NOKIA CORP
Form 6-K
November 01, 2013

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a -16 or 15d -16 of

the Securities Exchange Act of 1934

Report on Form 6-K dated November 1, 2013

(Commission File No. 1-13202)

Nokia Corporation

Nokia House

Keilalahdentie 4

02150 Espoo

Finland

(Name and address of registrant s principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F: x Form 40-F: o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes: o **No**: x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes: o **No**: x

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes: o **No**: x

Enclosures:

NSN Q3 interim report dated October 29, 2013: NSN1 Interim Report for Q3 2013 and January-September 2013

INTERIM REPORT

Espoo October 29, 2013.

NSN(1) Interim Report for Q3 2013 and January-September 2013

Q3 2013 Net Sales of EUR 2.6 billion and Operating Margin Before Specific Items of 8.4%

Q3 2013 Financial Highlights:

- Third quarter 2013 net sales of EUR 2 591 million, declined 24.0%(2) year-on-year. Excluding divestments of businesses not consistent with NSN s strategic focus as well as the exiting of certain customer contracts and countries, net sales year-on-year declined by approximately 20%. This was primarily due to reduced wireless infrastructure deployment activity and a negative impact related to foreign currency fluctuations. Net sales decreased 6.1% quarter-on-quarter primarily reflecting seasonality and NSN s strategic focus.

- Gross margin before specific items(3) was 36.6% in the third quarter 2013, the second highest in our history, and an improvement of 4.2 percentage points from the third quarter 2012, primarily due to a higher gross margin in Global Services. Sequentially, this represented a decrease of 1.8 percentage points from the second quarter 2013.

- Operating expenses before specific items(3) in the third quarter 2013 were EUR 732 million, down from EUR 762 million in the third quarter 2012 and slightly up from EUR 722 million in the second quarter 2013. Investment in research and development was reduced in areas not consistent with our strategy and increased in areas that are, most notably LTE. Operating margin before specific items(3) was 8.4%, down from 10.1% in the third quarter 2012 and 12.2% in the second quarter 2013.

- Underlying profitability for the sixth consecutive quarter, with the third quarter operating margin before specific items(3) of 8.4%, reflecting the strong gross margin and continued progress relative to the NSN strategy in a seasonally weak quarter.

- Free cash flow was EUR 158 million in the third quarter of 2013, compared to EUR 273 million in the third quarter 2012 and EUR 5 million in the second quarter 2013. In the third quarter of 2013, NSN s free cash flow was affected negatively by approximately EUR 140 million of restructuring-related outflows.

- On August 7, 2013, Nokia Corporation announced that it had completed the acquisition of Siemens stake in NSN(1), and as a result, NSN is now wholly owned by Nokia. The transaction was originally announced on July 1, 2013.

Rajeev Suri, Chief Executive Officer of NSN:

I m delighted with NSN s continued strong performance in profitability and cash generation. In 2014, we will focus on strengthening our topline performance, with a particular focus on growth in LTE and Global Services.

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(1) Nokia Siemens Networks was renamed as Nokia Solutions and Networks, also referred to as NSN, and the terms Nokia Solutions and Networks , NSN and Nokia Siemens Networks can be used interchangeably in this interim report.

(2) The figures presented on an NSN standalone basis in this Interim Report may differ from those reported by Nokia Corporation (Nokia) due to the treatment of discontinued operations and certain accounting presentation differences. In addition, the presentation of underlying business performance information by Nokia and NSN differs due to presentation differences adopted by Nokia (non-IFRS information) and NSN (information before specific items) and the items excluded by each in their respective presentations.

(3) The before specific items financial measures exclude specific items for all periods: restructuring charges, country/contract exit charges, purchase price accounting related charges and other one-time charges. For an analysis of specific items, refer to page 20 of this report.

Operating and Financial Review

Financial results

The figures presented on an NSN standalone basis in this Interim Report may differ from those reported by Nokia due to the treatment of discontinued operations and certain accounting presentation differences. In addition, the presentation of underlying business performance information by Nokia and NSN differs due to presentation differences adopted by Nokia (non-IFRS information) and NSN (information before specific items) and the items excluded by each in their respective presentations.

The following table sets forth our consolidated income statement for the third quarter 2013, the third quarter 2012 and the second quarter 2013.

