOUNTING RELATIONSHIPS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

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 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 cross-currency interest rate swaps. Changes in the fair value of these contracts are recognized in profit and loss.

For derivatives not designated under hedge accounting but hedging identifiable exposures such as anticipated foreign currency denominated sales and purchases, the gains and losses are recognized in other operating income or expenses. The gains and losses on all other derivatives not designated under hedge accounting are recognized in financial income and expenses.

Embedded derivatives are identified and monitored by the Group. Embedded derivatives are measured at fair valued at each balance sheet date with changes in the fair value are recognized in profit and loss.

Hedge accounting

The Group applies hedge accounting on certain forward foreign exchange contracts, certain options or option strategies and certain interest rate derivatives. Qualifying options and option strategies have zero net premium or a net premium paid. For option structures the critical terms of the bought and sold options are the same and the nominal amount of the sold option component is no greater than that of the bought option.

CASH FLOW HEDGES: HEDGING OF FORECAST 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 forecast foreign currency denominated sales and purchases that meet the following requirements. 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.

For qualifying foreign exchange forwards, the change in fair value that reflects the change in spot exchange rates is deferred in fair value and other reserves to the extent that the hedge is effective. For qualifying foreign exchange options, or option strategies, the change in intrinsic value is deferred in fair value and other reserves to the extent that the hedge is effective. In all cases, the ineffective portion is recognized immediately in profit and loss 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 change in the time value for options, or options strategies, are recognized in other operating income or expenses.

Accumulated changes in fair value from qualifying hedges are released from fair value and other reserves to profit and loss as adjustments to sales and cost of sales when the hedged cash flow affects profit and loss. Forecast foreign currency sales and purchases affect profit and loss at various dates up to approximately 1 year from the balance sheet date.

If the hedged cash flow is no longer expected to occur, all deferred gains or losses are released immediately to profit and loss as adjustments to sales and cost of sales. If the hedged cash flow ceases to be highly probable, but is still expected to occur, accumulated gains and losses remain in equity until the hedged cash flow affects profit and loss.

CASH FLOW HEDGES: HEDGING OF FOREIGN CURRENCY RISK OF HIGHLY PROBABLE BUSINESS ACQUISITIONS AND OTHER TRANSACTIONS

From time to time the Group hedges the cash flow variability due to foreign currency risk inherent in highly probable business acquisitions and other future transactions that result in the recognition of non-financial assets. When those non-financial assets are recognized in the statement of financial position, the gains and losses previously deferred are transferred from fair value and other reserves and included in the initial acquisition cost of the asset. The deferred amounts are ultimately recognized in 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 forecast transactions must be highly probable and the hedges must be highly effective prospectively and retrospectively.

CASH FLOW HEDGES: HEDGING OF CASH FLOW VARIABILITY ON VARIABLE RATE LIABILITIES

The Group applies cash flow hedge accounting for hedging cash flow variability on certain variable rate liabilities. The effective portion of the gain or loss relating to interest rate swaps hedging variable rate borrowings is deferred in fair value and other reserves. The gain or loss related to the ineffective portion is recognized immediately in profit and loss as financial income and expenses. For hedging instruments closed before the maturity date of the related liability, hedge accounting will immediately discontinue from that date onwards, with all the cumulative gains and losses on the hedging instruments recycled gradually to profit and loss when the hedged variable interest cash flows affect profit and loss.

FAIR VALUE HEDGES

The Group applies fair value hedge accounting with the objective to reduce the exposure to fluctuations in the fair value of interest-bearing liabilities due to changes in interest rates and foreign exchange rates. Changes in the fair value of derivatives designated and qualifying as fair value hedges, together with any changes in the fair value of the hedged liabilities attributable to the hedged risk, are recorded in profit and loss in financial income and expenses.

If a hedge no longer meets the criteria for hedge accounting, hedge accounting ceases and any fair value adjustments made to the carrying amount of the hedged item while the hedge was effective are amortized to profit and loss based on the effective interest method.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

The Group also applies hedge accounting for its foreign currency hedging on net investments. Qualifying hedges are those properly documented hedges of the foreign exchange rate risk of foreign currency denominated net investments that are effective both prospectively and retrospectively.

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

Accumulated changes in fair value from qualifying hedges are released from translation differences 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 changes in the fair value from qualifying hedges deferred in translation differences is recognized as income or as expense when the gain or loss on disposal is recognized.

Income taxes

The tax expense comprises current tax and deferred tax. Current taxes are based on the results of the Group companies and are calculated according to local tax rules. Taxes are recognized in the income statement, except to the extent that it relates to items recognized in the other comprehensive income or directly in equity, in which case, the tax is recognized in other comprehensive income or equity, respectively.

Deferred tax assets and liabilities are determined, for all temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements using liability method. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the tax losses, unused tax credits or deductible temporary differences can be utilized. Each reporting period they are assessed for realizability and when circumstances indicate it is no longer probable that deferred tax assets will be utilized, they are adjusted as necessary. Deferred tax liabilities are recognized for temporary differences that arise between the amounts initially recognized and the tax base of identifiable net assets acquired in business combinations. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

Provisions

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

WARRANTY PROVISIONS
The Group provides for the estimated liability to repair or replace products under warranty at the time revenue is recognized. The provision is an estimate calculated based on historical experience of the level of volumes, product mix and repair and replacement cost.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROVISIONS
The Group provides for the estimated future settlements related to asserted and unasserted past alleged IPR infringements based on the probable outcome of potential infringement.

TAX PROVISIONS
A provision for tax contingencies is recognized when, despite our belief that tax return positions are supportable, it is more likely than not that certain positions will be challenged and may not be fully sustained upon review by tax authorities. Tax provisions are 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, the restructuring plan has been announced by the Group and a reliable estimate of the amount can be made.

OTHER PROVISIONS
The Group recognizes the estimated liability for non-cancellable purchase commitments for inventory in excess of forecasted requirements at each balance sheet date.

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

Share-based compensation
The Group offers three types of global equity settled share-based compensation schemes for employees: stock options, performance shares and restricted shares.

Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments as of the date of grant, excluding the impact of any non-market vesting conditions. Non-market vesting conditions attached to the performance shares are included in assumptions about the number of shares that the employee will ultimately receive. On a regular basis, the Group reviews the assumptions made and where necessary, revises its estimates of the number of performance shares that are expected to be settled. Share-based compensation is recognized as an expense in the income statement over the relevant service periods.

A separate vesting period is defined for each quarterly stock options plan tranche. When stock options are exercised, the proceeds received, net of any transaction costs, are credited to share issue premium and the reserve for invested non-restricted equity.

The Group has also issued certain stock options which are accounted for as cash-settled. Related employee services received, and the liability incurred, are measured at the fair value of the liability. The fair value of stock options is estimated based on the reporting date market value less the exercise price of the stock options. The fair value of the liability is remeasured at each reporting date and at the date of settlement and related change in fair value is recognized in the income statement over the relevant service periods.

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
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the year excluding shares purchased by the Group and held as treasury shares. Diluted earnings per share is calculated by adjusting the net profit attributable to equity holders of the parent to eliminate the interest expense of the convertible bond and by adjusting the weighted average number of the shares outstanding with the dilutive effect of stock options, performance shares and restricted shares outstanding during the year as well as the assumed conversion of convertible bond.

Use of estimates and critical accounting judgments
The preparation of financial statements in conformity with IFRS requires the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience, expected outcomes and various other assumptions that are believed to be reasonable under the circumstances. The related results form a 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. The Group will revise material estimates if changes occur in the circumstances on which an estimate was based or as a result of new information or more experience. 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

Majority of the Group's sales are recognized as revenue 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 could materially change if management's assessment of such criteria was determined to be inaccurate. The Group enters into transactions involving multiple components consisting of any combination of hardware, services and software. The consideration received from these transactions is allocated to each separately identifiable component based on the relative fair value of each component. The consideration allocated to each component is recognized as revenue when the revenue recognition criteria for that component have been met. Determination of the fair value for each component requires the use of estimates and judgment taking into consideration factors which may have a significant impact on the timing and amount of revenue recognition. Examples of such factors include price when the component is sold separately by the Group or the price when a similar component is sold separately by the Group or a third party.

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. Potential changes in these estimates could result in revisions to the sales in future periods.

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

CUSTOMER FINANCING

The Group has provided a limited number of customer financing arrangements and agreed extended payment terms with selected customers. Should 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 future profits. From time to time the Group endeavors to mitigate this risk through 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 subsequent inability of customers to make required payments. If the financial conditions of customers were to deteriorate, reducing their ability to make payments, additional allowances may be required.

INVENTORY-RELATED ALLOWANCES

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

WARRANTY PROVISIONS

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

PROVISION FOR INTELLECTUAL PROPERTY RIGHTS, OR IPR, INFRINGEMENTS

The Group provides for the estimated past costs related to alleged asserted IPR infringements. The provision is an estimate calculated based on a probable outcome of potential future settlement. 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.

RESTRUCTURING PROVISIONS

The Group provides for the estimated future cost related to restructuring programs. The provision made for restructuring is based on management's best estimate. Changes in estimates of timing or amounts of costs to be incurred may become necessary as the restructuring program is implemented.

BUSINESS COMBINATIONS

The Group applies the acquisition method of accounting to account for acquisitions of businesses. The consideration transferred in a business combination is measured as the aggregate of the fair values of the assets transferred, liabilities incurred towards the former owners of the acquired business and equity instruments issued. Identifiable assets acquired, and liabilities assumed by the Group are measured separately at their fair value as of the acquisition date. Non-controlling interests in the acquired business are measured separately based on their proportionate share of the identifiable net assets of the acquired business. The excess of the cost of the acquisition over Nokia'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 valuation assumptions requiring management judgment. Actual results may differ from the forecasted amounts and the difference could be material. See also Note 9.

ASSESSMENT OF THE RECOVERABILITY OF LONG-LIVED ASSETS, INTANGIBLE ASSETS AND GOODWILL

The recoverable amounts for long-lived assets, intangible assets and goodwill have been determined based on the expected future cash flows attributable to the asset or cash-generating unit discounted to present value. The key assumptions applied in the determination of recoverable amount include discount rate, length of an explicit forecast period, estimated growth rates, profit margins and level of operational and capital investment. Amounts estimated could differ materially from what will actually occur in the future. See also Note 8.

FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

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

INCOME TAXES

Management judgment is required in determining current tax expense, tax provisions, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognized. Each reporting period they are assessed for realizability and when circumstances indicate it is no longer probable that deferred tax assets will be utilized, they are adjusted as necessary.

Tax provisions are recognized based on estimates and assumptions when, despite of management's belief that tax return positions are supportable, it is more likely than not that certain positions will be challenged and may not be fully sustained upon review by tax authorities. Furthermore, the Group has ongoing tax investigations in multiple jurisdictions, including Hungary and India. If the final outcome of these matters differs from the amounts initially recorded, differences may impact the income tax expense in the period in which such determination is made.

In Netherlands but also in certain other jurisdictions, the utilization of deferred tax assets is dependent on future taxable profit in excess of the profits arising from reversal of existing taxable temporary differences. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient taxable profits will be available in the future from which the reversal of temporary differences and tax losses can be deducted. Recognition therefore involves judgment with regard to future financial performance of a particular legal entity or tax group in which the deferred tax asset has been recognized.

PENSIONS

The determination of pension benefit obligation and expense for defined benefit pension plans is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, the discount rate, expected long-term rate of return on plan assets and annual rate of increase in future compensation levels. A portion of plan assets is invested in equity securities, which are subject to equity market volatility. Changes in assumptions and actuarial conditions may materially affect the pension benefit obligation and future expense. See also Note 5.

SHARE-BASED COMPENSATION

The Group operates various types of equity and cash-settled share-based compensation schemes for employees. Fair value of equity settled stock options is based on certain assumptions, including, among others, expected volatility and expected life of the options. Non-market related 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 affect future expense. See also Note 24.

New accounting pronouncements under IFRS

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

IFRS 9 Financial Instruments will change the classification, measurement and impairment of financial instruments based on the Group's objectives for the related contractual cash flows.

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 11 Joint Arrangements establishes that the legal form of an arrangement should not be the primary factor in the determination of the appropriate accounting for the arrangement. A party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 Disclosure of Interests in Other Entities requires disclosure of information that enables users of financial statements to evaluate nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement replaces fair value measurement guidance contained within individual IFRSs with a single, unified definition of fair value in a single new IFRS standard. The new standard provides a framework for measuring fair value, related disclosure requirements about fair value measurements and further authoritative guidance on the application of fair value measurement in inactive markets.

Amended IAS 19 Employee Benefits discontinues use of the 'corridor' approach and remeasurement impacts will be recognized in other comprehensive income. Net interest as a product of discount rate and net pension liability will be recognized in the income statements while effect from the difference between the discount rate and actual return on plan assets will be reflected in remeasurements within other comprehensive income. Previously unrecognized actuarial gains and losses are also recognized in other comprehensive income. Other long-term employee benefits are required to be measured in the same way even though changes in the recognized amounts are fully reflected in profit or loss. Treatment for termination benefits, specifically the point in time when an entity would recognize a liability for termination benefits is also revised.

The Group does not currently expect the adoption of the amended IAS 19 to have a material impact on the financial condition and the results of operations of the Group on a going forward basis. However, the standard requires retrospective application for all financial statements presented including previous years. While the Group anticipates virtually no impact to prior period income statements as a result of the retrospective application, the Group expects change in the net pension liabilities and other comprehensive income due to the elimination of the 'corridor approach'. For 2012, there will be an approximately EUR 240 million (EUR 10 million for 2011) increase in our pension liabilities and approximately EUR 200 million (EUR 10 million for 2011) decrease, net of tax, in our other comprehensive income.

The effective date for IFRS 10, IFRS 11 and IFRS 12 is January 1, 2013, as issued by the IASB. In December 2012, the EU endorsed adoption of these standards for companies in the EU with mandatory effective date of January 1, 2014, earlier adoption permitted. The Group will early adopt these standards on January 1, 2013 and will adopt IFRS 13 and the amended IAS 19 on their effective date, January 1, 2013.

On 16 December, 2011, the IASB amended the effective date of IFRS 9 to annual periods beginning on or after January 1, 2015, and modified the relief from restating comparative periods and the associated disclosures in IFRS 7. The Group will adopt the standards on the revised effective date.

Excluding the impacts of the Amended IAS 19 Employee Benefits, the Group does not expect material impact from adoption of the other standards effective January 1, 2013.

2. SEGMENT INFORMATION

Nokia has three businesses: Devices & Services, Location & Commerce and Nokia Siemens Networks, and four operating and reportable segments for financial reporting purposes: Smart Devices and Mobile Phones within our Devices & Services business, Location & Commerce and Nokia Siemens Networks.

Nokia's reportable segments represent the strategic business units that offer different products and services. The chief operating decision maker receives monthly financial information for these business units. Key financial performance measures of the reportable segments include primarily net sales and contribution/operating profit. Segment contribution for Smart Devices and Mobile Phones consists of net sales as well as its own, directly assigned costs and allocated costs but excludes major restructuring projects/programs and certain other items that are not directly related to the segments. Operating Profit is presented for Location & Commerce and Nokia Siemens Networks. Nokia evaluates the performance of its segments and allocates resources to them based on operating profit/contribution.

Smart Devices focuses on Nokia's most advanced products, including smartphones powered by the Windows Phone system and has profit-and-loss responsibility and end-to-end accountability for the full consumer experience, including product development, product management and product marketing.

Mobile Phones focuses on the area of mass market entry and feature phones as well as affordable smart phones and has profit-and-loss responsibility and end-to-end accountability for the full consumer experience, including development, management and marketing of feature phone products, services and applications.

Devices & Services Other includes net sales of spare parts and related cost of sales and operating expenses, as well as intellectual property related income and common research and development expenses. Devices & Services Other also included operating results of Nokia's luxury phone business Vertu until October 12, 2012, the date of divestment.

Net assets of Devices & Services Other consists of the assets and liabilities related to the above mentioned activities as well as common functions responsible for selling Nokia's products, executing marketing and communications, sourcing, manufacturing and logistics across all Devices & Services products which have not been allocated to Smart Devices and Mobile Phones segments.

Location & Commerce develops a range of location-based products and services for consumers, as well as platform services and local commerce services for the Group's feature phones and smartphones as well as for other device manufacturers, application developers, Internet service providers, merchants, and advertisers. Location & Commerce also continues to serve NAVTEQ's existing customers both in terms of provision of content and as a business-to-business provider of map data. Location & Commerce has profit and loss responsibility and end-to-end accountability for the full consumer experience. In November 2012, we introduced HERE as the new brand for Nokia's location and mapping service. Also, as of January 1, 2013, Location & Commerce business and reportable segment has been renamed as the HERE reportable business and segment. HERE focuses on the development of location-based services and local commerce.

Nokia Siemens Networks provides a portfolio of mobile, fixed and converged network technology, as well as professional services including managed services, consultancy and systems integration, deployment and maintenance to operators and service providers.

Corporate Common Functions consists of company-wide functions.

In February 2011, Nokia announced a partnership with Microsoft to bring together the respective complementary assets and expertise of both parties to build a new global mobile ecosystem for smartphones. The partnership, under which Nokia is adopting and licensing Windows Phone from Microsoft as its primary smartphone platform, was formalized in April 2011.

The Group is paying Microsoft a software royalty fee to license the Windows Phone smartphone platform, which the Group records as royalty expense in its Smart Devices cost of goods sold. Nokia has a competitive software royalty structure, which includes annual minimum software royalty commitments and reflects the large volumes that the Group expects to ship, as well as a variety of other considerations related to engineering work to which both companies are committed. The Group expects that the adoption of Windows Phone will enable it to reduce significantly its operating expenses.

In recognition of the contributions that the Group is providing, the Group will receive quarterly platform support payments from Microsoft. The amount of the quarterly platform support payment is USD 250 million for each quarter. The euro amount of the platform support payment will fluctuate based on the applicable foreign exchange translation of the US dollars into euro which is the Group's reporting currency. The received platform support payments are recognized over time as a benefit to our Smart Devices costs of goods sold. The total amount of the platform payments is expected to slightly exceed the total amount of the minimum software royalty commitments. At the end of 2012, the amount of platform support payments received by Nokia has exceeded the amount of minimum software royalty commitment payments made to Microsoft and the remaining minimum software royalty commitment payments are expected to exceed the remaining platform support payments by a total of approximately EUR 0.5 billion over the remaining life of the agreement. In accordance with the terms of the agreement, the platform support payments and annual minimum software royalty commitment payments continue for a corresponding period of time. The Group has recognized a portion of the received platform support payments as a benefit to our Smart Devices cost of goods sold and the remainder within accrued expenses and other liabilities. The Microsoft partnership also recognizes the value of intellectual property and puts in place mechanisms for exchanging intellectual property rights.

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 were to third parties, that is, at current market prices.

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

2012, EURm	Smart Devices	Mobile Phones	Devices & Services Other	Devices & Services	Location & Commerce	Nokia Siemens Networks	Corporate Common Functions and Corporate unallocated [4, 6]	Elimina-tions	Group
Profit and loss information									
Net sales to external customers	5 445	9 435	790	15 670	729	13 777	—		30 176
Net sales to other segments	1	—	15	16	374	2	—	–392	—
Depreciation and amortization	22	23	194	239	496	587	4		1 326
Impairment	—	8	33	41	—	37	31		109
Contribution	–1 560	524	–64						
Operating profit (+)/loss (–)				–1 100	–301	–799	–103		–2 303
Share of results of associated companies	—	—	—	—	1	8	–10		–1
Balance sheet information									
Capital expenditures [2]	33	11	136	180	64	216	1		461
Segment assets [3]	2 040	1 803	2 530	6 373	5 551	10 187	10 854	–3 016	29 949
of which:									
Investments in associated companies	—	—	—	—	5	32	21		58
Segment liabilities [5]	2 762	2 320	2 091	7 173	2 885	7 756	5 704	–3 016	20 502
2011, EURm									
Profit and loss information									
Net sales to external customers	10 818	11 930	1 178	23 926	698	14 035	—		38 659
Net sales to other segments	2	—	15	17	393	6	—	–416	—
Depreciation and amortization	18	20	315	353	491	711	7		1 562
Impairment	—	2	168	170	1 091	19	58		1 338
Contribution	–411	1 481	–186						
Operating profit (+)/loss (–) [1]				884	–1 526	–300	–131		–1 073
Share of results of associated companies	—	—	—	—	1	–17	–7		–23
Balance sheet information									
Capital expenditures [2]	21	18	213	252	43	302	—		597
Segment assets [3]	2 367	1 999	4 299	8 665	5 257	11 310	13 505	–2 532	36 205
of which:									
Investments in associated companies	—	—	—	—	4	29	34		67
Segment liabilities [5]	2 528	1 270	5 696	9 494	2 812	7 520	4 995	–2 532	22 289
2010, EURm									
Profit and loss information									
Net sales to external customers	14 870	13 696	552	29 118	668	12 660	—		42 446
Net sales to other segments	3	—	13	16	201	1	—	–218	—
Depreciation and amortization	38	17	350	405	519	843	4		1 771
Impairment	—	—	—	—	—	2	13		15
Contribution	1 376	2 327	–163						
Operating profit (+)/loss (–)				3 540	–663	–686	–113	–8	2 070
Share of results of associated companies	—	—	—	—	2	11	–12		1

1 Location & Commerce operating loss in 2011 includes a goodwill impairment loss of EUR 1 090 million.

2 Including goodwill, capital expenditures in 2012 amount to EUR 515 million (EUR 786 million in 2011). The goodwill consists of EUR 33 million in 2012 (EUR 28 million in 2011) for Devices & Services, EUR 12 million in 2012 (EUR 0 million in 2011) for Location & Commerce, EUR 9 million in 2012 (EUR 161 million in 2011) for Nokia Siemens Networks, and EUR 0 million in 2012 (EUR 0 million in 2011) 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, Location & Commerce 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 Location & Commerce and Nokia Siemens Networks.

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, Location & Commerce'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 Location & Commerce and Nokia Siemens Networks.

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, EURm	2012	2011	2010
Finland	**303**	317	371
China	**2 509**	6 130	7 149
India	**2 227**	2 923	2 952
Japan	**2 182**	1 539	730
USA	**1 880**	1 405	1 630
Brazil	**1 753**	1 901	1 506
Germany	**1 299**	1 606	2 019
Russia	**1 287**	1 843	1 744
UK	**900**	996	1 470
Indonesia	**799**	904	1 157
Italy	**783**	982	1 266
Other	**14 254**	18 113	20 452
Total	**30 176**	38 659	42 446

Segment non-current assets by geographic area [7], EURm	2012	2011
Finland	**1 662**	1 651
China	**387**	472
India	**151**	185
Brazil	**77**	83
UK	**175**	212
USA	**4 166**	4 757
Other	**336**	732
Total	**6 954**	8 092

7 Comprises intangible and tangible assets and property, plant and equipment.

3. PERCENTAGE OF COMPLETION

Contract sales recognized under percentage of completion accounting are EUR 3 431 million in 2012 (EUR 4 769 million in 2011 and EUR 5 094 million in 2010). Service revenue for managed services and network maintenance contracts are EUR 2 655 million in 2012 (EUR 2 994 million in 2011 and EUR 2 924 million in 2010).

Advances received related to construction contracts, included in accrued expenses and other liabilities, are EUR 58 million at December 31, 2012 (EUR 95 million in 2011). Included in accounts receivable are contract revenues recorded prior to billings EUR 700 million at December 31, 2012 (EUR 1 267 million in 2011) and billings in excess of costs incurred are EUR 216 million at December 31, 2012 (EUR 260 million in 2011).

The aggregate amount of costs incurred and recognized profits (net of recognized losses) under construction contracts in progress since inception is EUR 18 107 million at December 31, 2012 (EUR 20 077 million in 2011).

Retentions related to construction contracts, included in accounts receivable, are EUR 100 million at December 31, 2012 (EUR 136 million at December 31, 2011).

4. PERSONNEL EXPENSES

EURm	2012	2011	2010
Wages and salaries	**6 080**	6 284	5 808
Share-based compensation expense, total	**13**	18	48
Pension expenses, net	**375**	445	431
Other social expenses	**715**	787	708
Personnel expenses as per income statement [1]	**7 183**	7 534	6 995

1 Include termination benefits.

Share-based compensation expense includes pension and other social costs of EUR 0 million in 2012 (EUR 0 million in 2011 and EUR 1 million in 2010) based upon the related employee benefit charge recognized during the year.

Pension expenses, comprised of multi-employer, insured and defined contribution plans were EUR 335 million in 2012 (EUR 396 million in 2011 and EUR 377 million in 2010). The remainder consists of expenses related to defined benefit plans.

Average personnel	2012	2011	2010
Devices & Services	**41 480**	54 850	56 896
Location & Commerce	**6 441**	7 187	6 766
Nokia Siemens Networks	**64 052**	71 825	65 379
Group Common Functions	**283**	309	314
Nokia Group	**112 256**	134 171	129 355

5. PENSIONS

The Group operates a number of post-retirement plans in various countries. These plans include both defined contribution and defined benefit schemes.

The Group's most significant defined benefit pension plans are in Germany and in the UK. The majority of active employees in Germany participate in the pension scheme BAP (Beitragsorientierter Alterversorgungs Plan), formly known as Beitragsorientierte Siemens Alterversorgung ("BSAV"). The funding vehicle for the BAP is the NSN Pension Trust e.V. In Germany, individual benefits are generally dependent on eligible compensation levels, ranking within the Group and years of service.

The majority of active employees in Nokia UK participate in a pension scheme which is designed according to the Scheme Trust Deeds and Rules and is compliant with the Guidelines of the UK Pension Regulator. The funding vehicle for the pension scheme is Nokia Group (UK) Pension Scheme Ltd which is run on a Trust basis. In the UK, individual benefits are generally dependent on eligible compensation levels and years of service for the defined benefit section of the scheme and on individual investment choices for the defined contribution section of the scheme.

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

EURm	2012	2011
Present value of defined benefit obligations January 1	**–1 737**	–1 544
Translation differences	**–6**	–3
Current service cost	**–58**	–59
Interest cost	**–82**	–83
Plan participants' contributions	**–14**	–9
Past service cost	**–2**	–1
Actuarial gain (+)/loss (–)	**–301**	–26
Acquisitions and divestments	**14**	—
Curtailments	**25**	8
Settlements	**13**	17
Benefits paid	**68**	46
Other movements [1]	**–2**	–83
Present value of defined benefit obligations December 31	**–2 082**	–1 737
Plan assets at fair value January 1	**1 657**	1 494
Translation differences	**9**	4
Expected return on plan assets	**80**	77
Actuarial gain (+)/loss (–) on plan assets	**67**	–14
Employer contribution	**51**	54
Plan participants' contributions	**14**	9
Benefits paid	**–50**	–37
Settlements	**–10**	–11
Acquisitions and divestments	**–12**	–2
Other movements [1]	**2**	83
Plan assets at fair value December 31	**1 808**	1 657
Deficit	**–274**	–80
Unrecognized net actuarial gains (–)/losses (+)	**239**	10
Unrecognized past service cost	**1**	1
Amount not recognized as an asset in the balance sheet because of limit in IAS 19 paragraph 58(b)	**–2**	–1
Prepaid (+)/Accrued (–) pension cost in the statement of financial position	**–36**	–70

1 Group has reclassified an existing plan as a defined benefit plan due to requirement to cover for shortfall in return on plan assets in 2011. This reclassification did not have a material impact on the Group's financial statements.

Present value of obligations include EUR 584 million (EUR 414 million in 2011) of wholly funded obligations, EUR 1 436 million of partly funded obligations (EUR 1 260 million in 2011) and EUR 62 million (EUR 63 million in 2011) of unfunded obligations.

The amounts recognized in the income statement are as follows:

EURm	2012	2011	2010
Current service cost	**58**	59	61
Interest cost	**82**	83	78
Expected return on plan assets	**–80**	–77	–76
Net actuarial gain (–)/loss (+) recognized in year	**2**	7	–1
Impact of paragraph 58(b) limitation	**—**	–7	3
Past service cost gain (–)/loss (+)	**2**	1	1
Curtailment	**–21**	–11	–1
Settlement	**–3**	–6	–11
Total, included in personnel expenses	**40**	49	54

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

EURm	2012	2011
Prepaid (+)/accrued (–) pension costs January 1	**–70**	–84
Net income (+)/expense (–) recognized in the profit and loss account	**–40**	–49
Contributions paid	**51**	54
Benefits paid	**18**	9
Acquisitions and divestments	**2**	–2
Foreign exchange	**3**	2
Prepaid (+)/accrued (–) pension costs December 31 [1]	**–36**	–70

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

The accrued pension cost above is made up of a prepayment of EUR 142 million (EUR 106 million in 2011) and an accrual of EUR 178 million (EUR 176 million in 2011).

EURm	2012	2011	2010	2009	2008
Present value of defined benefit obligations	**–2 082**	–1 737	–1 544	–1 411	–1 205
Plan assets at fair value	**1 808**	1 657	1 494	1 330	1 197
Surplus (+)/deficit (–)	**–274**	–80	–50	–81	–8

Experience adjustments arising on plan obligations amount to a loss of EUR 31 million in 2012 (gain of EUR 33 million in 2011, EUR 18 million in 2010, a loss of EUR 12 million in 2009, a gain of EUR 50 million in 2008).

Experience adjustments arising on plan assets amount to a gain of EUR 67 million (a loss of EUR 14 million in 2011, a gain of EUR 9 million in 2010, EUR 54 million in 2009, a loss of EUR 22 million in 2008).

The principal actuarial weighted average assumptions used were as follows:

%	2012	2011
Discount rate for determining present values	**3.7**	4.9
Expected long-term rate of return on plan assets	**3.4**	4.5
Annual rate of increase in future compensation levels	**2.4**	2.4
Pension increases	**1.9**	2.0

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

The Group's pension plan weighted average asset allocation as a percentage of Plan Assets at December 31, 2012, and 2011, by asset category are as follows:

%	2012	2011
Asset category:		
Equity securities	**22**	20
Debt securities	**60**	62
Insurance contracts	**8**	8
Short-term investments	**3**	3
Others	**7**	7
Total	**100**	100

The objective of the investment activities is to maximize the excess of plan assets over projected benefit obligations, within an accepted risk level, taking into account the interest rate and inflation sensitivity of the assets as well as the obligations. Derivative instruments can be used to change the portfolio asset allocation and risk characteristics.

The foreign pension plan assets include a self investment through a loan provided to Nokia by the Group's German pension fund of EUR 69 million (EUR 69 million in 2011). See Note 31.

The actual return on plan assets was EUR 147 million in 2012 (EUR 63 million in 2011).

In 2013, the Group expects to make contributions of EUR 35 million to its defined benefit pension plans.

6. EXPENSES BY NATURE

EURm	2012	2011	2010
Cost of material	**13 697**	18 331	20 917
Personnel expenses	**5 750**	7 014	6 881
Depreciation and amortization	**1 326**	1 562	1 771
Advertising and promotional expenses	**984**	1 212	1 291
Warranty costs	**312**	671	894
Other costs and expenses	**8 663**	8 948	8 441
Total of Cost of sales, Research and development, Selling and marketing and Administrative and general expenses	**30 732**	37 738	40 195

7. OTHER INCOME AND EXPENSES

Other income totaled EUR 403 million in 2012 (EUR 221 million in 2011 and EUR 476 million in 2010). Other expenses totaled EUR 2 150 million in 2012 (EUR 1 125 million in 2011 and EUR 657 million in 2010).

In 2012, other operating income includes a gain on sale of a real estate of EUR 79 million, benefit from cartel claim settlements of EUR 56 million and a gain of EUR 52 million on sale of Vertu, Nokia's luxury phone business. As part of the transaction, approximately 1 000 employees transferred with Vertu. Nokia retains a 10% minority shareholding in Vertu. Other expenses included restructuring and related charges of EUR 1 807 million, which consists primarily of employee termination benefits, but includes also, EUR 42 million related to country and contract exits based on Nokia Siemens Networks' new strategy that focuses on key markets and product segments and a net loss of EUR 50 million arising from divestments of businesses within Nokia Siemens Networks, as well as related impairments of assets of EUR 32 million. Restructuring and related charges included EUR 550 million related to Devices & Services, recorded within Devices & Services other, EUR 31 million related to Location & Commerce and EUR 1 226 million to Nokia Siemens Networks, respectively.

In 2011, other operating income includes a benefit from a cartel claim settlement of EUR 49 million. Other expenses included restructuring charges of EUR 626 million and associated impairments of EUR 90 million. Restructuring charges included EUR 456 million related to Devices & Services, recorded within Devices & Services other. EUR 25 million related to Location & Commerce and EUR 145 million to Nokia Siemens Networks, respectively. Other expenses also included an impairment of shares in an associated company of EUR 41 million. In addition, other expenses included a consideration paid related to the Accenture transaction of EUR 251 million. Nokia agreed to oursource its Symbian software development and support activities to Accenture, which resulted in the transfer of approximately 2 300 employees to Accenture.

In 2010, other income includes a refund of customs duties of EUR 61 million, a gain on sale of assets and a business of EUR 29 million and a gain on sale of the wireless modem business of EUR 147 million impacting Devices & Services operating profit. The wireless modem business was responsible for development of Nokia's wireless modem technologies for LTE, HSPA and GSM standards. The wireless modem business included Nokia's wireless modem technologies for LTE, HSPA and GSM standards, certain related patens and approximately 1 100 Nokia R&D professionals, the vast majority of whom are located in Finland, India, the UK and Denmark. The sale was closed on November 30, 2010. Other expenses included restructuring charges of EUR 401 million, of which EUR 85 million is related to Devices & Services and EUR 316 million to Nokia Siemens Networks. The restructuring charges in Devices & Services mainly related to changes in Symbian Smartphones and Services organizations as well as certain corporate functions.

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

8. IMPAIRMENT

EURm	2012	2011	2010
Goodwill	**—**	1 090	—
Other intangible assets	**16**	2	—
Property, plant and equipment	**54**	104	—
Inventories	**—**	7	—
Investments in associated companies	**8**	41	—
Available-for-sale investments	**31**	94	107
Other assets	**—**	—	3
Total, net	**109**	1 338	110

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group has allocated goodwill to the cash-generating units, which correspond to the Group's reportable segments at each of the respective years' impairment testing date, as presented in the table below:

EURm	2012	2011
Smart Devices	**899**	862
Mobile Phones	**530**	502
Location & Commerce	**3 270**	3 274
Nokia Siemens Networks	**183**	173
Total	**4 882**	4 811

The recoverable amounts for the Smart Devices CGU and the Mobile Phones CGU are based on value in use calculations. A discounted cash flow calculation was used to estimate the value in use for both CGUs. Cash flow projections determined by management are based on information available, to reflect the present value of the future cash flows expected to be derived through the continuing use of the Smart Devices CGU and the Mobile Phones CGU.

The recoverable amounts for the Location & Commerce CGU and the Nokia Siemens Networks CGU are based on fair value less costs to sell. A discounted cash flow calculation was used to estimate the fair value less costs to sell for both CGUs. The cash flow projections employed in the discounted cash flow calculation have been determined by management based on the information available, to reflect the amount that an entity could obtain from separate disposal of each of the Location & Commerce CGU and the Nokia Siemens Networks CGU, in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

The cash flow projections employed in the value in use and the fair value less costs to sell calculations are based on detailed financial plans approved by management, covering a three-year planning horizon. Cash flows in subsequent periods reflect a realistic pattern of slowing growth that declines towards an estimated terminal growth rate utilized in the terminal period. The terminal growth rate utilized does not exceed long-term average growth rates for the industry and economies in which the CGU operates. All cash flow projections are consistent with external sources of information, wherever available.

The key assumptions applied in the 2012 impairment testing analysis for each CGU are presented in the table below:

Both value in use of Smart Devices CGU and Mobile Phones CGU and fair value less costs to sell for Location & Commerce CGU and Nokia Siemens Networks CGU are determined on a pre-tax value basis using pre-tax valuation assumptions including pre-tax cash flows and pre-tax discount rate. As market-based rates of return for the Group's CGUs are available only on a post-tax basis, the pre-tax discount rates are derived by adjusting the post-tax discount rates to reflect the specific amount and timing of future tax cash flows.

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

The recoverable amount of the Location & Commerce CGU exceeds its carrying amount by a small margin in the fourth quarter 2012. The related valuation is deemed most sensitive to the changes in both discount and long-term growth rates. A discount rate increase in excess of 0.5 percentage point or long-term growth decline in excess of 1 percentage point would result in impairment loss in the Location & Commerce CGU. Management's estimates of the overall automotive volumes and market share, customer adoption of the new location-based platform and related service offerings, projected device sales volumes and fair value of the services sold within the Group as well as continued focus on cost efficiency are the main drivers for the Location & Commerce net cash flow projections. The Group's cash flow forecasts reflect the current strategic views that license fee based models will remain important in both near and long term. Management expects that license fee based models which are augmented with software and services and monetized via license fees, transactions fees and advertising, will grow in the future as more customers demand complete, end-to-end location solutions. Actual short and long-term performance could vary from management's forecasts and impact future estimates of recoverable value. Since the recoverable amount exceeds the carrying amount only by a small margin, any material adverse changes such as market deterioration or changes in the competitive landscape could impact management's estimates of the main drivers and result in impairment loss.

In the fourth quarter of 2011, the Group conducted annual impairment testing for the Location & Commerce CGU to as-

	Cash-generating unit							
	Smart Devices		Mobile Phones		Location & Commerce		Nokia Siemens Networks	
%	2012	2011	2012	2011	2012	2011	2012	2011
Terminal growth rate	**2.3**	1.9	**-2.3**	1.5	**1.7**	3.1	**0.7**	1.0
Post-tax discount rate	**10.5**	9.0	**10.5**	9.0	**9.9**	9.7	**10.3**	10.4
Pre-tax discount rate	**12.8**	12.2	**15.5**	13.1	**12.8**	13.1	**14.2**	13.8

sess if events or changes in circumstances indicated that the carrying amount of the Location & Commerce CGU was not recoverable. As a result, the Group recorded an impairment loss of EUR 1 090 million to reduce the carrying amount of the Location & Commerce CGU to its recoverable amount. The impairment loss was allocated in its entirety to the carrying amount of goodwill in the balance sheet of the Location & Commerce CGU. This impairment loss is presented as impairment of goodwill in the 2011 consolidated income statement. As a result of the impairment loss, the amount of goodwill allocated to the Location & Commerce CGU was reduced to EUR 3 274 million at December 31, 2011.

The impairment charge was result of an evaluation of the projected financial performance and net cash flows of the Location & Commerce CGU. The main drivers for management's net cash flow projections included license fees related to digital map data, fair value of the services sold within the Group and estimated average revenue per user with regard to mobile media advertising. The average revenue per user was estimated based on peer market data for mobile advertising revenue. Projected device sales volumes impacted the overall forecasted intercompany and advertising revenues. This took into consideration the market dynamics in digital map data and related location-based content markets, including the Group's long-term view at the time of 2011 impairment testing, that the market will move from fee-based models towards advertising-based models especially in some more mature markets. It also reflected recent results and related competitive factors in local search and advertising markets resulting in lower estimated growth prospects from location-based assets integrated with different advertising platforms. After consideration of all relevant factors, the Group reduced the net sales projections for the Location & Commerce CGU which, in turn, reduced projected profitability and cash flows.

The Group's goodwill impairment testing did not result in impairment charges for the years ended December 31, 2012 or 2010. An impairment loss was recorded with respect to the Group's Location & Commerce CGU in 2011, as noted above. No further impairment charges were recorded with respect to the other CGUs in 2011.