		Q3/2013			Q3/2012			Q2/2013	
Unaudited	Before specific items EURm	Specific items EURm	Total EURm	Before specific items EURm	Specific items EURm	Total EURm	Before specific items EURm	Specific items EURm	Total EURm
Net sales	2 591		**2 591**	3 408		**3 408**	2 758		**2 758**
Cost of sales	(1 642)	(14)	**(1 656)**	(2 303)	(41)	**(2 344)**	(1 699)	(103)	**(1 802)**
Gross profit	949	(14)	**935**	1 105	(41)	**1 064**	1 059	(103)	**956**
Research and development expenses	(441)	(5)	**(446)**	(442)	(26)	**(468)**	(441)	(19)	**(460)**
Selling and marketing expenses	(171)	(14)	**(185)**	(208)	(43)	**(251)**	(189)	(16)	**(205)**
Administrative and general expenses	(122)	(16)	**(138)**	(108)	(7)	**(115)**	(121)	(34)	**(155)**
Other income	22	2	**24**	50	(4)	**46**	29	(2)	**27**
Other expenses	(20)	(4)	**(24)**	(54)	(1)	**(55)**		(27)	**(27)**
Operating profit	217	(51)	**166**	343	(122)	**221**	337	(201)	**136**
Share of results of associates			**4**			**4**			**(1)**
Financial income			**6**			**3**			**5**
Financial expenses			**(25)**			**(31)**			**(27)**
Other financial results			**24**			**(68)**			**(13)**
Profit before tax			**175**			**129**			**100**
Income tax expense			**(78)**			**(56)**			**(85)**
Profit for the period from continuing operations			**97**			**73**			**15**
Discontinued operations									
Loss for the period from discontinued operations						**(39)**			**(128)**
Profit/(loss) for the period			**97**			**34**			**(113)**
Attributable to:									
Equity holders of the parent			**93**			**32**			**(116)**
Non-controlling interests			**4**			**2**			**3**
			97			**34**			**(113)**

The historical comparative financials presented in this Interim Report include certain changes to previously reported information. These changes result from the retrospective application of a revised International Accounting Standard, IAS 19, Employee Benefits and mainly relate to the consolidated Statement of Comprehensive Income and the Statement of Financial Position. For more information on the adjustments between the previously reported information and the adjusted information, refer to Note 9, Pensions of the first quarter 2013 unaudited condensed interim consolidated financial statements.

Specific items include restructuring charges, country/contract exit charges, purchase price accounting (PPA) related charges and other one-time charges. For an analysis of specific items, refer to page 20 of this report.

At December 31, 2012 the Optical Networks Business was classified as a disposal group held for sale and is presented as discontinued operations on a separate income statement line, Loss for the period from discontinued operations. Comparative information for the third quarter 2012 has been re-presented as discontinued operations in the income statement.

Key financials

The following table sets forth a summary of our results for the quarters indicated in addition to the year-on-year and sequential growth rates.

From continuing operations
Unaudited

EURm, except percentage data	Q3/2013	Q3/2012	YoY change	Q2/2013	QoQ change
Net sales	2 591	3 408	(24.0)%	2 758	(6.1)%
Gross profit	935	1 064	(12.1)%	956	(2.2)%
Gross profit before specific items	949	1 105	(14.1)%	1 059	(10.4)%
Gross margin before specific items	36.6%	32.4%	4.2pp	38.4%	(1.8)pp
Operating expenses	(769)	(843)	(8.8)%	(820)	(6.2)%
Operating expenses before specific items	(732)	(762)	(3.9)%	(722)	1.4%
Operating profit (EBIT)	166	221	(24.9)%	136	22.1%
Operating profit (EBIT) margin	6.4%	6.5%	(0.1)pp	4.9%	1.5pp
EBIT before specific items	217	343	(36.7)%	337	(35.6)%
EBIT before specific items margin	8.4%	10.1%	(1.7)pp	12.2%	(3.8)pp
Profit for the period	97	73	32.9%	15	546.7%
Depreciation and amortization (excluding PPA)	49	67	(26.9)%	55	(10.9)%
EBITDA before specific items(1)	266	410	(35.1)%	392	(32.1)%
EBITDA before specific items margin(1)	10.3%	12.0%	(1.7)pp	14.2%	(3.9)pp

(1) References to EBITDA are to profit/loss for the period from continuing operations, before income tax expense, financial income and expenses, depreciation, amortization and share of results of associates. Accordingly, EBITDA can be extracted from the Consolidated Financial Statements by taking profit/(loss) for the period and adding back income tax expense, financial income and expenses, depreciation, amortization and share of results of associates.

We are not presenting EBITDA or EBITDA-based measures as measures of our results of operations. EBITDA and EBITDA-based measures have important limitations as an analytical tool, and they should not be considered in isolation or as substitutes for analysis of our results of operations.

Percentage point changes are denoted by pp in the above table.