Other intangible assets

During 2012, EUR 8 million impairment charge was recorded on certain technology assets due to obsolescense within Mobile Phones. Furthermore, a charge of EUR 8 million was recorded on intangible assets attributable to the decision to transition certain operations into maintenance mode within Nokia Siemens Networks. All charges were recorded in other operating expenses.

Property, plant and equipment and inventories

During 2012, the Group recognized EUR 31 million impairment losses related to restructuring activities mainly with respect to its Salo, Finland and Komarom, Hungary facilities within other operating expenses of Devices & Services Other. Nokia Siemens Networks recorded an impairment loss of EUR 23 million to reflect non-current assets of Optical Networks business at market value, in anticipation of sale of the business.

Majority of 2011 impairment losses recognized with respect to property, plant and equipment resulted from EUR 94 million charges related to the Group's restructuring programs, including the closure of manufacturing operations in Cluj, Romania, and consolidation of other office sites. The charges were recorded in other operating expense and are included in Devices & Services Other.

Investments in associated companies

After application of the equity method, including recognition of the Group's share of results of associated companies, the Group determined that recognition of impairment losses of EUR 8 million in 2012 (EUR 41 million in 2011, EUR 0 million in 2010) was necessary to adjust the Group's investment in associated companies to its recoverable amount. The charges were recorded in other operating expense.

Available-for-sale investments

The Group's investment in certain equity and interest-bearing securities held as available-for-sale suffered a significant or prolonged decline in fair value resulting in an impairment charge of EUR 31 million (EUR 94 million in 2011, EUR 107 million in 2010). These impairment losses are included within financial expenses and other operating expenses in the consolidated income statement. See also Note 11.

9. ACQUISITIONS

Acquisitions completed in 2012

During 2012, the Group completed minor acquisitions that did not have a material impact on the consolidated financial statements. The purchase consideration paid and the total of goodwill arising from these acquisitions amounted to EUR 56 million and EUR 45 million, respectively. The goodwill arising from these acquisitions is attributable to assembled workforce and post-acquisition synergies.

- Scalado AB, based in Lund, Sweden, provides and develops imaging software and experiences. The Group acquired imaging specialists, all technologies and intellectual property from Scalado AB on July 20, 2012.
- earthmine Inc., based in California, USA, develops systems to collect and process 3D imagery. The Group acquired a 100% ownership interest in earthmine on November 19, 2012.

Acquisitions completed in 2011

MOTOROLA

On April 30, 2011, Nokia Siemens Networks completed its acquisition of Motorola Solutions' networks business in exchange for a total consideration of EUR 642 million. The acquired business consists of Motorola's wireless networks infrastructure equipment manufacturing and sales operations, including the GSM, CDMA, WCDMA, WiMAX and LTE product portfolios and services offerings. The acquisition is expected to strengthen Nokia Siemens Networks' position in certain regions, particularly North America and Japan. The goodwill of EUR 164 million arising from the acquisition is attributable to the increased presence in these key markets and the assembled workforce. The majority of the goodwill acquired is expected to be deductible for income tax purposes.

The following table summarizes the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date. Fair values of certain assets acquired, liabilities assumed and goodwill were provisional at the end of 2011. Fair values have been finalized during 2012.

EURm	Provisional fair values 2011	Adjustments	Final fair values 2012
Total consideration in cash	**642**		**642**
Non-current assets			
Goodwill	155	9	164
Developed technology	156	—	156
Customer relationships	195	—	195
Other intangible assets	3	—	3
	509	9	518
Property, plant & equipment	105	–8	97
Investments in associated companies	6	—	6
Deferred tax assets	36	—	36
	656	1	657
Current assets			
Inventories	103	—	103
Accounts receivable	228	–6	222
Prepaid expenses and accrued income	20	—	20
Bank and cash	31	—	31
	382	–6	376
Total assets acquired	**1 038**	**–5**	**1 033**
Non-current liabilities			
Deferred tax liabilities	15	—	15
Other long-term liabilities	15	—	15
	30	—	30
Current liabilities			
Accounts payable	154	–1	153
Accrued expenses	166	–2	164
Provisions	30	–2	28
	350	–5	345
Total liabilities assumed	**380**	**–5**	**375**
Non-controlling interest	16	—	16
Net assets acquired	**642**	**—**	**642**

In 2011, Nokia Siemens Networks had concluded on a working capital adjustment settlement with respect to the acquisition whereby Motorola Solutions agreed to make additional installment payments to Nokia Siemens Networks. The installment payments were subject to certain conditions that Nokia Siemens Networks must fulfil over a given time period. The maximum amount of installment payments receivable totalled EUR 85 million and Nokia Siemens Networks had determined that the fair value of the installment payments amounted to EUR 81 million. During 2012, the working capital adjustment arrangement has been settled and Nokia Siemens Networks received the maximum amount of installment payments. As a result, EUR 4 million gain has been recognized in other operating income.

The fair value of accounts receivable of EUR 222 million includes trade receivables with a fair value of EUR 146 million. The gross contractual amount for trade receivables due is EUR 255 million, of which EUR 109 million is expected to be uncollectible.

Acquisition related costs of EUR 4 million and EUR 8 million have been charged to administrative and general expenses in the consolidated income statement for the years ended December 31, 2011 and December 31, 2010, respectively.

From April 30, 2011, the consolidated statement of comprehensive income includes revenue and net loss contributed by the Motorola Solutions' networks business of EUR 894 million and EUR 4 million, respectively.

Had Motorola Solutions' networks business been consolidated from January 1, 2011, the Group consolidated statement of income for 2011 would have shown revenue of EUR 39 445 million and loss of EUR 1 402 million. This unaudited pro forma information is not necessarily indicative of the results of the combined operations had the acquisition actually occurred on January 1, 2011, nor is it indicative of the future results of the combined operations.

During 2011, the Group completed additional acquisitions that in aggregate did not have a material impact on the consolidated financial statements.

10. DEPRECIATION AND AMORTIZATION

EURm	2012	2011	2010
Depreciation and amortization by function			
Cost of sales	**190**	227	248
Research and development [1]	**613**	674	906
Selling and marketing [2]	**347**	442	426
Administrative and general	**176**	219	191
Total	**1 326**	1 562	1 771

1 In 2012, depreciation and amortization allocated to research and development included amortization of acquired intangible assets of EUR 378 million (EUR 412 million in 2011 and EUR 556 million in 2010).

2 In 2012, depreciation and amortization allocated to selling and marketing included amortization of acquired intangible assets of EUR 314 million (EUR 422 million in 2011 and EUR 408 million in 2010).

11. FINANCIAL INCOME AND EXPENSES

EURm	2012	2011	2010
Dividend income on available-for-sale financial investments	**3**	2	2
Interest income on available-for-sale financial investments	**119**	169	110
Interest income on loans receivables carried at amortized cost	**3**	1	—
Interest income on investments at fair value through profit and loss	**8**	18	28
Net interest income (expense) on derivatives not under hedge accounting	**–4**	–12	–20
Interest expense on financial liabilities carried at amortized cost	**–264**	–255	–254
Net realised gains (or losses) on disposal of fixed income available-for-sale financial investments	**–1**	–4	1
Net fair value gains (or losses) on investments at fair value through profit and loss	**27**	102	–3
Net gains (net losses) on other derivatives designated at fair value through profit and loss	**–11**	–121	19
Net fair value gains (or losses) on hedged items under fair value hedge accounting	**–15**	–82	–63
Net fair value gains (or losses) on hedging instruments under fair value hedge accounting	**23**	72	58
Net foreign exchange gains (or losses)			
From foreign exchange derivatives designated at fair value through profit and loss	**–73**	74	58
From balance sheet items revaluation	**–173**	–34	–165
Other financial income [1]	**52**	49	73
Other financial expenses [2]	**–34**	–81	–129
Total	**–340**	–102	–285

1 Other financial income includes distributions of EUR 49 million in 2012 (EUR 45 million in 2011 and EUR 69 million in 2010) from a private fund held as non-current available-for-sale.

2 Other financial expenses include an impairment loss of EUR 7 million in 2012 (EUR 38 million in 2011 and EUR 94 million in 2010) in the Group's investment in the above mentioned private fund due to changes in estimated future cash flows resulting from distributions received as well as other factors. The Group did not recognize any impairment losses related to Asset Backed Securities in 2012 in other financial expenses, whereas impairments for these securities amounted to EUR 15 million in 2011 and EUR 0 million in 2010. Additional information can be found in Note 8 and Note 16.

During 2012, interest income decreased mainly as a result of lower cash levels than in 2011 and lower interest rates in certain currencies where the Group has investments. Foreign exchange gains (or losses) were negatively impacted by higher hedging costs than in 2011 as well as significant weakening of certain emerging market currencies.

During 2011, interest income increased mainly as a result of higher cash levels than in 2010 and higher interest rates in certain currencies where the Group has investments. Lower interest rates in EUR and USD had a positive impact on Net fair value gains (or losses) on investments at fair value through profit and loss but these gains were offset by the negative impact on Net gains (or losses) on other derivatives designated at fair value through profit and loss that was affected by similar factors. Foreign exchange gains (or losses) were positively impacted by low and in some cases negative hedging costs (i.e. income) in 2011 as well as increased volatility on the foreign exchange market.

12. INCOME TAXES

EURm	2012	2011	2010
Income tax			
Current tax	**–641**	–752	–798
Deferred tax	**–504**	462	355
Total	**–1 145**	–290	–443
Finnish entities	**–724**	–97	–126
Other countries	**–421**	–193	–317
Total	**–1 145**	–290	–443

The differences between income tax expense computed at statutory rate 24.5% in 2012 in Finland (26% in 2011 and 2010) and income taxes recognized in the consolidated income statement is reconciled as follows:

EURm	2012	2011	2010
Income tax expense (+)/benefit (–) at statutory rate	**–648**	–311	464
Permanent differences	**75**	–22	4
Non tax deductible impairment of goodwill (Note 8)	**—**	283	—
Taxes for prior years	**–50**	–7	–48
Taxes on foreign subsidiaries' profits in excess of (lower than) income taxes at statutory rates	**43**	–73	–195
Tax losses and temporary differences with no tax effect [1]	**1 675**	280	221
Net increase(+)/decrease (–) in tax contingencies	**39**	7	24
Change in income tax rates	**6**	39	2
Taxes on undistributed earnings [2]	**–4**	62	–31
Other	**9**	32	2
Income tax expense	**1 145**	290	443

1 In 2012, this item primarily relates to Devices & Services' past and current year Finnish tax losses, unused tax credits and temporary differences and Nokia Siemens Networks' Finnish and German tax losses, unused tax credits and temporary differences for which no deferred tax was recognized. In 2011 and 2010, this item primarily relates to Nokia Siemens Networks' Finnish tax losses, unused tax credits and temporary differences for which no deferred tax was recognized. In 2010, it also includes benefit of 52 million from reassessment of recoverability of deferred tax assets in Nokia Siemens Networks.

2 In 2010, taxes on undistributed earnings mainly relates to changes to tax rates applicable to profit distributions.

Certain of the Group companies' income tax returns for prior periods are under examination by tax authorities. Our business and investments especially in emerging market countries may be subject to uncertainties, including unfavorable or unpredictable taxation treatment. Management judgment and a degree of estimation are required in determining tax expense. Even though 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, it cannot be excluded that final resolutions of open items may substantially differ from the amounts initially recorded.

13. INTANGIBLE ASSETS

EURm	2012	2011
Capitalized development costs		
Acquisition cost January 1	**1 035**	1 035
Retirements	**–7**	—
Accumulated acquisition cost December 31	**1 028**	1 035
Accumulated amortization January 1	**–1 029**	–995
Retirements	**7**	—
Amortization	**–6**	–34
Accumulated amortization December 31	**–1 028**	–1 029
Net book value January 1	**6**	40
Net book value December 31	**—**	6
Goodwill		
Acquisition cost January 1	**6 836**	6 631
Translation differences	**–16**	17
Acquisitions	**54**	189
Disposals	**—**	–1
Accumulated acquisition cost December 31	**6 874**	6 836
Accumulated impairments January 1	**–1 998**	–908
Impairments	**—**	–1 090
Accumulated impairments December 31	**–1 998**	–1 998
Net book value January 1	**4 838**	5 723
Net book value December 31	**4 876**	4 838
Other intangible assets		
Acquisition cost January 1	**5 877**	5 437
Translation differences	**–20**	83
Additions	**46**	53
Acquisitions	**11**	366
Retirements	**–52**	–23
Impairments	**–65**	–2
Disposals	**–44**	–37
Accumulated acquisition cost December 31	**5 753**	5 877
Accumulated amortization January 1	**–4 471**	–3 509
Translation differences	**19**	–84
Retirements	**48**	21
Impairments	**49**	—
Disposals	**33**	25
Amortization	**–784**	–924
Accumulated amortization December 31	**–5 106**	–4 471
Net book value January 1	**1 406**	1 928
Net book value December 31	**647**	1 406

14. PROPERTY, PLANT AND EQUIPMENT

EURm	2012	2011
Land and water areas		
Acquisition cost January 1	**62**	57
Acquisitions	**—**	9
Impairments	**−4**	−4
Disposals	**−25**	—
Accumulated acquisition cost December 31	**33**	62
Net book value January 1	**62**	57
Net book value December 31	**33**	62
Buildings and constructions		
Acquisition cost January 1	**1 380**	1 414
Translation differences	**−1**	3
Additions	**80**	86
Acquisitions	**—**	32
Impairments	**−36**	−124
Disposals	**−294**	−31
Accumulated acquisition cost December 31	**1 129**	1 380
Accumulated depreciation January 1	**−519**	−453
Translation differences	**−3**	—
Impairments	**15**	40
Disposals	**134**	13
Depreciation	**−96**	−119
Accumulated depreciation December 31	**−469**	−519
Net book value January 1	**861**	961
Net book value December 31	**660**	861
Machinery and equipment		
Acquisition cost January 1	**4 078**	4 004
Translation differences	**−1**	−4
Additions	**329**	464
Acquisitions	**−8**	66
Impairments	**−131**	−25
Disposals	**−573**	−427
Accumulated acquisition cost December 31	**3 694**	4 078
Accumulated depreciation January 1	**−3 257**	−3 185
Translation differences	**−1**	−13
Impairments	**102**	9
Disposals	**550**	410
Depreciation	**−437**	−478
Accumulated depreciation December 31	**−3 043**	−3 257
Net book value January 1	**821**	819
Net book value December 31	**651**	821

EURm	2012	2011
Other tangible assets		
Acquisition cost January 1	**57**	56
Translation differences	**1**	−3
Additions	**6**	11
Disposals	**−20**	−7
Accumulated acquisition cost December 31	**44**	57
Accumulated depreciation January 1	**−34**	−37
Translation differences	**−1**	3
Disposals	**8**	7
Depreciation	**−3**	−7
Accumulated depreciation December 31	**−30**	−34
Net book value January 1	**23**	19
Net book value December 31	**14**	23
Advance payments and fixed assets under construction		
Net carrying amount January 1	**75**	98
Translation differences	**−4**	—
Additions	**58**	57
Acquisitions	**—**	1
Disposals	**−5**	—
Transfers to:		
Other intangible assets	**−8**	2
Buildings and constructions	**−23**	−42
Machinery and equipment	**−18**	−38
Other tangible assets	**−2**	−3
Net carrying amount December 31	**73**	75
Total property, plant and equipment	**1 431**	1 842

15. INVESTMENTS IN ASSOCIATED COMPANIES

EURm	2012	2011
Net carrying amount January 1	**67**	136
Translation differences	**3**	−5
Additions	**1**	8
Deductions	**−4**	−7
Impairments (Note 8)	**−8**	−41
Share of results	**−1**	−23
Other movements	**—**	−1
Net carrying amount December 31	**58**	67

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

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

	Carrying amounts						
	Current available-for-sale financial assets	Non-current available-for-sale financial assets	Financial instruments at fair value through profit or loss	Loans and receivables measured at amortized cost	Financial liabilities measured at amortized cost	Total carrying amounts	Fair value [1]
At December 31, 2012, EURm							
Available-for-sale investments, publicly quoted equity shares	—	11	—	—	—	11	11
Available-for-sale investments, carried at fair value	—	447	—	—	—	447	447
Available-for-sale investments, carried at cost less impairment	—	231	—	—	—	231	231
Long-term loans receivable	—	—	—	112	—	112	110
Accounts receivable	—	—	—	5 551	—	5 551	5 551
Current portion of long-term loans receivable	—	—	—	35	—	35	35
Other current financial assets, derivatives	—	—	448	—	—	448	448
Other current financial assets, other	—	—	—	16	—	16	16
Investments at fair value through profit and loss, liquid assets	—	—	415	—	—	415	415
Available-for-sale investments, liquid assets carried at fair value	542	—	—	—	—	542	542
Available for-sale investments, cash equivalents carried at fair value	5 448	—	—	—	—	5 448	5 448
Total financial assets	**5 990**	**689**	**863**	**5 714**	**—**	**13 256**	**13 254**
Long-term interest-bearing liabilities	—	—	—	—	5 087	5 087	5 298
Current portion of long-term loans payable	—	—	—	—	201	201	201
Short-term borrowing	—	—	—	—	261	261	261
Other financial liabilities	—	—	90	—	—	90	90
Accounts payable	—	—	—	—	4 394	4 394	4 394
Total financial liabilities	**—**	**—**	**90**	**—**	**9 943**	**10 033**	**10 244**
At December 31, 2011, EURm							
Available-for-sale investments, publicly quoted equity shares	—	7	—	—	—	7	7
Available-for-sale investments, carried at fair value	—	419	—	—	—	419	419
Available-for-sale investments, carried at cost less impairment	—	215	—	—	—	215	215
Long-term loans receivable	—	—	—	99	—	99	97
Accounts receivable	—	—	—	7 181	—	7 181	7 181
Current portion of long-term loans receivable	—	—	—	54	—	54	54
Other current financial assets, derivatives	—	—	475	—	—	475	475
Other current financial assets, other	—	—	—	25	—	25	25
Investments at fair value through profit and loss, liquid assets	—	—	433	—	—	433	433
Available-for-sale investments, liquid assets carried at fair value	1 233		—	—	—	1 233	1 233
Available for-sale investments, cash equivalents carried at fair value	7 279					7 279	7 279
Total financial assets	**8 512**	**641**	**908**	**7 359**	**—**	**17 420**	**17 418**
Long-term interest-bearing liabilities	—	—	—	—	3 969	3 969	3 929
Other long-term non-interest bearing financial liabilities	—	—	—	—	3	3	3
Current portion of long-term loans payable	—	—	—	—	357	357	357
Short-term borrowing	—	—	—	—	995	995	995
Other financial liabilities	—	—	483	—	—	483	483
Accounts payable	—	—	—	—	5 532	5 532	5 532
Total financial liabilities	**—**	**—**	**483**	**—**	**10 856**	**11 339**	**11 299**

1 For information about the valuation of items measured at fair value see Note 1. The fair value is set to carrying amount for available-for-sale investments carried at cost less impairment for which no reliable fair value has been possible to estimate. The fair value of loan receivables and payables is estimated based on the current market values of similar instruments. The fair value is estimated to be equal to the carrying amount for short-term financial assets and financial liabilities due to limited credit risk and short time to maturity.

The following table presents the valuation methods used to determine fair values of financial instruments carried at fair value:

	Instruments with quoted prices in active markets (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
At December 31, 2012, EURm				
Available-for-sale investments, publicly quoted equity shares	11	—	—	11
Available-for-sale investments, carried at fair value	57	20	370	447
Other current financial assets, derivatives [1]	—	448	—	448
Investments at fair value through profit and loss, liquid assets	415	—	—	415
Available-for-sale investments, liquid assets carried at fair value	532	10	—	542
Available for-sale investments, cash equivalents carried at fair value	5 448	—	—	5 448
Total assets	6 463	478	370	7 311
Derivative liabilities [1]	—	90	—	90
Total liabilities	—	90	—	90
At December 31, 2011, EURm				
Available-for-sale investments, publicly quoted equity shares	7	—	—	7
Available-for-sale investments, carried at fair value	60	13	346	419
Other current financial assets, derivatives [1]	—	475	—	475
Investments at fair value through profit and loss, liquid assets	433	—	—	433
Available-for-sale investments, liquid assets carried at fair value	1 201	32	—	1 233
Available for-sale investments, cash equivalents carried at fair value	7 279		—	7 279
Total assets	8 980	520	346	9 846
Derivative liabilities [1]	—	483	—	483
Total liabilities	—	483	—	483

1 Note 17 includes the split of hedge accounted and non-hedge accounted derivatives.

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

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

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

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

EURm	Other available-for-sale investments carried at fair value
Balance at December 31, 2010	**279**
Total gains/losses in income statement	–22
Total gains/losses recorded in other comprehensive income	51
Purchases	81
Sales	–47
Other transfers	4
Balance at December 31, 2011	**346**
Total gains/losses in income statement	–8
Total gains/losses recorded in other comprehensive income	34
Purchases	41
Sales	–35
Other transfers	–8
Balance at December 31, 2012	**370**

The gains and losses from financial assets categorized in level 3 are included in other operating income and expenses as the investment and disposal objectives for these investments are business driven. A net loss of EUR 23 million (net loss of EUR 30 million in 2011) related to level 3 financial instruments held at December 31, 2012, was included in the profit and loss during 2012.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
2012, EURm	**Fair value** [1]	**Notional** [2]	**Fair value** [1]	**Notional** [2]
Hedges of net investment in foreign subsidiaries:				
Forward foreign exchange contracts	24	2 164	–11	1 182
Cash flow hedges:				
Forward foreign exchange contracts	7	2 968	–6	3 158
Fair value hedges				
Interest rate swaps	174	1 626	—	—
Cash flow and fair value hedges: [3]				
Cross currency interest rate swaps	42	378	—	—
Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss:				
Forward foreign exchange contracts	185	7 111	–18	3 337
Currency options bought	16	1 107	—	—
Currency options sold	—	—	–6	289
Interest rate swaps	—	150	–48	513
Other derivatives	—	—	–1	9
	448	15 504	–90	8 488

	Assets		Liabilities	
2011, EURm	**Fair value** [1]	**Notional** [2]	**Fair value** [1]	**Notional** [2]
Hedges of net investment in foreign subsidiaries:				
Forward foreign exchange contracts	56	1 584	–179	2 810
Cash flow hedges:				
Forward foreign exchange contracts	92	6 273	–97	6 362
Fair value hedges				
Interest rate swaps	167	1 627	—	—
Cash flow and Fair value hedges: [3]				
Cross currency interest rate swaps	26	378	—	—
Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss:				
Forward foreign exchange contracts	127	6 626	–159	7 460
Currency options bought	7	994	—	—
Currency options sold	—	—	–6	721
Interest rate swaps	—	—	–41	552
Other derivatives	—	3	–1	38
	475	17 485	–483	17 943

1 In the statement of financial position the fair value of derivative financial instruments is included in Other financial assets and in Other financial liabilities.

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

3 These cross-currency interest rate swaps have been designated partly as fair value hedges and partly as cash flow hedges.

18. INVENTORIES

EURm	2012	2011
Raw materials, supplies and other	**409**	789
Work in progress	**352**	516
Finished goods	**777**	1 025
Total	**1 538**	2 330

During 2012 the Group recognized an expense of EUR 55 million (EUR 0 million in 2011 and 2010) within cost of sales to write-down the inventories to net realizable value.

19. PREPAID EXPENSES AND ACCRUED INCOME

EURm	2012	2011
Social security, VAT and other taxes	**1 384**	1 906
Deferred cost of sales	**145**	114
Other prepaid expenses and accrued income	**1 852**	2 468
Total	**3 381**	4 488

In 2012, other prepaid expenses and accrued income included advance payments to Qualcomm of EUR 972 million (EUR 1 069 million in 2011). In 2008, Nokia and Qualcomm entered into a new 15 year agreement, under the terms of which Nokia was granted a license to all Qualcomm's patents for the use in Nokia mobile devices and Nokia Siemens Networks infrastructure equipment. The financial structure of the agreement included an upfront payment of EUR 1.7 billion, which is amortized over the contract period and ongoing royalties payable to Qualcomm. As part of the licence agreement, Nokia also assigned ownership of a number of patents to Qualcomm. These patents were valued using the income approach based on projected cash flows, on a discounted basis, over the assigned patents' estimated useful life. Based on the valuation and underlying assumptions Nokia determined that the fair value of these patents were not material.

Prepaid expenses and accrued income also include accrued interest income and various other prepaid expenses and accrued income, but no amounts which are individually significant.

20. VALUATION AND QUALIFYING ACCOUNTS

EURm Allowances on assets to which they apply:	Balance at beginning of year	Charged to costs and expenses	Deductions [1]	Balance at end of year
2012				
Allowance for doubtful accounts	284	53	−89	248
Excess and obsolete inventory	457	403	−389	471
2011				
Allowance for doubtful accounts	363	131	−210	284
Excess and obsolete inventory	301	345	−189	457
2010				
Allowance for doubtful accounts	391	117	−145	363
Excess and obsolete inventory	361	124	−184	301

1 Deductions include utilization and releases of the allowances.

21. FAIR VALUE AND OTHER RESERVES

	Hedging reserve			Available-for-sale investments			Fair value and other reserves total		
EURm	**Gross**	**Tax**	**Net**	**Gross**	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Balance at December 31, 2009	**61**	**−15**	**46**	**17**	**6**	**23**	**78**	**−9**	**69**
Cash flow hedges:									
Net fair value gains (+)/losses (–)	−119	12	−107	—	—	—	−119	12	−107
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to net sales	357	−57	300	—	—	—	357	−57	300
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to cost of sales	−379	70	−309	—	—	—	−379	70	−309
Available-for-sale investments:									
Net fair value gains (+)/losses (–)	—	—	—	−3	−2	−5	−3	−2	−5
Transfer to profit and loss account on impairment	—	—	—	13	—	13	13	—	13
Transfer of net fair value gains (–)/losses (+) to profit and loss account on disposal	—	—	—	−1	—	−1	−1	—	−1
Movements attributable to non-controlling interests	50	−7	43	—	—	—	50	−7	43
Balance at December 31, 2010	**−30**	**3**	**−27**	**26**	**4**	**30**	**−4**	**7**	**3**
Cash flow hedges:									
Net fair value gains (+)/losses (–)	106	−25	81	—	—	—	106	−25	81
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to net sales	−166	42	−124	—	—	—	−166	42	−124
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to cost of sales	162	−36	126	—	—	—	162	−36	126
Transfer of gains (–)/losses (+) as a basis adjustment to assets and liabilities [1]	14	−3	11	—	—	—	14	−3	11
Available-for-sale investments:									
Net fair value gains (+)/losses (–)	—	—	—	67	—	67	67	—	67
Transfer to profit and loss account on impairment	—	—	—	22	−2	20	22	−2	20
Transfer of net fair value gains (–)/losses (+) to profit and loss account on disposal	—	—	—	−19	−1	−20	−19	−1	−20
Movements attributable to non-controlling interests	−8	−2	−10	—	—	—	−8	−2	−10
Balance at December 31, 2011	**78**	**−21**	**57**	**96**	**1**	**97**	**174**	**−20**	**154**
Cash flow hedges:									
Net fair value gains (+)/losses (–)	−25	21	−4	—	—	—	−25	21	−4
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to net sales	390	—	390	—	—	—	390	—	390
Transfer of gains (–)/losses (+) to profit and loss account as adjustment to cost of sales	−406	—	−406	—	—	—	−406	—	−406
Available-for-sale investments:									
Net fair value gains (+)/losses (–)	—	—	—	32	1	33	32	1	33
Transfer to profit and loss account on impairment	—	—	—	24	—	24	24	—	24
Transfer of net fair value gains (–)/losses (+) to profit and loss account on disposal	—	—	—	−21	—	−21	−21	—	−21
Movements attributable to non-controlling interests	−47	—	−47	—	—	—	−47	—	−47
Balance at December 31, 2012	**−10**	**—**	**−10**	**131**	**2**	**133**	**121**	**2**	**123**

1 The adjustments relate to acquisitions completed in 2011. For more details see Note 9.

22. TRANSLATION DIFFERENCES

	Translation differences			Net investment hedging			Translation differences total		
EURm	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
Balance at December 31, 2009	**−295**	**3**	**−292**	**215**	**−50**	**165**	**−80**	**−47**	**−127**
Translation differences:									
Currency translation differences	1 302	3	1 305	—	—	—	1 302	3	1 305
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Net investment hedging:									
Net investment hedging gains (+)/losses (–)	—	—	—	−389	101	−288	−389	101	−288
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Movements attributable to non-controlling interests	−63	−2	−65	—	—	—	−63	−2	−65
Balance at December 31, 2010	**944**	**4**	**948**	**−174**	**51**	**−123**	**770**	**55**	**825**
Translation differences:									
Currency translation differences	17	—	17	—	—	—	17	—	17
Transfer to profit and loss (financial income and expense)	−8	—	−8	—	—	—	−8	—	−8
Net investment hedging:									
Net investment hedging gains (+)/losses (–)	—	—	—	−37	9	−28	−37	9	−28
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Movements attributable to non-controlling interests	−35	—	−35	—	—	—	−35	—	−35
Balance at December 31, 2011	**918**	**4**	**922**	**−211**	**60**	**−151**	**707**	**64**	**771**
Translation differences:									
Currency translation differences	40	−1	39	—	—	—	40	−1	39
Transfer to profit and loss (financial income and expense)	−1	—	−1	—	—	—	−1	—	−1
Net investment hedging:									
Net investment hedging gains (+)/losses (–)	—	—	—	−58	−9	−67	−58	−9	−67
Transfer to profit and loss (financial income and expense)	—	—	—	—	—	—	—	—	—
Movements attributable to non-controlling interests	2	—	2	—	—	—	2	—	2
Balance at December 31, 2012	**959**	**3**	**962**	**−269**	**51**	**−218**	**690**	**54**	**744**

23. THE SHARES OF THE PARENT COMPANY

Nokia shares and shareholders

SHARES AND SHARE CAPITAL

Nokia has one class of shares. Each Nokia share entitles the holder to one vote at General Meetings of Nokia.

On December 31, 2012, the share capital of Nokia Corporation was EUR 245 896 461.96 and the total number of shares issued was 3 744 956 052.

On December 31, 2012, the total number of shares included 33 971 118 shares owned by Group companies representing approximately 0.9% of the share capital and the total voting rights.

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

Authorizations

AUTHORIZATION TO INCREASE THE SHARE CAPITAL

At the Annual General Meeting held on May 6, 2010, Nokia shareholders authorized the Board of Directors to issue a maximum of 740 million shares through one or more issues of shares or special rights entitling to shares, including stock options. The Board of Directors may issue either new shares or shares held by the Company. The authorization includes the right for the Board to resolve on all the terms and conditions of such issuances of shares and special rights, including to whom the shares and the special rights may be issued. The authorization may be used to develop the Company's capital structure, diversify the shareholder base, finance or carry out acquisitions or other arrangements, settle the Company's equity-based incentive plans, or for other purposes resolved by the Board. The authorization is effective until June 30, 2013.

At the end of 2012, the Board of Directors had no other authorizations to issue shares, convertible bonds, warrants or stock options.

OTHER AUTHORIZATIONS

At the Annual General Meeting held on May 3, 2011, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted equity. Nokia did not repurchase any shares on the basis of this authorization. This authorization would have been effective until June 30, 2012 as per the resolution of the Annual General Meeting on May 3, 2011, but it was terminated by the resolution of the Annual General Meeting on May 3, 2012.

At the Annual General Meeting held on May 3, 2012, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted equity. The amount of shares corresponds to less than 10% of all the shares of the Company. The shares may be repurchased under the buyback authorization in order to develop the capital structure of the Company. In addition, shares may be repurchased in order to finance or carry out acquisitions or other arrangements, to settle the Company's equity-based incentive plans, to be transferred for other purposes, or to be cancelled. The authorization is effective until June 30, 2013.

AUTHORIZATIONS PROPOSED TO THE ANNUAL GENERAL MEETING 2013

On January 24, 2013, Nokia announced that the Board of Directors will propose that the Annual General Meeting convening on May 7, 2013 authorize the Board to resolve to repurchase a maximum of 370 million Nokia shares. The proposed maximum number of shares that may be repurchased corresponds to less than 10% of all the shares of the Company. The shares may be repurchased in order to develop the capital structure of the Company, finance or carry out acquisitions or other arrangements, settle the company's equity-based incentive plans, be transferred for other purposes, or be cancelled. The shares may be repurchased either through a tender offer made to all shareholders on equal terms, or in such marketplaces the rules of which allow companies to trade with their own shares. The authorization would be effective until June 30, 2014 and terminate the current authorization for repurchasing of the Company's shares resolved at the Annual General Meeting on May 3, 2012.

Nokia also announced on January 24, 2013 that the Board of Directors will propose to the Annual General Meeting to be held on May 7, 2013 that the Annual General Meeting authorize the Board to resolve to issue a maximum of 740 million shares through issuance of shares or special rights entitling to shares (including stock options) in one or more issues. The Board may issue either new shares or shares held by the Company. The Board proposes that the authorization may be used to develop the Company's capital structure, diversify the shareholder base, finance or carry out acquisitions or other arrangements, settle the Company's equity-based incentive plans, or for other purposes resolved by the Board. The proposed authorization includes the right for the Board to resolve on all the terms and conditions of the issuance of shares and special rights entitling to shares, including issuance in deviation from the shareholders' pre-emptive rights. The authorization would be effective until June 30, 2016 and terminate the current authorization granted by the Annual General Meeting on May 6, 2010.

24. SHARE-BASED PAYMENT

The Group has several equity-based incentive plans for employees. The plans 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 and other conditions, as determined in the relevant plan rules.

The share-based compensation expense for all equity-based incentive awards amounted to EUR 13 million in 2012 (EUR 18 million in 2011 and EUR 47 million in 2010).

Stock options

During 2012 Nokia administered two global stock option plans, the Stock Option Plans 2007 and 2011, each of which, including its terms and conditions, has been approved by the Annual General Meeting in the year when the plan was launched.

Each stock option entitles the holder to subscribe for one new Nokia share. The stock options are non-transferable and may be exercised for shares only. All of the stock options granted under the Stock Option Plan 2007 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 2007 plan have a term of approximately five years. The stock options granted under the Stock Option Plan 2011 have a vesting schedule with 50% of stock options vesting three years after grant and the remaining 50% vesting four years from grant. The stock options granted under the 2011 plan have a term of approximately six years.

The exercise price of the stock options is determined at the time of grant, on a quarterly basis, in accordance with a pre-agreed schedule after the release of Nokia's periodic financial results. The exercise prices are based on the trade volume weighted average price of a Nokia share on NASDAQ OMX Helsinki during the trading days of the first whole week of the second month of the respective calendar quarter (i.e., February, May, August or November). With respect to the 2011 Stock Option Plan, should an ex-dividend date take place during that week, the exercise price shall be determined based on the following week's trade volume weighted average price of the Nokia share on NASDAQ OMX Helsinki. Exercise prices are determined on a one-week weighted average to mitigate any day-specific fluctuations in Nokia's share price. The determination of exercise price is defined in the terms and conditions of the stock option plans, which were approved by the shareholders at the respective Annual General Meetings 2007 and 2011. The Board of Directors does not have the right to change how the exercise price is determined.

Shares will be eligible for dividend for the financial year in which the subscription takes place. Other shareholder rights commence on the date on which the subscribed shares are entered in the Trade Register. The stock option grants are generally forfeited if the employment relationship terminates with Nokia.

Pursuant to the stock options issued under the global stock option plans, an aggregate maximum number of 25 721 002 new Nokia shares may be subscribed for, representing 0.7% of the total number of votes at December 31, 2012. All share subscription prices based on the exercises of stock options are recorded in the reserve for invested non-restricted equity as per a resolution by the Annual General Meeting.

The table below sets forth certain information relating to the stock options outstanding at December 31, 2012.

Plan (year of launch)	Stock options outstanding 2012	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	
2007 [1]	7 579 015	2 400	2007 2Q	Expired	July 1, 2008	July 1, 2011	December 31, 2012	18.39
			2007 3Q	Expired	October 1, 2008	October 1, 2011	December 31, 2012	21.86
			2007 4Q	Expired	January 1, 2009	January 1, 2012	December 31, 2012	27.53
			2008 1Q	100.00	April 1, 2009	April 1, 2012	December 31, 2013	24.15
			2008 2Q	100.00	July 1, 2009	July 1, 2012	December 31, 2013	19.16
			2008 3Q	100.00	October 1, 2009	October 1, 2012	December 31, 2013	17.80
			2008 4Q	93.75	January 1, 2010	January 1, 2013	December 31, 2013	12.43
			2009 1Q	87.50	April 1, 2010	April 1, 2013	December 31, 2014	9.82
			2009 2Q	81.25	July 1, 2010	July 1, 2013	December 31, 2014	11.18
			2009 3Q	75.00	October 1, 2010	October 1, 2013	December 31, 2014	9.28
			2009 4Q	68.75	January 1, 2011	January 1, 2014	December 31, 2014	8.76
			2010 1Q	62.50	April 1, 2011	April 1, 2014	December 31, 2015	10.11
			2010 2Q	56.25	July 1, 2011	July 1, 2014	December 31, 2015	8.86
			2010 3Q	50.00	October 1, 2011	October 1, 2014	December 31, 2015	7.29
			2010 4Q	43.75	January 1, 2012	January 1, 2015	December 31, 2015	7.59
2011 [2]	18 141 987	1 960	2011 2Q	—	July 1, 2014	July 1, 2015	December 27, 2017	6.02
			2011 3Q	—	October 1, 2014	October 1, 2015	December 27, 2017	3.76
			2011 4Q	—	January 1, 2015	January 1, 2016	December 27, 2017	4.84
			2012 1Q	—	April 1, 2015	April 1, 2016	December 27, 2018	3.84
			2012 2Q	—	July 1, 2015	July 1, 2016	December 27, 2018	2.44
			2012 3Q	—	October 1, 2015	October 1, 2016	December 27, 2018	2.18
			2012 4Q	—	January 1, 2016	January 1, 2017	December 27, 2018	2.12

1 The Group's global Stock Option Plan 2007 has 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.

2 The Group's global Stock Option Plan 2011 has vesting schedule with 50% of stock options vesting three years after grant and the remaining 50% vesting four years from grant.

Total stock options outstanding as at December 31, 2012 [1]

	Number of shares	Weighted average exercise price EUR	Weighted average share price EUR
Shares under option at January 1, 2010	**23 039 962**	**15.39**	
Granted	6 708 582	8.73	
Exercised	39 772	2.20	9.44
Forfeited	1 698 435	12.07	
Expired	6 065 041	13.97	
Shares under option at December 31, 2010	**21 945 296**	**14.04**	
Granted	11 801 907	5.50	
Exercised	6 208	5.07	7.69
Forfeited	2 441 876	9.05	
Expired	7 909 089	17.53	
Shares under option at December 31, 2011 [2]	**23 390 030**	**9.07**	
Granted	10 258 400	2.32	
Exercised	627	0.97	2.08
Forfeited	4 246 222	6.60	
Expired	3 555 213	15.26	
Shares under option at December 31, 2012	**25 846 368**	**5.95**	
Options exercisable at December 31, 2009 (shares)	13 124 925	16.09	
Options exercisable at December 31, 2010 (shares)	11 376 937	17.07	
Options exercisable at December 31, 2011 (shares)	6 904 331	14.01	
Options exercisable at December 31, 2012 (shares)	**5 616 112**	**11.96**	

1 Includes also stock options granted under other than global equity plans, however excluding the Nokia Siemens Network share-based incentive program. For further information see "Other equity plans for employees" below.

2 Due to an administrative error, the amount of 50 000 stock options granted to a Nokia Leadership Team member in 4Q 2011 was not reported in Annual Accounts 2011. The administrative error was corrected in 2012 and the table reflects the corrected amount.

The weighted average grant date fair value of stock options granted was EUR 0.76 in 2012, EUR 0.92 in 2011 and EUR 2.29 in 2010.

The options outstanding by range of exercise price at December 31, 2012 are as follows:

	Options outstanding		
Exercise prices, EUR	**Number of shares**	**Weighted average remaining contractual life in years**	**Weighted average exercise price EUR**
2.12–4.84	12 382 650	5.78	2.64
4.97–6.02	5 822 568	4.96	6.02
6.71–8.86	3 737 369	2.99	8.65
8.87–12.43	2 697 026	1.86	11.37
12.78–24.15	1 206 755	1.03	19.03
	25 846 368		

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:

	2012	2011	2010
Weighted average expected dividend yield	**7.96%**	7.37%	4.73%
Weighted average expected volatility	**65.97%**	36.95%	52.09%
Risk-free interest rate	**0.70–1.60%**	1.71–2.86%	1.52–2.49%
Weighted average risk-free interest rate	**1.13%**	2.68%	1.78%
Expected life (years)	**4.70**	4.70	3.59
Weighted average share price, EUR	**2.42**	5.46	8.27

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

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

Performance shares

During 2012, Nokia administered four global performance share plans, the Performance Share Plans of 2009, 2010, 2011 and 2012, each of which, including its terms and conditions, has been approved by the Board of Directors.

The performance shares represent a commitment by Nokia Corporation to deliver Nokia shares to employees at a future point in time, subject to Nokia's fulfillment of pre-defined performance criteria. No Nokia shares will be delivered unless the Group's performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria. The below table illustrates the performance criteria of the Performance Share Plans from 2009 through 2012.

	Performance share plan			
criteria	**2012**	2011	2010	2009
Average annual net sales growth (Nokia Group)	—	Yes	Yes	Yes
EPS at the end of performance period (Nokia Group)	—	—	Yes	Yes
Average annual net sales (Nokia Group excluding NSN)	**Yes**	—	—	—
Average annual EPS (Nokia Group)	**Yes**	Yes	—	—

The 2009, 2010 and 2011 plans have a three-year performance period. The shares vest after the respective performance period. The 2012 plan has a two-year performance period and a subsequent one-year restriction period, after which the shares vest. The shares will be delivered to the participants as soon as practicable after they vest. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with the performance shares. The performance share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting. The term "vesting" means that the performance period and/or restriction period specified in the plan rules has ended and does not indicate that actual share delivery took place.

The following table summarizes our global performance share plans.

Plan	Performance shares outstanding at threshold [1,2]	Number of participants (approx.)	Performance period	Settlement
2009	0	4 000	2009–2011	2012
2010	0	3 000	2010–2012	2013
2011	3 346 428	3 000	2011–2013	2014
2012	5 226 959	3 000	2012–2013 [3]	2015

1 Shares under performance share plan 2010 vested on December 31, 2012 and are therefore not included in the outstanding numbers.

2 Does not include 698 outstanding performance shares with deferred delivery due to leave of absence.

3 Performance share plan 2012 has a two-year performance period with an additional one-year restriction period.

The following tables set forth the performance criteria of each global performance share plan.

	Threshold performance		Maximum performance	
Plan	EPS [1,2] EUR	Average annual net sales growth [1]	EPS [1,2] EUR	Average annual net sales growth [1]
2009	1.01	-5%	1.53	10%
2010	0.82	0%	1.44	13.5%
2011	0.50	2.5%	1.10	10%

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

2 Performance share plan 2009 and 2010: EPS at the end of the performance period. Performance share plan 2011: average annual EPS.

	Threshold performance		Maximum performance	
Plan	Average annual EPS [1] EUR	Average annual net sales [1] EURm	Average annual EPS [1] EUR	Average annual net sales [1] EURm
2012	0.04	17 394	0.35	26 092

1 Both the EPS and average annual net sales criteria have an equal weight of 50%.

Performance shares outstanding as at December 31, 2012[1]

	Number of performance shares at threshold	Weighted average grant date fair value EUR [2]
Performance shares at January 1, 2010	**5 093 960**	
Granted	3 576 403	5.94
Forfeited	1 039 908	
Vested [3]	1 910 332	
Performance shares at December 31, 2010	**5 720 123**	
Granted	5 410 211	3.66
Forfeited	1 538 377	
Vested [4]	2 009 423	
Performance shares at December 31, 2011	**7 582 534**	
Granted	5 785 875	1.33
Forfeited	2 718 208	
Vested [5]	2 076 116	
Performance shares at December 31, 2012	**8 574 085**	

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

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

3 Includes performance shares under performance share plan 2008 that vested on December 31, 2010.

4 Includes performance shares under performance share plan 2009 that vested on December 31, 2011.

5 Includes performance shares under performance share plan 2010 that vested on December 31, 2012. Includes shares receivable through the one-time special CEO incentive program that vested on December 31, 2012.

There was no settlement under the Performance Share Plan 2010 as neither of the threshold performance criteria of EPS and Average Annual Net Sales Growth of this plan was met.

There was no settlement under the one-time special CEO incentive program as the performance criteria were not met.

Restricted shares

During 2012, Nokia administered four global restricted share plans, the Restricted Share Plans 2009, 2010, 2011 and 2012, each of which, including its terms and conditions, has been approved by the Board of Directors.

Restricted shares are used on a selective basis to ensure retention and recruitment of individuals with functional mastery and other employees deemed critical to Nokia's future success.

All of the Group's restricted share plans have a restriction period of three years after grant. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights, associated with the restricted shares. The restricted share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Restricted shares outstanding as at December 31, 2012 [1]

	Number of restricted shares	Weighted average grant date fair value EUR [2]
Restricted shares at January 1, 2010	**9 381 002**	
Granted	5 801 800	6.85
Forfeited	1 492 357	
Vested	1 330 549	
Restricted shares at December 31, 2010	**12 359 896**	
Granted	8 024 880	3.15
Forfeited	2 063 518	
Vested	1 735 167	
Restricted shares at December 31, 2011 [3]	**16 586 091**	
Granted	12 999 131	1.76
Forfeited	4 580 182	
Vested	1 324 508	
Restricted shares at December 31, 2012 [4]	**23 680 532**	

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

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

3 Includes 901 900 restricted shares granted in Q4 2008 under Restricted Share Plan 2008 that vested on January 1, 2012.

4 Includes 1 960 700 restricted shares granted in Q4 2009 under Restricted Share Plan 2009 that vested on January 1, 2013.

Other equity plans for employees

In addition to the global equity plans described above, Nokia has equity plans for Nokia acquired businesses or employees in the United States and Canada under which participants can receive Nokia ADSs or ordinary shares. These equity plans do not result in an increase in the reserve for invested non-restricted equity of Nokia. On the basis of these plans, the Group had 0.1 million stock options outstanding on December 31, 2012. The weighted average exercise price is USD 11.39.

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

The Group also has an Employee Share Purchase Plan in the United States, which permits all full-time Nokia employees located in the United States to acquire Nokia ADSs at a 15% discount. The purchase of the ADSs is funded through monthly payroll deductions from the salary of the participants, and the ADSs are purchased on a monthly basis. As of December 31, 2012, approximately 1 750 000 ADSs had been purchased under this plan during 2012, and there were a total of approximately 1 230 participants in the plan. The plan will be ramped-down during 2013 as a new global Employee Share Purchase Plan will be implemented as described below.

During 2011 – 2012, Nokia had a one-time special CEO incentive program designed to align the CEO's compensation to increased shareholder value and to link a meaningful portion of CEO's compensation directly to the performance of Nokia's share price over the period of 2011–2012. Mr. Elop had the opportunity to earn 125 000–750 000 Nokia shares at the end of 2012 based on two independent criteria: Total Shareholder Return (TSR) relative to a peer group of companies over the two-year period and Nokia's absolute share price at the end of 2012. As the minimum performance for neither of the two performance criterion was reached, no share delivery took place. The number of shares earned and to be settled may be adjusted by the Board of Directors under certain exceptional circumstances up until June 30, 2013, should the results significantly change.

On January 24, 2013 Nokia introduced an Employee Share Purchase Plan, which is planned to be offered in 27 countries to all Nokia employees (excluding Nokia Siemens Networks' employees). Under the Plan, the eligible Nokia employees can elect to make monthly contributions from their salary to purchase Nokia shares. The contribution per employee cannot exceed EUR 1 200 per year. The share purchases will be made at market value on pre-determined dates on a monthly basis during a 12-month savings period. Nokia will offer one matching share for every two purchased shares the employee still holds after the last monthly purchase has been made in June 2014. In addition, 20 free shares will be delivered to employees who make the first three consecutive monthly share purchases. The participation in the plan is voluntary to the employees.

Nokia Siemens Networks established a share-based incentive program in 2012 under which options for Nokia Siemens Networks B.V. shares are granted to selected Nokia Siemens Networks' employees. The options generally become exercisable on the fourth anniversary of the grant date or, if earlier, on the occurrence of certain corporate transactions, such as initial public offering ("IPO"). The exercise price of the options is based on a per share value on grant as determined for the purposes of the incentive program. The options will be cash-settled at exercise unless an IPO has taken place, at which point they would be converted into equity-settled options. If an IPO has not taken place by the sixth anniversary of the grant date, Nokia Siemens Networks will cash out any remaining options. If an IPO has taken place, equity options remain exercisable until the tenth anniversary of the grant date. The fair value of the liability is determined based on the estimated fair value of shares less the exercise price of the options on the reporting date. The total carrying amount for liabilities arising from share-based payment transactions is EUR 11 million at December 31, 2012.

25. DEFERRED TAXES

EURm	2012	2011
Deferred tax assets:		
Intercompany profit in inventory	**58**	66
Tax losses carried forward and unused tax credits	**564**	715
Warranty provision	**47**	63
Other provisions	**261**	363
Depreciation differences	**868**	711
Share-based compensation	**—**	11
Other temporary differences	**145**	362
Reclassification due to netting of deferred taxes	**−689**	−443
Total deferred tax assets	**1 254**	**1 848**
Deferred tax liabilities:		
Depreciation differences and untaxed reserves	**−892**	−500
Fair value gains/losses	**—**	−65
Undistributed earnings	**−313**	−268
Other temporary differences [1]	**−184**	−410
Reclassification due to netting of deferred taxes	**689**	443
Total deferred tax liabilities	**−700**	−800
Net deferred tax asset	**554**	**1 048**
Tax charged to equity	**3**	−4

1 In 2011, other temporary differences included a deferred tax liability of EUR 339 million arising from purchase price allocation related to Nokia Siemens Networks and NAVTEQ. In 2012 the deferred tax liabilities for these two items were nil.

At December 31, 2012, the Group had tax losses carry forward of EUR 6 528 million (EUR 2 702 million in 2011) of which EUR 4 554 million will expire within 10 years (EUR 969 million in 2011).

At December 31, 2012, the Group had tax losses carry forward, temporary differences and tax credits of EUR 10 294 million (EUR 4 302 million in 2011) for which no deferred tax asset was recognized due to uncertainty of utilization of these items. EUR 4 392 million of those will expire within 10 years (EUR 147 million in 2011).

The recognition of the remaining deferred tax assets is supported by offsetting deferred tax liabilities, earnings history and profit projections in the relevant jurisdictions.

At December 31, 2012, the Group had undistributed earnings of EUR 347 million (EUR 424 million in 2011) on which no deferred tax liability has been formed as these will not reverse in the foreseeable future.

26. ACCRUED EXPENSES AND OTHER LIABILITIES

EURm	2012	2011
Social security, VAT and other taxes	**821**	1 358
Wages and salaries	**1 031**	933
Deferred revenue	**369**	751
Advance payments	**1 887**	1 524
Other	**2 973**	2 884
Total	**7 081**	7 450

Other accruals include accrued discounts, royalties and marketing expenses as well as various amounts which are individually insignificant. Majority of the deferred revenue and advance payments will be recognized as revenue within the next 12 months.

27. PROVISIONS

EURm	Warranty	Restructuring	IPR infringements	Material liability	Project losses	Tax	Other	Total
At January 1, 2012	688	459	431	125	205	299	420	2 627
Translation differences	3	—	—	4	—	−11	−7	−11
Acquisitions	—	—	—	—	—	—	—	—
Additional provisions	340	1 458	38	300	247	99	159	2 641
Changes in estimates	−28	−112	−63	−85	−65	−45	−73	−471
Charged to profit and loss account	312	1 346	−25	215	182	54	86	2 170
Utilized during year	−596	−1 152	−18	−102	−238	−15	−46	−2 167
At December 31, 2012	**407**	**653**	**388**	**242**	**149**	**327**	**453**	**2 619**
At January 1, 2011	928	195	449	139	207	296	376	2 590
Translation differences	−5	—	—	—	—	−4	—	−9
Acquisitions	30	—	—	—	—	—	5	35
Additional provisions	671	584	70	88	237	124	286	2 060
Changes in estimates	−33	−95	−74	—	−70	−103	−135	−510
Charged to profit and loss account	638	489	−4	88	167	21	151	1 550
Utilized during year	−903	−225	−14	−102	−169	−14	−112	−1 539
At December 31, 2011	**688**	**459**	**431**	**125**	**205**	**299**	**420**	**2 627**

EURm	2012	2011
Analysis of total provisions at December 31:		
Non-current	**971**	1 175
Current	**1 648**	1 452

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 businesses. The majority of outflows related to the restructuring is expected to occur during 2013.

In February 2012, Nokia announced planned changes at its factories in Komarom, Hungary, Reynosa, Mexico and Salo, Finland to increase efficiency in smartphone manufacturing. In June 2012, Nokia announced additional actions to align its workforce and operations. The planned actions was expected to lead to a total reduction of up to 10 000 positions globally by the end of 2013. As part of this Nokia planned to make significant reductions in certain R&D projects, which resulted in the closure of Ulm in Germany and Burnaby, Canada; reduce factory operations, including the closure of the factory in Salo; prioritize sales efforts around certain markets resulting in reducing headcount in certain other markets; align support functions around Nokia's focused strategy resulting in a significant reduction in the number of employees in corporate functions. As a result, Devices & Services recognized restructuring charges of EUR 550 million in total.

In April 2011, Nokia announced plans to reduce its global workforce by about 4 000 employees by the end of 2012, as well as plans to consolidate the company's research and product development sites so that each site has a clear role and mission. In September 2011, Nokia announced plans to take further actions to align its workforce and operations, which includes reductions in Sales and Marketing and Corporate functions in line with Nokia's earlier announcement in April 2011. The measures also include the closure of Nokia's manufacturing facility in Cluj, Romania, which – together with adjustments to supply chain operations – has affected approximately 2 200 employees. As a result, Devices & Services recognized restructuring charges of EUR 456 million in total.

In 2012, Location & Commerce announced further plans to reduce its workforce and as a result recognized restructuring charges of EUR 31 million in total.

In September 2011, Nokia announced a plan to concentrate the development efforts of the Location & Commerce business in Berlin, Germany and Boston and Chicago in the U.S., and other supporting sites and plans to close its operations in Bonn, Germany and Malvern, U.S. As a result, Location & Commerce recognized restructuring charges of EUR 25 million.

In November 2011, Nokia Siemens Networks announced a new strategy to focus on mobile broadband and services and the launch of an extensive global restructuring program. At the same time, Nokia Siemens Networks announced its intention to reduce its global workforce by approximately 17 000 by the end of 2013. Restructuring and other associated expenses incurred in Nokia Siemens Networks in 2012 totaled EUR 1 226 million (EUR 145 million in 2011) including mainly personnel related expenses as well as expenses arising from the country and contract exits based on Nokia Siemens Networks' strategy that focuses on key markets and product segments.

The IPR provision is based on estimated potential future settlements for asserted past IPR infringements. Final resolution of IPR claims generally occurs over several periods.

Material liability provision relates to non-cancellable purchase commitments with suppliers. The outflows are expected to occur over the next 12 months.

Provisions for losses on projects in progress are related to Nokia Siemens Networks' onerous contracts. Utilization of provisions for project losses is generally expected to occur in the next 12 months.

Other provisions include provisions for various contractual obligations and provisions for pension and other social security costs on share-based awards.

28. EARNINGS PER SHARE

	2012	2011	2010
Numerator/EURm			
Basic:			
Profit attributable to equity holders of the parent	**−3 106**	−1 164	1 850
Diluted:			
Profit attributable to equity holders of the parent	**−3 106**	−1 164	1 850
Elimination of interest expense, net of tax, on convertible bond, where dilutive	**—**	—	—
Profit used to determine diluted earnings per share	**−3 106**	−1 164	1 850
Denominator/1 000 shares			
Basic:			
Weighted average number of shares in issue	**3 710 845**	3 709 947	3 708 816
Effect of dilutive securities:			
Stock options	**—**	—	—
Performance shares	**—**	—	324
Restricted shares	**—**	—	4 110
Assumed conversion of convertible bond	**—**	—	—
	—	—	4 434
Diluted:			
Adjusted weighted average number of hares and assumed conversions	**3 710 845**	3 709 947	3 713 250

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the year excluding shares purchased by the Group and held as treasury shares. Diluted earnings per share is calculated by adjusting the profit attributable to equity holders of the parent to eliminate the interest expense of the convertible bond and by adjusting the weighted average number of shares outstanding with the dilutive effect of stock options, performance shares and restricted shares outstanding during the year as well as the assumed conversion of convertible bond.

In 2012, stock options equivalent to 22 million shares (16 million in 2011 and 13 million in 2010) were excluded from the calculation of diluted earnings per share because they were determined to be anti-dilutive.

In addition, 2 million of performance shares were excluded from the calculation of dilutive shares because contingency conditions have not been met.

As at 31 December 2012, there were 4 million of restricted shares outstanding that could potentially have a dilutive impact in the future but were currently excluded from the calculation because they were determined anti-dilutive.

The convertible bond includes a voluntary conversion option. Based on the initial conversion price, voluntary conversion of the entire bond would result in the issue of 287 million shares. The potential shares related to the bond as well as the interest on the convertible bond were currently excluded from the calculation of dilutive shares because they were determined to be anti-dilutive at December 31, 2012.

29. COMMITMENTS AND CONTINGENCIES

EURm	2012	2011
Collateral for our own commitments		
Property under mortgages	**—**	18
Assets pledged	**38**	2
Contingent liabilities on behalf of Group companies		
Other guarantees	**937**	1 292
Contingent liabilities on behalf of Associated companies		
Financial guarantees on behalf of associated companies	**11**	—
Contingent liabilities on behalf of other companies		
Financial guarantees on behalf of third parties [1]	**12**	—
Other guarantees	**68**	16
Financing commitments		
Customer finance commitments [1]	**34**	86
Venture fund commitments	**282**	133

1 See also Note 34.

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

Other guarantees include commercial guarantees of EUR 598 million in 2012 (EUR 997 million in 2011) provided to certain Nokia Siemens Networks' customers in the form of bank guarantees or corporate guarantees issued by Nokia Siemens Networks' Group entity. These instruments entitle the customer to claim payment as compensation for non-performance by Nokia Siemens Networks of its obligations under network infrastructure supply agreements. Depending on the nature of the guarantee, compensation is payable on demand or subject to verification of non-performance. Volume of Other guarantees has decreased mainly due to expired guarantees.

Financing commitments of EUR 34 million in 2012 (EUR 86 million in 2011) 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 282 million in 2012 (EUR 133 million in 2011) 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 and underlying fund activities.

As of December 31, 2012, the Group had purchase commitments of EUR 2 042 million (EUR 2 305 million in 2011) relating to inventory purchase obligations, service agreements and outsourcing arrangements, primarily for purchases in 2013. The Group has also entered into a partnership with Microsoft whereas the Group is committed to a software royalty structure which includes annual minimum software royalty commitments. In consideration for Nokia's contribution under the arrangement, the Group will also receive quarterly platform support payments from Microsoft. Over the lifetime of the agreement the total amount of the platform support payments is expected to slightly exceed the total amount of the minimum software royalty commitments.

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

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
2013	238
2014	176
2015	130
2016	87
2017	68
Thereafter	309
Total	1 008

Rental expense amounted to EUR 508 in 2012 (EUR 457 million in 2011 and EUR 429 million in 2010).

31. RELATED PARTY TRANSACTIONS

At December 31, 2012, the Group had borrowings amounting to EUR 69 million (EUR 69 million in 2011) 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.

There were no loans granted to the members of the Nokia Leadership Team and the Board of Directors at December 31, 2012, 2011 or 2010.

EURm	2012	2011	2010
Transactions with associated companies			
Share of results of associated companies	**−1**	−23	1
Dividend income	**—**	—	1
Share of shareholders' equity of associated companies	**46**	47	61
Sales to associated companies	**12**	37	15
Purchases from associated companies	**150**	91	186
Receivables from associated companies	**1**	—	3
Liabilities to associated companies	**32**	14	22

At December 31, 2012, the Group has an outstanding financial guarantee of EUR 11 million for an associated company of the Group.

Management compensation

The following table sets forth the salary and cash incentive information awarded and paid or payable by the company to the President and CEO of Nokia Corporation for fiscal years 2010–2012 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

EUR	2012 Base salary	2012 Cash incentive payments	2012 Share-based compensation expense	2011 Base salary	2011 Cash incentive payments	2011 Share-based compensation expense	2010 Base salary	2010 Cash incentive payments	2010 Share-based compensation expense
Stephen Elop President and CEO from September 21, 2010	**1 079 500**	**—**	**1 597 496**	1 020 000	473 070	2 086 351	280 303	440 137	67 018

Total remuneration of the Nokia Leadership Team awarded for the fiscal years 2010–2012 was EUR 7 304 269 in 2012 (EUR 8 396 423 in 2011 and EUR 9 009 253 in 2010), 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 318 110 in 2012 (EUR 4 513 671 in 2011 and EUR 3 186 223 in 2010). For the Nokia Leadership Team members whose employment terminated during 2012, the equity-based incentives were forfeited following the termination of employment in accordance with plan rules.

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	2012 Gross annual fee [1] EUR	2012 Shares received	2011 Gross annual fee [1] EUR	2011 Shares received	2010 Gross annual fee [1] EUR	2010 Shares received
Risto Siilasmaa, Chairman as from May 3, 2012 [2]	**440 000**	**70 575**	155 000	10 428	155 000	7 294
Jorma Ollila, Chairman until May 3, 2012 [3]	**—**	**—**	440 000	29 604	440 000	20 710
Dame Marjorie Scardino, Vice Chairman [4]	**150 000**	**24 062**	150 000	10 092	150 000	7 058
Bruce Brown	**130 000**	**20 850**				
Stephen Elop [5]	**—**	**—**	—	—	—	—
Lalita D. Gupte [6]	**—**	**—**	—	—	140 000	6 588
Bengt Holmström	**—**	**—**	130 000	8 746	130 000	6 117
Henning Kagermann [7]	**155 000**	**24 860**	155 000	10 428	130 000	6 117
Olli-Pekka Kallasvuo [8]	**—**	**—**	—	—	130 000	6 117
Per Karlsson [9]	**—**	**—**	130 000	8 746	155 000	7 294
Jouko Karvinen [10]	**155 000**	**24 860**	140 000	9 419	—	—
Helge Lund	**130 000**	**20 850**	130 000	8 746	—	—
Isabel Marey-Semper [11]	**140 000**	**22 454**	140 000	9 419	140 000	6 588
Mårten Mickos	**130 000**	**20 850**	—	—	—	—
Elizabeth Nelson [12]	**140 000**	**22 454**	—	—	—	—
Kari Stadigh	**130 000**	**20 850**	130 000	8 746	—	—
Keijo Suila	**—**	**—**	—	—	130 000	6 117

1 Approximately 40% of each Board member's gross annual fee is paid in Nokia shares and the remaining approximately 60% of the gross annual fee is paid in cash. Further, it is Nokia policy that the directors retain all company stock received as director compensation until the end of their board membership, subject to the need to finance any costs relating to the acquisition of the shares, including taxes.

2 The 2012 fee paid to Risto Siilasmaa amounted to an annual total of EUR 440 000 for services as Chairman of the Board. The 2011 and 2010 fees paid to Risto Siilasmaa amounted to an annual total of EUR 155 000 each year indicated, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee.

3 The 2011 and 2010 fees paid to Jorma Ollila amounted to an annual total of EUR 440 000 each year indicated for his services as Chairman of the Board.

4 The 2012, 2011 and 2010 fees paid to Dame Marjorie Scardino amounted to an annual total of EUR 150 000 each year indicated for services as Vice Chairman of the Board.

5 Stephen Elop did not receive remuneration for his services as a member of the Board. This table does not include remuneration paid to Mr. Elop for services as the President and CEO.

6 The 2010 fee paid to Lalita D. Gupte amounted to an annual total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

7 The 2012 and 2011 fees paid to Henning Kagermann amounted to an annual total of EUR 155 000 each year indicated, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Personnel Committee.

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

9 The 2010 fee paid to Per Karlsson amounted to an annual 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.

10 The 2012 fee paid to Jouko Karvinen amounted to an annual 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 service as Chairman of the Audit Committee. The 2011 fee paid to Jouko Karvinen amounted to an annual total of EUR 140 000, consisting of a fee of 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

11 The 2012, 2011 and 2010 fees paid to Isabel Marey-Semper amounted to an annual total of EUR 140 000 each year indicated, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

12 The 2012 fee paid to Elizabeth Nelson amounted to an annual total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

Pension arrangements of certain Nokia Leadership Team members

The members of the Nokia Leadership Team participate in the local retirement programs applicable to employees in the country where they reside. Executives in Finland, including Mr. Elop, participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings according to prescribed statutory rules. Under the Finnish TyEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, although gains realized from equity are not. The Finnish TyEL pension scheme provides for early retirement benefits at age 62 with a reduction in the amount of retirement benefits. Standard retirement benefits are available from age 63 to 68, according to an increasing scale. The Nokia Leadership Team members in the United States participate in Nokia's US Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings. 25% of the employer's match vests for the participants during each year of the first four years of their employment. The Nokia Leadership Team members in Germany participate in the Nokia German Pension Plan that is 100% company funded. Contributions are based on pensionable earnings, the pension table and retirement age. For the Nokia Leadership Team members in UK, the pension accrued in the UK Pension Scheme is a Money Purchase benefit. Contributions are paid into the UK Pension Scheme by both the member and employer. These contributions are held within the UK Pension Scheme and are invested in funds selected by the member.

Termination benefits of the President and CEO

In case of termination by Nokia for reasons other than cause, Mr. Elop is entitled to a severance payment of up to 18 months of compensation (both annual base salary and target incentive) and his equity will be forfeited as determined in the applicable equity plan rules, with the exception of the equity out of the Nokia Equity Program 2010 which will vest in an accelerated manner (the performance period of Nokia Performance Share Plan 2010 ended in 2012 and no shares were delivered in accordance with its terms). In case of termination by Mr. Elop, the notice period is six months and he is entitled to a payment for such notice period (both annual base salary and target incentive for six months) and all his equity will be forfeited. In the event of a change of control of Nokia, Mr. Elop may terminate his employment upon a material reduction of his duties and responsibilities, upon which he will be entitled to a compensation of 18 months (both annual base salary and target incentive), and his unvested equity will vest in an accelerated manner. In case of termination by Nokia for cause, Mr. Elop is entitled to no additional compensation and all his equity will be forfeited. In case of termination by Mr. Elop for cause, he is entitled to a severance payment equivalent to 18 months of notice (both annual base salary and target incentive), and his unvested equity will vest in an accelerated manner. Mr. Elop is subject to a 12-month non-competition obligation after termination of the contract. Unless the contract is terminated by Nokia for cause, Mr. Elop may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual base salary and target incentive for the respective period during which no severance payment is paid.

32. NOTES TO CASH FLOW STATEMENT

EURm	2012	2011	2010
Adjustments for:			
Depreciation and amortization (Note 10)	**1 326**	1 562	1 771
Profit (–) / loss (+) on sale of property, plant and equipment and available-for-sale investments	**–131**	–49	–193
Income taxes (Note 12)	**1 145**	290	443
Share of results of associated companies (Note 15)	**1**	23	–1
Non-controlling interest	**–683**	–324	–507
Financial income and expenses (Note 11)	**333**	49	191
Transfer from hedging reserve to sales and cost of sales (Note 21)	**–16**	–4	–22
Impairment charges (Note 8)	**109**	1 338	110
Asset retirements (Note 13)	**31**	13	37
Share-based compensation (Note 24)	**13**	18	47
Restructuring and related charges [1] (Note 7, 27)	**1 659**	565	245
Other income and expenses	**51**	5	–9
Adjustments, total	**3 838**	3 486	2 112
Change in net working capital			
Decrease (+) / increase (–) in short-term receivables	**2 040**	137	1 281
Decrease (+) / increase (–) in inventories	**707**	289	–512
Decrease (–) / increase (+) in interest-free short-term borrowings	**–2 702**	–1 145	1 563
Loans made to customers	**78**	81	17
Change in net working capital	**123**	–638	2 349

1 The adjustments for restructuring and related charges represent the non-cash portion of the restructuring and related charges recognized in the income statement.

In 2010, Nokia Siemens Networks' EUR 750 million loans and capitalized interest of EUR 16 million from Siemens were converted into equity impacting the non-controlling interests in the Consolidated Statements of Financial Position. The Group did not engage in any material non-cash investing activities in 2012 and 2011.

33. PRINCIPAL NOKIA GROUP COMPANIES AT DECEMBER 31, 2012

%		Parent holding	Group majority
FI	Nokia Sales International Oy	100.0	100.0
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 (China) Investment Co. Ltd	100.0	100.0
CN	Nokia Telecommunications Ltd	4.5	83.9
NL	Nokia Finance International B.V.	100.0	100.0
IN	Nokia India Pvt Ltd	99.9	100.0
BR	Nokia do Brazil Technologia Ltda	99.9	100.0
RU	OOO Nokia	100.0	100.0
US	NAVTEQ Corp	—	100.0
NL	NAVTEQ B.V.	1.45	100.0
NL	NAVTEQ Europe B.V.		100.0
NL	Nokia Siemens Networks B.V.	—	50.0 [1]
FI	Nokia Siemens Networks Oy	—	50.0
DE	Nokia Siemens Networks GmbH & Co KG	—	50.0
IN	Nokia Siemens Networks Pvt. Ltd.	—	50.0
JP	Nokia Siemens Networks Japan Corp.	—	50.0
US	Nokia Siemens Networks US LLC	—	50.0

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

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

34. RISK MANAGEMENT

General risk management principles

Nokia has a common and systematic approach to risk management across business operations and processes. Material risks and opportunities are identified, analyzed, managed and monitored as part of business performance management. Relevant key risks are identified against business targets either in business operations or as an integral part of long and short-term planning. Nokia's overall risk management concept is based on visibility of the key risks preventing Nokia from reaching its business objectives rather than solely focusing on eliminating risks.

The principles documented in Nokia's Risk Policy and accepted by the Audit Committee of the Board of Directors require risk management and its elements to be integrated into business processes. One of the main principles is that the business, function or category owner is also the risk owner, but it is everyone's responsibility at Nokia to identify risks, which prevent Nokia to reach its objectives. Risk management covers strategic, operational, financial and hazard risks.

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

Financial risks

The objective for Treasury activities in Nokia is to guarantee sufficient funding for the Group at all times, and to identify, evaluate and manage financial risks. Treasury activities support this aim by mitigating the adverse effects caused by fluctuations in the financial markets on the profitability of the underlying businesses and by managing the capital structure of the Group by prudently balancing the levels of liquid assets and financial borrowings.

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

Financial risks are divided into (a) market risk (covering foreign exchange risk, interest risk and equity price risk), (b) credit risk (covering business related credit risk and financial credit risk) and (c) liquidity risk.

A) MARKET RISK

Methodology for assessing market risk exposures: 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.

Foreign exchange risk

Nokia operates globally and is exposed to transactional and translational foreign exchange risks. Transaction risk arises from foreign currency denominated assets and liabilities together with foreign currency denominated future cash flows. Transaction exposures are managed in the context of various functional currencies of foreign Group companies.

According to the foreign exchange policy guidelines of the Group, which remains the same as in the previous year, material transactional foreign exchange exposures are hedged unless hedging would be uneconomical due to market liquidity and/or hedging cost. Exposures are defined using nominal values of the transactions. 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 forecast foreign currency cash flows beyond two years.

Since Nokia has subsidiaries outside the euro zone, translation risk arises from the euro-denominated value of the shareholders' equity of foreign Group companies being 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, forward foreign exchange contracts, foreign exchange options and foreign currency denominated loans to hedge its equity exposure arising from foreign net investments.

At the end of years 2012 and 2011, the following currencies represent a significant portion of the currency mix in the outstanding financial instruments:

2012, EURm	USD	JPY	CNY	INR
FX derivatives used as cashflow hedges (net amount) [1]	550	−281	—	—
FX derivatives used as net investment hedges (net amount) [2]	−281	−16	−1 043	−763
FX exposure from balance sheet items (net amount) [3]	1 156	38	263	−539
FX derivatives not designated in a hedge relationship and carried at fair value through profit and loss (net amount) [3]	−1 439	106	−114	420
Cross currency / interest rate hedges	428	—	—	—

2011, EURm	USD	JPY	CNY	INR
FX derivatives used as cashflow hedges (net amount) [1]	1 282	110	—	−20
FX derivatives used as net investment hedges (net amount) [2]	−1 045	−17	−2 023	−818
FX exposure from balance sheet items (net amount) [3]	−962	−19	880	−109
FX derivatives not designated in a hedge relationship and carried at fair value through profit and loss (net amount) [3]	875	255	−825	−264
Cross currency / interest rate hedges	420	—	—	—

1 The FX derivatives are used to hedge the foreign exchange risk from forecast highly probable cashflows related to sales, purchases and business acquisition activities. In some of the currencies, especially in US dollar, Nokia has substantial foreign exchange risks in both estimated cash inflows and outflows, which have been netted in the table. The underlying exposures for which these hedges are entered into are not presented in the table, as they are not financial instruments.

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.

3 The balance sheet items and some probable forecast cash flows which are denominated in foreign currencies are hedged by a portion of FX derivatives not designated in a hedge relationship and carried at fair value through profit and loss.

The VaR figures for the Group's financial instruments which are sensitive to foreign exchange risks are presented in the table below. The VaR calculation includes foreign currency denominated monetary financial instruments such as:

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

VaR from financial instruments, EURm	2012	2011
At December 31	**67**	141
Average for the year	**128**	218
Range for the year	**67–192**	141–316

Interest rate risk

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

The objective of interest rate risk management is to balance uncertainty caused by fluctuations in interest rates and net long-term funding costs.

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

	2012		2011	
EURm	Fixed rate	Floating rate	Fixed rate	Floating rate
Assets	**3 488**	**6 627**	6 384	4 733
Liabilities	**−4 191**	**−1 312**	−4 313	−950
Assets and liabilities before derivatives	**−703**	**5 315**	2 071	3 783
Interest rate derivatives	**1 880**	**−1 784**	1 736	−1 656
Assets and liabilities after derivatives	**1 177**	**3 531**	3 807	2 127

The interest rate exposure of the Group is monitored and managed centrally. Nokia uses the Value-at-Risk (VaR) methodology complemented by selective shock sensitivity analyses to assess and measure the interest rate risk of interest-bearing assets, interest-bearing liabilities and related derivatives, which together create the Group's interest rate exposure. The VaR for the Group interest rate exposure in the investment and debt portfolios is presented in the table below. Sensitivities to credit spreads are not reflected in the below numbers.

EURm	2012	2011
At December 31	**22**	33
Average for the year	**19**	34
Range for the year	**9−44**	19−45

Equity price risk

Nokia's exposure to equity price risk is related to certain publicly listed equity shares.

The fair value of these investments at December 31, 2012 was EUR 11 million (EUR 7 million in 2011). 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 credit exposures to customers, including outstanding receivables, financial guarantees and committed transactions as well as financial institutions, including bank and cash, fixed income and money-market investments and derivative financial instruments. 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 the Group's balance sheet:

EURm	2012	2011
Financial guarantees given on behalf of customers and other third parties	**12**	—
Loan commitments given but not used	**34**	86
	46	86

Business related credit risk

The Group aims to ensure highest possible quality in accounts receivable and loans due from customers and other third parties. Nokia and Nokia Siemens Networks Credit Policies (both approved by the respective Leadership Teams) lay out the framework for the management of the business related credit risks in Nokia and Nokia Siemens Networks.

Nokia and Nokia Siemens Networks Credit Policies provide that credit decisions are based on credit evaluation including credit rating for larger exposures. Nokia and Nokia Siemens Networks Rating Policies define the rating principles. Ratings are approved by Nokia and Nokia Siemens Networks Rating Committees. Credit risks are approved and monitored according to the credit policy of each business entity. When appropriate, credit risks are mitigated with the use of approved instruments, such as letters of credit, collateral or insurance and sale of selected receivables.

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

The accounts receivable do not include any major concentrations of credit risk by customer or by geography. Top three customers account for approximately 7.0%, 2.5% and 2.1% (3.2%, 2.3% and 1.9% in 2011) of Group accounts receivable and loans due from customers and other third parties as at December 31, 2012, while the top three credit exposures by country amounted to 9.5%, 8.5% and 7.5% (10.6%, 7.5% and 4.4% in 2011).

The Group has provided allowances for doubtful accounts as needed on accounts receivable and loans due from customers and other third parties not past due, based on the analysis of debtors' credit quality and credit history. The Group establishes allowances for doubtful accounts that represent an estimate of incurred losses as of the end of reporting period. All receivables and loans due from customers and other third parties are considered on an individual basis in establishing the allowances for doubtful accounts.

As at December 31, 2012, the carrying amount before deducting any allowances for doubtful accounts as well as amounts expected to be uncollectible for acquired receivables relating to customers for which an allowance was provided or an uncollectible amount has been identified amounted to EUR 1 727 million (EUR 2 109 million in 2011). The amount of provision taken against that portion of these receivables considered to be impaired as well as the amount expected to be uncollectible for acquired receivables was a total of EUR 264 million (EUR 395 million in 2011) (see also Note 9 and Note 20). These aforementioned amounts are relative to total net accounts receivable and loans due from customers and other third parties of EUR 5 625 in 2012 (EUR 7 295 million in 2011).

An amount of EUR 365 million (EUR 316 million in 2011) relates to past due receivables from customers for which no allowances for doubtful accounts were recognized. The aging of these receivables is as follows:

EURm	2012	2011
Past due 1−30 days	**250**	169
Past due 31−180 days	**70**	118
More than 180 days	**45**	29
	365	316

In 2012, Nokia adjusted the way aging credit notes are taken into account when calculating past due receivables presented in the table above. This adjustment has increased the amounts of past due receivables compared to the method used by Nokia in 2011.

Financial credit risk

Financial instruments contain an element of risk resulting from changes in market price of such instruments due to counterparties becoming less creditworthy or risk of loss due to counterparties that are unable to meet their obligations. This risk is measured and monitored centrally by Treasury. Nokia manages financial credit risk actively by limiting its counterparties to a sufficient number of major banks and financial institutions and monitoring the creditworthiness and exposure sizes continuously. Nokia also enters 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 as well as 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 Principles. As a result of this investment policy approach and active management of outstanding investment exposures, Nokia has not been subject to any material credit losses in its financial investments in the years presented.