Net sales

The following table sets forth our net sales for the quarters presented in addition to the year-on-year and sequential growth rates by geographic area by location of customer:

Net sales from continuing operations(1)
Unaudited

EURm	Q3/2013	Q3/2012	YoY change	Q2/2013	QoQ change

Asia, Middle East and Africa	1 294	1 846	(29.9)%	1 292	0.2%
Europe and Latin America	998	1 286	(22.4)%	1 123	(11.1)%
North America	299	276	8.3%	343	(12.8)%
Total	**2 591**	**3 408**	**(24.0)%**	**2 758**	**(6.1)%**

(1) Note that as of Q1 2013, our Customer Operations team is organized into the three geographical markets demonstrated in the table: Asia, Middle East and Africa markets covering Greater China, Asia-Pacific, India, Japan, the Middle East and Africa regions; Europe and Latin America markets covering East Europe, West Europe, South East Europe and Latin America; and North America markets covering both the United States and Canada.

The following tables set forth our net sales and operating profit/loss before specific items by segment for the quarters presented:

Net sales from continuing operations
Unaudited

EURm, except percentage data	Q3/2013	Q3/2012	YoY change	Q2/2013	QoQ change
Mobile Broadband	1 259	1 625	(22.5)%	1 281	(1.7)%
Global Services	1 331	1 701	(21.8)%	1 459	(8.8)%
All Other Segments	1	82	(98.8)%	1	0.0%
Total segments	**2 591**	**3 408**	**(24.0)%**	**2 741**	**(5.5)%**
Other				17	n/a
Total	**2 591**	**3 408**	**(24.0)%**	**2 758**	**(6.1)%**

Operating profit/(loss) before specific items
from continuing operations
Unaudited

EURm, except percentage data	Q3/2013	Q3/2012	YoY change	Q2/2013	QoQ change
Mobile Broadband	62	297	(79.1)%	112	(44.6)%
Global Services	164	46	256.5%	215	(23.7)%
All Other Segments	(9)		(100.0)%	(6)	(50.0)%
Total segments	**217**	**343**	**(36.7)%**	**321**	**(32.4)%**
Other				16	n/a
Total	**217**	**343**	**(36.7)%**	**337**	**(35.6)%**

Operating profit/(loss)% before specific items
from continuing operations
Unaudited

EURm, except percentage data	Q3/2013	Q3/2012	YoY change	Q2/2013	QoQ change
Mobile Broadband	4.9%	18.3%	(13.4)pp	8.7%	(3.8)pp
Global Services	12.3%	2.7%	9.6pp	14.7%	(2.4)pp
All Other Segments	n/a	n/a	n/a	n/a	n/a
Total segments	**8.4%**	**10.1%**	**(1.7)pp**	**12.2%**	**(3.8)pp**

Percentage point changes are denoted by pp in the above table.

The year-on-year decrease of 24.0% in our net sales in the third quarter 2013 was partially due to divestments of businesses not consistent with our strategic focus as well as the exiting of certain customer contracts and countries. Excluding these two factors, our net sales in the third quarter 2013 declined by approximately 20% due to reduced wireless infrastructure deployment activity, which affected both Mobile Broadband and Global Services, and the negative effect of foreign currency fluctuations. The year-on-year decrease in Mobile Broadband was primarily due to lower sales in WCDMA, GSM and CDMA. Within Mobile Broadband, LTE was approximately flat year-on-year as higher sales in North America, Europe and Latin America offset lower LTE sales in Japan and Korea. On a constant currency basis*, our LTE net sales grew year-on-year. The year-on-year decrease in Global Services was primarily due to a reduction in network implementation activity, which is consistent with lower levels of large scale Mobile Broadband deployments, and the exiting of certain customer contracts in line with our strategic focus.

On a regional basis, we had lower cyclical sales in Asia following high levels of operator spending a year ago. The year-on-year decline in Middle East and Africa was primarily due to country exits. The lower year-on-year sales in Europe were primarily related to network modernization and divestments in line with our strategy. The year-on-year sales decline in Latin America was driven by constrained operator spending and certain customer contract exits in line with our strategy.

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*Excluding the impact of changes in exchange rates in comparison to the Euro, our reporting currency

The sequential decrease of 6.1% in our net sales in the third quarter 2013 was partially due to the exiting of certain customer contracts and countries as well as the divestments of businesses not consistent with our strategic focus. Excluding these two factors, our net sales in the third quarter 2013 decreased by approximately 4%, primarily due to seasonality, which affected both Global Services and Mobile Broadband, and the negative effect of foreign currency fluctuations. The sequential decrease in Global Services net sales was primarily due to lower sales in professional services and customer care services, partially offset by higher sales in network implementation activity. The slight sequential decrease in Mobile Broadband net sales was primarily due to lower seasonal sales. On a regional basis, our net sales decline was primarily related to lower seasonal spending in Europe and lower investments from operators in Latin America.

In the third quarter 2013, Global Services represented 51% of our net sales, compared to 50% in the third quarter 2012 and 53% in the second quarter 2013. In the third quarter 2013, Mobile Broadband represented 49% of our net sales, compared to 48% in the third quarter 2012 and 46% in the second quarter 2013.

At constant currency*, our net sales would have decreased approximately 19% year-on-year and approximately 4% sequentially.

Gross margin

On a year-on-year basis, the increase in our gross margin before specific items in the third quarter 2013 was primarily due to a higher gross margin in Global Services related to significant efficiency improvements as a result of our restructuring program and the positive impact related to certain customer contract exits and the divestment of businesses which carried lower gross margin, partially offset by slightly lower gross margin in Mobile Broadband.

On a sequential basis, the decrease in our gross margin before specific items in the third quarter 2013 was primarily due to lower gross margin in both Global Services and Mobile Broadband and the absence of non-recurring IPR income of EUR 17 million that was recognized in the second quarter 2013, partially offset by a better product mix due to a higher proportion of Mobile Broadband net sales. The lower gross margin in Global Services was primarily driven by lower seasonal sales and the absence of the revenue triggered by certain project acceptances which was recognized in the second quarter 2013. The gross margin decline in Mobile Broadband was primarily due to costs incurred in anticipation of a technology shift to TD-LTE related to major projects in China and lower seasonal sales.

Operating expenses

On a year-on-year and sequential basis, our research and development expenses before specific items were approximately flat in the third quarter 2013.

On a year-on-year and sequential basis, our sales and marketing expenses before specific items decreased 17.8% and 9.5%, respectively, in the third quarter 2013 primarily due to personnel related and other structural cost savings from our transformation and restructuring program.

Our general and administrative expenses before specific items increased 13.0% year-on-year and 0.8% sequentially in the third quarter 2013. On a year-on-year basis, general and administrative expenses before specific items were higher, primarily due to consultancy fees related to information technology and other projects.

Our other income and expenses before specific items for the third quarter 2013 was income of EUR 2 million, compared to expense of EUR 4 million in the third quarter 2012, and income of EUR 29 million in the second quarter 2013. On a year-on-year basis, the change in other income and expenses before specific items was primarily due to a reduction in doubtful account allowances, partially offset by the negative effect of foreign currency fluctuations. On a sequential basis, the change was primarily due to positive impacts in the second quarter 2013 related to the gain on sale of real estate and the reduction in doubtful account allowances.

Operating margin

The year-on-year decrease in our operating margin before specific items, was primarily due to a lower operating margin in Mobile Broadband, partially offset by a higher operating margin in Global Services. On a year-on-year basis, the 13.4 percentage point decline in Mobile Broadband operating margin was primarily due to higher operating expenses as a percentage of net sales, and to a lesser extent by slightly lower gross margin. The year-on-year 9.6 percentage point increase in Global Services operating margin was primarily due to higher gross margin and lower operating expenses as a percentage of net sales.

On a sequential basis, operating margin before specific items decreased due to lower operating margin for both Global Services and Mobile Broadband which declined by 2.4 and 3.8 percentage points respectively. The sequential decline in Global Services and Mobile Broadband operating margin was primarily due to lower gross margin and, to a lesser extent, higher operating expenses as a percentage of net sales.

On a year-on-year basis, our operating margin after specific items was approximately flat. The other income offset other expenses in the third quarter 2013, compared to an expense of EUR 9 million in the third quarter 2012.

On a sequential basis, operating margin after specific items increased primarily due to lower restructuring related charges in the third quarter 2013. In the second and third quarters 2013, other income offset other expenses.

Financial income and expenses

In the third quarter 2013, we incurred a net gain in financial income and expenses of EUR 5 million compared to a net expense of EUR 96 million in the third quarter 2012 and a net expense of EUR 35 million in the second quarter 2013. Our financial income and expenses consisted of financial expenses of EUR 22 million (EUR 28 million in the third quarter 2012 and EUR 25 million in the second quarter 2013), primarily relating to interest expense on interest-bearing liabilities, and financial income of EUR 6 million (EUR 3 million in the third quarter 2012 and EUR 5 million in the second quarter 2013). Our other financial results consist primarily of net foreign exchange gains of EUR 24 million (losses of EUR 68 million in the third quarter 2012 and EUR 13 million in the second quarter 2013). The decrease in net foreign exchange losses compared to the second quarter 2013 is mainly due to a positive impact from unhedgeable currency risk and movements in foreign exchange rates. The net foreign exchange losses during the third quarter 2012 were mainly due to weakening of currencies that could not be hedged and the cost of hedging.