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

	Rating [3]	Total amount [1,2] EURm	Due within 3 months EURm	Due between 3 and 12 months EURm	Due between 1 and 3 years EURm	Due between 3 and 5 years EURm	Due beyond 5 years EURm
At December 31, 2012							
Banks	Aaa	1 401	1 401	—	—	—	—
	Aa1–Aa3	756	755	1	—	—	—
	A1–A3	1 106	1 082	24	—	—	—
	Baa1–Baa3	942	940	—	—	2	—
	Non rated	215	215	—	—	—	—
Governments	Aaa	1 572	1 342	31	42	18	139
	Aa1–Aa3	401	37	57	24	283	—
Other	Aaa	—	—	—	—	—	—
	Aa1–Aa3	—	—	—	—	—	—
	A1–A3	10	—	—	10	—	—
	Baa1–Baa3	—	—	—	—	—	—
	Ba1–C	—	—	—	—	—	—
	Non rated	2	—	2	—	—	—
Total		**6 405**	**5 772**	**115**	**76**	**303**	**139**
At December 31, 2011							
Banks	Aaa	1 368	1 368	—	—	—	—
	Aa1–Aa3	1 319	1 316	—	1	2	—
	A1–A3	1 706	1 706	—	—	—	—
	Baa1–Baa3	616	616	—	—	—	—
	Non rated	270	260	10	—	—	—
Governments	Aaa	3 224	2 508	221	50	266	179
	Aa1–Aa3	408	400	6	2	—	—
Other	Aaa	—	—	—	—	—	—
	Aa1–Aa3	11	—	—	—	—	11
	A1–A3	18	—	—	12	—	6
	Baa1–Baa3	2	—	—	—	—	2
	Ba1–C	1	—	—	—	—	1
	Non rated	2	—	2	—	—	—
Total		**8 945**	**8 174**	**239**	**65**	**268**	**199**

1 Fixed income and money-market investments include term deposits, investments in liquidity funds and investments in fixed income instruments classified as available-for-sale investments and investments at fair value through profit and loss. Liquidity funds invested solely in government securities are included under Governments. Other liquidity funds are included under Banks.

2 Included within fixed income and money-market investments is EUR 77 million of restricted investment at December 31, 2012 (EUR 40 million at December 31, 2011). They are restricted financial assets under various contractual or legal obligations.

3 Bank parent company ratings used here for bank groups. In some emerging markets countries actual bank subsidiary ratings may differ from parent company rating.

95% of Nokia's cash in bank accounts is held with banks of investment grade credit rating (92% for 2011).

C) LIQUIDITY RISK

Liquidity risk is defined as financial distress or extraordinarily high financing costs arising due to a shortage of liquid funds in a situation where outstanding debt needs to be refinanced or 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 aims to secure sufficient liquidity at all times by efficient cash management and by investing in short-term liquid interest bearing securities. Depending on overall liquidity position Nokia aims to pre- or refinance upcoming debt maturities before contractual maturity dates. The transactional liquidity risk is minimized by entering into transactions where proper two-way quotes can be obtained from the market.

Due to the dynamic nature of the underlying business, Nokia and Nokia Siemens Networks aim at maintaining flexibility in funding by keeping committed and uncommitted credit lines available. Nokia and Nokia Siemens Networks manage their respective credit facilities independently and facilities do not include cross-default clauses between Nokia and Nokia Siemens Networks or any forms of guarantees from either party. At the end of December 31, 2012, the Group's committed revolving credit facilities totaled EUR 2 250 million (EUR 3 500 million in 2011).

The most significant existing long-term funding programs as of December 31, 2012 were:

Issuer(s)	Program	Issued
Nokia Corporation	Shelf registration statement on file with the US Securities and Exchange Commission	USD 1 500 million
Nokia Corporation	Euro Medium-Term Note Program, totaling EUR 5 000 million	EUR 1 750 million

The most significant existing short-term funding programs as of December 31, 2012 were:

Issuer(s)	Program	Issued
Nokia Corporation	Local commercial paper program in Finland, totaling EUR 750 million	—
Nokia Corporation	US Commercial Paper program, totaling USD 4 000 million	—
Nokia Corporation and Nokia Finance International B.V.	Euro Commercial Paper program, totaling USD 4 000 million	—
Nokia Siemens Networks Finance B.V.	Local commercial paper program in Finland, totaling EUR 500 million	EUR 82 million

As of December 31, 2012, Group's interest bearing liabilities consisted of:

	Issuer/borrower	Final maturity	2012 EURm	2011 EURm
Nokia				
Revolving Credit Facility (EUR 1 500 million)	Nokia Corporation	March 2016	—	—
EUR Bond 2014 (EUR 1 250 million 5.5%)	Nokia Corporation	February 2014	1 250	1 250
EUR Bond 2019 (EUR 500 million 6.75%)	Nokia Corporation	February 2019	500	500
USD Bond 2019 (USD 1 000 million 5.375%)	Nokia Corporation	May 2019	761	766
USD Bond 2039 (USD 500 million 6.625%)	Nokia Corporation	May 2039	381	383
EUR EIB R&D Loan	Nokia Corporation	February 2014	500	500
EUR Convertible Bond 2017 (EUR 750 million 5%)	Nokia Corporation	October 2017	750	—
Differences between Bond nominal and carrying values [1]	Nokia Corporation		55	129
Other interest-bearing liabilities	Nokia Corporation and various subsidiaries		209	168
Total Nokia			**4 406**	**3 696**
Nokia Siemens Networks				
Revolving Credit Facility (EUR 2 000 million)	Nokia Siemens Networks Finance B.V.	June 2012	—	613
Bank Term Loan (EUR 600 million)	Nokia Siemens Networks Finance B.V.	March 2014	600	—
Revolving Credit Facility (EUR 750 million)	Nokia Siemens Networks Finance B.V.	June 2015	—	—
EUR Finnish Pension Loan	Nokia Siemens Networks Oy	October 2015	132	176
EUR EIB R&D Loan	Nokia Siemens Networks Finance B.V.	January 2015	150	250
EUR Nordic Investment Bank	Nokia Siemens Networks Finance B.V.	March 2015	80	80
Other interest-bearing liabilities	Nokia Siemens Networks Finance B.V. and various subsidiaries		181	506
Total Nokia Siemens Networks			**1 143**	**1 625**
Total Nokia Group			**5 549**	**5 321**

1 This line includes mainly fair value adjustments for bonds that are designated under Fair value hedge accounting and difference between convertible bond nominal value and carrying value of the financial liability component.

All Nokia borrowings specified above are senior unsecured and have no financial covenants. All borrowings, apart from EIB R&D loan, are used for general corporate purposes.

All Nokia Siemens Networks borrowings specified above are senior unsecured and include financial covenants relating to financial leverage and interest coverage of the Nokia Siemens Networks. As at year end 2012 all financial covenants were satisfied. All borrowings, apart from EIB and Nordic Investment bank R&D loans, are used for general corporate purposes.

Nokia has not guaranteed any of the Nokia Siemens Networks borrowings and thus these are non-recourse to Nokia. All Nokia Siemens Networks Finance B.V. borrowings above are guaranteed by Nokia Siemens Networks Oy and/or Nokia Siemens Networks BV.

In October 2012, Nokia issued a EUR 750 million convertible bond that matures in October 2017. The bond includes a voluntary conversion option starting from December 2012 until maturity. Based on initial conversion price, voluntary conversion of the entire bond would result in the issue of 287 million shares.

In December 2011, Nokia Siemens Networks entered into a EUR 1 255 million committed forward starting credit facility effective from the forward start date of June 1, 2012. By April 2012 the committed facility had been increased to EUR 1 500 million. The facility replaced EUR 2 000 million revolving credit facility from 2009 that matured in June 2012. EUR 1 500 million committed facility comprised in two equal parts, EUR 750 million revolving credit facility maturing in June 2015 and EUR 750 million term loan maturing in June 2013. In December 2012, EUR 150 million of the term loan was prepaid and the maturity of the remaining EUR 600 million term loan was extended to March 2014.

Of the Nokia Siemens Networks' EUR Finnish Pension Loan, EUR EIB R&D Loan and EUR Nordic Investment Bank Loan EUR 44 million, EUR 100 million and EUR 45 million respectively are included in current maturities as of 31 December, 2012.

The following table below is an undiscounted cash flow analysis for both financial liabilities and financial assets that are presented on the balance sheet, and off-balance sheet instruments such as loan commitments according to their remaining contractual maturity. Line-by-line reconciliation with the balance sheet is not possible.

At 31 December 2012, EURm	Total amount	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due beyond 5 years
Non-current financial assets						
Long-term loans receivable	217	1	2	46	37	131
Current financial assets						
Current portion of long-term loans receivable	40	12	28	—	—	—
Short-term loans receivable	1	1	—	—	—	—
Investments at fair value through profit and loss	493	1	5	11	260	216
Available-for-sale investment	6 008	5 782	119	82	25	—
Cash	3 504	3 504	—	—	—	—
Cash flows related to derivative financial assets net settled:						
Derivative contracts–receipts	240	78	−30	86	25	81
Cash flows related to derivative financial assets gross settled:						
Derivative contracts–receipts	13 864	10 299	3 072	41	41	411
Derivative contracts–payments	−13 596	−10 212	−2 959	−17	−17	−391
Accounts receivable [1]	4 579	3 952	615	12	—	—
Non-current financial liabilities						
Long-term liabilities	−6 642	−111	−163	−2 933	−1 123	−2 312
Current financial liabilities						
Current portion of long-term loans	−216	−83	−133	—	—	—
Short-term liabilities	−262	−207	−55	—	—	—
Cash flows related to derivative financial liabilities net settled:						
Derivative contracts–payments	−99	−2	−3	−7	−7	−80
Cash flows related to derivative financial liabilities gross settled:						
Derivative contracts–receipts	7 966	6 964	889	113	—	—
Derivative contracts–payments	−8 016	−6 999	−903	−114	—	—
Accounts payable	−4 394	−4 241	−136	−17	—	—
Contingent financial assets and liabilities						
Loan commitments given, undrawn [2]	−34	−28	−6	—	—	—
Loan commitments obtained, undrawn [3]	2 261	46	−11	727	1 499	—

At 31 December 2011, EURm	Total amount	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due beyond 5 years
Non-current financial assets						
Long-term loans receivable	112	1	2	43	62	4
Current financial assets						
Current portion of long-term loans receivable	59	10	49	—	—	—
Short-term loans receivable	14	12	2	—	—	—
Investments at fair value through profit and loss	575	—	7	14	264	290
Available-for-sale investment	8 557	8 305	133	69	15	35
Cash	1 957	1 957	—	—	—	—
Cash flows related to derivative financial assets net settled:						
Derivative contracts–receipts	215	72	−46	90	17	82
Cash flows related to derivative financial assets gross settled:						
Derivative contracts–receipts	16 014	14 272	1 226	41	41	434
Derivative contracts–payments	−15 779	−14 113	−1 200	−27	−27	−412
Accounts receivable [1]	5 872	5 030	802	40	—	—
Non-current financial liabilities						
Long-term liabilities	−5 391	−106	−153	−2 374	−316	−2 442
Current financial liabilities						
Current portion of long-term loans	−387	−61	−326	—	—	—
Short-term liabilities	−1 002	−915	−87	—	—	—
Cash flows related to derivative financial liabilities net settled:						
Derivative contracts–payments	−107	—	−3	−2	−3	−99
Cash flows related to derivative financial liabilities gross settled:						
Derivative contracts–receipts	17 354	15 480	1 874	—	—	—
Derivative contracts–payments	−17 775	−15 775	−2 000	—	—	—
Accounts payable	−5 532	−5 449	−65	−18	—	—
Contingent financial assets and liabilities						
Loan commitments given, undrawn 2	−86	−37	−49	—	—	—
Loan commitments obtained, undrawn [3]	2 917	45	1 382	−6	1 496	—

1 Accounts receivable maturity analysis does not include receivables accounted based on the percentage of completion method of EUR 972 million (EUR 1 309 million in 2011).

2 Loan commitments given, undrawn, have been included in the earliest period in which they could be drawn or called.

3 Loan commitments obtained, undrawn, have been included based on the period in which they expire. These amounts include related commitment fees.

Hazard risk

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

Nokia purchases both annual insurance policies for specific risks as well as multiline and/or multiyear insurance policies, where available.

PARENT COMPANY FINANCIAL STATEMENTS ACCORDING TO FINNISH ACCOUNTING STANDARDS

INCOME STATEMENTS, PARENT COMPANY, FAS

Financial year ended December 31	Notes	2012 EURm	2011 EURm
Net sales		**11 727**	17 240
Cost of sales		**−10 198**	−12 979
Gross margin		**1 529**	4 261
Selling and marketing expenses		**−1 141**	−1 384
Research and development expenses		**−2 298**	−2 888
Administrative expenses		**−133**	−227
Other operating expenses		**−119**	−586
Other operating income		**1 136**	203
Operating loss	2, 3	**−1 026**	−621
Financial income and expenses			
Income from long-term investments			
Dividend income from Group companies		**2 168**	3 696
Dividend income from other companies		**7**	1
Interest income from other companies		**2**	—
Other interest and financial income			
Interest income from Group companies		**11**	20
Interest income from other companies		**1**	5
Other financial income from other companies		**7**	8
Exchange gains and losses		**−147**	65
Interest expenses and other financial expenses			
Interest expenses to Group companies		**−14**	−53
Interest expenses to other companies		**−115**	−72
Impairment loss on investments		**−750**	−1 461
Other financial expenses		**−31**	−98
Financial income and expenses, total		**1 139**	2 111
Profit before extraordinary items and taxes		**113**	1 490
Extraordinary items			
Group contributions		**204**	—
Extraordinary items, total		**204**	—
Profit before taxes		**317**	1 490
Income taxes			
for the year		**−56**	−138
from previous years		**60**	−14
deferred taxes	18	**−475**	204
Net loss/profit		**−154**	1 542

See Notes to the financial statements of the parent company.

BALANCE SHEETS, PARENT COMPANY, FAS

December 31	Notes	2012 EURm	2011 EURm
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	4		
Intangible rights		**14**	36
Other intangible assets		**165**	319
		179	355
Tangible assets			
Machinery and equipment	5	**2**	1
		2	1
Investments			
Investments in subsidiaries	6	**11 548**	11 199
Investments in associated companies	6	**3**	11
Long-term loan receivables from Group companies		**—**	—
Long-term loan receivables from other companies		**48**	13
Other non-current assets	6	**105**	85
		11 704	11 308
Current assets			
Inventories and work in progress			
Raw materials and supplies		**1**	74
Work in progress		**6**	72
Finished goods		**50**	78
		57	224
Receivables			
Deferred tax assets		**—**	371
Trade debtors from Group companies		**673**	1 277
Trade debtors from other companies		**132**	497
Short-term loan receivables from Group companies		**2 938**	2 673
Prepaid expenses and accrued income from Group companies		**724**	278
Prepaid expenses and accrued income from other companies		**1 503**	2 194
		5 970	7 290
Short-term investments		**40**	37
Bank and cash		**37**	290
Total		**17 989**	19 505

See Notes to the financial statements of the parent company.

December 31	Notes	2012 EURm	2011 EURm
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7		
Share capital		**246**	246
Share issue premium		**46**	46
Treasury shares	7, 8	**−634**	−649
Fair value reserve	7, 8	**−46**	68
Reserve for invested non-restricted equity	7, 8	**3 120**	3 132
Retained earnings	7, 8	**2 927**	2 128
Net profit for the year	7, 8	**−154**	1 542
		5 505	6 513
Liabilities			
Long-term liabilities			
Long-term finance liabilities to other companies	9	**4 480**	3 528
Short-term liabilities			
Deferred tax liabilities		**—**	65
Current finance liabilities from Group companies		**3 142**	4 215
Current finance liabilities from other companies		**—**	—
Advance payments from other companies		**757**	614
Trade creditors to Group companies		**1 828**	1 799
Trade creditors to other companies		**293**	621
Accrued expenses and prepaid income to Group companies		**68**	52
Accrued expenses and prepaid income to other companies		**1 916**	2 098
		8 004	9 464
Total liabilities		**12 484**	12 992
Total		**17 989**	19 505

See Notes to the financial statements of the parent company.

STATEMENTS OF CASH FLOWS, PARENT COMPANY, FAS

Financial year ended December 31	Notes	2012 EURm	2011 EURm
Cash flow from operating activities			
Net loss/profit		**−154**	1 542
Adjustments, total	13	**−2 131**	−1 740
Cash flow before change in net working capital		**−2 285**	−198
Change in net working capital	13	**1 631**	−440
Cash generated from operations		**−654**	−638
Interest received		**13**	28
Interest paid		**−146**	−205
Other financial income and expenses		**−352**	87
Income taxes paid		**−115**	−165
Cash flow before extraordinary items		**−1 254**	−893
Extraordinary income and expenses		**—**	−6
Net cash used in operating activities		**−1 254**	−899
Cash flow from investing activities			
Investments in shares		**−70**	−563
Capital expenditures		**−9**	−66
Proceeds from sale of shares		**357**	2
Proceeds from sale of other intangible assets		**8**	17
Proceeds from other long-term receivables		**64**	21
Proceeds from short-term receivables		**109**	1 179
Dividends received		**1 510**	2 656
Net cash from investing activities		**1 969**	3 246
Cash flow from financing activities			
Other contribution from shareholders		**—**	46
Proceeds from short-term borrowings		**−1 184**	−938
Proceeds from long-term borrowings		**961**	112
Dividends paid		**−742**	−1 484
Net cash used in financing activities		**−965**	−2 264
Net decrease/increase in cash and cash equivalents		**−250**	83
Cash and cash equivalents at beginning of period		**327**	244
Cash and cash equivalents at end of period		**77**	327

See Notes to the financial statements of the parent company.

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. ACCOUNTING PRINCIPLES

The Parent company Financial Statements are prepared according to Finnish Accounting Standards (FAS).

See Note 1 to Notes to the consolidated financial statements.

2. PERSONNEL EXPENSES

EURm	2012	2011
Wages and salaries	**738**	800
Pension expenses	**102**	136
Other social expenses	**18**	27
Personnel expenses as per profit and loss account	**858**	963

Management compensation

The following table sets forth the salary and cash incentive information awarded and paid or payable by the company to the President and CEO of Nokia Corporation for fiscal years 2010–2012 as well as the share-based compensation expense relating to equity-based awards, expensed by the company.

	2012			2011			2010		
EUR	**Base salary**	**Cash incentive payments**	**Share-based compensation expense**	Base salary	Cash incentive payments	Share-based compensation expense	Base salary	Cash incentive payments	Share-based compensation expense
Stephen Elop President and CEO from September 21, 2010	**1 079 500**	**—**	**1 597 496**	1 020 000	473 070	2 086 351	280 303	440 137	67 018

Total remuneration of the Nokia Leadership Team awarded for the fiscal years 2010–2012 was EUR 7 304 269 in 2012 (EUR 8 396 423 in 2011 and EUR 9 009 253 in 2010), 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 318 110 in 2012 (EUR 4 513 671 in 2011 and EUR 3 186 223 in 2010). For the Nokia Leadership Team members whose employment terminated during 2012, the equity-based incentives were forfeited following the termination of employment in accordance with plan rules.

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.

	2012		2011		2010	
Board of Directors	**Gross annual fee [1] EUR**	**Shares received**	Gross annual fee [1] EUR	Shares received	Gross annual fee [1] EUR	Shares received
Risto Siilasmaa, Chairman as from May 3, 2012 [2]	**440 000**	**70 575**	155 000	10 428	155 000	7 294
Jorma Ollila, Chairman until May 3, 2012 [3]	**—**	**—**	440 000	29 604	440 000	20 710
Dame Marjorie Scardino, Vice Chairman [4]	**150 000**	**24 062**	150 000	10 092	150 000	7 058
Bruce Brown	**130 000**	**20 850**				
Stephen Elop [5]	**—**	**—**	—	—	—	—
Lalita D. Gupte [6]	**—**	**—**	—	—	140 000	6 588
Bengt Holmström	**—**	**—**	130 000	8 746	130 000	6 117
Henning Kagermann [7]	**155 000**	**24 860**	155 000	10 428	130 000	6 117
Olli-Pekka Kallasvuo [8]	**—**	**—**	—	—	130 000	6 117
Per Karlsson [9]	**—**	**—**	130 000	8 746	155 000	7 294
Jouko Karvinen [10]	**155 000**	**24 860**	140 000	9 419	—	—
Helge Lund	**130 000**	**20 850**	130 000	8 746	—	—
Isabel Marey-Semper [11]	**140 000**	**22 454**	140 000	9 419	140 000	6 588
Mårten Mickos	**130 000**	**20 850**	—	—	—	—
Elizabeth Nelson [12]	**140 000**	**22 454**	—	—	—	—
Kari Stadigh	**130 000**	**20 850**	130 000	8 746	—	—
Keijo Suila	**—**	**—**	—	—	130 000	6 117

1 Approximately 40% of each Board member's gross annual fee is paid in Nokia shares and the remaining approximately 60% of the gross annual fee is paid in cash. Further, it is Nokia policy that the directors retain all company stock received as director compensation until the end of their board membership, subject to the need to finance any costs relating to the acquisition of the shares, including taxes.

2 The 2012 fee paid to Risto Siilasmaa amounted to an annual total of EUR 440 000 for services as Chairman of the Board. The 2011 and 2010 fees paid to Risto Siilasmaa amounted to an annual total of EUR 155 000 each year indicated, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee.

3 The 2011 and 2010 fees paid to Jorma Ollila amounted to an annual total of EUR 440 000 each year indicated for his services as Chairman of the Board.

4 The 2012, 2011 and 2010 fees paid to Dame Marjorie Scardino amounted to an annual total of EUR 150 000 each year indicated for services as Vice Chairman of the Board.

5 Stephen Elop did not receive remuneration for his services as a member of the Board. This table does not include remuneration paid to Mr. Elop for services as the President and CEO.

6 The 2010 fee paid to Lalita D. Gupte amounted to an annual total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

7 The 2012 and 2011 fees paid to Henning Kagermann amounted to an annual total of EUR 155 000 each year indicated, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Personnel Committee.

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

9 The 2010 fee paid to Per Karlsson amounted to an annual 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.

10 The 2012 fee paid to Jouko Karvinen amounted to an annual 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 service as Chairman of the Audit Committee. The 2011 fee paid to Jouko Karvinen amounted to an annual total of EUR 140 000, consisting of a fee of 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

11 The 2012, 2011 and 2010 fees paid to Isabel Marey-Semper amounted to an annual total of EUR 140 000 each year indicated, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

12 The 2012 fee paid to Elizabeth Nelson amounted to an annual total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

Pension arrangements of certain Nokia Leadership Team members

The members of the Nokia Leadership Team participate in the local retirement programs applicable to employees in the country where they reside. Executives in Finland, including Mr. Elop, participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings according to prescribed statutory rules. Under the Finnish TyEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, although gains realized from equity are not. The Finnish TyEL pension scheme provides for early retirement benefits at age 62 with a reduction in the amount of retirement benefits. Standard retirement benefits are available from age 63 to 68, according to an increasing scale. The Nokia Leadership Team members in the United States participate in Nokia's US Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings. 25% of the employer's match vests for the participants during each year of the first four years of their employment. The Nokia Leadership Team members in Germany participate in the Nokia German Pension Plan that is 100% company funded. Contributions are based on pensionable earnings, the pension table and retirement age. For the Nokia Leadership Team members in UK, the pension accrued in the UK Pension Scheme is a Money Purchase benefit. Contributions are paid into the UK Pension Scheme by both the member and employer. These contributions are held within the UK Pension Scheme and are invested in funds selected by the member.

Termination benefits of the President and CEO

In case of termination by Nokia for reasons other than cause, Mr. Elop is entitled to a severance payment of up to 18 months of compensation (both annual base salary and target incentive) and his equity will be forfeited as determined in the applicable equity plan rules, with the exception of the equity out of the Nokia Equity Program 2010 which will vest in an accelerated manner (the performance period of Nokia Performance Share Plan 2010 ended in 2012 and no shares were delivered in accordance with its terms). In case of termination by Mr. Elop, the notice period is six months and he is entitled to a payment for such notice period (both annual base salary and target incentive for six months) and all his equity will be forfeited. In the event of a change of control of Nokia, Mr. Elop may terminate his employment upon a material reduction of his duties and responsibilities, upon which he will be entitled to a compensation of 18 months (both annual base salary and target incentive), and his unvested equity will vest in an accelerated manner. In case of termination by Nokia for cause, Mr. Elop is entitled to no additional compensation and all his equity will be forfeited. In case of termination by Mr. Elop for cause, he is entitled to a severance payment equivalent to 18 months of notice (both annual base salary and target incentive), and his unvested equity will vest in an accelerated manner. Mr. Elop is subject to a 12-month non-competition obligation after termination of the contract. Unless the contract is terminated by Nokia for cause, Mr. Elop may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual base salary and target incentive for the respective period during which no severance payment is paid.

Personnel average	2012	2011
Production	**1 086**	2 473
Marketing	**763**	1 064
R&D	**3 788**	5 985
Administration	**2 379**	2 373
	8 016	11 895
Personnel, December 31	**5 901**	10 262

3. DEPRECIATION AND AMORTIZATION

EURm	2012	2011
Depreciation and amortization by asset class category		
Intangible assets		
Capitalized development costs	**—**	3
Intangible rights	**19**	25
Other intangible assets	**143**	143
Tangible assets	**2**	—
Total	**164**	171
Depreciation and amortization by function		
R&D	**145**	131
Production	**3**	1
Selling, marketing and administration	**16**	39
Total	**164**	171

4. INTANGIBLE ASSETS

EURm	2012	2011
Capitalized development costs		
Acquisition cost January 1	**284**	284
Disposals during the period	**—**	—
Accumulated acquisition cost December 31	**284**	284
Accumulated amortization January 1	**−284**	−281
Disposals during the period	**—**	—
Amortization during the period	**—**	−3
Accumulated amortization December 31	**−284**	−284
Net book value January 1	**—**	3
Net book value December 31	**—**	—
Intangible rights		
Acquisition cost January 1	**251**	228
Additions during the period	**4**	28
Disposals during the period	**−27**	−5
Accumulated acquisition cost December 31	**228**	251
Accumulated amortization January 1	**−215**	−193
Disposals during the period	**20**	3
Amortization during the period	**−19**	−25
Accumulated amortization December 31	**−214**	−215
Net book value January 1	**36**	35
Net book value December 31	**14**	36
Other intangible assets		
Acquisition cost January 1	**782**	790
Additions during the period	**2**	36
Disposals during the period	**−31**	−44
Accumulated acquisition cost December 31	**753**	782
Accumulated amortization January 1	**−463**	−344
Disposals during the period	**18**	24
Amortization during the period	**−143**	−143
Accumulated amortization December 31	**−588**	−463
Net book value January 1	**319**	446
Net book value December 31	**165**	319

5. TANGIBLE ASSETS

At the end of 2012 and 2011 the parent company had only minor amounts of tangible assets. Most of the assets were leased from Nokia Asset Management Oy, a company wholly owned by Nokia Corporation.

6. INVESTMENTS

EURm	2012	2011
Investments in subsidiaries		
Acquisition cost January 1	**11 199**	12 054
Additions	**3 127**	608
Impairments	**−740**	−1 360
Disposals	**−2 038**	−103
Net carrying amount December 31	**11 548**	11 199
Investments in associated companies		
Acquisition cost January 1	**11**	58
Additions	**1**	2
Impairments	**−8**	−49
Disposals	**−1**	—
Net carrying amount December 31	**3**	11
Investments in other shares		
Acquisition cost January 1	**85**	107
Additions	**23**	32
Impairments	**−2**	−52
Disposals	**−1**	−2
Net carrying amount December 31	**105**	85

7. SHAREHOLDERS' EQUITY

Parent Company, EURm	Share capital	Share issue premium	Treasury shares	Fair value reserve	Reserve for invested non-restricted equity	Retained earnings	Total
Balance at December 31, 2009	246	—	–685	—	3 154	4 555	7 270
Settlement of performance and restricted shares			16		–9		7
Dividend						–1 483	–1 483
Net profit						540	540
Balance at December 31, 2010	246	—	–669	—	3 145	3 612	6 334
Other contribution from shareholders		46					46
Settlement of performance and restricted shares			20		–13		7
Fair value reserve increase				68			68
Dividend						–1 484	–1 484
Net profit						1 542	1 542
Balance at December 31, 2011	246	46	–649	68	3 132	3 670	6 513
Settlement of performance and restricted shares			15		–12		3
Fair value reserve decrease				–114			–114
Dividend						–742	–742
Net profit						–154	–154
Balance at December 31, 2012	**246**	**46**	**–634**	**–46**	**3 120**	**2 773**	**5 505**

8. DISTRIBUTABLE EARNINGS

EURm	2012	2011
Reserve for invested non-restricted equity	**3 120**	3 132
Fair value reserve	**–46**	—
Retained earnings from previous years	**2 927**	2 128
Net profit for the year	**–154**	1 542
Retained earnings, total	**5 847**	6 802
Treasury shares	**–634**	–649
Distributable earnings, December 31	**5 213**	6 153

9. LONG-TERM LIABILITIES

EURm	2012	2011
Long-term financial liabilities		
Bonds	**3 036**	3 028
Convertible bond	**743**	—
Loans from financial institutions	**500**	500
Liabilities from Group companies	**200**	—
Long-term liabilities, total	**4 479**	3 528
Long-term liabilities repayable after 5 years		
Bonds	**1 749**	1 731
Convertible bond	**—**	—
Loans from financial institutions	**—**	—
Long-term liabilities, total	**1 749**	1 731

Bonds	Million	Interest, %		
2009–2014	1 250 EUR	5.534	**1 287**	1 297
2009–2019	1 000 USD	5.572	**805**	799
2009–2019	500 EUR	6.792	**558**	543
2009–2039	500 USD	6.775	**386**	389
			3 036	3 028

Convertible bond	Million	Interest, %		
2012–2017	750 EUR	7.920	**743**	—
			743	—

10. COMMITMENTS AND CONTINGENCIES

EURm	2012	2011
Collateral for own commitments		
Assets pledged	**3**	—
Contingent liabilities on behalf of Group companies		
Guarantees for loans	**1**	2
Leasing guarantees	**168**	204
Other guarantees	**43**	65
Contingent liabilities on behalf of associated companies		
Guarantees for loans	**11**	—
Contingent liabilities on behalf of other companies		
Guarantees for loans	**12**	—
Other guarantees	**27**	3

11. LEASING CONTRACTS

At December 31, 2012 the leasing contracts of the Parent Company amounted to EUR 37 million (EUR 48 million in 2011). EUR 12 million will expire in 2013 (EUR 16 million in 2012).

12. LOANS GRANTED TO THE MANAGEMENT OF THE COMPANY

There were no loans granted to the members of the Group Executive Board and Board of Directors at December 31, 2012.

13. NOTES TO CASH FLOW STATEMENTS

EURm	2012	2011
Adjustments for:		
Depreciation	**164**	171
Income taxes	**471**	–107
Financial income and expenses	**–2 694**	–3 529
Impairment of intangible assets	**12**	6
Impairment of non-current available-for-sale investments	**150**	1 461
Other operating income and expenses	**–234**	258
Adjustments, total	**–2 131**	–1 740
Change in net working capital		
Short-term trade receivables, increase (–), decrease (+)	**2 190**	209
Inventories, increase (–), decrease (+)	**167**	—
Interest-free short-term liabilities, increase (+), decrease (–)	**–726**	–649
Change in net working capital	**1 631**	–440

14. PRINCIPAL NOKIA GROUP COMPANIES ON DECEMBER 31, 2012

See note 33 to Notes to the consolidated financial statements.

15. NOKIA SHARES AND SHAREHOLDERS

See Nokia shares and shareholders p. 77–81.

16. ACCRUED INCOME

EURm	2012	2011
Taxes	**58**	85
Other	**2 169**	2 386
Total	**2 227**	2 471

17. ACCRUED EXPENSES

EURm	2012	2011
Personnel expenses	**103**	134
Taxes	**—**	—
Other	**1 881**	2 016
Total	**1 984**	2 150

18. INCOME TAXES

EURm	2012	2011
Income tax from operations	**–56**	–138
Income tax from extraordianry items	**—**	—
Total	**–56**	–138

Income taxes are shown separately in the Notes to the financial statements as they have been shown as a one-line item on the face of the profit and loss statement.

19. DEFERRED TAXES

EURm	2012	2011
Deferred taxes	**–475**	204
Total	**–475**	204

No deferred tax asset has been recognized for tax losses carry forward, temporary differences and tax credits due to uncertainty of utilization of these items.

NOKIA SHARES AND SHAREHOLDERS

SHARES AND SHARE CAPITAL

Nokia has one class of shares. Each Nokia share entitles the holder to one vote at General Meetings of Nokia.

On December 31, 2012, the share capital of Nokia Corporation was EUR 245 896 461.96 and the total number of shares issued was 3 744 956 052. On December 31, 2012, the total number of shares included 33 971 118 shares owned by Group companies representing approximately 0.9% of the share capital and the total voting rights.

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

Share capital and shares December 31, 2012	2012	2011	2010	2009	2008
Share capital, EURm	**246**	246	246	246	246
Shares (1 000)	**3 744 956**	3 744 956	3 744 956	3 744 956	3 800 949
Shares owned by the Group (1 000)	**33 971**	34 767	35 826	36 694	103 076
Number of shares excluding shares owned by the Group (1 000)	**3 710 985**	3 710 189	3 709 130	3 708 262	3 697 872
Average number of shares excluding shares owned by the Group during the year (1 000), basic	**3 710 845**	3 709 947	3 708 816	3 705 116	3 743 622
Average number of shares excluding shares owned by the Group during the year (1 000), diluted	**3 710 845**	3 709 947	3 713 250	3 721 072	3 780 363
Number of registered shareholders [1]	**250 799**	229 096	191 790	156 081	122 713

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

Key ratios December 31, 2012, IFRS (calculation see page 84)	2012	2011	2010	2009	2008
Earnings per share for profit attributable to equity holders of the parent, EUR					
Earnings per share, basic	**-0.84**	–0.31	0.50	0.24	1.07
Earnings per share, diluted	**-0.84**	–0.31	0.50	0.24	1.05
P/E ratio	**neg.**	neg.	15.48	37.17	10.37
(Nominal) dividend per share, EUR	**0.00** [1]	0.20	0.40	0.40	0.40
Total dividends paid, EURm [2]	**0.00** [1]	749	1 498	1 498	1 520
Payout ratio	**0.00** [1]	neg.	0.80	1.67	0.37
Dividend yield, %	**0.00** [1]	5.30	5.17	4.48	3.60
Shareholders' equity per share, EUR [3]	**2.17**	3.20	3.88	3.53	3.84
Market capitalization, EURm [3]	**10 873**	13 987	28 709	33 078	41 046

1 Dividend to be proposed by the Board of Directors for fiscal year 2012 for shareholders' approval at the Annual General Meeting convening on May 7, 2013.

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

3 Shares owned by the Group companies are not included.

AUTHORIZATIONS

Authorization to increase the share capital

At the Annual General Meeting held on May 6, 2010, Nokia shareholders authorized the Board of Directors to issue a maximum of 740 million shares through one or more issues of shares or special rights entitling to shares, including stock options. The Board of Directors may issue either new shares or shares held by the Company. The authorization includes the right for the Board to resolve on all the terms and conditions of such issuances of shares and special rights, including to whom the shares and the special rights may be issued. The authorization may be used to develop the Company's capital structure, diversify the shareholder base, finance or carry out acquisitions or other arrangements, settle the Company's equity-based incentive plans, or for other purposes resolved by the Board. The authorization is effective until June 30, 2013.

At the end of 2012, the Board of Directors had no other authorizations to issue shares, convertible bonds, warrants or stock options.

Other authorizations

At the Annual General Meeting held on May 3, 2011, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted equity. Nokia did not repurchase any shares on the basis of this authorization. This authorization would have been effective until June 30, 2012 as per the resolution of the Annual General Meeting on May 3, 2011, but it was terminated by the resolution of the Annual General Meeting on May 3, 2012.

At the Annual General Meeting held on May 3, 2012, Nokia shareholders authorized the Board of Directors to repurchase a maximum of 360 million Nokia shares by using funds in the unrestricted equity. The amount of shares corresponds to less than 10% of all the shares of the Company. The shares may be repurchased under the buyback authorization in order to develop the capital structure of the Company. In addition, shares may be repurchased in order to finance or carry out acquisitions or other arrangements, to settle the Company's equity-based incentive plans, to be transferred for other purposes, or to be cancelled. The authorization is effective until June 30, 2013.

Authorizations proposed to the Annual General Meeting 2013

On January 24, 2013, Nokia announced that the Board of Directors will propose that the Annual General Meeting convening on May 7, 2013 authorize the Board to resolve to repurchase a maximum of 370 million Nokia shares. The proposed maximum number of shares that may be repurchased corresponds to less than 10% of all the shares of the Company. The shares may be repurchased in order to develop the capital structure of the Company, finance or carry out acquisitions or other arrangements, settle the Company's equity-based incentive plans, be transferred for other purposes, or be cancelled. The shares may be repurchased either through a tender offer made to all shareholders on equal terms, or in such marketplaces the rules of which allow companies to trade with their own shares. The authorization would be effective until June 30, 2014 and terminate the current authorization for repurchasing of the Company's shares resolved at the Annual General Meeting on May 3, 2012.

Nokia also announced on January 24, 2013 that the Board of Directors will propose to the Annual General Meeting to be held on May 7, 2013 that the Annual General Meeting authorize the Board to resolve to issue a maximum of 740 million shares through issuance of shares or special rights entitling to shares (including stock options) in one or more issues. The Board may issue either new shares or shares held by the Company. The Board proposes that the authorization may be used to develop the Company's capital structure, diversify the shareholder base, finance or carry out acquisitions or other arrangements, settle the Company's equity-based incentive plans, or for other purposes resolved by the Board. The proposed authorization includes the right for the Board to resolve on all the terms and conditions of the issuance of shares and special rights entitling to shares, including issuance in deviation from the shareholders' pre-emptive rights. The authorization would be effective until June 30, 2016 and terminate the current authorization granted by the Annual General Meeting on May 6, 2010.