Income tax expense

In the third quarter 2013, we incurred income tax expense of EUR 78 million compared to EUR 56 million in the third quarter 2012. The income tax expense in the third quarter 2012 was lower due to the profit mix across the various jurisdictions where we pay income tax. In the second quarter 2013, we incurred an income tax expense of EUR 85 million.

We periodically assess our unrecognized deferred tax assets. At the end of the third quarter 2013, we have a total of approximately EUR 1.7 billion unrecognized net deferred tax assets, of which approximately EUR 1.5 billion relate to Finland (calculated at 24.5% tax rate) and have not been recognized in the financial statements due to our history of losses in Finland. Our tax rate may vary significantly period to period and is impacted by the non-recognition of the Finnish deferred tax assets as well as the mix of profitability in our subsidiaries and payments of foreign withholding taxes in certain overseas jurisdictions. The majority of our Finnish deferred tax assets are indefinite in nature and available against future Finnish tax liabilities. There is a draft Government proposal to reduce the Finnish corporate tax rate to 20% from January 1, 2014 which would correspondingly reduce the amount of any recognizable net deferred tax assets in the future.

Net profit

Including the continued restructuring and other one-time charges recorded in the third quarter 2013, we reported net profit of EUR 97 million, up from EUR 34 million in the third quarter 2012 and a net loss of EUR 113 million in the second quarter 2013.

Transformation and restructuring program

Restructuring related charges and cash outflows

The following table sets forth a summary of our cost reduction activities and planned operational adjustments.

EURm	Q3/2013 (approximate)	Cumulative up to Q3/2013 (approximate)	Q4/2013 (approximate estimate)	2013 (approximate estimate)	2014 (approximate estimate)	Total (approximate estimate)
Restructuring- related charges	39	1 750		**Not provided**		1 800
Restructuring- related cash outflows	140	1 100	200	650	300	1 600

We continue to target to reduce annualized operating expenses and production overheads, excluding specific items, by more than EUR 1.5 billion by the end of 2013, compared to the end of 2011. In conjunction with this restructuring program, we continue to estimate total restructuring related charges of approximately EUR 1.8 billion as well as total restructuring related cash outflows of approximately EUR 1.6 billion.

Non-cash charges and timing differences account for the differences between the above charges and the corresponding cash out-flows. Changes in estimates of timing or amounts of costs to be incurred and associated cash flows may become necessary as the transformation and restructuring program is implemented.

At the end of the third quarter 2013, we had approximately 49 100 employees, a reduction of approximately 11 500 compared to the end of the third quarter 2012, and approximately 1 400 compared to the end of the second quarter 2013.

Disposals not treated as discontinued operations

On December 5, 2012, we entered into an agreement for the sale of our Business Support Systems business to Redknee Solutions Inc. The transaction closed on March 29, 2013. The transaction comprised of the core Business Support Systems assets and operations. As part of the transaction, approximately 1 200 employees were transferred to Redknee Solutions Inc. Assets, amounting to EUR 25 million, and liabilities, amounting to EUR 19 million were disposed of at the date of closing. The Business Support Systems business is reported in all other segments in our segment information.

In 2012, we transferred our microwave transport business to DragonWave, Inc. On April 10, 2013 we reached an agreement with DragonWave, Inc. on certain amendments to their collaboration agreements concerning the microwave transport business. The amendments involved the termination of the service agreement pursuant to which we had provided R&D services to DragonWave, Inc., and revision of certain terms and conditions of the supply agreement related to packet microwave and related products. The two companies will continue to jointly coordinate technology development activities. In the second quarter 2013, invoices totaling EUR 11 million were written-off related to the terminated service agreement. This is included in restructuring related charges along with other divestment related charges in recent quarters.

In the third quarter 2013, we paid USD 13 million to NewNet Communication Technologies LLC, as part of the settlement agreement related to the divestment of our WiMAX business in February 2012. We entered into the settlement agreement in June 2013 and paid the first installment of USD 13 million at that time. In addition, certain receivables and payables between the two parties were waived and we credited monthly rent and operating expenses during the remaining term of certain lease contracts. This completed the settlement with NewNet Communication Technologies LLC.

When we dispose of businesses, our gains and losses at the time of disposition are subject to change based on negotiations of final purchase consideration.

Disposals treated as discontinued operations

On December 1, 2012, we reached a formal agreement with Marlin Equity Partners, for the sale of our Optical Networks Business comprising the complete Optical Networks product portfolio, services offering and existing customer contracts (together, the Optical Networks Business). The transaction closed on May 6, 2013 and a loss on disposal of EUR 117 million was recognized following derecognition of the assets and liabilities transferred of EUR 77 million and payment of EUR 40 million cash consideration (refer to Note 7, Disposals).

In accordance with IFRS, we have presented the Optical Networks Business as discontinued operations in the consolidated financial statements for the the three and nine-month periods ended September 30, 2013, and have re-presented the comparative results for the three and nine-month periods ended September 30, 2012 (refer to Note 7, Disposals). For the nine-month period ended September 30, 2013, the Optical Networks Business generated net sales of EUR 110 million (sales of EUR 289 million for the nine-month period ended September 30, 2012) and incurred a net loss of EUR 135 million (a net loss of EUR 57 million for the nine-month period ended September 30, 2012). For the year ended December 31, 2012 the Optical Networks Business generated net sales of EUR 407 million and incurred a net loss of EUR 63 million.

Financial position

Non-current assets decreased from EUR 1.7 billion at December 31, 2012 to EUR 1.5 billion at September 30, 2013. The decrease primarily results from depreciation and amortization charges, partially offset by purchases of plant, property and equipment. Current assets decreased from EUR 8.6 billion at December 31, 2012 to EUR 7.2 billion at September 30, 2013 due to a reduction in accounts receivable driven by cash collection and ongoing sale of receivables arrangements. This is also reflected in the cash position.

At September 30, 2013, non-current liabilities remained at EUR 1.4 billion. Current liabilities decreased from EUR 6.6 billion at December 31, 2012 to EUR 5.2 billion at September 30, 2013 mainly due to the payment of short-term incentives and a reduction in advance payments received and accounts payable, driven by lower business volumes in 2013.

The impact of the retrospective application of the revised International Accounting Standard, IAS 19, Employee Benefits was a total adjustment of EUR 165 million to non-current assets and non-current liabilities at December 31, 2012 with the corresponding reduction in equity. Refer to Note 9, Pensions, in the first quarter 2013 unaudited condensed interim consolidated financial statements.

Cash flows

The table below sets forth information regarding our cash flows from continuing and discontinued operations for the quarters presented:

Unaudited

EURm	**Q3/2013**	**Q3/2012**	**Q2/2013**
Statement of cash flows information:			
Net cash from operating activities	195	320	92
Net cash used in investing activities	(37)	(38)	(93)
Net cash used in financing activities	(8)	(54)	(197)
Net increase/(decrease) in cash and cash equivalents	**137**	**197**	**(239)**
Free cash flow(1)	158	273	5
Capital expenditures(2)	(38)	(44)	(50)
(Increase)/decrease in net working capital	(104)	82	(239)
Total cash and other liquid assets(3)	2 656	2 034	2 518
Net cash and other liquid assets	1 536	620	1 445

(1) Free cash flow represents the sum of net cash from operating activities and net cash used in investing activities less proceeds from/purchases of current available-for-sale investments, liquid assets. The proceeds from/purchases of current available-for-sale investments, liquid assets are presented in the Condensed Interim Consolidated Statement of Cash Flows. This component has been included in our definition of free cash flow from Q2 2013 onwards and the 2012 comparatives have been updated accordingly.

(2) Capital expenditures represent purchases of property, plant and equipment and intangible assets.

(3) Includes EUR 81 million (EUR 43 million in Q3 2012 and EUR 25 million in Q2 2013) cash held temporarily due to sale of receivable arrangements in China and divestment of the Optical Networks Business, Business Support Systems and the fixed-line broadband access business where we continue to perform services within a contractually defined scope for a specified timeframe.

In the third quarter 2013, we continued our strong performance from a cash perspective, generating EUR 158 million free cash flow, which includes approximately EUR 140 million of restructuring-related outflows.

For an analysis of our loans and borrowings related commitments at September 30, 2013, refer to Note 8, Loans and borrowings.

Q3 2013 Operating Highlights:

- Mobile broadband deal momentum continued and during the quarter, we were selected by Tele2 Netherlands to deliver 4G and related services nationwide; appointed by Celcom in Malaysia to supply 4G network infrastructure and services; expanded the 2G network and renewed services contracts in Southern Iraq for Korek Telecom; launched commercial LTE services in Paris for SFR; were appointed by Mobily in Saudi Arabia, to further modernize and expand its 2G, 3G and 4G networks; were chosen by MTS to provide a network upgrade and services in the Ukraine; and deployed FDD-LTE and a full range of services for MTS in the Moscow and Central Russia regions.