Stock option exercises 2008–2012

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

Year	Stock option category	Subscription price EUR	Number of new shares (1 000)	Date of payment	Net proceeds EURm	New share capital EURm
2010	Nokia Stock Option Plan 2005 2Q	12.79	0	2010	0.00	—
	Nokia Stock Option Plan 2005 3Q	13.09	0	2010	0.00	—
	Nokia Stock Option Plan 2005 4Q	14.48	0	2010	0.00	—
	Nokia Stock Option Plan 2006 1Q	14.99	0	2010	0.00	—
	Nokia Stock Option Plan 2006 2Q	18.02	0	2010	0.00	—
	Nokia Stock Option Plan 2006 3Q	15.37	0	2010	0.00	—
	Nokia Stock Option Plan 2006 4Q	15.38	0	2010	0.00	—
	Nokia Stock Option Plan 2007 1Q	17.00	0	2010	0.00	—
	Nokia Stock Option Plan 2007 2Q	18.39	0	2010	0.00	—
	Nokia Stock Option Plan 2007 3Q	21.86	0	2010	0.00	—
	Nokia Stock Option Plan 2007 4Q	27.53	0	2010	0.00	—
	Nokia Stock Option Plan 2008 1Q	24.15	0	2010	0.00	—
	Nokia Stock Option Plan 2008 2Q	19.16	0	2010	0.00	—
	Nokia Stock Option Plan 2008 3Q	17.80	0	2010	0.00	—
	Nokia Stock Option Plan 2008 4Q	12.43	0	2010	0.00	—
	Nokia Stock Option Plan 2009 1Q	9.82	0	2010	0.00	—
	Nokia Stock Option Plan 2009 2Q	11.18	0	2010	0.00	—
	Nokia Stock Option Plan 2009 3Q	9.28	0	2010	0.00	—
	Total		**0**		**0.00**	
2011	Nokia Stock Option Plan 2006 1Q	14.99	0	2011	0.00	—
	Nokia Stock Option Plan 2006 2Q	18.02	0	2011	0.00	—
	Nokia Stock Option Plan 2006 3Q	15.37	0	2011	0.00	—
	Nokia Stock Option Plan 2006 4Q	15.38	0	2011	0.00	—
	Nokia Stock Option Plan 2007 1Q	17.00	0	2011	0.00	—
	Nokia Stock Option Plan 2007 2Q	18.39	0	2011	0.00	—
	Nokia Stock Option Plan 2007 3Q	21.86	0	2011	0.00	—
	Nokia Stock Option Plan 2007 4Q	27.53	0	2011	0.00	—
	Nokia Stock Option Plan 2008 1Q	24.15	0	2011	0.00	—
	Nokia Stock Option Plan 2008 2Q	19.16	0	2011	0.00	—
	Nokia Stock Option Plan 2008 3Q	17.80	0	2011	0.00	—
	Nokia Stock Option Plan 2008 4Q	12.43	0	2011	0.00	—
	Nokia Stock Option Plan 2009 1Q	9.82	0	2011	0.00	—
	Nokia Stock Option Plan 2009 2Q	11.18	0	2011	0.00	—
	Nokia Stock Option Plan 2009 3Q	9.28	0	2011	0.00	—
	Nokia Stock Option Plan 2009 4Q	8.76	0	2011	0.00	—
	Nokia Stock Option Plan 2010 1Q	10.11	0	2011	0.00	—
	Nokia Stock Option Plan 2010 2Q	8.86	0	2011	0.00	—
	Nokia Stock Option Plan 2010 3Q	7.29	0	2011	0.00	—
	Total		**0**		**0.00**	
2012	Nokia Stock Option Plan 2007 2Q	18.39	0	2012	0.00	—
	Nokia Stock Option Plan 2007 3Q	21.86	0	2012	0.00	—
	Nokia Stock Option Plan 2007 4Q	27.53	0	2012	0.00	—
	Nokia Stock Option Plan 2008 1Q	24.15	0	2012	0.00	—
	Nokia Stock Option Plan 2008 2Q	19.16	0	2012	0.00	—
	Nokia Stock Option Plan 2008 3Q	17.80	0	2012	0.00	—
	Nokia Stock Option Plan 2008 4Q	12.43	0	2012	0.00	—
	Nokia Stock Option Plan 2009 1Q	9.82	0	2012	0.00	—
	Nokia Stock Option Plan 2009 2Q	11.18	0	2012	0.00	—
	Nokia Stock Option Plan 2009 3Q	9.28	0	2012	0.00	—
	Nokia Stock Option Plan 2009 4Q	8.76	0	2012	0.00	—
	Nokia Stock Option Plan 2010 1Q	10.11	0	2012	0.00	—
	Nokia Stock Option Plan 2010 2Q	8.86	0	2012	0.00	—
	Nokia Stock Option Plan 2010 3Q	7.29	0	2012	0.00	—
	Nokia Stock Option Plan 2010 4Q	7.59	0	2012	0.00	—
	Total		**0**		**0.00**	

Reductions of share capital

Type of reduction	Year	Number of shares (1 000)	Amount of reduction of the share capital EURm	Amount of reduction of the restricted capital EURm	Amount of reduction of the retained earnings EURm
Cancellation of shares	2008	185 410	—	—	—
Cancellation of shares	2009	56 000	—	—	—
Cancellation of shares	2010	—	—	—	—
Cancellation of shares	2011	—	—	—	—
Cancellation of shares	2012	—	—	—	—

Share turnover

	2012 [1]	2011 [2]	2010 [2]	2009 [2]	2008 [3]
Share turnover (1 000)	**20 002 578**	15 696 008	12 299 112	11 025 092	12 962 489
Total number of shares (1 000)	**3 744 956**	3 744 956	3 744 956	3 744 956	3 800 949
% of total number of shares	**534**	419	328	294	341

1 Includes share turnover in NASDAQ OMX Helsinki, New York Stock Exchange and until March 16, 2012 Frankfurter Wertpapierbörse.
2 Includes share turnover in NASDAQ OMX Helsinki, New York Stock Exchange and Frankfurter Wertpapierbörse.
3 Includes share turnover in all exchanges.

Share prices, EUR (NASDAQ OMX Helsinki)

	2012	2011	2010	2009	2008
Low/high	**1.33/4.46**	3.33/8.49	6.59/11.82	6.67/12.25	9.95/25.78
Average [1]	**2.62**	5.19	8.41	9.64	17.35
Year-end	**2.93**	3.77	7.74	8.92	11.10

1 Calculated by weighting average price with daily volumes.

Share prices, USD (New York Stock Exchange)

ADS	2012	2011	2010	2009	2008
Low/high	**1.63/5.87**	4.46/11.75	8.00/15.89	8.47/16.58	12.35/38.25
Average [1]	**3.41**	7.13	11.11	13.36	24.88
Year-end	**3.95**	4.82	10.32	12.85	15.60

1 Calculated by weighting average price with daily volumes.

Nokia share prices on NASDAQ OMX Helsinki (EUR)

Nokia ADS prices on the New York Stock Exchange (USD)

Shareholders, December 31, 2012

Shareholders registered in Finland represented 27.02% and shareholders registered in the name of a nominee represented 72.98% of the total number of shares of Nokia Corporation. The number of registered shareholders was 250 799 on December 31, 2012. Each account operator (26) is included in this figure as only one registered shareholder.

Nominee registered shareholders include holders of American Depositary Receipts (ADR). As of December 31, 2012, ADRs represented 21.85% of the total number of shares in Nokia.

Largest shareholders registered in Finland, December 31, 2012 [1]

Shareholder	Total number of shares (1 000)	% of all shares	% of all voting rights
Ilmarinen Mutual Pension Insurance Company	71 219	1.90	1.92
Varma Mutual Pension Insurance Company	70 294	1.88	1.89
The State Pension Fund	28 000	0.75	0.75
Keva (Local Government Pensions Institution)	23 744	0.63	0.64
Schweizerische Nationalbank	21 956	0.59	0.59
Svenska Litteratursällskapet i Finland rf	14 304	0.38	0.39
Mutual Insurance Company Pension Fennia	11 757	0.31	0.32
Nordea Suomi Fund	11 250	0.30	0.30
OP-FocusSpecial Fund	11 100	0.30	0.30
OP-Delta Fund	11 024	0.29	0.30

1 Excluding nominee registered shares and shares owned by Nokia Corporation. Nokia Corporation owned 33 971 118 shares as of December 31, 2012.

Breakdown of share ownership, December 31, 2012 [1]

By number of shares owned	Number of shareholders	% of shareholders	Total number of shares	% of all shares
1–100	47 197	18.82	2 894 271	0.08
101–1 000	122 422	48.81	57 051 389	1.52
1 001–10 000	71 436	28.48	224 666 202	6.00
10 001–100 000	9 190	3.66	223 116 498	5.96
100 001–500 000	439	0.18	84 287 325	2.25
500 001–1 000 000	41	0.02	28 065 662	0.75
1 000 001–5 000 000	53	0.02	122 363 685	3.27
Over 5 000 000	21	0.01	3 002 511 020	80.17
Total	**250 799**	**100.00**	**3 744 956 052**	**100.00**

By nationality	% of shares
Non-Finnish shareholders	72.98
Finnish shareholders	27.02
Total	**100.00**

By shareholder category (Finnish shareholders)	% of shares
Corporations	3.34
Households	13.04
Financial and insurance institutions	2.72
Non-profit organizations	1.93
General government	5.99
Total	**27.02**

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

SHARES AND STOCK OPTIONS OWNED BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE NOKIA LEADERSHIP TEAM

Members of the Board of Directors and the Nokia Leadership Team owned on December 31, 2012, an aggregate of 2 684 520 shares which represented approximately 0.07% of the aggregate number of shares and voting rights. They also owned stock options which, if exercised in full, including both exercisable and unexercisable stock options, would be exercisable for additional 5 686 250 shares representing approximately 0.15% of the total number of shares and voting rights on December 31, 2012.

NOKIA GROUP 2008–2012, IFRS*

	2012	2011	2010	2009	2008
Income statement, EURm					
Net sales	**30 176**	38 659	42 446	40 984	50 710
Cost and expenses	**–32 479**	–39 732	–40 376	–39 787	–45 744
Operating profit	**–2 303**	–1 073	2 070	1 197	4 966
Share of results of associated companies	**–1**	–23	1	30	6
Financial income and expenses	**–340**	–102	–285	–265	–2
Profit before tax	**–2 644**	–1 198	1 786	962	4 970
Tax	**–1 145**	–290	–443	–702	–1 081
Profit	**–3 789**	–1 488	1 343	260	3 889
Profit attributable to equity holders of the parent	**–3 106**	–1 164	1 850	891	3 988
Non-controlling interests	**–683**	–324	–507	–631	–99
	–3 789	–1 488	1 343	260	3 889
Balance sheet items, EURm					
Fixed assets and other non-current assets	**9 071**	10 750	11 978	12 125	15 112
Current assets	**20 878**	25 455	27 145	23 613	24 470
Inventories	**1 538**	2 330	2 523	1 865	2 533
Accounts receivable and prepaid expenses	**9 431**	12 223	12 347	12 875	15 117
Total cash and other liquid assets	**9 909**	10 902	12 275	8 873	6 820
Total equity	**9 447**	13 916	16 231	14 749	16 510
Capital and reserves attributable to the Company’s equity holders	**8 061**	11 873	14 384	13 088	14 208
Non-controlling interests	**1 386**	2 043	1 847	1 661	2 302
Long-term liabilities	**5 856**	4 845	5 352	5 801	2 717
Long-term interest-bearing liabilities	**5 087**	3 969	4 242	4 432	861
Deferred tax liabilities	**700**	800	1 022	1 303	1 787
Other long-term liabilities	**69**	76	88	66	69
Current liabilities	**14 646**	17 444	17 540	15 188	20 355
Current portion of long-term loans	**201**	357	116	44	13
Short-term borrowings	**261**	995	921	727	3 578
Other financial liabilities	**90**	483	447	245	924
Accounts payable	**4 394**	5 532	6 101	4 950	5 225
Accrued expenses and other liabilities	**7 081**	7 450	7 365	6 504	7 023
Provisions	**2 619**	2 627	2 590	2 718	3 592
Total assets	**29 949**	36 205	39 123	35 738	39 582

* On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ was a separate reportable segment of Nokia starting from the third quarter 2008 until end of third quarter 2011. Accordingly, the results of NAVTEQ are not available for prior period. As of October 1, 2011, Location & Commerce was formed by combining the NAVTEQ business with Devices & Services social location services operations. As of January 1, 2013, Location & Commerce business and reportable segment has been renamed as the HERE business and reportable segment.

Key ratios and economic indicators [1]	2012	2011	2010	2009	2008
Net sales, EURm	**30 176**	38 659	42 446	40 984	50 710
Change, %	**–21.9**	–8.9	3.6	–19.2	–0.7
Exports and foreign subsidiaries, EURm	**29 873**	38 342	42 075	40 594	50 348
Salaries and social expenses, EURm	**7 170**	7 516	6 947	6 734	6 847
Operating profit, EURm	**–2 303**	–1 073	2 070	1 197	4 966
% of net sales	**–7.6**	–2.8	4.9	2.9	9.8
Financial income and expenses, EURm	**–340**	–102	–285	–265	–2
% of net sales	**1.1**	0.3	0.7	0.6	—
Profit before tax, EURm	**–2 644**	–1 198	1 786	962	4 970
% of net sales	**–8.8**	–3.0	4.2	2.3	9.8
Profit from continuing operations, EURm	**–3 106**	–1 164	1 850	891	3 988
% of net sales	**–10.3**	–3.0	4.4	2.2	7.9
Taxes, EURm	**1 145**	290	443	702	1 081
Dividends, EURm	**0** [2]	749	1 498	1 498	1 520
Capital expenditure, EURm	**461**	597	679	531	889
% of net sales	**1.5**	1.5	1.6	1.3	1.8
Gross investments [3], EURm	**517**	710	836	683	1 166
% of net sales	**1.7**	1.8	2.0	1.7	2.3
R&D expenditure, EURm	**4 782**	5 584	5 844	5 909	5 968
% of net sales	**15.8**	14.4	13.8	14.4	11.8
Average personnel	**112 256**	134 171	129 355	123 171	121 723
Non–interest bearing liabilities, EURm	**14 253**	16 168	16 591	14 483	16 833
Interest–bearing liabilities, EURm	**5 549**	5 321	5 279	5 203	4 452
Return on capital employed, %	**neg.**	neg.	11.0	6.7	27.2
Return on equity, %	**neg.**	neg.	13.5	6.5	27.5
Equity ratio, %	**33.7**	40.1	42.8	41.9	42.3
Net debt to equity, %	**–46**	–40	–43	–25	–14

1 On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ was a separate reportable segment of Nokia starting from the third quarter 2008 until end of third quarter 2011. Accordingly, the results of NAVTEQ are not available for prior period. As of October 1, 2011, Location & Commerce was formed by combining the NAVTEQ business with Devices & Services social location services operations. As of January 1, 2013, Location & Commerce business and reportable segment has been renamed as the HERE business and reportable segment.

2 Board's proposal

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

Calculation of Key Ratios, see page 84.

CALCULATION OF KEY RATIOS

KEY RATIOS UNDER IFRS

Operating profit
Profit after depreciation

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

Earnings per share (basic)
$$\frac{\text{Profit attributable to equity holders of the parent}}{\text{Average of adjusted number of shares during the year}}$$

P/E ratio
$$\frac{\text{Adjusted share price, December 31}}{\text{Earnings per share}}$$

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

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

Dividend yield, %
$$\frac{\text{Nominal dividend per share}}{\text{Share price}}$$

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

Market capitalization
Number of shares x share price per share class

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

Share turnover, %
$$\frac{\text{Number of shares traded during the period}}{\text{Average number of shares during the period}}$$

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

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

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

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

Year-end currency rates 2012

	1 EUR =
USD	1.3140
GBP	0.8121
CNY	8.1963
INR	71.9280
RUB	40.5002
JPY	110.16

SIGNING OF THE ANNUAL ACCOUNTS 2012 AND PROPOSAL BY THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

The distributable funds in the balance sheet of the Company at December 31, 2012 amounted to EUR 5 213 million.

The Board proposes to the Annual General Meeting that no dividend be paid out on the shares of the Company.

Espoo, March 7, 2013

Risto Siilasmaa
Chairman of the Board

Marjorie Scardino

Bruce Brown

Henning Kagermann

Jouko Karvinen

Helge Lund

Isabel Marey-Semper

Mårten Mickos

Elizabeth Nelson

Kari Stadigh

Stephen Elop
President and CEO

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF NOKIA CORPORATION

We have audited the accounting records, the financial statements, the review by the Board of Directors and the administration of Nokia Corporation for the year ended 31 December 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in shareholders' equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, statement of cash flows and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the review by the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the review by the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the review by the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the review by the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the review by the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements and the review by the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the review by the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the review by the Board of Directors

In our opinion, the financial statements and the review by the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the review by the Board of Directors in Finland. The information in the review by the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Espoo, 7 March 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

ADDITIONAL INFORMATION

CRITICAL ACCOUNTING POLICIES

As of January 1, 2013 our Location & Commerce business and reportable segment was renamed HERE. The name Location & Commerce is used in the following discussion of critical accounting policies.

Our accounting policies affecting our financial condition and results of operations are more fully described in Note 1 to our consolidated financial statements. Some of our accounting policies require the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. The related results form the basis for making judgments about reported carrying values of assets and liabilities and reported amounts of revenues and expenses that may not be readily apparent from other sources. The Group will revise material estimates if changes occur in the circumstances on which an estimate was based or as a result of new information or more experience. Actual results may differ from current estimates under different assumptions or conditions. The estimates affect all our businesses equally unless otherwise indicated.

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

REVENUE RECOGNITION

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

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

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

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

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

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

CUSTOMER FINANCING

We have provided a limited number of customer financing arrangements and agreed extended payment terms with selected customers. In establishing credit arrangements, management must assess the creditworthiness of the customer and the timing of cash flows expected to be received under the arrangement. However, should the actual financial position of our customers or general economic conditions differ from our assumptions, we may be required to reassess the ultimate collectability of such financings and trade credits, which could result in a write-off of these balances in future periods and thus negatively impact our profits in future periods. Our assessment of the net recoverable value considers the collateral and security arrangements of the receivable as well as the likelihood and timing of estimated collections. From time to time, the Group endeavors to mitigate this risk through 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. The financial impact of the customer financing related assumptions mainly affects the Nokia Siemens Networks business. See also Note 34(b) to our consolidated financial statements for a further discussion of long-term loans to customers and other parties.

ALLOWANCES FOR DOUBTFUL ACCOUNTS

We maintain allowances for doubtful accounts for estimated losses resulting from the subsequent inability of our customers to make required payments. If financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyzes accounts receivables and historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. Based on these estimates and assumptions the allowance for doubtful accounts was EUR 248 million at the end of 2012 (EUR 284 million at the end of 2011).

INVENTORY-RELATED ALLOWANCES

We periodically review our inventory for excess, obsolescence and declines in market value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory in future periods. Based on these estimates and assumptions, the allowance for excess and obsolete inventory was EUR 471 million at the end of 2012 (EUR 457 million at the end of 2011). The financial impact of the assumptions regarding this allowance affects mainly the cost of sales of the Devices & Services and Nokia Siemens Networks businesses. During 2012 the Group also recognized an expense of EUR 55 million (EUR 0 in 2011) within Devices & Services' cost of sales to write-down the inventories to net realizable value.

WARRANTY PROVISIONS

We provide for the estimated cost of product warranties at the time revenue is recognized. Our products are covered by product warranty plans of varying periods, depending on local practices and regulations. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligations are affected by actual product failure rates (field failure rates) and by material usage and service delivery costs incurred in correcting a product failure. Our warranty provision is established based upon our best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. As we continuously introduce new products which incorporate complex technology, and as local laws, regulations and practices may change, it will be increasingly difficult to anticipate our failure rates, the length of warranty periods and repair costs. While we believe that our warranty provisions are adequate and that the judgments applied are appropriate, the ultimate cost of product warranty could differ materially from our estimates. When the actual cost of quality of our products is lower than we originally anticipated, we release an appropriate proportion of the provision, and if the cost of quality is higher than anticipated, we increase the provision. Based on these estimates and assumptions the warranty provision was EUR 407 million at the end of 2012 (EUR 688 million at the end of 2011). The financial impact of the assumptions regarding this provision mainly affects the cost of sales of our Devices & Services business.

PROVISION FOR INTELLECTUAL PROPERTY RIGHTS, OR IPR, INFRINGEMENTS

We provide for the estimated past costs related to alleged asserted IPR infringements based on the probable outcome of each potential future settlement.

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

We estimate the outcome of all potential IPR infringements made known to us through assertion by third parties, or through our own monitoring of patent- and other IPR-related cases in the relevant legal systems. To the extent that we determine that an identified potential infringement will result in a probable outflow of resources, we record a liability based on our best estimate of the expenditure required to settle infringement proceedings. Based on these estimates and assumptions the provision for IPR infringements was EUR 388 million at the end of 2012 (EUR 431 million at the end of 2011). The financial impact of the assumptions regarding this provision mainly affects our Devices & Services business.

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

LEGAL CONTINGENCIES

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

BUSINESS COMBINATIONS

We apply the acquisition method of accounting to account for acquisitions of businesses. The consideration transferred in a business combination is measured as the aggregate of the fair values of the assets transferred, liabilities incurred towards the former owners of the acquired business and equity instruments issued. Acquisition-related costs are recognized as expense in profit and loss in the periods when the costs are incurred and the related services are received. Identifiable assets acquired and liabilities assumed are measured separately at their fair value as of the acquisition date. Non-controlling interests in the acquired business are measured separately based on their proportionate share of the identifiable net assets of the acquired business. The excess of the cost of the acquisition over our interest in the fair value of the identifiable net assets acquired is recorded as goodwill.

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

VALUATION OF LONG-LIVED ASSETS, INTANGIBLE ASSETS AND GOODWILL

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

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

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

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

Goodwill is allocated to the Group's cash-generating units (CGU) and discounted cash flows are prepared at CGU level for the purpose of impairment testing. The allocation of goodwill to our CGUs is made in a manner that is consistent with the level at which management monitors operations and the CGUs are expected to benefit from the synergies arising from each of our acquisitions. Accordingly, goodwill has been allocated to the Group's reportable segments; Smart Devices CGU, Mobile Phones CGU, Location & Commerce CGU and Nokia Siemens Networks CGU. Goodwill amounting to EUR 899 million, EUR 530 million, EUR 3 270 million and EUR 183 million was allocated to the Smart Devices CGU, Mobile Phones CGU, Location & Commerce CGU and Nokia Siemens Networks CGU, respectively, at the date of the 2012 impairment testing.

In the fourth quarter of 2012, we conducted our annual impairment testing to assess if events or changes in circumstances indicated that the carrying amount of our goodwill may not be recoverable. The impairment testing was carried out based on management's assessment of financial performance and future strategies in light of current and expected market and economic conditions.

The recoverable amounts for the Smart Devices CGU and the Mobile Phones CGU are based on value in use calculations. A discounted cash flow calculation was used to estimate the value in use for both CGUs. Cash flow projections determined by management are based on information available, to reflect the present value of the future cash flows expected to be derived through the continuing use of the Smart Devices CGU and the Mobile Phones CGU.

The recoverable amounts for the Location & Commerce CGU and the Nokia Siemens Networks CGU are based on fair value less costs to sell. A discounted cash flow calculation was used to estimate the fair value less costs to sell for both CGUs. The cash flow projections employed in the discounted cash flow calculation have been determined by management based on the information available, to reflect the amount that an entity could obtain from separate disposal of each of the Location & Commerce CGU and the Nokia Siemens Networks CGU, in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

The cash flow projections employed in the value in use and the fair value less costs to sell calculations are based on detailed financial plans approved by management, covering a three-year planning horizon. Cash flows in subsequent periods reflect a realistic pattern of slowing growth that declines towards an estimated terminal growth rate utilized in the terminal period. The terminal growth rate utilized does not exceed long-term average growth rates for the industry and economies in which the CGU operates. All cash flow projections are consistent with external sources of information, wherever available.

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

	Cash generating units							
	Smart Devices %		Mobile Phones %		Location & Commerce %		Nokia Siemens Networks %	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Terminal growth rate	**2.3**	1.9	**−2.3**	1.5	**1.7**	3.1	**0.7**	1.0
Post-tax discount rate	**10.5**	9.0	**10.5**	9.0	**9.9**	9.7	**10.3**	10.4
Pre-tax discount rate	**12.8**	12.2	**15.5**	13.1	**12.8**	13.1	**14.2**	13.8

Both value in use of Smart Devices CGU and Mobile Phones CGU and fair value less costs to sell for Location & Commerce CGU and Nokia Siemens Networks CGU are determined on a pre-tax value basis using pre-tax valuation assumptions including pre-tax cash flows and pre-tax discount rate. As market-based rates of return for the Group's CGUs are available only on a post-tax basis, the pre-tax discount rates are derived by adjusting the post-tax discount rates to reflect the specific amount and timing of future tax cash flows. The discount rates applied in the impairment testing for each CGU have been determined independently of capital structure reflecting current assessments of the time value of money and relevant market risk premiums. Risk premiums included in the determination of the discount rate reflect risks and uncertainties for which the future cash flow estimates have not been adjusted.

The recoverable amount of the Location & Commerce CGU exceeds its carrying amount by a small margin in the fourth quarter 2012. The related valuation is deemed most sensitive to the changes in both discount and long-term growth rates. A discount rate increase in excess of 0.5 percentage point or long-term growth decline in excess of 1 percentage point would result in impairment loss in the Location & Commerce CGU. Management's estimates of the overall automotive volumes and market share, customer adoption of the new location-based platform and related service offerings, projected device sales volumes and fair value of the services sold within the Group as well as continued focus on cost efficiency are the main drivers for the Location & Commerce net cash flow projections. The Group's cash flow forecasts reflect the current strategic views that license fee based models will remain important in both near and long term. Management expects that license fee based models which are augmented with software and services and monetized via license fees, transactions fees and advertising, will grow in the future as more customers demand complete, end-to-end location solutions. Actual short and long-term performance could vary from management's forecasts and impact future estimates of recoverable value. Since the recoverable amount exceeds the carrying amount only by a small margin, any material adverse changes such as market deterioration or changes in the competitive landscape could impact management's estimates of the main drivers and result in impairment loss.

A charge to operating profit of EUR 1 090 million was recorded for the impairment of goodwill in our Location & Commerce business in the fourth quarter 2011. The impairment loss was allocated in its entirety to the carrying amount of goodwill in the balance sheet of the Location & Commerce CGU. This impairment loss is presented as impairment of goodwill in the consolidated income statement. As a result of the impairment loss, the amount of goodwill allocated to the Location & Commerce CGU was reduced to EUR 3 274 million at December 31, 2011.

The impairment charge was the result of an evaluation of the projected financial performance and net cash flows of the Location & Commerce CGU. The main drivers for management's net cash flow projections included license fees related to digital map data, fair value of the services sold within the Group and estimated average revenue per user with regard to mobile media advertising. The average revenue per user was estimated based on peer market data for mobile advertising revenue. Projected device sales volumes impacted the overall forecasted intercompany and advertising revenues. This took into consideration the market dynamics in digital map data and related location-based content markets, including the Group's long-term view at the time of the 2011 annual impairment testing, that the market will move from fee-based models towards advertising-based models especially in some more mature markets. It also reflected recently announced results and related competitive factors in local search and advertising market resulting in lower estimated growth prospects from location-based assets integrated with different advertising platforms. After consideration of all relevant factors, the Group reduced the net sales projections for the Location & Commerce CGU which, in turn, reduced projected profitability and cash flows.

The Group's goodwill impairment testing did not result in impairment charges for the years ended December 31, 2012 or 2010. An impairment loss was recorded with respect to the Group's Location & Commerce CGU in 2011, as discussed above. No further impairment charges were recorded with respect to the other CGUs in 2011.

See Note 8 to our consolidated financial statements for further information regarding "Valuation of long-lived and intangible assets and goodwill."

FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments that are not traded in an active market, for example unlisted equities, are determined using valuation techniques. We use judgment to select an appropriate valuation methodology and underlying assumptions based principally on existing market conditions. If quoted market prices are not available for unlisted shares, fair value is estimated by using various factors, including, but not limited to: (1) the current market value of similar instruments, (2) prices established from a recent arm's length financing transaction of the target companies, (3) analysis of market prospects and operating performance of the target companies taking into consideration of public market comparable companies in similar industry sectors. Changes in these assumptions may cause the Group to recognize impairments or losses in the future periods. During 2012 the Group received distributions of EUR 49 million (EUR 45 million in 2011) included in other financial income from a private fund held as non-current available-for-sale. Due to a reduction in estimated future cash flows the Group also recognized an impairment loss of EUR 7 million (EUR 38 million in 2011) for the fund included in other financial expenses.

INCOME TAXES

The Group is subject to income taxes both in Finland and in numerous other jurisdictions. Significant judgment is required in determining income tax expense, tax provisions, deferred tax assets and liabilities recognized in the consolidated financial statements. We recognize deferred tax assets to the extent that it is probable that sufficient taxable income will be available in the future against which the temporary differences, tax losses and unused tax credits can be utilized. We have considered future taxable income and tax planning strategies in making this assessment. Deferred tax assets are assessed for realizability each reporting period, and when circumstances indicate that it is no longer probable that deferred tax assets will be utilized, they are adjusted as necessary. In 2012 Nokia taxes continued to be unfavorably affected by Nokia Siemens Networks taxes as no tax benefits are recognized for certain Nokia Siemens Networks deferred tax items. Additionally Nokia taxes were adversely affected by allowances related to Devices & Services' Finnish deferred tax assets and discontinuation of recognizing tax benefits for Devices & Services' Finnish deferred tax items due to uncertainty of utilization of these items.

At December 31, 2012, the Group had tax losses carry forward, temporary differences and tax credits of EUR 10 294 million (EUR 4 302 million in 2011) for which no deferred tax assets were recognized in the consolidated financial statements due to uncertainty of utilization of these items.

We recognize tax provisions based on estimates and assumptions when, despite our belief that tax return positions are supportable, it is more likely than not that certain positions will be challenged and may not be fully sustained upon review by tax authorities. The Group has ongoing tax investigations in multiple jurisdictions, including Hungary and India. If the final outcome of these matters differs from the amounts initially recorded, differences may positively or negatively impact the current taxes and deferred taxes in the period in which such determination is made.

PENSIONS

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

SHARE-BASED COMPENSATION

We have various types of equity-settled share-based compensation schemes for employees mainly in Devices & Services and Location & Commerce. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments as at the date of grant, excluding the impact of any non-market vesting conditions. Fair value of stock options is estimated by using the Black-Scholes model on the date of grant based on certain assumptions. Those assumptions are described in Note 24 to our consolidated financial statements and include, among others, the dividend yield, expected volatility and expected life of stock options. The expected life of stock options is estimated by observing general option holder behavior and actual historical terms of Nokia stock option programs, whereas the assumption of the expected volatility has been set by reference to the implied volatility of stock options available on Nokia shares in the open market and in light of historical patterns of volatility. These variables make estimation of fair value of stock options difficult. Non-market vesting conditions attached to the performance shares are included in assumptions about the number of shares that the employee will ultimately receive relating to projections of sales and earnings per share. On a regular basis, we review the assumptions made and revise the estimates of the number of performance shares that are expected to be settled, where necessary. At the date of grant, the number of performance shares granted that are expected to be settled is assumed to be two times the amount at threshold. Any subsequent revisions to the estimates of the number of performance shares expected to be settled may increase or decrease total compensation expense. Such increase or decrease adjusts the prior period compensation expense in the period of the review on a cumulative basis for unvested performance shares for which compensation expense has already been recognized in the profit and loss account, and in subsequent periods for unvested performance shares for which the expense has not yet been recognized in the profit and loss account. Significant differences in employee option activity, equity market performance, and our projected and actual net sales and earnings per share performance may materially affect future expense. In addition, the value, if any, an employee ultimately receives from share-based payment awards may not correspond to the expense amounts recorded by the Group.

The Group has also issued certain stock options for the employees of Nokia Siemens Networks, which are accounted for as cash-settled. Related employee services received, and the liability incurred, are measured at the fair value of the liability. The fair value of stock options is estimated based on the reporting date market value less the exercise price of the stock options. The fair value of the liability is remeasured at each reporting date and at the date of settlement and related change in fair value is recognized in the income statement over the relevant service periods.

CORPORATE GOVERNANCE

This Corporate Governance statement is prepared in accordance with Chapter 7, Section 7 of the Finnish Securities Markets Act and the recommendation 54 of the Finnish Corporate Governance Code and is issued separately from the review by the Board of Directors. The review by the Board of Directors 2012 is available on page 3 of the 'Nokia in 2012' publication.

REGULATORY FRAMEWORK

Nokia's corporate governance practices comply with Finnish laws and regulations as well as with Nokia's Articles of Association. Nokia also complies with the Finnish Corporate Governance Code with the following exception:

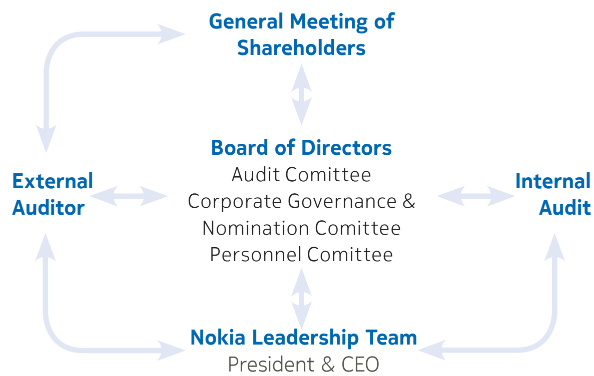
Nokia is not in full compliance with recommendation 39 of the Finnish Corporate Governance Code as Nokia's Restricted Share Plans do not include any performance criteria but are time-based only, with a restriction period of at least three years from the grant. Restricted shares are granted on a selective basis to promote long-term retention of individuals with functional mastery and other employees and executives deemed critical for the future success of Nokia, as well as to support attraction of promising external talent in a competitive environment in which Nokia's peers, especially in the United States, commonly use such shares. The Restricted Share Plans also promote employee share ownership, and are used in conjunction with the Performance Share and Stock Option Plans. The Finnish Corporate Governance Code is accessible at www.cgfinland.fi.

As a result of Nokia's listing of its shares on the New York Stock Exchange and its registration under the US Securities Exchange Act of 1934, Nokia must comply with the US federal securities laws and regulations, including the Sarbanes-Oxley Act of 2002 as well as the requirements of the New York Stock Exchange, in particular the corporate governance rules under section 303A of the New York Stock Exchange Listed Company Manual, which is accessible at http://nysemanual.nyse.com/lcm/. Nokia complies with the above rules in each case to the extent that those provisions are applicable to foreign private issuers. Nokia also complies with any other mandatory corporate governance rules applicable due to listing of Nokia share in Helsinki and New York stock exchanges.

To the extent any non-domestic rules and regulations would require a violation of the laws of Finland, Nokia is obliged to comply with the Finnish requirements. Nevertheless, Nokia aims to minimize the necessity for, or consequences of, conflicts between the laws of Finland and applicable non-domestic requirements.

MAIN CORPORATE GOVERNANCE BODIES OF NOKIA

Pursuant to the provisions of the Finnish Companies Act and Nokia's Articles of Association, the control and management of Nokia is divided among the shareholders at a general meeting, the Board of Directors (the "Board"), the President and the Nokia Leadership Team chaired by the President and CEO.



General Meeting of Shareholders

The shareholders may exercise their decision-making power and their right to speak and ask questions at the general meeting of shareholders. Each Nokia share entitles a shareholder to one vote at general meetings of Nokia. Pursuant to the Finnish Companies Act, an Annual General Meeting must be convened each year by June 30. The Annual General Meeting decides, among other things, on the election and remuneration of the Board of Directors, the adoption of annual accounts, the use of the profit shown on the balance sheet, discharging from liability the members of the Board and the President and CEO as well as on the election and fees of external auditor.

In addition to the Annual General Meeting, an Extraordinary General Meeting shall be convened when the Board considers such meeting to be necessary, or, when the provisions of the Finnish Companies Act mandate that such a meeting must be held.

The Board of Directors

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

THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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

In risk management policies and processes the Board's role includes risk analysis and assessment in connection with each financial and business review, update and decision-making proposal. Risk oversight is an integral part of all Board deliberations. For a more detailed description of Nokia's risk management policies and processes, please see the chapter "Main features of the internal control and risk management systems in relation to the financial reporting process" below.

The Board has the responsibility for appointing and discharging the Chief Executive Officer, the Chief Financial Officer and the other members of the Nokia Leadership Team. The Chief Executive Officer, who is separate from Chairman, also acts as President, and his rights and responsibilities include those allotted to the President under Finnish law. Subject to the requirements of Finnish law, the independent directors of the Board confirm the compensation and the employment conditions of the President and CEO upon the recommendation of the Personnel Committee. The compensation and employment conditions of the other members of the Nokia Leadership Team are approved by the Personnel Committee upon the recommendation of the President and CEO.

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

The Board has three committees: Audit Committee, Corporate Governance and Nomination Committee and Personnel Committee. These committees assist the Board in its duties pursuant to their respective committee charters. The Board may also establish ad hoc committees for detailed reviews or consideration of particular topics to be proposed for the approval of the Board.

In line with Nokia's Corporate Governance Guidelines, the Board conducts annual performance evaluations, which also include evaluations of the Board Committees' work, the results of which are discussed by the Board. Regarding 2012, the evaluation was conducted by an external evaluator, and the evaluation consisted of interviews with the Board members. The results of the evaluation for year 2012 were discussed by the entire Board.

ELECTION, COMPOSITION AND MEETINGS OF THE BOARD OF DIRECTORS

Pursuant to the Articles of Association, Nokia Corporation has a Board of Directors composed of a minimum of seven and a maximum of 12 members. The members of the Board are elected for a one-year term at each Annual General Meeting, i.e., as from the close of that Annual General Meeting until the close of the following Annual General Meeting, which convenes each year by June 30. The Annual General Meeting held on May 3, 2012 elected the following 11 members to the Board of Directors: Bruce Brown, Stephen Elop, Henning Kagermann, Jouko Karvinen, Helge Lund, Isabel Marey-Semper, Mårten Mickos, Elizabeth Nelson, Dame Marjorie Scardino, Risto Siilasmaa and Kari Stadigh.

Nokia Board's leadership structure consists of a Chairman and Vice Chairman, elected annually by the Board and confirmed by the independent directors of the Board from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. On May 3, 2012, the independent directors of the Board elected Risto Siilasmaa as the new Chairman and Dame Marjorie Scardino to continue as Vice Chairman of the Board. The Chairman has certain specific duties as defined by Finnish standards and the Nokia Corporate Governance Guidelines. The Vice Chairman assumes the duties of the Chairman in case the Chairman is prevented from performing his duties. The Board has determined that Nokia Board Chairman, Risto Siilasmaa, and the Vice Chairman, Dame Marjorie Scardino, are independent as defined by Finnish standards and relevant stock exchange rules.

Nokia does not have a policy concerning the combination or separation of the roles of Chairman and Chief Executive Officer, but the Board leadership structure is dependent on the company needs, shareholder value and other relevant factors applicable from time to time, respecting the highest corporate governance standards. In 2012, the roles were separate while Risto Siilasmaa was the Chairman of the Board and Stephen Elop was the Chief Executive Officer.

The current members of the Board are all non-executive, except the President and CEO. The Board has determined that nine of the current ten non-executive Board members are independent as defined by Finnish standards as well as by the rules of the New York Stock Exchange. Mårten Mickos was determined not to be independent under both Finnish standards and the rules of the New York Stock Exchange due to his position as CEO of Eucalyptus Systems, Inc., which has a business relationship with and receives revenue from Nokia Siemens Networks. The executive member of the Board, President and CEO Stephen Elop, was determined not to be independent under both Finnish standards and the New York Stock Exchange rules.

The Board held 17 meetings during 2012, of which approximately half were regularly scheduled meetings held in person, complemented by meetings through video or conference calls and other means. In addition, in 2012 the non-executive directors held a meeting without management in connection with each regularly scheduled Board meeting. Also, the independent directors held one meeting separately in 2012.

Directors' attendance at the Board meetings in 2012, including Committee meetings, but excluding meetings among the non-executive directors or independent directors only, was as described in the table on next page.

	Board meetings	Audit Committee meetings	Personnel Committee meetings	Corporate Governance & Nomination Committee meetings
Bruce Brown (as of May 3, 2012)	92%	—	75%	—
Stephen Elop	100%	—	—	—
Bengt Holmström (until May 3, 2012)	80%	—	—	—
Henning Kagermann	100%	—	100%	100%
Per Karlsson (until May 3, 2012)	100%	—	100%	—
Jouko Karvinen	100%	100%	—	100% (as of May 3, 2012)
Helge Lund	94%	—	86%	—
Isabel Marey-Semper	88%	100%	—	—
Mårten Mickos (as of May 3, 2012)	100%	—	—	—
Elizabeth Nelson (as of May 3, 2012)	100%	100%	—	—
Jorma Ollila (until May 3, 2012)	100%	—	—	—
Dame Marjorie Scardino	82%	—	43%	60%
Risto Siilasmaa	100%	100% (until May 3, 2012)	—	100%
Kari Stadigh	100%	—	100%	—

In addition, many of the directors attended as non-voting observers in meetings of a committee in which they were not a member.

According to the Nokia Board practices, the non-executive directors meet without management in connection with each regularly scheduled meeting. Such sessions are chaired by the non-executive Chairman of the Board. If the non-executive Chairman of the Board is unable to chair any of the meetings of non-executive directors, the non-executive Vice Chairman of the Board chairs the meeting. In addition, the independent directors meet separately at least once annually.