- We continue to lead in 4G technology, and by September, had helped all three major Korean operators SK Telecom, LG U+ and Korea Telecom to become the world s first to launch LTE-Advanced commercially, using the capabilities of our Flexi Multiradio Base Stations. During September, we also demonstrated the world s first 4G TD-LTE network trial showing that Authorized Shared Access (ASA) is paving the way for future 5G networks. For the live trial, we deployed our network elements commercial Single RAN Flexi MultiRadio 10 Base Stations, commercial Core Network and commercial NetAct network management system in three Finnish cities.

- In August, industry analyst firm, Gartner, positioned us in the Leaders quadrant of the Magic Quadrant for LTE Network Infrastructure, for the second consecutive year. The ranking based on an evaluation of the company s product development and innovation, financial performance, and customer references places us among the three global network suppliers best positioned to support a mobile operator s future in LTE, TD-LTE and LTE-Advanced.

- We continue to invest in innovation to stay at the forefront of mobile broadband. In July, with CDNetworks, we began working to accelerate the delivery of benefits from Liquid Applications, driving a step change in the mobile broadband experience and opening up new revenue streams for operators. In September, with SK Telecom, we completed the world s first proof-of-concept of Liquid Applications over LTE, achieving a major milestone for enhancing the mobile broadband experience. The successful testing was conducted with three advanced services over LTE: location-based mobile advertising, augmented reality and premium application delivery.

- We have completed comprehensive testing of mobile voice core services running in the Telco Cloud and in July we confirmed that our cloud technology is on the brink of commercial deployment. We successfully demonstrated an exhaustive set of use cases covering Voice over LTE (VoLTE) based on IP Multimedia Subsystem (IMS) and full cloud orchestration, including cloud application management capabilities.

- In July, our Customer Experience Management (CEM) contract with Beijing Mobile was extended, to implement an extensive Quality of Experience solution, further improving our end-user customer experience, linking network performance with subscriber satisfaction and application behavior.

NSN in January - September 2013

Key financials

The following table sets forth a summary of our results for the periods indicated, as well as the year-on-year growth rates.

From continuing operations
Unaudited

EURm, except percentage data	**Q1-Q3/2013**	**Q1-Q3/2012**	**YoY change**
Net sales	8 066	9 503	(15.1)%
Gross profit	2 790	2 258	23.6%
Gross profit before specific items	2 927	2 715	7.8%
Gross margin before specific items	36.3%	28.6%	7.7pp
Operating expenses	(2 478)	(3 251)	(23.8)%
Operating expenses before specific items	(2 171)	(2 470)	(12.1)%
Operating profit/(loss) (EBIT)	312	(993)	131.4%
Operating profit/(loss) (EBIT) margin	3.9%	(10.4)%	14.3pp
EBIT before specific items	756	245	(208.6)%
EBIT before specific items margin	9.4%	2.6%	6.8pp
Loss for the period	(24)	(1 471)	(98.4)%
Depreciation and amortization (excluding PPA)	162	211	(23.2)%
EBITDA before specific items(1)	918	456	101.3%
EBITDA before specific items margin(1)	11.4%	4.8%	6.6pp

(1) References to EBITDA are to profit/loss for the period from continuing operations, before income tax expense, financial income and expenses, depreciation, amortization and share of results of associates. Accordingly, EBITDA can be extracted from the Consolidated Financial Statements by taking loss for the period and adding back income tax expense, financial income and expenses, depreciation, amortization and share of results of associates.

We are not presenting EBITDA or EBITDA-based measures as measures of our results of operations. EBITDA and EBITDA-based measures have important limitations as an analytical tool, and they should not be considered in isolation or as substitutes for analysis of our results of operations.

Percentage point changes are denoted by pp in the above table.

The decline in our net sales in the first nine months of 2013 was primarily due to lower net sales in Global Services as well as lower net sales in businesses not consistent with our strategic focus. In addition, net sales in Mobile Broadband also declined on an overall basis, while delivering strong growth in LTE.

Our gross margin in the first nine months of 2013 primarily increased due to higher gross margin in both Global Services and Mobile Broadband, as well as a higher proportion of Mobile Broadband within the total sales mix.

The decrease in our operating expenses in the first nine months of 2013 was primarily due to personnel related and other structural cost savings as well as overall cost controls.

Our net financial income and expenses for the nine months of 2013 was an expense of EUR 105 million compared to an expense of EUR 228 million for the first nine months of 2012. The decrease was primarily due to a decrease in our other financial results driven by a lower negative impact from unhedgeable currency risk and movements in foreign exchange rates.

In the first nine months of 2013, we incurred an income tax expense of EUR 236 million, compared to EUR 254 million in the first nine months of 2012.

Our loss in the first nine months of 2013 was significantly lower compared to 2012 primarily due to lower restructuring related charges and improved profitability.