All the directors who served on the Board for the term until the close of the Annual General Meeting 2012, except for Helge Lund, attended Nokia's Annual General Meeting held on May 3, 2012. The Finnish Corporate Governance Code recommends attendance by the Board Chairman and a sufficient number of directors in the general meeting of shareholders to allow the shareholders to exercise their right to present questions to the Board and management.

The independent directors of the Board confirm the election of the members and Chairmen for the Board's committees from among the Board's independent directors upon the recommendation of the Corporate Governance and Nomination Committee and based on each committee's member qualification standards.

The Corporate Governance Guidelines concerning the directors' responsibilities, the composition and selection of the Board, its committees and certain other matters relating to corporate governance are available on Nokia's website, www.nokia.com/global/about-nokia. Also, the Committee Charters of the Audit Committee, Corporate Governance and Nomination Committee and Personnel Committee are available on Nokia's website, www.nokia.com/global/about-nokia. Nokia also has a Code of Conduct which is equally applicable to all of Nokia's employees, directors and management, and a Code of Ethics for the Principal Executive Officers and the Senior Financial Officers. Both the Code of Conduct and Code of Ethics are available on Nokia's website, www.nokia.com/global/about-nokia.

COMMITTEES OF THE BOARD OF DIRECTORS

The Audit Committee consists of a minimum of three members of the Board who meet all applicable independence, financial literacy and other requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, i.e. NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 3, 2012, the Audit Committee has consisted of the following three members of the Board: Jouko Karvinen (Chairman), Isabel Marey-Semper and Elizabeth Nelson.

The Audit Committee is established by the Board primarily for the purpose of overseeing the accounting and financial reporting processes of the company and audits of the financial statements of the company. The Committee is responsible for assisting the Board's oversight of (1) the quality and integrity of the company's financial statements and related disclosure, (2) the statutory audit of the company's financial statements, (3) the external auditor's qualifications and independence, (4) the performance of the external auditor subject to the requirements of Finnish law, (5) the performance of the company's internal controls and risk management and assurance function, (6) the performance of the internal audit function, and (7) the company's compliance with legal and regulatory requirements, including also the performance of its ethics and compliance program. The Committee also maintains procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal controls, or auditing matters and for the confidential, anonymous submission by employees of the company of concerns regarding accounting or auditing matters. Our disclosure controls and procedures, which are reviewed by the Audit Committee and approved by the Chief Executive Officer and the Chief Financial Officer, as well as our internal controls over financial reporting, are designed to provide reasonable assurance regarding the quality and integrity of the company's financial statements and related disclosures. The Disclosure Committee chaired by the Chief Financial Officer is responsible for the preparation of the quarterly and annual results announcements, and the process includes involvement by business managers, business controllers and other functions, like internal audit, as well as a final review and confirmation by the Audit Committee and the Board. For further information on internal control over financial reporting, see chapter "Main features of the internal control and risk management systems in relation to the financial reporting process" below.

Under Finnish law, our external auditor is elected by our shareholders by a simple majority vote at the Annual General Meeting for one fiscal year at a time. The Audit Committee makes a proposal to the shareholders in respect of the appointment of the external auditor based upon its evaluation of the qualifications and independence of the auditor to be proposed for election or re-election. Under Finnish law, the fees of the external auditor are also approved by our shareholders by a simple majority vote at the Annual General Meeting. The Committee makes a proposal to the shareholders in respect of the fees of the external auditor, and approves the external auditor's annual audit fees under the guidance given by the Annual General Meeting. For information about the fees paid to Nokia's external auditor, PricewaterhouseCoopers, during 2012 see "Auditor fees and services" on page 125.

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

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

The Audit Committee had 6 meetings in 2012. The attendance at all meetings was 100%. In addition, any directors who wish to may attend Audit Committee meetings as non-voting observers.

The Personnel Committee consists of a minimum of three members of the Board who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, i.e. NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 3, 2012, the Personnel Committee has consisted of the following five members of the Board: Henning Kagermann (Chairman), Bruce Brown, Helge Lund, Dame Marjorie Scardino and Kari Stadigh.

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

The Personnel Committee had 7 meetings in 2012. The average attendance at the meetings was 86%. In addition, any directors who wish to may attend Personnel Committee meetings as non-voting observers.

For further information on the activities of the Personnel Committee, see "Executive compensation philosophy, programs and decision-making process" on page 107.

The Corporate Governance and Nomination Committee consists of three to five members of the Board who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, i.e. NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 3, 2012, the Corporate Governance and Nomination Committee has consisted of the following four members of the Board: Risto Siilasmaa (Chairman), Henning Kagermann, Jouko Karvinen and Dame Marjorie Scardino.

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

The Committee fulfills its responsibilities by (i) actively identifying individuals qualified to become members of the Board and considering and evaluating the appropriate level and structure of director remuneration, (ii) proposing to the shareholders the director nominees for election at the Annual General Meetings as well as the director remuneration, (iii) monitoring significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies, (iv) assisting the Board and each Committee of the Board in its annual performance evaluations, including establishing criteria to be used in connection with such evaluations, (v) developing and recommending to the Board and administering our Corporate Governance Guidelines, and (vi) reviewing the company's disclosure in the Corporate Governance Statement.

The Committee has the power to retain search firms or advisors to identify candidates. The Committee may also retain counsel or other advisors, as it deems appropriate. The Committee has the sole authority to retain or terminate such search firms or advisors and to review and approve such search firm or advisor's fees and other retention terms. It is the Committee's practice to retain a search firm to identify new director candidates.

The Corporate Governance and Nomination Committee had 5 meetings in 2012. The average attendance at the meetings was 90%. In addition, any directors who wish to may attend Corporate Governance and Nomination Committee meetings as non-voting observers.

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

Nokia Leadership Team and CEO

Under its Articles of Association, in addition to the Board of Directors, Nokia has a Nokia Leadership Team that is responsible for the operative management of Nokia. The Chairman and members of the Nokia Leadership Team are appointed by the Board of Directors. Nokia Leadership Team is chaired by the Chief Executive Officer. Only the Chairman of the Nokia Leadership Team, the Chief Executive Officer, can be a member of both the Board of Directors and the Nokia Leadership Team. The Chief Executive Officer also acts as President, and his rights and responsibilities include those allotted to the President under Finnish law.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

Nokia has a Risk Policy which outlines Nokia's risk management policies and processes and is approved by the Audit Committee. The Board's role in risk oversight includes risk analysis and assessment in connection with each financial and business review, update and decision-making proposal and is an integral part of all Board deliberations. The Audit Committee is responsible for, among other matters, the risk management relating to the financial reporting process and assisting the Board's oversight of the risk management function. Nokia applies a common and systematic approach to the risk management across all business operations and processes based on a strategy approved by the Board. Accordingly, the risk management at Nokia is not a separate process but a normal daily business and management practice.

The management is responsible for establishing and maintaining adequate internal control over financial reporting for Nokia. Nokia's internal control over financial reporting is designed to provide reasonable assurance to the management and the Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements.

The management conducts a yearly assessment of Nokia's internal controls over financial reporting in accordance with the Committee of Sponsoring Organizations (COSO) framework and the Control Objectives for Information and related Technology (CoBiT) of internal controls. For the year 2012, the assessment was performed based on a top down risk assessment of Nokia's financial statements covering significant accounts, processes and locations, corporate level controls, control activities and information systems' general controls.

As part of its assessment the management documented:

- The corporate-level controls, which create the "tone from the top" containing Nokia values and Code of Conduct and provide discipline and structure to the decision making and ways of working. Selected items from Nokia's operational mode and governance principles are separately documented as corporate level controls.
- The control activities, which consist of policies and procedures to ensure the management's directives are carried out and the related documentation is stored according to Nokia's document retention practices and local statutory requirements.
- The information systems' general controls to ensure that sufficient information technology general controls, including change management, system development, computer operations as well as access and authorizations, are in place.
- The significant processes, including six financial cycles and underlying IT cycle identified by Nokia to address control activities implementing a top down risk based approach. These cycles include revenue cycle, delivery cycle, indirect purchase cycle, treasury cycle, human resources cycle, record to report cycle and IT cycle. Financial cycles have been designed to (i) give a complete end-to-end view to all financial processes (ii) identify key control points (iii) identify involved organizations, (iv) ensure coverage for important accounts and financial statement assertions and (v) enable internal control management within Nokia.

Further, the management also:

- assessed the design of controls in place to mitigate the financial reporting risks;
- tested operating effectiveness of all key controls;
- evaluated all noted deficiencies in internal controls over financial reporting as of year-end; and
- performed a quality review on assessment documentation and provided feedback for improvement.

Based on this evaluation, the management has assessed the effectiveness of Nokia's internal control over financial reporting, as at December 31, 2012, and concluded that such internal control over financial reporting is effective.

Nokia also has an internal audit function that acts as an independent appraisal function by examining and evaluating the adequacy and effectiveness of Nokia's system of internal control. Internal audit resides within the Chief Financial Officer's organization and reports to the Audit Committee of the Board of Directors. The head of internal audit function has at all times direct access to the Audit Committee, without involvement of the management.

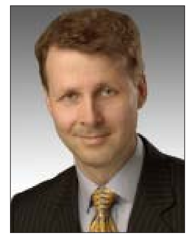
For more information on Nokia's risk management, please see Note 34 of Nokia's consolidated financial statements.

BOARD OF DIRECTORS

The current members of the Board of Directors were elected at the Annual General Meeting on May 3, 2012, based on the proposal of the Board's Corporate Governance and Nomination Committee. On the same date, the Chairman and Vice Chairman, as well as the Chairmen and members of the committees of the Board, were elected among the Board members and among the independent directors of the Board, respectively.

The members of the Board of Directors are elected on an annual basis for a one-year term ending at the close of the next Annual General Meeting. The election is made by a simple majority of the shareholders' votes represented at the Annual General Meeting.

THE CURRENT MEMBERS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES ARE SET FORTH BELOW.



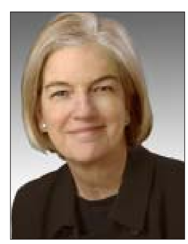
CHAIRMAN RISTO SIILASMAA, B. 1966

Chairman of the Board of Directors of Nokia Corporation.
Board member since 2008.
Chairman since 2012.
Chairman of the Corporate Governance and Nomination Committee.

Master of Science (Eng.) (Helsinki University of Technology). President and CEO of F-Secure Corporation 1988 – 2006.

Chairman of the Board of Directors of F-Secure Corporation. Member of the Board of Directors of Mendor Ltd. Vice Chairman of the Board of Directors of The Federation of Finnish Technology Industries. Member of the Board of Directors of The Confederation of Finnish Industries (EK).

Chairman of the Board of Directors of Elisa Corporation 2008 – 2012. Member of the Board of Directors of Elisa Corporation 2007 – 2008.



VICE CHAIRMAN DAME MARJORIE SCARDINO, B. 1947

Board member since 2001.
Vice Chairman since 2007.
Member of the Corporate Governance and Nomination Committee.
Member of the Personnel Committee.

Bachelor of Arts (Baylor University). Juris Doctor (University of San Francisco).

Chief Executive of Pearson plc. 1997 – 2012. Chief Executive of The Economist Group 1993 – 1997. President of the North American Operations of The Economist Group 1985 – 1993. Lawyer 1976 – 1985 and publisher of The Georgia Gazette newspaper 1978 – 1985.

Member of the Board of Directors of Pearson plc 1997 – 2012.

BRUCE BROWN, B. 1958
Chief Technology Officer of The Procter & Gamble Company. Board member since May 3, 2012. Member of the Personnel Committee.

M.B.A. (International Business) (Xavier University). B.S. (Chemical Engineering) (Polytechnic Institute of New York University).

Various executive and managerial positions in Baby Care, Feminine Care, and Beauty Care units of The Procter & Gamble Company since 1980 in the United States, Germany and Japan.

Member of the Board of Directors of Agency for Science, Technology & Research (A*STAR). Strategy Adviser in US National Innovation. Member of the Board of Trustees of Xavier University. Chairman of the Advisory Board of MDVIP. Member of the Board of the University of Cincinnati Research Institute.

STEPHEN ELOP, B. 1963
President and CEO of Nokia Corporation. Chairman of the Nokia Leadership Team. Board member since 2011.

Bachelor of Computer Engineering and Management (McMaster University, Hamilton, Canada). Doctor of Laws, honorary (McMaster University, Hamilton, Canada).

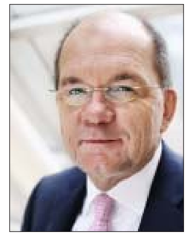
President of Microsoft Business Division and member of senior membership team of Microsoft Corporation 2008 – 2010. COO, Juniper Networks, Inc. 2007 – 2008. President, Worldwide Field Operations, Adobe Systems Inc. 2005 – 2006. President and CEO (last position), Macromedia Inc. 1998 – 2005.

HENNING KAGERMANN, B. 1947
Board member since 2007. Chairman of the Personnel Committee. Member of the Corporate Governance and Nomination Committee.

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

Co-CEO and Chairman of the Executive Board of SAP AG 2008 – 2009. CEO of SAP 2003 – 2008. Co-chairman of the Executive Board of SAP AG 1998 – 2003. A number of leadership positions in SAP AG since 1982. Member of SAP Executive Board 1991 – 2009. Taught physics and computer science at the Technical University of Brunswick and the University of Mannheim 1980 – 1992, became professor in 1985.

Member of the Supervisory Boards of Bayerische Motoren Werke Aktiengesellschaft (BMW AG), Deutsche Bank AG, Deutsche Post AG and Münchener Rückversicherungs-Gesellschaft AG (Munich Re). Member of the Board of Directors of Wipro Ltd. President of Deutsche Akademie der Technikwissenschaften. Member of the Honorary Senate of the Foundation Lindau Nobel prizewinners.



JOUKO KARVINEN, B. 1957
CEO of Stora Enso Oyj. Board member since 2011. Chairman of the Audit Committee. Member of the Corporate Governance and Nomination Committee.

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

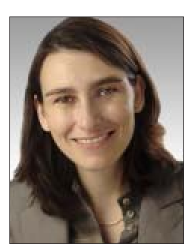
CEO of Philips Medical Systems Division 2002 – 2006. Member of Board of Management of Royal Philips Electronics 2006 and Group Management Committee 2002 – 2006. Holder of executive and managerial positions at ABB Group Limited from 1987, including Executive Vice President, Head of Automation Technology Products Division and Member of Group Executive Committee 2000 – 2002, Senior Vice President, Business Area Automation Power Products 1998 – 2000, Vice President, Business Unit Drives Products & Systems 1993 – 1998, Vice President, Power Electronics Division of ABB Drives Oy, Global AC Drives Feeder Factory and R&D Centre 1990 – 1993.

Member of the Board of Directors of Aktiebolaget SKF. Member of the Board of Directors of the Finnish Forest Industries Federation and the Confederation of European Paper Industries (CEPI).

HELGE LUND, B. 1962
President and CEO of Statoil ASA. Board member since 2011. Member of the Personnel Committee.

MA in Business Economics (School of Economics and Business Administration, Bergen). Master of Business Administration (MBA) (INSEAD).

President and CEO of StatoilHydro 2007 – 2009. President and CEO of Statoil 2004 – 2007. President and CEO of Aker Kvaerner ASA 2002 – 2004. Central managerial positions in the Aker RGI system from 1999. Prior to 1999, Deputy Managing Director of Nycomed Pharma AS, a political adviser to the Conservative Party of the parliamentary group of Norway and a consultant of McKinsey & Co.

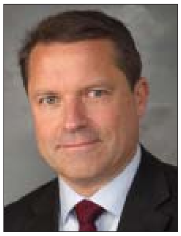


ISABEL MAREY-SEMPER, B. 1967
Director of Advanced Research of L'Oréal Group. Board member since 2009. Member of the Audit Committee.

Ph.D. (Neuro-Pharmacology) (Université Paris Pierre et Marie Curie – Collège de France). MBA (Collège des Ingénieurs, Paris).

Director of Shared Services of L'Oréal Group 2010 – 2011. Chief Financial Officer, Executive Vice President in charge of strategy of PSA Peugeot Citroën 2007 – 2009. COO, Intellectual Property and Licensing Business Unit of Thomson 2006–2007. Vice President Corporate Planning at Saint-Gobain 2004–2005. Director of Corporate Planning, High Performance Materials of Saint-Gobain 2002–2004. Principal of A.T. Kearney (Telesis, prior to acquisition by A.T. Kearney) 1997–2002.

Member of the Board of Directors of Faurecia S.A. 2007–2009.

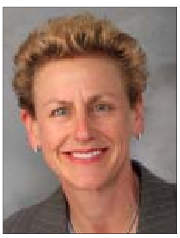


MÅRTEN MICKOS, B. 1962

Chief Executive Officer of Eucalyptus Systems, Inc. Board member since May 3, 2012.

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

Senior Vice President, Database Group, Sun Microsystems 2008–2009. CEO, MySQL AB 2001–2008. Chairman, Vexillum Ab 2000–2001. CEO, MatchON Sports Ltd. 1999–2000. CEO, Intellitel Communications Ltd. 1997–1999.



ELIZABETH NELSON, B. 1960

Independent Corporate Advisor. Board member since May 3, 2012. Member of the Audit Committee.

M.B.A. (Finance) (The Wharton School, University of Pennsylvania). B.S. (Foreign Service) (Georgetown University).

Executive Vice President and Chief Financial Officer, Macromedia, Inc. 1997–2005. Vice President, Corporate Development, Macromedia, Inc. 1996–1997. Project Manager, Corporate Development and International Finance, Hewlett-Packard Company 1988–1996. Associate, Robert Nathan Associates 1982–1986.

Member of the Board of Directors of Brightcove Inc.

Member of the Boards of Directors of Ancestry.com, Inc. 2009–2012, SuccessFactors, Inc. 2007–2012, Autodesk, Inc. 2007–2010 and CNET Networks, Inc. 2003–2008.

KARI STADIGH, B. 1955

Group CEO and President of Sampo plc. Board member since 2011. Member of the Personnel Committee.

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

Deputy CEO of Sampo plc 2001–2009. President of Sampo Life Insurance Company Limited 1999–2000. President of Nova Life Insurance Company Ltd 1996–1998. President and COO of Jaakko Pöyry Group 1991–1996.

Member of the Board of Directors of Nordea Bank AB (publ). Chairman of the Board of Directors of If P&C Insurance Holding Ltd (publ), Kaleva Mutual Insurance Company and Mandatum Life Insurance Company Limited. Member of the Board of Directors of Varma Mutual Pension Insurance Company. Vice Chairman of the Board of Directors of Confederation of Finnish Industries (EK). Vice Chairman of the Board of Directors of the Federation of Finnish Financial Services. Member of the Board of Directors of Central Chamber of Commerce of Finland.

Chairman of the Board of Directors of Alma Media Corporation 2005–2011. Member of the Board of Directors of Aspo Plc. 2009. Chairman of the Board of Directors of Aspo Plc. 2000–2008.

The following individuals served on Nokia Board until the close of the Annual General Meeting held on May 3, 2012:

- Bengt Holmström, b. 1949. Board member 1999–2012. No committee memberships in 2012.
- Per Karlsson, b. 1955. Board member 2002–2012. Served as a member of the Personnel Committee until May 3, 2012.
- Jorma Ollila, b. 1950. Board member 1995–1999. Chairman 1999–2012. No committee memberships in 2012.

ELECTION OF THE BOARD MEMBERS

Proposal of the Corporate Governance and Nomination Committee for Composition of the Board of Directors in 2013

On January 24, 2013, the Corporate Governance and Nomination Committee announced its proposal to the Annual General Meeting convening on May 7, 2013 regarding the composition of the Board of Directors for a one-year term from the Annual General Meeting 2013 until the close of the Annual General Meeting 2014. The Committee will propose that the number of Board members be ten and that the following current Nokia Board members be re-elected as members of the Nokia Board of Directors for a term until the close of the Annual General Meeting 2014: Bruce Brown, Stephen Elop, Henning Kagermann, Jouko Karvinen, Helge Lund, Mårten Mickos, Elizabeth Nelson, Risto Siilasmaa and Kari Stadigh.

In addition, the Committee will propose that Elizabeth Doherty, the Chief Financial Officer of Reckitt Benckiser Group plc until March 15, 2013, be elected as a member of the Nokia Board of Directors for the same term until the close of the Annual General Meeting 2014.

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

The Chairman and the Vice Chairman are elected by the new Board and confirmed by the independent directors of the Board from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. The independent directors of the new Board will also confirm the election of the members and Chairmen for the Board's committees from among the Board's independent directors upon the recommendation of the Corporate Governance and Nomination Committee and based on each committee's member qualification standards. These elections will take place at the Board's assembly meeting following the Annual General Meeting.

On January 24, 2013, the Corporate Governance and Nomination Committee announced that it will propose in the assembly meeting of the new Board of Directors after the Annual General Meeting on May 7, 2013 that Risto Siilasmaa be elected as Chairman of the Board and Jouko Karvinen as Vice Chairman of the Board.

NOKIA LEADERSHIP TEAM

According to our Articles of Association, the Nokia Leadership Team is responsible for the operative management of the Company. The Chairman and members of the Nokia Leadership Team are appointed by the Board of Directors. Only the Chairman of the Nokia Leadership Team, the President and CEO, can be a member of both the Board of Directors and the Nokia Leadership Team.

CHANGES IN THE NOKIA LEADERSHIP TEAM

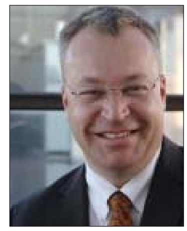
During 2012, the following appointments were made to the Nokia Leadership Team:

- Marko Ahtisaari was appointed Executive Vice President of Design and member of the Nokia Leadership Team as from February 1, 2012.
- Juha Putkiranta was appointed Executive Vice President of Operations and member of the Nokia Leadership Team as from July 1, 2012.
- Timo Toikkanen was appointed Executive Vice President of Mobile Phones and member of the Nokia Leadership Team as from July 1, 2012.
- Chris Weber was appointed Executive Vice President of Sales and Marketing and member of the Nokia Leadership Team as from July 1, 2012.

Further, during 2012, the following Nokia Leadership Team members resigned:

- Jerri DeVard, formerly Executive Vice President and Chief Marketing Officer, stepped down from the Nokia Leadership Team effective June 30, 2012.
- Colin Giles, formerly Executive Vice President of Sales, stepped down from the Nokia Leadership Team effective June 30, 2012 and left Nokia on September 30, 2012.
- Mary T. McDowell, formerly Executive Vice President of Mobile Phones stepped down from the Nokia Leadership Team effective June 30, 2012 and left Nokia on December 31, 2012.
- Niklas Savander, formerly Executive Vice President of Markets stepped down from the Nokia Leadership Team effective June 30, 2012 and left Nokia on February 28, 2013.
- Esko Aho, formerly Executive Vice President of Corporate Relations and Responsibility stepped down from the Nokia Leadership Team and left Nokia effective August 31, 2012. He continues as an external consultant to Nokia.

THE CURRENT MEMBERS OF THE NOKIA LEADERSHIP TEAM ARE SET FORTH BELOW.



CHAIRMAN STEPHEN ELOP, B. 1963

President and CEO of Nokia Corporation. Member of the Board of Directors of Nokia Corporation. Nokia Leadership Team member and Chairman since 2010. Joined Nokia 2010.

Bachelor of Computer Engineering and Management (McMaster University, Hamilton, Canada). Doctor of Laws, honorary (McMaster University, Hamilton, Canada).

President of Microsoft Business Division and member of senior membership team of Microsoft Corporation 2008–2010. COO, Juniper Networks, Inc. 2007–2008. President, Worldwide Field Operations, Adobe Systems Inc. 2005–2006. President and CEO (last position), Macromedia Inc. 1998–2005.

MARKO AHTISAARI, B. 1969

Executive Vice President, Design. Nokia Leadership Team member since February 1, 2012. With Nokia 2002–2006, rejoined 2009.

Master of Arts in Philosophy (Graduate School of Arts and Sciences, Columbia University, New York, USA). Bachelor of Arts in Economics and Philosophy (Columbia College, New York, USA).

Senior Vice President, Design, Nokia 2009–2012. CEO and Co-founder, Dopplr 2008–2009. Head of Brand & Design, Blyk 2006–2008. Director, Design Strategy, Nokia 2005–2006. Director, Insight & Innovation, Nokia 2002–2004. Designer, Satama Interactive 1999–2002. Faculty Fellow, Graduate School of Arts and Sciences, Columbia University 1993–1998.

Member of the Board of Directors of Artek oy ab. Member of the Board of Directors of WITNESS.

MICHAEL HALBHERR, B. 1964

Executive Vice President, HERE. Nokia Leadership Team member since 2011. Joined Nokia 2006.

PhD. (Electrical Engineering) (ETH, Zurich, Switzerland). Worked at MIT Laboratory for Computer Science (Cambridge, MA, USA).

Vice President, Ovi Product Development, Nokia Services 2010–2011. Vice President, Nokia Maps, Nokia Services 2006–2010. CEO, gate5 AG, Berlin, Germany 2001–2006. Managing Director, Europeatweb, Munich, Germany 2000–2001. Manager, The Boston Consulting Group, in the USA and Switzerland 1994–2000.

JO HARLOW, B. 1962

Executive Vice President, Smart Devices. Nokia Leadership Team member since 2011. Joined Nokia 2003.

Bachelor of science (psychology) (Duke University, Durham, North Carolina, USA).

Senior Vice President, Symbian Smartphones, Mobile Solutions, Nokia 2010–2011. Senior Vice President, Smartphones Product Management, Nokia 2009. Vice President, Live Category, Nokia 2008–2009. Senior Vice President, Marketing, Mobile Phones, Nokia 2006–2007. Vice President, Marketing, North America, Mobile Phones, Nokia 2003–2005. Marketing, sales and management roles at Reebok 1992–2003 and Procter & Gamble 1984–1992.

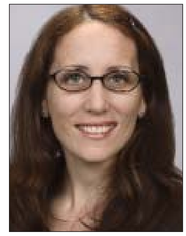
TIMO IHAMUOTILA, B. 1966

Executive Vice President, Chief Financial Officer. Nokia Leadership Team member since 2007. With Nokia 1993–1996, rejoined 1999.

Master of Science (Economics) (Helsinki School of Economics). Licentiate of Science (Finance) (Helsinki School of Economics).

Executive Vice President, Sales, Markets, Nokia 2008–2009. Executive Vice President, Sales and Portfolio Management, Mobile Phones, Nokia 2007. Senior Vice President, CDMA Business Unit, Mobile Phones, Nokia 2004–2007. Vice President, Finance, Corporate Treasurer, Nokia 2000–2004. Director, Corporate Finance, Nokia 1999–2000. Vice President of Nordic Derivatives Sales, Citibank plc. 1996–1999. Manager, Dealing & Risk Management, Nokia 1993–1996. Analyst, Assets and Liability Management, Kansallis Bank 1990–1993.

Member of the Board of Directors of Uponor Corporation. Member of the Board of Directors of Nokia Siemens Networks B.V. Member of the Board of Directors of Central Chamber of Commerce of Finland.



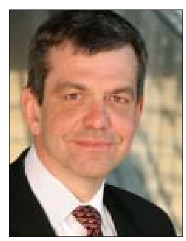
LOUISE PENTLAND, B. 1972

Executive Vice President, Chief Legal Officer. Nokia Leadership Team member since 2011. Joined Nokia 1998.

LL.B honours (law degree) (Newcastle upon Tyne). Qualified and active Solicitor (England and Wales). Licensed attorney (Member of the New York Bar).

Senior Vice President and Chief Legal Officer, Nokia 2008–2011. Acting Chief Legal Officer, Nokia 2007–2008. Vice President and Head of Legal, Enterprise Solutions, Nokia 2004–2007. Senior Legal Counsel, Nokia Networks 1998–2004. Before joining Nokia, corporate in-house legal positions at Avon Cosmetics Ltd. and law firm positions prior to that in the United Kingdom.

Member of the Board of Directors of Nokia Siemens Networks B.V. Member of Association of General Counsel, CLO Roundtable–Europe, Global Leaders in Law, Corporate Counsel Forum. Vice chair of the International Bar Association.



JUHA PUTKIRANTA, B. 1957

Executive Vice President, Operations. Nokia Leadership Team member since July 1, 2012. Joined Nokia 1997.

Master of Science (Eng.) (Helsinki University of Technology). Majors in Industrial Economics and Information Technology.

Senior Vice President, Supply Chain, Nokia 2007–2012. Senior Vice President, Multimedia Computers, Nokia 2004–2007. Senior Vice President, Imaging Business Unit, Nokia 2002–2004. Senior Vice President, Cellular Telephone Business Unit, Nokia 2000–2002. Vice President, Corporate Planning and Business Development, Nokia 1997–2000. Managerial positions at Hewlett-Packard Company 1986–1997.

HENRY TIRRI, B. 1956

Executive Vice President, Chief Technology Officer. Nokia Leadership Team member since 2011. Joined Nokia 2004.

Ph.D. (computer science) (University of Helsinki). Dr. h.c. (University of Tampere).

Head of Nokia Research Center (NRC), Corporate Development, Nokia 2008–2011. Head of NRC Systems Research 2007–2008. Nokia Research Center, Research Fellow 2004–2007.

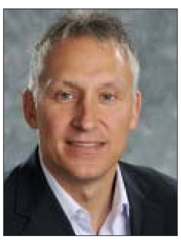
Adjunct Professor in computer science (University of Helsinki). Adjunct Professor in computational engineering (Aalto University, Helsinki). Adjunct Professor in Civil Engineering (University of California, Berkeley). Member of the international Advisory Committee of Tsinghua National Laboratory for Information Science and Technology.

TIMO TOIKKANEN, B. 1966

Executive Vice President, Mobile Phones. Nokia Leadership Team member since July 1, 2012. Joined Nokia 1995.

Master of Law degree (University of Helsinki). Master of Law degree (King's College, London).

Head of Business Development, Nokia 2011–2012. Senior Vice President, Strategic Business Operations, Nokia 2010–2011. Senior Vice President, Sales, Distribution East, Nokia 2000–2010. Senior Vice President, Middle East and Africa, Customer and Market Operations, Nokia 2005–2008. Vice President, Greater China Mobile Phones Sales, Nokia. Vice President, Sales, China South Mobile Phones, Nokia 2001–2002. General Manager, Hong Kong and Macao, Nokia 2000–2001.

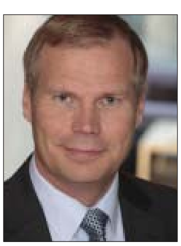


CHRIS WEBER, B. 1965

Executive Vice President, Sales and Marketing. Nokia Leadership Team member since July 1, 2012. Joined Nokia 2011.

Bachelor degree in business administration (economics and computer science) (Mount Union College, Alliance, Ohio, USA).

Senior Vice President of Markets, Americas, Nokia 2011–2012. CEO of own sales consulting business, 2010–2011. Holder of several executive sales and marketing positions during a 15-year career at Microsoft, including corporate vice president, U.S. Enterprise and Partner Group, and overseeing national sales strategy, sales operations, enterprise partners and vertical industry strategy.



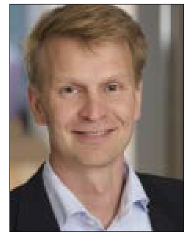
JUHA ÄKRÄS, B. 1965

Executive Vice President, Human Resources. Nokia Leadership Team member since 2010. Joined Nokia 1993.

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

Senior Vice President, Human Resources, Nokia 2006–2010. Vice President, Global Operational Human Resources, Nokia 2005–2006. Senior Vice President and General Manager, Core Networks, Nokia Networks 2003–2005. Vice President and General Manager, IP Networks, Nokia Networks 2002–2003. Vice President, Strategy and Business Development, Nokia Networks 2000–2001. Vice President, Customer Services APAC, Nokia Telecommunications 1997–1999. Head of Marketing and Business Development, Customer Services, Nokia Telecommunications 1995–1996. Business Development Manager and Controller, Customer Services, Nokia Cellular Systems 1994–1995. Project Manager, Nokia Telecom AB (Sweden) 1993–1994.

Member of the Board of Directors of Nokia Siemens Networks B.V. Member of the Board of Directors of The Federation of Finnish Technology Industries.



KAI ÖISTÄMÖ, B. 1964

Executive Vice President, Chief Development Officer. Nokia Leadership Team member since 2005. Joined Nokia 1991.

Doctor of Technology (signal processing). Master of Science (engineering) (Tampere University of Technology).

Executive Vice President, Devices, Nokia 2007–2010. Executive Vice President and General Manager of Mobile Phones, Nokia 2005–2007. Senior Vice President, Business Line Management, Mobile Phones, Nokia 2004–2005. Senior Vice President, Mobile Phones Business Unit, Nokia Mobile Phones 2002–2003. Vice President, TDMA/GSM 1900 Product Line, Nokia Mobile Phones 1999–2002. Vice President, TDMA Product Line 1997–1999. Various technical and managerial positions in Nokia Consumer Electronics and Nokia Mobile Phones 1991–1997.

Member of the Board of Directors of Sanoma Corporation. Chairman of the Board of Directors of University of Tampere. Chairman of the Board of The Funding Agency for Technology and Innovation (TEKES).

COMPENSATION OF THE BOARD OF DIRECTORS AND THE NOKIA LEADERSHIP TEAM

BOARD OF DIRECTORS

The following table sets forth the annual remuneration of the members of the Board of Directors for service on the Board and its committees, as resolved at the respective Annual General Meetings in 2012, 2011 and 2010.

Position, EUR	2012	2011	2010
Chairman	**440 000**	440 000	440 000
Vice Chairman	**150 000**	150 000	150 000
Member	**130 000**	130 000	130 000
Chairman of Audit Committee	**25 000**	25 000	25 000
Member of Audit Committee	**10 000**	10 000	10 000
Chairman of Personnel Committee	**25 000**	25 000	25 000
Total	**1 700 000** [1]	1 700 000 [1]	1 700 000 [2]

1 Our President and CEO, Stephen Elop, did not receive remuneration for his service as a member of the Board in 2011 and 2012.

2 The aggregate amount of Board pay also includes the remuneration paid to our former President and CEO in his capacity as a member of the Board of Directors, but in that capacity only.

It is Nokia's policy that director remuneration consists of an annual fee only and no fees are paid for meeting attendance. Approximately 40% of director compensation is paid in the form of Nokia shares that are purchased from the market. It is also Nokia's policy that the Board members retain all Nokia shares received as director compensation until the end of their board membership (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes). In addition, it is Nokia's policy that non-executive members of the Board do not participate in any of Nokia's equity programs and do not receive stock options, performance shares, restricted shares or any other equity-based or otherwise variable compensation for their duties as Board members. The President and CEO did not receive compensation for his service as a member of the Board of Directors in 2012. The total compensation of the President and CEO is described below in "Summary Compensation Table 2012" on page 112.

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

When preparing the proposal for the Board remuneration for the shareholders' approval in the Annual General Meeting, it is the policy of the Corporate Governance and Nomination Committee to review and compare the total remuneration levels and their criteria paid in other global companies with net sales and complexity of business comparable to that of Nokia. The Committee's aim is to ensure that Nokia has an efficient Board of international professionals representing a diverse mix of skills and experience. A competitive Board remuneration contributes to the achievement of this target.

Remuneration of the Board of Directors in 2012

For the year ended December 31, 2012, the aggregate amount of remuneration paid to the members of the Board of Directors for their services as members of the Board and its committees was EUR 1 700 000.

The following table sets forth the total annual remuneration paid to the members of the Board of Directors in 2012, as resolved by the shareholders at the Annual General Meeting on May 3, 2012. For information with respect to the Nokia shares and equity awards held by the members of the Board of Directors, please see "Share Ownership of the Board of Directors" on page 116.

	Year	Fees earned or paid in cash EUR [1]	Total EUR
Risto Siilasmaa, Chairman as of May 3, 2012 [2]	2012	440 000	440 000
Jorma Ollila, Chairman until May 3, 2012 [3]	2012	—	—
Marjorie Scardino, Vice Chairman [4]	2012	150 000	150 000
Bruce Brown	2012	130 000	130 000
Stephen Elop [5]	2012	—	—
Bengt Holmström [3]	2012	—	—
Henning Kagermann [6]	2012	155 000	155 000
Per Karlsson [3]	2012	—	—
Jouko Karvinen [7]	2012	155 000	155 000
Helge Lund	2012	130 000	130 000
Isabel Marey-Semper [8]	2012	140 000	140 000
Mårten Mickos	2012	130 000	130 000
Elizabeth Nelson [9]	2012	140 000	140 000
Kari Stadigh	2012	130 000	130 000
Total		1 700 000	1 700 000

1 Approximately 40% of each Board member's annual remuneration is paid in Nokia shares purchased from the market and the remaining approximately 60% is paid in cash. The non-executive members of the Board do not participate in any of Nokia's equity programs and do not receive stock options, performance shares, restricted shares or any other equity-based or other compensation for their duties as Board members.

2 Represents the fee paid to Risto Siilasmaa for service as the Chairman of the Board.

3 Jorma Ollila, Bengt Holmström and Per Karlsson served on the Board until the close of the Annual General Meeting in 2012. They were not paid any fees during fiscal year 2012, but received their compensation for the term until the close of the Annual General Meeting in 2012 during fiscal year 2011. For their compensation in 2011 see Note 31 to our consolidated financial statements.

4 Represents the fee paid to Marjorie Scardino for service as Vice Chairman of the Board.

5 Stephen Elop did not receive remuneration for his service as a member of the Board. This table does not include remuneration paid to Mr. Elop

for his service as the President and CEO. For the compensation paid for his service as the President and CEO, see "Summary Compensation Table 2012" on page 112.

6 Represents the fees 2paid to Henning Kagermann, consisting of a fee of EUR 130 000 for service as a member of the Board and EUR 25 000 for service as the Chairman of the Personnel Committee.

7 Represents the fees paid to Jouko Karvinen, consisting of a fee of EUR 130 000 for service as a member of the Board and EUR 25 000 for service as the Chairman of the Audit Committee.

8 Represents the fees paid to Isabel Marey-Semper, consisting of a fee of EUR 130 000 for service as a member of the Board and EUR 10 000 for service as a member of the Audit Committee.

9 Represents the fees paid to Elizabeth Nelson, consisting of a fee of EUR 130 000 for service as a member of the Board and EUR 10 000 for service as a member of the Audit Committee.

Proposal by the Corporate Governance and Nomination Committee for remuneration to the Board of Directors in 2013

On January 24, 2013, the Corporate Governance and Nomination Committee of the Board announced its proposal to the Annual General Meeting convening on May 7, 2013 regarding the remuneration to the Board of Directors in 2013. The Committee will propose that the annual fee payable to the Board members elected at the same meeting for a term until the close of the Annual General Meeting in 2014, remain at the same level as it has been for the past five years and be as follows: EUR 440 000 for the Chairman, EUR 150 000 for the Vice Chairman and EUR 130 000 for each member (excluding the President and CEO of Nokia if elected to the Nokia Board); for the Chairman of the Audit Committee and the Chairman of the Personnel Committee an additional annual fee of EUR 25 000, and for each member of the Audit Committee an additional annual fee of EUR 10 000.

The guiding principle of the Committee's proposal is to align the interests of the directors with those of the shareholders by remunerating directors primarily with Nokia shares that must be retained for the duration of the Board membership. Therefore, the Committee will propose that, as in the past, approximately 40 percent of the remuneration be paid in Nokia shares purchased from the market, which shares shall be retained until the end of a director's Board membership in line with the Nokia policy (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes). The rest of the remuneration would be payable in cash, most of which is typically used to cover taxes arising out of the remuneration.

EXECUTIVE COMPENSATION

The sections below describe in more detail, our executive compensation philosophy, the design of our programs and the factors that are considered during the decision-making process. One of the underlying principles of our philosophy and our program design is that a significant portion of executive's compensation is at-risk pay tied to the performance of the company and aligned with the value delivered to shareholders. Of the total compensation package for the President and CEO, 84% is at-risk pay tied to performance. The amount of pay at risk for the other members of the Nokia Leadership Team ranges from 71% to 80%. Our programs are designed so this portion of at-risk pay is earned and delivered when results warrant. While significant strides have been made in the execution of our strategy, the transition has taken longer than anticipated in terms of results relative to the measures that were defined. As a result, under our executive compensation programs, the President and CEO and the members of the Nokia Leadership Team have not realized significant elements of their pay over this past year.

Executive compensation philosophy, programs and decision-making process

The basic principles of our executive compensation philosophy are to attract, retain and motivate talented executive officers on a global basis with the right mix of skills and capabilities to drive Nokia's success in an extremely complex and rapidly evolving mobile communications industry. As a result, we have developed an overall compensation framework that provides competitive base pay rates combined with short- and long-term incentives that are intended to result in a competitive total compensation package.

Our executive compensation programs have been designed to enable Nokia to effectively execute the strategy announced in early 2011. Specifically, our programs are designed to:

- incorporate specific measures that align directly with the execution of our strategy;
- deliver an appropriate amount of performance-related variable compensation for the achievement of strategic goals and financial targets in both the short- and long-term;
- appropriately balance rewards between Nokia's and an individual's performance; and
- foster an ownership culture that promotes sustainability and long-term value creation and align the interests of the executive officers with those of the shareholders through long-term equity-based incentives.

The competitiveness of Nokia's executive compensation levels and practices is one of several key factors the Personnel Committee of the Board considers in its determination of compensation for Nokia executive officers. The Personnel Committee compares, on an annual basis, Nokia's compensation practices, base salaries and total compensation, including short- and long-term incentives against those of other relevant companies with the same or similar revenue, size, global reach and complexity that we believe we compete against for executive talent. The relevant sample includes companies in high technology, telecommunications and Internet services industries, as well as companies from other industries that are headquartered in Europe and the United States. The peer group is determined by the Personnel Committee and reviewed for appropriateness from time to time as deemed necessary due to such factors as changes in the business environment or industry.

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

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

In addition, upon recommendation of the President and CEO, the Personnel Committee approves all compensation for all the members of the Nokia Leadership Team (other than the President and CEO of Nokia) and other executive level direct reports to the President and CEO, including long-term equity incentives and goals and objectives relevant to compensation. The Personnel Committee also reviews the results of the evaluation of the performance of the Nokia Leadership Team members (excluding the President and CEO) and other executive level direct reports to the President and CEO and approves their incentive compensation based on such evaluation.

The Personnel Committee considers the following factors, among others, in its review when determining the compensation of Nokia's executive officers or recommending the compensation of the President and CEO to the Board:

- the compensation levels for similar positions (in terms of scope of position, revenues, number of employees, global responsibility and reporting relationships) in relevant comparison companies;
- the performance demonstrated by the executive officer during the last year, which is evaluated at the end of the year against individual goals that are aligned to Nokia-level financial and strategic goals and against the executive officer's overall leadership capabilities;
- the size and impact of the particular officer's role on Nokia's overall performance and strategic direction;
- the internal comparison to the compensation levels of the other executive officers of Nokia;
- past experience and tenure in role; and
- the potential and expected future contributions of the executive.

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

In 2011, Nokia's management performed an internal risk assessment of Nokia's compensation policies and practices for all its employees specifically to understand any potential risk factors that would be associated with the changes made to Nokia's compensation programs in 2011 in alignment to our strategy. Management assessed such factors as Nokia's proportion of fixed compensation in relation to variable compensation, the caps on incentive compensation that can be earned under our plans, performance metrics tied to the incentive programs and the time horizon over which variable compensation may be earned, as well as Nokia's share ownership, severance and recoupment policies and our overall governance structure and practices. Based on the assessment, management concluded that there are no material risks arising from Nokia's compensation programs, policies and practices or the changes implemented that are likely to have a material adverse effect on Nokia. The findings of the analysis were reported to the Personnel Committee. A similar assessment was not conducted in 2012, as the 2011 assessment considered changes in our programs that were being implemented in 2012.

Components of executive compensation

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

ANNUAL CASH COMPENSATION

Base salaries are targeted at globally competitive market levels. The Personnel Committee evaluates and weighs as a whole the appropriate salary levels based on both our US and European peer companies.

Short-term cash incentives are an important element of our variable pay programs and are tied directly to Nokia-level financial and strategic goals that are shared by the Nokia Leadership Team. The short-term cash incentive opportunity is expressed as a percentage of each executive officer's annual base salary. These award opportunities and measurement criteria are presented in the table below.

Short-term incentives are determined for the Nokia Leadership Team based on their performance as a team. Additionally, some members of the Nokia Leadership Team have an objective on relative Total Shareholder Return (TSR). The payment with respect to relative TSR is based on the Personnel Committee's assessment of Nokia's total shareholder return compared to key peer group companies that are selected by the Personnel Committee in the high technology, Internet services and telecommunications industries and relevant market indices over one-, three- and five-year periods.

The specific goals and underlying targets require the Board's approval with respect to the President and CEO and the Personnel Committee's approval with respect to the other members of the Nokia Leadership Team.

The following table reflects the measurement criteria that were established for the President and CEO and members of the Nokia Leadership Team for the year 2012. The short-term incentive payout is based on performance relative to targets set for each measurement criteria listed in the table.

Short-term incentive as a % of annual base salary in 2012

Position	Minimum performance	Target performance	Maximum performance	Measurement criteria
President and CEO	0%	100%	200%	**Key financial targets** [1] (including gross profit, OPEX and net cash flow); and
Nokia Leadership Team	0%	75%	150%	**Strategic objectives** [1] (including targets for performance of Nokia's product and service portfolio);
Certain Nokia Leadership Team members (in addition to above)	0%	25%	50%	**Total shareholder return** [2] (comparison made with key competitors in the high technology, telecommunications and Internet services industries over one-, three- and five-year periods)

1 One Nokia Leadership Team member's incentive structure is also tied to specific sales and gross margin targets in addition to the key financial targets and strategic objectives.

2 Total Shareholder Return reflects the change in Nokia's share price during an established time period, including the amount of dividends paid, divided by Nokia's share price at the beginning of the period. The calculation is conducted in the same manner for each company in the peer group. Only certain members of the Nokia Leadership Team are eligible for the additional Total Shareholder Return element. For Stephen Elop, Total Shareholder Return was measured in the one-time special CEO incentive program approved by the Board of Directors for the two-year period 2011–2012.

Annual incentive cash bonus under the Nokia short-term cash incentive plan is paid once per year based on pre-determined Nokia performance criteria assessed as of December 31, 2012. To determine the pay-out under the Nokia short-term cash incentive plan, the Personnel Committee approved incentive goals are evaluated against pre-defined achievement criteria. The resulting scores are then calculated against each executive individual incentive target to ascertain an individual pay-out percent. The executive's annual base salary is then multiplied by the pay-out percent to determine the pay-out amount. The achievement scores and individual pay-out percent and amount is presented to the Personnel Committee for approval. In the event the achievement criteria is not met, the actual short-term cash incentive awarded to the executive officer can be zero. The maximum payout is only possible with maximum performance on all measures.

For fiscal year 2012, the incentive criteria were not achieved and as a result there was no pay-out under the short-term cash incentive plan.

For more information on the actual cash compensation paid in 2012 to our executive officers, see "Summary compensation table 2012" on page 112.

Long-term equity-based incentives

Long-term equity-based incentive awards in the form of performance shares, stock options and restricted shares are used to align executive officers' interests with shareholders' interests, reward for long-term financial performance and encourage retention, while also considering evolving regulatory requirements and recommendations and changing economic conditions. These awards are determined on the basis of the factors discussed above in "Executive Compensation Philosophy, Programs and Decision-making Process," including a comparison of an executive officer's overall compensation with that of other executives in the relevant market and the impact on the competitiveness of the executive's compensation package in that market. Performance shares are Nokia's main vehicle for long-term equity-based incentives and reward the achievement of both Nokia's long-term financial results and an increase in share price. Performance shares vest as shares if at least one of the pre-determined threshold performance levels, tied to Nokia's financial performance, is achieved by the end of the performance period. The value that the executive receives is dependent on Nokia's share price. Stock options are granted with the purpose of creating value for the executive officer, once vested, only if the Nokia share price at the time of vesting is higher than the exercise price of the stock option established at grant. This is also intended to focus executives on share price appreciation, thus aligning the interests of the executives with those of the shareholders. Restricted shares are used primarily for long-term retention purposes and they vest fully after the close of a pre-determined restriction period. Any shares granted are subject to the share ownership guidelines as explained below. All of these equity-based incentive awards are generally forfeited if the executive leaves Nokia prior to their vesting.

Recoupment of certain equity gains

The Board of Directors has approved a policy allowing for the recoupment of equity gains realized by Nokia Leadership Team members under Nokia equity plans in case of a financial restatement caused by an act of fraud or intentional misconduct. This policy applies to equity grants made to Nokia Leadership Team members after January 1, 2010.

Information on the actual equity-based incentives granted to the members of our Nokia Leadership Team in 2012 is included in "Stock option ownership of the Nokia Leadership Team" on page 118 and "Performance shares and restricted shares of the Nokia Leadership Team" on page 120.

Actual Executive Compensation for 2012

SERVICE CONTRACTS

Stephen Elop's service contract covers his position as President and CEO as from September 21, 2010. As at December 31, 2012, Mr. Elop's annual base salary, which is subject to an annual review by the Board of Directors and confirmation by the independent members of the Board, is EUR 1 102 500. His incentive target under the Nokia short-term cash incentive plan is 100% of annual base salary as at December 31, 2012. In addition, Mr. Elop had a separate plan for 2011–2012, approved by the Board of Directors. Description and outcome of this plan is below. Mr. Elop is entitled to the customary benefits in line with our policies applicable to the top management, however, some of them are being provided on a tax-assisted basis. Mr. Elop is also eligible to participate in Nokia's long-term equity-based compensation programs according to Nokia policies and guidelines and as determined by the Board of Directors.

In case of termination by Nokia for reasons other than cause, Mr. Elop is entitled to a severance payment of up to 18 months of compensation (both annual base salary and target incentive) and his equity will be forfeited as determined in the applicable equity plan rules, with the exception of the equity out of the Nokia Equity Program 2010, which will vest in an accelerated manner (the performance period of Nokia Performance Share Plan 2010 ended in 2012 and no shares were delivered in accordance with its terms). In case of termination by Mr. Elop, the notice period is six months and he is entitled to a payment for such notice period (both annual base salary and target incentive for six months) and all his equity will be forfeited. In the event of a change of control of Nokia, Mr. Elop may terminate his employment upon a material reduction of his duties and responsibilities, upon which he will be entitled to a compensation of 18 months (both annual base salary and target incentive), and his unvested equity will vest in an accelerated manner. In case of termination by Nokia for cause, Mr. Elop is entitled to no additional compensation and all his equity will be forfeited. In case of termination by Mr. Elop for cause, he is entitled to a severance payment equivalent to 18 months of notice (both annual base salary and target incentive), and his unvested equity will vest in an accelerated manner. Mr. Elop is subject to a 12-month non-competition obligation after termination of the contract. Unless the contract is terminated by Nokia for cause, Mr. Elop may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual base salary and target incentive for the respective period during which no severance payment is paid.

The Board of Directors decided in March 2011 that in order to align Mr. Elop's compensation to increased shareholder value and to link a meaningful portion of his compensation directly to the performance of Nokia's share price over the period of 2011–2012, his compensation structure for 2011 and 2012 would be modified. To participate in this program, Mr. Elop invested a portion of his short-term cash incentive opportunity and a portion of the value of his expected annual equity grants into the program as follows:

- His target short-term cash incentive level was reduced from 150% to 100% and
- His equity grants were reduced to a level below the competitive market value.

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

1. Total Shareholder Return (TSR) relative to a peer group of companies over the two-year period from December 31, 2010 until December 31, 2012: Minimum payout would require performance at the 50th percentile of the peer group and the maximum payout would occur if the rank is among the top three of the peer group. The peer group consists of a number of relevant companies in the high technology/mobility, telecommunications and Internet services industries.
2. Nokia's absolute share price at the end of 2012: Minimum payout if the Nokia share price was EUR 9, with maximum payout if the Nokia share price was EUR 17.

Nokia share price under both criteria was calculated as a 20-day trade volume weighted average share price on the NASDAQ OMX Helsinki. If the minimum level for one of the criterion had been met, a total of 125 000 Nokia ordinary shares would have been delivered to Mr. Elop. At maximum level for both criteria, a total of 750 000 Nokia ordinary shares would have been delivered to him. Shares earned under this plan during 2011–2012 would have been subject to an additional one-year vesting period until the first quarter 2014, at which point the earned and vested shares would have been delivered to Mr. Elop.

Based on the results, as of December 31, 2012, no share delivery will take place as the minimum performance for neither of the two performance criteria was reached. The number of shares earned and to be settled may be adjusted by the Board of Directors under certain exceptional circumstances up until June 30, 2013 should the results significantly change.

For information about the compensation and benefits received by Mr. Elop during 2012, see "Summary compensation table 2012" on page 112 and "Equity grants in 2012" on page 113.

PENSION ARRANGEMENTS FOR THE MEMBERS OF THE NOKIA LEADERSHIP TEAM

The members of the Nokia Leadership Team participate in the local retirement programs applicable to employees in the country where they reside. Executives in Finland, including Mr. Elop, participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings according to prescribed statutory rules. Under the Finnish TyEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, although gains realized from equity are not. The Finnish TyEL pension scheme provides for early retirement benefits at age 62 with a reduction in the amount of retirement benefits. Standard retirement benefits are available from age 63 to 68, according to an increasing scale. The Nokia Leadership Team members in the United States participate in Nokia's US Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings.

25% of the employer's match vests for the participants during each year of the first four years of their employment. The Nokia Leadership Team members in Germany participate in the Nokia German Pension Plan that is 100% company funded. Contributions are based on pensionable earnings, the pension table and retirement age. For the Nokia Leadership Team members in UK, the pension accrued in the UK Pension Scheme is a Money Purchase benefit. Contributions are paid into the UK Pension Scheme by both the member and employer. These contributions are held within the UK Pension Scheme and are invested in funds selected by the member.

ACTUAL COMPENSATION FOR THE MEMBERS OF THE NOKIA LEADERSHIP TEAM IN 2012

At December 31, 2012, Nokia had a Nokia Leadership Team consisting of 12 members. Changes in the composition in the Nokia Leadership Team during 2012 are explained above in "Nokia Leadership Team" on page 103.

The following tables summarize the aggregate cash compensation paid and the long-term equity-based incentives granted to the members of the Nokia Leadership Team under our equity plans in 2012.

Gains realized upon exercise of stock options and share-based incentive grants vested for the members of the Nokia Leadership Team during 2012 are included in "Stock option exercises and settlement of shares" on page 123.

Aggregate cash compensation to the Nokia Leadership Team for 2012 [1]

Year	Number of members on December 31, 2012	Base salaries EUR	Cash incentive payments [2] EUR
2012	12	6 788 567	515 702

1 Includes base salary and cash incentives paid or payable by Nokia for the 2012 fiscal year. The cash incentives are paid as a percentage of annual base salary based on Nokia's short-term cash incentives. Includes Jerri DeVard, Colin Giles, Mary T. McDowell and Niklas Savander for the period until June 30, 2012, Esko Aho until August 31, 2012 and Marko Ahtisaari as from February 1, 2012, Juha Putkiranta, Timo Toikkanen and Chris Weber as from July 1, 2012.

2 The amount consists of the annual incentive cash bonus and other bonuses earned and paid or payable by Nokia. For fiscal year 2012, the annual incentive bonus plan under the Nokia short-term cash incentive plan did not achieve established criteria; as a result, there was no payout under that plan. The amount includes the discretionary spot bonus awarded to certain Nokia Leadership Team members in recognition of their specific contributions toward the progress made on our strategy as we headed into 2013. The amount does not include any gains realized upon exercise of stock options, which are described in "Stock option exercises and settlement of shares" on page 123.

Long-term equity-based incentives granted in 2012 [1]

	Nokia Leadership Team [3,4]	Total	Total number of participants
Performance shares at threshold [2]	1 131 000	5 785 875	3 560
Stock options	2 262 000	10 258 400	180
Restricted shares	1 606 000	12 999 131	3 690

1 The equity-based incentive grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting. The settlement is conditional upon performance and/or service conditions, as determined in the relevant plan rules. For a description of our equity plans, see Note 24 to our consolidated financial statements.

2 For performance shares granted under Nokia Performance Share Plans, at maximum performance, the settlement amounts to four times the number at threshold.

3 Includes Jerri DeVard, Colin Giles, Mary T. McDowell and Niklas Savander for the period until June 30, 2012, Esko Aho until August 31, 2012 and Marko Ahtisaari as from February 1, 2012, Juha Putkiranta, Timo Toikkanen and Chris Weber as from July 1, 2012.

4 For the Nokia Leadership Team members whose employment terminated during 2012, the long-term equity-based incentives were forfeited following termination of employment in accordance with plan rules.

Summary compensation table 2012

Name and principal position [1]	Year	Salary EUR	Bonus [2] EUR	Stock awards [3] EUR	Option awards [3] EUR	Change in pension value and nonqualified deferred compensation earnings [4] EUR	All other compensation EUR	Total [5] EUR
Stephen Elop,	2012	1 079 500	0	2 631 400	497 350	56 776	69 395 [6]	4 334 421
President and CEO	2011	1 020 000	473 070	3 752 396	539 443	73 956	2 085 948	7 944 813
	2010	280 303	440 137	1 682 607	800 132	340 471	3 115 276	6 658 926
Timo Ihamuotila,	2012	570 690	57 750	539 300	106 575	262 183	40 146 [7]	1 576 644
EVP, Chief Financial Officer	2011	550 000	173 924	479 493	185 448	150 311	8 743	1 547 919
	2010	423 524	245 634	1 341 568	166 328	31 933	8 893	2 217 880
Jo Harlow, EVP, Smart Devices [8]	2012	555 296	55 494	539 300	106 575		58 732 [10]	1 315 397
Michael Halbherr, EVP, Location & Commerce	2012	411 531	44 038	539 300	106 575		61 477 [11]	1 162 921
Louise Pentland, EVP, Chief Legal Officer [8]	2012	466 653	46 321	407 730	81 708		22 761 [9,12]	1 025 173
Mary T. McDowell,	2012	659 335	0	539 300	106 575		265 566 [9,13]	1 570 777
EVP, Mobile Phones	2011	559 177	202 294	479 493	185 448		249 517	1 675 929
until June 30, 2012 [8,14]	2010	559 637	314 782	1 233 368	142 567		71 386	2 321 740
Niklas Savander,	2012	570 690	0	647 160	127 890	250 265	25 553 [15]	1 621 558
EVP, Markets until	2011	550 000	134 809	479 493	185 448	103 173	21 905	1 474 828
June 30, 2012 [14]	2010	441 943	247 086	1 233 368	142 567		23 634	2 088 598

1 The positions set forth in this table are the current positions of the named executives. Ms. McDowell served as Executive Vice President, Mobile Phones and Mr. Savander served as Executive Vice President, Markets until June 30, 2012.

2 The amount consists of the annual incentive cash bonus and/or other bonuses earned and paid or payable by Nokia for the respective fiscal year. For fiscal year 2012, the annual incentive bonus plan under the Nokia short-term cash incentive plan did not achieve established criteria; as a result, there was no pay-out under that plan. The amount for year 2012 represents a discretionary spot bonus awarded to certain Nokia Leadership Team members in recognition of their specific contributions toward the progress made on our strategy as we headed into 2013.

3 Amounts shown represent the grant date fair value of equity grants awarded for the respective fiscal year. The fair value of stock options equals the estimated fair value on the grant date, calculated using the Black-Scholes model. The fair value of performance shares and restricted shares equals the estimated fair value on the grant date. The estimated fair value is based on the grant date market price of a Nokia share less the present value of dividends, if any, expected to be paid during the vesting period. The value of the performance shares is presented on the basis of granted number of shares, which is two times the number of shares at threshold. The value of the stock awards with performance shares valued at maximum (four times the number of shares at threshold), for each of the named executive officers, is as follows: Mr. Elop EUR 3 542 800; Mr. Ihamuotila EUR 734 600; Ms. Harlow EUR 734 600; Mr. Halbherr EUR 734 600; Ms. Pentland EUR 557 460; Ms. McDowell EUR 734 600; and Mr. Savander EUR 881 520.

4 The change in pension value represents the proportionate change in the liability related to the individual executives. These executives are covered by the Finnish State employees' pension act ("TyEL") that provides for a retirement benefit based on years of service and earnings according to the prescribed statutory system. The TyEL system is a partly funded and a partly pooled "pay as you go" system. Effective March 1, 2008, Nokia transferred its TyEL pension liability and assets to an external Finnish insurance company and no longer carries the liability on its financial statements. The figures shown represent only the change in liability for the funded portion. The method used to derive the actuarial IFRS valuation is based upon available salary information at the respective year end. Actuarial assumptions including salary increases and inflation have been determined to arrive at the valuation at the respective year end.

5 The amounts shown in the total compensation column do not represent the amount actually payable or paid for the respective fiscal years, as they also include the theoretical pension value and the theoretical grant date fair value of the stock awards and option awards, and not the actual value received by the executive.

6 All other compensation for Mr. Elop in 2012 includes: EUR 39 152 for housing; EUR 10 692 for participation in a health assessment and leadership performance program; EUR 15 454 for home security; and EUR 4 097 taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone and driver.

7 All other compensation for Mr. Ihamuotila in 2012 includes: EUR 11 220 for car allowance; EUR 15 069 service year award; EUR 10 692 for participation in a health assessment and leadership performance program; EUR 1 285 for home security and EUR 1 880 taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone and driver.

8 Salaries, benefits and perquisites for Ms. Harlow, Ms. Pentland and Ms. McDowell were paid and denominated in GBP and USD. Amounts were converted using year-end 2012 USD/EUR exchange rate of 1.28 and GBP/EUR rate of 0.80. For year 2011 disclosure, amounts were converted using year-end 2011 USD/EUR and GBP/EUR exchange rate of 1.35 and 0.86, respectively. For year 2010 disclosure, amounts were converted using year-end 2010 USD/EUR exchange rate of 1.32.

9 Ms. McDowell and Ms. Pentland participated in Nokia's U.S Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings. 25% of the employer's match vests for the participants during each of the first four years of their employment. Participants earning in excess of the Internal Revenue Service (IRS) eligible earning limits may participate in the Nokia Restoration and Deferral Plan, which allows employees to defer up to 50% of their salary and 100% of their short-term cash incentive. Contributions to the Restoration and Deferral Plan are matched 100% up to 8% of eligible earnings, less contributions made to the 401(k) plan. The Company's contributions to the plan are included under "All Other Compensation Column" and noted hereafter.

10 All other compensation for Ms. Harlow in 2012 includes: EUR 48 252 company contributions to the UK Pension Plan; EUR 9 709 for car and fuel and EUR 771 for health insurance and home security.

11 All other compensation for Mr. Halbherr in 2012 includes: EUR 48 966 company contributions to the German Pension Plan and EUR 12 511 for car, fuel, account maintenance and health insurance.

12 All other compensation for Ms. Pentland in 2012 includes: EUR 10 692 for participation in a health assessment and leadership performance program; EUR 9 787 company contributions to the 401(k) Plan and EUR 2 282 provided under Nokia's international assignment policy in the UK.

13 All other compensation for Ms. McDowell in 2012 includes: EUR 112 024 provided under Nokia's international assignment policy in the UK; EUR 10 866 for car allowance; EUR 77 927 for accrued and unused holiday and payment provided under Nokia's international assignment policy in the UK and EUR 64 749 company contributions to the 401(k) and Executive Salary Deferral Plan.

14 Ms. McDowell's and Mr. Savander's equity grants were forfeited and cancelled upon their respective terminations of employment in accordance with plan rules.

15 All other compensation for Mr. Savander in 2012 includes: EUR 20 820 for car allowance; EUR 3 070 for home security and EUR 1 663 taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone and driver.

Equity grants in 2012 [1]

Name and principal position	Year	Grant date	Option awards: Number of shares underlying options	Option awards: Grant price EUR	Option awards: Grant date fair value [2] EUR	Stock awards: Performance shares at threshold (number)	Stock awards: Performance shares at maximum (number)	Stock awards: Restricted shares (number)	Stock awards: Grant date fair value [3] EUR
Stephen Elop, President and CEO	2012	May 11	700 000	2.44	497 350				
		June 30				350 000	1 400 000		
		March 31						500 000	2 631 400
Timo Ihamuotila, EVP, Chief Financial Officer	2012	May 11	150 000	2.44	106 575				
		June 30				75 000	300 000		
		March 31						100 000	539 300
Jo Harlow, EVP, Smart Devices	2012	May 11	150 000	2.44	106 575				
		June 30				75 000	300 000		
		March 31						100 000	539 300
Michael Halbherr, EVP, Location & Commerce	2012	May 11	150 000	2.44	106 575				
		June 30				75 000	300 000		
		March 31						100 000	539 300
Louise Pentland, EVP, Chief Legal Officer	2012	May 11	115 000	2.44	81 708				
		June 30				57 500	230 000		
		March 31						75 000	407 730
Mary T. McDowell, EVP, Mobile Phones, until June 30, 2012 [4]	2012	May 11	150 000	2.44	106 575				
		June 30				75 000	300 000		
		March 31						100 000	539 300
Niklas Savander, EVP, Markets, until June 30, 2012 [4]	2012	May 11	180 000	2.44	127 890				
		June 30				90 000	360 000		
		March 31						120 000	647 160

1 Including all equity awards made during 2012. Awards were made under the Nokia Stock Option Plan 2011, the Nokia Performance Share Plan 2012 and the Nokia Restricted Share Plan 2012.

2 The fair value of stock options equals the estimated fair value on the grant date, calculated using the Black-Scholes model. The stock option exercise price was EUR 2.44 on May 11, 2012. NASDAQ OMX Helsinki closing market price was EUR 2.52 at grant date on May 11, 2012.

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

4 Ms. McDowell's and Mr. Savander's equity grants were forfeited and cancelled upon their respective terminations of employment in accordance with plan rules.

For information with respect to the Nokia shares and equity awards held by the members of the Nokia Leadership Team as at December 31, 2012, please see "Share ownership of the Nokia Leadership Team" on page 116.

EQUITY-BASED INCENTIVE PROGRAMS

General

During the year ended December 31, 2012, we administered two global stock option plans, four global performance share plans and four global restricted share plans. Both executives and employees participate in these plans. Our compensation programs promote long-term value creation and sustainability of the company and ensure that remuneration is based on performance. Performance shares have been the main element of the company's broad-based equity compensation program for several years to further emphasize the performance element in employees' long-term incentives.

The primary equity instruments for the executive employees are performance shares and stock options. Restricted shares are also used for executives for retention purposes. The portfolio approach is designed to build an optimal and balanced combination of long-term equity-based incentives and to help focus recipients on long term financial performance as well as on share price appreciation, thus aligning recipients' interests with those of shareholders. For directors below the executive level the primary equity instruments are performance shares and restricted shares. Below the director level, performance shares and restricted shares are used on a selective basis to ensure retention and recruitment of individuals with functional mastery and other employees deemed critical to Nokia's future success.

The equity-based incentive grants are generally conditioned upon continued employment with Nokia, as well as the fulfillment of performance and other conditions, as determined in the relevant plan rules.

The participant group for the 2012 equity-based incentive program continued to include employees from many levels of the organization. As at December 31, 2012, the aggregate number of participants in all of our active equity-based programs was approximately 7 200 compared with approximately 9 300 as at December 31, 2011 reflecting changes in our grant guidelines and reduction in eligible population.

Stock option, performance share and restricted share grants to the President and CEO are made upon recommendation by the Personnel Committee and approved by the Board of Directors and confirmed by the independent directors of the Board. Stock option, performance share and restricted share grants to the other Nokia Leadership Team members and other direct reports of the President and CEO are approved by the Personnel Committee. Stock option, performance share and restricted share grants to other eligible employees are approved by the President and CEO on a quarterly basis, based on an authorization given by the Board of Directors.

For a more detailed description of all of our equity-based incentive plans, see Note 24 to Nokia's consolidated financial statements.

Performance shares

During 2012, we administered four global performance share plans, the Performance Share Plans of 2009, 2010, 2011 and 2012, each of which, including its terms and conditions, has been approved by the Board of Directors.

The performance shares represent a commitment by Nokia Corporation to deliver Nokia shares to employees at a future point in time, subject to Nokia's fulfillment of pre-defined performance criteria. No Nokia shares will be delivered unless the Group's performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria. The below table illustrates the performance criteria of the Performance Share Plans from 2009 through 2012.

	Performance share plan			
	2012	**2011**	**2010**	**2009**
Average annual net sales growth (Nokia Group)	—	yes	yes	yes
EPS at the end of performance period (Nokia Group)	—	—	yes	yes
Average annual net sales (Nokia Group excluding NSN)	yes	—	—	—
Average annual EPS (Nokia Group)	yes	yes	—	—

The 2009, 2010, and 2011 plans have a three-year performance period. The shares vest after the respective performance period. The 2012 plan has a two-year performance period and a subsequent one-year restriction period, after which the shares vest. The shares will be delivered to the participants as soon as practicable after they vest. The below table summarizes the relevant periods and settlements under the plans.

Plan	**Performance period**	**Settlement**
2009 [1]	2009–2011	2012
2010 [1]	2010–2012	2013
2011	2011–2013	2014
2012	2012–2013 [2]	2015

1 No Nokia shares were delivered under the Nokia Performance Share Plans 2009 and 2010 as Nokia's performance did not reach the threshold level of either performance criteria under both plans.

2 Nokia Performance Share Plan 2012 has a one-year restriction period after the two-year performance period.

Until the shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights, associated with the performance shares. The performance share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Similar to the previous 2007, 2008 and 2009 plans, there was no payout from the 2010 Performance Share Plan.

Stock options

During 2012 we administered two global stock option plans, the Stock Option Plans 2007 and 2011, each of which, including its terms and conditions, has been approved by the Annual General Meeting in the year when the plan was launched.

Each stock option entitles the holder to subscribe for one new Nokia share. The stock options are non-transferable and may be exercised for shares only. All of the stock options granted under the Stock Option Plan 2007 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 2007 plan have a term of approximately five years. The stock options granted under the Stock Option Plan 2011 have a vesting schedule with 50% of stock options vesting three years after grant and the remaining 50% vesting four years from grant. The stock options granted under the 2011 plan have a term of approximately six years. For information on stock option exercise prices, exercise periods and expiry dates, see Note 24 to our consolidated financial statements.

The exercise price of the stock options is determined at the time of grant, on a quarterly basis, in accordance with a pre-agreed schedule after the release of Nokia's periodic financial results. The exercise prices are based on the trade volume weighted average price of a Nokia share on NASDAQ OMX Helsinki during the trading days of the first whole week of the second month of the respective calendar quarter (i.e., February, May, August or November). With respect to the 2011 Stock Option Plan, should an ex-dividend date take place during that week, the exercise price shall be determined based on the following week's trade volume weighted average price of the Nokia share on NASDAQ OMX Helsinki. Exercise prices are determined on a one-week weighted average to mitigate any day-specific fluctuations in Nokia's share price. The determination of exercise price is defined in the terms and conditions of the stock option plans, which were approved by the shareholders at the Annual General Meetings 2007 and 2011. The Board of Directors does not have the right to change how the exercise price is determined.

Shares will be eligible for dividend for the financial year in which the share subscription takes place. Other shareholder rights will commence on the date on which the subscribed shares are entered in the Trade Register. The stock option grants are generally forfeited if the employment relationship terminates with Nokia.

Restricted shares

During 2012, we administered four global restricted share plans, the Restricted Share Plans 2009, 2010, 2011 and 2012, each of which, including its terms and conditions, has been approved by the Board of Directors.

Restricted shares are used on a selective basis to ensure retention and recruitment of individuals with functional mastery and other employees deemed critical to Nokia's future success.

All of our restricted share plans have a restriction period of three years after grant. Until the shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights, associated with the restricted shares. The restricted share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Nokia equity-based incentive program 2013

On January 24, 2013, the Board of Directors approved the scope and design of the Nokia Equity Program 2013. The Equity Program 2013 mirrors the 2012 Program in terms of performance shares, stock options and restricted shares. In addition to these instruments, the Board of Directors approved also the implementation of a new Employee Share Purchase Plan. Similarly to the earlier broad-based equity incentive programs, the Equity Program 2013 is designed to support the participants' focus and alignment with the company's strategy and targets.

Nokia's use of the performance-based plan in conjunction with the restricted share plan as the main long-term incentive vehicles is planned to effectively contribute to the long-term value creation and sustainability of the company and to align the interests of the employees with those of the shareholders. It is also designed to ensure that the overall equity-based compensation is based on performance, while also ensuring the recruitment and retention of talent vital to the future success of Nokia. In addition, the new Employee Share Purchase Plan is introduced to encourage employee share ownership, commitment and engagement.

The primary equity instruments for the executive employees are performance shares and stock options. Restricted shares are also used for executives for retention purposes. For directors below the executive level, the primary equity instruments are performance shares and restricted shares. Below the director level, performance shares and restricted shares are used on a selective basis to ensure retention and recruitment of individuals with functional mastery and other employees deemed critical to Nokia's future success. These equity-based incentive awards are generally forfeited if the employee leaves Nokia prior to vesting.

The Employee Share Purchase Plan will be offered to all employees in selected jurisdictions (excluding Nokia Siemens Networks' employees), to the extent there are no local regulatory or administrative obstacles for the offer. The participation in the plan will be voluntary to eligible employees.

PERFORMANCE SHARES

The Performance Share Plan 2013 approved by the Board of Directors has a performance period of two years (2013–2014) and a subsequent one-year restriction period. Therefore, the amount of shares based on the financial performance during 2013–2014 will vest after 2015. No Nokia shares will be delivered unless Nokia's performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria:

1. Average Annual Net Sales (non-IFRS): EUR 12 483 million (threshold) and EUR 18 725 million (maximum) during the performance period 2013–2014, and

2. Average Annual EPS (diluted, non-IFRS): EUR 0.00 (threshold) and 0.30 (maximum) during the performance period 2013–2014.

Average Annual Net Sales is calculated as an average of the non-IFRS net sales for Nokia Group, excluding Nokia Siemens Networks B.V. and its subsidiaries, for the years 2013 and 2014. Average Annual EPS is calculated as an average of the diluted, non-IFRS earnings per share for the years 2013 and 2014 for Nokia Group. Both the Average Annual Net Sales and the Average Annual EPS criteria are equally weighted and performance under each of the two performance criteria is calculated independent of each other.

We believe the performance criteria set above are challenging, yet realistic and within reach. The awards at the threshold are significantly reduced from grant level and achievement of maximum award would serve as an indication that Nokia's performance significantly exceeded current market expectations of our long-term execution.

Achievement of the maximum performance for both criteria would result in the vesting of a maximum of 32 million Nokia shares. Performance exceeding the maximum criteria does not increase the number of performance shares that will vest. Achievement of the threshold performance for both criteria will result in the vesting of approximately 8 million shares. If only one of the threshold levels of performance is achieved, only approximately 4 million of the performance shares will vest. If none of the threshold levels is achieved, then no Nokia shares will be delivered. If the required performance level is achieved, the vesting will occur after 2015. Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with these performance shares.

STOCK OPTIONS

The stock options to be granted in 2013 are out of the Stock Option Plan 2011 approved by the Annual General Meeting in 2011. For more information about the Stock Option Plan 2011 see "Stock Options" on page 114.

RESTRICTED SHARES

Restricted shares under the Restricted Share Plan 2013 approved by the Board of Directors are used as described above on a selective basis to ensure retention and recruitment of individuals with functional mastery and other employees deemed critical to Nokia's future success. The restricted shares under the Restricted Share Plan 2013 have a three-year restriction period. The restricted shares will vest and the resulting Nokia shares will be delivered in 2016 and early 2017, dependent on the fulfillment of the criteria of continued employment during the restriction period. Until the shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with these restricted shares.

EMPLOYEE SHARE PURCHASE PLAN

Under the Employee Share Purchase Plan, eligible Nokia employees can elect to make monthly contributions from their salary to purchase Nokia shares. The contribution per employee cannot exceed EUR 1 200 per year. The share purchases will be made at market value on pre-determined dates on a monthly basis during a 12-month savings period. Nokia will offer one matching share for every two purchased shares the employee still holds after the last monthly purchase has been made in June 2014. In addition, 20 free shares will be delivered to employees who make the first three consecutive monthly share purchases. The participation in the plan is voluntary to the employees.

MAXIMUM PLANNED GRANTS UNDER THE NOKIA EQUITY-BASED INCENTIVE PROGRAM 2013 IN YEAR 2013

The approximate maximum numbers of planned grants under the Nokia Equity Program 2013 (i.e. performance shares, stock options, restricted shares as well as matching share awards under the Employee Share Purchase Plan) in 2013 are set forth in the table below.

Plan type	Planned maximum number of shares available for grants under the equity program 2013
Stock options	11 million
Restricted shares	16 million
Performance shares at maximum [1]	32 million
Employee share purchase plan [2]	3.15 million

1 The number of Nokia shares to be delivered at threshold performance is a quarter of maximum performance, i.e., a total of 8 million Nokia shares.

2 The total maximum amount of employee contributions during the plan cycle commencing in 2013 will be approximately EUR 22 million, which equals approximately 6.3 million Nokia shares using the January 23, 2013 closing share price of EUR 3.49. Based on the matching ratio of one matching share for every two purchased shares, the number of matching shares would be 3.15 million. In addition, 20 free shares will be delivered to employees who make the first three consecutive monthly share purchases.

As at December 31, 2012, the total dilutive effect of all Nokia's stock options, performance shares and restricted shares outstanding, assuming full dilution, was approximately 2.5% in the aggregate. The potential maximum effect of the proposed Equity Program 2013 would be approximately another 1.7%.

SHARE OWNERSHIP

General

The following section describes the ownership or potential ownership interest in the company of the members of our Board of Directors and the Nokia Leadership Team as at December 31, 2012, either through share ownership or, with respect to the Nokia Leadership Team, through holding of equity-based incentives, which may lead to share ownership in the future.

With respect to the Board of Directors, approximately 40% of director compensation is paid in the form of Nokia shares that are purchased from the market. It is also Nokia's policy that the Board members retain all Nokia shares received as director compensation until the end of their board membership (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes). In addition, it is Nokia's policy that non-executive members of the Board do not participate in any of Nokia's equity programs and do not receive stock options, performance shares, restricted shares or any other equity based or otherwise variable compensation for their duties as Board members.

For a description of our remuneration for our Board of Directors, see "Remuneration of the Board of Directors in 2012" on page 106.

The Nokia Leadership Team members receive equity-based compensation in the form of performance shares, stock options and restricted shares. For a description of our equity-based compensation programs for employees and executives, see "Equity-based incentive programs" on page 113.

Share ownership of the Board of Directors

At December 31, 2012, the members of our Board of Directors held the aggregate of 2 125 654 shares and ADSs in Nokia, which represented 0.06% of our outstanding shares and total voting rights excluding shares held by Nokia Group at that date.

The following table sets forth the number of shares and ADSs held by the members of the Board of Directors as at December 31, 2012.