Unaudited Condensed Interim Consolidated Financial Statements

Condensed Interim Consolidated Income Statement

For the three-month periods ended	Notes	September 30, 2013 Before specific items (unaudited) EURm	September 30, 2013 Specific items (unaudited) EURm	September 30, 2013 Total (unaudited) EURm	September 30, 2012 Before specific items (unaudited) EURm	September 30, 2012 Specific items (unaudited) EURm	September 30, 2012 Total (unaudited) EURm
Net sales		2 591		**2 591**	3 408		**3 408**
Cost of sales		(1 642)	(14)	**(1 656)**	(2 303)	(41)	**(2 344)**
Gross profit		949	(14)	**935**	1 105	(41)	**1 064**
Research and development expenses		(441)	(5)	**(446)**	(442)	(26)	**(468)**
Selling and marketing expenses		(171)	(14)	**(185)**	(208)	(43)	**(251)**
Administrative and general expenses		(122)	(16)	**(138)**	(108)	(7)	**(115)**
Other income		22	2	**24**	50	(4)	**46**
Other expenses		(20)	(4)	**(24)**	(54)	(1)	**(55)**
Operating profit		217	(51)	**166**	343	(122)	**221**
Share of results of associates				**4**			**4**
Financial income				**6**			**3**
Financial expenses	7			**(25)**			**(31)**
Other financial results				**24**			**(68)**
Profit before tax				**175**			**129**
Income tax expense	5			**(78)**			**(56)**
Profit for the period from continuing operations				**97**			**73**
Discontinued operations							
Loss for the period from discontinued operations	6						**(39)**
Profit for the period				**97**			**34**
Attributable to:							
Equity holders of the parent				**93**			**32**
Non-controlling interests				**4**			**2**
				97			**34**

For an analysis of specific items, refer to Note 2, Specific items.

NSN s financial statements for the period ended September 30, 2012 now reflect the restrospective application of IAS 19R, Employee Benefits. Refer to Note 9, Pensions, in the first quarter 2013 unaudited condensed interim consolidated financial statements.

The notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

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Unaudited Condensed Interim Consolidated Financial Statements

Condensed Interim Consolidated Income Statement

		September 30, 2013			September 30, 2012		
For the nine-month periods ended	**Notes**	**Before specific items (unaudited)**	**Specific items (unaudited)**	**Total (unaudited)**	**Before specific items (unaudited)**	**Specific items (unaudited)**	**Total (unaudited)**
Net sales		8 066		**8 066**	9 503		**9 503**
Cost of sales		(5 139)	(137)	**(5 276)**	(6 788)	(457)	**(7 245)**
Gross profit		2 927	(137)	**2 790**	2 715	(457)	**2 258**
Research and development expenses		(1 318)	(32)	**(1 350)**	(1 433)	(201)	**(1 634)**
Selling and marketing expenses		(543)	(94)	**(637)**	(670)	(322)	**(992)**
Administrative and general expenses		(348)	(92)	**(440)**	(343)	(202)	**(545)**
Other income		98	2	**100**	87		**87**
Other expenses		(60)	(91)	**(151)**	(111)	(56)	**(167)**
Operating profit/(loss)		756	(444)	**312**	245	(1 238)	**(993)**
Share of results of associates				**5**			**4**
Financial income				**14**			**10**
Financial expenses	7			**(81)**			**(92)**
Other financial results				**(38)**			**(146)**
Profit/(loss) before tax				**212**			**(1 217)**
Income tax expense	5			**(236)**			**(254)**
Loss for the period from continuing operations				**(24)**			**(1 471)**
Discontinued operations							
Loss for the period from discontinued operations	6			**(135)**			**(57)**
Loss for the period				**(159)**			**(1 528)**
Attributable to:							
Equity holders of the parent				**(168)**			**(1 541)**
Non-controlling interests				**9**			**13**
				(159)			**(1 528)**

For an analysis of specific items, refer to Note 2, Specific items.

NSN s financial statements for the period ended September 30, 2012 now reflect the restrospective application of IAS 19R, Employee Benefits. Refer to Note 9, Pensions, in the first quarter 2013 unaudited condensed interim consolidated financial statements.

The notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

Unaudited Condensed Interim Consolidated Financial Statements

Condensed Interim Consolidated Statement of Comprehensive Income

For the three-month periods ended September 30	2013 (unaudited) EURm	2012 (unaudited) EURm
Profit for the period	**97**	**34**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	15	(41)
Income tax related to remeasurements of defined benefit plans		2
Items that may be reclassified subsequently to profit or loss:		
Translation differences	(66)	(30)
Cash flow hedges	(16)	56
Available-for-sale investments		