Name [1]	Shares [2]	ADSs [2]
Risto Siilasmaa	732 592	—
Marjorie Scardino	—	67 362
Bruce Brown	—	42 850
Stephen Elop	—	425 000
Henning Kagermann	187 977	—
Jouko Karvinen	34 279	—
Helge Lund	46 596	—
Isabel Marey-Semper	43 734	—
Mårten Mickos	88 350	—
Elizabeth Nelson	56 554	—
Kari Stadigh	400 000	—

1 Bengt Holmström did not stand for re-election in the Annual General Meeting held on May 3, 2012 and he held 41 981 shares at that time. Per Karlsson did not stand for re-election in the Annual General Meeting held on May 3, 2012 and he held 48 113 shares at that time. Per Karlsson's holdings included both shares held personally and shares held through a company. Jorma Ollila did not stand for re-election in the Annual General Meeting held on May 3, 2012 and he held 791 284 shares at that time.

2 The number of shares or ADSs includes not only shares or ADSs received as director compensation, but also shares or ADSs acquired by any other means. Stock options or other equity awards that are deemed as being beneficially owned under the applicable SEC rules are not included. For the number of shares or ADSs received as director compensation, see Note 31 to our consolidated financial statements.

Share ownership of the Nokia Leadership Team

The following table sets forth the share ownership, as well as potential ownership interest through the holding of equity-based incentives, of the members of the Nokia Leadership Team as at December 31, 2012.

	Shares	Shares receivable through stock options	Shares receivable through performance shares at threshold [4]	Shares receivable through performance shares at maximum [5]	Shares receivable through restricted shares
Number of equity instruments held by Nokia Leadership Team [1]	983 866	5 686 250	1 379 750 [6]	5 519 000 [6]	2 772 500
% of the outstanding shares [2]	0.027	0.153	0.037	0.149	0.075
% of the total outstanding equity incentives (per instrument) [3]		22.11	16.09	16.09	11.71

1 Includes 12 Nokia Leadership Team members at year end. Figures do not include those former Nokia Leadership Team members who left during 2012.

2 The percentage is calculated in relation to the outstanding number of shares and total voting rights of the company, excluding shares held by Nokia Group.

3 The percentage is calculated in relation to the total outstanding equity incentives per instrument.

4 No Nokia shares were delivered under Nokia Performance Share Plan 2010, which vested in 2012, as Nokia's performance did not reach the threshold level of either performance criteria. Therefore the shares deliverable at threshold equals zero for the Performance Share Plan 2010.

5 No Nokia shares were delivered under Nokia Performance Share Plan 2010, which vested in 2012, as Nokia's performance did not reach the threshold level of either performance criteria. Therefore the shares deliverable at maximum equals zero for Nokia Performance Share Plan 2010. At maximum performance under the Performance Share Plans 2011 and 2012, the number of shares deliverable equals four times the number of performance shares at threshold.

6 No Nokia shares were delivered under the one-time special CEO incentive program. Therefore the shares deliverable at threshold and maximum equals zero for the incentive program.

The following table sets forth the number of shares and ADSs in Nokia held by members of the Nokia Leadership Team as of December 31, 2012.

Name [1]	Shares [2]	ADSs [2]	Became Nokia Leadership Team member (year)
Stephen Elop	—	425 000	2010
Marko Ahtisaari	10 000	—	2012
Michael Halbherr	205 451	—	2011
Jo Harlow	14 219	25 000	2011
Timo Ihamuotila	74 825	—	2007
Louise Pentland	31 444	—	2011
Juha Putkiranta	36 031	—	2012
Henry Tirri	11 931	—	2011
Timo Toikkanen	4 821	—	2012
Chris Weber	4 043	—	2012
Juha Äkräs	21 761	—	2010
Kai Öistämö	119 340	—	2005

1 Jerri DeVard left the Nokia Leadership Team on June 30, 2012 and did not hold any shares at that time. Colin Giles left the Nokia Leadership Team on June 30, 2012 and held 73 032 shares at that time. Mary T. McDowell left the Nokia Leadership Team on June 30, 2012 and held 204 245 shares and 5000 ADS's at that time. Niklas Savander left the Nokia Leadership Team on June 30, 2012 and held 112 285 shares at that time. Esko Aho left the Nokia Leadership Team on August 31, 2012 and held 15 429 shares at that time.

2 Stock options or other equity awards that are deemed as being beneficially owned under applicable SEC rules are not included.

Stock option ownership of the Nokia Leadership Team

The following table provides certain information relating to stock options held by members of the Nokia Leadership Team as of December 31, 2012. These stock options were issued pursuant to Nokia Stock Option Plans 2007 and 2011. For a description of our stock option plans, please see Note 24 to our consolidated financial statements.

				Number of stock options [1]		Total intrinsic value of stock options, December 28, 2012 EUR [2]	
Name	Stock option category	Expiration date	Exercise price per share EUR	Exercisable	Unexercisable	Exercisable [3]	Unexercisable
Stephen Elop	2010 4Q	December 31, 2015	7.59	218 750	281 250	0	0
	2011 2Q	December 27, 2017	6.02	0	250 000	0	0
	2011 3Q	December 27, 2017	3.76	0	500 000	0	0
	2012 2Q	December 27, 2018	2.44	0	700 000	0	343 000
Marko Ahtisaari	2010 2Q	December 31, 2015	8.86	15 185	11 815	0	0
	2011 2Q	December 27, 2017	6.02	0	30 000	0	0
	2011 3Q	December 27, 2017	3.76	0	100 000	0	0
	2012 2Q	December 27, 2018	2.44	0	115 000	0	56 350
Michael Halbherr	2007 2Q	December 31, 2012	18.39	0	0	0	0
	2008 2Q	December 31, 2013	19.16	3750	0	0	0
	2009 2Q	December 31, 2014	11.18	5 683	1 317	0	0
	2010 2Q	December 31, 2015	8.86	3 655	2 845	0	0
	2011 2Q	December 27, 2017	6.02	0	15 000	0	0
	2011 3Q	December 27, 2017	3.76	0	255 000	0	0
	2012 2Q	December 27, 2018	2.44	0	150 000	0	73 500
Jo Harlow	2007 2Q	December 31, 2012	18.39	0	0	0	0
	2008 2Q	December 31, 2013	19.16	3 500	0	0	0
	2009 2Q	December 31, 2014	11.18	4 462	1 038	0	0
	2010 2Q	December 31, 2015	8.86	14 060	10 940	0	0
	2011 2Q	December 27, 2017	6.02	0	70 000	0	0
	2011 3Q	December 27, 2017	3.76	0	200 000	0	0
	2012 2Q	December 27, 2018	2.44	0	150 000	0	73 500
Timo Ihamuotila	2007 2Q	December 31, 2012	18.39	0	0	0	0
	2008 2Q	December 31, 2013	19.16	20 000	0	0	0
	2009 2Q	December 31, 2014	11.18	28 433	6 567	0	0
	2009 4Q	December 31, 2014	8.76	13 750	6 250	0	0
	2010 2Q	December 31, 2015	8.86	39 375	30 625	0	0
	2011 2Q	December 27, 2017	6.02	0	70 000	0	0
	2011 3Q	December 27, 2017	3.76	0	200 000	0	0
	2012 2Q	December 27, 2018	2.44	0	150 000	0	73 500
Louise Pentland	2007 2Q	December 31, 2012	18.39	0	0	0	0
	2008 2Q	December 31, 2013	19.16	4 000	0	0	0
	2009 2Q	December 31, 2014	11.18	9 750	2 250	0	0
	2010 2Q	December 31, 2015	8.86	16 875	13 125	0	0
	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
	2011 3Q	December 27, 2017	3.76	0	150 000	0	0
	2012 2Q	December 27, 2018	2.44	0	115 000	0	56 350
Juha Putkiranta	2007 2Q	December 31, 2012	18.39	0	0	0	0
	2008 2Q	December 31, 2013	19.16	10 000	0	0	0
	2009 2Q	December 31, 2014	11.18	16 250	3 750	0	0
	2010 2Q	December 31, 2015	8.86	14 060	10 940	0	0
	2011 2Q	December 27, 2017	6.02	0	27 000	0	0
	2012 2Q	December 27, 2018	2.44	0	50 000	0	24 500
	2012 3Q	December 27, 2018	2.18	0	53 500	0	40 125

Name	Stock option category	Expiration date	Exercise price per share EUR	Number of stock options [1] Exercisable	Number of stock options [1] Unexercisable	Total intrinsic value of stock options, December 28, 2012 EUR [2] Exercisable [3]	Total intrinsic value of stock options, December 28, 2012 EUR [2] Unexercisable
Henry Tirri	2007 2Q	December 31, 2012	18.39	0	0	0	0
	2008 2Q	December 31, 2013	19.16	3 500	0	0	0
	2009 2Q	December 31, 2014	11.18	9 750	2 250	0	0
	2010 2Q	December 31, 2015	8.86	11 250	8 750	0	0
	2011 2Q	December 27, 2017	6.02	0	27 000	0	0
	2011 4Q	December 27, 2017	4.84	0	168 000 [4]	0	0
	2012 2Q	December 27, 2018	2.44	0	115 000	0	56 350
Timo Toikkanen	2007 2Q	December 31, 2012	18.39	0	0	0	0
	2008 2Q	December 31, 2013	19.16	10 000	0	0	0
	2009 2Q	December 31, 2014	11.18	9 750	2 250	0	0
	2010 2Q	December 31, 2015	8.86	14 060	10 940	0	0
	2011 2Q	December 27, 2017	6.02	0	27 000	0	0
	2012 2Q	December 27, 2018	2,44	0	28 500	0	13 965
	2012 3Q	December 27, 2018	2.18	0	75 000	0	56 250
Chris Weber	2011 2Q	December 27, 2017	6.02	0	25 000	0	0
	2012 2Q	December 27, 2018	2.44	0	40 000	0	19 600
	2012 3Q	December 27, 2018	2.18	0	63 500	0	47 625
Juha Äkräs	2007 2Q	December 31, 2012	18.39	0	0	0	0
	2008 2Q	December 31, 2013	19.16	6 000	0	0	0
	2009 2Q	December 31, 2014	11.18	9 750	2 250	0	0
	2010 2Q	December 31, 2015	8.86	22 500	17 500	0	0
	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
	2011 3Q	December 27, 2017	3.76	0	150 000	0	0
	2012 2Q	December 27, 2018	2.44	0	115 000	0	56 350
Kai Öistämö	2007 2Q	December 31, 2012	18.39	0	0	0	0
	2008 2Q	December 31, 2013	19.16	32 000	0	0	0
	2009 2Q	December 31, 2014	11.18	48 750	11 250	0	0
	2010 2Q	December 31, 2015	8.86	39 375	30 625	0	0
	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
	2011 3Q	December 27, 2017	3.76	0	150 000	0	0
	2012 2Q	December 27, 2018	2.44	0	90 000	0	44 100
Stock options held by the members of the Nokia Leadership Team as at December 31, 2012 Total [5]				**658 223**	**5 028 027**		**1 035 065**
All outstanding stock option plans (global plans), Total				**5 490 746**	**20 230 256**		

1 Number of stock options equals the number of underlying shares represented by the option entitlement. Stock options granted under 2007 and 2011 Stock Option Plans have different vesting schedules. The Group's global Stock Option Plan 2007 has 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. The Group's global Stock Option Plan 2011 has a vesting schedule with 50% of stock options vesting three years after grant and the remaining 50% vesting four years from grant.

2 The intrinsic value of the stock options is based on the difference between the exercise price of the options and the closing market price of Nokia shares on NASDAQ OMX Helsinki as at December 28, 2012 of EUR 2.93.

3 For any gains realized upon exercise of stock options for the members of the Nokia Leadership Team, see the table in "Stock option exercises and settlement of shares" on page 123.

4 The Personnel Committee approved a grant of 168 000 2011 4Q stock options to Mr. Tirri. Due to an administrative error, only 118 000 stock options were reflected in the documentation provided to Mr. Tirri and reported in 'Nokia in 2011' publication. The administrative error was corrected in 2012.

5 During 2012, the following executives stepped down from the Nokia Leadership Team: Jerri DeVard, Colin Giles, Mary T. McDowell, Niklas Savander and Esko Aho. The information related to stock options held for each former executive is as of the date of resignation from the Nokia Leadership Team and is presented in the table below.

Name	Stock option category	Expiration date	Exercise price per share EUR	Number of stock options [1]		Total intrinsic value of stock options, December 28, 2012 EUR [8]	
				Exercisable	Unexercisable	Exercisable [3]	Unexercisable
Jerri DeVard [6]							
as per June 30, 2012	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
	2011 3Q	December 27, 2017	3.76	0	150 000	0	0
Colin Giles [7]							
as per June 30, 2012	2007 2Q	December 31, 2012	18.39	18 000	0	0	0
	2008 2Q	December 31, 2013	19.16	9 375	625	0	0
	2009 2Q	December 31, 2014	11.18	13 750	6 250	0	0
	2010 2Q	December 31, 2015	8.86	10 936	14 064	0	0
	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
	2011 3Q	December 27, 2017	3.76	0	150 000	0	0
Mary T. McDowell [7]							
as per June 30, 2012	2007 2Q	December 31, 2012	18.39	55 000	0	0	0
	2008 2Q	December 31, 2013	19.16	26 250	1 750	0	0
	2009 2Q	December 31, 2014	11.18	37 809	17 191	0	0
	2010 2Q	December 31, 2015	8.86	26 250	33 750	0	0
	2011 2Q	December 27, 2017	6.02	0	70 000	0	0
	2011 3Q	December 27, 2017	3.76	0	200 000	0	0
	2012 2Q	December 27, 2018	2.44	0	150 000	0	0
Niklas Savander [7]							
as per June 30, 2012	2007 2Q	December 31, 2012	18.39	32 000	0	0	0
	2008 2Q	December 31, 2013	19.16	26 250	1 750	0	0
	2009 2Q	December 31, 2014	11.18	37 809	17 191	0	0
	2010 2Q	December 31, 2015	8.86	26 250	33 750	0	0
	2011 2Q	December 27, 2017	6.02	0	70 000	0	0
	2011 3Q	December 27, 2017	3.76	0	200 000	0	0
	2012 2Q	December 27, 2018	2.44	0	180 000	0	0
Esko Aho [7]							
as per August 31, 2012	2009 2Q	December 31, 2014	11.18	26 246	8 754	0	0
	2010 2Q	December 31, 2015	8.86	15 000	15 000	0	0
	2011 2Q	December 27, 2017	6.02	0	30 000	0	0
	2011 3Q	December 27, 2017	3.76	0	100 000	0	0
	2012 2Q	December 27, 2018	2.44	0	40 000	0	0

6 Ms. DeVard's equity will be forfeited and cancelled upon termination of employment in accordance with the plan rules.

7 Mr. Giles', Ms. McDowell's, Mr. Savander's and Mr. Aho's stock option grants were forfeited and cancelled upon their respective terminations of employment in accordance with the plan rules.

8 The intrinsic value of the stock options is based on the difference between the exercise price of the options and the closing market price of Nokia shares on NASDAQ OMX Helsinki as at June 29, 2012 of EUR 1.62 in respect of Ms. DeVard, Mr. Giles, Ms. McDowell and Mr. Savander and as at August 31, 2012 of EUR 2.26 in respect of Mr. Aho.

Performance shares and restricted shares of the Nokia Leadership Team

The following table provides certain information relating to performance shares and restricted shares held by members of the Nokia Leadership Team as at December 31, 2012. These entitlements were granted pursuant to our Performance Share Plans 2010, 2011 and 2012 and Restricted Share Plans 2009, 2010, 2011 and 2012. For Stephen Elop the table also includes the one-time special CEO incentive program. For a description of our performance share and restricted share plans, please see Note 24 to the consolidated financial statements.

	Performance shares				Restricted shares		
Name	Plan name [1]	Number of performance shares at threshold [2]	Number of performance shares at maximum [3]	Intrinsic value December 28, 2012 [5] EUR	Plan name [7]	Number of restricted shares	Intrinsic value December 28, 2012 [8] EUR
Stephen Elop	2010	0	0	0	2010	100 000	293 000
	2011	125 000	500 000	0	2011	180 000	527 400
	2011	0 [4]	0 [4]	0 [6]			
	2012	350 000	1 400 000	2 051 000	2012	500 000	1 465 000
Marko Ahtisaari	2010	0	0	0	2010	37 000	108 410
	2011	15 000	60 000	0	2011	23 000	67 390
	2012	57 500	230 000	336 950	2012	75 000	219 750
Michael Halbherr					2009	10 500	30 765
	2010	0	0	0	2010	17 000	49 810
	2011	35 000	140 000	0	2011	50 000	146 500
	2012	75 000	300 000	439 500	2012	100 000	293 000
Jo Harlow					2009	20 000	58 600
	2010	0	0	0	2010	55 000	161 150
	2011	35 000	140 000	0	2011	50 000	146 500
	2012	75 000	300 000	439 500	2012	100 000	293 000
Timo Ihamuotila					2009	10 000	29 300
	2010	0	0	0	2010	120 000	351 600
	2011	35 000	140 000	0	2011	50 000	146 500
	2012	75 000	300 000	439 500	2012	100 000	293 000
Louise Pentland	2010	0	0	0	2010	78 000	228 540
	2011	22 500	90 000	0	2011	35 000	102 550
	2012	57 500	230 000	336 950	2012	75 000	219 750
Juha Putkiranta					2009	20 000	58 600
	2010	0	0	0	2010	30 000	87 900
	2011	13 500	54 000	0	2011	25 000	73 250
	2012	51 750	207 000	303 255	2012	68 000	199 240
Henry Tirri					2009	20 000	58 600
	2010	0	0	0	2010	30 000	87 900
	2011	22 500	90 000	0	2011	35 000	102 550
	2012	57 500	230 000	336 950	2012	75 000	219 750
Timo Toikkanen					2009	15 000	43 950
	2010	0	0	0	2010	23 000	67 390
	2011	13 500	54 000	0	2011	15 000	43 950
	2012	51 750	207 000	303 255	2012	68 000	199 240
Chris Weber	2011	12 500	50 000	0	2011	90 000	263 700
	2012	51 750	207 000	303 255	2012	68 000	199 240
Juha Äkräs					2009	15 000	43 950
	2010	0	0	0	2010	85 000	249 050
	2011	22 500	90 000	0	2011	35 000	102 550
	2012	57 500	230 000	336 950	2012	75 000	219 750
Kai Öistämö	2010	0	0	0	2010	100 000	293 000
	2011	22 500	90 000	0	2011	35 000	102 550
	2012	45 000	180 000	263 700	2012	60 000	175 800
Performance shares and restricted shares held by the Nokia Leadership Team, Total [9]		**1 379 750**	**5 519 000**	**5 890 765**		**2 772 500**	**8 123 425**
All outstanding performance shares and restricted shares (global plans), Total		**8 574 085**	**34 296 340**	**30 634 233**		**23 680 532**	**69 383 959**

1 The performance period for the 2010 plan is 2010–2012, for the 2011 plan 2011–2013 and for the 2012 plan 2012–2013 (with a subsequent one-year restriction period), respectively.

2 The threshold number will vest as Nokia shares should the pre-determined threshold performance levels be met of both performance criteria. No Nokia shares were delivered under the Performance Share Plan 2010, which would have vested in 2012, as Nokia's performance did not reach the threshold level of either performance criteria. Therefore the shares deliverable at threshold equals zero for the Performance Share Plan 2010.

3 The maximum number will vest as Nokia shares should the pre-determined maximum performance levels be met of both performance criteria. The maximum number of performance shares equals four times the number at threshold. No Nokia shares were delivered under the Performance Share Plan 2010, as Nokia's performance did not reach the threshold level of either performance criteria. Therefore the shares deliverable at maximum equals zero for the Performance Share Plan 2010.

4 Represents the threshold and maximum number of shares under the one-time special CEO incentive program. No Nokia shares were delivered under

the incentive program, as Nokia's performance did not reach the threshold level of either performance criteria. Therefore the shares deliverable at threshold and maximum equals zero.

5 For Performance Share Plans 2011 and 2012 the value of performance shares is presented on the basis of Nokia's estimation of the number of shares expected to vest. The intrinsic value for the Performance Share Plan 2012 is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 28, 2012 of EUR 2.93. For the Performance Share Plan 2010 no Nokia shares were delivered, as Nokia's performance did not reach the threshold level of either performance criteria.

6 The intrinsic value is zero, as no Nokia shares were delivered, as Nokia's performance did not reach the threshold level of either performance criteria.

7 Under the Restricted Share Plans 2009, 2010, 2011 and 2012, awards have been granted quarterly. For the major part of the awards made under these plans, the restriction period will end for the 2009 plan on January 1, 2013; for the 2010 plan on January 1, 2014; for the 2011 plan on January 1, 2015; and for the 2012 plan on July 1, 2016.

8 The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at December 28, 2012 of EUR 2.93.

9 During 2012, the following executives stepped down from the Nokia Leadership Team: Jerri DeVard, Colin Giles, Mary T. McDowell, Niklas Savander and Esko Aho. The information related to performance shares and restricted shares held by each of the former executives is as of the date of resignation from the Nokia Leadership Team and is presented in the table below.

	Performance shares				Restricted shares		
Name	**Plan name [1]**	**Number of performance shares at threshold [13]**	**Number of performance shares at maximum [14]**	**Intrinsic value [12] EUR**	**Plan name [5]**	**Number of restricted shares**	**Intrinsic value [12] EUR**
Jerri DeVard [10] as per June 30, 2012	2011	22 500	90 000	0	2011	100 000	162 000
Colin Giles [11] as per June 30, 2012					2009	20 000	32 400
	2010	12 500	50 000	0	2010	55 000	89 100
	2011	22 500	90 000	0	2011	35 000	56 700
					2012	60 000	97 200
Mary T. McDowell [11] as per June 30, 2012	2010	30 000	120 000	0	2010	115 000	186 300
	2011	35 000	140 000	0	2011	50 000	81 000
				0	2012	100 000	162 000
Niklas Savander [11] as per June 30, 2012	2010	30 000	120 000	0	2010	115 000	186 300
	2011	35 000	140 000	0	2011	50 000	81 000
					2012	120 000	194 400
Esko Aho [11] as per August 31, 2012	2010	15 000	60 000	0	2010	58 000	131 080
	2011	15 000	60 000	0	2011	23 000	51 980
	2012	20 000	80 000	90 400	2012	30 000	67 800

10 Ms. DeVard's equity will be forfeited and cancelled upon termination of employment in accordance with the plan rules.

11 Mr. Giles', Ms. McDowell's, Mr. Savander's and Mr. Aho's performance and restricted share grants were forfeited and cancelled upon their respective terminations of employment in accordance with the plan rules.

12 The intrinsic value is based on the closing market price of a Nokia share on NASDAQ OMX Helsinki as at June 29, 2012 of EUR 1.62 in respect of Ms. DeVard, Mr. Giles, Ms. McDowell and Mr. Savander and as at August 31, 2012 of EUR 2.26 in respect of Mr. Aho.

13 The threshold number will vest as Nokia shares should the pre-determined threshold performance levels be met for both performance criteria. No Nokia shares were delivered under the Performance Share Plan 2010, as Nokia's performance did not reach the threshold level of either performance criteria.

14 The maximum number will vest as Nokia shares should the pre-determined maximum performance levels be met. The maximum number of performance shares equals four times the number at threshold. No Nokia shares were delivered under the Performance Share Plan 2010, as Nokia's performance did not reach the threshold level of either performance criteria.

Stock option exercises and settlement of shares

The following table provides certain information relating to stock option exercises and share deliveries upon settlement during the year 2012 for our Nokia Leadership Team members.

	Stock options awards [1]		Performance shares awards [2]		Restricted shares awards	
Name [5]	Number of shares acquired on exercise	Value realized on exercise EUR	Number of shares delivered on vesting	Value realized on vesting EUR	Number of shares delivered on vesting	Value realized on vesting EUR
Stephen Elop	0	0	0	0	0	0
Marko Ahtisaari	0	0	0	0	0	0
Michael Halbherr	0	0	0	0	9 000 [3]	37 980 [3]
Jo Harlow	0	0	0	0	6 000 [3]	25 320 [3]
Timo Ihamuotila	0	0	0	0	25 000 [4]	69 750 [4]
Louise Pentland	0	0	0	0	6 000 [4]	16 740 [4]
Juha Putkiranta	0	0	0	0	10 000 [3]	42 200 [3]
Henry Tirri	0	0	0	0	10 000 [3]	42 200 [3]
Timo Toikkanen	0	0	0	0	10 000 [3]	42 200 [3]
Chris Weber	0	0	0	0	0	0
Juha Äkräs	0	0	0	0	8 000 [3]	33 760 [3]
Kai Öistämö	0	0	0	0	50 000 [4]	139 500 [4]

1 Value realized on exercise is based on the difference between the Nokia share price and exercise price of options.

2 No Nokia shares were delivered under the Performance Share Plan 2009 during 2012 as Nokia's performance did not reach the threshold level of either performance criteria.

3 Represents the delivery of Nokia shares vested from the Restricted Share Plan 2008. Value is based on the average market price of the Nokia share on NASDAQ OMX Helsinki on February 22, 2012 of EUR 4.22.

4 Represents the delivery of Nokia shares vested from the Restricted Share Plan 2009. Value is based on the average market price of the Nokia share on NASDAQ OMX Helsinki on April 25, 2012 of EUR 2.79.

5 During 2012, the following executives stepped down from the Nokia Leadership Team: Jerri DeVard, Colin Giles, Mary T. McDowell, Niklas Savander and Esko Aho. The information regarding stock option exercises and settlement of shares regarding each of the former executives is as of the date of resignation from the Nokia Leadership Team and is represented in the table below.

	Stock options awards [1]		Performance shares awards [2]		Restricted shares awards	
Name	Number of shares acquired on exercise	Value realized on exercise EUR	Number of shares delivered on vesting	Value realized on vesting EUR	Number of shares delivered on vesting	Value realized on vesting EUR
Jerri DeVard as per June 30, 2012	0	0	0	0	0	0
Colin Giles as per June 30, 2012	0	0	0	0	10 000 [3]	42 200 [3]
Mary T. McDowell as per June 30, 2012	0	0	0	0	38 000 [4]	106 020 [4]
Niklas Savander as per June 30, 2012	0	0	0	0	38 000 [4]	106 020 [4]
Esko Aho as per August 31, 2012	0	0	0	0	7 000 [3] 25 000 [4]	29 540 [3] 69 750 [4]

Share ownership guidelines for executive management

One of the goals of our long-term equity-based incentive program is to focus executives on promoting the long-term value sustainability of the company and on building value for shareholders on a long-term basis. In addition to granting stock options, performance shares and restricted shares, we also encourage stock ownership by our top executives and have stock ownership commitment guidelines with minimum recommendations tied to annual base salaries. For the President and CEO, the recommended minimum investment in Nokia shares corresponds to three times his annual base salary and for members of the Nokia Leadership Team two times the member's annual base salary, respectively. To meet this requirement, all members of the Nokia Leadership Team are expected to retain 50% of any after-tax gains from equity programs in shares until the minimum investment level is met. The Personnel Committee regularly monitors the compliance by the executives with the stock ownership guidelines.

Insider trading in securities

The Board of Directors has established a policy in respect of insiders' trading in Nokia securities. The members of the Board and the Nokia Leadership Team are considered as primary insiders. Under the policy, the holdings of Nokia securities by the primary insiders are public information, which is available from Euroclear Finland Ltd. and available on our website. Both primary insiders and secondary insiders (as defined in the policy) are subject to a number of trading restrictions and rules, including, among other things, prohibitions on trading in Nokia securities during the three-week "closed-window" period immediately preceding the release of our quarterly results including the day of the release and the four-week "closed-window" period immediately preceding the release of our annual results including the day of the release. In addition, Nokia may set trading restrictions based on participation in projects. We update our insider trading policy from time to time and provide training for compliance with the policy. Nokia's insider policy is in line with the NASDAQ OMX Helsinki Guidelines for Insiders and also sets requirements beyond those guidelines.

AUDITOR FEES AND SERVICES

PricewaterhouseCoopers Oy has served as our independent auditor for each of the fiscal years in the three-year period ended December 31, 2012. The independent auditor is elected annually by our shareholders at the Annual General Meeting for the fiscal year in question. The Audit Committee of the Board of Directors makes a proposal to the shareholders in respect of the appointment of the auditor based upon its evaluation of the qualifications and independence of the auditor to be proposed for election or re-election on an annual basis.

The following table sets forth the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers to Nokia in 2012 and 2011 in total, with a separate presentation of those fees related to Nokia and Nokia Siemens Networks.

	2012			2011		
EURm	**Nokia**	**Nokia Siemens Networks**	**Total**	Nokia	Nokia Siemens Networks	Total
Audit fees [1]	**7.2**	**10.2**	**17.4**	7.2	10.9	18.1
Audit-related fees [2]	**0.8**	**1.4**	**2.2**	1.3	2.3	3.6
Tax fees [3]	**2.4**	**1.6**	**4.0**	2.8	2.1	4.9
All other fees [4]	**0.3**	**—**	**0.3**	1.1	—	1.1
Total	**10.7**	**13.2**	**23.9**	12.4	15.3	27.7

1 Audit fees consist of fees billed for the annual audit of the company's consolidated financial statements and the statutory financial statements of the company's subsidiaries.

2 Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the company's financial statements or that are traditionally performed by the independent auditor, and include consultations concerning financial accounting and reporting standards; advice on tax accounting matters; advice and assistance in connection with local statutory accounting requirements; due diligence related to acquisitions or divestitures; financial due diligence in connection with provision of funding to customers, reports in relation to covenants in loan agreements; employee benefit plan audits and reviews; and audit procedures in connection with investigations and compliance programs. They also include fees billed for other audit services, which are those services that only the independent auditor reasonably can provide, and include the provision of comfort letters and consents in connection with statutory and regulatory filings and the review of documents filed with the SEC and other capital markets or local financial reporting regulatory bodies.

3 Tax fees include fees billed for (i) corporate and indirect compliance including preparation and/or review of tax returns, preparation, review and/or filing of various certificates and forms and consultation regarding tax returns and assistance with revenue authority queries; (ii) transfer pricing advice and assistance with tax clearances; (iii) customs duties reviews and advice; (iv) consultations and tax audits (assistance with technical tax queries and tax audits and appeals and advice on mergers, acquisitions and restructurings); (v) personal compliance (preparation of individual tax returns and registrations for employees (non-executives), assistance with applying visa, residency, work permits and tax status for expatriates); and (vi) consultation and planning (advice on stock-based remuneration, local employer tax laws, social security laws, employment laws and compensation programs and tax implications on short-term international transfers).

4 All other fees include fees billed for company establishment, forensic accounting, data security, investigations and reviews of licensing arrangements with customers, other consulting services and occasional training or reference materials and services.

Audit Committee pre-approval policies and procedures

The Audit Committee of our Board of Directors is responsible, among other matters, for the oversight of the external auditor subject to the requirements of Finnish law. The Audit Committee has adopted a policy regarding pre-approval of audit and permissible non-audit services provided by our independent auditors (the "Policy").

Under the Policy, proposed services either (i) may be pre-approved by the Audit Committee without specific case-by-case services approvals ("general pre-approval"); or (ii) require the specific pre-approval of the Audit Committee ("specific pre-approval"). The Audit Committee may delegate either type of pre-approval authority to one or more of its members. The appendices to the Policy set out the audit, audit-related, tax and other services that have received the general pre-approval of the Audit Committee. All other audit, audit-related (including services related to internal controls and significant M&A projects), tax and other services are subject to a specific pre-approval from the Audit Committee. All service requests concerning generally pre-approved services will be submitted to the Corporate Controller, who will determine whether the services are within the services generally pre-approved. The Policy and its appendices are subject to annual review by the Audit Committee.

The Audit Committee establishes budgeted fee levels annually for each of the four categories of audit and non-audit services that are pre-approved under the Policy, namely, audit, audit-related, tax and other services. Requests or applications to provide services that require specific approval by the Audit Committee are submitted to the Audit Committee by both the independent auditor and the Corporate Controller. At each regular meeting of the Audit Committee, the independent auditor provides a report in order for the Audit Committee to review the services that the auditor is providing, as well as the status and cost of those services.

INVESTOR INFORMATION

INFORMATION ON THE INTERNET

www.nokia.com/global/about-nokia

Available on the Internet: financial reports, Nokia management's presentations, conference call and other investor related materials, press releases as well as environmental and social information.

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Annual General Meeting

Date: Tuesday, May 7, 2013 at 2.00 pm
Address: Helsinki Fair Centre, Amfi-hall, Messuaukio 1, Helsinki, Finland

Dividend

The Board proposes to the Annual General Meeting that no dividend be paid for the fiscal year 2012.

Financial reporting

Nokia's interim reports in 2013 are planned for April 18, July 18, and October 17. The 2013 results are planned to be published in January 2014.

Information published in 2012

All Nokia's global press releases published in 2012 are available on the Internet at press.nokia.com.

Stock exchanges

The Nokia Corporation share is quoted on the following stock exchanges:

	Symbol	Trading currency
NASDAQ OMX Helsinki (since 1915)	**NOK1V**	**EUR**
New York Stock Exchange (since 1994)	**NOK**	**USD**

FORWARD-LOOKING STATEMENTS

It should be noted that Nokia and its business are exposed to various risks and uncertainties and certain statements herein that are not historical facts are forward-looking statements, including, without limitation, those regarding: A) the expected plans and benefits of our partnership with Microsoft to bring together complementary assets and expertise to form a global mobile ecosystem for smartphones; B) the timing and expected benefits of our strategies, including expected operational and financial benefits and targets as well as changes in leadership and operational structure; C) the timing of the deliveries of our products and services; D) our ability to innovate, develop, execute and commercialize new technologies, products and services; E) expectations regarding market developments and structural changes; F) expectations and targets regarding our industry volumes, market share, prices, net sales and margins of our products and services; G) expectations and targets regarding our operational priorities and results of operations; H) expectations and targets regarding collaboration and partnering arrangements; I) the outcome of pending and threatened litigation, regulatory proceedings or investigations by authorities; J) expectations regarding the successful completion of restructurings, investments, acquisitions and divestments on a timely basis and our ability to achieve the financial and operational targets set in connection with any such restructurings, investments, acquisitions and divestments; and K) statements preceded by "believe," "expect," "anticipate," "foresee," "target," "estimate," "designed," "aim", "plans," "intends," "will" or similar expressions. These statements are based on management's best assumptions and beliefs in light of the information currently available to it. Because they involve risks and uncertainties, actual results may differ materially from the results that we currently expect. Factors, including risks and uncertainties that could cause these differences include, but are not limited to: 1) our ability to make the Windows Phone ecosystem a competitive and profitable global ecosystem that achieves sufficient scale, value and attractiveness to relevant market participants, making Nokia products with Windows Phone a competitive choice for consumers; 2) our success in the smartphone market, including our ability to introduce and bring to market quantities of attractive, competitively priced Nokia products with Windows Phone that are positively differentiated from our competitors' products, both outside and within the Windows Phone ecosystem; 3) our ability to produce attractive and competitive devices in our Mobile Phones business unit, including feature phones and devices with features such as full touch that can be categorized as smartphones, in a timely and cost efficient manner with differentiated hardware, software, localized services and applications; 4) the success of our HERE strategy, including our ability to establish a successful location-based platform and extend our location-based services across devices and operating systems; 5) our ability to provide support for our Devices & Services business and maintain current and create new sources of revenue from our location-based service and commerce assets; 6) our ability to protect numerous patented standardized or proprietary technologies from third-party infringement or actions to invalidate the intellectual property rights of these technologies; 7) our ability to maintain the existing sources of intellectual property related revenue and establish new such sources; 8) the intensity of competition in the various markets where we do business and our ability to maintain or improve our market position or respond successfully to changes in the competitive environment; 9) our ability to keep momentum and increase our speed of innovation, product development and execution in order to bring new innovative and competitive mobile products and location-based or other services to the market in a timely manner; 10) the success of our partnership with Microsoft in connection with the Windows Phone ecosystem; 11) our ability to effectively and smoothly implement the planned changes in our operational structure and achieve targeted efficiencies and reductions in operating expenses; 12) our ability to retain, motivate, develop and recruit appropriately skilled employees; 13) our dependence on the development of the mobile and communications industry, including location-based and other services industries, in numerous diverse markets, as well as on general economic conditions globally and regionally; 14) our ability to maintain and leverage our traditional strengths in the mobile products market, especially if we are unable retain the loyalty of our mobile operator and distributor customers and consumers as a result of the implementation of our strategies or other factors; 15) the performance of the parties we partner and collaborate with, including Microsoft and our ability to achieve successful collaboration or partnering arrangements; 16) our ability to deliver our mobile products profitably, in line with quality requirements and on time, especially if the limited number of suppliers we depend on fail to deliver sufficient quantities of fully functional products, components, sub-assemblies, software and services on favorable terms and in compliance with our supplier requirements; 17) our ability to manage efficiently our manufacturing and logistics, as well as to ensure the quality, safety, security and timely delivery of our products and services; 18) any actual or even alleged defects or other quality, safety and security issues in our products; 19) any inefficiency, malfunction or disruption of a system or network that our operations rely on; 20) the impact of cybersecurity breach or other factors leading to an actual or alleged loss, improper disclosure or leakage of any personal or consumer data collected by us or our partners or subcontractors, made available to us or stored in or through our products; 21) our ability to successfully manage the pricing of our products and costs related to our products and our operations; 22) the potential complex tax issues and obligations we may face, including the obligation to pay additional taxes in various jurisdictions and our actual or anticipated performance, among other factors, could result in allowances related to deferred tax assets; 23) exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Japanese yen and the Chinese yuan, as well as certain other currencies; 24) our ability to protect the technologies, which we or others develop or which we license, from claims that we have infringed third parties' intellectual property rights, as well as our unrestricted use on commercially acceptable terms of certain technologies in our product and services; 25) the impact of economic, regulatory, political or other development on our sales, manufacturing facilities and assets located in emerging market countries as well as the impact of regulations against imports to those countries; 26) the impact of changes in and enforcement of government policies, technical standards, trade policies, laws or regulations in countries where our assets are located and where we do business; 27) investigations or claims by contracting parties in relation to exits from countries, areas or contractual arrangements; 28) unfavorable outcome of litigation, regulatory proceedings or investigations by authorities; 29) allegations of possible health risks from electromagnetic fields generated by base stations and mobile devices, and the lawsuits and publicity related to them, regardless of merit; 30) Nokia Siemens Networks' success in the mobile broadband infrastructure and related services market and its ability to effectively, profitably and timely adapt business and operations to the diverse needs of its customers; 31) Nokia Siemens Networks' ability to maintain and improve its market position and respond successfully to changes and competition in the mobile broadband infrastructure and related services market; 32) Nokia Siemens Networks' success in implementing its restructuring plan and reducing its operating expenses and other costs; 33) Nokia Siemens Networks' ability to invest in and timely introduce new competitive products, services, upgrades and technologies; 34) Nokia Siemens Networks' dependence on limited number of customers and large, multi-year contracts; 35) Nokia Siemens Networks' liquidity and its ability to meet its working capital requirements, including access to available credit under its financing arrangements and other credit lines as well as cash at hand; 36) the management of Nokia Siemens Networks' customer financing exposure; 37) whether ongoing or any additional governmental investigations of alleged violations of law by some former employees of Siemens may involve and affect the carrier-related assets and employees transferred by Siemens to Nokia Siemens Networks; 38) any impairment of Nokia Siemens Networks customer relationships resulting from ongoing or any additional governmental investigations involving the Siemens carrier-related operations transferred to Nokia Siemens Networks, as well as the risk factors specified on pages 12-47 of Nokia's annual report on Form 20-F for the year ended December 31, 2012 under Item 3D. "Risk Factors." Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Nokia does not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

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